



## SUMMARY OF THE THIRTY-NINTH SESSION OF THE INTERNATIONAL TROPICAL TIMBER COUNCIL: 7-12 NOVEMBER 2005

The thirty-ninth session of the International Tropical Timber Council (ITTC) took place from 7-12 November 2005, in Yokohama, Japan. Delegates discussed topical issues including, *inter alia*: the International Tropical Timber Organization (ITTO) Biennial Work Programme for 2006-2007; negotiating a successor agreement to the International Tropical Timber Agreement, 1994 (ITTA, 1994); ITTO Objective 2000; and phased approaches to certification. Delegates to ITTC-39 approved 11 projects and one pre-project and pledged US\$5.2 million in project financing.

Delegates also convened in the thirty-seventh 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, conduct policy work and set the Committees' work for the next biennium. The eighteenth session of the Committee on Finance and Administration also met to discuss the ITTO Biennial Administrative Budget for 2006-2007, the draft terms of reference for ITTO regional officers and the current status of the Administrative Account.

On the surface, ITTC-39 may have left an impression that the ITTO is conducting business as usual. However, the session was overshadowed by the uncertainty associated with the renegotiation of ITTA, 1994. While ITTC-39 participants clearly came prepared to negotiate both the ITTO's operational, project and policy work for 2006-2007, most were focused on reaching compromise on key outstanding issues related to the Fourth Part of the UN Conference for the Negotiation of a Successor Agreement to ITTA, 1994 in January 2006.

### 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.

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

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non-tropical timber issues as they relate to tropical timber, and includes the Year 2000 Objective to for achieving exports of tropical timber and timber products from sustainably managed sources by the year 2000. The ITTA, 1994 also established the Bali Partnership Fund to assist producing members in achieving the Year 2000 Objective. Initially concluded for three years, the ITTA, 1994 was extended twice for three-year periods and is scheduled to expire on 31 December 2006.

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, exchange information about and develop policies on issues relating to international trade in, and utilization of, tropical timber and the sustainable management of its resource base. The ITTO also administers assistance for related projects. The ITTO has 59 members divided into two caucuses: producer countries (33 members) and consumer countries (26 members). The ITTO's membership represents 90 percent of world trade in tropical timber and 80 percent of the world's tropical forests.

The governing body of the ITTO is the International Tropical Timber Council (ITTC), which includes all members. Annual contributions and votes are distributed equally between the two membership groups – producers and consumers. The Council is supported by four committees, which are open to all members and provide advice and assistance to the Council on issues for consideration and decision: Economic Information and Market Intelligence; Reforestation and Forest Management; Forest Industry; and Finance and Administration. The ITTC performs, or arranges for the performance of, all functions necessary to carry out the provisions of the ITTA, 1994.

**ITTC-34:** The 34th session of the ITTC met from 12-17 May 2003, in Panama City, Panama. The Council adopted 11 decisions on: projects, pre-projects and activities; the management of the Administrative Budget; the Asia Forest Partnership; criteria and indicators (C&I) for sustainable forest management (SFM); matters related to Article 16 of the ITTA, 1994 concerning the Executive Director of the ITTO and staff; negotiations for a successor agreement to the ITTA, 1994; cooperation between ITTO and CITES on broad-leaf mahogany; the management of project implementation; the Biennial Work Programme and Administrative Budget; phased approaches to certification; and the expansion and diversification of international trade in tropical timber. Delegates also approved nine projects and eight pre-projects.

**ITTC-35:** The 35th session of the ITTC met from 3-8 November 2003, in Yokohama, Japan. The Council adopted decisions on: projects, pre-projects and activities; management of the Administrative Account for 2003; an Executing Agencies Account; and the ITTO 2004-2005 Biennial Work Programme. The Council also approved 16 projects and four pre-projects.

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

**ITTC-37:** The 37th session of the ITTC met from 13-18 December 2004, in Yokohama, Japan. During the session, delegates examined a range of issues, including: measures to

improve the effectiveness and efficiency of ITTO's project cycle; strengthening the Asia Forest Partnership; forest law enforcement in the context of sustainable timber production and trade; and criteria and indicators for sustainable forest management. Delegates to ITTC-37 approved 25 projects and five pre-projects and pledged US\$8 million in project funding.

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

### INTERSESSIONAL HIGHLIGHTS

**UN CONFERENCE FOR THE NEGOTIATION OF A SUCCESSOR AGREEMENT TO ITTA, 1994, THIRD PART:** The third part of the United Nations Conference for the Negotiation of a Successor Agreement to ITTA, 1994 convened at the Palais des Nations in Geneva, Switzerland, from 27 June to 1 July 2005. The Conference, which is being held under the auspices of UNCTAD, focused on the thematic areas of scope and finance for the new Agreement. Over 180 governments, international organizations and an intergovernmental body negotiated outstanding text from the final working document from the second part of the UN Conference (TD/TIMBER.3/L.4). In spite of approving informally over 20 articles of the Agreement, some participants expressed concern about the small amount of flexibility shown by participants. To address major contentious issues, including finance, operational activities, statistics and information, and entry into force of the new Agreement, delegates agreed convene a fourth part of the UN Conference in Geneva, in January 2006.

### ITTC-39 REPORT

ITTC Chair Alhassan Attah (Ghana) opened the session on Monday, 7 November 2005, thanking the Government of Japan for hosting the meeting. Attah stressed the need to reach agreement on a successor agreement to ITTA, 1994, which expires at the end of 2006. He suggested that the public image of ITTO will depend on successful completion of the negotiations as well as its ability to address such issues as illegal logging. He noted that the draft Biennial Work Programme (BWP) (ITTC(XXXIX)/7) addresses these issues. Chair Attah said funding for ITTO projects has too narrow a base and called for more funding from other donors, including the private sector. He announced that Mexico will host the fortieth session of ITTC in May 2006.

Hiroshi Nakada, Mayor of Yokohama, noted that ITTO has made major contributions but illegal logging continues. He praised ITTO for taking on the difficult mission of reconciling development of tropical countries with improving the global environment.

Naoto Maeda, Ministry of Forestry and Fisheries of Japan, said Japan has used its initiative on climate change from the G8 Summit to combat illegal logging. He explained how the initiative funds activities that curb deforestation and carbon



emissions. He said that successful outcomes of ITTA, 1994 renegotiations would strengthen ITTO and reflect changing forestry and socioeconomic conditions in the world.

ITTO Executive Director Manoel Sobral Filho emphasized: the importance of promptly concluding renegotiations of the successor agreement and increasing ITTO funding levels in light of continued high levels of tropical deforestation; the need to focus ITTO work on a subset of countries containing the bulk of tropical forests; and the potential for civil society and the private sector to play a key role in the successor agreement's implementation. He highlighted the contributions of ITTO and expressed confidence in its legacy.

Carolyn Rodrigues, Minister of Amerindian Affairs of Guyana, stressed the interconnectivity of political and environmental affairs as well as the impacts of commodity and fuel prices on forest-dependent peoples. She highlighted recent successes achieved by the Iwokrama Rainforest project, and urged demonstration of commitment to ITTO through increased funding.

Peter Chin Fah Kui, Minister of Plantation Industries and Commodities of Malaysia, called on ITTO to produce further studies, guidelines and manuals, including on value added timber products and price stability. Noting the key role of the Committee on Economic Information and Market Intelligence (CEM) and the Committee on Forest Industry (CFI), he stressed that these two committees should remain separate under the successor agreement to ITTA, 1994. He also called on consumer countries to reaffirm their commitment to funding the Special Account and the Bali Partnership Fund (BPF) under the successor agreement.

Don Lee, President of the International Union of Forest Research Organizations (IUFRO), described programmes of IUFRO in the area of forestry research, and outlined areas of cooperation between ITTO and IUFRO, particularly in the interface between science and policy.

**ORGANIZATIONAL MATTERS:** ITTO Executive Director Sobral noted that a quorum had been attained and delegates then adopted the agenda and organization of work (ITTC(XXXIX)/1) without amendment. Sobral reported that there had been no change in ITTO membership since 2004, so that the total membership remains at 59 – 26 consuming and 33 producing members. He introduced the proposed distribution of votes for 2006, as contained in the agenda (ITTC(XXXIX)/1), which determine members' assessed contributions, and delegates adopted the document without amendment. He updated participants on applications for observer status. The document (ITTC(XXXIX)/Info.3) was adopted without comment.

The Officers presiding at ITTC-39 were: Chair Alhassan Attah (Ghana) and Vice-Chair Koichi Ito (Japan). The committee officers were: Committee on Reforestation and Forest Management (CRF) Chair Jennifer Conje (US) and Vice-Chair Petrus Gunarso (Indonesia); Committee on Economic Information and Market Intelligence (CEM) Acting Chair James Gasana (Switzerland); Committee on Forest Industry (CFI) Chair Celestine Ntsame-Okwo (Gabon) and Vice-Chair Jung-Hwan Park (Republic of Korea); and Committee on Finance and Administration (CFA) Chair Shaharuddin Mohamad Ismail

(Malaysia) and Vice-Chair Sai Guohua (China). The Producer Caucus Spokesperson was Luiz César Gasser (Brazil) and the Consumer Caucus Spokesperson was Aulikki Kauppila (Finland).

