



**INTERNATIONAL TROPICAL
TIMBER COUNCIL**

**COMMITTEE ON ECONOMIC INFORMATION
AND MARKET INTELLIGENCE**

COMMITTEE ON FOREST INDUSTRY

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REPORT TO THE INTERNATIONAL TROPICAL TIMBER COUNCIL

**FORTY-FIFTH 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-fifth Session of the Committees was opened on 16 November 2011 at the Joint Session of the Committee on Economic Information and Market Intelligence (CEM) and the Committee on Forestry Industry (CFI), co-chaired by Mr. Josue Ivan Morales (Guatemala), Chairperson of CEM and Dr. Samuel Ebia Ndongo (Cameroon), Chairperson of CFI. Dr. James Gasana (Switzerland), Vice-Chairperson of CFI chaired the Joint Session of the Committees on 15 November 2011 which considered items 4, 8A and 8C of the Agenda and on 16 November 2011 which considered item 6 of the Agenda. The list of participants is presented in document ITTC(XLVII)/Info. 2.

2. Adoption of Agenda and Organization of Work

The Committees noted that projects PD 77/01 Rev.2 (I,F) and PD 333/05 Rev.2 (I) were moved from item 10 (Review of Projects, Pre-projects and Activities in Progress) to item 7 of the Agenda (Report of Completed Projects and Pre-projects). The Committees duly adopted the Agenda for the CEM and CFI contained in CEM-CFI(XLV)/1 as amended.

3. Admission of Observers

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

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

The Committees noted the presentation made by Ms. Eudeline Melet Pekam (France), Chairperson of the Expert Panel for Technical Appraisal of Project Proposals at its Forty-first and Forty-second meetings held on 7-10 March and on 1-4 August 2011 in Yokohama, Japan as contained in documents ITTC/EP-41 and ITTC/EP-42, respectively. In summary, the reports of the Expert Panel indicated:

- (i) A total number of 21 and 33 proposals appraised at its Forty-first and Forty-second meetings respectively;
- (ii) A total number of 4 proposals (19% of proposals evaluated) comprising 4 projects were accorded category 1 rating at the Forty-first meeting and a total number of 5 proposals (15% of proposals evaluated) comprising 3 projects and 1 pre-project were accorded category 1 rating at the Forty-second meeting;
- (iii) Two (2) out of the 4 proposals accorded category 1 rating during the Forty-first meeting and 4 out of the 5 proposals accorded category 1 rating at the Forty-second meeting were new proposals; and
- (iv) Seven (7) proposals appraised during the Forty-first meeting and 16 proposals during the Forty-second meeting were sent back to proponents for revision and nine (9) proposals appraised during the Forty-first meeting and 12 proposals during the Forty-second meeting were recommended not to be approved by the Committees.

Ms. Pekam presented to the Committees general findings and recommendations of the Expert Panel at its Forty-first and Forty-second meetings addressed in particular to the proponents of the project proposals with regard to the structure and design of projects, as follows:

- Answer key questions – What is the aim of the project? And how it should be accomplished?
- Carry out adequate consultations with stakeholders particularly communities, which should not be treated as a homogenous group with a view to conduct in-depth analysis of all parties affected by the project either positively or negatively; and
- Ensure the involvement of all stakeholders, especially communities, so that the beneficiaries' needs are well addressed.

Ms. Pekam also presented to the Committees recommendations addressed to the proponents for ensuring the sustainability and relevance and wider values, as follows:

- Guarantee the sustainability of project by securing proper institutional and financial arrangements, including personnel and travel costs and monitoring mechanisms;

- Ensure relevance and value of the project by taking into account links with countries' policies and strategies, previous and on-going projects, and dissemination mechanisms for the project's results.

Ms. Pekam further presented recommendations addressed to submitting countries:

- Strengthen ITTO focal points and also use national clearinghouse mechanisms;
- Provide trainings on project formulation with the assistance of ITTO;
- Disseminate relevant ITTO guidelines and results of previous and on-going ITTO projects and other projects;
- Provide sufficient financial support to projects to ensure their sustainability;
- Avoid duplication of efforts by checking proposals in relation to the country's policies and strategies as well as previous and on-going projects; and
- Promote the values of projects and mainstream their results into national policies and strategies.

Recommendations to ITTO were also made by Ms. Pekam in her presentation as follows:

- Provide more trainings on project formulation;
- Encourage national clearinghouse mechanisms to be widely implemented;
- Up-date ITTO mangrove work plan; and
- Build upon the lessons learned and experiences of the Expert Panel.

Following the presentation of Ms. Pekam, the delegation of Switzerland thanked the Expert Panel for its work and welcomed its recommendations, in particular those regarding the need of further training in the use of the ITTO Manual for Project Formulation, using the "training of trainers" approach in order to share the responsibilities of passing the knowledge to the stakeholders.

The delegation of Indonesia also thanked the Chairperson of the Expert Panel for her comprehensive presentation and, mentioned that the key criteria for project appraisal shall be included and up-dated in the ITTO Manual for Project Formulation. The delegation of Indonesia also informed that they have a clearinghouse mechanism which is also used to provide training for project formulation. Ms. Pekam, reacted making the clarification that the main criteria is included in the ITTO Manual for Project Formulation, and therefore there is no need to up-date the Manual. She mentioned that if proponents follow closely the Manual, they should be able to come with a high quality proposal.

The delegation of Guatemala also thanked the Chairperson of the Expert Panel, and noted that recommendations of the Expert Panel are concise; however, the delegation of Guatemala expressed concern as many project proposals have not been properly formulated, and supported the recommendation made by Ms. Pekam on further training on project formulation in order to improve the capacity of member countries.

Finally, Ms. Pekam thanked ITTO and the members of the Expert Panel for their support during her chairmanship.

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 Forty-first and Forty-second Meetings as follows:

Committee on Economic Information and Market Intelligence		
PD/PPD NUMBER	TITLE	SUBMITTING COUNTRY
PD 599/11 Rev.1 (M)	Development and Testing of National Forest Stock Monitoring System (FSMS) with Improved Governance Capabilities at all Levels of the Forest Administration	Philippines
PD 620/11 Rev.1 (M)	Development and Implementation of a Species Identification and Timber Tracking System in Africa with DNA Fingerprints and Stable Isotopes	Germany

Committee on Forest Industry		
PD/PPD NUMBER	TITLE	SUBMITTING COUNTRY
PD 600/11 Rev.1 (I)	Model Capacity Building for Efficient and Sustainable Utilization of Bamboo Resources in Indonesia	Indonesia

The Committees noted the following resubmitted projects that had been approved at earlier Sessions and approved under the time-bound electronic no objection procedures for the autumn project cycle 2011:

Committee on Forest Industry		
PD/PPD NUMBER	TITLE	SUBMITTING COUNTRY
PD 520/08 Rev.3 (I)	Promoting Timber Preservation for Reducing Forest Resource Depletion in Indonesia	Indonesia
PD 522/08 Rev.3 (I)	Properties, Processing and Marketing of Teak Wood Products of Community Teak Plantations in Java and Eastern Indonesia	Indonesia
PD 540/09 Rev.2 (I)	Support to Improve the Productivity of the Peruvian Timber Industry for the Production of Higher Value-added Products	Peru

6. ITTO Annual Market Discussion – 2011

The Committees noted the summary of the ITTO Annual Market Discussion – 2011, held in the Joint Session of All Committees on 16 November 2011, as contained in Appendix A. The theme of the Market Discussion was “The Crisis, the Impact and the Recovery”. Dr. James Gasana, Vice-Chairperson of CFI, chaired the meeting and Mr. Brent McClendon (TAG Coordinator) served as the moderator of the Market Discussion.

The following feature presentations were made during the Market Discussion:

Mr. André de Boer European Timber Trade Federation	The Market for Tropical Timber in Europe
Ms. Luo XinJian Center for Intl. Forest Products Trade China State Forest Administration	Crisis, Impact and Recovery in China
Mr. Ramkrishna T. Somaiya Timbers Importers Association of India Ltd.	India, an Oasis of Growth
Mr. Alhassan Attah Timber Industry Development Division Forestry Commission of Ghana	The Crises, the Impacts and the Recovery
Mr. Brent J. McClendon, CAE Intl. Wood Products Association (U.S.A.)	State of the US Industry
Dr. Akihiko Nemoto Tottori University of Environment (Japan)	The Great East Japan Earthquake and Forest Industry

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 2012. He informed the Committees that the tentative theme for the discussion would be ‘Trading in Challenging Markets’.

The Committees further noted the statement of the Trade Advisory Group (TAG) presented during the Market Discussion as contained in Appendix B.

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(XLV)/2 as follows:

Committee on Economic Information and Market Intelligence

PD 196/03 Rev.1 (M) Upgrading and Strengthening of the National Forest Statistical Information System in Venezuela

The Committees were informed of the implementation of the project aimed at strengthening the National Forest Information System of Venezuela developed in 1992. It resulted in the accomplishment of the planned project outputs, including the installation of computer equipment and software at the central and provincial levels, training of personnel in the management of statistics and data-bases, and the establishment and operationalisation of the National Forest Information System at the Ministry's intranet, <http://snief.desarrollo.minamb.gob.ve>. The Committees noted that the project was executed with savings of US\$80,000.00 of ITTO funds which had been returned to the Secretariat.

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

PD 340/05 Rev.2 (M) National Forest Statistical Information System in Guatemala

The Committees were informed of the implementation of the project leading to the achievement of its specific objective of establishing and operationalising a national statistical system containing data on forest management, harvesting, processing and marketing containing data on exports / imports 1998-2010; permits for forest harvesting and wood production; traded forest species of Guatemala; traded forest products for export (HS codes); species listed in the appendices of CITES; forest enterprises; and forest technical experts. The system could be accessed at <http://www.sifqua.org.gt>. The Committees noted that the sustainability of the project had been secured following the integration of the project staff into the organizational structure of INAB, and the utilization of the statistical system as a tool for the implementation of its institutional plan in combating illegal logging. The project was executed with savings of US\$3,606.00 of ITTO funds which had been returned to the Secretariat.

The delegation of Guatemala provided additional information on how the project had been useful in establishing an inter-institutional agreement to collect and centralize information from various entities. It highlighted the usefulness of the statistical system in promoting SFM, restoring degraded forests, and combating illegal logging. The statistical system was also providing information on forest harvesting within and beyond the natural protected areas, forest cover, forest incentives, number of forest enterprises and technicians, as well as imports and exports. The delegation acknowledged that more work was needed to enhance the statistical system including the automatization of services to combat illegal logging and to comply with the requirements of CITES.

