



"International Tropical Timber Organisation/European Commission"

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**"FLEGT Independent Market Monitoring"**  
**Inception Report**

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**Version # [2] Updated on [20/05/2015]**

## 1. Aim

This report describes progress made during the IMM inception phase March 2014 to February 2015 to establish the framework for on-going market monitoring and to collect and analyse baseline data. It identifies needs and summarize priorities for action in 2015.

## 2. Development of methodology

- The methodology for IMM operation contained in the EFECA report "Preparation of Independent Market Monitoring Methodology in the Context of Voluntary Partnership Agreements" has been thoroughly reviewed, updated and expanded taking into account:
  - Linkage to the ITTO institutional framework;
  - Review of existing ITTO projects and databases;
  - A further review of requirements established in the VPAs;
  - Review of parallel EU initiatives (EUTR Biennial Review, and Review of FLEGT Action Plan);
  - More recent information on available data sources;
  - Input from the Project Steering Committee (PSC) and other stakeholders including relevant JICs.
  
- The methodology is set out in the following documents:
  - IMM Organisation & Methodology – a living document setting out objectives, institutions, responsibilities, links to other agencies, and summarising database structures, key outputs and activities - IMM\_Organisation\_Methodology\_version\_1\_1.docx
  - Indicators – setting out the framework for quantitative assessment of market impacts - IMM\_Meth\_A1\_Indicators\_060514.xlsx
  - Data\_sources – summarising coverage, frequency of publication, web address and limitations of individual data sources.

## 3. IMM Oversight Committees

The IMM project inception meeting was held on 20 March 2014 in Brussels attended by representatives of EC DG ENV and DG DEVCO, ITTO, EFI FLEGT Facility and the IMM Lead Consultant. The meeting included a review of the Lead Consultant's ToR and discussion of the detailed work plan for the IMM inception phase, contacts and links with partner agencies, database development, IMM links with ITTO Market Information Service and Bi-annual Review, EC administration and reporting requirements; and ideas for IMM publicity and outreach. Minutes of the meeting were prepared and distributed to all attendees.

The Project Steering Committee (PSC) comprising representatives of EC DG ENV and DG DEVCO, ITTO, EFI FLEGT Facility and the IMM Lead Consultant met on 8 December 2014 in Brussels to discuss progress during the IMM inception phase and the Work Plan for 2015. The Lead Consultant prepared and delivered a presentation on the content of the IMM Baseline Report. ITTO and the IMM Lead Consultant also presented a draft of the Inception Report, 2015 Work Plan and Budget, and the IMM Organisation and Methodology. The PSC submitted detailed input on all these documents both verbally during the meeting and in subsequent written commentary.

## 4. Website

A website has been established at [www.itto.int/imm](http://www.itto.int/imm) setting out IMM objectives and processes and providing access to draft Work Plan and Methodology and baseline statistical data. The website is in 4 languages (English, French, Spanish and Japanese).

## 5. Outreach

- ITTO Press Release issued on launch of IMM ([http://www.itto.int/news\\_releases/id=3860](http://www.itto.int/news_releases/id=3860))
- IMM scoping visits undertaken to Liberia (May 2014), Ghana (May 2014) and Indonesia (November 2014) to fulfil the following objectives:
  - Make contact with IMM stakeholders in VPA Partner Countries and discuss mechanisms for regular communication.
  - Explain the work plan and proposed methodology and seek feedback.
  - Receive information on the current status of LAS development and preliminary information of any market-related issues arising.
  - Identify data sources for regular monitoring of trade trends.
- An introductory presentation on IMM objectives, plans and draft methodology has been presented to a variety of audiences including:
  - Chatham House Illegal Logging Update Meeting (June 2014);
  - European Timber Trade Federation meeting of timber trade associations in Denmark, France, Germany, Italy, Netherlands and the UK (July 2014);
  - EUTR Competent Authorities meeting to discuss EUTR Biennial Review process (May 2014);
  - Meeting of the Publishers' database for Responsible Environmental Paper Sourcing (PREPS) in the UK (June 2014);
  - JIC meeting in Liberia (May 2014);
  - JMRRM meeting in Ghana (May 2014);
  - Sabah Timber Industries Association and WWF-Malaysia "Awareness Seminar on International Market Requirement in Timber Sector" (by webinar in June 2014).
- A more detailed presentation with preliminary data from the Baseline report has been prepared and presented to:
  - EUTR Competent Authorities and Civil Society meeting organised by Forest Trends and Chatham House in Rome (October 2014);
  - ITTC (November 2014);
  - VPA Licensing Authority in Indonesia (November 2014);
  - Stakeholder workshop in Indonesia (November 2014);
  - EFI FLEGT Facility, Barcelona (January 2015);
  - European Sustainable Tropical Timber Coalition Conference, Valencia (February 2015);
  - Eurostat Working Group on Forestry Statistics and Accounts (February 2015);
  - FLEGT Week (March 2015).
- IMM Brochure has been prepared and published in September 2014 and distributed to the EC, EUTR Competent Authorities and NGOs at Forest Trends/Chatham House meeting in Rome, STTC Valencia Conference, Eurostat Working Group on Forestry Statistics, the ITTC in November, and IMM Workshop in Indonesia.
- Reference was made to the IMM in the Aide Memoire published following the Liberia JIC in May 2014 and Ghana JMRRM in June 2014.