### COUNCIL SESSIONS

The Council met throughout the week to discuss, *inter alia*: the report of the Informal Advisory Group; negotiating a successor agreement to the ITTA, 1994; ITTO Objective 2000; the annual review and assessment of the international timber situation; phased approaches to certification; and the ITTO BWP. On Tuesday, delegates were updated on progress on the implementation of ITTO Objective 2000. On Wednesday, the Council discussed CITES listing of tropical timber, the Annual Review and Assessment of the International Timber Situation, decisions and the report of the session, and BWPs.

### REPORT OF THE INFORMAL ADVISORY GROUP:

On Monday, the ITTO Executive Director indicated that the Informal Advisory Group (IAG) met on Sunday to discuss the ITTA, 1994 renegotiations, the BWP for 2006-2007, the extension of the Yokohama Action Plan (YAP) for 2002-2006 and the venue of ITTC-42. He stated that the IAG had discussed that the ITTA renegotiation in January 2006 would be convened for two weeks instead of one week in Geneva. He stated that Papua New Guinea's offer to host ITTC-42 would be given due consideration, without prejudice to the renegotiation of ITTA, 1994. He noted that it may be necessary to transfer US\$500,000 from the Working Capital Account (WCA) to cover assessed contribution shortfalls.

**NEGOTIATING A SUCCESSOR AGREEMENT TO THE ITTA, 1994:** Amb. Carlos Antonio da Rocha Paranhos (Brazil), President of the UN Conference on the Renegotiation of the Successor Agreement, outlined issues on which the Conference agreed in June, including: composition of the Council; cooperation with other organizations; privileges and immunities; payments; and most final clauses. He then delineated the issues on which disagreement remains, including: scope of the Agreement; frequency of Council sessions; voting schemes; and finance. He said that the fourth session would resume in Geneva from 16-27 January 2006, and hoped to conclude negotiations then.

**ITTO OBJECTIVE 2000:** On Tuesday, delegates discussed assistance provided to producer countries to identify factors limiting progress towards achieving Objective 2000 (ITTC(XXXIX)/5). Markku Simula, ITTO Consultant, described a study mission to Mexico that found a number of sustainable forest management (SFM) innovations in community forest management. He noted that some deforestation and degradation in community forests, along with significant reforestation, exists. Simula indicated that constraints on SFM involve problems of poor management, with low levels of technical expertise and logistical problems hindering efficient marketing of resources.

During discussion of the report, Mexico said that its National Forestry Commission was created to develop productive capacity and SFM as well as generating markets for forest services, and is realizing these objectives by developing SFM Criteria and Indicators (C&I) and certification schemes. Indonesia noted that Mexico has a different ownership pattern with community forests, but that financing problems are common to many producer countries. Japan indicated its concern with illegal



logging, which distorts pricing and markets and impacts climate change, one of the issues at the G8 summit. India asked about limiting factors on SFM in Mexico, and Simula responded that financing is the principal limitation. Switzerland indicated its concern with deforestation and suggested closer work with ITTO, particularly with regard to monitoring trade, including trade in Non-Timber Forest Products (NTFPs) and environmental services. The EU suggested that Mexico's experience with community forest management be shared with other ITTO members, and ITTO Executive Director Sobral noted that there will be an international forum in Mexico from 25-27 April 2006 on financing SFM.

**ITTO BIENNIAL WORK PROGRAMME:** On Wednesday, delegates were updated on implementation of the BWP for 2004-2005 (ITTC(XXXIX)/6). On each day, delegates discussed elements of the draft BWP for 2006-2007 (ITTC(XXXIX)/7) in Council and informal working group sessions.

**Progress Report on the ITTO BWP for 2004-2005:** On Wednesday, ITTO Executive Director Sobral presented a progress report on the ITTO BWP for 2004-2005. He outlined the activities completed under the programme, including: administrative activities; project-related and strategic policy work; work of the technical committees, including project reviews and evaluations; and work of the policy committees, including market and subsidy studies. Delegates drew attention to the framework for the activities in the BWP for 2004-2005. The EC stated that there is a need for ITTO to link its activities to its objectives, and to place the activities in a broader context. Switzerland called for a logical framework that could be applied to future work programmes. Guatemala said that ITTO should aim to enrich activities on community forest management through workshops.

**ITTO Biennial Work Programme for 2006-2007:** On Monday, ITTO Executive Director Sobral presented the draft BWP for 2006-2007, which includes the following elements: administrative activities; project activities; strategic policy activities; the work of the joint committees; Committee on Finance and Administration activities; Committee on Economic Information and Market Intelligence activities; Committee on Reforestation and Forest Management activities; Committee on Forest Industry activities; and Secretariat activities. He said funding for the programme would be drawn, *inter alia*, from the WCA and unearmarked funds of the BPF and Special Account. He noted that the BPF Sub-Account represents a tripling of former levels, in accord with a compromise reached in negotiations on the successor agreement.

On Tuesday, Chair Attah opened discussion of the draft BWP for 2006-2007 (ITTC(XXXIX)/7) and asked delegates to adopt the activities in the list one by one.

**Administrative Activities:** On administrative activities, the Council adopted, *inter alia*, the following:

- On Council sessions, Japan noted that there would be no financial authorization for ITTC-42 in 2007 until the successor agreement is completed. The Chair said this would be footnoted in the BWP.
- On review and approval of the Administrative Budget for 2007, Switzerland asked if 2008 should be added. The Chair

agreed that budget estimates for 2008 would be included with 2007 estimates; the activity was adopted with this addition.

- On consideration and taking measures with regard to appointment of the Executive Director and ITTO Secretariat staff, the US said that all financial considerations of this activity should be considered together for comprehensive understanding of all aspects of the activities. The activity was adopted with this proviso.

**Project Activities:** On project activities of the Council, the Council adopted the following without change:

- the eligibility of approved actions, projects and pre-projects for funding out of Sub-Accounts A and B of the BPF;
- project work, including financing, taking into account the recommendations made by committees on project proposals and ongoing and completed approved projects;
- making allocations from unearmarked funds available in the BPF and/or Special Account to fund implementation of eligible approved actions, projects and pre-projects;
- consideration and approval of provisions for continuing to publish the ITTO quarterly Tropical Forest Update and bi-weekly Market Information Service; and
- continuing work to improve the ITTO project formulation and appraisal process.

**Strategic Policy Activities:** The Council adopted the following:

- continuing to review progress towards achieving the ITTO 2000 Objective by member countries;
- undertaking annual review and assessment of the international timber situation; and
- reviewing adequacy of resources available in the BPF and endeavor to obtain additional resources.

There was extensive discussion on the activity for arranging consultations on members' proposals to list internationally traded tropical timber species in the appendices of the Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES). The EU noted that the likelihood of more species being listed is strong and ITTO needs to increase its participation in the CITES process. The US supported the EU, and suggested adding language on enhancing members' capacity to comply with the CITES appendices and to work on mahogany and ramin with the private sector and civil society. The Chair accepted this text for further discussion in a working group. It was discussed in the CEM-CFI meetings and then proposed as an activity for the Council BWP for 2006-7. Terms of Reference (TOR) for this activity were adopted on Saturday.

There was also discussion of the cooperation between the ITTO and the Collaborative Partnership on Forests (CPF) and the UN Forum on Forests (UNFF). Switzerland said that there are questions about the future of UNFF, which should be noted in some way, and that there needs to be closer monitoring of CPF cooperation. The EU said that this item has two elements, cooperation with the CPF and cooperation with the UNFF, and that there should be some consideration of the most effective use of financial resources. The Republic of Korea indicated its support for the ITTO Secretariat's collaboration with the UNFF. Malaysia asked why there is concern about cooperation with the UNFF, when it is recognized as an important forum. The ITTO



Executive Director pointed out that ITTO receives periodic progress reports on CPF cooperation and has received a letter commending ITTO for its work with the UNFF.

Activities adopted without change include:

- considering recommendations proposed in reports of the fellowship selection panel;
- considering advice from the Trade Advisory Group (TAG) and the Civil Society Advisory Group (CSAG);
- monitoring progress in the negotiation of a successor agreement;
- reviewing the role of civil society and the private sector; and
- continuing work on phased approaches to certification.

On conducting an evaluation of the implementation of the Yokohama Action Plan 2002-2006, delegates adopted the item with a change of dates, extending it to 2007 to synchronize it with the term of the 2006-2007 BWP.

Regarding illegal logging and timber tracking, Malaysia cautioned against overlapping work on five interrelated activities. Regarding disseminating information on improving forest law enforcement, the EU suggested referring to “information” instead of “data” gaps, while the US preferred the latter. The Congo encouraged incorporating results from Africa Forest Law Enforcement and Governance (AFLEG) and related processes. On enforcement of laws to secure the production base, the EU suggested considering the impact of illegal “harvesting” instead of “deforestation.” The ITTO Secretariat suggested the need to capture the large amount of deforestation not linked to traded products. The EU suggested distinguishing clearing for agricultural purposes from illegal logging. The Congo, supported by the US, questioned the expected outcome of this activity, and stated that the relationship between agriculture and forestry needs to be reflected in the activity.