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

PD 391/06 Rev.2 (M) Promoting and Creating Market Demand for Certified Tropical Wood and Verified Legal Tropical Wood (Japan)

The Secretariat informed the Committees of the implementation of the project, accomplished after an extension of sixteen months of its duration with additional ITTO and counterpart funding of US\$69,670.00 following the expansion of its scope to include Papua New Guinea as a collaborating country in addition to Indonesia and Malaysia. The implementation of the project resulted in the achievement of all outputs contributing to the realization of its first specific objective of promoting the use of certified/verified legal (C/VL) wood in Japan including the establishment and operation of the web-based Fairwood Center for information gathering and dissemination related to C/VL wood. Due to the complexity of the project, limitations in project budget and difficulties encountered during its implementation, however, the second specific objective of the project aimed at supporting the introduction of credible certification and verification systems in tropical wood exporting countries and its related output were only partially achieved. On the whole, the implementation of the project had contributed towards the attainment of its development objective of promoting and creating market demand for C/VL wood in Japan.

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

PPD 138/07 Rev.1 (M)

Verifying the Legality of Timber Forest Products in Peru

The Secretariat informed the Committees of the implementation of the pre-project involving the assessment and validated instruments to develop trust among producers towards ensuring the sustainability and legality of tropical timber products from Peru. The Committees noted that a pilot scheme for verifying the legality of timber was implemented, ranging from the authorization of the management plan to harvesting, transportation, primary processing, issuance of CITES certificate, shipping, and delivery to customer's port. Technical reports and presentations on the pre-project could be accessed from the web-site <http://www.trazabilidadforestal.com>. The Committees noted that a project proposal for the development of feasible timber traceability options in Peru was formulated and submitted to the ITTO Secretariat for appraisal by the Expert Panel on the Assessment of Project Proposals.

Following the report of the Secretariat, the delegation of Peru thanked the donors and ITTO for their support in the implementation of the pre-project.

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

Committee on Forest Industry

PD 46/96 Rev.2 (I)

Establishment of a Wood Workers and Craftsmanship Village (Ghana)

The Secretariat reported to the Committees that all project activities had been completed, namely the building of wood furniture and craftsmanship village and the relocation of small wood processing and furniture industries, establishment of a corporation and the provision of common facilities, administrative and technical support and back-up services, as well as the feasibility study to confirm the economic feasibility of establishing of the village.

Following the report by the Secretariat, the delegation of Ghana thanked donors, as well as ITTO, and informed the Committees that the established village, including its compound, facilities and services, has been expanded and the number of relocated furniture producers and workers has increased from 60 to over 200.

The Secretariat reported to the Committees that the submitted completion report and the final financial audit report, as well as the technical reports, had been reviewed, as noted by the Committees at the last session, and the project was ready to be declared as completed in accordance with the Project Agreement.

The Committees duly declared the project complete.

PD 77/01 Rev.2 (I)

Contribution to the Development of Skills and Technical Training Structures at the Mbalmayo National School of Forestry (Central Province - Cameroon)

The Committees noted that this project has been moved from agenda item 10 (Review of projects and pre-projects in progress) to agenda item 7 (Report on completed projects and pre-projects), as the completion report was submitted in August 2011, and the elements to clarify the final financial audit were submitted to ITTO one week before the Council Session.

The project achieved all planned outputs, including up-grading of school facilities, training for school teachers, development of a Master Plan for the Mbalmayo National School of Forestry, and a project proposal for a second phase.

The delegation of Cameroon thanked the donors and ITTO for their support, which has contributed to improvement of the environment of the Forestry School as well as the students' livelihoods. The delegation of Cameroon also expressed its wishes for the implementation of the second phase of this project in order to continue up-grading the Forestry School.

The Committees duly declared the project complete.

PD 131/02 Rev.4 (I)

Training of Forest Practitioners for the Improvement of Forest Industry
in Cambodia

The Secretariat reported to the Committees that all project activities had been completed and outputs had been achieved, which include: 3 teacher-trainers had been completed their training; 4 training courses had been held; and 120 forest practitioners had been trained after a long delay in the implementation due to the national reform of the concession management plans, and as a result of the project, the need for appropriate wood processing technologies and organizing similar courses were well recognized by the stakeholders.

In response to the inquiry by the delegation of Liberia, the Secretariat informed the Committees that the trained practitioners are working in their respective sites of operation.

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 233/03 Rev.2 (I)

Application of Intermediate Technologies for Sustainable Forest
Harvesting (Peru)

The Secretariat reported to the Committees that an extension programme for training, dissemination, and extension of the use of appropriate intermediate technologies for forest harvesting was implemented for small forest concessionaires and native communities with two main components, one for capacity building and one for financing.

Eleven forest concessionaires in three regions of the Peruvian Amazon obtained portable sawn-millers through the guaranteed fund established by the project, and seven business plans were also developed for the forest concessionaires and remain operational.

The Committees noted that the project was completed at a cost lower than the planned budget and the balance amounting US\$ 95,393.21 had been returned to ITTO.

The Secretariat informed the Committees that Executing Agency has submitted the technical reports, completion report, and the final financial audit.

Following the report of the Secretariat, the delegation of Peru informed that this project has served as a model for financing small forest concessionaires in Peru because the experience of the guarantee fund has been satisfactory with a high rate of repayment.

The Committees duly declared the project complete.

PD 275/04 Rev.3 (I)

Improvement of the Sustainable Management and Utilization of
Non-Timber Forest Products (NTFPs) in Cambodia

The Secretariat reported to the Committees that all of the project outputs had been achieved, which include: NTFP processing trainings had been conducted in 5 villages involving 118 participants in total; 10 NTFP collecting and planting groups and 8 NTFP processing groups, which will improve market access of the NTFP products, had been established; and a NTFP Resource Management Plan, which will serve as a prototype to be replicated in other villages, had been developed.

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 306/04 Rev.1 (I)

Improving Utilization and Value Adding of Plantation Timbers from Sustainable Sources in Malaysia

The Secretariat reported to the Committees that all the activities of the project had been fully implemented and the outputs had been achieved, and as a result, 5 publications containing technical data on testing methods and wood characteristics of the selected plantation-grown species, namely *Acacia mangium*, *Shorea macrophylla* and *Tectona grandis*, had been published. It was indicated by the Secretariat that the findings of the project have been well received by the target groups and generated strong interest in the plantation-grown timber.

Following the report by the Secretariat, the delegation of Malaysia expressed their appreciation to the local collaborators in Sabah and Sarawak, as well as donors and ITTO, for their support and informed the Committees that the information generated from the project has been fully utilized and well disseminated by the Executing Agency, Forest Research Institute Malaysia (FRIM), including through a three day international seminar.

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 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 Committees noted that this project has been moved from agenda item 10 (Review of projects and pre-projects in progress) to agenda item 7 (Report on completed projects and pre-projects), as the completion report was submitted in May 2011, and the financial audit report on the use of the remaining funds was received one week before the Council Session.

The Committees noted that all the outputs were achieved as planned, including RIL training programme for medium and large scale operators, RIL system for small-scale community forestry operations, capacity to provide training programme on other aspects of sustainable forest management, and a long term sustainability of vocational SFM/ RIL training in Guyana was secured.

The delegation of Guyana thanked the donors and ITTO for their support, and informed that more than 200 people were trained in RIL, FTCI has expanded its mandate to the training in other aspects of SFM, as well as the training in other countries, such as Suriname and Belize and others in the Caribbean Region. The delegation of Guyana also informed that FTCI has been supported by the Guyana Forestry Commission.

The Committees duly declared the project complete.

PD 334/05 Rev.2 (I)

Demonstration and Application of Production and Utilization Technologies for Rattan Sustainable Development in the ASEAN Member Countries (Philippines)

The Committees noted that all planned outputs have been achieved, including training on rattan production and utilization technologies, research studies on rattan utilization technologies, pilot demonstration plots, a network on rattan, and the establishment of the ASEAN rattan centre.

The Committees also noted that a regional conference on production and utilization technologies for rattan was conducted as an additional activity.

The Committees also noted that the project was executed under the budget and the Executing Agency returned unspent funds to ITTO in the amount of US\$13,385.00.

The Secretariat informed the Committees that the completion report, the technical reports, including rattan database and publications which are available at the project website www.aseanrattan.com, the final financial audit report, and an article for the TFU had been delivered by the Executing Agency in accordance with the Project Agreement.

Following the report by the Secretariat, the delegation of the Philippines expressed its appreciation to the donors and ITTO for their support to implement the project. The delegation of the Philippines informed that the Government of the Philippines is working on the institutionalization of the knowledge acquired through the project, and the scaling-up and replication is their priority because rattan provides the people with livelihoods and the opportunities for enterprise development at the village level. The scaling-up of the project will include analysis of the value chain as well as gender-role assessment.

The Committees duly declared the project complete.

PD 397/06 Rev.3 (I) Sustainable Development of the Wood-Based Industries in South Kalimantan (Indonesia)

The Secretariat reported to the Committees that the output of this small project, which was the formulation of a Master Plan of Sustainable Development of the Wood Based Industries in South Kalimantan Province, had been achieved. It was also reported by the Secretariat that the Provincial Government had already adopted the Master Plan, which will benefit the Government, forest industry sector, communities and entrepreneurs in expanding development opportunities as well as sustaining the forest resource base.

The delegation of Indonesia thanked the donor and ITTO for their support and informed the Committees that the Master Plan has been contributing to the stakeholders, such as industries, communities, entrepreneurs and the government, in incorporating new approaches to forest industries and community forestry. The Committees noted that the Master Plan will be used as a benchmark for other provinces to ensure the sustainability of this project.

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 398/06 Rev.2 (I) Promoting the Utilization of Plantation Timber Resources by Extending Environmentally Sound Preservation Technology (China)

The Secretariat reported to the committees that all expected output of the project had been achieved, including preservation technologies, laboratories, timber exposure yards and a demonstration treating plant, a treated timber monitoring system and bamboo classification and preservation treatment techniques. It was also reported by the Secretariat that the Guangdong Provincial Government had accepted the suggestions from the project for extending the use of treated timber and strengthening the investment in wood protection research.

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 401/06 Rev.2 (I) Value Adding and Kiln Drying of Commercial Timbers by Small Scale Community Saw Millers in Guyana

The Committees noted that the project delivered all planned outputs, including technical specifications for kiln dryers, identification of appropriate kiln dryers for small scale community sawn-millers in Essequibo, Demerara and Berbice, and training in kiln drying.

The Committees noted that sustainability of the project has been secured through the establishment of three associations, which manage and operate the kilns, of which the Guyana Forestry Commission is a member of the governing body.

The Secretariat reported that the Executing Agency has submitted technical reports, completion report, final financial audit, and an article for the TFU.

