Global indicators

Phase 1 - monitoring immediate trade impacts

Phase 2 - monitoring immediate trade impacts and levels of acceptance and perceptions of FLEGT VPA licenses in the wood trading chain

Phase 3 - monitoring immediate trade impacts, levels of acceptance and perceptions of FLEGT VPA licensed timber in the wood trading chain and amongst key end user groups, positive commitment to communication activities, design trends and influence on forest investment decisions.

Elements for inclusion in an IMM	Indicators	Means of Verification				Recomm-ended frequency of monitoring	Risks and assumptions related to data collection	Comments
		Source of Information	Primary data	Secondary data	Purchased data sets			
i. EU Timber Regulation	Application of EUTR compliant due diligence systems by operators in EU Member States	Publicly available reports from EUTR competent authorities (CAs) and Monitoring Organisations (MOs). EC are preparing a template for standard reports by CAs. Reports of ENGOs. Depending on scope of these reports, IMM may undertake structured interviews with CAs and MOs	✓	✓		Annual	Reliable assessment of extent of application of EUTR conformant due diligence systems heavily dependent on availability of good quality information from the EC and relevant regulatory authorities in Member States.	EUTR is expected to be a significant driver of interest in FLEGT VPA Licensed timber in the EU. Under EUTR, FLEGT VPA Licenses and CITES certificates are the only forms of evidence formally recognised as providing an assurance of legality without the need for further due diligence. Acceptance of VPA Licenses should be inherent to all due diligence systems implemented by the private sector to demonstrate conformance to EUTR, whether by individual companies or through Monitoring Organisations. Key issues are to assess effectiveness and consistency of EUTR enforcement and reliable interpretation of EUTR across Member States.
	Sanctions imposed on non-compliant operators in EU Member States	As above	✓	✓		Annual		
	Prosecutions of non-compliant operators in EU Member States	As above	✓	✓		Annual	Information on prosecutions may not be readily available from regulatory authorities.	
	Recognition that FLEGT VPA licensed timber meets EU TR and needs no further risk assessment or mitigation action, through reliable and consistent communication .	As above. As required IMM may undertake additional review of formal guidance issued by EUTR Competent Authorities and MOs.	✓	✓		Annual		
	Volume and value of EU imports of wood products from non-VPA countries considered potentially high risk from perspective of illegal logging	Eurostat/FII Ltd, ENGO/trade country risk assessments	✓	✓		Quarterly		Continuing high levels of EU import from non-VPA countries considered potentially high risk (e.g. exhibiting poor forest governance and with limited availability of certified products or other mitigation options) might suggest weak EUTR enforcement.
	Changes in import patterns by volume and value, by individual EU Member State, of wood products from non-VPA countries considered potentially high risk from perspective of illegal logging	Eurostat/FII Ltd, ENGO/trade country risk assessments	✓	✓		Quarterly		Shifts in pattern of EU imports might indicate efforts to divert trade from "tough" Member States to those with weaker enforcement regimes or lower sanctions.
ii. Voluntary private sector timber procurement policies and codes exceeding regulatory requirements in the EU	Sustainable timber definitions used in private sector procurement policies include or exclude FLEGT VPA licensed timber.	Structured interviews with MO and Buying Group managers and other large timber buying companies, review of formal guidance issued by these organisations. Review of corporate websites. Retailers annual environmental reports. Identify and describe procurement policies of MO's, other buying groups outside the MO network, and large timber buying companies for "legal & sustainable" timber and timber products. For each, assess whether definitions of "legal & sustainable" timber: (a) are inclusive of FLEGT VPA licensed timber; or (b) will exclude FLEGT VPA licensed timber. As far as possible, quantify the volume and proportion of total trade in timber and timber products covered respectively by "inclusive" and "exclusive" policies.	✓	✓		Annual	Quantifying the volume and proportion of total trade in timber and timber products covered respectively by "inclusive" and exclusive" policies may be problematic, as the breakdown of information may not exist.	Many European buying companies have already chosen voluntarily to exceed EUTR requirements, for example by demanding specific forms of forest certification from all suppliers, including those in VPA countries. A key factor is to assess the extent that this: (a) might limit role of VPA Licenses as a market assurance mechanism; or (b) encourage greater demand for FLEGT VPA licensed timber if EU buyers can be convinced that it provides an assurance of "sustainability" or "progress to sustainability".