On the promotion of trade in sustainably produced timber by supporting government procurement, Colombia, the EU, the US and others suggested that this should be the role of public authorities, and that focusing on specific firms is problematic. The ITTO Secretariat stated that this intended to assist major exporters under attack by non-governmental organizations (NGOs) for trading in illegal logs, to provide independent audits that can be used to counter NGO claims. Norway expressed concern over ITTO involvement in such disputes.

In discussion of the activity on enhancing public relations, education and outreach activities, Switzerland suggested adding “including coordination with and support for the *Earth Negotiations Bulletin* (ENB) or similar institutions concerning reporting from Council sessions.” The activity was adopted with this addition. He also suggested that there should be consideration of development of a Japanese ITTO web site, which could cost up to US\$100,000. Japan responded that accurate calculation of costs for such a site is important for securing funding.

**All Three Technical Committees:** On Joint Committee activities, the delegates approved the following without change:

- appraise relevant project and pre-project proposals with assistance of the Expert Panel;
- ensure effective monitoring and evaluation of approved projects with the assistance of the ITTO Secretariat and consultants;

- review results of project work and make recommendations to Council on BWPs;
- select projects for *ex-post* evaluations based on ITTC criteria;
- provide guidance to member countries for formulation of project proposals;
- disseminate information on project findings and results;
- review the results of work related to improvement of project development, appraisal and implementation, and make recommendations to the Council; and
- review results of policy work in committees and make recommendations to the Council.

**Committee on Finance and Administration:** On the activities of the Committee on Finance and Administration, the following were adopted without change:

- review the independent audited statement for 2005 and 2006;
- make recommendations to Council on appointment of auditors;
- review the Administrative Budget for 2006-2007;
- examine and make recommendations on the budget for 2008-2009;
- review the assets of ITTO to ensure prudent asset management; and
- examine and make recommendations on budgetary implications of the BWP.

**Committee on Economic Information and Market**

**Intelligence:** On the activities of the CEM, the following were adopted by the Council:

- a market study on tropical plantation timber;
- assistance of the TAG in organizing the ITTO annual market discussions in 2006 and 2007;
- review of the timber market in two significant timber importing countries;
- a study on subsidies affecting tropical timber products;
- auditing of existing tracking systems in tropical forest industries; and
- enhancement of statistical work and training workshops on statistics.

On certification, Norway suggested that the terms of reference for the activity needs to incorporate ITTO policy activities such as combating illegal logging. CEM Acting Chair James Gasana said that the current terms of reference had been extensively discussed and represent the consensus of the Committee. They were adopted.

**Committee on Reforestation and Forest Management:** On the activities of the CRF, the Council adopted activities on human relations development through the ITTO Fellowship programme, and on effective enforcement of forest laws and regulations.

**Committee on Forest Industry:** On activities of the CFI, the Council adopted activities on community-based forest industries, competitiveness, bioenergy, investment and NTFPs.

**Secretariat:** In support of Council and Committee sessions, the Council adopted ITTO Secretariat activities on: sessions, draft annual reports for 2005 and 2006, and draft BWP and budget for 2008-2009.

On project, pre-project and activity support, the Council adopted ITTO Secretariat activities on:



- the Expert Panel (EP) for technical appraisal of project proposals;
- project monitoring and evaluation;
- overseeing work of consultants on project design;
- strengthening cooperation between ITTO and IUCN; and
- implementing ITTO Secretariat responsibilities for ITTO Fellowships, project identification and formulation, Market Information Service, database on tropical industrial lesser-used wood species, training workshops and market discussions.

On activity support, the Council adopted ITTO Secretariat activities on:

- panels and working group support;
- training workshops on C&I;
- workshops on ITTO guidelines for restoration of degraded forests;
- civil society/private sector forest management partnerships;
- consultancies on fire prevention and management;
- CITES listing of mahogany and ramin;
- expert meetings on transportation of timber;
- an international conference on forests managed by indigenous and local communities; and
- implementing ITTO Secretariat responsibilities for: development of a joint ITTO/EC-FAO/EUROSTAT (European Office of Statistics) questionnaire, market study of plantation timber, review of timber market in two countries, subsidies, auditing of tracking systems, investment, and a ministerial conference of the African Timber Organization (ATO).

On communication and outreach, the Council adopted ITTO Secretariat activities on: preparation and dissemination of ITTO publications; public relations and educational activities; participation of NGO stakeholders; and cooperation with IUCN. Delegates also accepted a US suggestion to broaden cooperation with a range of organizations, and the EU suggested activities related to ITTO's website.

Delegates also adopted activities on: statistical work for the annual review of the international timber situation; preparations for negotiation of a successor agreement; assistance to producer countries on setting up ITTO Objective 2000 Boards, to help achieve SFM; implementing international cooperation actions; and implementing decisions of the 2006-2007 BWP.

In the discussion of the 2006-2007 BWP (ITTC(XXXIX)/7 Rev.3) on Saturday, Ghana expressed a reservation on one of the strategic policy activities for the CRF, concerning cooperation with relevant organizations on contribution of the resource base to mitigation of effects of climate change. He suggested deferral of this item until ITTC-40; and the activity was deleted. Delegates adopted other activities in the revised BWP. The EU commented that the BWP does have some estimated costs for activities, but there is no mention of sources of financing, which was discussed in an informal drafting group. The ITTO Executive Director said that this was an oversight and would be corrected in the final document (ITTC(XXXIX)/7 Rev.4).

**CITES LISTING PROPOSALS BY MEMBERS:** The ITTO Secretariat said that it has been in consultation with the CITES Secretariat and an activity proposal will be introduced in the CEM for developing large capacity building project to implement requirements of CITES for listing tropical timber.

The EU said that it has identified this as an area where ITTO has a comparative advantage, and many donors will be interested in the proposal. Indonesia announced that it is consulting with other range states to identify new species for CITES listing in Appendix III. Papua New Guinea said that such listing is critical for range states, which need to see the trade implications and build capacity for following CITES requirements. The US and EU questioned the operational aspects of how the ITTO Secretariat could support implementation of CITES listings. The activity was reviewed in the CEM and later reintroduced as a Council activity, with terms of reference authorizing: inventory plans; tracking schemes; guidelines and handbooks; regional workshops; and a recommendation process for both CITES and ITTO. The proposed terms of reference will be reviewed at ITTC-40.

**ANNUAL REVIEW OF THE INTERNATIONAL TIMBER SITUATION:** The ITTO Secretariat described a number of problems in producing the mandated report, including lack of data from ten countries, partial data from three and late data from another three. He noted that only 17 of 49 country reports received are complete. The ITTO Secretariat said species data is increasingly important as ITTO works with other intergovernmental organizations, such as CITES, on listing of tropical timber species. In a number of cases, for example in China's trade with Myanmar and Indonesia, he indicated there are discrepancies between China's reports of imports and the export data from producer countries. He noted that growth trends in Gross Domestic Product (GDP) are reflected in growth of the tropical timber trade with increasing demand, particularly in China. He highlighted that exports of secondary products to consumer countries are also increasing, while imports of primary products are falling.

**REPORT OF THE ITTO FELLOWSHIP SELECTION PANEL:** On Friday, Panel Chair Koichi Ito (Japan) presented the report of the Panel (ITTC(XXXIX)/9), which consisted of members from Côte d'Ivoire, Guyana, Papua New Guinea, the US, Switzerland and the Netherlands, which approved 20 of 88 fellowship applications, 10% in economic information and market intelligence, 75% in reforestation and forest management and 15% in forest industry. Women received 30% of the approved fellowships.

**SPECIAL ACCOUNT AND THE BALI PARTNERSHIP FUND:** On Friday, Chair Attah asked for pledges to the Special Account, and the US announced that it will contribute US\$130,000. The EU announced that its funding for this account is still pending. ITTO Executive Director Sobral said that there is a chronic deficit in the fund and that a large number of projects are not funded.

On Saturday, Shaharuddin Mohamad Ismail (Malaysia), Chair of the working group on Sub-Account B of the BPF, presented a report on the resources of the Fund (ITTC(XXXIX)/10), with US\$5.34 million currently available. He noted that not all BWP activities require immediate funding, but current activities in the BWP would require a total of US\$7.6 million by the end of 2005.



**STATEMENTS OF OBSERVERS:** On Friday, the Council heard observer statements. The Central African Forest Commission stated that they seek to harmonize forest policy within Central African nations. They stressed the importance of good governance and AFLEG to combat illegal logging.

UNFF extolled the virtues of ITTO being a member of the CPF, and highlighted issues that the sixth session of UNFF will seek to address in February 2006.

The Food and Agriculture Organization (FAO) stressed the importance of collaboration in ensuring forests' contribution to Millennium Development Goals (MDGs), and highlighted the release of a best practices guide and four regional workshops on forest law enforcement.