- Articles referencing IMM have been published in: the European Timber Trade Federation newsletter, ITTO Tropical Timber Market Report, ITTO Tropical Forest Update (in prep), Global Timber Forum Newsletter, and Timber Trades Journal.
- IMM is strengthening statistical content in the biweekly ITTO Tropical Timber Market Report (TTMR) and responding to regular requests for trade statistics from public and private sector interests including: European Commission, Global Timber Forum, European Timber Trade Federation, TRAFFIC, WWF, ClientEarth, Chatham House, The Forest Trust and German Import Promotion Desk.
- Discussion has been initiated with EFECA/Indufor/Padua University team undertaking assessment of EUTR market impacts, and with TERE, Topperspective, S-FOR-S team undertaking review of FLEGT Action Plan.

## **6. IMM Database**

At a meeting in Yokohama, the ITTO Statistician explained and provided the IMM Lead Consultant with full access to ITTO's existing statistical resources including data on national production and trade in logs, sawn timber, veneers and plywood in all countries, divided into tropical and non-tropical categories. Also a preliminary version of a price series database compiled from data gathered by the ITTO TTMR was made available. ITTO's production data was used during compilation of the IMM Baseline Report.

Due to the tight timescale, and the need to monitor a wider range of products than those covered by ITTO's existing databases, the Lead Consultant's existing database of EU trade flows (derived from Eurostat COMEXT) and the Global Trade Atlas were used as the primary basis for preparation of trade data in the Baseline report. Where necessary both sets of data were cleaned (to rectify errors) by comparing value, tonnage and volume data.

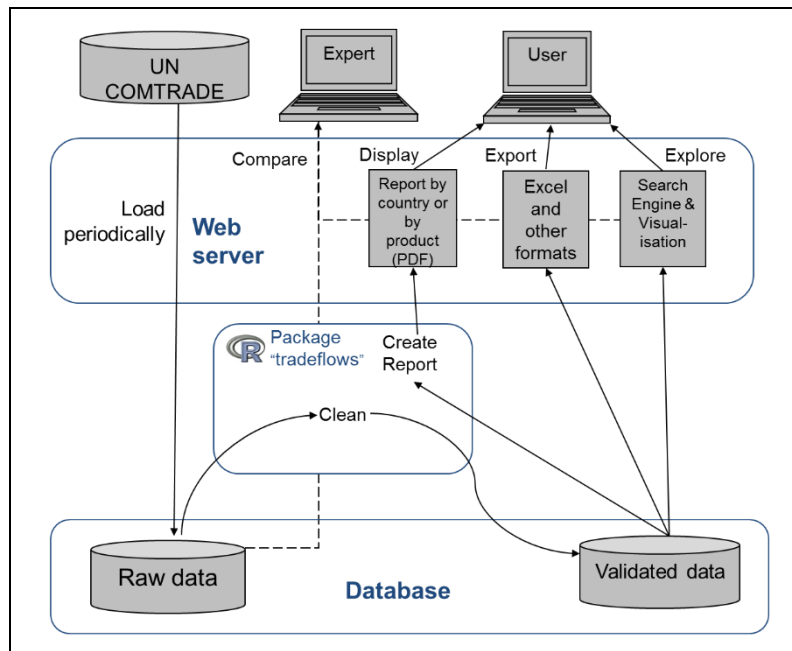
The database of cleaned EU trade data used for preparation of the baseline report covers annual imports by all EU28 countries for the period 2004 to 2014. This database, together with 2011-2014 monthly data (for use in the EUTR Biennial Review process), is being distributed on the IMM website as a downloadable MS Access file. A series of notes on the structure of the database and pointers on usage have been prepared.