	Level of recognition of FLEGT VPA process as evidence of good forest governance in mainstream CSR guidance and the level of influence of CSR guidance.	Review of guidance issued e.g. Global Reporting Initiative (GRI), OECD Guidelines for Multinational Enterprises (MNEs), UN Global Compact, ISO 26000 Guidance Standard on Social Responsibility. KPMG Survey of Corporate Responsibility Reporting.		✓		Annual	There may be a gap between corporate reporting and actual procurement actions. This is mainly relevant to large organisations whereas many timber buying organisations are SMEs.	

iii. Development and implementation of public procurement policies	Number of EU Member State Green Public Procurement Policies that: (a) accept FLEGT VPA licensed timber as a minimum requirement for forestry; (b) give preference to FLEGT VPA licensed timber over equivalent unlicensed and uncertified products; (c) impose an equivalent requirement for legality at source on non-wood products. (d) impose requirements for "sustainable" timber which might exclude FLEGT VPA licensed products. The number of EU Member States having adopted the policy; the number of EU Member States regularly monitoring uptake of the policy and able to demonstrate progress in implementation; number of EU member States promoting the national policy to regional and/or local government; as far as possible, the proportion of total EU timber trade destined for agencies tied by the policy;	Structured interviews with Government Departments (or their delegated experts e.g. CPET, TPAC), analysis of guidance documents issued by these organisations, Chatham House, NGOs, PROCURA+ initiative.	✓	✓		Annual	Very few government agencies monitor actual volumes and types of timber purchased. It is very difficult to provide accurate estimates of the actual proportion of timber imports that end up in government contracts.	Ideally government procurement policies should be assessed not only with respect to their impact on relative competitiveness between timber products, but also the overall impact on competitiveness of wood vis-a-vis non-wood materials. More complex requirements for legality of wood at source not matched by equivalent requirements on non-wood products may discourage use of all wood products. In practice, for FLEGT VPA licensed wood to be recognised in government procurement, it would require systems that enable it to be traced from port to customer. In the absence of such systems, a more important issue for FLEGT VPA licensing is likely to be the way that it is handled in chain of custody or timber sourcing standards for product labels like FSC, PEFC, and Ecolabels that are recognised in government procurement policies. The recognition and use of FLEGT licensed timber by key contractors supplying the Government offers a more accurate way to monitor the acceptability of FLEGT licensed timber as compliance with public procurement policies.
	Assess extent to which official European Commission guidance encourages recognition of FLEGT VPA Licensed Timber in Green Public Procurement.	Structured interviews with EC officials. Europa Green Procurement Policy website	✓	✓		Annual		
iv. Links between FLEGT VPA licensing and product labelling systems;	Acceptance/non acceptance of FLEGT VPA licensed timber as evidence that wood is: (a) Low risk with respect to all 5 risk categories identified in the FSC Controlled Wood standard (b) "low risk" with respect to illegal and other controversial sources in the PEFC Due Diligence System.	Structured interviews with FSC and PEFC officials. Analysis of PEFC and FSC Chain of Custody standards.	✓	✓		Annual		Many timber traders and consumers in the EU will view FLEGT through the prism of FSC and/or PEFC product labelling systems. A key marketing issue for FLEGT VPA Licensed timber is the extent to which it is accommodated within standards developed by these systems for percentage based or "mixed" labelling and project certification. In both cases, a proportion of wood used may be derived from uncertified sources as long as it is shown to be from a "low risk" source.
	Numbers of companies issued with FSC and PEFC chain of custody certificates, by EU country and, as far as possible, by sector	FSC and PEFC international on-line databases	✓	✓		Annual	Level of disaggregation of FSC and PEFC CoC data by company and product type is fairly limited.	Level of CoC uptake provides a crude measure of commitment to responsible wood sourcing. It is also useful to monitor CoC uptake to gain insights into which standards it is most important to achieve acceptance of FLEGT VPA licensing.
	Numbers of FSC or PEFC project certificates issued by EU country.	FSC and PEFC international and national offices	✓	✓		Annual		Certification systems provide this information.