The Civil Society Advisory Group recommended supporting civil society involvement in project review.

**JOINT COMMITTEE SESSION**

On Monday, Acting Joint Committee Chair James Gasana (Switzerland) opened the meeting by introducing Ricardo Umali (Philippines), Chair of the Panel of Experts for Project Evaluation (EP). Umali reported on the 30th meeting of the EP, which was held from 1-5 August 2005. He outlined: a point-based appraisal method for eligibility for BPF funds; a procedure for assessments of project proposals with feedback if revision is required; the low rate of approval of project proposals (24%); the common weaknesses of project proposals, including: lack of clarity; poor problem analysis; unclear budgets; and poorly presented project justifications. The EP strongly recommended that proposals comply with ITTO guidelines and objectives.

Delegates discussed the EP reports (CRF(XXXVII)/2, (CEMC RFCFICFA(XXXVII)/1), focusing on the project scoring system. Brazil noted that the scoring system is intended to operate in a broader context of proposal evaluation. Chair Umali responded that the system is part of an overall package to improve the project cycle and that its operation would be reviewed at the next EP meeting. Papua New Guinea suggested that there may be differences between national priorities and ITTO priorities. Chair Umali responded that there is a complementarity between national and ITTO priorities, and that the EP does take into account national needs in evaluating projects.

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

The CEM, chaired by James Gasana (Switzerland), and the CFI, chaired by Celestine Ntsame-Okwo (Gabon), met from Monday to Friday to consider, *inter alia*: completed projects and pre-projects; *ex-post* evaluation; projects, pre-projects and activities in progress; project and pre-project proposals; policy work, BWP; election of officers; and other business.

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

- information and experience on private sector work on SFM in Malaysia;
- value accounting of tropical forest environmental resources in China;
- development of C&I for SFM for Brazilian tropical forests;

- implementation of stress grading rules for tropical timber in the Philippines;
- performance evaluation of wood furniture in the Philippines;
- promotion of Guatemalan certified timber and timber products trade; and
- development of a national forest information system in Guatemala.

On Tuesday, the Committees heard project reports on guidelines to control illegal logging in Indonesia and utilization of rubberwood from sustainable sources in Indonesia.

**EX-POST EVALUATIONS:** On Monday, the CEM/CFI reviewed *ex-post* evaluations (CEM-CFI(XXXVII)/7):

- phase I of the ITTO-ATO project on certification;
- development of C&I for Brazilian tropical forests;
- capacity building in Peru, Philippines, Ghana and Honduras;
- information and technical assistance for production and trade in Brazil;
- utilization of bamboo from sustainable sources in Thailand; and
- community production around an industrial plantation in Indonesia.

The ITTO Secretariat noted that two completed CFI projects in the Philippines are now eligible for *ex-post* evaluation.

**PROJECTS, PRE-PROJECTS AND ACTIVITIES IN PROGRESS:**

On Monday, the CEM/CFI discussed a number of SFM and other projects that have been approved but not financed (CEM-CFI (XXXVII)/4). India indicated that it has stopped submitting proposals because they are not funded, and Guyana and Papua New Guinea indicated that they have had country missions recommend projects that were approved but not funded. Acting Chair Gasana suggested that this is an issue that may need to be addressed in negotiations for a successor agreement.

On Monday, the CEM/CFI considered projects, pre-projects and activities in progress, including on:

- investment promotion in Ghana;
- forestry statistics management system in the Philippines;
- forestry and timber statistical data in Togo;
- statistics management in the Democratic Republic of the Congo;
- promoting certain species in the Democratic Republic of the Congo; and
- the ITTO information network.

The ITTO Secretariat noted long delays associated with Egypt's project on a national statistical system for imported timber and timber products and a national forest and timber marketing statistics system in Ecuador, and the Committees recommended that the ITTO Secretariat send a letter to the implementing agencies to request a formal report.

On Tuesday, the Committees reviewed projects, pre-projects and activities that are under implementation, pending agreement and pending financing. Projects awaiting financing include:

- promotion of SFM in Africa;
- establishment of a statistical network in India;
- information system for Malaysian national and regional forest policies;
- strengthening the capacity to market exports from Guyana;
- increasing market opportunities for tropical wood products from Papua New Guinea;



- technical assistance for formulation of a project for SFM in Panama;
- establishment of a saw doctoring center in the Democratic Republic of the Congo;
- sustainable utilization and marketing of NTFPs in the Philippines;
- capacity building for SFM and social/environmental sustainability in the Democratic Republic of the Congo;
- introduction of a village industry around a forest plantation in Indonesia;
- reduction of timber wastes in the Democratic Republic of the Congo;
- thermochemical process of wood waste for alcohols, phenols, cellulose and essential oils in Ghana; and
- sustainable utilization of NTFPs involving local communities in Indonesia.

**CONSIDERATION OF PROJECT AND PRE-PROJECT PROPOSALS:** On Tuesday, the Committees discussed project and pre-project proposals (CEM-CFI(XXXVII)/6). The Expert Panel made several recommendations and the Committees approved projects on:

- a Forestry Information System in the Philippines;
- development of the rubberwood industry in Côte d’Ivoire;
- SFM in the Central African Republic’s rainforest;
- bamboo for development through community driven industries in the Philippines; and
- utilization of plantation teak in Myanmar.

The Committees recommended that a project proposal on an online database on Southeast Asian timber species in Indonesia be reformulated and reassessed at a later date. Indonesia said that it would accept the recommendations of the EP.

Following the EP’s suggestion, Côte d’Ivoire agreed to withdraw its project on training in logs and lumber identification techniques.

**POLICY WORK:** On Tuesday, presentations were made on: community-based forest enterprises and a workshop on competitiveness of tropical timber in Beijing in September 2005. On Wednesday, the committees discussed two activities: subsidies and statistical work. On subsidies, the ITTO Secretariat reminded delegates that this study was agreed at the 35th session of the Committees, and is now an ongoing activity. On statistical work, Malaysia asked that the ITTO Secretariat provide better data, on which many decisions are based. The ITTO Secretariat said that there have been calls for reviewing customs classification systems and there is a need to expand work on training, reliability of data, and complete data sets from member countries. The EU asserted that this is a weakness of ITTO.

On Wednesday, two presentations were made, on downstream processing of tropical timber and on the tropical timber market in France. The ITTO Secretariat also reported that policy work on phased approaches to certification is almost complete, and Council will consider this further in its discussion of the BWP for 2006-7.

**BIENNIAL WORK PROGRAMME FOR 2006-7:** On Tuesday, terms of reference (TOR) were discussed for new activities under a CFI activity on promoting wood-based bioenergy using wood residues and wastes in tropical countries, which reflects recommendations by the recent forum on

investments, and fits Clean Development Mechanism (CDM) programmes under the Kyoto Protocol of the UN Framework Convention on Climate Change (UNFCCC) and cooperation with the FAO and the UN Conference on Trade and Development (UNCTAD) for an international conference on bioenergy. On Tuesday, the CFI approved new TOR for the conference that include analysis of opportunities and constraints in promoting wood-based bioenergy under the CDM and discussion on future actions to assist tropical producer countries towards sustainable development of the wood-based bioenergy sector.

On Tuesday, the CFI approved new TOR on investment opportunities that includes examination of constraints to private sector investment; and discussion and recommendation of measures to enhance the investment environment.

On Tuesday, the CFI approved TOR that would make provisions to carry out studies on opportunities for and to promote development of NTFPs; and convene an international conference to promote NTFPs in cooperation with the FAO, International Network for Bamboo and Rattan, UNCTAD and other organizations as appropriate by focusing mainly on internationally traded NTFPs.

On Wednesday and Thursday, the Committees discussed a revised TOR for an activity on comparability and equivalence of certification systems, which includes authorization of a study to: collect and analyze information on forest certification and chain of custody certification under different schemes; identify and recognize the relevance of each system’s local, social and economic context; review current and emerging market requirements; invite participation of the private sector through the TAG and the CSAG; and suggest areas of cooperation and assistance within the framework of the ITTA.

On Friday, the Committees approved a revised TOR for a sub-regional programme of the Amazon basin to coordinate information on budgeting, outputs and investments in the forest sector of Amazon basin countries (Brazil, Bolivia, Colombia, Ecuador, Peru, Venezuela, Guyana and Suriname). This was agreed, and on Friday TOR were approved, including activities to carry out studies of GDP, employment generation, education benefits, trade and government support programme; identify gaps and limitations in existing budgetary, trade and economic data; organize a workshop to discuss a common methodology to compare data and budgets and harmonize work strategies; recommend measures to be taken by the countries concerned to improve information; and inform the ITTO Council on lessons learned.

**ELECTION OF CHAIRS AND VICE-CHAIRS FOR 2006:** The Committees elected Jung-Hwan Park (Republic of Korea), as CFI Chair, Dani Pitoyo (Indonesia), as CFI Vice-Chair, James Gasana (Switzerland), as CEM Chair, and Chantal Adingra (Côte d’Ivoire), as CEM Vice-Chair.

