

## SUMMARY OF THE FORTY-SEVENTH SESSION OF THE INTERNATIONAL TROPICAL TIMBER COUNCIL AND ASSOCIATED SESSIONS OF THE FOUR COMMITTEES: 14-19 NOVEMBER 2011

The forty-seventh session of the International Tropical Timber Council and the associated sessions of its four Committees were held in Antigua, Guatemala, from 14-19 November 2011. At this session, the Council considered: implementation of the Biennial Work Programme (BWP) 2010-2011, and activities to be included under the BWP for 2012-2013; the current status of implementation of the International Tropical Timber Organization Thematic Programmes, and the administrative budget for 2012. The Council also reviewed the status of the deposit of instruments of ratification, acceptance, approval, or accession to the International Tropical Timber Agreement (ITTA), 2006.

Delegates also convened the forty-fifth 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-sixth session of the Committee on Finance and Administration also met to discuss, *inter alia*, the administrative budget for 2012, the current status of the Administrative Account, and resources of the Special Account and the Bali Partnership Fund. The Council adopted three decisions, including on: projects, pre-projects and activities; the BWP 2012-2013; and the selection of projects, pre-projects and activities to receive funding.

The meeting was regarded by all as having been productive and efficient, and it is clear that the International Tropical Timber Organization (ITTO) has made significant efforts to link its work with that of other forest-related multilateral environmental agreements, namely the Convention on Biological Diversity (CBD), the Convention on International Trade in Endangered Species of Fauna and Flora (CITES) and the UN Framework Convention on Climate Change (UNFCCC). However, the meeting was overshadowed by concerns over

the long-term financial viability of the organization and the anticipated entry into force of ITTA, 2006, and the implications of this for the funding and the scope of the ITTO's activities.

## 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.

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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 Union (EU), 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-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 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 2008-2011. It was agreed that future Council sessions would be held annually, alternating between Yokohama and Producer member countries, subject to sufficient funding being available for the incremental costs associated with the latter.

**ITTC-45:** The 45th session of the ITTC met from 9-14 November 2009 in Yokohama, Japan. At this session the Council considered and adopted decisions on: the 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 Council also held discussions on the implementation of the BWP for 2008-2009, the current status of implementation of the ITTO Thematic Programmes, and the frequency and location of future Council sessions.

**ITTC-46:** The 46th session of the ITTC met from 13-18 December 2010 in Yokohama, Japan. The Council reappointed Ze Meka as Executive Director for five years, and decided that annual Council sessions shall rotate between Yokohama and a Producer member country, and that no more than US\$400,000 shall be spent from the Administrative Budget on the latter. The Council also adopted decisions on the ITTO/CBD collaborative initiative on enhancing biodiversity in production forests and improved conservation and management of protected areas.

## ITTC-47 REPORT

Bilé Joachim Allogho (Gabon), Chair of the forty-seventh session of the International Tropical Timber Council (ITTC-47) opened the Council session on Monday, 14 November 2011. He welcomed participants and thanked the Government of Guatemala for hosting the session, noting that 2011 signifies the International Tropical Timber Council's (ITTO's) 25th Anniversary. He remarked that ITTO was one of the first forest-related international institutions established. He said that although the area of forest under formal management has increased from an insignificant amount to over 53 million hectares (ha) over the past 25 years, attaining ITTO's goals has proven to be more difficult than previously imagined, with annual deforestation rates remaining alarmingly high. He cautioned that unless major Producer members ratify the ITTA, 2006, triggering its entry into force, the ITTO risks losing its international standing.

Juan Alfonso de León Garcia, Minister of Agriculture, Livestock and Food, Guatemala, welcomed delegates and noted that the President and Vice President of Guatemala were regrettably unable to attend, but were pleased to have the ITTC in Guatemala and expected a positive outcome of the session. Noting that "*Goathemala*" translates to "Land of Trees" in the Maya-Toltec language, the Minister lauded the contribution of the ITTC towards the sustainable use, management and trade

of forest resources and encouraged the continuing efforts of delegates to promote the rational use of forest resources to avoid risks for future generations.

Josué Iván Morales Dardón, Director, Instituto Nacional de Bosques (INAB), noted Guatemala had become an ITTO member in May 2001, and had ratified the ITTA, 2006 in 2011. He said that ITTC-47 coincided with three significant celebrations, namely: the International Year of Forests, ITTO's 25th Anniversary, and the 15th Anniversary of the establishment of INAB in 1996. He noted: INAB's past progress in developing the forestry sector and governance in Guatemala, including reclaiming 100,000 ha of forests, conservation of tropical forests, hosting the 28th Regional Conference for Latin America and the Caribbean of the UN Food and Agriculture Organization (FAO), and building strong partnerships between governments, civil society, academic institutions and non-governmental organizations, and that ITTO has, to date, supported 10 projects in Guatemala with total funding of US\$2.4 million.

ITTO Executive Director Emmanuel Ze Meka thanked the Government of Guatemala for its tireless organizational work and noted the meeting's location demonstrated progress in reinstating the traditional balance between Producer and Consumer countries. He detailed collaborative activities ITTO undertook in 2011 to celebrate the organization's 25th anniversary and the International Year of Forests, and other ongoing collaborations, including work with FAO to harmonize reporting for the Forest Resource Assessment and ITTO's report on the Status of Tropical Forests. He then turned the delegates' attention to the week's work, including: redoubling efforts to bring ITTA, 2006 into force; finances for the BWP; and evaluating the pilot-implementation of the Thematic Programmes and the preliminary meta-analysis of previously evaluated projects.

Christian Magnagna, Minister of Forests and Water, Gabon, highlighted Gabon's progress in forest management, saying approximately half of Gabon's managed forests are sustainably managed and that 20% are certified. He emphasized Gabon's goal to achieve 17% of land as protected area, or 4 million ha, in support of the Convention on Biological Diversity's (CBD) COP10 decision on biodiversity targets. On forest exploitation, Magnagna underlined that sustainable forest management (SFM) is a "cornerstone to building a better Gabon," and noted current activities, including work on: a new government fund for investing in wood processing capacity; conditional measures to support economic operators; new economic "green activities"; a technology laboratory on timber and species research; and forest carbon stock assessments. He reiterated Gabon's intention to host ITTC-49 in 2013.

**ORGANIZATIONAL MATTERS:** Chair Bilé Allogho confirmed that quorum was attained for the session. The agenda (ITTC(XLVII)/1/Rev.1) was accepted and the Council Observers (ITTC(XLVII)/Info.3) were approved. Executive Director Ze Meka said membership remained unchanged at 60 members, 33 Consumers and 27 Producers. He presented the proposed distribution of votes for 2011 (ITTC(XLVII)/1/Rev.1 Annex) and noted the distribution of votes will be used to establish member contributions and the administrative budget for 2012. Chair Bilé Allogho called on the Consumer members to nominate a new Vice-Chair and Consumer spokesperson, as elected Vice-Chair

Carla Boonstra (Netherlands) had resigned from her position, and Consumer spokesperson Jennifer Conje was absent from the session. The Consumers group nominated Makoto Ozawa (Japan) as Vice-Chair for the Council session, and Ellen Shaw (US) as Consumer spokesperson.

### 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:

On Monday, Chair Bilé Allogho presented the Report of the Informal Advisory Group (IAG) (ITTC(XLVII)/2) held on Sunday, 13 November, 2011. He noted that the Group had considered the delay of the entry into force of the ITTA, 2006 and that not enough Producer members had signed the Agreement but several were already in the process of becoming parties to the ITTA, 2006. He said the IAG recommended that the Council use ITTA, 1994 to make provisions for contributions and budgets until the end of 2012, in anticipation of the entry into force of ITTA, 2006 during 2012. Bilé Allogho also underlined Japan's proposal to co-host a side event at the UN Conference on Sustainable Development (Rio+20) in Rio de Janeiro, in June 2012, to increase the visibility of ITTO, and said the IAG recommended this be considered by the Council under the ITTO BWP.

**ENHANCING COOPERATION BETWEEN ITTO AND CITES:** On Monday afternoon, the Secretariat presented on this item (ITTC(XLVII)/4), noting that it includes the Convention on International Trade in Endangered Species of Fauna and Flora (CITES) Listing Proposals by members (Decision 3/(XVI)), and reported on the joint capacity-building programme with CITES. He summarized: a significant rise in proposed listings; that Brazil and Bolivia had joined several other countries in listing *Cedrela* sp. (Spanish cedar); ITTO and CITES joint work in Madagascar; and Panama's proposed listing of *Dalbergia* sp. (rosewood).

The ITTO Secretariat stated that the first phase of the joint programme significantly improved countries' abilities to implement provisions for tropical timber. He highlighted the work on non-detriment findings, which led to the establishment of export quotas for *Pericopsis elata* (African teak) and *Prunus Africana* (ironwood), and led to the alleviation of a voluntary trade moratorium on the latter in Cameroon, and the expected alleviation of a ban on trade in this species in the Democratic Republic of the Congo. He stated that ITTO participated in CITES events, and that the EU was willing to provide an additional €5 million for the project if an additional €2.5 million could be matched by other donors.

Milena Sosia Schmidt, CITES, on behalf of CITES Secretary-General John Scanlon, emphasized that the cooperation between ITTO and CITES has strengthened capacity in eight main exporting countries to more effectively implement CITES, which has had a great benefit for those countries including in supporting local populations, and has led to the listing of over 100 additional high-value timber species in the last two years since the 2010 CITES CoP15. She said the collaboration is a model of effectiveness between an implementing agency and a convention secretariat, and said there is a high demand for

increasing this activity. Cameroon said the programme enhanced capacity building, re-enabled exportation, and created new standards for species use. The EU called for additional financial contributions for the ITTO to support this work. Malaysia acknowledged the benefits of the programme to support implementation of eight projects and workshops. Japan said the programme is the only mechanism supporting implementation of the species listed in the CITES appendices and expressed hope for involvement of the private sector. The US expressed its support for the programme. Indonesia noted the “concrete” benefits of the programme and proposed agarwood as a new listing.

**ANNUAL REVIEW OF TIMBER SITUATION:** The Committee addressed this item (ITTC(XLVII)/5) on Wednesday. Frances Maplesden, ITTO Consultant, presented on the review and noted ITTO members’ disappointing responses to the Joint Forest Sector Questionnaire, which limits the Review’s statistical integrity. She identified China and India as main importers of tropical roundwood and tropical sawnwood, drawing attention to China’s dominance as an exporter of secondary processed wood products. She noted declining import trends in Japan, the US and the EU due to the global downturn. Japan, the US and the EU highlighted the value of the review, with Japan urging members to supply the questionnaire with quality data. Indonesia noted the report shows Indonesian sawnwood trade data, but that this must reflect unofficial export of sawnwood since Indonesia had banned sawnwood trade. Maplesden said Indonesia should supply the Secretariat with this data for the Review.

**ENTRY INTO FORCE OF ITTA, 2006:** On Monday afternoon, ITTO Executive Director Ze Meka reviewed progress towards entry into force of ITTA, 2006 (ITTC(XLVII)/6/Rev.1). The Agreement, he said, has 59 signatories and 60 parties: 37 Consumer countries, which accounted for 65% of global tropical timber imports in 2005, the reference year; and 23 Producer members, which account for 58% of the votes, just short of the 60% threshold necessary for entry into force. He reviewed a few special-case countries, including Mozambique, which has acceded but cannot become a member until ITTA, 2006 enters into force.

Japan lamented the long delay in bringing the Agreement into force, and called for this to take place prior to the Rio+20 meeting in June 2012. He said budgetary and administrative plans need to be developed in case the agreement does take effect mid-way through 2012. Brazil, for Producers, called on members to expedite their ratification processes, and called for an assessment of why Producer countries have delayed ratification. She opined that it might be due to the lack of resources for financing ITTO projects and the skew in funding to issues not central to Producer country concerns.

