



**INTERNATIONAL TROPICAL  
TIMBER COUNCIL**

**COMMITTEE ON ECONOMIC INFORMATION  
AND MARKET INTELLIGENCE**

**COMMITTEE ON FOREST INDUSTRY**

Distr.  
GENERAL

CEM-CFI(XLIV)/6  
18 December 2010

Original: ENGLISH

FORTY-FOURTH SESSION  
13-18 December 2010  
Yokohama, Japan

**REPORT TO THE INTERNATIONAL TROPICAL TIMBER COUNCIL**

**FORTY-FOURTH SESSION OF THE COMMITTEE ON  
ECONOMIC INFORMATION AND MARKET INTELLIGENCE  
AND THE COMMITTEE ON FOREST INDUSTRY**

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## REPORT

### 1. Opening of the Session

The Forty-fourth Session of the Committees was opened on 14 December 2010 at the Joint Session of the Committee on Economic Information and Market Intelligence (CEM) and the Committee on Forestry Industry (CFI), co-chaired by Ms. Carla Boonstra (the Netherlands), Chairperson of CEM and Dr. Kug-Bo Shim (Republic of Korea), Chairperson of CFI. Mr. Tabi Agyarko (Ghana), the Chairperson of the Committee on Reforestation and Forest Management (CRF) chaired the Joint Session of All Committees on 14 December 2010 which considered items 4, 8A and 8C of the Agenda. The Chairperson of CEM also chaired the Joint Session of Committees on 15 December 2010 which considered item 6 of the Agenda. The list of participants is presented in document ITTC(XLVI)/Info. 2.

### 2. Adoption of Agenda and Organization of Work

The Agenda for the Joint Session of the Committees as contained in documents CEM-CFI(XLIV)/1, CFA(XXV)/1 and CRF(XLIV)/1 was duly adopted.

### 3. Admission of Observers

The Committees admitted the observers listed in document ITTC(XLVI)/Info.3 Rev.1 as approved by the Council.

### 4. Report of the Meetings of the Expert Panel for Technical Appraisal of Project Proposals

The Committees noted the presentation made by Dr. Luiz Carlos Estraviz Rodriguez (Brazil), Chairman of the Expert Panel for Technical Appraisal of Project Proposals at its Thirty-ninth and Fortieth meetings held on 1-5 February and on 2-6 August 2010 in Yokohama, Japan as contained in documents ITTC/EP-39 and ITTC/EP-40, respectively. In summary, the report of the Expert Panel indicated:

- (i) a total number of 19 and 20 proposals appraised at its Thirty-ninth and Fortieth meetings respectively;
- (ii) a total number of 5 proposals (26% of proposals evaluated) comprising 5 projects were accorded category 1 rating at the Thirty-ninth meeting and a total number of 6 proposals (30% of proposals evaluated) comprising 5 projects and 1 pre-project were accorded category 1 rating at the Fortieth meeting;
- (iii) two (2) out of the 5 proposals accorded category 1 rating during the Thirty-ninth meeting and 6 out of the 6 proposals accorded category 1 rating at the Fortieth meeting were new proposals;
- (iv) eight (8) proposals appraised during the Thirty-ninth meeting and 9 proposals during the Fortieth meeting were sent back to proponents for revision and six (6) proposals appraised during the Thirty-ninth meeting and 5 proposals during the Fortieth meeting were recommended not to be approved by the Committees.

Dr. Estraviz Rodriguez presented the general comments made by the Expert Panel at its Thirty-ninth and Fortieth meetings directed mainly to the ITTO focal point in each member country, as follows:

- Ensure that proposals are assessed at the national level with regard to the country's priorities and to the relevance to ITTO objectives and in conformity with guidelines provided by the third Edition of the ITTO Manual for Project Formulation (GI Series 13).
- Play an active role to ensure that high quality proposals are submitted and a clearinghouse mechanism and proper monitoring and evaluation mechanism are in place.
- Carefully screen the project proposals using the table of contents suggested in the manual as a checklist for this purpose.
- Receive a copy of the Panel reports on the Technical Appraisal of project proposals, and reply to the Secretariat on how the specific recommendations are being dealt with.
- Some proponents further seemingly applied a top-down approach, which would indicate that stakeholders have not been involved in the process and undermines the sustainability of the project.
- Stakeholder analyses in many proposals have not taken into account the gender dimension as addressed by the Manual.

- Although improvement of livelihoods has been mentioned by some project proposals, these issues were only mentioned as catchwords without further elaboration of methods and expected livelihood outcomes (*Sustainable Livelihoods Approach*).
- For projects that stipulate international or regional cooperation, some proposals have not included letters from participating Countries. In these cases, letters from cooperating countries are mandatory.
- Some proposals have been submitted without defining mechanisms to ensure that project benefits will continue to exist after project completion.

Furthermore, Dr. Estraviz Rodriguez mentioned that among the most important aspects, two main components have driven the evaluations made by the Panel: i) stakeholders involvement during the elaboration and the implementation phases, ii) the logic used to structure the proposal, which strongly depends on, iii) the precise definition of the problem targeted by the project, and iv) the main causes and sub-causes of the problem

Dr. Estraviz Rodriguez also informed the Committees that a comprehensive scoring system had been developed to support the technical appraisal of each project proposal. Thoroughly tested and improved, with the participation of several members of the Panel, the scoring system had allowed the Panel to produce objective and consistent first evaluations, and had improved the Panel practice used to evaluate each proposal.

Dr. Estraviz Rodriguez further mentioned that the Project Formulation Manual promotes clear guidance regarding specific proposal components, the elaboration of a strong logical justification, and the identification of essential points that proponents must bear in mind in the course of Project formulation. But, the number of new projects fully complying with the guidelines provided by the manual was still proportionally lower, leading to further revisions (doubling the work of Panel and proponents), and furthermore, many proposals among those put into category 2, have applied only the format and failed to follow the detailed guidance provided by the Manual. Therefore, special attention is required from ITTO to support training sessions in countries where Language and project development capacity might still be problematic.

#### 5. New Projects and Pre-projects

The Committees noted the projects and pre-projects that were approved under the time-bound electronic no objection procedures to accept Expert Panel ratings and circulated to member countries pursuant to Decision 6(XLIII), following the recommendations of the Expert Panel at its Thirty-ninth and Fortieth Meetings as follows:

<b>Committee on Economic Information and Market Intelligence</b>		
PD/PPD NUMBER	TITLE	SUBMITTING COUNTRY
PD 578/10 Rev.1 (M)	Implementation of a National Information System for the Sustainable Management of Forest Resources	Côte d'Ivoire

<b>Committee on Forest Industry</b>		
PD/PPD NUMBER	TITLE	SUBMITTING COUNTRY
PD 521/08 Rev.3 (I)	Participatory Forest Management for Sustainable Utilization of Non Timber Forest Products (NTFP) Surrounding the Protected Area of Rinjani and Mutis Timau Mt, Nusa Tenggara Indonesia	Indonesia
PD 549/09 Rev.2 (I,F,M)	Provenance Evaluation, Wood Technological Characterization and Market Survey for Balsawood ( <i>Ochroma pyramidale</i> Cav.) in the Lacandon Forest, Chiapas, Mexico	Mexico

6. ITTO Annual Market Discussion – 2010

The Committees noted the summary of the ITTO Annual Market Discussion – 2010, held in the Joint Session of All Committees on 15 December 2010, as contained in Appendix A. The theme of the Market Discussion was “Innovations and Technologies in Wood-based Industries”. Ms. Carla Boonstra (Chairperson of CEM) chaired the meeting and Mr. Barney Chan (TAG Coordinator) served as the moderator of the Market Discussion.

The following feature presentations were made during the Market Discussion:

Prof. Gary Waugh University of Melbourne (Australia)	Global Challenges for the Forest Products Industries, Threats or Opportunities for the Tropical Timber Sector
Dr. Callum Hill Edinburgh Napier University (U.K.)	Wood Modification
Dr. Antje Wahl FP Innovations (Canada)	Markets for Modified Wood Products, Threats or Opportunities for the Tropical Timber Sector
Prof. Ivan Tomaselli STCP Engenharia de Projetos Ltda. (Brazil)	Adoption of Technical Innovation – Experiences of the Latin American Timber Sector

The TAG Coordinator informed the Committees that collaboration between TAG and the Secretariat would continue for the organization and holding of the ITTO Annual Market Discussion 2011. He informed the Committees that the theme for the discussion would be ‘The Crisis, the impact and the recovery’.

7. Report on Completed Projects and Pre-projects

The Committees considered the Report of Completed Projects and Pre-projects as contained in document CEM-CFI(XLIV)/2 as follows:

**Committee on Economic Information and Market Intelligence**

PD 124/01 Rev.2 (M)                      Promotion of Sustainable Management of African Forests (ITTO/ATO)  
Phase II

The Secretariat informed the Committees of the outputs achieved during implementation of Phase II of the project as detailed in the completion report contained in document CEM-CFI(XLIV)/2. The involvement (including funding) of WWF’s regional office in activities leading to a regional FSC certification standard based on the ATO-ITTO C&I was highlighted. The future role and involvement of ATO in Phase III of the project was addressed, given the difficulties faced by the Organization in securing funding to continue operations. The Secretariat stressed the importance of the project to countries in the region and informed the intention of ITTO to continue implementing Phase III using its capacity available in the region (ie the regional officer based in Libreville and the regional coordinator). The Secretariat drew the attention of the Committees to the urgent requirement for funding of Phase III, Stage 1 of the project (US\$400,000.00) to ensure that project staff could be retained to continue project work in 2011. The final audit of Phase II of the project had just been completed.

The Committees took note of the Secretariat’s report and duly declared Phase II of the project complete.

PD 168/02 Rev.1 (M)                      Establishment of a National System of Collection, Entry, Processing  
Phase II                                      and Dissemination of Forestry and Timber Statistical Data in Togo

The Secretariat reported that since the previous session, a proposal to complete the implementation of the project incorporating a revised workplan and budget was submitted by the implementing agency and duly approved by the Executive Director. Following the disbursement of the final instalment of ITTO fund, the implementation of the revised workplan was successfully completed, resulting in the achievement of project outputs and the realization of the project’s development and specific objectives. The implementing agency had also submitted to the Secretariat the project completion report and the final financial audit report of the project, both of which were found to be in order.