**DATES AND VENUES OF FUTURE MEETINGS:** The thirty-eighth session of the Committees will be held in conjunction with ITTC-40, the thirty-ninth session with ITTC-41, and the fortieth session with ITTC-42.

**ADOPTION OF REPORT:** On Friday, the Committees’ report (CEM-CFI(XXXVII)/7) was adopted with minor editorial changes except two: statistics for implementation of the BWP for 2006-2007 and Other Business.



On the BWP for 2006-2007, Malaysia said that the reliability of statistics is a major problem for policy work. The CEM Chair responded that the item could be revised to indicate the difficulties facing ITTO in gathering the statistics. The ITTO Secretariat proposed, and the Committees adopted, text that would address shortcomings through workshops, country missions and funding of questionnaire work.

On other business, the CEM Chair said that joint committee work has advantages: it is good for small delegations, there is a complementarity of work, and there are synergies of programmes as well as cost savings. Several delegations, including Malaysia, Brazil and Côte d'Ivoire, said that there are disadvantages with combining work of two Committees that have different mandates, but others, including the US and the EU, said that there are advantages and the Committees have similar agendas. The Netherlands proposed that the text on joint meetings be revised to say delegations had "exchanged views" on the issue rather than "reviewed" it, to indicate that no evaluation or recommendation was made. This text was adopted, and the Committees' report was sent to the Council without a recommendation on joint meetings.

**COMMITTEE ON REFORESTATION AND FOREST MANAGEMENT**

The CRF, chaired by Jennifer Conje (US) with Petrus Gunarso (Indonesia) as Vice-Chair, discussed: completed projects and pre-projects; *ex-post* evaluations; review of project and pre-project work in progress; consideration of projects and pre-projects; policy work; the ITTO BWP; election of officers; and dates and venues of future meetings.

**COMPLETED PROJECTS AND PRE-PROJECTS:**

The Committee met on Tuesday to discuss completed projects and pre-projects (CRF(XXXVII)/3), including those pending financial audits. Completed projects, including financial audit, included:

- biodiversity management and conservation in a forest concession adjacent to a totally protected area in the Congo;
- participatory SFM by women in indigenous communities in Ghana; and
- rehabilitation of natural forests in Malaysia.

The committee reviewed seven completed projects, pending financial audits, including:

- support for the development of a forestry and wildlife law;
- application of the SFM Model in Iwokrama, Guyana;
- reforestation by indigenous communities in Ghana;
- East New Britain balsa industry strengthening project, Papua New Guinea;
- dissemination of forest conservation research results in Panama; and
- SFM training in the Peruvian Amazon region.

A project on genetic improvement of tropical forest species in Guatemala was acknowledged as completed, and projects on mangrove conservation in the Congo and one on the use of C&I in community SFM in Togo were still awaiting financial audits.

**EX-POST EVALUATIONS:** CRF discussed *ex-post* evaluations on Wednesday (CRF(XXXVII)/5). The US, who chaired a panel to select projects for *ex-post* evaluation, reported on the panel's outcome. He noted the Committee selected projects to, *inter alia*: achieve a balance between regions and

topics and cover projects that are nearing sunset. He proposed that these evaluations be distributed to Joint Committee Sessions prior to the next session, to share cross-cutting lessons learned. He indicated that the Committee identified projects under two major themes, training and community participation, and selected the following projects:

- SFM and human resources development in Indonesia;
- training of trainers for the application of C&I at the forest management unit level;
- specialization programme for forest technicians on tropical SFM in Bolivia;
- SFM of moist tropical forests in Cameroon;
- reforestation by indigenous communities in the Volta Basin in Ghana;
- participatory forest development by women in indigenous communities in Ghana;
- demonstration community forest management in the natural cloud forests in Peru;
- implementation of a management plan by communities in Tarija, Bolivia;
- developing forest resources through community-based forest management in the Philippines;
- support of the grassroots forestry promotion initiatives in the Yoto area in Togo; and
- SFM with the participation of local communities for optimal timber production in Togo.

**REVIEW OF PROJECT AND PRE-PROJECT**

**WORK IN PROGRESS:** From Tuesday to Thursday, the Committee reviewed projects and pre-projects in progress (CRF(XXXVII)/4). Projects under implementation include:

- management of the Tapajos National Forest for sustainable production of industrial timber in Brazil;
- landowner education and training for SFM in Fiji;
- rehabilitating degraded forest through collaboration with local communities;
- maximizing mahogany production in Ghana;
- monitoring of stand dynamics in Côte d'Ivoire;
- regionalization of the volume tables for natural forests and plantations;
- increasing genetic diversity in SFM in Indonesia;
- plantation demonstrations in Bali, Indonesia;
- model forest management in Malaysia;
- transboundary biodiversity conservation in Malaysia;
- support for local species propagation in Togo;
- establishment of a cooperative framework for SFM;
- restoration of mangroves in Panama;
- SFM monitoring in Thailand;
- harmonization of terms and definitions in the Philippines;
- training and application of ITTO C&I for SFM in Ecuador;
- transfer of SFM knowledge to timber producers in Peru;
- SFM in secondary forests in Peru;
- community forest management in Cameroon;
- establishment of a gorilla sanctuary on the Cameroon-Gabon border;
- management of Egyptian mangroves;
- SFM of Brazilian National Forests; and
- rehabilitation of Ecuadorian mangroves.



Projects awaiting a final report include: integrated pilot management of the Ngoua II Forest North in the Congo, and testing of ITTO revised C&I and dissemination of results applicable to Cameroon.

Projects to be reviewed at the ITTC-40 session include:

- management and conservation of mangroves in the Gulf of Fonseca, Honduras;
- development of a demonstration area in the sustainable management of Gabonese forests;
- national forest inventory and forest resources monitoring programme in Bolivia;
- study on behavior of native timber species of commercial value in Honduras; and
- a pilot plan for the SFM in San Lorenzo, Esmeraldas, Ecuador.

Projects granted an extension include:

- evaluation of mangrove forests in the north-east of the Orinoco Delta Region in Venezuela;
- SFM of production forests at the commercial scale in the Brazilian Amazon;
- alternative financing for forest management under the CDM;
- integrated planning for a biological corridor in Panama;
- transboundary protected areas project in Peru and Bolivia;
- SFM human resources development in Brazil;
- increasing SFM and forest cover and community participation in Madya Pradesh, India; and
- collaborative SFM and decentralization in Indonesia.

Of the 23 projects awaiting financing, only two were approved for financing: forest fire monitoring and management using remote sensing in China, and forest rehabilitation in tsunami-affected regions of Thailand. Suspension was lifted from a project on the establishment and management of community forests in Colombia for production and protection under consideration, and this project can now proceed with implementation.

Of the 13 pre-projects with work in progress, only one changed status, with the Committee granting an extension to a project on SFM in Antioquia, Colombia. Both pre-projects awaiting an implementation agreement were reported to have completed this requirement and are now in progress. Under pre-projects awaiting funding, a project in India to use SFM to settle tribal shifting cultivators was recommended for further funding.

**CONSIDERATION OF PROJECTS AND PRE-PROJECTS:** On Wednesday, the Committee reviewed seven project proposals and two pre-project proposals (CEM-CFI(XXXVII)/1). Proposals were accepted for projects on:

- enhancing benefits from the management of secondary forests in China;
- SFM through stakeholder agreements in Papua New Guinea;
- capacity building for teak plantation SFM in Togo;
- SFM scenario development for Ghana's high forests;
- criteria for community-based management of mangroves in Mexico;
- promotion of SFM in plantations in the Republic of Congo; and
- technological development of community-based indigenous species plantations.

While Guatemala's project proposal on decentralizing forest seed production was approved, its proposal for a pilot project on forest land use management was not.

**BIENNIAL WORK PROGRAMME FOR 2006-2007:** From Monday to Friday, the Committee met to discuss and suggest amendments to CRF strategic policy activities under the BWP of the Committees for 2006-2007 (CRF(XXXVII)/7). On activities related to monitoring the political implications of developments related to climate change, Ghana suggested holding a workshop on obtaining carbon credits from natural forest management, while others suggested this may be premature and requested further discussion. The Philippines suggested a "three day expert meeting" instead, and this was forwarded to the Council. The Council decided to discuss this further in a working group, but ultimately dropped this from the final text.

Regarding the monitoring of progress in applying C&I for SFM, the ITTO Secretariat stressed that funds earmarked for this item are running out, and requested USD\$200,000 for additional workshops. Brazil suggested including regional, in addition to national workshops, while the Philippines and the Congo stressed the need for certification auditing training. The US, supported by the Philippines, proposed providing for enhanced collaboration on harmonizing key terms and definitions. The Philippines called for funds to identify baseline values required to assess progress. The Executive Director requested that funding sources be raised at the Council session.