Following the report of the Secretariat, the delegation of Guyana thanked the donor and ITTO for their support and informed that they were very excited with the project and that the kilns were established in 3 communities, training was provided and facilities have been used to dry timber for the market.

The Committees duly declared the project complete.

PD 425/06 Rev.1 (I) Production and Utilization Technology for Sustainable Development of Eaglewood (Gaharu) in Indonesia

The Secretariat reported to the committees that all the outputs of project had been achieved, including the development of better inoculation technologies, establishment of demonstration trial plots, and the implementation of community training and a workshop, as well as the production of 6 technical reports and 3 publications. It was also reported by the Secretariat that Forest Research and Development Agency, the Executing Agency, had established cooperation with farmer groups for their continuous support to the demonstration plots and further research activities.

The delegation of Indonesia expressed their appreciation to the donor, as well as ITTO, for their financial support and guidance and informed the Committees that the project has been contributing to the improvement of the livelihood and welfare of the local communities as well as the conservation and sustainable use of the Eaglewood resource. The Committees noted the prospect for the sustainability of the project.

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 431/06 Rev.1 (I) Processing and Utilization of Trees on Farmlands and Logging Residues through Collaboration with Local Communities (Ghana)

The Secretariat reported to the committees that specific objectives of the projects, including increased lumber yield and earnings by the local communities with the improved chainsaw facilities for logging residuals and trees on farmland had been achieved. It was also informed by the Secretariat that the a proposal made by the project on the harvesting and processing of trees on farmland and logging residuals by farmers is likely to be included in the new forest and wildlife policy.

In response to the report by the Secretariat, the delegation of Ghana thanked the donors, as well as ITTO, for their support, and reported to the Committees that the project has been helping the local communities improve their livelihood and assisting the government implement its policy to reduce illegal logging.

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.

PPD 5/00 Rev.1 (I) Sustainable Management of Non-timber Forest Produce (NTFP) in Maharashtra State of India

The Secretariat reported to the Committees that the planned activities, including resource survey, review of existing reports, networking with relevant institutes and organizations and collection of market information, had been carried out and, as a result, a project proposal entitled "Sustainable management of Non-Timber Forest Products (NTFP) in Maharashtra State of India" was formulated. It was also reported by the Secretariat that the proposal was submitted the 36th Expert Panel and received a Category 2.

The Secretariat informed the Committees that the final financial audit report, as well as the completion report and the technical reports, had been delivered by the implementing agency and reviewed by the Secretariat in accordance with the Pre-project Agreement, as reported by the Delegation of India and noted by the Committees at the last session.

The Committees duly declared the pre-project complete.

PPD 97/04 Rev.1 (I)

Improve Strategies and Assess Training Needs to Achieve SFM in Suriname

The Committees noted that the pre-project aimed at: (i) formulating a national strategy to achieve SFM and promote a sustainable forest sector; (ii) conducting a thorough assessment of training needs; (iii) designing a training programme and providing details for its implementation; and (iv) assisting the formulation of a project proposal to strengthen the institutional capacity of the country in the field of SFM.

The Secretariat reported that the outputs have been achieved as planned; however, the project proposal is yet to be formally submitted to the Expert Panel. The Secretariat also reported that total expenditure was under the budget and the Executing Agency has returned unspent funds to ITTO in the amount of US\$7,143.00 in May 2010.

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 Pre-project Agreement.

The delegation of Suriname thanked the donor and ITTO for their support for the implementation of the pre-project, and highlighted that the Strategic Action Plan for the Forest Sector has been used for the economic development of the sector, and follow-up activities, such as the formulation of the Code of Conduct have been funded by FAO.

The Committees duly declared the pre-project complete.

PPD 125/06 Rev.2 (I)

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

The Committees noted that the aim of the pre-project is to collect necessary information to define the structure, form and content of a national project for a training and to formulate a demonstration programme to promote the adoption of Reduced Impact Logging (RIL) in PNG.

The Secretariat informed the Committees that the outputs have been achieved, and that a full project proposal for the implementation of RIL has been submitted to the Expert Panel. The Secretariat also reported that the completion report and the final financial audit report had been delivered by the Executing Agency in accordance with the Pre-project Agreement.

The Committees noted that total expenditure was under the budget and that the Executing Agency returned to ITTO unspent funds in the amount of US\$12,327.00 in August 2011.

The delegate of Papua New Guinea thanked the donors and ITTO for their support, and informed that the project proposal is under revision to be re-submitted to the Expert Panel in due course.

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(XLV)/3.

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

A presentation before the Committees was made by the consultant, Mr. Erik Lammerts van Bueren (the Netherlands), in respect of his ex-post evaluation report on the project.

In his evaluation, Mr. van Bueren indicated that the project had basically been implemented successfully with the achievement of its specific objective of developing and implementing the Forestry Information System (FIS), a country-wide information system for forest policy and management in the Philippines that had contributed to the promotion and enhancement of the sustainable management of forests in the country through improved data collection and information processes. At the time of the evaluation, FIS was fully operational as a source of spatial information as well as information on registered title holders. Combined with the Geographical Information System (GIS), the FIS provided a clear insight of the extent and nature of the country covered by land title agreements.

In addition, these systems were being used for the identification and preparations of suitable sites for the Upland Development Programme, the National Greening Programme and other specific projects. Measures taken to ensure the sustainability of the project included the provision of a permanent budget line for information management activities under the Department of Environment and Natural Resources (DENR), provision of funds to regional offices for training and helpdesk services provided by the Forest Management Bureau (FMB).

Even so, Mr. van Bueren pointed out the scope for further enhancement of the systems by expanding the collection and computing of relevant data to operationalise those features of the FIS which were not yet operational, building up time series data and establishing a link between the GIS and the FIS databases to retrieve all non-spatial information. Training of focal points was a major concern as frequent movements of trained human resources might affect the sustainability of the project.

Some of the lessons learned from the implementation of the project included the importance of selecting the right people, the crucial role of training, the importance of validation of file to generate accurate and reliable data for the FIS, the need for more accurate formulation of indicators for the development objective of the project, systematic user analysis and analysis of user needs as pre-requisites for user satisfaction and ownership, the need for realistic anticipated project outcomes to avoid false expectations and the need for more consolidated financial information to monitor project expenses.

Mr. van Bueren recommended to the FMB as the implementing agency to further increase the value of the FIS/GIS by (i) applying a project approach, taking a concerted effort to prioritise all the features which FIS was capable of producing and collecting and entering all relevant data, and (ii) producing time series to identify trends in changes in land cover and land use. Mr. van Bueren also recommended to the ITTO Secretariat to (i) ensure that all required amendments to a project proposal were fully adhered to, (ii) consider including expenditures per project activity in the financial statement and (iii) consider further support, upon request, to enhance the FIS to fully operationalise its essential features.

Following the presentation, the delegation of the Philippines expressed its gratitude to the consultant and the ITTO Secretariat for the conduct of the ex-post evaluation of the project and to the donors for funding the project. The delegation reiterated the usefulness of the project particularly in the context of achieving the target of increasing the forest cover of the Philippines by 1.5 million hectares in 2016 under the National Greening Programme and indicated its willingness to follow through the recommendations made by the consultant. As requested by the delegation of Liberia, the consultant also provided clarification on the definition of other forest land and project stakeholders other than the staff of DENR and FMB.

The Committees commended the consultant for his report and presentation.

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

A presentation before the Committees was made by the consultant, Dr. Kwame Asumadu (Australia) in respect of his ex-post evaluation report on the project. In his presentation, Dr. Asumadu highlighted that:

- the project was executed effectively and efficiently by the Guyana Forestry Commission (GFC), the implementing agency;
- all project activities were implemented effectively and efficiently;
- project resources were expended effectively and efficiently in accordance with the project document and workplan;

- all five project outputs were achieved, contributing to the realization of its specific and development objectives;
- project outputs were disseminated effectively through staff training and awareness-raising workshops for stakeholders including communities impacted by the project;
- there was sufficient evidence including on-going post project activities indicating the sustainability of the project;
- the project has created effective and sustainable impacts at the institutional (GFC), national, sectoral (industry) and community (stakeholder) levels; and
- the project was unique in being the first in an ITTO producer member country to have successfully combined remote sensing and wood products tracking in addressing the issue of illegality in its forests and wood products sector.

Dr. Asumadu also highlighted the main lessons learned from the implementation of the project that:

- while electronic-based wood products tracking systems were more efficient compared with paper-based systems, these could nevertheless be technology intensive and therefore expensive to implement, operate and maintain;
- the use of satellite images for detecting “hot spots” of deforestation (rather than just ground checking as was the case previously) was very efficient, although it could be expensive;
- extensive and comprehensive pre-planning and research was necessary for the successful design, formulation and implementation of projects of this nature, to ensure that all project elements are integrated seamlessly; and
- the introduction of any new system would require extensive education and awareness raising among all the stakeholders who would be impacted by the system.

Dr. Asumadu recommended to the Secretariat to document and publicise the project's outcomes, including lessons learned for the benefit of other ITTO member countries.

In his recommendations to the Government of Guyana and GFC, Dr. Asumadu highlighted that:

- in the medium to long term, the Government of Guyana and GFC should consider expanding the coverage of the Wide Area Network (covering 6 main strategic stations) to the other remaining 31 stations, taking into consideration key factors, including cost;
- in the medium term, consideration should be given to exploring the possibility of expanding the functionality of the scanners to include both data collection/entry as well as legality monitoring;
- key aspects related to scanners should also be considered including the ability to input data from the field and thereby update the Headquarters database; and acquiring scanners with longer scanning distance;
- given the on-going cost of maintaining and operating the satellite imagery capability for detecting and updating information on temporal land use changes, which would also have operational benefits for other government agencies, the GFC should consider options to recover some of its costs;
- for applications providing “public good” benefits, the Government should consider subsidising the GFC's costs from the national consolidated fund; and
- for applications delivering commercial benefits to consuming government agencies, the Government should consider empowering the GFC to recover its costs in full.

The delegation of Guyana thanked ITTO and the consultant for the ex-post evaluation of this project. They emphasised that the results of this project and the lessons learned had been very positive and considered the project as a landmark achievement. The project greatly enhanced Guyana's capacity in this new area of GIS/RS and broadened the forest management scope and helped build an overall strategy of forest management covering both the economic and sustainable management perspectives.

The Committees commended the consultant for his report and presentation.

Committee on Forest Industry

PD 37/94 Rev.3 (I)

Strengthening of the Forest Products Laboratory of IBAMA (Brazil)

A presentation was made before the Committees by the consultant, Dr. Sadaaki Ohta (Japan), on his ex-post evaluation report on the project. The mission of the Ex-post evaluation was conducted from 19-23 September 2011, about 3 years after the completion of the project.