The Committees duly declared the project complete.

PD 353/05 Rev.2 (M,F,I) Adoption and Implementation of the Forestry Information System (FIS) for the Philippines

The Secretariat reported on the implementation of the project, accomplished after an extension of six months of its duration without additional ITTO funding due to some additional complementary activities. All of the planned outputs had been achieved which contributed to the realization of the project's development and specific objectives. The key project deliverable, a country-wide forestry information system (FIS) had been developed and implemented in the context of forest policy and management.

The Committees noted that the completion and financial audit reports of the project had been submitted to the Secretariat. The Committees duly declared the project complete.

PD 440/07 Rev.1 (M,I) Improving the Detection and Prevention of Illegal Logging and Illegality in Shipment and Trade of Wood Products in Guyana

The Secretariat reported on the implementation of the project which resulted in the achievement of all of the planned project outputs and the realization of its development and specific objectives. The key project deliverables, the dedicated GIS, barcode timber-tracking system and central monitoring and detections database had been developed and completed.

The Committees noted that the completion and financial audit reports of the project had been submitted to the Secretariat. The Committees duly declared the project complete.

PPD 45/02 Rev.3 (M) Formulating a Product Aimed to Strengthen Capacity for the Sustainable Management of Natural and Planted Forests in Panama

The Secretariat informed the Committees that at the previous session, the outputs of the pre-project were reported to have been achieved, pending the conduct of the final audit.

The Secretariat reported that the implementing agency had submitted the final audit report in January 2010, and returned unspent funds to the Secretariat in May 2010.

The Committees duly declared the pre-project complete.

PPD 62/02 Rev.1 (M) Establishing a Forest Statistics Management System in the Phase II Democratic Republic of Congo

The Secretariat informed that the project was suspended by the Committees at the previous session due to the long delay in the submission of the financial audit report accounting for the pre-project funds. However, the implementing agency had submitted a satisfactory financial audit report shortly after being informed of the suspension. The Committees duly recommended that the suspension of the pre-project be lifted and that the pre-project be declared complete.

### **Committee on Forest Industry**

PD 44/98 Rev.2 (I) Handbook on Tree and Wood Identification of 100 Lesser-Used and Lesser-known Timber Species from Tropical Africa with Notes on Ethnography, Silviculture and Uses (Ghana)

The Secretariat informed the Committees that the project had been moved from item 9 to item 7 of the Agenda.

The delegation of Ghana thanked ITTO and the donors and provided an overview of the results of the project. The Committees noted that the final output was a handbook entitled "100 African Timber Trees from Ghana: Tree description and wood identification with notes on distribution, silviculture, ecology, ethnobotany and wood uses". It provided a quick reference guide for the identification of 100 timber species based on taxonomical features and bark characteristic; and wood identification based on macroscopic and physical features through dichotomous or computer aided identification programme. The timber trade in Ghana had benefitted from the results of the project.

The Secretariat informed that the completion report, the technical report and the final financial audit report had been delivered by the implementing agency in accordance with the Project Agreement. The Committees duly declared the project complete.

PD 65/01 Rev.2 (I) Training in Reduced Impact Logging in Cambodia

The delegation of Cambodia thanked ITTO and the Government of Japan (donor country) and provided an overview of the implementation of the project. The Committees noted that all the project's outputs had been achieved. The Committees also noted that 106 foresters, supervisors, and managers had been trained. A demonstration plot (500 ha) for RIL practices was established in Kampong Thom forest area in the central part of Cambodia.

The Secretariat informed that the completion report, the technical report and the final financial audit report had been delivered by the implementing agency in accordance with the Project Agreement. The Committees duly declared the project complete.

PD 100/01 Rev.3 (I) Capacity Building for the Development of a Sustainable Rattan Sector in China based on Plantation Sources

The Committees noted the project outputs achieved, namely:

- Establishment of three demonstration rattan plots;
- A technical manual containing all information on rattan resources management and utilization from status of resources, nursery operation and plantation management to harvesting and processing of canes and shoots;
- National training courses conducted, involving 109 trainees; and
- A regional workshop/seminar on rattan cultivation, management, utilization and marketing for Asia convened.

The Committees also noted that the counterpart contribution was increased from US\$479,213.00 to US\$644,188.00.

The Secretariat informed the Committees that the completion report, the technical reports and the final financial audit report had been delivered by the implementing agency in accordance with the Project Agreement. The Committees duly declared the project complete.

PD 318/04 Rev.2 (I) Quality Control and Standardization of Ghanaian Wood Products

The delegation of Ghana thanked ITTO and the donors and provided an overview of the implementation of the project. The Committees noted that all the project's outputs had been achieved. The Committees also noted that the standards for wood products developed addressed exigent national problems and would benefit all citizens. Unlike other standards which targeted a niche market such as industry and exports, these standards met most domestic needs, widely acclaimed in the interim and were expected to be sustained. The standards were under the control of the Ghana Standards Board with which had its own protocol for maintenance and for informing society of new standards continuously through marketing and promotional programmes.

The Secretariat informed that the completion report, the technical reports and the final financial audit report had been delivered by the implementing agency in accordance with the Project Agreement. The Committees duly declared the project complete.

PPD 68/03 Rev.2 (I) Study on Utilization of Plantation Teak (Myanmar)

The Secretariat provided an overview of the implementation of the pre-project. The Committees noted that the pre-project assessed the opportunities for the utilization of plantation teak (*Tectona grandis*) of different ages and sizes.

The Committees noted that as a result of the pre-project, a full project proposal had been formulated and would be submitted to the Expert Panel for Technical Appraisal of Project and Pre-project Proposals at its Forty-first meeting.

The Secretariat informed that the completion report, the technical reports and the final financial audit report had been delivered by the implementing agency in accordance with the Pre-project Agreement. The Committees duly declared the pre-project complete.

PPD 133/07 Rev.1 (I)                      Training Needs Analysis for the Builders' Woodworks Industry in the Philippines

The Secretariat reported to the Committees on the outputs realized from the implementation of the pre-project as follows:

- An inventory of existing positions in the builders' woodworks industry;
- Standards for specific positions in the builders' woodworks industry;
- Training needs identified; and
- A project proposal on capacity building for the builders' woodwork industry formulated.

The Secretariat informed the Committees that unspent funds had been returned to the Secretariat and the completion report, the technical reports, and the final financial audit report had been delivered by the implementing agency in accordance with the Pre-project Agreement. The Committees duly declared the pre-project complete.

## 8. Ex-post Evaluation

### **(A) Ex-post Evaluation Reports**

To facilitate the sharing of experiences and lessons learned from ex-post evaluation of projects among members, the consideration of ex-post evaluation reports was undertaken at the Joint Session of All Committees. The Committees considered the executive summaries of the ex-post evaluation reports as contained in document CEM-CFI(XLIV)/3.

#### **Committee on Economic Information and Market Intelligence**

PD 41/99 Rev.4 (M)                      Development and Implementation of the Pilot Project of the Forestry Statistics Information System (FSIS)(Philippines)

PD 133/02 Rev.3 (M)                      Timber and Timber Products Trade Flow Study in the Philippines

A presentation before the Committees was made by the consultant, Mr. Neil Byron (Australia), in respect of his ex-post evaluation report on the two closely related projects implemented in the Philippines.

In his presentation, Mr. Neil Byron indicated that both projects had been implemented professionally and efficiently, within budget and on schedule. He also emphasised the projects' effectiveness, efficiency and impacts including longer-term sustainability and lessons for similar projects in future. The reasons for this success included: good project design; excellent training; outstanding "people-management" skills; and a continuous focus on quality and policy relevance.

For PD 41/99 Rev 4 (M): "Development and implementation of the Pilot Project of the Forestry Statistics Information System – Phase I", Mr. Neil Byron highlighted the results and outcomes of the project: the Forest Management Bureau (FMB) of the Department of Environment and Natural Resources (DENR) had benefitted from a comprehensive and accurate FIS/GIS showing the precise location, legal status, biophysical condition, production potential of forests and other resources available. It could now make much more informed decisions on resource development, new plantings, conservation zones and land-use conflicts and effectively monitor field programmes and policy effectiveness. FMB & DENR continued to find valuable and effective new applications for the FIS/GIS. He also listed some lessons learned from the implementation of the project including the thorough preparations which ensured effectiveness, despite unavoidable difficulties; well-trained and highly-motivated officers who demonstrated "proof of concept"; and the need for continuing maintenance of the systems, both hardware and "software" including human resources.

For PD 133/02 Rev 3 (M): "Timber and Timber Products Trade Flow Study of the Philippines", Mr. Neil Byron indicated that the project contributed to improved understanding amongst all stakeholders, such as growers, processors, traders and the government, on the operation of the value



chain from forest plantations, through traders and processors, to the selling of manufactured timber products including furniture and plywood. The web-based wood markets information system ([www.woodmaris.com](http://www.woodmaris.com)) was active following project completion and for the subsequent 2 years. The database provided valuable policy relevant information and insights including new government policy options, e.g. the reationalisation of sawmilling capacity, and payments to Government and sharing of plantation revenues or profits, in lieu of land rents.

Mr. Neil Byron summarized the following conclusions on the implementation of the projects:

- Achieving and demonstrating SFM would be extremely difficult without accurate, reliable, up-to-date and readily-accessible information;
- ITTO financing assistance had generated significant benefits in public policy, including assisting the Philippines' forest industries to restructure and position themselves towards sustainable forest management.
- These projects are a model for other producer countries to improve the information base for SFM and enhancing the effectiveness of public policy on forestry.

Mr. Neil Byron also proposed a number of recommendations including the following:

- The Government of the Philippines should continue maintaining and fully utilizing these systems.
- There are excellent opportunities for follow-up to build on the accumulated expertise. ITTO and the Government of the Philippines should jointly explore opportunities for enhancing the accumulated expertise for the development of the forestry sector in the Philippines;
- ITTO should investigate the need for and the interest in, similar GIS and market information systems, for other ITTO member countries based on the successful experience in the Philippines.

The Committees commended the consultant for his report and presentation.

PD 264/04 Rev.3 (M,I)

Timbers of Tropical Africa Part 1: Group 7(1) within the PROTA Programme (Ghana)

A presentation before the Committees was made by the consultant, Dr. Ivan Tomaselli (Brazil) in respect of his ex-post evaluation report on the project.