On implementing the guidelines for the management of secondary tropical forests, the restoration of degraded tropical forests and the rehabilitation of degraded forest land, the ITTO Secretariat noted its cooperation with the IUCN in publishing a report on guidelines, completed projects and project requests on the Forest Landscape Restoration Initiative. The Committee decided to recommend to the Council to contribute US\$50,000 to the Global Partnership on Forest Landscape Restoration. This activity was adopted by Council on Thursday (CRF(XXXVII)/7).

Regarding monitoring and assessing the costs and benefits of plantations and ensuring their promotion, the Committee considered the results of an on-going study on private sector involvement in industrial forest plantations. This was recommended to the Council and adopted on Thursday.

On Tuesday, Jeff Sayer (World Wide Fund for Nature) and Stewart McGinnis (IUCN), presented a report on the review and update of the ITTO/IUCN Guidelines for the Conservation of Biodiversity in Tropical Producing Forests (CRF(XXXVII)/6). They emphasized pragmatism in establishing guidelines, the need for their promotion and dissemination at multiple levels, and the role of production forests in conserving biodiversity. After the Netherlands and the US questioned at what level the guidelines are targeted, Sayer stressed that action needs to occur at all levels. Indonesia volunteered to host the proposed field testing. The Congo commented that these guidelines may be difficult to implement in the context of concessions. Several countries suggested that dissemination of the report should wait until it is finalized. Côte d'Ivoire, Indonesia and Papua New Guinea expressed concerns over the costs associated with implementation. On Thursday, the Chair reported that a small working group had produced a revised TOR on this activity. On Saturday, Council approved it and allocated US\$396,000.



Regarding exchange of regional-level experience on the implementation of SFM through ITTO-supported projects, Brazil suggested a more detailed TOR for the facilitator of regional meetings; the EC encouraged increasing the budget; and Switzerland pointed to the link between this item and national workshops. In response to Papua New Guinea's suggestion to include work from other ITTO technical committees in this workshop, the ITTO Secretariat stressed the need to focus on SFM. After revision, the Committee expressed support for the TOR and recommended the activity to the Council. This was adopted by the Council on Thursday, after some minor budgetary revisions.

On monitoring the social, economic, and environmental costs and benefits of natural forest management, the ITTO Secretariat described its collaboration with the FAO in hosting an upcoming meeting in Asia on SFM and poverty alleviation; several countries sought clarification regarding the meeting's scope and the ITTO's role.

Additional information was circulated regarding a workshop on forestry and poverty to be held in Vietnam in late 2006. The Netherlands suggested the topic needs to be further refined. The Committee recommended this item for adoption by the Council, and it was adopted by the Council on Thursday.

Other activities that were adopted include:

- assessing human resources development and institutional strengthening, including development of a proposed forest policy course in conjunction with FAO;
- a new activity proposed by Switzerland regarding a project on decentralization of forest governance and enforcement of laws in cooperation with FAO;
- efforts designed to prevent and manage forest fires; and
- collaboration with FAO on mangrove mapping in support of their conservation.

**POLICY WORK:** On Tuesday, the ITTO Secretariat noted the launch of an ITTO/IUCN manual on "Guidelines for the Restoration, Management, and Rehabilitation of Degraded and Secondary Tropical Forests" and associated national workshops. Regarding work on monitoring the costs and benefits of plantations, the ITTO Secretariat reported that it is currently selecting a consultant. On contributing to forest fire management, the TORs are currently being reviewed.

On issues to be discussed at the next session, Chair Conje suggested, and the Committee agreed, that this item be informed by outcomes related to the programme of work and the ITTO Secretariat's work over the next six months.

**ELECTION OF THE CHAIR AND VICE-CHAIR FOR 2006:** On Thursday, the Committee elected Petrus Gunarso (Indonesia) as Chair and Flip van Helden (Netherlands) as Vice-Chair of the CRF for 2006.

**DATES AND VENUES OF FUTURE MEETINGS:** On Thursday, delegates agreed that the thirty-eighth, thirty-ninth and fortieth sessions of the CRF would run concurrently with ITTC-40, ITTC-41, and ITTC-42, respectively.

**ADOPTION OF REPORT:** On Friday, the Committee adopted its report with minor revisions (CRF(XXXVII)/7). The US suggested the creation of a comprehensive document that

would provide clarity regarding listed projects and pre-projects. Guatemala requested that information regarding the period of validity or "sunset" provisions of each project should be noted.

**COMMITTEE ON FINANCE AND ADMINISTRATION**

The Committee on Finance and Administration (CFA), chaired by Shaharuddin Mohamad Ismail (Malaysia), met from Monday to Thursday to discuss, *inter alia*: the draft biennial Administrative Budget; the status of the Administrative Account; the BWP for 2006-2007; and adoption of the Committee's report. On Wednesday, the CFA considered a revised document on the status of the Administrative Account for 2005 (CFA(XVIII)/4/Rev.1), amendments to the draft biennial Administrative Budget for 2006-2007 (CFA(XVIII)/2/Amend.1) and (CFA(XVIII)/2/Amend.2), and reviewed a list of countries that were ineligible for project and pre-project submission due to arrearages.

**REVIEW OF CONTRIBUTIONS TO THE**

**ADMINISTRATIVE BUDGET:** On Monday, the ITTO Secretariat presented an overview of contributions to the Administrative Budget (CFA(XVIII)/3) as of 31 October 2005, indicating that in 2005 producer members' total outstanding contributions amounted to approximately US\$1.4 million and consumer members US\$84,686. Australia noted it had recently sent full payment for its 2005 assessed contribution. Peru also indicated its recent payment to the ITTO.

**STATUS OF THE ADMINISTRATIVE ACCOUNT**

**FOR THE FINANCIAL YEAR 2005:** The ITTO Secretariat presented the status of the Administrative Account for financial year 2005 (CFA(XVIII)/4), noting that the total estimated expenditure would be approximately US\$5 million. He mentioned that a surplus of US\$635,730 was expected, due to a vacant position and other cost-saving measures. He also indicated the total amount of unpaid contributions to the 2005 Administrative Budget less the estimated expenditures resulted in a deficit of US\$483,400. The Netherlands called upon delegates to pay their outstanding assessed contributions and take into consideration the financial situation of the ITTO during the ITTA, 1994 renegotiations. Malaysia suggested that WCA resources finance the deficit. CFA Chair Shaharuddin proposed transferring US\$500,000 from the WCA to cover the 2005 deficit, and the ITTO Secretariat noted that the Committee could only approve a transfer of US\$300,000 from the WCA as per established Council guidelines. Delegates decided to recommend to Council the transfer of US\$500,000 from the WCA to cover the deficit in financial year 2005. The ITTO Secretariat noted that, due to outstanding arrearages, the Democratic Republic of the Congo, Liberia, Bolivia, Peru and Suriname would be ineligible to submit project and pre-project proposals.

**DRAFT BIENNIAL ADMINISTRATIVE BUDGET FOR**

**2006-2007:** On Monday the ITTO Secretariat introduced the draft biennial Administrative Budget for the financial years 2006-2007, noting that the total proposed 2006 assessed contributions for members would be US\$5.4 million. He noted that the proposed budget for financial year 2006 was estimated at US\$5.3 million, an 8.1% decrease from financial year 2005. The ITTO Secretariat indicated that amendments had been made to reflect currency fluctuations. The US and Switzerland questioned why costs for recruiting a new ITTO Executive Director at the end of the current Executive Director's term were



not included in the 2007 draft budget, and the ITTO Secretariat noted it would issue a revised document to account for these costs. On Wednesday, the Committee reviewed a revised document (CFA(XXXVII)/2 Amend.1) to reflect the Committee's comments. The document includes an estimated US\$5.2 million in expenditures for 2006, and US\$5.5 million for 2007.

**RESOURCES OF THE SPECIAL ACCOUNT AND THE BPF:** On Monday the ITTO Secretariat described the details of these two sub-accounts, and confirmed that US\$2.7 million has been transferred from monitoring and evaluation to *ex-post* evaluations, and that US\$1.2 million still remains for this item. He stated that US\$2.4 million still remains in the BPF, available to funding in 2006-2007.

**ADDITIONAL FUNDS TO FINANCE THE PARTICIPATION AT THE FOURTH PART OF THE UNITED NATIONS CONFERENCE FOR THE NEGOTIATION OF A SUCCESSOR AGREEMENT TO THE ITTA, 1994:** The Secretariat suggested the Committee request US\$280,000 be allocated from the WCA to fund participation of developing country members. Switzerland inquired whether funding for the *Earth Negotiations Bulletin* is covered under this, and the Secretariat indicated it is not. Malaysia expressed concern that the WCA is in danger of depletion, that it is intended for Secretariat activities, and suggested exploring other sources. The Committee decided to recommend the allocation of these funds, identify the WCA as one possible source, note concern over the WCA's depletion, and suggest the exploration of other sources of funding.

**REVIEW OF THE POSITIONS OF TWO REGIONAL OFFICERS:** On Monday, the ITTO Secretariat recalled that at CFA-17, the Committee discussed extending these positions to the end of 2006. Brazil suggested that these officers must respect the sovereignty of the Council and Secretariat hierarchy, and proposed they identify projects that have been implemented and report back to the Council.