The Secretariat announced that Honduras has finalized its ratification process, meaning only 12 votes are required to pass the Producer member threshold required for ITTA, 2006 to enter into force.

#### **BIENNIAL WORK PROGRAMME 2010-2011**

**PROGRESS REPORT:** On Monday afternoon, Executive Director Ze Meka presented the progress report of the BWP 2010-2011 (ITTC(XLVII)/7). He lamented that of the US\$9.7 million requested for 57 programmes, only 53% of this funding was received, with US\$2.8 million secured for Council activities,

US\$690,000 for Committee activities, and US\$1.6 million received for activities of Thematic Programmes. Ze Meka reviewed the activities under the BWP 2010-2011, noting many projects have not been executed due to outstanding funding, including: analyzing the economic impact of governmental procurement policies on tropical timber markets; investigating gender equity in relation to forest management and enterprise; showcasing new technology from ITTO projects; promoting financing for small and medium forest enterprises; enhancing African timber and timber products for sustainable intra-African trading; promoting roles of non-timber forest products (NTFPs) and services for SFM; promoting adoption of voluntary codes of conduct for forest industry enterprises; and enhancing the technical capacity of developing country members to meet ITTO reporting requirements.

**BIENNIAL WORK PROGRAMME 2012-2013:** On Monday, Executive Director Ze Meka summarized proposed activities of the draft BWP for 2012-2013 (ITTC(XLVII)/8), with estimated funding requirements totaling US\$9 million, including, *inter alia*: publication of the Tropical Forest Update (TFU); participation in various international meetings related to forests; expert review of ITTO Criteria and Indicators (C&I); support for the Trade Advisory Group (TAG) and the Civil Society Advisory Group (CSAG); collaborative work with the UNFCCC, CBD, and the Collaborative Partnership on Forests (CPF); promoting improvements in forest law enforcement; and the publication of various forestry-related guidelines. He highlighted the EU’s offer to match funding up to €2.5 million for ITTO-CITES capacity building during 2012-2013, to a total of €5 million over four years. In the ensuing discussion, Switzerland suggested that future BWP reviews include an overview paragraph highlighting major challenges and successes. Japan noted that the appreciation of the Japanese yen may enable additional funding. The US, supported by the EU, cautioned that as currently drafted, the 2012-2013 BWP assumes that the ITTA, 2006 will enter into force, although this is not assured.

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

- publication of a quarterly Tropical Forest Update;
- seek advice from and support activities of the TAG and CSAG;
- enhance public relations, education, and outreach activities to convey ITTO achievements;
- assess submitted project and pre-project proposals through work of the Expert Panel for Technical Appraisal of Project Proposals;
- provide for ITTO’s participation in and visibility at Rio+20 in June 2012;
- cooperate and consult with the CPF and support for the United Nations Forum on Forests (UNFF) and other relevant international and regional organizations, institutions and initiatives;
- monitor progress in the application of SFM C&I;
- formulate and approve a new ITTO Action Plan;
- support the ITTO Children’s Environmental Education Programme on Tropical Forests;
- examine the implications of climate change for tropical forests and the role these forests play in mitigating climate change effects;

- enhance cooperation between ITTO and CITES;
- evaluate the pilot operation of the ITTO Thematic Programmes;
- assess the implications of the global economic and financial crisis for the tropical timber sector and help countries build resilience to future downturns through information on market drivers;
- consider progress in implementing the 2012-13 BWP;
- consider the Draft 2014-15 BWP;
- decide on eligibility of approved actions, projects and pre-projects for funding out of Sub-Account B of the Bali Partnership Fund (BPF);
- decide on project work, including financing, accounting for recommendations made by the Committees regarding project proposals and on-going and completed approved projects;
- make allocation from un-earmarked funds available in the BPF and/or Special Account to fund implementation of eligible approved actions, projects and pre-projects;
- consider progress in the implementation, monitoring and evaluation of pre-projects, projects and activities under the Thematic Programmes Sub-Account;
- compile the annual/biennial review and assessment of the international timber situation;
- consider the reports of the IAG;
- review the results of relevant project and policy work of the Committees;
- select projects for *ex-post* evaluation following procedures outlined in ITTC Decision 3(XXVIII); and
- consider, and if appropriate, take action to disseminate information on project findings and results.

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

- disseminate and share information on output, outcomes, impacts and lessons learned from ITTO's work;
- support selected Producer member countries to promote wood-based bioenergy using wood residues and waste;
- strengthen the capacity to promote efficient wood processing technologies in tropical timber producing countries;
- match the needs of the forest industry with the innovations, technologies and know-how developed through ITTO projects;
- demonstration and adoption of credit schemes for small and medium sized enterprises in the forest sector;
- promote innovations in the utilization of tropical timber;
- development of Environmental Production Declarations for three tropical wood products: meranti plywood, ipe decking and khaya lumber;
- collaborate with the TAG for the ITTO Annual Market Discussion on the world tropical timber trade during ITTC sessions in 2012 and 2013;
- publish the ITTO bi-weekly Market Information Service;
- enhance the technical capacity of member countries to meet statistics and reporting requirements;
- enhance the statistical work and statistical databases;
- review the timber market in two significant tropical timber importing countries;
- continue to promote improvement in forest law enforcement;
- promote tropical timber and tropical timber products from sustainable managed and legally harvested sources;

- analyze the economic impact of governmental procurement policies on tropical timber markets;
- promote the understanding of the contribution of environmental services to the sustainable management of tropical forests;
- review and update the ITTO Guidelines for the Establishment and Sustainable Management of Planted Tropical Forests;
- harmonize the reporting system of the ITTO C&I for SFM with the validated and revised ITTO Guidelines for Sustainable Management for Tropical Forests;
- promote the implementation of guidelines for management of secondary, restoration and rehabilitation of degraded forests;
- facilitate application of the ITTO/IUCN Guidelines for the Conservation and Sustainable Use of Biodiversity in Tropical Timber Production Forests; and
- contribute to national and international efforts in prevention and management of fire in tropical timber-producing forests.

**Financial and Administrative Activities:** The following work was adopted by the Council:

- review the independent audited statement for 2011-2012 financial years;
- make 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 2013, 2014 and 2015 financial years;
- examine and make recommendations to the Council, regarding the approval of the Organization's Biennial Administrative Budget proposals for 2014-2015;
- review the Organization's Administrative Budget for the year 2013;
- review the assets of the Organization to ensure prudent asset management and sufficient reserves to carry out ITTO's work; and
- examine and make 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.

**THEMATIC PROGRAMMES:** On Wednesday, the ITTO Secretariat introduced the item (ITTC(XLVII)/9) and reported on the status of implementation of the Thematic Programmes. He said in 2011: the ITTO received 37 proposals and 14 approvals for Reducing Deforestation and Forest Degradation and Enhancing Environmental Services in Tropical Forests (REDDES) totaling US\$4.1 million, and five proposals and three approvals for Training and Market Transparency, totaling US\$740,000; the Thematic Programmes had 13 donors and that 31% of pledges had been received; and that a Swiss/Philippine project had recognized the potential of ITTO's REDDES programme to contribute to the governance of other multilateral environmental agreements. Switzerland urged emphasis on environmental services. Norway called for the progress report to reflect the strategic impact of the Thematic Programmes. Brazil, supported by Norway, suggested adding ITTO's partnerships with CITES and the CBD as new Thematic Programmes to avoid duplication. The US noted that there were zero funds available for new recruitment of Thematic Programme proposals and asked the Secretariat to state the financial amount necessary to enable recruitment. The Secretariat said US\$1 million is required.

The Chair opened the floor for announcements of voluntary contributions to Thematic Programmes, but none were forthcoming.

**DEVELOPMENTS IN THE UNFCCC:** On Monday, Carmenza Robledo, ITTO Consultant, reviewed two relevant forest discussions in the UNFCCC process: Afforestation/Reforestation under the Clean Development Mechanism, the future of which is under negotiation by the *Ad hoc* Working Group on the Kyoto Protocol (AWG-KP); and the reducing deforestation and forest degradation in developing countries; conservation, sustainable management of forests and enhancement of forest carbon stocks (REDD+) process, which is being negotiated within the *Ad hoc* Working Group on Long-term Cooperative Action (AWG-LCA).

She said the 2009 Copenhagen Agreement: recognized the mitigation role of REDD+; clarified activities but left undefined terms, such as “enhancement of forests”; and outlined three phases, readiness, investment and performance-based payments. The final two phases, she noted, are estimated to require US\$20 billion to reduce deforestation by 25% by 2015, with an additional US\$4 billion to address degradation, and said diverse funding is necessary for the potential of REDD+ to be realized. She noted the action needed for countries to prepare a REDD+ programme, reviewed the involvement of ITTO-member countries in different initiatives, such as the United Nations Collaborative Programme on Reducing Emissions from Deforestation and Forest Degradation in Developing Countries (UN-REDD) and the World Bank’s Forest Carbon Partnership Facility, and stressed the contribution ITTO has made to building reducing deforestation and forest degradation in developing countries (REDD) readiness through the REDDES Thematic Programme.

Malaysia stressed the importance of financing, and urged that ITTO help make the system more technically simple. Brazil supported ITTC to consider reports on the UNFCCC process, but expressed concern over the reports’ content, neutrality and prescriptiveness. She said reports should communicate information, not take positions on unresolved issues within the UNFCCC, such as the future of the AWG-KP and AWG-LCA and the role of carbon markets in a future financing mechanism.

Indonesia discussed cooperation with Germany, Australia and Japan on REDD activities, including REDD+ demonstration projects. Japan, Norway, and the Philippines said information on UNFCCC forest negotiations is essential for the work of the ITTO. Japan supported ITTO’s continued involvement with the process and asked about whether ITTO could play a role in UN-REDD. The Philippines said the ITTO’s work is highly complementary to UN-REDD.

**ITTO/CBD COLLABORATION:** The ITTO Secretariat presented on the initiative (ITTC (XLVII)/11), stating the project has US\$15 million for four years. He said that the project’s four key outputs include: enhanced local capacity for biodiversity conservation in production forests; improved conservation and management of protected areas especially those for transboundary conservation; safeguarding tropical forest biodiversity, including through REDD+ projects; and improved welfare of local communities and indigenous groups.

Atsuhiro Yoshinaka, CBD, highlighted that the initiative’s forestry work focuses on production and protection of forests. He explained that four of the CBD’s 2020 Biodiversity Targets address forests, specifically to: halve the rate of natural habitat loss and reduce degradation; sustainably manage areas of agriculture and forestry; ensure 17% of terrestrial areas are conserved effectively and equitably managed; and enhance the contribution of biodiversity to carbon stocks through conservation and restoration. He said the decision adopted at CBD COP 10 invited joint activities between the Secretariats of UNFF, ITTO, and Low Forest Cover Countries.

The Amazon Cooperation Treaty Organization (ACTO) highlighted a proposal for an Amazon Basin project with ITTO and the CBD. Cambodia expressed its support for the Emerald Triangle Transboundary Conservation project between Thailand, Cambodia and Laos, which received approval in 2010, noted its importance in reducing illegal activity, and expressed hope that the project agreement will be signed in December 2011, enabling implementation starting January 2012. Japan added that although Thailand is not currently prepared to commit to the project, progress towards implementation is expected very soon. Thailand said domestic delays, including a recent natural disaster, are hampering political progress on the item, and expressed hope that the project agreement will be signed before 2012. Malaysia said involvement of local communities in conservation is important and necessary. Indonesia and Côte d’Ivoire commented on their countries’ readiness to support the CBD biodiversity targets. Norway asked whether traditional knowledge would be included in the fourth key output and the CBD indicated it would.