In his evaluation, Dr. Tomaselli indicated that the project had basically been implemented successfully, with its development objective of improving access to interdisciplinary data on the timbers of Tropical Africa as a basis for promoting sustainable forest management and strengthening networking leading to better cooperation and information exchange between stakeholders in the region realized. The specific objectives of the project relating to the gathering, evaluating and synthesizing of information on the timbers of Tropical Africa as well as improving networking and facilitating access of targeted beneficiaries to the information in electronic and printed forms had also been generally achieved. Virtually all project outputs had been achieved including, in particular, the data on PROTA 7(1) Timbers 1 produced in the form of a web database, handbooks and CDs in English and French. The dissemination of these materials had been facilitated by agreements reached between PROTA, CTA and Blackhuys Publishers. In Dr. Tomaselli's opinion, the project had a positive impact on facilitating the access of targeted beneficiaries to information on timber species of Tropical Africa and, therefore, on the implementation of sustainable forest management in the region. In addition, there was a number of other outputs that had enhanced the impact and usefulness of the project including the upgraded and interactive website of the project and the wood anatomy workshop conducted to enhance the capacity of experts in Tropical Africa in the field of wood anatomy and standardized wood-anatomical description.

Dr. Tomaselli also listed some of the limitations of the project. These included the non-achievement of Output 2.4 on derived products involving a survey of beneficiaries and dialogue with grassroot organizations; the difficulty of assessing the utilization of the information generated by the project to the targeted beneficiaries; the minimal role of the private sector and local communities as targeted beneficiaries in the planning and implementation of the project; and constraints related to capacity-building, recruitment of PROTA network office in Africa and transfer of responsibility to institutions in Africa in order to enhance the sustainability of the project.

Some of the valuable lessons learned from the implementation of the project included the impact of its sound design; the experience and solid management structure of PROTA as the implementing agency and the efficient communication and cooperation among parties involved which had contributed

immensely to the smooth, efficient and effective implementation of the project, accomplished on time with no extension of project duration and additional funding; and the extremely high value of this regional and inter-continental project straddling several countries in Tropical Africa and two continents.

Dr. Tomaselli proposed a number of recommendations including the following:

- (i) Provide for greater involvement of the private sector in the implementation of the second phase of the project,
- (ii) Improve the dissemination of project information to local communities and other secondary beneficiaries,
- (iii) Provide better guidance to beneficiaries on the optimal use of the information in the database,
- (iv) Undertake more efforts to enhance the sustainability of the project,
- (v) Strengthen organizations and regional network in Tropical Africa and arrange for a phased transfer of ownership and responsibilities to these entities in order to internalize the programme in Africa and ensure its sustainability.

The Committees commended the consultant for his report and presentation.

#### **Committee on Forest Industry**

PD 108/01 Rev.3 (I)

Development of Sustainable Rattan Production and Utilization through Participation of Rattan Small Holders and Industry in Indonesia

A presentation before the Committees was made by the consultant, Dr. Antonio Manila (the Philippines), in respect of his ex-post evaluation report on the project. The main objective of the project was to promote the sustainable management and use of rattan resources in the country, covering more than 300 species in forest production area estimated at around 9.37 million hectares. The project strategy was anchored on the active involvement of rural community in sustainable forest management (SFM), including the use of rattan resources to enhance their socio-economic position and alleviate poverty among forest communities. The project was carried out over an initial period of 36 months which was subsequently extended for an additional 18 months.

The consultant highlighted the key project outputs and confirmed that the project strategy was sound, given the information available and circumstances at the time the project was developed. A number of project outputs focused on natural rattan as well as plantation management, including value-added rattan products and documented in the form of guidelines, manuals and reports. The project produced a wealth of information and data on rattan resources, including comprehensive technical papers/reports and manuals. Unfortunately, none of these had been published in any of the international/regional journals, periodicals and newsletters (e.g. INBAR) for wider distribution and utility.

The project was implemented collaboratively and the budget was well managed through the project steering committee. Close collaboration among key stakeholders had enabled them to build linkages and share information and updates in the interest of proper project management and sustainability aspects. A stronger political support was needed to maintain the positive impacts of the project, particularly in the formulation of a long-term national development strategy and action plan for commercial rattan plantation as a "road map" for all stakeholders.

PD 277/04 Rev.3 (I)

Promoting Selected Non-Timber Forest Products Based on Community Participation Approach to Support Sustainable Forest Management in East Kalimantan (Indonesia)

A presentation before the Committees was made by the consultant, Dr. Antonio Manila (the Philippines), in respect of his ex-post evaluation report on the project. The main objective of the project was to promote the sustainable use and management of NTFPs in the forest sector in East Kalimantan through the development of small-scale production and marketing system involving local stakeholders. The project strategy was anchored on the active involvement of the rural community in sustainable forest management (SFM), particularly in the use of NTFPs in the form of medicinal plants to enhance

their socio-economic conditions and in increasing the revenue of local government that would in turn lessen the pressure on forests. The project was carried out over a period of 36 months which was subsequently extended by another 4 months.

The consultant highlighted the key project findings. The field trainings conducted by BIOMA, a local/site-based NGO, for local communities and the implementation of livelihood activities had positive impacts on sustainability. The ex-post evaluation confirmed that the project strategy was sound, given the information available and circumstances at the time the project was developed. Despite limitations in its problem analysis the project was successfully implemented with all of its planned outputs achieved.

The project was completed more than 2 years ago, but the rural community continued to maintain and manage their backyard farmlands and expressed their strong desire to continue doing so. Some beneficiaries were able to send their children to college utilizing income derived from producing and selling medicinal plants. Notably the Semoi 1 village membership had grown from 13 in 2005 to 79 benefitting from the revolving fund scheme. The Semoi 1 village head/leader had been invited as a resource person in a field day activity at a University Campus, delivering a lecture on medicinal plants. The Semoi 1 village was being considered as a model for R & D in medicinal plants. An adjacent village, had expressed the wish to join and participate in this novel undertaking of promoting selected medicinal plants to support sustainable forest management. Farmers were able to sell high quality ginger *simplisia* and extracts of *pasak bumi* at attractive prices to a manufacturer of *jamu* products located outside of Kalimantan after meeting the specifications set by the manufacturer. Finally, the project and its impacts had been instrumental in improving the living conditions of targeted farmer groups, as the transfer of technology was carried out efficiently through workshops and trainings organized locally and facilitated by a competent, local/site-based NGO.

PD 286/04 Rev.1 (I)

Strengthening the Capacity to Promote Efficient Wood Processing Technologies in Indonesia

A presentation before the Committees was made by the consultant, Dr. Antonio Manila (the Philippines), in respect of his ex-post evaluation report on the project. The main objective of the project was to enhance national capacities and skills in wood processing through training programmes to ensure the efficient and diversified use of tropical timber in the country. The project strategy was anchored on the active involvement of Indonesian Sawmill and Wood Working Association (ISWA) members in conducting the training programmes geared towards increasing the contribution of the wood processing industry to the national economy and ultimately towards the achievement of sustainable forest management (SFM). It was carried over a period of 36 months which was subsequently extended by an additional 12 months.

The consultant highlighted the key project findings. The direct contribution to ITTO work on SFM was the conduct of 139 in-house trainings for 860 participants comprising owners, executives and supervisors on wood processing techniques, quality/industrial management and marketing aspects, far exceeding the 500 participants initially planned, and its multiplier effect on the continuing application of efficient wood processing techniques producing high quality wood products at much lower production costs and wood waste by the wood processing industry. The project involved in-house training programmes conducted in 50 mills of ISWA members, as it was found to be a more effective form of training compared to conventional class room training, since technology transfer was to be transparent as well as effective and smoothly undertaken through problem solving-oriented means through direct learning by doing.

The sustainability of project impacts was evidenced by the changing attitude of a large number of mill owners and executives who no longer acted as traders seeking short term profits, but as investors striving for long-term business survival. The mills/companies hosting the in-house training were found to be keen in applying the technical and managerial guidance generated by the Project. Through proper application of the guidance, the mills/companies generated direct financial gains through reduced production cost and increased price of processed products. Increased wood recovery of 3% as reported by the trainees generated a huge amount of savings through reduced production cost. This direct financial gain served as a strong incentive for the companies to continue using the guidance and recommendations of the Project. The financial gain generated by the project will sustain the interest of processors in using the outputs and results of the project. It was noted that the Ministry of Forestry had indicated its strong interest in developing and conducting in-house training

programmes on processing efficiency and product quality management, using state funds and in collaboration with wood industry associations.

Following the presentation, the delegation of Indonesia expressed its gratitude to the donors and ITTO for the successful implementation of the project. The delegation of Indonesia also thanked the consultant for his excellent ex-post evaluation. The findings, lessons learnt, and recommendations would be taken up by Indonesia to further improve the implementation of other on-going ITTO projects.

The delegation of Nigeria commented that the presentation by the consultant could be enhanced by elaborating the sustainability of the project and impacts of the projects on communities' income and the level of efficiency of the forest industry sector. The Consultant responded that the information could be obtained from the ex-post evaluation reports of the projects.

The Committees commended the consultant for his reports and presentation

### **(B) Selection of Projects for Ex-post Evaluation**

The Committees duly selected the following projects for ex-post evaluation:

#### **Committee on Economic Information and Market Intelligence**

PD 353/05 Rev.2 (M,F,I)	Adoption and Implementation of the Forestry Information System (FIS) for the Philippines
PD 440/07 Rev.1 (M,I)	Improving the Detection and Prevention of Illegal Logging and Illegality in Shipment and Trade of Wood Products in Guyana

#### **Committee on Forest Industry**

The Committees duly selected the following projects for ex-post evaluation:

PD 37/94 Rev.3 (I)	Strengthening of the Forest Products Laboratory of IBAMA (Brazil)
PD 100/01 Rev.3 (I)	Capacity Building for the Development of a Sustainable Rattan Sector in China based on Plantation Sources

### **(C) Meta-Evaluation of ITTO Ex-post Evaluations**

As requested by the CRF at its Forty-third Session, the Secretariat drafted a set of Terms of Reference (TOR) for a Meta-Evaluation of ITTO ex-post evaluations and submitted it to the Joint Session of the Committees. As the delegations of Switzerland, USA, Peru and others intervened and suggested enhancement of the Draft TOR, the Chairperson decided to establish a small informal working group to further compile all comments and suggestions made and incorporate these into a final draft TOR for the consideration and approval of the Joint Session of the Committees. The small informal working group, composed of delegates of Brazil, Cameroon, Ghana, Guatemala, Indonesia, Malaysia, Peru, and USA, and chaired by the delegate of the UK, met to discuss the draft TOR which were subsequently enhanced. The draft TOR was resubmitted to the CRF, and some delegates provided additional comments and suggestions. The final outcome and definitive text of the TOR is attached in Appendix 1 of document CRF(XLIV)/13. The CRF further decided that the budget for the evaluation should not exceed US\$300,000.00 and that funds should be drawn from the Pooled Sub-Accounts for Ex-Post Evaluation.

