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FORTY-FOURTH SESSION  
3-8 November 2008  
Yokohama, Japan

**DECISION 10(XLIV)**

**THEMATIC PROGRAMME PROFILES**

The International Tropical Timber Council,

Recalling Decision 9(XLIV) on Thematic Programmes on a Pilot Basis: Operational Procedures and Guidelines and Decision 8(XLIV) on Thematic Programme Sub-Account under the Special Account;

Decides to:

1. Approve the Thematic Programme Profiles contained in Annex 1 of this decision for the following thematic areas:
  - a. Forest Law Enforcement, Governance and Trade
  - b. Reducing Deforestation and Forest Degradation and Enhancing Environmental Services in Tropical Forests
  - c. Community Forest Management and Enterprises
  - d. Trade and Market Transparency
  - e. Industry Development and Efficiency;
2. Request the Executive Director to:
  - a. Develop Thematic Programme Documents for 1(a) and 1(b) consistent with the procedures and guidelines set forth in Decision 9(XLIV) and seek additional donor financing for their full implementation; and
  - b. Circulate completed Thematic Programme Documents to Members and invite Members to submit proposals for activities/pre-projects/projects based on the documents;
3. Also request the Executive Director to utilize the relevant profiles in Annex 1 to seek donor financing for 1(c), 1(d) and 1(e), and, where there is sufficient donor interest, to develop Thematic Programme Documents consistent with the procedures and guidelines set forth in Decision 9(XLIV); and
4. Further request the Executive Director to report progress on 2 and 3 above at the 45th Session of the Council.

## ANNEX 1

THEMATIC PROGRAMME ON  
FOREST LAW ENFORCEMENT, GOVERNANCE AND TRADEProgramme Profile**RATIONALE AND CONTEXT**

Illegal activities in the forest sector continue to add to the degradation of forests and undermine the contribution of the forest sector to employment generation and social and economic development and poverty alleviation. An unknown volume of timber is illegally felled, processed and traded. Forest operations conducted outside the law may under-value the resource on which they are based, resulting in the degradation of the resource and a lack of optimal socioeconomic benefits for local people. Several factors contribute to the occurrence of illegal timber harvesting, such as an ineffective policy and legal framework, a lack of enforcement capacity, insufficient data about the forest resource and illegal operations, and a high demand for cheap timber. Cooperation between producer and consumer countries is needed.

The International Tropical Timber Agreement (ITTA), negotiated in 2006, includes commitments to: strengthening the capacity of members to improve forest law enforcement and governance and address related trade in tropical timber; improving the marketing and distribution of tropical timber and timber product exports from sustainably managed and legally harvested sources; contributing to sustainable development and poverty alleviation; and recognizing the role of forest-dependent indigenous and local communities in achieving sustainable forest management and developing strategies to enhance the capacity of these communities to sustainably manage timber-producing forests.

In 2007 the Council approved a pilot of the TFLET Thematic Programme. The objectives of that pilot, as well as the projects and activities under implementation, will be integrated into the Thematic Programmes to be developed under this profile, taking into account the administrative arrangements put in place for the existing programme.

**GENERAL OBJECTIVE**

The general objective of the Thematic Programme is to improve national forest law enforcement and governance in tropical ITTO member countries in order to enhance and diversify international trade in tropical timber from sustainably managed forests and to help alleviate poverty in those countries.

**PROGRAMME STRATEGY**

The strategy to reach the objective contains several elements: (i) respond to the needs of producer members and local communities to improve forest governance; (ii) enhance the transparency and effective management of supply chains; and (iii) public-private partnerships between governments, the private sector, Civil Society Organizations and local communities are enhanced to create strong networks to discourage illegal forest activities.

**ANTICIPATED OUTPUTS/OUTCOMES**

- Enhanced capacity of forest-dependent and local communities to improve governance and sustainably manage their forests in order to alleviate their poverty;
- Enhanced capacity of small and medium-sized enterprises in harvesting, processing and handling timber from legally and sustainably managed sources;
- Increased market opportunities for legally and sustainably produced timber from tropical forests by supporting business-to-business initiatives;
- Enhanced capacity of trade associations and civil-society organizations, in particular those representing local groups and workers in the forest sector, to be involved and actively participate in the development and implementation of policies and programmes on tropical forest management and timber trade;

- Policies and programmes to improve forest law enforcement and governance, contributing to the implementation of international objectives as agreed in the ITTA, UNFF, FAO, CITES, CBD and UNFCCC, as well as relevant partnership arrangements;
- Information exchange among stakeholders as well as the identification of commonalities and horizontal elements in policies and programmes to improve forest law enforcement and governance; and
- Better enforcement of forest laws and regulations through chain of custody and tracking and tracing systems such as fingerprinting methods and improved verification and monitoring procedures.