**IYF/ITTO 25th ANNIVERSARY:** On Monday the ITTO Secretariat described the activities carried out by ITTO for the UN’s International Year of Forests (IYF) and the 25th Anniversary of ITTO in 2011 (ITTC(XLVII)/12), as provided for by Decision 3(XLVI). He noted that activities that were successfully completed include: publishing a Special Tropical Forest Update Issue on the Asian Forest Tenure Conference; launching the SFM Tropics Report in three languages and associated public relations activities; publishing revised SFM guidelines; convening a conference on Asian forest tenure; producing general outreach material; holding side-events or booths at UNFF 10, UNFCCC COP17 and the Fifth Forest Day, CITES Plants Committee, FAO Forest Resource Assessment meeting, and other UN and international organization meetings; and ITTO regularly contributing to CPF press releases. He also noted some activities that were planned, but not completed, including a programme to publish educational materials for children; and regional meetings to celebrate the entry into force of ITTA, 2006. He said ITTO still plans to collaborate with UNFF to mark the closing of the IYF.

**INTERNATIONAL/REGIONAL ORGANIZATIONS AND FORA:** On Wednesday, Takeo Sasaki, Japan International Cooperation Agency (JICA), discussed the memorandum of understanding to enhance collaboration (Decision 7(XXX)), signed by ITTO and JICA on 3 September 2010. He said the collaboration has facilitated many joint activities: co-funding projects, including the project for transboundary biodiversity conservation in Mekong protected forest area to which JICA provided US\$2.2 million; joint side events at various COPs; joint

publications, including on REDD+; and information sharing through periodic meetings. Japan said the collaboration makes the two organizations stronger and more effective, and gives Producer members better access to JICA's support.

Olman Serrano, FAO, reviewed the collaborative work of the FAO, ITTO and Inter-African Forest Industry Association aimed at developing a strategy for the promotion of further processing of tropical timber in ITTO-member countries from the Congo Basin. He highlighted the strong participation of the private sector in the four-project workshops, which he explained had helped identify issues requiring attention, including: the need for critical infrastructure along the entire supply chain of tropical timber products; the impact of illegal logging and trade on legal operators; the limited financial resources and financing mechanisms; technical and infrastructural barriers preventing market access, even for trade among African countries; and training capacity and retention of skilled workers. Gabon said that the project's importance was heightened due to the limited market for wood from the region. Rémy Mukongo Shabantu, Economic Community of Central African States, said needs in the region must be addressed so that projects and funds can be targeted to address the challenges facing the industry.

**ITTO FELLOWSHIP PROGRAMME:** On Friday the ITTO Secretariat presented the progress report on the ITTO Fellowship Programme (ITTC(XLVII)/13), and Vice-Chair Makoto Ozawa presented the report of the Fellowship Selection Panel (ITTC(XLVII)/14). She said the programme enhances capacity development in tropical timber forest projects, and elicited interest in establishment of an Alumni Fellow Network, concluding that the fellowship is a successful example of ITTO's work. She said 1,100 fellowships have been funded with a budget of US\$6.6 million over the last 21 years, and said the funding request for 2012 is US\$400,000. The US expressed continued support via an additional voluntary contribution. Japan, recognizing the value of the programme, confirmed its continued support. Ozawa noted the lack of applications from producer countries and urged members to enhance awareness of the Fellowship.

**DRAFT ANNUAL REPORT:** On Friday, the Secretariat presented the activities of the ITTO according to the Annual Report, including policy work that had enhanced the ITTO's ties with the CBD, CITES, UNFF, JICA and Japan's Ministry of Foreign Affairs; and noted CSAG and TAG remain actively involved with ITTO.

**SPECIAL ACCOUNT AND THE BALI PARTNERSHIP FUND:** On Friday, the Council discussed the Special Account and the Bali Partnership Fund (ITTC(XLVII)/15). The Chair opened the floor to members wishing to announce new pledges to the BPF, but none were forthcoming.

On Saturday, CFA Chair Agus Sarsito (Indonesia) reported that the Panel on Sub-Account B of the BPF had met to discuss the accounts and the allocation of funds. He noted that the remaining balance of Sub-Account B contained less than US\$72 and the "Unearmarked Funds" of the Special Account contained less than US\$565. He said the Panel had recommended allocating the total remaining funds from the two accounts equally to the Annual Market Discussion and CSAG-TAG events at ITTC in 2012.

## JOINT COMMITTEE SESSION

On Tuesday, participants met in a Joint Committee Session, chaired by James Gasana (Switzerland), to discuss: the report of the Expert Panel for Technical Appraisal of ITTO Project Proposals; *ex-post* evaluations of projects linked to the four Committees; meta-evaluation of ITTO *ex-post* evaluations; and a study on field-level implementation of C&I processes. On Wednesday, members participated in the Annual Market Discussion for 2011.

**REPORT OF EXPERT PANEL:** Expert Panel Chair Eudeline Malet Pekam (France) presented the Report of the Expert Panel for Technical Appraisal of ITTO Project Proposals (ITTC/EP-41 and ITTC/EP-42). She reviewed the terms of reference for the Panel's work and the procedures for review, noting that the Panel had received 54 proposals in 2011. She said that most proposals came from African and Asian members, largely concerning reforestation and forest management, and that nine projects had been recommended for approval by ITTC. She emphasized that project proponents should: adhere to the ITTO Guidelines for Project Evaluation; clearly state how the project contributes to ITTO's goals and how this is to be accomplished; and demonstrate how stakeholders and communities that stand to be affected have been consulted. Switzerland urged building in-country training capacity, and Guatemala highlighted the need for further training in the process of project formulation.

**EX-POST EVALUATIONS:** Erik Lammerts van Buuren, ITTO Consultant, presented an *ex-post* evaluation on the adoption and implementation of the Forestry Information System (FIS) for the Philippines (CEM-CFI(XLV)/3). He said a key goal of the project was to improve insight into the numerous and diverse tenure arrangements in the Philippines, and added that interventions in all forests require permission from the Philippines' Department of Environment and Natural Resources (DENR). He said the project successfully combined geographic information systems (GIS) data with the FIS infrastructure, enabling better management and overview of land title agreements; and that continued training will enable enhanced utility and sustainability of the system. The Philippines underlined that the FIS system enhances the DENR's environmental resource management, and that the Philippines is considering celebrating a national "Decade of Forests" to follow the International Year of Forests.

Kwame Asumadu, ITTO Consultant, presented an *ex-post* evaluation for improving the detection and prevention of illegal logging and illegality in shipping and trade of wood products in Guyana (CEM-CFI(XLV)/3). He explained the system developed for the Guyana Forestry Commission combined GIS and barcode data to create a dynamic database system. He noted achievements include: creating capacity to interpret satellite images to identify land-use change; and establishing a legality monitoring and extension unit within the Forestry Commission. He said the private sector had identified commercial benefits associated with the new system, noted this would add to the sustainability of the project, and recommended ITTO promote this type of project. Guyana said the success of this project contributed to Guyana's SFM, UNFCCC and REDD+ objectives, and Guatemala asked for further details on the private sector's future involvement.

Sadaaki Ohta, ITTO Consultant, reviewed a ten-year project in Brazil to modernize and improve the work of the Brazilian Institute of Environment and Renewable Natural Resources (IBAMA) on, *inter alia*, species identification and timber-product standardization. The project's activities, he said, merit further support, noting that the project only collected information on 300 of the over 3,000 unknown and lesser known species in Brazil. He recommended focusing on: collaborations with other institutions, such as the University of Brasilia; enhancing knowledge transfer to stakeholders; and future research on, *inter alia*, bio-energy and utilizing chemicals from Amazon timbers. Brazil said 11 more species have been added to the project databank, and clarified that IBAMA already conducts research on topics recommended by the report.

Florence Pascua Soriano, ITTO Consultant, reviewed a project on fostering a sustainable plantation-based rattan sector in China. She said the project promoted education and technical training using demonstration sites, workshops and training manuals. Despite limited stakeholder consultations, the project successfully developed six demonstration sites and produced unexpected interest in health benefits from eating rattan shoots, due to their high concentrations of antioxidants. Responding to Liberia, she said 52 ha of rattan had been planted. Responding to the Philippines, she indicated that the project director expressed interest in future work on gender issues. China said future work will include identifying value-added rattan products and improving utilization rates.

Jorge Malleux, ITTO Consultant, presented on the monitoring of forest laws in the Republic of Congo using remote sensing and GIS. Malleux said that the Brazil project had a positive impact on enhancing engagement among timber entrepreneurs in the Amazon region, it developed synergies with other actors, and that there are plans and funding for a second stage. He noted that its assessment of ecological impacts and economic feasibility was used to establish regulations and laws with environmental agencies, but that the project needed to improve its dissemination strategy.

On the Congo project, Malleux concluded that its goals to gather geographic data and information on forest companies, logged and protected areas, and to use this information to enforce forest laws and create equitable operating conditions for logging companies were unrealistic. He emphasized the need for: the executing agency to be 100% present during the operation of the project; prioritizing training of national staff; establishing one clear and detailed baseline to better understand the impact of the project; and involving the private sector.

Yann Petrucci, ITTO Consultant, presented a reduced impact logging (RIL) project in the Congo Basin, emphasizing the difficulty in implementing the project and achieving results. He specified that 25% of the budget was used for unsustainable activities due to lack of executing agency supervision and imbalanced budget provisions, that communication with stakeholders was difficult, that the training center went unused, and that there was weak participation from major actors and local populations. Cameroon expressed concerns over the ability to draw broader conclusions from the project given that it only included Gabon. Côte d'Ivoire questioned if *ex-ante* activities

were done to ensure relevancy of the project planning. Chair Gasana reiterated that an *ex-ante* assessment should be done by experts only.

**EX-POST META-EVALUATION:** Markku Simula, ITTO Consultant, presented a meta-evaluation of previously evaluated ITTO projects (ITTC-JC(XLV)/2), noting the objective to compile lessons learned for dissemination and enhancing projects and impacts. He said 92 of 140 projects, with a combined investment of US\$3.7 million, had undergone *ex-post* evaluation and were incorporated in the meta-evaluation, and that the evaluation team focused on the quality of evaluation work and quality and impacts of projects. He recommended that ITTO: target projects for *ex-post* evaluations more strategically; improve guidance for evaluations; increase the pool of evaluators; and improve ITTO management response and strengthen the systemic feedback loop of the ITTO project cycle. Furthermore, he recommended: the Council offer better guidance in selection of mid-term and *ex-post* evaluations; and the ITTO Secretariat improve terms of reference and guidance for assessing impacts and sustainability. The US, Switzerland and Indonesia commended the report, with the US taking issue with the report's speculation that gender aspects of ITTO projects are not relevant due their technically-oriented nature. In response to Switzerland, Simula said a meta-evaluation could and should be conducted yearly if included as part of the ITTO's work programme, and added that ITTO projects performed "well" relative to those of other organizations.

**STUDY ON IMPACTS OF CRITERIA AND INDICATORS:** Stephanie Caswell and Ivan Tomaselli, ITTO Consultants, presented the draft report of the study on field-level implementation of C&I processes for SFM. They reported that although the questionnaire-based study had a low response rate from both government officials and the private sector, it lent some insight into the use of C&I. Caswell said that countries had reported C&I to be useful in monitoring and reporting, management planning, and legality verification, but that several factors impeded implementation, including inadequate funding and technical resources. Tomaselli said that although companies are more engaged with forest certification than C&I, certification programmes consider C&I updates when reviewing their own standards. He noted that various countries are using them as the basis for forest carbon assessments and as a model for managing other natural resources such as water, and suggested a joint meeting of C&I processes, FAO, UNFF and the World Bank to explore ways to enhance their implementation.

The US said the Montreal Process C&I have been very useful for assessing US forest management. India reported the development of a national certification process and C&I following ITTO guidelines, noting limitations to their application. Liberia reported on a recent African Timber Organization/ITTO mission to Liberia, but noted challenges that C&I may not be able to address. Indonesia said ITTO C&I had been interpreted for local application in Indonesia through a multi-stakeholder consultation, which subsequently informed Indonesian forest policy, and expressed concern that the Forest Stewardship Council (FSC) is increasingly being promoted by some countries as the only certification system capable of assuring sustainability.