### 9. Review of Projects, Pre-projects and Activities in Progress

The Committees considered the Report of Projects and Pre-projects in Progress as contained in document CEM-CFI(XLIV)/4 and took note of progress in the implementation of the following projects and pre-projects:

**(A) Projects and Pre-projects under implementation**

**Committee on Economic Information and Market Intelligence**

1. PD 16/93 Rev.4 (M)  
Phase IV, 2010 Market Information Service for Tropical Timber and Timber Products, Phase IV, 2010 (Global)
2. PD 182/03 Rev.2 (M) Enhancement of the Forest Statistics Information and Management System (STATFOR) through the Integration of a Computer Module for Processed Log Management (Gabon)
3. PD 196/03 Rev.1 (M) Upgrading and Strengthening of the National Forest Statistical Information System in Venezuela
4. PD 291/04 Rev.2 (M) Establishment of a Network to Facilitate Collection, Processing and Dissemination of Statistics Pertaining to Tropical Timber and Other Forestry Parameters in India
5. PD 340/05 Rev.2 (M,F,I) National Forest Statistical Information System in Guatemala
6. PD 391/06 Rev.2 (M) Promoting and Creating Market Demand for Certified Tropical Wood and Verified Legal Tropical Wood (Japan)
7. PD 406/06 Rev.1 (M) Establishment of a National Forest and Timber Marketing Statistics System (Ecuador)
8. PD 443/07 Rev.1 (M) Strengthening of the Forest Statistics and Information Center – CIEF (Honduras)
9. PD 449/07 Rev.2 (M) Enhancing Forest Law Enforcement in Papua New Guinea
10. PD 479/07 Rev.2 (M) Timbers of Tropical Africa Part 2: Group 7(2) within the PROTA Programme (Ghana)
11. PD 480/07 Rev.2 (M) Demand and Supply of Tropical Wood Products in China Towards 2020
12. PPD 14/00 (M) Strengthening the Market Discussion (Global)
13. PPD 138/07 Rev.1 (M) Verifying the Legality of Timber Forest Products in Peru

**Committee on Forest Industry**

1. PD 73/89 (M,F,I) Assistance for Project Identification and Formulation (Global)
2. PD 39/93 Rev.4 (I) Project for the Development, Application and Evaluation of Biomass Energy Technologies through Briquetting, Gasification and Direct Combustion of (Wood and Agricultural) Wastes (Malaysia/Cameroon)
3. PD 46/96 Rev.2 (I) Establishment of a Wood Workers and Craftsmanship Village (Ghana)
4. PD 13/99 Rev.2 (M,F,I) ITTO Information Network and Project Support (Phase II) (Global)
5. PD 40/00 Rev.4 (I) Utilization of Small-Diameter Logs from Sustainable Source for Bio-Composite Products (Indonesia)
6. PD 77/01 Rev.2 (I,F) Contribution to the Development of Skills and Technical Training Structures at the Mbalmayo National School of Forestry (Cameroon)

7. PD 131/02 Rev.4 (I) Training of Forest Practitioners for the Improvement of Forest Industry in Cambodia
8. PD 233/03 Rev.2 (I) Application of Intermediate Technologies for Sustainable Forest Harvesting (Peru)
9. PD 275/04 Rev.3 (I) Improvement of the Sustainable Management and Utilization of Non-Timber Forest Products (NTFPs) in Cambodia
10. PD 306/04 Rev.1 (I) Improving Utilization and Value Adding of Plantation Timbers from Sustainable Sources in Malaysia
11. PD 333/05 Rev.2 (I) Development and Delivery of a Vocational Training Programme in Reduced Impact Logging and Sustainable Forest Management Practices in Guyana
12. PD 334/05 Rev.2 (I) Demonstration and Application of Production and Utilization Technologies for Rattan Sustainable Development in the ASEAN Member Countries (Philippines)
13. PD 347/05 Rev.2 (I) Promoting Access to the Forest Sector Activities by Gabonese Nationals through the Development of the SME Forest Partnership
14. PD 364/05 Rev.4 (I) Providing Village Communities with Basic Technological Training for Extracting Valuable Essential Oils from Eucalyptus Citriodora Plantations in Rural Areas of Congo (Rep. of Congo)
15. PD 384/05 Rev.3 (I) Testing Laboratory for the Development of Quality Standards for Mexican Primary and Processed Tropical Forest Products
16. PD 385/05 Rev.4 (I,F) Industrialisation, Marketing and Sustainable Management of Ten Mexican Native Species
17. PD 397/06 Rev.3 (I) Sustainable Development of the Wood-Based Industries in South Kalimantan (Indonesia)
18. PD 398/06 Rev.2 (I) Promoting the Utilization of Plantation Timber Resources by Extending Environmentally Sound Preservation Technology (China)
19. PD 401/06 Rev.2 (I) Value Adding and Kiln Drying of Commercial Timbers by Small Scale Community Saw Millers in Guyana
20. PD 425/06 Rev.1 (I) Production and Utilization Technology for Sustainable Development of Eaglewood (Gaharu) in Indonesia
21. PD 431/06 Rev.1 (I) Processing and Utilization of Trees on Farmlands and Logging Residues through Collaboration with Local Communities (Ghana)
22. PD 433/06 Rev.3 (I) Sustainable Model for the Brazilian Wood Flooring Production Chain
23. PD 448/07 Rev.2 (I) Sustainable Utilization and Marketing of Selected Non-Timber Forest Products to Support the Handicraft Industry and the Development of Rural Communities (Philippines)
24. PD 506/08 Rev.1 (I) Reviving Forestry Education in Liberia
25. PD 512/08 Rev.2 (I) Industrial Utilisation and Marketing of Ten Potential Timber Species from Secondary and Residual Primary Forests (Peru)

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| 26. | PD 513/08 Rev.1 (I)  | Enhancing the Capacity of the Wood Processing Sector to Improve Efficiency and Add Value in Guyana                     |
| 27. | PD 523/08 Rev.1 (I)  | Operational Strategies for the Promotion of Efficient Utilization of Rubber Wood from Sustainable Sources in Indonesia |
| 28. | PPD 5/00 Rev.1 (I)   | Sustainable Management of Non-timber Forest Produce (NTFP) in Maharashtra State of India                               |
| 29. | PPD 97/04 Rev.1 (I)  | Improve Strategies and Assess Training Needs to Achieve SFM in Suriname  |
| 30. | PPD 125/06 Rev.2 (I) | National Training Program to Promote the Adoption of Reduced Impact Logging (RIL) in Papua New Guinea                  |

**(B) Projects and Pre-projects pending Agreement**

**Committee on Economic Information and Market Intelligence**

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| 1. | PPD 139/07 Rev.1 (M) | Strengthening of the National Forest Information System (Thailand) |
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**Committee on Forest Industry**

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| 1. | PD 457/07 Rev.5 (I) | Operational Supportive System for Promoting the Further Processing of Timber in Five Countries of the Congo Basin (Gabon) |
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**(C) Projects and Pre-projects pending financing**

**Committee on Economic Information and Market Intelligence**

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| 1. | PD 124/01 Rev.2 (M)<br>Phase III | Promotion of Sustainable Management of African Forests (Africa) |
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The delegation of China informed the Committees of the importance of PD 124/01 Rev.2 (M) "Promotion of Sustainable Management of African Forests – Phase III" considering the successful implementation of its two earlier phases. It expressed the hope that, building on the outcomes achieved in the earlier two phases, the project could extend the good momentum gained and contribute to the achievement of sustainable forest management in Africa. In that regard, the delegation announced that China would make a voluntary contribution of US\$100,000.00 for the financing of this project. This contribution would be subject to formal approval by the National People's Congress in March 2011 before the funds could be made available. At the same time, China was also exploring the possibility of leveraging follow-up financing from other sources for this project.

**Committee on Forest Industry**

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| 1. | PD 518/08 Rev.2 (I) | Energetic Valorization of Wood Residues by Compaction Process (Brazil)   |
| 2. | PD 520/08 Rev.2 (I) | Promoting Timber Preservation for Reducing Forest Resource Depletion in Indonesia  |
| 3. | PD 521/08 Rev.3 (I) | Participatory Forest Management for Sustainable Utilization of Non Timber Forest Products (NTFP) Surrounding the Protected Area of Rinjani and Mutis Timau Mt, Nusa Tenggara Indonesia |
| 4. | PD 522/08 Rev.2 (I) | Properties, Processing and Marketing of Teak Wood Products of Community Teak Plantations in Java and Eastern Indonesia   |

5. PD 540/09 Rev.1 (I) Support to Improve the Productivity of the Peruvian Timber Industry for the Production of Higher Value-added Products
6. PD 549/09 Rev.2 (I,F,M) Provenance Evaluation, Wood Technological Characterization and Market Survey for Balsawood (*Ochroma pyramidale* Cav.) in the Lacandon Forest, Chiapas, Mexico

The Committees held discussions on the following projects and pre-projects:

#### **Committee on Economic Information and Market Intelligence**

##### **PD 406/06 Rev.1 (M) Establishment of a National Forest and Timber Marketing Statistics System (Ecuador)**

The Secretariat informed the Committees that the Government of Ecuador had submitted a request for an extension of the duration of the project without additional ITTO funding and modification of the budget items of the project, as contained in the document CEM-CFI (XLIV)/5.