In addition to providing data on both trade value and volume at the CN 8 digit level, the MS Access database includes a series of Lookup tables on EU Member States, Partner Countries, and Product groups, together with sample queries, to facilitate analysis and summary of the data by any interested agency.

## **7. Reproducible analysis and on-line database of world timber trade flows**

During the inception phase IMM initiated a sub-project with the EFI's statistical team based in Joensuu Finland to develop a transparent and reproducible set of procedures for cleaning data in the Eurostat COMEXT and FAO COMTRADE databases.

This sub-project recognises the need for IMM and other agencies supporting the FLEGT process to have regular access to accurate data on timber trade flows. It also seeks to exploit new opportunities for improving the quality of international timber trade statistics by providing transparent on-line access to both the cleaned data and a consistent set of procedures that may be applied and refined by other agencies.



*EFI-IMM On line database of world timber trade flows*

ITTO IMM has provided seed funding of €60000 to EFI to develop automated procedures for regularly downloading data from COMTRADE and COMEXT, cleaning the data, and making available through both expert and general user interfaces (see schematic). The system will be hosted on the EFI website but an access gateway will also be provided via the ITTO IMM website. Once developed, EFI is committed to maintaining the system from its own budget for a period of at least 5 years.

The system is planned to be the primary source of data on trade flows for both IMM analysis and ITTO's wider statistical work. It will supersede and/or complement the Lead Consultant's and Global Trade Atlas data.

The IMM Lead Consultant has met with EFI and is now regularly liaising to ensure that the system meets IMM requirements, for example through provision of data to the full CN 8-digit level for wood products imported into the EU and to provide visualisations which highlight VPA country trade flows. The ITTO Statistician is sharing experience of working with COMTRADE and providing advice on harmonisation of the EFI system with the statistical output of ITTO and other UN agencies. The IMM Lead Consultant is sharing experience of working with COMEXT data over the last 15 years.

Key project outputs include:

- R statistical package and documentation on the web and open source.
- Live database of "cleaned" trade flow data.
- Automated updating routines.
- Downloadable spreadsheets (.csv, Excel) of trade data by country and product
- Both trade value and volume data.
- Graphical user interface.
- On-the-fly produced PDF reports following a standard format for country-product combination.
- Social network analysis applied to trade flow data.

A basic user interface is planned to be finalised in April 2015. The full interface is planned to be ready in July 2015.

## **8. Baseline report**

A Baseline Report has been prepared which summarises the EU market position of timber and timber products from VPA Partner Countries prior to issue of any FLEGT licenses. Recognising that market trends in the EU and VPA Partner Countries are highly dependent on trade with other regions of the world, the report also puts trade flows between the EU and VPA Partner Countries into their global context. It includes a systematic review of factors impacting on the market during the period 2004 and 2014 and a preliminary projection of their potential impact during the period 2015-2024.

## **9. IMM stakeholder committees**

Rather than holding a stand-alone IMM event to constitute an IMM Advisory Committee at the end of the inception phase, the PSC agreed in December 2014 that a more efficient approach would be for IMM to participate in FLEGT Week in Brussels between 16 and 19 March 2015. This provided a good opportunity to further enhance visibility, building on what has already been a wide-ranging program of presentations and regular dialogue with other agencies during the inception phase.

Going forward, the PSC noted that given IMM's role is primarily technical as an independent monitor of market impacts and it is already overseen by the PSC, a separate formally-constituted Advisory Committee is unlikely to add significant value.

However, the PSC has proposed that, from 2015 onwards, IMM holds a side-event at the annual ITTC meetings to provide a forum for officials and other interests from VPA Partner countries to regularly engage with IMM.

There is also a strong rationale for establishment of a technical Timber Market Monitoring Network to link IMM with other agencies involved in similar research. Rather than regular physical meetings, this function would be most efficiently provided through conference calls and other forms of on-line communication. There might also be potential to build on existing networks rather than establishing an entirely new framework. Relevant agencies are ITTO, EFI, Eurostat, ATIBT/IFIA, STTC, FAO, UNECE, Global Timber Forum, Chatham House, WRI, Forest Trends & interested trade associations and NGOs. Individual members of the IMM Correspondents Network would also participate.

## **10. 2015 Work Plan**

A comprehensive work plan and budget proposal for 2015 has been prepared in line with the IMM Project description agreed by the EC and ITTO and based on input from the PSC.