**ANNUAL MARKET DISCUSSION:** On Wednesday, Chair Gasana opened the Annual Market Review, recalling the theme, “The Crisis, the Impact, and the Recovery.”

André de Boer, European Timber Trade Federation, said that the decline in demand for wood products caused by the 2008 economic crisis could be exacerbated by the 2011 Euro crisis, and noted that only the wood-energy and green building sectors continued to expand. He noted additional threats to the tropical wood market, including products from non-tropical forests and wood substitutes.

Luo Xina Jian, China State Forest Administration, said although China has experienced high growth since the 1980s, its forest products sector was hit hard by the 2008 crisis, with half of all plywood enterprises closed. She noted that the government’s US\$586 billion financial stimulus package has had the desired effect, and that timber imports are starting to rebound. She listed challenges facing the industry, including: rising labor costs, US anti-dumping duties and the US Lacey Act, which requires import declarations on some species.

Ramkrishna Somaiya, Timber Importers Association of India, described India’s economy as an “oasis of growth,” saying India’s domestic timber requirements have withstood the economic crisis due to booming domestic housing markets. He noted that declining demand from international markets has ensured adequate supplies from producing countries, and that although India’s exports of timber products had decreased, the effect was not significant as the domestic market is much larger.

Alhassan Attah, ITTO Consultant, underlined a steep dip in foreign direct investment, significant declines in exports to traditional markets, and decreased demand for lesser-used species had adversely affected Ghana’s tropical timber sector, but that increased domestic consumption and intra-regional exports had helped stabilize the sector. He identified India and China as “growth poles” for tropical timber products; recommended that ITTO and governments develop domestic markets and value added products; and called for private sector initiatives to promote trade in tropical timber.

Brent McClendon, International Wood Products Association, offered the US consumer perspective on tropical timber imports, highlighting product demand trends. On green building, he lamented the insufficient availability of FSC certified wood and the lack of US consumer willingness to pay a premium for it. He emphasized the industry’s need to attain International Organization for Standardization (ISO) Environmental Product Declarations (EPDs) and described the Lacey Act as supportive of the timber industry.

Akihiko Nemoto, Tottori University of Environment, Japan, described impacts to the forest industry from the March 2011 earthquake in Japan. He said it: contaminated land; cost the forest industry US\$17 billion; and created a demand for 5.3 million cubic meters of plywood for reconstruction. He described that contamination rumors affected wood and wood product consumption. On lessons learned, he recommended strengthening inventory functions to prevent speculative demand, and ensuring that local builders and materials are used for restoration to stimulate economic growth.

Ivan Tomaselli, ITTO Consultant, presented a statement on behalf of the TAG, stressing that ITTO should: fund Life Cycle Assessments and EPDs for selected tropical timber species

and products to ensure access to green building markets; and create web-based clearinghouses for both technical information on tropical species for use by the trade, and on illegal logging regulations and laws. Bob Johnston, Tropical Forest Foundation, stressed the problems created for legal operators by the increasing legality and certification requirements. Guatemala recommended integrating the panel’s discussion into the ongoing work of the ITTO.

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

The CEM and CFI sessions, chaired by Josue Ivan Morales (Guatemala) and Samuel Ebia Ndong (Cameroon), respectively, met from Wednesday to Friday to consider: completed projects and pre-projects; policy work; projects and pre-projects in progress; project selection for *ex-post* evaluations; approval of project and pre-project proposals; election of officers; and dates and venues of future Committee meetings.

**NEW PROJECTS AND PRE-PROJECTS:** The Committees noted six new projects and pre-projects approved at previous sessions and approved under time-bound electronic no objection procedures.

**COMPLETED PROJECTS AND PRE-PROJECTS:** On Wednesday, the ITTO Secretariat reported on the following completed projects and pre-projects (CEM-CFI(XLV)/2):

- upgrading and strengthening of a national forest statistical information system in Venezuela;
- a national forest statistical information system in Guatemala;
- promoting and creating market demand for certified tropical wood and verified legal tropical wood;
- verifying the legality of timber forest products in Peru;
- establishing a wood workers and craftsman village in Ghana;
- skills development and technical training structures at Cameroon’s Mbalmayo National School of Forestry;
- wood processing technology training for forest practitioners in Cambodia;
- using appropriate intermediate technologies for sustainable forest harvesting in Peru;
- improvement of sustainable management and utilization of NTFPs in Cambodia;
- improving utilization and value adding for plantation timbers from sustainable sources in Malaysia;
- the development and delivery of a vocational training programme in RIL and SFM practices in Guyana;
- improving demonstration and application of production and utilization technologies for rattan sustainable development in Association of Southeast Asian Nations (ASEAN) member countries, particularly the Philippines;
- sustainable development of wood-based industries in Indonesia’s South Kalimantan province;
- promoting the utilization of plantation timber resources by extending environmentally sound preservation technology in China;
- kiln drying and value adding of commercial timbers by small-scale community saw millers in Guyana;
- introducing and disseminating inoculation technology to promote and sustain eaglewood (Gaharu) production in Indonesia;

- processing and utilization of trees on farmland and logging residues through collaboration with local communities in Ghana;
- sustainable management of NTFPs in Maharashtra, India;
- clarifying strategies and assessing training needs to achieve SFM in Suriname; and
- developing a national training programme to promote the adoption of RIL in Papua New Guinea.

Members commented positively on the ongoing successes brought about by the projects in their countries: Cameroon said they will propose a second phase for their project on skills development; Peru noted a revolving fund used to ensure the continued sustainability of their project on sustainable harvesting; the Philippines said they will extend enterprise development for rattan products; and Indonesia underlined benefits brought to local communities from more productive eaglewood resources.

#### **SELECTION OF PROJECTS FOR EX-POST**

**EVALUATION:** On Wednesday, Chair Ndongo introduced five Forest Industry project candidates for *ex-post* evaluation (CEM-CFI(XLV)/1). After protracted discussion, and guidance from the Secretariat on financial constraints and balancing regional and thematic aspects of projects, the Committees selected two projects for evaluation:

- application of intermediate technologies for sustainable forest harvesting in Peru; and
- improvement of the sustainable management and utilization of NTFPs in Cambodia.

Chair Ndongo noted that the remaining projects would receive funding if it became available.

#### **REVIEW OF PROJECTS AND PRE-PROJECTS IN**

**PROGRESS:** On Thursday, the Committees considered projects and pre-projects in progress (CEM-CFI(XLV)/4), but limited discussion to projects experiencing implementation problems, requiring additional funding, or requesting additional time extension or major modifications. The ITTO Secretariat recommended that two projects be considered complete, on: establishment of a network to facilitate collection, processing and dissemination of statistics in India; and strengthening of the Forest Statistics and Information Center in Honduras. On projects and pre-projects pending financing, the ITTO Secretariat mentioned that Switzerland provided US\$250,000 for the CFI project on model capacity building for efficient and sustainable utilization of bamboo resources in Indonesia, and urged donors to fund the remaining US\$287,095. The ITTO Secretariat reviewed progress in a CEM project promoting sustainable management of African forests, highlighting this is the first ITTO project that includes funding from China.

**POLICY WORK:** On Wednesday and Thursday the Committee addressed policy work.

**Market Access:** Frances Maplesden, ITTO Consultant, presenting on the timber sector's resilience to global economic and financial crises, recommended: improving market intelligence and cooperation between the private sector, government, and international organizations; increasing domestic and regional market opportunities; focusing on value added products; and increasing the capacity of industry and trade organizations.

**Forest and timber certification:** The ITTO Secretariat reported that in 2010, 22 million ha of certified forests were in ITTO Producer members, which accounted for 6.1% of total certified forests. He noted that certified forest area in ITTO Producer members had increased 53% since 2007, and that ITTO Producer members had 15.7 million ha of FSC certified forests and 5.7 million ha of forests certified by the Programme for the Endorsement of Forest Certification (PEFC), with Brazil, Malaysia, Gabon and Indonesia also having national forest certification programmes.

**Selected data and analysis from ITTO Annual Review and the Assessment of the World Timber Situation:** Frances Maplesden, ITTO Consultant, presented trade statistics of secondary processed wood products (SPWP) from the draft ITTO Annual review (ITTC(XLVII)/5), noting market trends, including: Vietnam's "phenomenal" growth of furniture exports; the slump in US imports of wooden moldings; declines in Brazil's SPWP owing to its currency strengthening; and an overall recovery in exports of SPWP for ITTO Producers following the 2008 crisis.

**Enhancement of statistical work and training workshops on statistics:** The ITTO Secretariat reported that funding for the activities came from the 2008-2009 BWP, and that a workshop was convened in Mexico in collaboration with Comisión Nacional Forestal (CONAFOR), and another convened in Thailand in collaboration with the Royal Forestry Department of Thailand and FAO. The ITTO Secretariat announced that requests from China and Cambodia were received to hold workshops in their countries in 2012, saying these projects would be contingent on funding in the new BWP and would receive co-funding from FAO.

**Promoting trade in tropical timber and tropical timber products from sustainably managed and legally harvested sources:** Alhassan Attah, ITTO Consultant, presented on Ghana's innovative national certification scheme, describing the processes and operations, and explained that basing the system on that of the FSC is the first step for their producers to become fully FSC compliant.

Robin Barr, ITTO Consultant, reported on the development of a website to promote legal wood products, which includes listings of responsible wood product suppliers in an online directory; and promotes lesser known species. On a question from Malaysia, Barr said Tropical Forest Trust staff would be responsible for updating all country data on their responsible suppliers.

The ITTO Secretariat reported on a compendium documenting national technologies for monitoring and tracking illegal logging and related trade. He noted that CITES recognized value in this project and had contributed funding; and that the compendium will be finalized by the end of the year and be reviewed at an expert workshop hosted by the Malaysian Timber Certification Council in 2012.

**Strengthening capacity to promote efficient wood processing technologies in tropical timber producing countries:** The ITTO Secretariat reported that in-house training had taken place in Papua New Guinea, Guyana and Myanmar in 2010 and in Malaysia in 2011, but not in Africa due to lack

of funding. He said private sector, government and stakeholders attended the training, which effectively raised awareness about improving efficiencies in production chains.

**Life Cycle Assessment Analysis:** Malaysia, supported by Ghana, proposed that the ITTO BWP for 2012-2013 include the compilation of Life Cycle Assessment reports for three tropical wood products, which would inform the development of EPDs for these products. Recalling the TAG market discussion the previous day, she underlined that tropical timber lacks competitiveness against non-wood products that have product declarations. She recommended the Committees consider meranti plywood (SE Asia), ipe decking (Brazil) and khaya lumber (Ghana) as these represent a range of products from three geographic regions.

**BWP 2012-2013:** On Wednesday, the Co-Chairs established a working group to discuss the CEM-CFI activities for the BWP 2012-2013. On Thursday, the US reported that the working group had convened and not made any significant alterations to the CEM-CFI activities for the BWP.

**RECOMMENDATIONS TO ITTC:** The Committees recommended that funding be made available immediately for four CEM and six CFI projects approved at previous sessions and under the time-bound electronic no-objection procedure for the spring and autumn project cycles in 2011.

**ELECTION OF CHAIR AND VICE-CHAIR FOR 2012:** On Friday, the CEM elected Rob Busink (the Netherlands) as Chair and Moses Wogbeh (Liberia) as Vice-Chair; for CFI, James Gasana (Switzerland) was elected Chair and Ruth Turia (Papua New Guinea) was elected Vice-Chair.

**DATES AND VENUES OF FUTURE SESSIONS:** The Committees agreed that the forty-sixth and forty-seventh sessions of the Committees will be held in conjunction with ITTC-48 and ITTC-49, respectively.

**REPORT OF THE SESSION:** On Friday, the draft report of the Committees (CEM-CFI(XLV)/5) was accepted, with minor amendments, by the Committees for submission to the Council.