The delegation of Ecuador took the floor to explain the rationale of his proposal based on three main reasons:

- The change in conditions at the time of the commencement of project implementation compared with the time the project was formulated;
- Actions taken by the Ministry of Environment of Ecuador in providing for infrastructure and communication equipment; and
- The current policy of the National Government on the use of the free software.

The above issues had led to the need to modify the budget of the project arising from the reduction of approximately US\$80,000.00 in the cost of implementing project activities 1.2.3 and 1.2.7

Consequently, the Government of Ecuador wished to use the savings from capital items to expand the scope of the project to include a component on the monitoring of the forest regime to be added to the National Forest and Timber Marketing Statistics System.

Accordingly, the Government of Ecuador requested a reallocation of the project budget involving the savings from capital items to be transferred to personnel for the hiring of consultants to develop the monitoring component of the System. It also requested an extension of the project duration without additional funding from ITTO to 31 December 2011. Details of the request are contained in document CEM-CFI (XLIV)/5.

After considering the request of Ecuador, the Committees duly approved the modifications of the project budget contained in the document CEM-CFI (XLIV)/5 as well as the extension of its duration to 31 December 2011.

#### **Committee on Forest Industry**

##### **PD 46/96 Rev.2 (I) Establishment of a Wood Workers and Craftsmanship Village (Ghana)**

The Secretariat reported that at the previous session, the Committees noted that the project's completion and final financial audit reports were being prepared for submission to the Secretariat by the end of 2009. The Committees also noted that the project was scheduled to be declared complete at the current session of the Committees. However, the completion report and final financial audit report had just been received by the Secretariat at the current session of the Committees. The Secretariat informed the Committees that the reports would be reviewed in due course. The Committees noted that the project would be scheduled to be declared complete at the next session.



**PD 77/01 Rev.2 (I,F)                      Contribution to the Development of Skills and Technical Training Structures at the Mbalmayo National School of Forestry (Cameroon)**

The Secretariat reported that all technical outputs of the project have been completed and achieved and that the final financial audit report was submitted to the Secretariat in October 2010. However, the completion report of the project was still pending.

The delegation of Cameroon informed the Committees that the completion report would be submitted in December 2010.

**PD 333/05 Rev.2 (I)                      Development and Delivery of a Vocational Training Programme in Reduced Impact Logging and Sustainable Forest Management Practices in Guyana**

The Secretariat informed that at the previous session, the delegation of Guyana reported on the technical completion of the project following the achievement of the planned outputs. The delegation of Guyana sought the authorisation of the Committees for the use of part of the remaining funds to purchase capital items, which was granted following the consent of the donors.

The Secretariat reported that the final financial audit report of the project was still pending, and, therefore, the authorisation for the use of the remaining funds had not been exercised.

The delegation of Guyana informed that the financial audit had been completed and the final audit report would be furnished shortly. The delegation of Guyana also requested the support of ITTO that the authorisation be effected.

**PD 347/05 Rev.2 (I)                      Promoting Access to the Forest Sector Activities by Gabonese Nationals through the Development of the SME Forest Partnership**

The Secretariat reported that at the previous session, the delegation of Gabon requested an extension of the duration of the project till 31 December 2010 in order to enable on-going project activities to be completed, namely: visit to South Africa; the identification of a financing mechanism for SMEs; and the development of a project proposal to support the implementation of the identified financial mechanism.

The Secretariat informed that the mission to South Africa, planned for October 2010, did not take place and had to be rescheduled in February 2011.

The delegation of Gabon requested the Committees for a further extension of six months without additional ITTO funding. The Committees duly approved the request for extension.

**PD 433/06 Rev.3 (I)                      Sustainable Model for the Brazilian Wood Flooring Production Chain**

The Secretariat informed the Committees that the implementing agency had not fulfilled all the conditions for the disbursement of the first instalment of ITTO funds. These included the submission of copies of MOUs with collaborating agencies as a result of the changes within these institutions.

The delegation of Brazil informed the Committees that most of the MOUs had been signed particularly those with EMBRAPA Forest, LPF/IBAMA, and the Department of Forest Sciences of the University of Sao Paulo. The MOUs which were still pending were with EMBRAPA Oriental Amazon, and with the State University of Pará. These MOUs were expected to be signed soon.

The delegation of Brazil also pointed out, that the implementation of some project activities have already begun, such as the study of the forest inventory, and the development of the operational plan.

**PPD 5/00 Rev.1 (I)**

**Sustainable Management of Non-timber Forest Produce (NTFP) in Maharashtra State of India**

The Secretariat reported that the implementation of pre-project's activities had been completed and the completion report and technical report had been received. However, the final financial audit report had only been received by the Secretariat. The Secretariat informed the Committees that the report would be reviewed in due course. The delegation of India expressed his willingness to cooperate and provide additional information needed. The Committees noted that the pre-project would be scheduled to be declared complete at the next session.

**PPD 97/04 Rev.1 (I)**

**Improve Strategies and Assess Training Needs to Achieve SFM in Suriname**

The Secretariat informed that pre-project outputs were reported to have been completed at the previous session of the Committees. The final financial audit report was submitted to the Secretariat in October 2010 and that some observations to the audit report were raised by the Secretariat. The Secretariat informed that during the course of the current session, the delegation of Suriname had furnished some outstanding documentation on the audit report. The project would be scheduled to be declared complete at the next session of the Committees.

The representative of Suriname took the floor to thank the donor for its support.

**PPD 125/06 Rev.2 (I)**

**National Training Program to Promote the Adoption of Reduced Impact Logging (RIL) in Papua New Guinea**

The Secretariat reported that pre-project outputs had been achieved, namely:

- Diagnosis of RIL impact of large, medium, and small scale operational practices; and
- A full project proposal for the implementation of RIL in PNG.

The Secretariat reported that the final financial audit report was still pending.

The delegation of PNG took the floor to thank the donor for the support and inform the Committees that the Government of PNG was aware of the requirement for the final financial audit which was being prepared. The pre-project would be scheduled to be declared complete at the next session of the Committees.

10. Policy Work

Seven issues and activities under the CEM and one policy activity under the CFI were discussed by the Committees.

**Committee on Economic Information and Market Intelligence**

(i) Market Access

The Secretariat reported on recent developments relating to market access since the previous session. The global economic crisis had significantly affected the market access for tropical timber and timber products. ITTO producers and consumers were facing deterioration of market access for primary and processed timber products. The recovery in 2010 of the world economy from the economic and financial crisis of 2008 might bring opportunities for improved market access, and G20 and APEC leaders recently sent positive signals on resisting protectionism in all forms and for the early conclusion of the multilateral trade negotiation under the Doha Development Agenda. However, a number of challenges were still affecting market access for tropical timber. The uncertainty and imbalance of the recovery of the world economy and trade had weakened the potential market demand for tropical timber products in the major markets. In the meantime, several unilateral and protectionist measures, including those on timber products, had been introduced in the aftermath of the crisis, with only a few having been removed, according to the World Trade Organization (WTO).

The market access of tropical timber had also be affected by the proliferation of public procurement policies and certification instruments as well as relevant regional and initiatives, such as the negotiations

and signing of Voluntary Partnership Agreements (VPAs) between the EU and a number of ITTO producers under the EU FLEGT Action Plan, the revision and adoption of the EU Due Diligence Regulation (currently referred to as the Timber Regulation), and the implementation of Phase IV of the amendments to the US Lacey Act.

The delegation of Brazil expressed concern over the impact of the amendments to the US Lacey Act and the EU Due Diligence Regulation on market access of timber products. He suggested that ITTO secretariat should conduct an evaluation of these impacts that could be included in the next ITTO Biennial Work Programme (BWP). The delegation of USA responded that it seemed too early to conduct such an assessment, considering that these initiatives were only approved and implemented recently.

The delegation of Gabon emphasized that the impact of the global economic crisis on the timber market needed to be analyzed and studied under an ITTO activity or project, with particular emphasis on small and vulnerable producers. The Secretariat responded that this work had been included as an activity in the current BWP and a small project entitled 'Improving Resilience of the Tropical Timber Sector to the Impacts of Global and Regional Economic and Financial Crises' has recently been approved and funded under the Thematic Programme on Trade and Market Transparency (TMT). This study would, *inter alia*, certainly cover the uncertainties accounted to the recovery process as well as the impact of the crises on small and medium sized producers.

## (ii) Forest and Timber Certification

The Secretariat reported on the current situation of forest certification in ITTO producing member countries. According to the statistics collected by the Secretariat, five certification systems were being implemented in ITTO producing member countries as follows:

- Forest Stewardship Council (FSC): 15.8 million hectares, 1016 Chain of Custody Certification (CoCs);
- Programme for the Endorsement of Forest Certification (PEFC): 6 million hectares, 189 CoCs including:
  - 1.2 million hectares, 23 CoCs under Programa Brasileiro de Certificação Florestal (CERFLOR), Brazil; and
  - 4.8 million hectares, 151 CoCs under Malaysian Timber Certification Scheme (MTCS);
- Malaysian Timber Certification Scheme (MTCS) outside of PEFC, 0.9 million hectares, 8 CoCs;
- Indonesian Ecolabelling Institute (LEI): 1.8 million hectares, 6 CoCs.

The total area of certified forests in ITTO producing member countries was 24.5 million hectares. This accounted for 6.4% of the world's total area of certified forests of some 370 million hectares. The number of CoCs in ITTO producing member countries were 1,219. Compared to figures in 2007 contained in the ITTO Technical Series 29 Report on "Developing Forest Certification", the area of certified forests in ITTO producing member countries had expanded 55% while the number of CoC certificates had increased over three-fold.

Two-thirds of the world's certified forests were certified under PEFC and almost one-third was under FSC. However, FSC held the biggest share of certified forests in the tropics of 67%. In 2009, PEFC saw the first endorsements of certification systems in Asia (the Malaysian Timber Certification Scheme) and Africa (The Gabonese Forest Certification Scheme). PEFC-certification was expected to expand in tropical forests through the adaptation of lessons learned in Malaysia and Gabon to other tropical countries. For example, Cameroon was in the process of developing its national system to comply with PEFC.