The project had two main objectives:

- (i) Modernization and strengthening of the Forest Products Laboratory (FPL) of IBAMA, and
- (ii) Improvement of tropical timber identification, standardization of timber products, and monitoring of production and trade of tropical timber.

The project started in September 1998 and completed in November 2008, with effective duration of ten years. This project was built on the results of completed Pre-Project PCI-(VII)/6 entitled "Institutional Strengthening of the Forest Products Laboratory of IBAMA", which allowed an evaluation of the historical development of the Laboratory.

The main target outputs of the project include:

- (1) A detailed long term research programme was established and carried out;
- (2) Three research lines were established, namely sustainability of tropical forest resources, multiple uses of planted forests, and agroforestry products and environment, from which, seven research sectors were further defined. Revision of the research sectors was carried out, for 2006–2010, and 2010 - 2013;
- (3) A Human Resource Development programme was developed and implemented;
- (4) A communication programme to disseminate the information generated from the research works was developed;
- (5) A computerized Data bank on tropical timbers with about 300 timber species was developed;
- (6) At least ten basic texts of Brazilian Standards for tropical timber and timber products were developed by the FPL and submitted to the ABNT (Brazilian Association of Technical Norms).

The consultant also noted that obtained technologies had been transferred to stakeholders through various means. In addition, technological presentations and publications of FPL or IBAMA have appeared in private companies and academic Journals with higher citation (162 publications), while many students (52) from the University of Brasilia have been studying at FPL and had obtained degrees, thus making the project an overall success.

Finally, the consultant recommended the Executing Agency that an information service centre should be established for effective transfer of technology and new topics should be included in its long term research programme.

Following the presentation, the delegation of Brazil thanked the consultant for his presentation and provided clarification on a few items, such as the main purpose of the project which was to strengthen the existing Forest Products Laboratory and not to create a new research centre. The delegate of Brazil informed that the development of the CD-Rom version of the databank now contains 11 additional timber species, recommendations 2, 3, and 4 contained in the Ex-post evaluation report, are being carried out by the FPL, and progress has been made toward new data base on the extractives from Amazon timbers.

The Committees commended the consultant for his report and presentation.

PD 100/01 Rev.3 (I)

Capacity Building for the Development of a Sustainable Rattan Sector in China based on Plantation Sources

A presentation was made before the Committees by the consultant, Dr. Florence P. Soriano (The Philippines), on her ex-post evaluation report on the project.

The mission of the Ex-post evaluation was conducted from 20-28 September 2011, about 29 months after the project completion. The project was completed in July 2010 after two project extensions and with additional contribution by the Government of China.

The project was designed to address the problem of decreasing quality rattan canes, through the establishment of rattan plantations for China which is the largest importer of rattan canes (from Indonesia and Myanmar) requiring a constant and sustainable supply.

The project design, was straight-forward, which included the establishment of demonstration plots, study tours to learn from other ITTO rattan projects in South-east Asia, the production of technical guides and training to local farmers in order to increase their capacity to establish and manage rattan plantations.

The project delivered the following outputs:

- Six demonstration sites were established versus three as originally planned in Guangxi, Guangdong and Hainan provinces;
- A regional seminar on the cultivation, management, utilization and marketing of rattans, which was attended also by the representatives of Africa and Latin America Regions, was organized;
- An integrated technical manual which covers the cultivation, management and harvesting of rattans, as well as the processing of rattan canes. The manual was translated to English in 2010; however, the feedback from stakeholders suggested the need of making the manual more user friendly for local farmers; and
- Three national training courses were organized for (i) rattan tissue culture and nursery, (ii) silviculture, plantation management and cane harvesting and processing; and (iii) product development and marketing.

It was also noted that the research and development activities of the project produced an additional output, which was the preservation of edible rattan shoots with high content of antioxidants.

The project experienced unexpected events which delayed its implementation, such as the need to identify new sites for demonstration plots, due to unavailability of the ones selected during the elaboration of the project proposal, the SARS and bird flu, and the demise of one of the consultants.

As for the sustainability of the project 29 months after completion, continued involvement of farmers in rattan plantations is evident, and the Guangzhou Municipal Forest Administration, the private sector and the Guangdong Provincial Forestry Department have provided additional resources for the expansion of edible rattan plantations, development of health products from bioactive constituents of rattan shoots and the formulation of standards on rattan plantation and rattan shoot preservation respectively.

It was noted that the project achieved all outputs, mostly exceeding targets, and satisfactorily improved the know-how of forest workers and farmers.

It was recommended that future similar projects should conduct more in-deep consultations with stakeholders, revisit the LFM during their implementation; and hold PSC/PTC meetings during their extension.

Following the presentation, the delegation of China thanked Dr. Soriano for her presentation and also thanked ITTO for funding the project which has helped the rattan sector in developing its capacity. The delegation of China fully agreed with the findings, conclusions, and recommendations as well as the lessons learned from the ex-post evaluation. China will strive to improve rattan production and its industry and pursue the adoption of relevant policies to this end.

Then, the delegation of Liberia thanked the consultant for her eloquent presentation, and inquired the ownership of the land where rattan plantations were established. The consultant responded that the majority of the plantations were in government land, and that the total number of the planted area is 52 hectares.

Finally the delegation of the Philippines took the floor to thank the Consultant for her presentation, and mentioned that the Philippines closely aligned their experiences with those of China. The delegation of the Philippines also inquired the consultant and the delegation of China for the follow-up activities and the consideration of gender-role issues. The Consultant responded that during her mission, the Executing Agency did mention that they were working on a follow-up proposal which will consider gender issues. The delegation of China also informed that the follow-up proposal will address the dissemination of knowledge on plantation management, and improvement of quality of rattans in South China.

The Committees commended the consultant for her report and presentation.

(B) Meta-Evaluation of ITTO Ex-post Evaluations

As instructed by the 46th ITTC, a Meta-Evaluation of ITTO ex-post evaluations has been carried out, according to the TOR approved at the previous Session of the Council. The Meta-Evaluation report was presented by the consultant, Dr. Markku Simula, during the Joint Committee Session held on 15 November 2011. To facilitate the finalization of the report, he encouraged written comments to be submitted by 15 December 2011.

The USA expressed their congratulations to the consultant for the very comprehensive study, highlighting the importance of the task and the usefulness of the results and statistics provided in the report. The USA also reiterated the need for improvements in various aspects as recommended in the report, including the importance of the careful selection of projects for evaluation and observing that none of the Secretariat activities has been evaluated. Elaborating on the importance of women in many sectors, the USA then requested the consultant to delete the part of the second paragraph, page 3, Council Document ITTC-JC(XLV)/2 that reads "perhaps mainly because gender is not relevant in many technically oriented ITTO projects" as this could send a wrong message. Again congratulating the consultant, the USA indicated that it may send written comments to the consultant before the deadline for submission of such comments.

Reiterating the importance and quality of the work, Switzerland particularly welcomed the recommendation of the report to update Decision 3(XXVIII) in order to improve guidance on monitoring and evaluation in the Organization. Switzerland then requested clarification on three issues: 1) The reason for the weaknesses in project impacts and sustainability, questioning whether the guidance in the ITTO Manual for Project Monitoring, Review, Reporting and Evaluation was not sufficient 2) At what stage Executing Agencies should provide management responses to Ex-Post Evaluation reports, and 3) How often Meta Evaluations should be carried out.

Congratulating the consultant for the excellent work, Indonesia requested clarification on whether the Meta-Evaluation would demonstrate the contribution of projects to the overall objectives of the organization, where projects have contributed most and where are gaps.

The consultant expressed his appreciation for the positive feedback and thanked the delegations for their comments.

Addressing the concern of the USA regarding the sentence in the second paragraph, page 3, Council Document ITTC-JC(XLV)/2 referring to gender, he clarified that this was not in any way meant discriminatory and that he agreed that this needed to be removed or rephrased, and that he was looking forward to the written comments, so that they can be taken into account.

Replying to the Swiss questions, the consultant elaborated that in terms of project impact and sustainability the current guidance was in some aspects inconsistent or insufficient and that the Secretariat should elaborate additional guidance. Regarding the timing of management responses from Executing Agencies he stated that such responses are standard practice in other organizations and that it should become a formal requirement for ITTO projects. The responses should be provided immediately following monitoring missions. Concerning the timing of Meta-Evaluations he responded that extensive exercises as the current could be carried out every ten years.

In response to the Indonesian question the consultant explained that the contribution of the projects to the ITTO objectives is elaborated in the Meta-Evaluation Full Report, section 5.9 and also in the thematic summaries to be completed.

The Chairperson gave the floor to Dr. Manoel Sobral Filho, who congratulated the consultant for his excellent work. Highlighting the extensive experience of the consultant in terms of evaluation and monitoring, Dr. Sobral asked the consultant where the ITTO project evaluation stands in relation to other organizations, pointing out the substantial effort of the ITTO in recent years to improve its monitoring and evaluation function. The consultant replied that ITTO project evaluation stands and performs well in comparison to other organizations.

(C) Selection of Projects for Ex-post Evaluation

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

Committee on Forest Industry

PD 233/03 Rev.2 (I)

Application of Intermediate Technologies for Sustainable Forest Harvesting (Peru)

PD 275/04 Rev.3 (I)

Improvement of the Sustainable Management and Utilization of Non-Timber Forest Products (NTFPs) in Cambodia

The Secretariat noted the request made by the Committees in respect to increase the number of projects for which Ex-post evaluation is conducted subject to the availability of financial resources, and considering the results of the Meta Evaluation of ITTO Ex-Post Evaluation.

9. Policy Work

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

Committee on Economic Information and Market Intelligence

(i) Market Access

Under the issue of market access, the Committees received a presentation from Ms Frances Maplesden (New Zealand), consultant, on progress in the implementation of the study “Improving the resilience of the tropical timber sector to the impacts of global and regional economic and financial crises” under TMT-SPD 002/10 Rev.1 (M). This project was initiated following the speed and severity of the global financial and economic crisis in 2008 and 2009 which impacted the construction sectors and consumer spending in most parts of the globe and had marked impacts on the competitiveness of the tropical forestry sector. The crisis exposed the vulnerability of the tropical timber sector which had a relatively limited knowledge base and capacity at country level to manage severe market shocks. The project's objectives were aimed at increasing the ability of the tropical forestry sector to anticipate, manage and recover from future global economic crises.

The presentation focused on the component of the overall study which involved three producer country case studies in Ghana, Brazil and Malaysia. The case studies assessed the impacts of the crisis across the supply chain; policy responses and other remedial measures employed at regional, government and private sector levels and their effectiveness; the risk factors that would expose the case study country to market volatility; and actions that could minimise the risk to the tropical forest industries.