### COMMITTEE ON REFORESTATION AND FOREST MANAGEMENT

The 45th session of the Committee on Reforestation and Forest Management (CRF), chaired by Abdul Rahman Abdul Rahim (Malaysia), convened Tuesday to Friday to consider: completed projects and pre-projects; *ex-post* evaluations; policy work; projects and pre-projects in progress; and election of officers.

**NEW PROJECTS AND PRE-PROJECTS:** Under this item (ITTC/EP-41, 42), on Friday, five new projects and one new pre-project were approved, with no objection, under the time-bound electronic no objection procedures, following recommendations made at the 42nd meeting of the Expert Panel for the Technical Appraisal of Project Proposals.

**COMPLETED PROJECTS AND PRE-PROJECTS:** On Wednesday, Chair Rahim opened discussion on the Report on Completed Projects and Pre-Projects in the Field of Restoration and Forest Management (CRF(XLV)/2). The Committee declared nine projects complete:

- evaluation of mangrove forests in Venezuela with a view to sustainable forest utilization;

- operational strategy for sustainable forestry development with community participation in India;
- strengthening national capacity and regional collaboration for sustainable use of forest genetic resources in tropical Asia;
- establishment of seed orchards for indigenous tree species in Malaysia;
- sustainable management of tropical forest resources through stakeholder agreements in traditionally owned areas of Papua New Guinea;
- criteria for the management of mangrove and flood forests in Veracruz, Mexico: a community management tool;
- building capacity to develop and implement afforestation and reforestation projects under the UNFCCC Clean Development Mechanism;
- strengthening the production chain for timber from forest concessions and other forests under management in Peru; and
- strengthening of the Aimex seed laboratory and nursery (Brazil).

One project, biodiversity management and conservation in forest concessions adjacent to totally protected areas, Republic of Congo – Phase II, will be considered complete subject to review of the final financial audit report, which the ITTO received but has not yet reviewed.

The Committee accepted two pre-projects as completed: community-based forest management of Sungai Medihit watershed, Malaysia; and assessing the policy and international framework to facilitate the development of an integrated grazing policy in India.

**EX-POST EVALUATIONS:** On Tuesday, the Committee established a working group on the Selection of Projects for *Ex-Post* Evaluation (CRF(XLV)/4). The remainder of work on this item was completed in the Joint Committee session.

**PROJECTS IN PROGRESS:** On Thursday, the Committee reviewed implementation of projects and pre-projects (CRF(XLV)/3). There were no requests for additional funds and the Secretariat was requested to consider extensions for four projects:

- genetic resistance of Iroko to *Phytolama lata* in Côte d'Ivoire;
- development of cloning for samba, West African mahogany and Tiokoue tree species in Côte d'Ivoire;
- forest seeds' management and conservation in Côte d'Ivoire; and
- development of the national reforestation and afforestation strategy in Liberia.

The Committee considered and granted extension for projects on:

- production systems and integrated management of shoot borers for establishing *Meliaceae* plantations in Mexico;
- promoting rehabilitation, management and sustainable use of tropical bamboo forests in Peru; and
- SFM in the northern and northeastern regions' forest production areas in Colombia.

Project review presentations were given on: reserving the Lanjak Entimau wildlife sanctuary as a totally protected area in Malaysia; and a project to support and convene the 5th Latin American Forestry Congress in Peru.

On projects awaiting implementation agreement, Brazil stated there was a change in the executing agency for its community forest management project in Amazonas State. Responding to

the Secretariat's encouragement that it accelerate signing the agreement for the Emerald Triangle project, Thailand said the agreement was at the administrative level awaiting approval from the cabinet.

The Secretariat summarized that five projects and two pre-projects under implementation remained incomplete because final financial audits were not submitted, and urged that these be submitted by March 2012.

On Friday, the Secretariat noted: 81 projects were in progress; that only projects with implementation problems, requiring additional funds, or requesting time extensions greater than six months or major modifications would be reviewed; and that previously completed projects pending final financial audits would be considered to be "under implementation" and thus in progress. Thirty projects were classified as "under implementation," with eight not having submitted final audit reports, six having been granted extensions, four whose extension requests will be reviewed at the next Project Steering Committee meeting in January 2012, and two declared completed subject to receipt of the final financial audit report. The ITTO Secretariat noted that two projects are awaiting an implementation agreement, 19 projects previously approved at other sessions await financing and that four of these will be classified under the sunset provisions if funding is not secured by the CRF-46.

The project on the study and demonstration of the management of secondary forests in tropical regions for enhancing economic and ecological benefits, China – Phase II, was declared completed. The project on transboundary biodiversity conservation area: Pulong Tau national park, Malaysia – Phase II, was removed from the draft report as it was not discussed. Executing agencies were urged to submit any outstanding final financial audit reports by March 2012. Brazil urged donors to fund a project on sustainable management of production forests at the commercial scale, Brazil – Phase II because the budget had been reduced. The ITTO Secretariat called for funds for a project on capacity building for forestry training institution members of the network of Central African forestry and environmental training institutions since the project had received funding covering 84% of its budget. The Committee noted that one project has fallen under the sunset provision since ITTC-46: enhancing capacity building on assessing tropical forest carbon stock and its changes in China. The Committee noted that three pre-projects are classified as "under implementation," all of which lack submission of the completion report and/or the final audit report, which the ITTO Secretariat urged to be submitted by March 2012.

**POLICY WORK:** Delegates discussed a number of policy issues on Tuesday in Committee and also under the Council BWP 2012-2013.

**ITTO Guidelines for the Sustainable Management of Natural Tropical Forests (CRF(XLV)/7):** On Tuesday, the ITTO Secretariat explained the revised guidelines now: incorporate C&I, certification and REDD+; are based on multiple-use forest management and valuation of forest goods and services; and include an addendum on climate adaptation and mitigation at the forest management unit level.

**Prevention and Management of Fire in Relation to Tropical Timber-Producing Forests:** On Tuesday, the Secretariat reported on activities, and acknowledged the success of the 5th International Wildland Fire Conference. Togo called for more incentives to involve rural people in fire management and take responsibility for reforestation areas.

**Monitoring Application of SFM C&I:** On Tuesday, the ITTO Secretariat summarized the C&I work under Decision 4(XXXIV), saying it had built national forest reporting capacity, and called for funding for three additional training workshops. The US inquired about the low response rates to the C&I utility survey. Responding, the ITTO Secretariat expressed hope to convene an expert panel for considering the issue.

**ITTO/ACTO Collaboration:** On Tuesday, Antonio Matamoros, ACTO, presented on collaboration between ITTO and ACTO on the Tarapoto Process for C&I for SFM in the Amazon, including customizing and prioritizing C&I for local application, and identifying funding and training requirements.

**Conference on Asian Forest Governance:** On Tuesday, Augusta Molnar, CSAG Co-Chair, reported on the International Conference on Forest Tenure, Governance and Small and Medium Forest Enterprises, with a focus on Asia-Pacific, held in Lombok, Indonesia, 11-15 July 2011. She said a key outcome was a commitment by the Government of Indonesia to review its forest tenure system. She noted that a summary of outcomes could be found in a recent edition of Tropical Forest Update.

**BWP 2012-2013:** On Tuesday, Chair Rahim introduced the six CRF-related activities under the BWP 2012-2013 (ITTCXLVII/8). The US suggested that the various guidelines be assessed for their efficacy and use, and suggested incorporating outcomes from the Bonn Challenge on Forests, Climate Change and Biodiversity.

A working group composed of the Philippines, Brazil, Papua New Guinea, Malaysia, the US, Australia, Côte d'Ivoire, New Zealand, Sweden and Japan was established to discuss the item. On Thursday, Malaysia, for the working group for the CRF BWP 2012-2013 explained that the group consisted of 16 members, seven Producers and nine Consumers. She highlighted that all six activities were recommended for inclusion in the BWP and noted, *inter alia*, that: reference to REDD+ was removed from the activity to promote guidelines for degraded forests, being too sensitive, but that reference to the Bonn Challenge and a call for using a forest and landscape restoration approach was inserted; and that reference to climate change and poverty alleviation was removed from the activity on fire prevention. The Committee agreed to submit the input to the Secretariat.

**ELECTION OF CHAIR AND VICE-CHAIR FOR 2012:** On Friday, the Committee approved Abdul Rahman Abdul Rahim (Malaysia) as Chair and Alicia Grimes (US) as Vice-Chair for CRF-46.

**DATES AND VENUES OF FUTURE SESSIONS:** It was agreed that the forty-sixth and forty-seventh meetings of the Committee will be held in conjunction with ITTC-48 and ITTC-49, respectively.

**RECOMMENDATIONS TO THE ITTC:** On Friday, the Committee approved recommendations including: making funding available for five projects and one pre-project previously approved; taking into account recommendations made in the meta-evaluation in future *ex-post* evaluations, especially taking

into account local hiring for evaluators; and allowing members more time to provide inputs on the Revised Guidelines for Sustainable Management of Natural Tropical Forests.

**REPORT OF THE SESSION:** On Friday, the Committee accepted the draft report (CRF(XLV)/8), with minor amendments, for submission to the Council.

#### **COMMITTEE ON FINANCE AND ADMINISTRATION**

The CFA, chaired by Agus Sarsito (Indonesia) with Vice-Chair Atsushi Suginaka (Japan), met from Tuesday to Saturday to consider, *inter alia*: the administrative budget for 2012; review of contributions to the Administrative Account; status of the Administrative Account; resources of the Special Account and the BPF; the Auditors' Report for 2010; and the BWP of the CFA for 2012-2013.

#### **DRAFT ADMINISTRATIVE BUDGET FOR THE YEAR**

**2012:** On Wednesday, the ITTO Secretariat introduced the draft administrative budget for 2012 (CFA(XXVI)/2). He said the expected budget of US\$7,944,993 represents a 12.55% increase from 2011, largely due to the US\$200,000 cost of hosting ITTC-49 outside of Yokohama, the declining exchange rate between the US dollar and the Japanese yen, and repatriation grants owed to senior staff expected to leave the organization.

Guyana and Malaysia supported the budget. Japan, the US, Canada, Germany, Norway, New Zealand, Australia, Papua New Guinea, Republic of Korea and Brazil expressed concern about the 12.55% increase, in light of the global financial situation. The US and Japan indicated their targets of zero nominal growth to the budgets of all international organizations. Norway, Brazil, Papua New Guinea, New Zealand, and Australia indicated they could accept a moderate increase, with the Republic of Korea supporting zero growth, factoring out the exchange rate and the expenditures needed to host Council sessions away from Yokohama. New Zealand and Brazil called for a clear explanation from the Secretariat justifying the various expenditures.

Japan, supported by Germany and the US, proposed a number of areas for possible cuts, including freezing new hires and other staffing cuts. Germany opined that postponing new hires will give the Executive Director more flexibility in considering how to restructure the ITTO. Liberia said a freeze on hiring may seriously impact the Secretariat. Malaysia warned that excessive *ad hoc* cuts may undermine the work of the ITTO and diminish its ability to attract and retain qualified staff.

The US proposed a two stage process, first carefully assessing the budget to reduce costs in the transitional phase, followed by a more thorough restructuring led by the Executive Director. Norway proposed that the Secretariat provide two scenarios in a revised budget: one targeted at zero nominal growth and the other where hiring is frozen.

On Thursday, the ITTO Secretariat introduced the revised administrative budget proposal (CFA(XXVI)/CRP.1), highlighting US\$607,313 in cuts. He noted that these cuts, totaling US\$424,433, derived from reductions in salaries and benefits, including: freezing the Statistician and Research Assistant positions for an additional year; and not filling a senior position for six months. He said the new budget totals

US\$7,337,680, US\$278,778 higher than 2011, and an increase of only US\$78,778 (1.12%) once the US\$200,000 cost for hosting the 2013 Council session outside Yokohama is factored out.