**ELECTION OF THE CHAIR AND VICE-CHAIR FOR 2006:** The Committee elected Li Qiang (China) as Chair and James Singh (Guyana) as Vice-Chair of the CFA.

**OTHER BUSINESS:** On Wednesday, Switzerland requested that the ITTO Secretariat provide a document listing countries no longer eligible to submit project and pre-project proposals due to non-payment of contributions for more than three years at future Committee meetings.

**DATES AND VENUES OF FUTURE MEETINGS:** The 18th session of the CFA will meet in conjunction with ITTC-41.

**ADOPTION OF REPORT:** Delegates adopted the report of the Committee (CFA(XVIII)/7) with minor amendments to reflect the recent payments of Gabon and Peru to the Administrative Account for 2005.

#### **INFORMAL JOINT PRODUCER/CONSUMER GROUP MEETING ON THE RENEGOTIATION OF THE ITTA, 1994**

Informal consultations took place during ITTC-39 to discuss issues of finance and scope related to a successor agreement to ITTA, 1994. On Tuesday, Jürgen Blaser (Switzerland) updated delegates on progress made on finance, and on Wednesday Chair Attah informed delegates of progress made on the new Agreement's scope. Blaser, Chair of Working Group II for the ITTA-4 renegotiations, provided an update on informal meetings

held during ITTC-39 to address outstanding issues related to the new Agreement. Blaser indicated that the progress made during ITTC-39 was a good starting point to finding compromises at ITTA-4. He noted that one outstanding issue on voluntary funding in the BPF was unresolved, but could be addressed through proposed language in Article 20 on the Special Account. He called on members to provide clear ways forward to find compromise.

On Article 19, Blaser explained that consumer and producer members proposed to cover administrative items and "key policy work" of the Organization within the Administrative Account, which is the assessed portion of the Organization's budget. He said that delegates could not agree on whether to divide the Administrative Account into two sub-accounts, an Administrative Account and a Work Programme Account. He explained that under the proposed voting schemes, which determine the level of assessed contributions, producer contributions would not increase but consumer contributions would.

On Article 20, Blaser indicated that delegates proposed to include a project sub-account and a thematic programme sub-account within the Special Account, a voluntary funded account. He explained compromise text was drafted to address producer and consumer member concerns, but the issue of voluntary funding remains unresolved.

On key policy work, Blaser noted that delegates agreed not to have a separate Work Programme Account and that funding for this work should be shared by all members. Noting that delegates did not define "key policy work," he suggested that some delegates preferred to have a limit on the number of key policy work activities funded through assessed contributions and that activities of the organization, in particular those that involve recurrent costs, should be clearly listed in Article 19 on the Administrative Account.

Amb. Paranhos, President of the UN Conference, noted that delegates have been discussing these issues for two years and there should be no reason why an agreement cannot be finalized at ITTA-4.

Brazil, on behalf of the Producer Group, noted that Article 19 is the crucial part of ITTA, 1994 and indicated that the draft text shows possibilities for convergence.

Finland, on behalf of the Consumer Group, said it understood producer countries' frustrations about projects that are not financed. She noted that new events in development financing have an impact on how some governments will fund ITTO work, but that possibly increasing the assessed portion of the ITTO's Administrative Budget was a useful approach.

On Thursday, Chair Attah discussed outstanding issues related to the scope of the successor agreement. He noted that, in addition to the frequency of Council Sessions, the name of the Organization and the voting scheme, there remained other areas of difficulties including: the placement of NTFPs and environmental services; the use of the phrase indigenous peoples and local communities; and references to international labor conventions. He indicated that poor time management had caused previous problems in delaying negotiations, and that newcomers to the negotiations need to be briefed well in advance of ITTA-4 to avoid stalling progress made to date.



Amb. Paranhos noted that substance, rather than administrative issues, should be the focus of the ITTA-4 negotiations. He indicated that negotiations would proceed in two working groups during the first two days of ITTA-4, and if progress was not made during the first two days, negotiations would take place in a formal plenary session.

Brazil, on behalf of the Producer Group, called attention to producer members' position to hold two rather than one Council session a year. He suggested that the test before delegates on issues of scope would be less challenging than those on finance.

Finland, on behalf of the Consumer Group, noted that preparations made during ITTC-39 were a useful start to making progress at ITTA-4 and that some contentious issues involved in the successor agreement could be decided by the Council instead of at ITTA-4.

Switzerland said that NTFPs and environmental services might be best reflected in the preamble of the new Agreement, since the new Agreement would not expand but rather confirm ITTO's current work.

Indicating that countries have different views of what constitutes SFM, Cameroon said the commonalities of countries' work to promote SFM rather than the differences must be used to make progress, especially with regard to finance issues.

India emphasized that ITTA is a commodity agreement and should only focus on trade, which does not include trade in environmental services.

**CLOSING PLENARY**

On Saturday morning, Chair Attah opened the closing plenary session.

**REPORT OF THE CREDENTIALS COMMITTEE:** Chair Norini Haron (Malaysia) reported that forty countries and the EC were represented (ITTC(XXXIX)/3). The report was adopted without amendment.

**REPORTS OF THE COMMITTEES:** The report of the CEM/CFI (CEM-CFI(XXVII)7) contains listings of projects and pre-projects proposed, in progress, pending funding, and completed, as well as policy work and the BWP. Malaysia, on behalf of the Producer Group, presented a statement demurring on the report's description of joint committee work under Other Business, because producer members do not consider these joint meetings productive when they lead to scaling down of the committees' work. Chair Attah said that the Producer Group's statement would be added to the report as an appendix.

CRF Chair Conje reported on the work of the CRF, including core items related to project approval, review and *ex-post* evaluation. The Council adopted the CRF report.

CFA Chair Shaharuddin reported on the Committee's 18th session, noting that the Committee is seeking authorization to transfer US\$500,000 from the WCA to the Administrative Account to cover late payments and ensure that the work programme is not disrupted. There were no further comments and the report was adopted by the Council.

**DATES AND VENUES FOR THE 40th AND 41st SESSIONS:** The was decided that fortieth session of the ITTC would be held in Mérida, Mexico, from 29 May to 2 June 2006 after a compromise was reached regarding the length of the meeting. The forty-first session of the ITTC will be held in Yokohama, Japan, from 6-11 November 2006.

**DECISIONS AND REPORT OF THE SESSION:**

Chair Attah presented Council with two draft decisions for consideration (ITTC(XXXIX)/11 and 12). The first decision, on projects, pre-projects and activities (Decision 1 (XXXIX)), approves:

- eleven new projects;
- release of US\$200,000 for continuation of the Freezailah Fellowship Fund;
- funding for five projects, and for nine more, pending Special Account funding;
- budgetary amendments and funding for four projects approved at earlier sessions; and
- one pre-project, and financing for others already approved.

The second decision concerns the 2006-2007 BWP (Decision 2(XXXIX) and requests the ITTO Executive Director to implement a list of thirty BWP activities and to seek voluntary contributions to finance these. Ghana indicated that it wished to withdraw the text concerning a workshop on obtaining carbon credits from natural forest management, as per Activity XX, and to hold this for reconsideration at ITTC-40. Both decisions were adopted by the Council, with Ghana's amendment.

**CLOSING STATEMENTS:** Chair-Elect Koichi Ito (Japan) said that the ITTC must be aware of implications of the negotiation of a successor agreement, including the possible extension of the current Agreement.

Jorge Viana, Governor, State of Acre (Brazil) thanked ITTO for support of a project in his state that made the first certification of a Brazilian public forest possible as well as marketing of resulting products in Europe in the near future. He gave a copy of the Forest Stewardship Council (FSC) certificate to Chair Attah.

Brazil, on behalf of the Producer Group, said that they are satisfied with the work done at ITTC-39, especially with the work done in the Committees and Council on the BWP. He said that the informal meetings on the successor agreement were fruitful and producer members are optimistic about its negotiation.

Finland, on behalf of the Consumer Group, noted the constructive atmosphere of the session and the balance between policy and project work.

Chair Alhassan Attah closed the session at 2:11 pm, noting convergence achieved on many issues and stressing the need for compromise during renegotiations of the ITTA, 1994.

**A BRIEF ANALYSIS OF ITTC-39**

The ITTO took the opportunity of ITTC-39 to send its members clear signals that it is thinking more strategically. From improving its projects to planning and policy work, the ITTO seems ready to face the future. However, with the Fourth Part of the UN Conference on the Renegotiation of the International Tropical Timber Agreement, 1994 (ITTA-4) convening early next year, such strategic thinking may prove to be short-lived. While delegates discussed the Biennial Work Programme (BWP) for 2006-2007 in a number of Council sessions, informal discussions on ITTA-4 also enabled delegates to find compromises on outstanding issues related to the ITTA renegotiations, although these compromises were not made during formal negotiating sessions and still must be approved at ITTA-4.