Ghana's forest industries were exposed to the crisis by the predominance of small- and medium-sized enterprises (SMEs) and reliance on commodities, with production and exports of most wood products declining over the crisis period. Brazil's large and growing domestic market had buffered the tropical forestry sector from the impacts of the global financial and economic crisis, although export oriented firms were most affected. Remedial measures employed by the private sector and the government initiatives focused on macroeconomic issues but had indirect impacts on the forestry sector. Malaysia had been more exposed to the crisis because of its high proportion of trade in GDP. Exports of primary wood products had fallen sharply during the crisis and had negatively impacted the wood processing sector. The Malaysian Timber Council had played an important role in assisting the industry to remain competitive and well positioned during the crisis.

The consultant concluded that the forestry sectors in all three case study countries had been impacted by the global downturn, and although their risk profiles were somewhat different, there were some common elements in terms of how tropical timber industries could minimise impacts and become more competitive during severe economic downturns. These included the need to develop market intelligence capabilities in the tropical forestry sector through better cooperation between private sector, government and international organisations; the importance of investing in the development of new products and geographical market opportunities, including domestic and regional markets; the need to continuously make gains in productivity to reduce costs and maintain competitiveness; the need to focus on value-added and innovative products which would be less affected by global economic downturns and the need to strengthen industry and trade associations, including marketing and promotional support organisations, which would be crucial for implementing policies to ensure export competitiveness during downturns.

The Committees commended the consultant for her presentation.

(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, the total area of certified forests in ITTO producers was 22.2 million hectares in 2010. This accounted for 6.1% of the world's total area of certified forests of around 365 million hectares. The number of Chain of Custody (CoC) certificates in ITTO producers was 1321, accounting for 4.9% of the total number of CoC certificates in the world. Compared to figures in 2007, the area of certified forests in ITTO producers had expanded 53%, while the number of CoC certificates had increased over three-fold.

Forest certification in ITTO producer member countries involved two international certification systems:

- **Forest Stewardship Council (FSC):** The total certified area in ITTO producer member countries was 15.7 million hectares, accounting for about 12% of the total FSC certified forests in the world; and 1085 CoC certificates, accounting for about 5.62% of the total FSC-CoC certificates issued throughout in the world. Brazil was in the lead with 6.39 million hectares of certified forest area and 533 CoC certificates.
- **Programme for the Endorsement of Forest Certification (PEFC):** The total certified area in ITTO producers was 5.5 million hectares, accounting for about 2.4% of the total PEFC certified forests in the world, and 230 CoC certificates which accounted for about 2.7% of the total PEFC-CoC certificates issued throughout the world. Malaysia was in the lead with 4.22 million hectares of PEFC certified forests and 171 PEFC-CoC certificates.

In addition, there were 4 national certification systems in ITTO producer member countries as follows:

- Brazil: Brazilian Forest Certification Programme (CERFLOR);
- Malaysia: Malaysian Timber Certification Council (MTCC);
- Gabon : PEFC Gabon
- Indonesia: Indonesian Ecolabelling Institute (LEI)

The three certification systems, namely CERFLOR of Brazil, MTCC of Malaysia and PEFC Gabon had been endorsed by PEFC, and included in the certification statistics of PEFC. In Indonesia, the LEI certification system covered 1.07 million hectares of certified forests and 6 CoC certificates in 2010.

In general, two-thirds of the world's certified forests were certified under PEFC and around one-third was under FSC. However, FSC held the largest share of 74% of certified forests in ITTO producer member countries. In 2010, PEFC continued to be the largest certification scheme in the world, and the area of PEFC-certified forest increased by 2.7% due to the significant expansion in Europe, Australia and Malaysia. PEFC-certification was expected to expand in tropical forests through the endorsement of national certification systems in ITTO producer member countries. In 2010, FSC and LEI in Indonesia launched a collaboration to explore potential areas of cooperation in forest management and certification.

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

Ms. Frances Maplesden (New Zealand), consultant, presented further information on the draft Annual Review and Assessment of the Tropical Timber Situation 2011, focusing on secondary processed wood products. She provided definitions of secondary processed wood products, which included wooden furniture and parts, builders' woodwork and joinery, "other SPWPs", mouldings, and bamboo and cane furniture and parts. The major trade trends for items of SPWP were discussed. The US, EU countries and Japan continued to dominate imports of all items of SPWPs, while Vietnam (not an ITTO member) dominated exports of SPWPs from tropical supplying countries. The consultant informed that the classification of SPWPs posed difficulties in tracking the tropical wood supply chain. The volume of wood used could not be determined as the trade classification system did not differentiate species, some products might include other materials, and the trade figures were usually provided as value rather than quantity figures. She provided evidence that China and Vietnam were dominating the exports of SPWPs and were becoming more significant, despite a minimal resource base. Exports from these countries grew during the global economic crisis while those from other tropical exporters declined, basically reflecting their price competitiveness during a tough economic climate but also technological and quality control improvements. Exports of SPWPs from ITTO producer countries picked up marginally in 2010 but

had not returned to pre-crisis levels since the major markets were in the USA, EU countries and Japan, whose economies had not fully recovered from the global financial crisis.

The Committees commended the consultant for her presentation.

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

The Committees were informed that work in this area was incorporated into activities 42 and 43 of the ITTO Biennial Work Programme 2010-2011. Although funding for both activities was still pending, the Secretariat, utilizing some remaining funds from the previous ITTO Biennial Work Programme, was able to conduct a statistical training workshop in Thailand from 27 to 30 September 2011 in collaboration with the Royal Forestry Department of Thailand and FAO. The Government of China and Cambodia had expressed interest for similar workshops to be conducted in their countries. The Committees were further informed that the Secretariat attended the meeting of the Intersecretariat Working Group on Forest Statistics in March 2011 and was in the process of improving its statistical databases.

The Committees noted that those activities had been included as Activities 33 and 34 in the draft ITTO Biennial Work Programme 2012-2013.

(v) Promote Trade in Tropical Timber and Tropical Timber Products from Sustainably Managed and Legally Harvested Sources

(a) Innovative Timber Tracking System implemented by John Bitar and Company Limited (JBCL)

Dr. Kwame Asumadu from Asumadu Pty Ltd. made a presentation on the innovative timber tracking system implemented by John Bitar And Company Limited (JBCL) aimed at demonstrating to the company's major markets and customers that JBCL's timber product exports were legal; and met the forestry law and policy requirements of the Government of Ghana.

Dr. Asumadu indicated that the FSC system was chosen by JBCL as Ghana did not yet have a national forest management standard endorsed by the PEFC. The company made preparation of procedures and work instructions to ensure it could consistently meet the requirements of FSC and it carried out training of all relevant staff and personnel to be involved with the implementation of the company's FSC Controlled Wood Forest Management and CoC Certification System. The final audit was conducted in December 2010 covering an opening meeting with key managers; review of documents; review of CoC systems requirements; inspection tour of the company's processing facilities and interview with relevant workers at their posts; field inspection of forest management practices; and a closing meeting with key managers of the company.

Dr. Asumadu highlighted issues and lessons learned from the implementation of the FSC Controlled Wood Forest Management and CoC Certification System including:

- the valuable learning experience towards full forest management certification which the company had decided to pursue in its next independent assessment by Rainforest Alliance;
- the benefit of creating access to new markets requiring legality verification, particularly as the FSC brand was recognised internationally;
- the importance of continually improving the company's processes, practices and systems in support of the sustainable management of its on-reserve forest concessions or TUCs; and
- the positive incentive being provided to other wood processing companies wanting to increase market access through a positive promotion of the legal status of their wood products.

He emphasized that the wood products tracking and assurance of legality could only be demonstrated through internationally recognised third party certification system such as the FSC and PEFC.

Dr. Asumadu further summarized that JBCL had been recognized as an FSC certified company able to supply FSC Controlled wood products to its major markets and had been listed on the FSC official website. The wood products, including approved species, were also listed on the FSC website as part of JBCL's approved product schedule. This would enable JBCL to expand the reach of its current market and it would be able to offer legal wood to markets such as the USA and the EU that had passed legislation prohibiting imports of illegally harvested or traded wood products. As the duration of the certificate was for five years, the company would undergo annual surveillance audits by its certification body to ensure that it would continually meet the requirements of the certificate.

The Committees commended Dr. Asumadu for his presentation.

- (b) The Wood News Agency – A Web-based Information System to support the development of a sustainable tropical timber trade implemented by The Forest Trust (TFT)

Ms. Robin Barr from TFT made a presentation on the development of the Wood News Agency aimed at supporting the development of a sustainable tropical timber trade through its consultation, design and test phases. At the consultation phase, TFT contacted its network of businesses and experts with a view to ensuring the business-friendliness of the website. The subsequent design phase involved the selection of Square Eye Limited as the web programming company, arrangement of interviews and videos to enhance the appeal of the website as well as the development of a directory of responsible suppliers. Ms. Barr provided a brief explanation of the main features of the Wood News Agency. Under the test phase, TFT visited companies to check their compliance with the criteria for selection and inclusion into the directory of responsible suppliers while TFT field teams tested the ergonomics of the directory. At the request of the delegation of Malaysia, Ms. Barr provided further clarification of the criteria and parameters for the selection and inclusion into the directory of responsible suppliers.

The Committees were informed that the launching of the Wood News Agency under the roll-out/maintenance phase was contingent upon the funding of activity 46(b) under the ITTO Biennial Work Programme for 2010-2011 which remained pending. If funded, TFT would undertake the launching of the website, an expansion of topics to be covered, the filling up of the directory, the development of new interviews, publishing relevant news and the continuous improvement of the system based on the feedback received from the companies. The Committees noted that this activity had been included as activity 37(b) in the draft ITTO Biennial Work Programme for 2012-2013.

The Committees commended Ms. Barr for her presentation.

- (c) Development of a Compendium of the Current State of Technologies for Monitoring Illegal Logging and Related Trade

The Secretariat informed the Committees of progress in the implementation of activity 45 of the ITTO Biennial Work Programme 2010-2011 involving the development of a compendium of the current state of national technologies for monitoring illegal logging and related trade. He further informed that the terms of reference of the activity had been expanded in consultation with the Government of Japan as the donor to include an expert workshop and that the CITES Secretariat had also provided some funding for the work on the compendium.

A preliminary draft compendium had been submitted to the Secretariat, focusing primarily on tracking and monitoring/control technologies and containing several case studies from each tropical region. The final draft compendium would be submitted to the Secretariat by the end of the year, with the expert workshop scheduled to be convened in the first quarter of 2012 to review the report and make recommendations for ITTO's future work in this area. The Secretariat informed the Committees that Malaysia, through the Malaysian Timber Certification Council, had agreed to host the expert workshop.