Following the update, the Committees received presentations on the progress in the implementation of Civil Society/Private Sector Partnerships in Indonesia and Papua New Guinea pursuant to ITTC Decision 5(XXXIII)/(PP-A/43-193) which were originally planned to be made before the Council under item 19 of its Agenda as follows:

### **Tropical Forest Foundation (TFF)/PT Suka Jaya Makmur (PTSJM)[Indonesia]**

Mr. Art Klassen from the Tropical Forest Foundation (TFF) presented the results of its efforts to assist PT Suka Jaya (SJM) in moving towards sustainable forest management and forest certification under the Forest Stewardship Council (FSC) Scheme. Specifically, the goal was for SJM to achieve full FSC certification for its concession area of 171,340 hectares located in the Ketapang District of West Kalimantan, Indonesia.

Activities under the SJM-TFF partnership included: training, audits, monitoring, technical assistance, field visits, drafting a pre-assessment against FSC standards, socio-economic impact assessment, facilitation of High Conservation Value (HCV) assessment, conservation management plan, development of Standard Operating Procedures (SOPs) for conservation monitoring, and development of a website in Bahasa Indonesia [www.pt-sjm.com](http://www.pt-sjm.com).

Towards this end, a full assessment had been conducted by a FSC accredited certifying body and a draft assessment report had been reviewed with its final version pending. Additional training and technical assistance inputs were expected to be conducted in January 2011 and the anticipated date for the granting of certification would be around mid-2011.

According to Mr. Klassen, a successful partnership required clear understanding of goals, mutual trust, and close cooperation. In addition, partnerships generated valuable synergies. FSC certification had also become dramatically more complex and costly within the past few years. As a result, more funding was needed to achieve full certification and the cost of full certification for the concession was estimated at US\$300,000.00.

The delegation of Ghana enquired on the critical facts and points determining the successful implementation of projects of this nature. Mr. Klassen indicated that the commitment of the private concession holder and costs were perhaps the most critical. The delegation of Togo was surprised that despite the increasing number of certifying bodies, the certification costs were increasing. Mr. Klassen noted that it was true that the number of certifying bodies had increased. However, the reason for increased certification costs was due to the proliferating requirements, including social issues. This would require more experts to be involved in the certification process, thereby raising costs. The delegation of Indonesia presented the current situation of forest certification in Indonesia. The delegation of Cameroon questioned the clarity of certification systems' standardisation and the consistency of certifying bodies. Mr. Klassen indicated that the FSC had clearly defined standards on all fields of forest certification. The delegation of Gabon questioned if there would be more returns for the rising costs of forest certification. Mr. Klassen replied that the question was about price premiums for certified products. According to TFF's experience and observations with 5 partnership concessions they had been involved, there had been premium prices secured for some certified timber products in some markets. There was no guarantee of any price premiums, however, while pressure from the markets had been driving concession holders to obtain certification to minimise the risk of losing market shares. In addition, forest certification offered practices and guidelines for sustainable production that would generate incomes in the long-term. The representative of FSC Africa added that the case study in Indonesia had revealed many findings that were similar to the experiences in Africa.

The Committees thanked Mr. Klassen for his presentation.

**The Foundation for People and Community Development (FPCD)/Innovision (PNG) Ltd. [Papua New Guinea]**

Mr. Yati A. Bun from the Foundation for People and Community Development Inc (FPCD) gave a presentation on the progress in the implementation of the partnership involving the Makapa Timber Area, Papua New Guinea. The partnership was established between FPCD Inc (Civil Society) and Innovision (PNG) Ltd which was a forestry business company and timber permit holder of Makapa timber area, Western Province, Papua New Guinea. The objective of the partnership was to prepare the Makapa Timber Area to move towards implementing SFM through the application of FSC practices.

Activities under the partnership included planning, training, field visits, consultations and reporting. Under the activity, parties learned that partnerships were needed for successful implementation, while scoping and training were also necessary. In addition, the support of the Papua New Guinea Forestry Association was crucial. During the course of the implementation of the partnership, FSC standards were found to be difficult to implement. Mr. Bun further informed that FPCD offered its own standardisation for certification as well. Mr. Bun stated that the Civil Society/Private Sector partnerships was the new era for sustainable forest management and certification. Objectives set for the partnership were achieved during the implementation of the activity and Innovision (PNG) was being guided to apply SFM practices towards obtaining full FSC certification.

The delegation of Congo noted that Congo had many things in common with Papua New Guinea and concession holders had established partnerships with civil society such as the Forest Union in the country. The delegation of Congo enquired about the profit and cost sharing mechanism practiced in the

partnership. Mr. Bun explained that FPCD did not seek any economic profits from the partnership as FPCD's only goal was to assist the company to achieve forest certification. The company held a permit for the concession and therefore paid royalties to the government and local community. The delegation of Papua New Guinea informed that stakeholders and the government had come together with a common view on how to benefit fully from Civil Society/Private Sector partnerships in the country.

The Committees thanked Mr. Bun for his presentation.

- (iii) Selected Data and Analysis from ITTO Annual Review and Assessment of the World Timber Situation

The Committees agreed to defer discussion on the issue to the next session.

- (iv) Consider Further Work on Forest Law Enforcement and Illegal Trade in Timber and Timber Products [PP-A/39-173]

Under this activity, Dr. Stefanie von Scheliha (Delegation of Germany) gave a presentation on the International Conference on 'Genetic and Isotopic Fingerprinting Methods' held in Germany in November 2010. In her presentation, she introduced the background and scientific elements of Innovative timber tracking using genetic and isotopic fingerprints. She pointed out that as the number of initiatives requiring legality of timber production, including CITES, EU Timber Regulation and the US Lacey Act had increased, the knowledge of origin of timber (place of harvest) was the first indispensable step to verify the legality of harvest. The existing tracking systems were usually based on marks which are externally applied on the timber (e.g. ink, metal bands, tags, barcodes) at the place of harvest. However, these were removed in the course of timber processing and would not provide for a check of timber origin independent from the documentation system. Genetic fingerprinting with composition of tree populations would show a spatial pattern caused by extinction and re-colonisation in the past. For Isotopic Fingerprinting, a product coming from a certain place would show a significantly distinguishable isotope composition when compared with the same product from another place.

Dr. Scheliha highlighted that at the local level, Sulfur and Nitrogen as geological parameter reflected the local soil, while at the country level, Hydrogen and Oxygen ratios which depended on the water / rainfall cycle being differentiated in a wide region. At the regional level, carbon as a climate and Strontium as a geological parameter differentiate a closer region. A number of general analytical approaches for sampling were carried out, and many pilot projects had been finalized and implemented in Germany, Russia, South-East Asia, Latin America, and Central Africa.

She further summarized the following next steps:

- Implement an ITTO pre-project under the Thematic Programme on TFLET, entitled "Development and implementation of a species identification and timber tracking system in Africa with DNA fingerprints and stable isotopes", aimed at developing and implementing a species identification and timber tracking system using fingerprinting techniques in some African regions;
- International coordination facility at Bioversity International (Malaysia), aimed at coordinating work on research, standard setting and to establish an international open access database;
- Consumer / producer countries as well as national / international organisations are invited to participate actively.

The delegation of Liberia, Indonesia and Malaysia expressed concern over the cost implication of adopting and implementing the technological Fingerprinting Methods. Dr. Scheliha explained that from a long term perspective of market development, the cost could be reduced by using this method. In addition, pre-investment in analysis and study on this regard could also reduce cost.

The delegation of Malaysia enquired on who has the ownership of the information, how to gain access to the database of the system and maintenance and sustainability of the database, while the delegation of Cameroon sought clarification on ensuring the quality of information. Dr. Scheliha responded that the international coordination facility at Bioversity International (in Malaysia) was free to access. However, getting reliable data from local database was sensitive and there was a need to remain as neutral as possible. In order to ensure the reliability of information, there was a need to conduct additional research at the local, national, and even regional levels.

(v) Enhancement of Statistical Work and Training Workshops on Statistics [PP-A/39-174]

The Committees were informed that work on the issue had been incorporated into activities 42 and 43 of the ITTO Biennial Work Programme for the Years 2010-2011 which was still pending financing. However, through the use of remaining funds for the activities under the previous ITTO Biennial Work Programme, ITTO participated in the meeting of the Intersecretariat Working Group on Forest Sector Statistics held in January 2010 and a national statistical training workshop was conducted in Mexico from 20 to 23 April 2010 in collaboration with the host agency, CONAFOR, SEMARNAT and FAO.

(vi) Promote Trade in Tropical Timber and Tropical Timber Products from Sustainably Managed and Legally Harvested Sources [PP-A/43-194]

The Committees received presentations on the implementation of innovative timber tracking systems pursuant to activity 46(a) of the ITTO Biennial Work Programme for the Years 2010-2011 as follows:

Innovative DNA Timber Tracking system implemented by PT Seng Fong Moulding Perkasa, Indonesia.

Mr. Darren Thomas from Double Helix made a presentation on the system implemented by P.T. Seng Fong Moulding Perkasa which entailed a novel approach of combining an existing paper-based Chain-of-Custody (CoC) system with a scientific DNA audit provided by Double Helix Tracking Technologies. DNA 'fingerprinting' techniques were used to compare the genetic profile of wood samples taken at the concession and sawmill, physically matched using CoC documentation and DNA tested to confirm a genetic match. Genetic mis-matches would alert auditors who could subsequently investigate specific breakdowns in the CoC.

The system was a low-cost, fast and simple solution to strengthen existing government document and CoC systems. It could reliably detect document fraud and illegal log substitutions along the timber supply chain. The scientific results had been published in the peer-reviewed journal *Silvae Genetica*. The system could be implemented at a cost of just US\$ 0.75 per harvested tree, thereby lowering the overall cost of CoC by reducing the need for physical audits and improving the monitoring of log movements within the concession, during transportation and processing. No genetic database was required and no technical expertise was necessary in the field, thus ensuring that start up and maintenance costs were kept very low. It was recommended that this technology was suitable for widespread industry adoption.

The delegation of Mexico enquired whether the system would be able to detect confiscated timber. Mr. Thomas replied that the system was designed for producers to undertake spot checks. He provided further explanation on the costs of implementing the systems as raised by the delegation of Malaysia.

The Committees commended Mr. Thomas for his presentation.

Pilot implementation of an inventory and timber tracking system in Peru (Green Gold Forestry Ltd.)