The approach to be taken in this proposed Thematic Programme will complement ITTO's work on policy and transparency by intensifying its work with government, private-sector and civil-society actors. The programme will encourage and facilitate partnerships between government agencies, civil-society organizations and private companies to, on the one hand, increase the involvement of local communities in forest management, production and benefit-sharing and, on the other, improve market access for forest products.

### POTENTIAL PARTNERS AND COLLABORATING AGENCIES

The Thematic Programme will enhance public-private partnerships between relevant stakeholders, including governments, the private sector and civil-society organizations, taking into account the specific concerns and needs of local and indigenous communities depending heavily on the conservation and sustainable use of tropical forest resources as well as the sustainable use of timber and non-timber forest products.

The main actors in the forest sector are national government forestry agencies, national government forest law enforcement agencies, national-level civil-society, and private-sector organizations, companies, local cooperatives and community administrations, and small and medium-sized forest enterprises.

The intermediary beneficiaries are a diverse group of national-level and local organizations. The primary target group comprises national governments. The secondary target groups are the trade associations and civil-society organizations, the private sector and research institutions. The ultimate target groups are the producers and the end-users. The programme will be demand-driven and flexible, so that potential beneficiaries can, in consultation with ITTO and other stakeholders, determine the exact nature of the activities they undertake through the programme.

### INDICATIVE BUDGET

The total indicative budget of the Thematic Programme is US\$15 million, of which US\$12 million would be for country-level activities and US\$3 million for regional and international-level activities.

TFLET pilot phase already pledged	US\$ 4,800,000
Balance	US\$ 10,200,000
<b>TOTAL</b>	<b>US\$ 15,000,000</b>

### POTENTIAL DONORS

The governments of the Netherlands, Japan, Switzerland, USA, Australia, New Zealand, Finland, Norway and Korea have already pledged contributions to the thematic programme pilot phase totalling US\$4.8 million.

THEMATIC PROGRAMME ON  
REDUCING DEFORESTATION AND FOREST DEGRADATION AND  
ENHANCING ENVIRONMENTAL SERVICES IN TROPICAL FORESTS

Programme Profile

## RATIONALE

Tropical forests play a vital role in sustaining a large proportion of the world's biodiversity, maintaining land-use options and water resources, contributing to the carbon cycle and providing other key services to forest-dependent people. The ITTA, 2006, commits ITTO to promoting a '*better understanding of the contribution of ... environmental services to the sustainable management of tropical forests with the aim of enhancing the capacity of members to develop strategies to strengthen such contributions in the context of sustainable forest management...*'.

Tropical forests provide an important service by protecting watersheds that supply forest-dwelling and urban communities with high-quality water. Some ITTO member countries have developed payment schemes for environmental services related to watershed management, which could inform similar initiatives in other tropical countries. Tropical forests are also of enormous importance for the conservation of biodiversity. They contain more species than other biomes and a high proportion of these species are threatened. Services such as these and others, including carbon storage and disaster prevention, may be achieved simultaneously through sustainable forest management.

Deforestation and forest degradation in tropical forests have reduced the quality of many forest environmental services. Often, poorly implemented timber harvesting has damaged remaining trees and caused soil erosion and compaction, while the conversion of forests to other land uses has also led to the loss or degradation of many services. The introduction or strengthening of sustainable forest management, forest restoration, afforestation and reforestation in such areas can play an important role in restoring environmental services and reducing emissions from deforestation and forest degradation. ITTO has a long track record of working with member countries and partners to promote such activities through field projects and capacity-building.

## GENERAL OBJECTIVE

The general objective of the Thematic Programme is to help improve livelihoods by reducing deforestation and forest degradation and enhancing environmental services through the sustainable management of tropical forests, forest restoration, afforestation, reforestation and other related activities.

## PROGRAMME STRATEGY

The Thematic Programme would focus primarily on four strategic areas:

### I. Assessment and diagnosis

The quality of planning for forest-related interventions depends on the availability and accuracy of data and information related to the state of and threats to forest resources. Activities to be supported in this area could include:

- Forest cover and forest resources assessment, monitoring and verification systems
- Pilot multi-purpose forest inventories
- Estimation of forest carbon stocks, including emissions from deforestation and forest degradation based on already existing tools for this purpose
- Assessment of policy, legal and institutional frameworks to promote biodiversity conservation, carbon storage, watershed conservation and other environmental services through sustainable forest management
- Land and forest tenure assessments
- Capacity-building, institutional strengthening, training and outreach.