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

The Committees noted that the terms of reference and budget for the activity were considered and approved at the previous session and attached as Appendix B of the report. The funding of the activity was still pending. Following the request made by the representative of producer member countries at the informal teleconference held on 13 September 2011, the activity had been included as Activity 38 in the draft ITTO Biennial Work Programme 2012-2013.

- (vii) Draft ITTO Biennial Work Programme 2012-2013

The Committees noted the proposed activities for the CEM in the Draft ITTO Biennial Work Programme 2012-2013 as contained in document ITTC(XLVII)/8 and agreed that these activities be submitted for the consideration of the Council at its current Session.

Committee on Forest Industry

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

The Secretariat informed the Committees that this activity was to conduct in-house trainings based on the approaches and methodologies developed through the implementation of ITTO Project

PD 286/04 Rev. 1 (I) "Strengthening the Capacity to Promote Efficient Wood Processing Technologies in Indonesia" with the aim of strengthening the capacity of the wood-based industries in common problem areas, namely log stocking and loading, kiln dry and boiler, saw doctoring, finger jointing, laminating, packing, waste control, maintenance and arrangement, safety and mentality.

The Secretariat reported to the Committees that:

- The in-house training was carried out in Papua New Guinea (16-21 June 2010, covering 1 wood working, 1 sawmill, 1 plymill), Guyana (19-25 July 2010, covering 3 sawmills and 2 furniture/wood working industries) and Myanmar (16-19 August 2010, covering 1 plymill, 1 wood working/molding industry, and 1 furniture industry) in 2010, and in Malaysia (22-23 May 2011, covering 1plymill and 4 wood working industries/furniture industries), in 2011 with the participation of forest industry owners, managers, supervisors, workers, as well as the representatives from governments and forest associations; and
- No in-house training was carried out in member countries in Africa due to the budget constraint.

The Secretariat indicated to the Committees that:

- This activity has raised awareness and understanding of the stakeholders of the importance of improving the efficiency in the forest industry production chains to help achieve SFM;
- The effectiveness of the approaches and methodologies of the in-house training have been confirmed through the discussions and completed questionnaires; and
- Stakeholders responded positively and requested to continue this activity.

The delegation of Guyana thanked the ITTO for the implementation of the activity in Guyana, and informed the Committees that timber companies have been able to improve their productivity as a result of this activity.

(ii) Life Cycle Assessment (LCA) analysis

The Secretariat informed the Committee that:

- A pre-project entitled "Methodological Development for Life Cycle analysis of Tropical Wood Products to Improve their Competitiveness in International Markets" [TMT-PA 007/11 Rev.1 (I)] which has been approved as a part of 2010-2011 BWP and funded under the Trade and Market Transparency Thematic Programme, as contained in the document ITTC(XLVII)/9.; and
- The pre-project has already been started in October 2011 with the objective of formulating a plan for analyzing the wood product emission rate and updating the emission methodology for tropical wood products.

The Secretariat also informed the Committees that:

- The Government of Malaysia submitted a project proposal entitled "Life Cycle Assessment-Based Initiative for Carbon Foot Print Reduction and Improved Utilization of Tropical Timber Products from Malaysia" under regular project cycle (Spring 2011); and
- The proposal was assigned Category 2 at the meeting of the 42nd Expert Panel held on 1-4 August 2011, as contained in the document ITTC(EP-42).

(viii) Draft ITTO Biennial Work Programme 2012-2013

The Committees noted the proposed activities for CFI in the Draft ITTO Biennial Work Programme 2012-2013 as contained in document ITTC(XLVII)/8 and agreed that these activities be submitted for the consideration of the Council at its current Session. Furthermore the Committees considered the activity proposed by the delegation of Malaysia and agreed that this activity, as contained in Appendix C, be submitted for the consideration of the Council at its current session for the inclusion in the Biennial Work Programme 2012-2013.

10. Review of Projects and Pre-projects in Progress

The Committees considered the Report of Projects and Pre-projects in Progress as contained in document CEM-CFI(XLV)/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

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|-----|--|--|
| 1. | PD 16/93 Rev.4 (M)
Phase IV, 2011 | Market Information Service for Tropical Timber and Timber Products, Phase IV, 2011 (Global) |
| 2. | PD 124/01 Rev.2 (M)
Phase III Stage 1 | Promotion of Sustainable Management of African Forests (Africa) |
| 3. | 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) |
| 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 406/06 Rev.1 (M) | Establishment of a National Forest and Timber Marketing Statistics System (Ecuador) |
| 6. | PD 443/07 Rev.1 (M) | Strengthening of the Forest Statistics and Information Center – CIEF (Honduras) |
| 7. | PD 449/07 Rev.2 (M) | Enhancing Forest Law Enforcement in Papua New Guinea |
| 8. | PD 479/07 Rev.2 (M) | Timbers of Tropical Africa Part 2: Group 7(2) within the PROTA Programme (Ghana) |
| 9. | PD 480/07 Rev.2 (M) | Demand and Supply of Tropical Wood Products in China Towards 2020 |
| 10. | PPD 14/00 (M) | Strengthening the Market Discussion (Global) |
| 11. | PPD 139/07 Rev.1 (M) | Strengthening of the National Forest Information System (Thailand) |

Committee on Forest Industry

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|----|--------------------------|---|
| 1. | PD 73/89 (M,F,I) | Assistance for Project Identification and Formulation (Global) |
| 2. | PD 39/93 Rev.4 (I) Ph II | The Development, Application and Evaluation of Biomass Energy through Briquetting, Gasification and Combustion of (Wood and Agricultural) Residues (Cameroon) |
| 3. | PD 13/99 Rev.2 (M,F,I) | ITTO Information Network and Project Support (Phase II) (Global) |
| 4. | PD 40/00 Rev.4 (I) | Utilization of Small-Diameter Logs from Sustainable Source for Bio-Composite Products (Indonesia) |
| 5. | PD 347/05 Rev.2 (I) | Promoting Access to the Forest Sector Activities by Gabonese Nationals through the Development of the SME Forest Partnership |
| 6. | 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) |
| 7. | PD 384/05 Rev.3 (I) | Testing Laboratory for the Development of Quality Standards for Mexican Primary and Processed Tropical Forest Products |
| 8. | PD 385/05 Rev.4 (I,F) | Industrialisation, Marketing and Sustainable Management of Ten Mexican Native Species |

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|-----|---------------------|--|
| 9. | PD 433/06 Rev.3 (I) | Sustainable Model for the Brazilian Wood Flooring Production Chain |
| 10. | 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) |
| 11. | PD 457/07 Rev.5 (I) | Operational Supportive System for Promoting the Further Processing of Timber in Five Countries of the Congo Basin (Gabon) |
| 12. | PD 506/08 Rev.1 (I) | Reviving Forestry Education in Liberia |
| 13. | PD 512/08 Rev.2 (I) | Industrial Utilisation and Marketing of Ten Potential Timber Species from Secondary and Residual Primary Forests (Peru) |
| 14. | PD 513/08 Rev.1 (I) | Enhancing the Capacity of the Wood Processing Sector to Improve Efficiency and Add Value in Guyana |
| 15. | 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 |
| 16. | PD 523/08 Rev.1 (I) | Operational Strategies for the Promotion of Efficient Utilization of Rubber Wood from Sustainable Sources in Indonesia |

(B) Projects and Pre-projects pending agreement

Committee on Economic Information and Market Intelligence

The Committees noted that there was no project or pre-project pending agreement.

Committee on Forest Industry

The Committees noted that there was no project or pre-project pending agreement.

(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)
Phase III Stage 2 | Promotion of Sustainable Management of African Forests (Africa) |
| 2. | PD 578/10 Rev.1 (M) | Implementation of a National Information System for the Sustainable Management of Forest Resources (Côte d'Ivoire) |
| 3. | PD 599/11 Rev.1 (M) | Development and Testing of National Forest Stock Monitoring System (FSMS) with Improved Governance Capabilities at all Levels of the Forest Administration (Philippines) |

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.3 (I) | Promoting Timber Preservation for Reducing Forest Resource Depletion in Indonesia |
| 3. | PD 522/08 Rev.3 (I) | Properties, Processing and Marketing of Teak Wood Products of Community Teak Plantations in Java and Eastern Indonesia |
| 4. | PD 540/09 Rev.2 (I) | Support to Improve the Productivity of the Peruvian Timber Industry for the Production of Higher Value-added Products |

5. 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
6. PD 600/11 Rev.1 (I) Model Capacity Building for Efficient and Sustainable Utilization of Bamboo Resources in Indonesia

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

Committee on Economic Information and Market Intelligence

PD 124/01 Rev.2 (M) Phase III Stage 1

Promotion of Sustainable Management of African Forests (Africa)

The Secretariat informed the Committees of the successful start-up of activities under Phase III Stage 1 of the project with a new coordinator in charge. The Committees were informed of the potential need to identify new regional support mechanisms for the project, given the apparent demise of the African Timber Organization. Donors' attention was also drawn to the need for funding of Phase III Stage 2 of the project in 2012 if continuity in implementation was to be maintained.

The delegation of Gabon informed that a ministerial meeting would be convened to discuss the future of the ATO and called on African members of ITTO to actively contribute to this process.

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)

The Secretariat informed the Committees of the request of the government of Gabon for a mid-term review of the project in 2011 and the results of that review which included recommendations for more commitment from the government of Gabon (ie less staff turnover, providing counterpart funding, etc), for integration of the outputs of this and earlier ITTO funded projects into the national forest statistical system and for remaining activities to be completed by the international consultant and national counterparts. The review recommended that a small follow-up project be formulated to facilitate the implementation of these recommendations.

During the course of the current session of the Council, the Secretariat met with the delegation of Gabon, including the Minister of Water and Forests. This meeting resulted in agreement that a small follow-up project would be developed for submission to the next call for proposals under ITTO's Trade and Market Transparency Thematic Programme. The project would be formulated by February 2012 following which a final steering committee meeting for PD 182/03 Rev.2 (M) would be held to finalize the new proposal. The completion and financial reports for PD 182/03 Rev.2 (M) would be submitted by the end of the first quarter 2012. The Minister of Water and Forests highlighted the importance of this work to his country and its contribution to his country's negotiations with the EU for a FLEGT voluntary partnership agreement. He hoped that the successful completion of this work could be presented at the Forty-ninth Session of the Council scheduled for 2013 in Libreville.

The delegate of Gabon thanked the donors (USA and the Bali Partnership Fund) for their support to the project so far and assured the Committee that his country would do its utmost to successfully conclude the project and comply with the recommendations of the mid-term review.