Mr. Gareth Hughes from Green Gold Forestry Ltd. presented the progress in the pilot implementation of an inventory and timber tracking system involving its forest concessions of 38,456 hectares located in the Loreto Region, Peru. This included the forest management system in its concessions as well as chain of custody in the forest and processing plant. Several problems were encountered in the implementation of the systems including delays in the approval of the general forest management plan and the annual operating plan, lack of professionalism and professionals in the market, application of high tech equipment, synchronization of hardware, weather and external factors and quality of internet connections. These challenges were met through institutional support provided by WWF, Rainforest Alliance and Helveta and the company was able to implement the forest management system as well as chain-of-custody involving the concession and the processing plant.

The delegation of Guyana enquired on the internet connectivity in the remote areas of the concessions, the costs of the technology and system as well as the extent of the CoC. Mr. Hughes indicated that problems with the quality of internet connections might be overcome with the use of satellites. He further underlined the practicality of the systems even for large concession areas while costs could be lower in the long run by focusing on appropriate training in implementing and maintaining the systems. He informed that the CoC was extended right to the port FOB.

The Committees commended Mr. Hughes for his presentation.

- (vii) Establishment of a Working Group to develop guidelines on legality and sustainability for timber products for public procurement

This proposal was introduced for discussion and consideration by the Committees at the request of the Chairperson of the Council.

The spokesperson of the Producer Group presented the proposal against the background of proliferating public procurement policies as well as legality and sustainability requirements for timber products which were causing confusions and problems to producers and exporters of tropical timber.

He emphasised the objectives of the proposal to streamline the requirement for forest certification and verification of timber legality in public procurement of consumer markets, to address the increasing costs facing producing countries in meeting different requirements by consumer countries, to promote healthy competition in a non-discriminating manner and to encourage sustainable forest management efforts in producing countries.

On the modalities of the proposal, the spokesperson pointed out the necessity for ITTO to develop guidelines on legality and sustainability by way of a working document, to convene a working group comprising ITTO producer and consumer members as well as representatives from TAG and CSAG and to evaluate additional assessments being imposed on certification schemes by some importing countries. The proposal also contained the terms of reference for the working document and working group as well as its time frame, financial implication and expected outcome.

The delegation of Japan expressed its appreciation of the Producer Group's proposal. However the delegation conveyed its concern on possible duplication in light of many studies on procurement policies that had been conducted recently including by ITTO. The delegation also questioned the need for establishing such a working group on the harmonization of public procurement policies as differences among countries in this field were to be expected. He felt that overall the expected outcome in the proposal was ambitious.

The delegation of Finland acknowledged the importance and relevance of the issue raised in the producers' proposal. The delegation recognised that harmonization was a problem that even EU member countries had not found a way to implement. The delegation suggested that the proposal be discussed at the Consumer Caucus before deciding on what ITTO could do to overcome the problem.

The delegation of USA agreed that public procurement was an important topic that was closely related to the certification issue. The delegation felt that the ambition of the proposal was too high for such a complicated issue, and some of the modalities and the broad scope of the TORs needed to be further discussed. He also pointed out that harmonization of relevant standards would be extremely complicated and might result in the lowering or raising of standards.

The delegation of New Zealand pointed out that public procurement accounted for a small share of all procurements and possible options and solutions could be explored apart from establishing such a working group. They also asked what the status of such proposed guidelines would be.

The delegation of Malaysia underlined the importance of the spirit of cooperation as contained in the objective of the ITTA and the importance placed by the agreement on policy development and non-discriminatory practices. In the context of ITTO, the concept of guidelines was not new and the proposed guidelines were meant for the producers and exporters of tropical timber to comply. With dwindling funding in the Special Account and the Bali Partnership Fund for project funding and the grossly inadequate financing of the ITTO thematic programmes, there was little left that ITTO could meaningfully do other than focusing more on policy work and development. The proliferating and varying importing and procurement requirements for tropical timber were bewildering to ITTO producers and exporters and they feared that these could kill off the international trade in tropical timber and thereby casting a doubt on the future of ITTO. The delegation urged the consumers to reflect on the seriousness and urgency of the problem and it looked forward for a response from them after their consultations in the Consumer Caucus.

The delegation of Liberia stressed that from a policy angle, ITTO needed to assess the issue of raising prices for the tropical timber products. He believed it would be very difficult to realize sustainable forestry

management if remunerative prices were not achieved arising from certifications and public procurement policies.

The delegation of Indonesia supported the producers' proposal, emphasising that meeting the increasing requirements would entail considerable additional costs.

The delegation of the Netherlands thanked the producers for the proposal and acknowledged the problems being faced by them. The delegation referred to the UNECE Seminar on emerging issues which the Netherlands sponsored which highlighted the increasing trade measures being applied to the timber trade. He suggested that the subject could also be addressed by ITTO.

Following further discussion and consultations, the Committees agreed on the need for further work to be undertaken by ITTO on this issue. With a view to facilitating an in-depth consideration by the Committees at the next session, the Committees agreed that a background paper on requirements of legality and procurement policies for timber products be prepared based on the terms of reference as contained in Appendix B.

The Committees were invited to identify policy issues to be discussed at the next session. The Committees considered and decided on the following policy issues and activities to be discussed under Policy Work at the next session:

- Market Access;
- Forest and Timber Certification, with Emphasis on Securing Remunerative Prices for Tropical Timber Products;
- Selected Data and Analysis from ITTO Annual Review and Assessment of the World Timber Situation;
- Life Cycle Assessment (LCA) analysis.

#### **Committee on Forest Industry**

- (i) Strengthen the capacity to promote efficient wood processing technologies in tropical timber producing countries [PP-A/45-247]

The Committees were briefed by the Secretariat on the implementation of the activity. This activity was intended to pilot the applicability of training approaches and methodologies developed in the implementation of ITTO Project PD 286/04 Rev. 1 (I) 'Strengthening the Capacity to Promote Efficient Wood Processing Technologies in Indonesia'. In 2010, the pilot activities, in the form of in-house trainings, had been carried out in Papua New Guinea (16-21 June 2010, 1 covering 1 wood working, 1 sawmill, 1 plymill); in Guyana (19-25 July 2010, covering 3 sawmills and 2 furniture/wood working industries); and in Myanmar (16-19 August 2010, covering 1 plymill, 1 wood working/molding industry, and 1 furniture industry).

The scope of the in-house training included strengthening capacity in common problem areas in the wood-based industries, namely: logs stocking and loading, kiln dry and boiler, saw doctoring, finger jointing, laminating, packing, waste control, maintenance and arrangement, safety and mentality. An international expert had been engaged as the trainer for the in-house training activity.

The Committees noted that this activity was partially funded and the remaining funding would be required in order to continue the conduct of the in-house trainings in 2011.

The Committees were invited to identify policy issues to be discussed at the next session. The Committees considered and decided on the following policy issue and activity, proposed by the delegation of Malaysia, to be discussed under Policy Work at the next session:

- Innovative Technology for Efficient Use of Tropical Timber Products.

#### **11. Election of Chairpersons and Vice-Chairpersons for 2011**

Following the usual consultations undertaken by the producer and consumer groups, Mr. Josue Ivan Morales Dardon (Guatemala) was elected Chairperson of the CEM and Mr. Rob Busink (the Netherlands) was elected Vice-chair for 2011. Dr. Samuel Ebia Ndongo (Cameroon) was elected Chairperson of the CFI and Dr. James Gasana (Switzerland) was elected Vice-chair for 2011.



12. Dates and Venues of the Forty-fifth and Forty-sixth Sessions of the Committees

The Forty-fifth Session of the Committees would be held in conjunction with the Forty-seventh Session of the International Tropical Timber Council.

The Forty-sixth Session of the Committees would be held in conjunction with the Forty-eighth Session of the International Tropical Timber Council.

13. Other Business

No other business was considered by the Committees.

14. Recommendations to the International Tropical Timber Council

- (i) The Committees recommended that funding be made immediately available for the following projects approved under the time-bound electronic no-objection procedure for the spring and autumn project cycles 2010:

**Committee on Economic Information and Market Intelligence**

PD 578/10 Rev.1 (M) Implementation of a National Information System for the Sustainable Management of Forest Resources (Côte d'Ivoire)[US\$676,450]

**Committee on Forest Industry**

PD 521/08 Rev.3 (I) Participatory Forest Management for Sustainable Utilization of Non Timber Forest Products (NTFP) Surrounding the Protected Area of Rinjani and Mutis Timau Mt, Nusa Tenggara Indonesia [US\$490,374]

PD 549/09 Rev.2 (I,F,M) Provenance Evaluation, Wood Technological Characterization and Market Survey for Balsawood (*Ochroma pyramidale* Cav.) in the Lacandon Forest, Chiapas, Mexico [US\$635,918]

- (ii) The Committees recommended that funding be made immediately available for the following projects and pre-projects approved at earlier Sessions:

**Committee on Economic Information and Market Intelligence**

PD 124/01 Rev.2 (M) Phase III Promotion of Sustainable Management of African Forests (Africa) [Phase III - US\$1,444,144]

**Committee on Forest Industry**

PD 518/08 Rev.2 (I) Energetic Valorization of Wood Residues by Compaction Process (Brazil) [US\$491,941]

PD 520/08 Rev.2 (I) Promoting Timber Preservation for Reducing Forest Resource Depletion in Indonesia [US\$454,518]

PD 522/08 Rev.2 (I) Properties, Processing and Marketing of Teak Wood Products of Community Teak Plantations in Java and Eastern Indonesia [US\$452,688]

PD 540/09 Rev.1 (I) Support to Improve the Productivity of the Peruvian Timber Industry for the Production of Higher Value-added Products [US\$505,341]

- (iii) The Committees recommended that a background paper on requirements of legality and procurement policies for timber products be prepared based on the terms of reference as contained in Appendix B.

15. Report of the Session

The Committees adopted this report for submission to the Council, with due acknowledgement to the work of the Secretariat under the able guidance of the Chairpersons of the Committees.

## APPENDIX A

### REPORT ON THE ITTO ANNUAL MARKET DISCUSSION - 2010 15 December 2010, Yokohama, Japan

#### Summary of presentations

The ITTO Annual Market Discussion 2010 was held on 17 December 2010 during the Forty-sixth Session of the International Tropical Timber Council. Mr. Barney Chan, the Trade Advisory Group (TAG) Coordinator, moderated the discussion. In his opening statement the Moderator reminded delegates that the theme of the Market Discussion for 2010, 'Innovations and Technologies in Wood-based Industries' was a departure from the usual emphasis on market issues.