What were some of the successful outcomes related to informal discussions on ITTA-4 and how do they relate to the ITTO's operational work? While the ITTO's approved Biennial Work Programme (BWP) for 2006-2007 sets a clear path for ITTO's programme, policy and project work over the next two years, the ITTO's work after 2007 remains uncertain. A new Agreement, and in particular changes to the financial structure of a new Agreement, will pave the way for future opportunities and challenges for ITTO's operational work. Nevertheless, progress made during informal sessions on ITTA-4 during ITTC-39 send a signal that delegates are thinking more critically about how to create a more stable funding base for the ITTO's activities after 2007. Such thinking also provides an indication of whether compromise can be reached on outstanding issues related to the new Agreement by the end of ITTA-4.

The clear success of ITTC-39 was in the approval of the ITTO's BWP for 2006-2007. Included in this work programme are: routine activities such as development of ITTO biennial budgets and funding for ITTC sessions; project activities such as publication of the ITTO quarterly *Tropical Forest Update* and bi-weekly *Market Information Service*; and strategic policy activities such as enhanced collaboration and synergies between ITTO and CITES and monitoring and assessing the social, economic and environmental costs and benefits of sustainable management of natural forests. To some delegates, the range of work in the approved BWP for 2006-2007 accurately represents the range of ITTO activities, and the ITTO's holistic approach to sustainable forest management. However, to others it represents an invitation for negotiators at ITTA-4 to broaden the scope of the new ITTA. For instance, some producer countries object to the inclusion of non-timber forest products (NTFPs) and environmental services in the new Agreement, since it is a commodity (rather than an environmental) agreement. Others see this as fully representative of the ITTO's work, which does not change the nature of ITTA's commodity focus.

The approved BWP for 2006-2007 also represents an increase in ITTO's activities and workload. With the ITTO in arrears of over US\$4.9 million and financial year 2005 income of approximately US\$4.2 million, the ITTO may lack the future capacity to undertake new work in the absence of greater human and financial resources. To take a more equitable approach to funding the ITTO after 2007, consumer countries at ITTC-39 expressed greater willingness to fund a greater share of the Administrative Account, without changing the assessments required from producer countries. The question remains, however, if the exact amount of this funding will be enough to placate concerns of the producer countries about the ITTO's eroding financial base. Many producer countries continue to believe that a significantly greater amount of assessed and voluntary funding should be contributed by consumers under the new Agreement. Nevertheless, compromises made in the informal meetings on ITTA-4 finance issues represent an incremental step forward in negotiating the new ITTA.

During ITTC-39, there was a clear indication of convergence on outstanding ITTA-4 issues, especially on possible funding for and structure of the Administrative Account. Consumer and producer members were able to reach tentative agreement on language related to finance and hold fruitful discussions on other

outstanding issues during informal sessions on ITTA-4. Key sticking points remain, however, including the renaming of the Organization and changing the frequency of Council sessions. So as ITTC-39 moved ahead in successfully conducting its business, the future of the ITTO hangs in the balance, pending the outcome of the ITTA, 1994 renegotiations.

## UPCOMING MEETINGS

### INTERNATIONAL EXPERT MEETING ON "SCOPING FOR A FUTURE AGREEMENT ON FORESTS":

This country-led initiative in support of the United Nations Forum on Forests will take place from 16-18 November 2005, in Berlin, Germany. The objective of this meeting is to contribute to the preparations for UNFF-6. Drawing from the Chair's text of UNFF-5, the meeting will provide an opportunity for experts to explore and develop further some of the concepts and ideas on the future of the International Arrangement on Forests. For more information, contact: Marika Schinkel-Kleinke, Capacity Building International (InWent); tel: +49-34202-845-401 fax: +49-34202-845-777; e-mail:

marika.schinkel-kleinke@inwent.org; internet: [http://www.inwent.org/themen\\_reg/themen/umwelt/biodiversitaet/forests/index.en.shtml](http://www.inwent.org/themen_reg/themen/umwelt/biodiversitaet/forests/index.en.shtml)

### EUROPE AND NORTH ASIA FOREST LAW ENFORCEMENT AND GOVERNANCE MINISTERIAL MEETING:

This meeting will convene from 22-25 November 2005, in St. Petersburg, Russian Federation. The meeting will contribute to the initiation of a Forest Law Enforcement and Governance (FLEG) process for Europe and North Asia. For more information, contact: Nalin Kishor; tel: +1-202-473-8672; fax: +1-202-522-1142; e-mail: [ena-fleg@worldbank.org](mailto:ena-fleg@worldbank.org); internet: <http://www.worldbank.org/enafleg>

### REGIONAL WORKSHOP ON SCIENTIFIC RESEARCH AND NATIONAL RESEARCH PLANS OF ACTION FOR COMBATING DESERTIFICATION:

This workshop will be held from 22-24 November 2005, in Khartoum, Sudan. This meeting will review experiences and learn from the National Action Research Programmes and actual experimental research work undertaken in desertification studies presented by the participating countries. It will also identify common areas of research on desertification between two or more countries for future formulation and implementation; formulate subregional projects on desertification between two or more countries; and establish a desertification research network between the relevant institutions in the participating countries. For more information, contact: Mukhtar Ahmed Mustafa, University of Khartoum, Sudan; tel: +249-13-329232; fax: +249-11-780295; internet: [http://www.uofk.edu/con\\_work/desert2/desert2.htm](http://www.uofk.edu/con_work/desert2/desert2.htm)

### ASIA-EUROPE ENVIRONMENT FORUM

**CONFERENCE:** This conference will take place from 23-25 November 2005, in Jakarta, Indonesia. This Forum will take as its theme, "1/3 of Our Planet: What Can Asia and Europe Do for Sustainable Development?" The Forum is co-organized by the Asia-Europe Foundation, Hanns-Seidel Foundation of Germany, the Institute for Global Environmental Strategies (IGES) of Japan, and the UN Environment Programme. It will be hosted by the Indonesian Biodiversity Foundation. The Forum will include a number of special events, such as a Workshop on



Planet, People, and Profit: Fostering Sustainable Development and Addressing Climate Change through the Clean Development Mechanism. Other events will focus on such matters as the Millennium Development Goals, partnerships, financing and business opportunities, chemicals and waste, and sustainable urban transport. For more information, contact: Asia-Europe Environment Forum Secretariat; tel: +65-6874-9707; fax: +65-6872-1207; e-mail: env@asef.org; internet: http://asef.on2web.com/subSite/env/default.asp

**CONFERENCE ON FRONTIERS IN FOREST**

**INFORMATION:** This conference is scheduled to take place from 5-7 December 2005, in Oxford, UK. This conference will examine the key frontiers in four thematic areas: global needs for forest-related information; information access for development; new publishing paradigms; and the impacts of changing technologies. For more information, contact: Roger Mills, Conference Secretary; tel: +44-1865-275080; fax: +44-1865-275095; e-mail: roger.mills@ouls.ox.ac.uk; internet: http://www.bodley.ox.ac.uk/users/millsr/isbes/forestry.htm

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

**PART:** The Fourth Part of the UN Conference on the Renegotiation of the International Tropical Timber Agreement, 1994 will convene from 16-27 January 2006, in Geneva, Switzerland. Delegates will meet to discuss outstanding issues of scope and finance for the new Agreement. The session may also be extended to include a two-day pre-meeting negotiation on these issues. For more information, contact: UNCTAD Secretariat, Intergovernmental Affairs and Outreach Service; tel: +41-22-917-5809; fax: +41-22-917-0056; e-mail: correspondence@unctad.org; internet: http://www.unctad.org/Templates/Meeting.asp?intItemID=3323&lang=1

**SIXTH UN FORUM ON FORESTS (UNFF-6):** UNFF-6 will be held from 13-24 February 2006, at UN headquarters in New York. This meeting will seek to reach conclusion on issues that were unresolved at UNFF-5. For more information, contact: Elisabeth Barsk-Rundquist, UNFF Secretariat; tel: +1-212-963-3262; fax: +1-917-367-3186; e-mail: barsk-rundquist@un.org; internet: http://www.un.org/esa/forests

**INTERNATIONAL TROPICAL FOREST INVESTMENT**

**FORUM:** The Forum will be held from 25-27 April 2006, in a location to be determined. The Forum will be interactive, with ITTO, Forest Trends, the Katoomba Group, Grupo Ecologico Sierra Gorada IAP, and four branches of the Mexican Environment Ministry joining forces to bring together a wide range of stakeholders that can facilitate, access and operate mechanisms for increased investment in natural forest-based enterprises, including community enterprises. For more information, contact: Paul Vantomme, ITTO Assistant Director for Forest Industry; tel:+81-45-223-1110; fax: +81-45-223-1111; e-mail: vantomme@itto.or.jp; internet: http://www.itto.or.jp

**ITTC-40:** The 40th session of the ITTC and associated sessions of the Committees will convene from 29 May to 2 June 2006, in Mérida, Mexico. For more information, contact: Manoel Sobral Filho, ITTO Executive Director; tel:+81-45-223-1110; fax: +81-45-223-1111; e-mail: itto@itto.or.jp; internet: http://www.itto.or.jp

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