	Volume of FSC and PEFC certified wood products imported into the EU, by EU country, supply country, and, as far as possible, by product group.	Estimated by combining data on FSC/PEFC certified forest area, with UN production data and Eurostat/FII Ltd data on EU imports	✓	✓		Annual	Neither FSC or PEFC provide data on levels (volumes or values) of wood production from certified forest, nor is certified wood treated separately in trade statistics. Numerous assumptions must therefore be made, for example by using forest area data as a surrogate for production volume. National log production data is also often unreliable at the best of times. So while it may be possible to come up with rough indicative estimates of certified wood supply, these will always have to be treated with caution.	Particularly important to assess trends in levels of PEFC and FSC certified supply to the EU from "high risk" non-VPA countries as an alternative risk mitigation option
	Volume of wood products imported into the EU covered by private sector legality verification systems (e.g. SGS TLTV, Smartwood VLO/VLC, BV OLB, TFT, SCS LHF, Certisource Legal Verification)	Structured interviews with managers of legality verification systems, published reports by these systems	✓	✓		Annual	Not all private sector legality verification systems make information publicly available on areas and volumes covered by their systems. Reliable assessment will depend on willingness of these organisations to cooperate with IMM.	Designed to measure extent to which private sector legality verification continues to be used as an alternative risk mitigation option to VPA Licensing
	Compliance/non compliance of FLEGT VPA licensed timber with EU Ecolabelling criteria for wood origin in timber and timber based products.	Review of EU Ecolabelling standards for wood based products. http://ec.europa.eu/environment/ecolabel/		✓		Annual		EU Eco-labelling criteria have been developed for a range of paper products, wood flooring, and wood furniture. The relevance of Ecolabelling to solid wood products to date has been fairly limited - even where criteria are available, the process is voluntary, and uptake limited. However, more public authorities are now giving preference to Eco-labelled products, which may help drive interest and demand in the
	Numbers of companies involved in marketing of EU Ecolabels for timber and timber based products, by EU country and product type.	Review of Ecolabelling database. http://www.eco-label.com/default.htm		✓		Annual		

	Imposition/non imposition of equivalent requirements for legality of origin in Ecolabelling criteria for non-wood materials.	Review of EU Ecolabelling standards for competing non-wood products (e.g. hard flooring coverings). http://ec.europa.eu/environment/ecolabel/		✓		Annual		future. Eco-labels aim to be based on LCA criteria and those developed for wood-based products to date have included specific requirements for sustainable forest management at source.
	"FLEGT VPA labelling" system in the EU developed or in progress of being developed: monitor preparation of a feasibility study, presence/absence a body co-ordinating development of labelling system	Interviews with EC and VPA Partner officials, or private entities with an interest in developing a FLEGT VPA product label	✓			Annual		Refers to a commitment in the Cameroon VPA. Development of FLEGT VPA Labelling system is likely to be a time consuming and complex process. This indicator will have to be amended in the light of progress made.
v. Links between FLEGT VPA licencing and Green Building Rating Systems	European Green Building Rating Systems include requirements for legal, sustainable or responsibly sourced timber products and that these requirements are inclusive of FLEGT VPA licensed timber.	Structured interviews with Rating System managers, review of formal guidance issued by these organisations. Identify and describe requirements for "legal", "sustainable" or "responsibly sourced" timber and timber products in European Green Building Rating Systems. For each system, assess whether requirements for timber and timber products: (a) are inclusive of FLEGT VPA licensed timber; or (b) will exclude FLEGT VPA licensed timber. Also determine whether equivalent requirements for legality at point of origin are applied to competing non-wood materials. As far as possible, quantify the wood market significance of different Green Building Rating systems.	✓	✓		Annual	Quantifying wood market significance is difficult. In practice, these systems are still heavily focused on structural elements (more important for softwoods) and less on finishing elements (more important for hardwoods).	Systems which rate the "sustainability" of whole buildings - like BREEAM in the UK, DGNB in Germany, and HQE in France - are becoming increasingly important in guiding material specification practices in some EU countries, particularly in construction funded by the public sector. Most are adopting a Life Cycle Analysis (LCA) approach to material specification. However, the existence of forest certification systems combined with widespread publicity surrounding illegal logging has meant that, to date, timber has tended to be singled out for specific measures to demonstrate sustainability at point of extraction. More recently, there have been some moves to extend requirements for responsible sourcing to non-wood products (e.g. in BREEAM).