The US asked why two scenarios had not been prepared as requested, stressing that comparative information is essential for an informed decision. The ITTO Secretariat said there is little room for further cuts, and noted the past practice of covering shortfalls using the Working Capital Account. The US, supported by Germany and Canada, said it is a matter of process: the Committee made a request that the Secretariat should have fulfilled.

Cameroon expressed concern about the zero-growth scenario and the impacts on the Secretariat's work. Japan noted that if the US\$200,000 cost of holding meetings outside Yokohama is factored in, the 2012 budget is a 3.95% increase over 2011, which is too high, and she called for a freeze on rehiring the senior positions. Germany said rehiring one of the senior positions would be acceptable, that temporary staffing should only cost US\$80,000, not US\$150,000, and that using the Working Capital Account would be unacceptable, given uncertainty about replenishing contributions in the transition to the ITTA, 2006.

Vice-Chair Suginaka asked for feedback on the initial scenario to inform the preparation of the additional one. Canada asked that the proposal for temporary staffing be included in the updated existing proposal. Malaysia, supported by Guyana and Liberia, said that yesterday they agreed to have a moderate-growth budget, and stressed that there is little room for movement. Brazil and the US said the scenarios need to explain the proposed cuts so that the Committee can properly assess the possible impacts. The US, Germany, Japan, Indonesia, Cameroon and Canada offered specific suggestions for potential cuts.

On Thursday afternoon, the ITTO Secretariat introduced two revisions to the administrative budget: a zero-nominal-growth scenario, with detailed explanations for how individual cuts are expected to affect the Secretariat's activities (CFA(XXVI)/CRP.2); and a revised version of the second scenario, which includes US\$100,000 for the costs of temporary staff (CFA(XXVI)/CRP.1/Rev.1).

Ghana, Malaysia, Liberia and Cameroon underscored the adverse effects the zero-growth scenario would have on the Secretariat, including negative implications for recruiting and retaining qualified staff. The US reiterated its aim of zero-nominal growth, supported a discussion about how the second scenario could incorporate cost-savings from the zero-growth proposal, and outlined initial reactions on the merits of potential cuts.

Germany supported the second scenario. Norway and Canada indicated the second scenario should be a point of departure for further discussion and, responding to the US, indicated the importance of certain activities, including publishing the ITTO Annual Report and Annual Review to ensure countries with poor internet infrastructure will have equal access. The US suggested only distributing hard copies to members lacking internet access, and stressed that they could not accept the second scenario.

On Friday morning, the ITTO Secretariat presented two new options for the 2012 administrative budget: an "option one" with a 4.16% increase; and an "option two" with a 3.74% increase.

The differences between the options, he explained, involve cuts to, *inter alia*, special activities and official travel, which create US\$29,635 of extra savings.

Vice-Chair Suginaka said that Consumer countries discussed the two options and supported option two. Brazil, for the Producers, asked how the Consumers had prior access to the two options, as the Producers were seeing them for the first time. She said the Producers support an increase of 5.37%. Malaysia, supported by Papua New Guinea, Liberia and Ghana, called this prior access “regrettable” and said option two should be a “non-paper,” because of the unfair procedure, with the Committee focusing further discussion on option one and the scenario of a 5.73% increase. The US, for the Consumers, said the Consumers lack consensus on the best budget option. The EU, supporting Papua New Guinea and Malaysia, opined that option two should be a “non-paper,” and provided support for either a 5.37% or a 4.16% increase, as further cuts would harm the effectiveness of the ITTO.

The US, supporting the concerns about process, said they were expecting an option between 5.37% and zero-nominal growth. After additional consultation and discussion, he indicated they could support 3.74%, even though this is well above their target. Japan and Canada expressed concern about 4.16%, with Japan adding that option two could be a compromise. Australia supported option one, but indicated potential support for option two if this is the consensus position. Indonesia and Cameroon supported the 5.37% scenario, but that option one might be acceptable as a compromise.

Switzerland, supported by Norway, Germany and New Zealand, said they can support a 5.37% or 4.16% increase as a compromise, and asked the Secretariat to prepare more detailed information on how specific cuts will affect the Secretariat’s work. Brazil, for the Producers, asked for caucus discussions. She added, for Brazil, that the US\$200,000 should be considered in calculating the budget increase.

On Friday evening, Brazil, for the Producers, indicated that they continued to support the 5.37%. The US, for Consumers, said they would not go above 4%. After two breaks for Producer caucuses, the Producers accepted the proposal for a 3.95% increase.

On Saturday, the ITTO Secretariat introduced an amended draft of the administrative budget for 2012 (CFA(XXVI)/2/Amend.1), reflecting the 3.95% increase over the 2011 budget. He said the total budget is US\$7,337,730 and added that the estimated assessed contributions for 2012 total US\$7,528,000. Delegates accepted the draft with no further amendments.

**REVIEW OF CONTRIBUTIONS TO THE ADMINISTRATIVE BUDGETS:** On Tuesday, the ITTO Secretariat discussed a Statement of the Administrative Accounts (1986-2011) (CFA(XXVI)/3/Rev.1). He noted the recent revisions made to reflect the payments from Myanmar and Suriname clearing past arrears and the 2011 membership contributions. He said Producer and Consumer members owed US\$982,849 and US\$311,894 in 2011 contributions, respectively, totaling US\$1,294,743, but that one recently received contribution from Panama for US\$30,500 is not reflected in the tables. He said total outstanding contributions—arrears and interest—totaled US\$5,656,077 for Producer members and US\$454,689 for Consumer members. Six members, he added,

are excluded from project funding because their arrearage exceeds their current assessed contributions by a factor greater than three.

Guyana and Japan called for countries with outstanding contributions and arrears to clear these quickly. Liberia said that a payment would be submitted by the close of the week. The EU committed to pressing its three members—Portugal, Greece and Spain—that have not paid their 2011 contribution. Responding to the EU, the ITTO Secretariat said these three countries would be excluded from voting, as their contributions are more than seven months overdue. Responding to Malaysia, he explained that members are eligible for discounts only if payment is received by April of the contribution year, adding that 81% of the total contributions owed were received this year, up from the norm of around 70% in previous years.

**STATUS OF THE ADMINISTRATIVE ACCOUNT:** On Tuesday, the ITTO Secretariat reviewed the Current Status of the Administrative Account (CFA(XXVI)/4/Rev.1). He said that expenditures during the first nine months of 2011 totaled US\$4,811,137 and a total of US\$1,926,701 is anticipated for the final three months. In total, he said 2011 expenditures are expected to be US\$321,064 less than forecast, but that a deficit of US\$349,191 is expected, due to the US\$670,255 in 2011 membership contributions expected to remain outstanding by 31 December 2011. He said the deficit should be less than the US\$500,000 authorized for withdrawal from the Working Capital Account to finance the ITTC-47.

Responding to Germany and Canada, he said he did not expect the deficit to exceed US\$500,000. In response to the US and Germany, he explained that forecast contributions are based on past experiences. Germany said the US\$349,191 withdrawal should be reflected in the Working Capital Account, leaving a balance below US\$3 million.

**RESOURCES OF THE SPECIAL ACCOUNT AND THE BALI PARTNERSHIP FUND:** On Tuesday, the ITTO Secretariat introduced this item (CFA(XXVI)/5), stating that funds transferred to the pooled sub-accounts for *ex-post* evaluations, and also the meta-evaluation, to date totaled US\$3 million with a remaining balance of US\$611,101. She said total allocations for Sub-Account B of the BPF totaled US\$19.33 million, but after budgeted allocations, a negligible amount of US\$72 will remain as of December 2011. She noted the total budget for the five Thematic Programmes amount to US\$58 million, and total pledges amount to US\$18 million.

**AUDITOR’S REPORT FOR THE FINANCIAL YEAR 2010:** On Tuesday, the ITTO Secretariat presented the report of the Independent Public Accountants (CFA(XXVI)/6), on the financial statements of the Administrative, Special, BPF and Executing Agencies accounts, noting that revenues for 2010 totaled US\$26.3 million, of which US\$18.94 million consisted of voluntary contributions, reflecting a significant increase from 2009 due to US\$7.2 million contributed for ITTO Thematic Programmes. He noted total expenditure of US\$21.4 million that includes US\$14.4 million for ongoing project work, adding that to date, ITTO has spent US\$360 million on projects and programmes and has a current balance of US\$43 million. On comments from Papua New Guinea, Germany and Guyana, the ITTO Secretariat confirmed that the Auditors performed satisfactorily and could be retained without objection.

**BWP 2012-2013:** The Committee reviewed the activities for the BWP for 2012-2013 (ITTC(XLVII)/8). The US asked, and the Secretariat confirmed, that the BWP for 2012-2013 and budget allocations under discussion are under the ITTA, 1994, and that, if the ITTA, 2006 enters into force prior to the next Council Session, the CFA will review the BWP and budget allocations under the new Agreement at the next session. The Committee accepted the activities for the BWP 2012-2013.

**ELECTION OF CHAIR AND VICE-CHAIR FOR 2012:** Atsushi Suginaka (Japan) was elected as Chair for the CFA in 2012 and Pearl Jules (Suriname) was elected as Vice-Chair.

**DATES AND VENUES OF FUTURE SESSIONS:** The Committee agreed to hold the next session concurrently with ITTC-48.

**RECOMMENDATION TO THE ITTC:** Chair Sarsito said there will be two recommendations: to approve the Administrative Budget for the Financial Year 2012 (CFA(XXVI)/2/Amend.1); and to adopt the Report of the Independent Public Accountants on the Accounts of the Organization for the Financial Year 2010 (CFA(XXVI)/6).

**REPORT OF THE SESSION:** Chair Sarsito introduced the CFA draft report to the Committee (CFA(XXVI)/7), inviting delegates to provide comments, corrections and amendments. In response to Germany, the ITTO Secretariat said an additional paragraph noting that: the German delegation indicated that staff should be encouraged to use their full annual leave to avoid payment for unused leave at the end of an employment period; and the Secretariat indicated this will be done to the extent feasible given UN employment rules. The report was adopted by the Committee.

#### **CSAG SIDE EVENT**

On Tuesday, the Civil Society Advisory Group (CSAG), IUCN and the Rainforest Alliance hosted a side-event on Community Management of Forests in Guatemala and Mesoamerica, including presentations from the: Mexican Network for Forest Farming Organizations; Alianza Nacional de Organizaciones Forestales Comunitarias de Guatemala; Asociación de Comunidades Forestales de Petén, Guatemala; Republic of Panama, Comarca Embera y Wounaan; Alianza Mesoamericana de Pueblos y Bosques, Honduras; Rainforest Alliance; Ministry of Foreign Affairs, Norway; European Forest Institute; and the Ford Foundation.

The host organizations commented that community managed forests in these regions account for approximately 40 million ha, contain 7% of global biodiversity and provide livelihoods for 15 million people. They emphasized the need: for rules, programmes and projects to conserve and develop forests equitably and effectively; to represent community forest managers in regional and international fora; and to provide these managers with legal rights and access to market funding. CSAG underlined that CSAG is referenced in the ITTA, 2006 and provides advice to ITTC sessions. Presentations emphasized, *inter alia*: the role of forest resource owners; the need for research and streamlining of rules and access to credit; the relationship between community forest management and climate change solutions; protected areas and ecosystem services; alternative livelihood options; support for social projects; land tenure rights for community security and enhancing private

sector investment; and reconciling community management with market demands. Floriano Pastore, ITTO Secretariat, commented that the event had provided the “most salient points of the week.”

#### **CLOSING PLENARY**

**REPORTS OF THE COMMITTEES:** On Saturday, the reports of the associated Committees of the ITTC were presented to the Council. CEM Chair Josue Ivan Morales and CFI Chair Samuel Ndongo presented the report of the CEM/CFI (CEM-CFI(XLV)/5), which was adopted by the Council. CRF Chair Abdul Rahman Abdul Rahim presented the report of the CRF (CRF(XLV)/8), which the Council adopted. CFA Chair Agus Sarsito presented the report of the CFA (CFA(XXVI)/7), which the Council adopted.