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

The Secretariat informed the Committee of the successful conclusion of the additional production survey of pulp, paper and panel industries carried out using remaining project funds following completion of most project activities in 2010. The report of the survey had been submitted at the end of October 2011 together with the supplementary financial statement accounting for the remaining funds not included in the audited financial statement submitted already in 2010. The Secretariat informed the Committees that both of these reports were satisfactory and available on request to members (English only). The Committee duly declared this project complete.

PD 443/07 Rev.1 (M)

Strengthening of the Forest Statistics and Information Center – CIEF (Honduras)

The Secretariat informed the Committees of the successful completion of this project which had developed a national forest information system and national forest statistics system for Honduras. The systems enabled all personnel in the Honduran government to share information on forest administration and linked five regional ICF offices to ICF headquarters in Tegucigalpa to facilitate the transmission of statistics and preparation of a forestry yearbook. The Secretariat reported that it had received the completion and final audited financial reports (in Spanish) of the project at the end of October, both of which had been evaluated and deemed satisfactory. The Committees duly declared the project complete.

The delegation of Honduras highlighted the contribution of the project towards improving forest management in the country. It thanked the Secretariat and Japan as the donor country for their support through a period of political upheaval in her country.

11. Election of Chairpersons and Vice-Chairpersons for 2012

Following the usual consultations undertaken by the producer and consumer groups, Mr. Rob Busink (the Netherlands) was elected Chairperson of the CEM and Mr. Moses D. Wogbeh, Sr. (Liberia) was elected Vice-chair for 2012. Dr. James Gasana (Switzerland) was elected Chairperson of the CFI and Dr. Ruth Turia (Papua New Guinea) was elected Vice-chair for 2012.

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

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

The Forty-seventh Session of the Committees would be held in conjunction with the Forty-ninth 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 2011:

Committee on Economic Information and Market Intelligence

PD 599/11 Rev.1 (M)	Development and Testing of National Forest Stock Monitoring System (FSMS) with Improved Governance Capabilities at all Levels of the Forest Administration (Philippines)[US\$497,930]
PD 620/11 Rev.1 (M)	Development and Implementation of a Species Identification and Timber Tracking System in Africa with DNA Fingerprints and Stable Isotopes (Germany)[US\$1,695,342]

Committee on Forest Industry

PD 520/08 Rev.3 (I)	Promoting Timber Preservation for Reducing Forest Resource Depletion in Indonesia [US\$454,518]
PD 522/08 Rev.3 (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.2 (I)	Support to Improve the Productivity of the Peruvian Timber Industry for the Production of Higher Value-added Products [US\$448,362]

PD 600/11 Rev.1 (I) Model Capacity Building for Efficient and Sustainable Utilization of Bamboo Resources in Indonesia
[Balance Funds: US\$287,095 out of Total Funds: US\$537,095]

- (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) Promotion of Sustainable Management of African Forests (Africa)
Phase III Stage 2 [Phase III Stage 2 - US\$944,144]

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

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]

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 - 2011 16 November 2011, La Antigua Guatemala, Guatemala

The theme of the 2011 Annual Market Discussion held on the 16th November 2011 was 'the crisis the impact and the recovery'. This theme was decided in 2010 with a view to presenting the Council with an assessment of the impact on the tropical timber trade of the 2008/9 financial crisis and analysis of lessons learned.

The financial crisis of 2008, which continued into 2009, the worst the world had seen since the 1933 Great Depression, had far reaching implications for the tropical timber industry. In 2010, the Trade Advisory Group (TAG) was optimistic that the worst impacts of the crisis were receding; trade was beginning to pick up and recovery was on the horizon. However, the resurgence of severe weakness in the US economy and the euro-zone debt crisis had suddenly pushed the memory of the financial crisis of 2008/9 into the background. Market Discussion speakers had to abandon the hoped for reporting on recovery; instead the Council heard their views and fears that the tropical timber trade was likely to face a further period of prolonged market stagnation.

However, even this newly emerging economic crisis was overshadowed by the human tragedy in Japan where, on March 11th this year the country experienced a devastating earthquake and tsunami. Dr. Akihiko Nemoto, Professor, Tottori University of Environment, Japan stunned the Council with his presentation on the scale of this disaster.

Five other speakers addressed the Council namely: André de Boer, Secretary General, European Timber Trade Federation, Brent J. McClendon, CAE, Executive Vice President, International Wood Products Association, USA; Luo XinJian, Assistant Director, Center For International Forest Products Trade, China State Forest Administration; R.T.Somaiya, President, Timber Importers Association of India Ltd. and Alhassan Attah, Executive Director, Timber Industry Development Division, Forestry Commission of Ghana.

The Lacey Act and the EUTR should increase demand for tropical wood products by providing the trade with a defined set of trading rules

Mr. André de Boer, Secretary General, European Timber Trade Federation briefly introduced the ETTF which represented the hardwood, softwood, panel products, flooring and timber merchants sectors in 12 key European importing countries that collectively account for 90 percent of EU imports of tropical timber. In his presentation he outlined the structural changes that took place in the timber trade and wood processing sectors in Europe.

Import data up to mid 2011 for sawnwood, plywood veneer, mouldings and joinery were all signalling depressed markets across the EU, reported Mr. de Boer. The only two markets which were expanding were those for biomass and the green building sector. Green building and reducing environmental impact initiatives were increasing the interest in timber reports Mr. de Boer.

On a positive note Mr. de Boer said that the recently amended Lacey Act and the coming into force of the EUTR should increase demand for tropical wood products through providing the trade with a defined set of trading rules. However, there were many issues to be resolved, said Mr. de Boer, one of which was ensuring that legality would be defined as compliance with legislation in the country of harvest.

Enterprises in China were not well informed on the Lacey Act or the EUTR and ITTO could assist with building effective communication channels

Ms. Luo pointed out that the Chinese economy had expanded continuously since the 1980's and when the 2008/9 crisis hit many thought the Chinese economy would be immune. However, this was not the case as China's economic growth depended on exports and investment and both fell sharply.

The response of the Chinese government to the slowdown in growth was to cut interest rates, implement fiscal stimulus measures and ease credit availability. Efforts to stimulate the economy were unquestionably successful as investment and GDP growth eventually resumed. However, the stimulus measures were being withdrawn and there was a marked slowing of the economy as a result of the current weakness in global markets.

Despite the stimulus measures, the impact on the timber sector was still severe, with half of the plywood enterprises closed, a fifth of the wood flooring firms faced closure and almost three quarters of the primary processing enterprises failed. Adding to the problem for Chinese manufacturers was the appreciation of the RMB. Of equal importance said Ms. Luo, was the rapid rise in labour costs in China, mainly as a result of new labour laws. In terms of challenges for the industry, Ms. Luo emphasised the weakness in the domestic and international markets and that many enterprises in China were not well informed of the requirements of either the Lacey Act or the EUTR. She called on ITTO to assist with building effective communication channels on changes in international trade regulations.

The strength of the domestic economy was shielding the Indian timber industry from the worst effect of the crisis

The strength of the Indian economy lied in domestic consumption said Mr. Somaiya in his presentation. In the face of the 2008/9 financial crisis and the slowing of world trade, the Indian government injected funds into domestic infrastructure. It was the strengthening of the domestic economy that encouraged record foreign investment which, in turn, resulted in a revival in domestic investors' confidence.

India's macroeconomic performance had only been undermined by unrelenting inflation. It was pointed out that the Bank of India had been raising interest rates for almost a year and a half but this had not been effective in curbing inflation and had actually undermined the housing market.

Despite the prospects for a period of slower growth, total demand for timber in India was estimated at 95 million cubic metres and was expected to rise to 120 million cubic metres by 2015 and to 150 million by 2020. Mr. Somaiya indicated that there was an acute shortage of wood products in India resulting in price increases and expanded imports.

In terms of the market for processed products, the future looked positive. As the economy expanded, personal incomes would rise and demand for household furniture would also increase. The newly created 25 satellite cities would be home to around 1 million people and this augured well for all wood working enterprises in India concluded Mr. Somaiya.

Across Africa the decline in international market demand resulted in a greater focus on domestic and regional timber markets

One of the main impacts of the 2008/9 global economic and financial crisis said Mr. Attah was the sharp decline in FDI to African countries (down 35% in 2009) and weak export demand. The decline in international market demand resulted in a greater focus on domestic and regional markets which were hardly affected by the financial crisis. For Ghana, the sustained demand for wood products in regional markets, notably Nigeria, cushioned the effect of weak demand in the traditional export markets.

The 2008/9 crisis had a significant impact on the Ghana timber sector. There was a marked reduction in private sector investment in plantations development, there were mill closures, particularly amongst the SMEs and there were consolidations and mergers amongst the larger companies. On the positive side, some cash rich companies took advantage to re-tool by purchasing equipment from overseas firms facing liquidation. However, the economic environment resulted in far less attention to training and R&D

Across Africa, there seemed to have been very little in the way of fiscal and economic stimulus measures to address the impact of the crisis, reported Mr. Attah. The South African government responded to the 2008/9 financial crisis through the easing of monetary policy and the implementation of a fiscal stimulus package. Some African countries relaxed their log export restrictions to improve cash flows in 2009 and the Bank of Ghana introduced some measures aimed at supporting infrastructural development.

While there was a modest recovery in trade in 2010, due to the European debt crisis and faltering USA economy, prospects for the future were very uncertain said Mr. Attah. It appeared that the trade would be living with reduced demand for tropical timber in the EU and the markets in India and China would have to be further cultivated to support continued demand for tropical timber.

The presentation concluded with recommendations for action by ITTO on developing domestic and regional markets, assistance on implementing the voluntary partnership agreements (VPAs) and continued support for the promotion of tropical timber. A call was also made to help develop the capacity in member countries for analysis of trade data and for the publishing of more market reports.

Tropical timber marketing problems in the US industry were common to other countries and stemmed from the industry's inability to deliver coherent consumer information

In the US, demand for all types of wood products plummeted during the 2008/9 financial crisis. As demand evaporated companies that had been struggling prior to the crisis buckled and the industry saw consolidation and bankruptcies at an unprecedented level. The US housing industry, along with the flooring, decking, mouldings and cabinet sectors, also came to a standstill and thousands of jobs were shed as companies struggled to stay afloat.

At the same time, pointed out Mr. McClendon, U.S. imports collapsed with wood product imports down more than 50% on levels in 2006. However, while the US market was weak it was not hopeless. New housing starts might be down compared to 2007 but there had since been some growth in starts. In addition, the home renovation market had revived allowing many businesses to expand. There were also growing opportunities in the green building market said Mr. McClendon.