vi. Policy initiatives in non-EU consuming countries	Non-EU countries have policy and/or regulations that generate demand for FLEGT licensed timber.	Analysis of laws and regulations (e.g. US Lacey Act Amendment, Australian Illegal Logging Prohibition Bill), Green Public Procurement (GPP) guidelines (e.g. Japan, China), Chatham House, WRI, Forest Trends.		✓		Annual	Scope of research is very wide. However it is assumed that comprehensive secondary sources will exist as other organisations (Chatham House, Forest Trends, WRI etc) will be also gathering and reviewing data of this nature .	This will require the identifying and describing regulations and policy initiatives in non-EU consuming countries with potential to generate demand for FLEGT VPA licensed timber. Assessment of the scope and relevance of these initiatives to FLEGT VPA countries.
vii. Perceptions of FLEGT VPA within the EU	Awareness of the FLEGT VPA process within the EU timber trading chain including: (a) importers; (b) manufacturers; (c) retailers;	Telephone surveys as far as possible with a statistically significant sample of interviewees	✓			Annual	Choice of interviewees critical to accurate results. Must change yearly but be comparable over time.	
	NGO lobbying material and guidance with respect to the FLEGT VPA process is supportive, neutral, or negative.	Chatham House website. Interviews with representatives of key NGOs such as WWF, FERN, Transparency International, Global Witness, EIA and Greenpeace. Review of NGO publications. Media monitoring.	✓	✓		Annual	Assessing actual influence of different NGOs on perceptions and market attitudes is very challenging. Will involve qualitative reviews of the size of the NGOs, the geographic scope of output from their campaigns, and media output (see next indicator). Lessons can be taken from the Chatham House indicator and monitoring work where they have previously tried to do this kind of analysis.	
	Number of positive, neutral or negative media references to FLEGT VPAs specifically, and more generally to forest law enforcement and forestry practices in VPA Partner countries.	Various options including free on-line services such as Google News or Europe Media Monitor, or more comprehensive bespoke services for a fee.			✓	Quarterly	Lessons can be taken from the Chatham House indicator and monitoring work where they have previously tried to do this kind of analysis.	
	Acceptance of FLEGT VPA licensing as a credible assurance of good material sourcing practice in architectural design	Design specifications for large scale projects. Environmental criteria for architectural awards and shows. In house environmental policies of large architectural practices. Environmental guidance issued by professional architects associations. Telephone interviews with influential architects	✓	✓		Annual	Architectural design is a hugely fluid and complex field and almost impossible to assess quantitatively. For practical purposes, monitoring of this indicator will likely be largely qualitative and focus on larger or particularly prestigious projects, firms and architects. While these may not be representative of the architectural profession as a whole, they do tend to be the most influential in driving design trends.	As part of the assessment of architectural and product design trends, consideration should be given not only to the potential value of FLEGT VPA licensing in improving the desirability of VPA licensed timber relative to other wood products, but also relative to non-wood materials.
	Acceptance of FLEGT VPA licensing as a credible assurance of good material sourcing practice in product design	Observation of trends and discussions with manufacturers and designers at key trade shows (e.g. Milan Furniture Fair, Cologne Interzum, UK SOLEX Garden Furniture Fair). Design specifications for products issued by large influential retailers in EU. Environmental criteria for furniture design competitions. Telephone interviews with influential product designers.	✓	✓		Annual	As for architectural design, assessment is likely to be qualitative rather than quantitative. Focus should be on perceptions and practices of larger most influential designers and retailers. For example, the following retailers - all taken from Top 250 Global Powers of Retailing List - may be specifically targeted: Kingfisher, Carrefour, Ikea, El Corte Ingles, S.A., Marks & Spencers, Tengelmann Warehandelsgesellschaft KG, Groupe Adeo, Kesko Corp.	

viii. Support for FLEGT-licensed timber in EU Wood promotion campaigns	Presence/absence of a body co-ordinating FLEGT VPA marketing to timber and timber product buyers and to potential forest sector investors	Discussion with EC and other potential funding agencies for FLEGT VPA Marketing activities	✓			One-off	Raising awareness of FLEGT VPA Licensing will require financial support combined with close cooperation with suppliers in FLEGT VPA countries to ensure a direct link to product. There may be opportunities to work with some existing European wood marketing campaigns which, in exchange for financial and technical support, may be encouraged to expand activities to include promotion of FLEGT VPA licenses. Some VPA countries have included actions specific to promotion campaigns in their workplans for implementing the VPA, with support of the JIC.	