**OTHER BUSINESS:** Victor Lopez, CSAG, highlighted the CSAG side event that brought together stakeholders, managers and producers representing approximately 50 million ha of forests in Mesoamerica. He recommended ITTO: hold regional conferences to increase market access for smallholders and communities; continue to regularly review the status of forest tenure; and provide funding and opportunities at Council sessions for CSAG to contribute more formally to ITTO’s policy formulation. Julio Baldomero, Alianza Mesoamericana de Pueblos y Bosques, delivered the Antigua Declaration, developed by civil society groups attending ITTC-47, which states the commitment of Mesoamerican forest stakeholders to be responsible stewards of the region’s tropical and temperate forests.

Honduras lamented the decrease in projects and activities on mangroves, and called for increased attention to mangrove rehabilitation projects and proposed a world forum on mangroves.

#### **ELECTION OF CHAIR AND VICE-CHAIR FOR 2012:**

The Producer group nominated Makoto Ozawa (Japan) as the Council Chair, and the Consumer group nominated José Trinidad Suazo Bulnes (Honduras) as Vice-Chair for 2012, and both were elected by acclamation.

#### **DATES AND VENUES OF ITTC-48 AND ITTC-49:**

Japan confirmed that the 48th ITTC session would take place in Yokohama, Japan, from 5-10 November 2012. Gabon announced that they will host the 49th ITTC session in Libreville, Gabon from 25-30 November 2013, and explained that these dates were chosen as it is the time of year with the lowest rainfall.

**DECISIONS AND REPORT OF THE SESSION:** The Council adopted three decisions. The first, on Projects, Pre-Projects and Activities (Decision 1(XLVII)), was adopted with minor amendments. In it, the Council endorses the approval obtained through the “time-bound electronic no objection procedure,” introduced for this year, for nine projects and pre-projects, and for the amendment of project documents and/or budgets for another 12 projects and pre-projects. In an annex, the Council authorizes financing for immediate implementation of the following projects, pre-projects and activities:

- five approved during the 2011 project cycle;
- eight approved in earlier project cycles;
- nine activities approved in the 2012-2013 BWP;
- two activities approved under Decision 6(XLVI) on ITTO/CBD collaboration and building capacity for biodiversity conservation in managed forests in ACTO member countries; and

- two activities previously approved in the BWP for 2010-2011.

It further authorizes: US\$400,000 for the continued implementation of the Freezailah Fellowship Fund; US\$220,000 for the continued implementation of the Thematic Programme on Forest Law Enforcement, Governance and Trade.

Brazil, for Producers, expressed regret that a proposed activity to analyze the economic impact of procurement policies on tropical timber markets did not receive funding. The US noted that a project listed under the Thematic Programmes was to be for US\$220,000 and not US\$225,000, and the Secretariat confirmed that this would be amended.

The second decision, on activities to be funded under the BWP 2012-2013 (Decision 2(ITTC(XLVII))) was adopted without amendment.

The third decision, on the ITTO Action Plan (Decision 3(ITTC(XLVII))), extends the current 2008-2011 Action Plan through 2012, and requests the Executive Director to prepare a working paper and to convene a working group to develop a new Action Plan for 2013-2018, to be circulated to members for consideration prior to ITTC-48 in November 2012.

The Council also took note of a paper on the entry into force of the ITTA, 2006, to be included in the report of the forty-seventh session of the Council. The paper, referred to by Chair Bilé as a “consensus document,” directs the Executive Director to convene the first Council session under the ITTA, 2006 as soon as possible, should it enter into force, and indicates that in the event that this takes place prior to ITTC-48, the administrative budget for 2012 shall remain in effect unless modified by the Council when it meets under ITTA, 2006. It also directs the Executive Director to discuss with UN Conference on Trade and Development the extent to which governments that have signed but not ratified ITTA, 2006 may participate in the Council’s work, and report back to Council members.

**CLOSING STATEMENTS:** A number of members congratulated the Council officers and thanked the outgoing Chair, the ITTO Secretariat, the interpreters and the participants. Several members also congratulated Mahboob Hasan and Charas Mayura of the ITTO Secretariat, and Enzo Barattini, the EU, on their retirement, and commended them for their many years of hard work. Malaysia noted the expansion of area of tropical forest under formal management has expanded to nearly 30 million ha, but expressed concern that many countries will be unable to meet public procurement requirements for legal and certified timber sources.

Guatemala thanked ITTC for the honor of hosting the session, and emphasized the value of hosting sessions in Producer countries. Vice Chair Ozawa, Japan, thanked Chair Bilé for his leadership, and presented him with a ceremonial gavel, and said he looked forward to chairing ITTC-48.

Outgoing Chair Bilé highlighted the importance of the BWP 2012-2013 and development of a new Action Plan in guiding ITTO through an era of change. He said that ITTO is in competition with other international organizations related to forests, and needs adequate funds and staffing to remain competitive. He recognized Guatemala’s hospitality and declared the meeting closed at 1:27 pm.

## A BRIEF ANALYSIS OF ITTC-47

Last year, at ITTC-46, ITTO Producer and Consumer countries resolved a longstanding debate over the location of ITTC sessions, agreeing to rotate the meetings between ITTO headquarters in Yokohama and a Producer member country, and established a mechanism for financing these sessions. This helped to reestablish the “balance” between Producer and Consumer countries—considered by many delegations as a core principal of the ITTO—which had been precarious since the move from two to one meeting per year in 2008. Moreover, this moment of progress came, auspiciously, as the Organization celebrated its 25th anniversary and during the UN’s International Year of Forests.

Against this backdrop, delegates arrived in Antigua, Guatemala, to take stock of the year’s work and chart a sustainable and productive course for the ITTO, including the development of a new Biennial Work Programme. But many of the conditions that cast uncertainty over ITTC-46 remain, namely: shifting financial conditions for tropical timber and the ITTO; the transition to the ITTA, 2006; and divergent views among members over the appropriate focus of the Organization’s work. This analysis reviews the factors shaping the operations of the ITTO and the decisions it faces in focusing and conducting its work in a world where issue linkages and collaboration are ever more important.

### WHAT IS AT STAKE?

The ITTO faces significant challenges in its goal of achieving sustainability within the forest sector. Based on FAO estimates, since ITTC-46, 9.3 million ha of tropical forests have been lost, an area the size of Scotland, which is equivalent to roughly 18% of the 53 million ha of tropical forests now estimated to be under sustainable management. While some of this deforestation can be attributed to demand for wood products, a growing proportion is due to pressures from outside the sector, most notably agriculture. Rising food prices have driven up the value of arable land, adding to ITTO’s already formidable challenge of making forests worth more standing than cleared.

Three interrelated factors contribute to the strains the ITTO faces. First, shifts in the financial levers for tropical forests are afoot, which have implications for the funding ITTO receives for its core operations and project activities. Compared to last year, delegates learned that production of tropical timber had rebounded slightly in 2010, but that production is forecast to drop from 141.5 million cubic meters to 137.7 million cubic meters in 2011 owing to declining Malaysian production. More importantly, however, the changing pattern of imports continued. In 2010, China and India accounted for over 87% of global tropical roundwood imports, up from only 22% in 1995. Indeed, as one Indian panelist noted: “if Europe and the US won’t take your wood, don’t worry, we will,” perhaps referring to the added scrutiny being introduced by the EU, the US and other countries to ensure legality and sustainability. These trends matter as they portend a broader shift relevant to the Organization as votes and annual contributions are calculated on the basis of production and consumption of tropical wood. China is now the largest consumer of tropical timber, comprising 27.8% of the Consumer

country votes for 2011, which is nearly double those of Japan and more than three times those of the US. Perhaps significantly, China funded its first ITTO project in 2011.

Conditions in the market and with finances are compounded by a second source of uncertainty: the transition to the ITTA, 2006, expected to occur in 2012. Moving to the new Agreement has several implications. It will include, for instance, a two-fold approach to funding the administrative budget. Basic administrative costs—salaries and benefits, official travel, and installation costs—will be covered by contributions split evenly between Producer and Consumer members, whereas other core operational costs—such as, communication, outreach and expert meetings—are to be covered by an 80-20 split between Consumer and Producer contributions. The other main implication is assessed contributions will only come from parties to the 2006 Agreement, not the broader list of countries that are currently parties to ITTA, 1994. This, not surprisingly, means Producer countries that have ratified, adopted or accepted the 2006 Agreement may see their assessed contributions jump, unless more Producers take steps to become parties as well.

Finally, and related, the transition links to a longstanding push and pull among members over the focus of ITTO's work and how it competes, complements or overlaps with other forest-relevant international organizations. Certain delegations, for instance, are uncomfortable with ITTO's work on climate change, indicating that ITTO should inform its members on forest-related climate change developments, but not take positions on issues that remain under negotiation in the UNFCCC. Moreover, Producer countries in general lament the uneven funding for the Thematic Programmes. Whereas pledges to both the Thematic Programmes on Forest Law Enforcement, Governance and Trade, and the Reducing Deforestation and Forest Degradation and Enhancing Environmental Services in Tropical Forests have reached approximately 50% of the requested funds, US\$6,481,711 and US\$9,232,742, respectively, the Industry Development and Efficiency Thematic Programme has not received any pledges towards its US\$10 million budget.

### **TRIMMING FAT, OR CUTTING TO THE BONE?**

In the context of these factors, finances became a dominating theme at ITTC-47. One facet of this was a managerial concern with preparing for the new budgetary structure under ITTA, 2006. At last year's Council session, when 104-producer votes were still required for ITTA, 2006 to enter into force, the spotlight was on Brazil, which represents roughly 15% (or 146 votes) of the Producer group's current votes. Delegates were keen to know why Brazil had yet to ratify. This year, delegates now expect the Agreement will enter into force in the middle of 2012, since few votes remain to reach the 60% vote-threshold (600 of the total 1000 votes allocated to Producers). Only 20 votes were lacking at the beginning of the meeting, and by mid-week news circulated that Honduras had finalized its ratification process, bringing the assessed total votes to 588, 12 votes shy of the threshold. Hence, a salient concern was the entry into force of the Agreement in a situation where Brazil is unlikely to ratify the Agreement by the end of the calendar year. This presents a conundrum for ITTO as Brazil is no longer needed for entry into force and yet is a vital player for tropical forests. To address this, the Council produced a "consensus paper" that requests the

Executive Director to seek advice from UN Conference on Trade and Development, and look to other commodity agreements for precedents, on whether countries having signed the 2006 Agreement are able to retain voting and speaking rights under the new Agreement even if they have not yet finalized ratification, adoption or acceptance of the instrument.

A second and more prominent focus on finances saw delegates calling on the ITTO to do more with less. This was a reflection of the fiscal constraints facing many countries, as one delegate explained: "government agencies are facing 10%, 20% and even 30% budgetary cuts." Indeed, when calls for voluntary pledges to the Thematic Programmes and Bali Partnership Fund were flooded, one delegate reflected, "the silence was awkward." The Executive Director also informed delegates that only half of the activities in the BWP had received funding support. This collective belt-tightening was taken up most visibly in the work of Committee on Finance and Administration in its discussions of the proposed 2012 Administrative Budget. Over the course of three days, delegates whittled it down from an increase of 12.55% over the 2011 budget, to an increase of 3.95%.

With the focus on the ITTA, 2006 and tight financial times, the questions about the focus of the ITTO happened more by default than through explicit discussions. For instance, cuts to the Administrative Budget means certain activities will be harder for the ITTO Secretariat to perform. Official travel, for instance, was cut by US\$52,251, which will affect the Executive Director's ability to participate in certain international workshops and meetings. Two staffing positions—a Statistician and Research Assistant—were frozen, and the rehiring of one senior staff member was frozen and another postponed for six months. As one delegate reflected: "when 90% of a budget is staff related, there is little room for movement." This hard sought compromise to reach a smaller increase in the budget, therefore, may work at cross-purposes with ITTO's efforts to collaborate with CITES, CBD and UNFCCC, due to decreased capacity within the Secretariat. It also means, as new voluntary pledges were limited, many ITTO activities will remain unfunded, including the much-discussed activity proposed at the last Council session to have the ITTO examine the economic impacts of procurement policies on tropical timber markets.