Many of the marketing problems facing the US industry were common to other countries and stemmed from the wood industry's inability to deliver coherent consumer information. Consumers around the world had struggled to understand the idea that wood is an excellent green building choice – it is renewable, sustainable, and offsets carbon.

This prompted a call by Mr. McClendon for the entire industry to work harder to educate consumers on the benefits of tropical wood products through Life Cycle Assessments. What the industry needed said Mr. McClendon was the Council's support for Life Cycle Assessments to counter those of wood substitutes and alternatives.

In conclusion, Mr. McClendon said that while compliance with the Lacey Act in the United States and the EU Timber Regulation may pose challenges to industry, these instruments also offered the timber industry the means to counter the wildly inaccurate claims that logging around the world was illegal.

The Japanese timber industry in the disaster hit areas was being rebuilt but the March 11th disaster had left deep scars on the Japanese people

The opening images of the March 11 tsunami in Japan sweeping away whole communities shocked the Council into silence. Professor Nemoto described the impact of the gigantic earthquake which struck off the coast of the north east region of Japan. This magnitude 9.0 quake, one of the five most powerful earthquakes in the world since modern-record-keeping began, triggered powerful tsunami waves which reached heights of up to 40 metres. This earthquake had left deep scars on the Japanese people.

As hundreds of thousands of houses were reduced to rubble, piles of rubble had reached 23 million metric tons, of which 40 to 75% were considered wooden rubble, that can be used for panel and board products as well as for bio-energy purposes.

As far as forest related businesses were concerned, the earthquake and tsunami damage had been put at around US\$17 billion. A total of 112 processing factories were damaged, including 6 plywood factories which produced 1 million cubic metres a year or 30% of domestic plywood production. It had been estimated that around 5 million cubic metres of wood products would be required for restoration and rehabilitation of houses and buildings, including for the 60,000 temporary housing units which were needed immediately.

Media reporting from the disaster areas had subsided to such an extent that people outside the affected area were tending to forget the disaster. However, things were not finished at all. Looking at only the forest sector, some businesses might have recovered but the majority were still suffering. Many issues remained; decontamination was one major issue as was building new cities that would be safe from future tsunamis as all of Japan had known how deadly these could be.

Discussion

Statements from delegates and observers took up several points introduced by speakers. The delegate of Guatemala endorsed the statements made by several of the speakers that the small and medium sized industries (SMEs) constituted a large and important segment of the tropical timber industry.

These SMEs, said the delegate, were playing an important role in the domestic and international market in Guatemala but were generally poorly informed on issues of sustainable forest management and legality or on international trade developments.

The delegate recommended that addressing information flows to SMEs and capacity building for such industries should be better reflected in ITTO's work.

The Representative of the Tropical Forest Foundation said that his organisation was focussing mainly on delivering technologies and techniques for low impact logging. He said that, when looking at the complete supply chain, he had been surprised by how little understanding there had been of international trade issues, in particular of the various international trade regulations that were being introduced.

He expressed concern that if there was no concerted effort to inform and assist players in the tropical timber supply chain of these various requirements which had been introduced to provide for improved market access, these could instead become barriers to trade. This, he said, could undermine the considerable progress that had been made in improving tropical timber harvesting methods.

APPENDIX B

STATEMENT OF THE TRADE ADVISORY GROUP (T-A-G)

Ivan Tomaselli (STCP Brazil)

16 November 2011

Chairman,

Ladies and gentlemen,

This Trade Statement has been prepared by members of your Trade Advisory Group (TAG). As a trade group, the TAG comprises members of consumer and producer country tropical timber manufacturers, importers and exporters.

This afternoon we wish to draw the attention of Council to three main issues (1) Green Building Initiatives, (2) Technical Innovations, and (3) Market Access. For each we will offer possible solutions or proposals.

The TAG feels strongly that the tropical timber sector needs additional practical and tangible projects showing that the ITTC hears, understands and appreciates the hurdles facing industry, especially the small and medium-sized businesses (SMEs) that populate this sector. SMEs do not have the capacity or resources to unaided address the many issues confronting them and they benefit greatly from ITTO's assistance.

To help guide most of our comments for today we have grounded these in Article I – Objectives of the International Tropical Timber Agreement specifically which says:

“The objectives of the International Tropical Timber Agreement, 2006 are to promote the expansion and diversification of international trade in tropical timber from sustainably managed and legally harvested forests and to promote the sustainable management of tropical timber producing forests.”

So we come at today's discussion with very clear focus. How can we expand trade?

Point 1. Green Building Initiatives

In the current economic downturn in the major consuming markets of the USA and the EU, the 'green building' market is one sector which is showing some resilience and tropical timbers could penetrate this market with the right tools such as Life Cycle Assessments (LCA) which lead to Environmental Product Declarations (EPDs).

The Council funded ground breaking work on LCA, back in May 2003, when we had a detailed presentation on LCA and tropical timber in Panama.

In April 2008, in the very first international meeting after the UNFCCC Bali Roadmap was agreed, TAG made a statement in Yokohama on REDD and called for further work on LCA. In recent years the TAG has been consistently requesting for more work to be undertaken by ITTO on LCA and this bore fruit with the funding of a LCA project under the Thematic Programme in 2010. The results of this study are eagerly awaited.

Solution/ Proposal

Life Cycle Assessment/Environmental Product Declaration (or LCA/EPD) are crucial for future market access. We know the story of tropical hardwoods is unrivalled. Let us continue the work on LCA/EPD so that ITTO leads the way in developing this valuable marketing tool. A draft text for an activity on LCA/EPD has been prepared by the TAG and we certainly hope this will be submitted at an appropriate time.

Point 2. Technical Innovations

Despite all the R&D on tropical timbers done by ITTC and producing countries, the softwood industry still leads the way in technical innovations and they have been more successful than us in opening new markets. The tropical timber industry needs to emulate their successes, we need to match the pace of their innovations and promotion to penetrate new markets and enhance the acceptance of tropical timbers in wider markets.

ITTO member countries need to be aware of technical innovations in the timber sector and they need to be better informed of the market opportunities opening through the adoption of new technologies.

Solution/proposal

The TAG suggests that ITTO should maintain a user friendly database (or clearinghouse) of technical information developed by ITTO and make this available to members.

The TAG further suggests that ITTO could open this database to submissions from member countries and other trade organizations to enhance the technical research data available to trade (for example information on lesser known species, flame spread and structural/span table ratings for various species, etc...).

Point 3. Market Access

Council has been correctly focused on illegal logging for many years. The TAG agrees that illegal logging is an issue that must be dealt with in partnership. And much has been done in producing countries to advance this legality work.

The work being done in consuming countries, whether through the Lacey Act, the EUTR and FLEGT, provides an excellent opportunity for ITTO to support legality compliance initiatives in producer member countries.

Our barometer for the success of new regulations, new trade agreements, etc. is how do they advance the trade in legally and sustainably produced tropical wood products, how do they advance our contribution in job creation, how do they help in our efforts to protect the environment and support forest dependent communities. If we are not measuring and reporting on this success then we are missing the point.

Already we have examples from some of our trade group members where over-zealous governments have put in place such complex monitoring and control regulations that the legal trade is being seriously handicapped and unfortunately its competitiveness is undermined instead. For example, a TAG member in one producer country reported that the trade in tropical wood products from his country will drop by 40% simply because of over-regulation.

Solution/ Proposal

There is work being done by some active trade organisations to inform buyers and suppliers with regard to regulations such as the Lacey Act, EUTR and FLEGT. ITTO has a role in helping these organisations ensure the industry understands the ever-changing requirements.

ITTO developed the very first guidelines on tropical forest management some 20 years ago. ITTO could now provide guidance to members on due care by maintaining a web based clearinghouse on the variety of due care / due diligence processes that are being developed by various agencies. Here is an opportunity begging for the expertise and experience of ITTO.

Conclusion

Ladies and gentlemen, members of the Council, TAG was set up to advise you on current timber and trade developments.

For many years legality has been a key focus, which we welcome and support and this has resulted in considerable progress being made in member countries. We now see the issue is maturing as many observers and stakeholders realise that the main causes of deforestation and degradation is a change of land use, not commercial forestry.

As I come to the end of this statement I would say that some of the actions suggested by the TAG are already in or could be added to the Biennial Work Plan. We call upon the Council to consider, approve and fund activities and projects which we have shared today.

- Life Cycle Assessment/Environmental Product Declaration (or LCA/EPD) for a few tropical species and products.
- Clearinghouse of technical information developed by ITTO and member countries to enhance the technical research data available to trade.
- Web based clearinghouse on the variety of due care / due diligence processes that are being developed related to legality of globally traded wood products.

Thank you again for the opportunity to share with you our perspective on the critical issues facing our industry. We appreciate the great work of ITTO over the years and look forward to seeing continued advancement of international trade in tropical wood products as a result.

APPENDIX C

DEVELOPMENT OF ENVIRONMENTAL PRODUCT DECLARATION (EPD) FOR THREE TROPICAL WOOD PRODUCTS

I. Background

ITTO has previously conducted a thorough review of information on Life Cycle Analysis (LCA) of Tropical Timber Products [PPD 48/02 (M)], reported in 2004. Since the 2004 study by ITTO, the Organization has done very little work on the report's findings, specifically regarding "a co-ordinated effort to simulate further LCA work of direct relevance to tropical forests and products".

Environmental Product Declarations (EPD's) are gaining market momentum as a tool that defines socially and environmentally responsible construction materials. LCA ratings are significant factors in establishing EPD's (an EPD is defined in ISO 14025 as quantified environmental data based on the ISO 14040).

Tropical timber products are at a significant competitive disadvantage without transparent and complete LCA information. The defining of LCA ratings for tropical wood products will help ITTO producer countries meet the environmental, social and economic goals consistent with the ITTO's objective of enhancing international trade in legally harvested tropical timber from sustainably managed forests.

II. Description

The following proposal outlines a process for compiling EPD's through development of a Life Cycle Inventory database and comparative LCA reports for 3 products in line with ISO standards, including carbon footprint assessments for 3 products in line to the PAS2030 specification. The three products proposed for assessment namely: meranti plywood (SE Asia), ipe decking (Brazil) and khaya lumber (Ghana) represent a range of products and specifications from three geographic regions.

The outputs will fill critical gaps in the data for tropical wood products in the Life Cycle Inventory; increase acceptance and specification of tropical wood products as a green building material.

III. Expected Outputs

- a) Compile Life Cycle Inventory database.
- b) LCA reports for 3 products conducted in line with ISO standards.
- c) Assessment of the carbon footprint for 3 products in line with the PAS2050 methodology.
- d) EPD for each product.

IV. Target Countries	Global
V. Duration & Timing	24 Months
VI. Budget	US\$180,000

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