	Number of hours and/or financial resources dedicated to marketing FLEGT VPA Licencing to timber and timber product buyers and to potential forest sector investors in the EU	Structured interviews with EC officials, supportive wood marketing campaigns, Embassy staff of VPA countries, EU trade associations	✓			Annual		
	Number of wood marketing campaigns targeting EU countries containing positive, neutral or negative references to FLEGT VPA Licensing.	Structured interviews with managers of wood promotion campaigns. Documents issued by these campaigns. Include assessment of European "generic" wood promotion campaigns (e.g. Wood for Good in the UK) and campaigns promoting product from VPA countries (e.g. Ghana TIDD, Malaysia Timber Council, IFIA/ATIBT)	✓	✓		Annual		
ix. Impact on forest sector investment	Value ($/€) of direct investment in forestry operations and wood processing in VPA and non VPA countries	Government Ministries in VPA countries, multilateral and bilateral donor agencies, The World Bank, Regional Development Banks, UNCTAD, ITTO, FAO, GEF	✓	✓		Annual	Gathering accurate data of this nature is notoriously difficult. UNCTAD prepares an annual report of global Foreign Direct Investment, but data is only partially disaggregated by sector and not disaggregated by country. This indicator is included in the hope that data may improve in time and that some VPA governments may be gathering this data and willing to make it available to the IMM on a regular basis. Ideally data would be disaggregated by wood sector, and reported separately for Foreign Direct Investment and Domestic Direct Investment.	This is the most obvious and direct indicator of FLEGT VPA impact on forest sector investment decisions, but there may be insufficient data available to use it effectively. Hence other indicators focusing on investor attitudes and guidelines are also included.
	Views of transnational forest companies on the impact of the FLEGT VPA process on investment decisions.	Structured interviews with representatives of large transnational companies, for example International Paper, Georgia-Pacific Group, Weyerhaeuser Company, Stora Enso Oyj, and UPM- Kymmene. Annual reports of these organisations.	✓	✓		Annual	Most transnational companies may be unwilling to provide detailed information on their investment decisions. This indicator is included in the expectation that they may be willing to comment in more general terms about the potential impact of FLEGT VPA processes on their investment decisions.	Most large transnational companies are more involved in the paper and pulp than solid wood sectors (which is much more fragmented and often reliant on domestic rather than foreign investment).
	FLEGT VPA licensing is recognised in guidelines relating to assessment of forest sector risk in the finance sector, as a credible risk mitigation option, and assess the scope and influence of these guidelines within the international financial community.	Interviews with managers of, and analysis of guidelines issued by relevant voluntary initiatives, including UNEP Finance Initiative, the Equator Principles, the London Accord, and the PwC Finance Sector Project. Review of guidelines for forestry investment issued by the world's leading banks (e.g. Citibank, HSBC, JP Morgan Chase, Bank of America).	✓	✓		Annual	These various initiatives have generally only been adopted by larger international financial institutions and apply to large investment decisions. However, much financing in the forest sector, particularly in developing countries, is by smaller domestic financial institutions and is in the form of short term loans and overdrafts not covered by these initiatives.	Methods to assess forest sector risks in the international finance sector have, to date, been fairly unsophisticated. However this is beginning to change with the emergence of various initiatives to improve guidance on assessment of risks when financing natural resource sectors, some including coverage of environmental and social factors alongside more traditional financial indices.
	Awareness and perceptions of the FLEGT VPA process amongst managers of private sector forestry investment funds.	Structured interviews with forestry fund managers. Analysis of websites focused on forestry investment (e.g. www.forestryinvestor.com, www.forestry-invest.com, www.invest-timber.com, www.alternativeoutlook.co.uk).	✓	✓		Annual	Most forest sector investment is currently directed towards plantations and temperate forests. This indicator aims to assess the extent to which the FLEGT VPA process might encourage greater investment in forests of all types in FLEGT VPA countries. Current availability of consistent information on forestry funds is limited.	Forestry funds are collective investment schemes designed to enable individual investors to cost-effectively participate in a wider range of forestry investment opportunities such as commercially managed forests. An expanding range of companies are encouraging investment in these funds, often highlighting carbon sequestration and broader environmental and social benefits, together with the "counter-cyclical" and diversification advantages of forestry investment.