Four speakers were invited, namely Hon. Assoc. Prof. Gary Waugh, University of Melbourne, Prof. Callum Hill, Forest Products Research Institute, Edinburgh Napier University, Dr. Antje Wahl, Markets and Economics Group, FPInnovations Vancouver, Canada and Dr. Ivan Tomaselli, Founder and Director of STCP Engenharia de Projetos Ltda Brazil.

Prof. Waugh spoke on 'Global Challenges for Forest Products Industries; Threats or Opportunities for the Tropical Timber Sector'. The core theme of the presentation was 'doing more with less'. In this the focus was on solid wood (sawn and veneer) value adding, followed by a section on composites and the need for matching resources, processing and product markets.

In closing, Prof. Waugh emphasised that, in his experience, the biggest return to industry could come from investment in operator training and that it was important to exhaust all possibilities for productivity gains with existing plants and only then consider investment in new technologies.

Prof. Hill in his presentation, 'Wood Modification', emphasised that technologies for wood modification had been known for a long time, but that market interest had grown only recently as consumers had become more concerned about the environmental and sustainability credentials of wood. In addition, the reduced availability of many tropical hardwoods and higher tropical timber prices had made commercial wood modification processes more financially viable.

Delegates were engaged with a detailed description of the technologies for wood modification. He posed the question, "Why Modify Wood?" and pointed out that, through the various processes used, improvements to wood hygroscopicity, dimensional stability, mechano-sorptive properties, durability and weathering resistance could be made and that, in effect, it was possible to turn a low density timber into a product more like a hardwood.

The presentation covered the main wood modification technologies that were either in production, about to enter commercial production, or were at the pre-commercial development stages.

After describing what wood modification involved, Prof. Hill provided an overview of each of the wood modification technologies within the 3 broad groups: chemical modification, impregnation modification and thermal modification.

Delegates were informed that chemical modification would involve a change to the macromolecular chemical composition of the wood cell wall either chemically or thermally or by 'impregnation modification' where the cell wall would be filled with an occluding substance. Thermal modification would involve heating wood in the absence of air at temperatures exceeding 180 degrees centigrade which would result in colour change and substantial loss of strength. Thus, thermally treated wood should not be used in structural applications.

In concluding, the presentation focussed on an assessment of the commercial aspects as well as the reasons behind the improvements in dimensional stability, and decay resistance in modified wood.

Market interest in modified wood products began to grow in the US when consumers became concerned about the effects on the environment of preservative treated wood products and as concerns grew over the extent of illegal logging in tropical forests. This was highlighted by Dr. Wahl in her presentation, 'Markets for Modified Wood Products (MWRs), Threats or Opportunities for the Tropical Timber Sector'.

The key message in the presentation was that wood modification technologies applied to low density and fast growing species would result in a product that could compete with natural durable tropical timbers. It was learnt that while the volume of chemically-modified wood products on the market was very small, thermally-modified wood products and wood-plastic composites were widely available.

Dr. Wahl provided an assessment of the extent of international trade in MWPs, where these were being manufactured and where substitution was occurring in tropical and temperate wood product end-uses before informing delegates of the opportunities for tropical timber producing countries.

In Europe, where the product had been on the market the longest, thermally-modified wood was competing for the most part with tropical wood species, but also with western red cedar in siding, decking and other outdoor applications. Most of the thermal modification capacity in Europe was being directed to treating softwoods.

Some manufacturers had diversified their product lines into other areas such as wall panel mouldings and furniture. Modified wood products were being marketed in non-structural end-uses including hardwood flooring, siding and cladding, decking, sauna panelling and interior wall panelling and outdoor furniture and specialties such as musical instruments.

Dr. Wahl emphasised that tropical timbers were facing growing competition from modified wood products. Manufacturers of thermally modified wood and wood plastic composites used green marketing messages which focused on recycled content and recycling possibility.

The tools and strategies used by competitors to tropical hardwoods included LCA, Environmental Product Declarations (based on LCA to ISO standards), certified wood components and claims on improved durability and extended in-service life.

An overview entitled 'Adoption of Technical Innovation - Experiences of the Latin American Timber Sector' was delivered by Dr. Tomaselli. He noted that the Latin American and broader global timber industry were undergoing a structural change involving a gradual shift from the use of large diameter to smaller diameter trees, including fast growing plantation wood and that new products and technological processes were constantly emerging.

His presented examples of new processes that had increased the competition in the markets for veneers and tropical decorative plywood. These included paper overlays, high pressure laminates, composite veneers and direct printing (for example onto MDF and MDP panels). Dr. Tomaselli reported that over the past decade, output of the decorative veneer sector in Brazil had declined by more than 50%.

In summing up, Dr. Tomaselli noted that industrial innovations were focused on market competitiveness and involved both innovative and well established technologies and that this trend was a continuous process applicable to all materials and products. He reminded the meeting that timber products competed with one another and with other materials in respect of raw material supply sources, applied energy, emissions and impact on the environment. These features were becoming part of the consumer's criteria in making purchasing decisions.

## **Discussion**

The overall focus of the four presentations was that tropical timbers were facing strong competition on many fronts and this was the basis for the question from Dr. Kwame Asumadu of Asumadu Pty. Ltd, Australia who asked, 'what should tropical producers do to stay competitive?'

In response, several speakers pointed to investment in promotion. It was mentioned that until there was a concerted effort to promote Australian domestic hardwoods, the market was dominated by imported timbers. Promotion, it was said, was a vital tool for the US hardwood lumber producers who, at an industry association level, utilized all available means, such as life cycle analysis, to promote their wood products.

In the EU and especially the UK market, the solution to regaining market share, it was stated, was for tropical timber producers to move rapidly to trading certified wood and to address the concerns consumers had on the social issues surrounding the tropical timber sector. In terms of directly facing the competition from modified wood products, Prof. Hill suggested that if tropical countries could generate a resource of low density, fast growing and low cost timbers with uniform characteristics, these would be suitable for modification processes and that the capital costs of thermal modification plant were not high.

All woods, softwoods and hardwoods, were subject to competition from substitutes and alternatives but that in the present market, the impact on tropical hardwood markets appeared to be the most severe. There was major investment in innovation and promotion in other sectors but the tropical timber industry had been slow to react to this.

The delegate of Malaysia bemoaned the lack of generic wood promotion and recommended that ITTO should track the trends in wood product innovations and keep members informed. Further, it was suggested that ITTO should take up suggestions made to expand work on tropical timber life cycle analysis as a tool for promotion. The delegate also posed the question, 'Are wood plastic composites considered as wood or plastic?' and whether such products are subject to procurement requirements similar to wood products.

In response Dr. Wahl noted that thermally treated wood was just wood. During treatment the wood would change colour. While wood plastic composites would have a wood base material, which might or might not be of certified timber, in combination with plastics these products would behave like plastics.

In closing the discussion, the Moderator noted the highly technical nature of this Market Discussion and thanked the speakers for their informative presentations.

## APPENDIX B

### COMMITTEE ON ECONOMIC INFORMATION AND MARKET INTELLIGENCE ACTIVITY 12

#### REQUIREMENTS OF LEGALITY AND PROCUREMENT POLICIES FOR TIMBER PRODUCTS

##### 1. Introduction

Legality requirements and timber procurement policies are being introduced in many countries. These requirements and policies are principally aimed at addressing public concerns about the legal and environmental credentials of products. Many purchasers are demanding that products should come from sustainable, or at least legal, sources and that this be verifiable, in order to maintain credibility with buyers in market place.

These requirements and policies have significant implications for tropical timber suppliers. As developments are occurring at a rapid rate, there is an urgent need for tropical wood product exporters to monitor these developments, assess their ability to meet these requirements if they are widely adopted, and to explore the market implications and opportunities presented by these developments.

##### 2. Terms of Reference

With a view to facilitating an in-depth consideration by the Committee on the issues relating to legality and procurement policies, the activity will involve the preparation of a background paper that will, *inter alia*, cover the following elements:

1. Update of the ITTO study "The Pros and Cons of Procurement"<sup>1</sup>, including:
  - Overview of developments and trade flows in major importing countries;
  - Market shares of private and public procurements in importing countries; and
  - Common and different elements among these policies.
2. Comprehensive analysis of impacts of procurement policies on markets, taking into consideration their effects on demand, supply, costs, prices and financial implications to exporter countries.
3. Examining the challenges faced by producer and consumer members in complying with and implementing procurement requirements.
4. Recommendations for further action by ITTO to promote trade in tropical timber in the context of procurement.

##### 3. Approach

One consultant from an ITTO producer member country and one consultant from an ITTO consumer member country will assist the Executive Director in the preparation of the background paper.

The paper will be prepared in consultation with ITTO member countries, the Trade Advisory Group (TAG) and the Civil Society Advisory Group (CSAG) of ITTO and other relevant parties.

##### 4. Timeline

The draft paper shall be prepared and submitted to the ITTO Secretariat not later than 31 August 2011.

The background paper will be presented by the consultants at the Forty-fifth Session of the Committee.

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<sup>1</sup> Technical Series 34. The Pros and Cons of Procurement, ITTO, April 2010.

**5. Budget: US\$200,000**

Budget component	Unit cost	Total
<b>10. Personnel</b>		
16. International consultant(s) (10 man-months)	10,000	100,000
<b>19. Component total</b>		<b>100,000</b>
<b>30. Duty travel</b>		
32. International Travel [ITTC, Asia-Pacific, Latin America, Africa (to be decided)*] DSA international consultant(s) (40 man-days)	9,000	36,000
33. Domestic travel	250	10,000
<b>39. Component total</b>	9,000	<b>55,000</b>
<b>40. Publication</b>		<b>10,000</b>
<b>60. Miscellaneous</b>		
63. Contingencies		11,991
<b>69. Component total</b>		<b>11,991</b>
<b>Sub-total</b>		<b>176,991</b>
<b>80. ITTO Administration</b>		
84. Programme support costs (13%)		23,009
<b>89. Component total</b>		<b>23,009</b>
<b>100. GRAND TOTAL</b>		<b>200,000</b>

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