In the midst of these difficult fiscal constraints, two facets of ITTO's work were the focus of delegates. First, there was a clear sense among delegates that ITTO's collaborations are an opportunity to leverage few resources for greater gains. The CITES collaboration, for instance, has enabled ITTO to lessen the potential effects of CITES listings on the trade in tropical timber by performing non-detriment findings and generating export quotas based on species' inventories. This work simultaneously builds capacity for countries to list tropical timber species. In the last two years, ITTO has contributed to the listing of over 100 new high-value timber species under CITES. There is interesting potential, moreover, to integrate this collaboration, and the one with the CBD, under the Thematic Programmes, as proposed by several delegates.

Second, delegates also pushed ITTO to better communicate and demonstrate the work it performs. The meta-analysis of 92 of the 140 *ex-post* evaluations the ITTO has conducted of its 1,000 funded projects is indicative of that interest. A question from the floor about the comparative performance of the ITTO relative

to other international organizations—to which the consultant said the ITTO performs “well”—further hints to this increasing interest in benchmarking. In the closing remarks to the Council session, the Chair even remarked: “we are competing with a growing number of international organizations,” and called for “rigorous analysis of the costs and benefits of the ITTO.” This will clearly be the focus of attention when members consider the new ITTO Action Plan for 2013-2018.

### SHORT TERM SUCCESS OR NEW SUSTAINABLE PATH?

The debates over the budget highlighted concerns over tensions between a need for strategic thinking about the direction of the Organization juxtaposed with clear desires among members to reduce costs. Some members viewed the decisions taken at ITTC-47 as a necessary temporary measure to give the Executive Director greater flexibility when he undertakes a restructuring exercise after the ITTA, 2006 has entered into force. Others felt these budgetary decisions represented a worrying *ad hoc* process that produced minor cost savings with uncertain and potentially damaging effects for the Secretariat’s work. Hence, whereas 2011 was a year of celebration of the International Year of Forests and reflection on the ITTO’s 25-year history, in 2012 the ITTO will need to develop a strategy for a new period in the Organization’s existence, one that focuses carefully on the benefits and costs of its operations. The interest delegates expressed in formalizing the collaborations with CITES and CBD as a new Thematic Programme suggest this work may feature prominently on ITTO’s future path.

## UPCOMING MEETINGS

**UNFCCC COP 17 and COP/MOP 7:** The 17th session of the UNFCCC Conference of the Parties (COP 17) and the seventh session of the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol (COP/MOP 7) will continue negotiations for a post-2012 regime. **dates:** 28 November - 9 December 2011 **location:** Durban, South Africa **contact:** UNFCCC Secretariat **phone:** +49-228-815-1000 **fax:** +49-228-815-1999 **email:** secretariat@unfccc.int **www:** <http://unfccc.int/> or <http://www.cop17durban.com>

**Forest Day 5:** Forest Day 5 will take place in Durban, South Africa, on 4 December 2011, on the sidelines of UNFCCC COP 17. The Day will seek to inform the UNFCCC global agenda and forest stakeholders on ways to implement an international REDD+ funding mechanism that produces social and environmental benefits, above and beyond avoided emissions. The event will have a particular focus on Africa. **date:** 4 December 2011 **location:** Durban, South Africa **email:** [CIFOR-FORESTDAY@cgiar.org](mailto:CIFOR-FORESTDAY@cgiar.org) **www:** <http://www.forestsclimatechange.org/events/forest-day/forest-day-5.html>

**18th Session of the African Forestry and Wildlife Commission and Second African Forestry and Wildlife Week:** The 18th session of the African Forestry and Wildlife Commission will convene alongside the second African Forestry and Wildlife Week (AFWW) and will consider the theme “The Importance of Governance and Benefit Sharing in the Sustainable Management of African Forests, Trees and Wildlife.” The session is expected to underscore the importance of good governance in natural resource management as well as emphasize the need to include all stakeholders in decision

making, implementation and benefit sharing for sustainable forest and wildlife resource management. The Second AFWW is being held to reflect on the International Year of Forests 2011 and to underscore the importance of forests and wildlife in improving livelihoods and social and economic development. **dates:** 16-20 January 2012 **location:** Cotonou, Benin **contact:** Foday Bojang, FAO **phone:** +233-302-675000 **fax:** +233-302-668427 **email:** [foday.bojang@fao.org](mailto:foday.bojang@fao.org) **www:** <http://www.fao.org/forestry/afwc/en/>

**CIF FIP Pilot Countries Meeting:** The Climate Investment Funds (CIF) Forest Investment Program (FIP) will hold a meeting of its pilot countries to evaluate progress and work ahead in reaching its objective of reducing deforestation and forest degradation (REDD) and promoting sustainable forest management (SFM). Pilot countries participating in FIP are: Brazil, Burkina Faso, Democratic Republic of Congo, Ghana, Indonesia, Laos, Mexico and Peru. **dates:** 14-16 February 2012 **location:** Brasilia, Brazil **www:** <http://www.climateinvestmentfunds.org/cif/>

**27th Meeting of the Forestry Commission for Latin America and the Caribbean (COFLAC 27):** The FAO regional forestry commission serving Latin America and the Caribbean will hold its biennial meeting to review and coordinate the application of forest policies in the region and exchange information among officials from LAC countries responsible for the sector. COFLAC 27 is to focus on the sustainable management of forests, and forests and climate change. **dates:** 5-9 March 2012 **location:** Asuncion, Paraguay **contact:** FAO Regional Office for Latin America and the Caribbean **phone:** +562-9232100 **fax:** +562-9232101 **www:** <http://www.rlc.fao.org/en/agenda/27-session-of-the-lacfc/>

**TEEB Conference 2012:** Mainstreaming the Economics of Nature: Challenges for Science and Implementation. The Economics of Ecosystems and Biodiversity (TEEB) is an initiative to draw attention to the global economic benefits of biodiversity, the costs of biodiversity loss and ecosystem degradation, and to draw together action-oriented expertise from the fields of science, economics and policy. TEEB invites the research and policy community to discuss the state of the art in Environmental Valuation, Ecosystem Services and Science-Policy Processes. The TEEB Conference 2012 will be hosted by the Scientific Coordinators of the TEEB reports, and the Helmholtz Centre for Environmental Research UFZ. Participants will have the possibility to discuss and update the findings of the TEEB study and contribute to a new understanding of the link between economics, decision-making and the environment. **dates:** 19-22 March 2012 **location:** Leipzig, Germany **contact:** Conference Secretariat **phone:** +49-341-235-2264 **fax:** +49-341-235-2782 **email:** [teeb-conference-2012@ufz.de](mailto:teeb-conference-2012@ufz.de) **www:** <http://www.teeb-conference-2012.ufz.de>

**IWPA World of Wood Convention:** The International Wood Products Association will hold their annual convention in 2012. Business executives from 25 countries, representing overseas producers, US importers, distributors, manufacturers of hardwoods and softwoods, along with service providers, will meet to discuss business opportunities and learn compliance information regarding new laws and regulations. **dates:** 28-30

March 2012 **location:** Indian Wells, California, USA **contact:** IWPA **phone:** +1-703-820-6696 **fax:** +1-703-820-8550 **email:** info@iwpawood.org **www:** http://www.iwpawood.org

**53rd Session Advisory Committee on Paper and Wood Products:** The 53rd session of the Advisory Committee on Paper and Wood Products (ACPWP) will be held in India. The ACPWP is an FAO statutory body composed of senior executives from the private sector that meets yearly with the main objective of providing guidance on activities and programme of work of the FAO Forestry Department. **dates:** 23-25 May 2012 **location:** India, New Delhi **contact:** Jukka Tissari **phone:** +39-06-57054179 **email:** Jukka.Tissari@fao.org **www:** http://www.fao.org/forestry/industries/9530/en/

**UN Conference on Sustainable Development:** The UNCSD will mark the 20th anniversary of the UN Conference on Environment and Development, which convened in Rio de Janeiro, Brazil. **dates:** 20-22 June 2012 **location:** Rio de Janeiro, Brazil **contact:** UNCSD Secretariat **email:** uncsd2012@un.org **www:** http://www.uncsd2012.org/

**Second Meeting of the UNFF Ad Hoc Expert Group on Forest Financing:** The aim of this meeting is to develop proposals for strategies to mobilize resources from all sources to support the implementation of SFM, the achievement of the global objectives on forests and the implementation of the non-legally binding instrument on all types of forests. The meeting will be held in late 2012. **date:** 1 September 2012 [tentative] **location:** TBA **contact:** UNFF Secretariat **phone:** +1-212-963-3401 **fax:** +1-917-367-3186 **email:** unff@un.org **www:** http://www.un.org/esa/forests/

**IUCN World Conservation Congress 2012:** The Congress theme will be "Nature+," a slogan that captures the fundamental importance of nature and its inherent link to every aspect of people's lives. The Congress will explore Nature+climate, nature+livelihoods, nature+energy and nature+economics. **dates:** 6-15 September 2012 **location:** Jeju, Republic of Korea **contact:** IUCN Congress Secretariat **phone:** +41-22-999-0336 **fax:** +41-22-9990002 **email:** congress@iucn.org **www:** http://www.iucnworldconservationcongress.org/

**Twenty-first session of the FAO Committee on Forestry:** The 21st session of the FAO Committee on Forestry will convene at FAO headquarters in Rome, Italy in September 2012. **dates:** 24-28 September 2012 **location:** Rome, Italy **contact:** Peter Csoka, FAO, Forestry Department **phone:** +39-06-5705-3925 **fax:** +39-06-5705-3152 **email:** peter.csoka@fao.org **www:** http://www.fao.org/forestry/cofo/en/

**ITTC-48:** The 48th Session of the International Tropical Timber Council (ITTC) and the Associated Sessions of the four Committees (Finance and Administration, Economic Information and Market Intelligence, Forest Industry, and Reforestation and Forest Management) will take place in Yokohama, Japan. **dates:** 5-10 November 2012 **location:** Yokohama, Japan **contact:** ITTO Secretariat **phone:** +81-45-223-1110 **fax:** +81-45-223-1111 **email:** itto@itto.or.jp **www:** http://www.itto.int

## GLOSSARY

ACTO	Amazon Cooperation Treaty Organization
AWG-KP	<i>Ad hoc</i> Working Group on the Kyoto Protocol
AWG-LCA	<i>Ad hoc</i> Working Group on Long term Cooperative Action under the Convention
BPF	Bali Partnership Fund
BWP	Biennial Work Programme
C&I	Criteria and Indicators
CBD	Convention on Biological Diversity
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 Wild Fauna and Flora
CPF	Collaborative Partnership on Forests
CRF	Committee on Reforestation and Forest Management
CSAG	Civil Society Advisory Group
EPD	Environmental Product Declarations (ISO)
FAO	United Nations Food and Agriculture Organization
FSC	Forest Stewardship Council
Ha	Hectares
IAG	Informal Advisory Group
ISO	International Organization for Standardization
ITTA	International Tropical Timber Agreement
ITTC	International Tropical Timber Council
ITTO	International Tropical Timber Organization
IYF	International Year of Forests
JICA	Japan International Cooperation Agency
NTFP	Non-Timber Forest Products
REDD	Reducing deforestation and forest degradation in developing countries
REDD+	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
UNFCCC	United Nations Framework Convention on Climate Change
UNFF	United Nations Forum on Forests
UN-REDD	United Nations Collaborative Programme on Reducing Emissions from Deforestation and Forest Degradation in Developing Countries