### II. Enabling conditions and capacity-building

Activities here would be aimed at establishing enabling policy, legal and institutional frameworks and governance related to environmental services and the reduction of emissions from deforestation and degradation, including by strengthening tenure security and resource access. They would be grouped under four headings: Formulation/enhancement of national forest policies, including legislation; Training; and Proposal formulation.

### III. Demonstration activities

The Programme would facilitate demonstration projects on sustainable forest management, forest restoration, reforestation and afforestation to help realize the benefits of environmental services, including in local communities.

### IV. Scaling up and dissemination

Programme support would be provided for activities dedicated to the replication and scaling up of successful demonstration projects related to environmental services schemes in tropical forests. The Programme would also provide support for sharing information and lessons learned locally, nationally and internationally.

In all four areas, ITTO would undertake complementary cross-cutting actions to facilitate the implementation of the Programme in an integrated manner.

## ANTICIPATED OUTPUTS/OUTCOMES

The intended outcomes of the Thematic Programme are: (i) Increased area of forest under sustainable management, and reduced deforestation and forest degradation in tropical timber producing forests; (ii) Improved capacities to develop and implement feasible policy options and incentives mechanisms to promote environmental services through sustainable forest management; (iii) Improved livelihoods for forest dwellers and other stakeholders directly involved in the supply of environmental services through the sustainable management of tropical forests; (iv) Improved practices to promote and stimulate community involvement in the supply of environmental services from the sustainable management of tropical forests, and their wide dissemination; and (v) Improved resilience of tropical forest ecosystems and forest-dependent communities.

## POTENTIAL PARTNERS/COLLABORATING AGENCIES

The Programme would be implemented in close cooperation with ITTO's Civil Society Advisory Group and Trade Advisory Group and relevant international, regional and national organizations and bodies, including the UN-REDD Fund, the World Bank's Forest Carbon Partnership Facility and the planned Forest Investment Program.

## INDICATIVE BUDGET AND TIMEFRAME

An indicative three-year budget that would result in significant improvements in the three tropical regions would be US\$18 million.

Pledged	US\$ 3,500,000
Balance	US\$ 14,500,000
<b>TOTAL</b>	<b>US\$ 18,000,000</b>

## POTENTIAL DONORS

The Government of Norway has made an initial pledge of US\$ 3,500,000. The Governments of Japan, Switzerland and U.S.A. have indicated their intention to contribute to this Thematic Programme.

## THEMATIC PROGRAMME ON COMMUNITY FOREST MANAGEMENT AND ENTERPRISES

### Programme Profile

#### **RATIONALE**

Forests are important resources for the rural poor, with over 800 million people living in forests and woodlands in the tropics. In addition to their contributions to livelihoods by providing a subsistence safety net, tropical forests are also a source of income and employment, a capital asset, and, by providing natural medicines, an alternative health care system. Indigenous groups and communities own or manage about 20% of forests in developing countries, and this percentage is growing. Such communities, however, often face challenges in managing their forests sustainably and in obtaining tangible benefits from their efforts. In many cases, the forest areas for which they assume rights are degraded and, without investments in rehabilitation, have limited development potential. In many tropical forests, most income for communities is derived from the collection and commercialization of non-timber forest products (NTFPs) rather than from timber production.

Many community-based forest enterprises (CFEs) are involved in the harvesting and management of forests and the processing of timber and NTFPs. They are typically small, operate informally, and depend on national and niche export markets and they rarely form part of organized commercial supply chains. Only a few have developed into medium-sized industrial enterprises, and their capacity to add value is generally low. Regulations may unintentionally act as barriers to community access to forests, capital and markets and may also unduly raise the costs of CFEs. Weak governance and inequitable sharing of benefits can be additional challenges. National policies may not recognize the economic potential of community forestry and broader social, cultural and other objectives which are important for CFEs.

One of the constraints to the development of forest communities, smallholders and their enterprises can be their limited managerial and technical capacity. Building the capacity of communities to plan, utilize, monitor and manage their forest resources is critical to reducing their vulnerability to external pressures. CFEs face particular challenges in meeting the demanding and complex market requirements for their products. On the other hand, many new opportunities are emerging – e.g. growing national and regional markets for forest products, community/smallholder-corporate partnerships, and high-value market niches in developed countries which appreciate the social value of community products – but external support is necessary to make effective use of these. With adequate support, community-based management and business models could often provide local solutions for the sustainable management and utilization of forests.

#### **GENERAL OBJECTIVE**

The general objective of the Thematic Programme is to contribute to poverty reduction in tropical forest areas by: (i) strengthening the ability of forest communities and smallholders to sustainably manage their tropical forest resources; and (ii) assisting CFEs to add value to and market the products and services obtained from these resources.

#### **PROGRAMME STRATEGY**

At the community level the Programme would support CFEs to develop and implement approaches with high employment and revenue creation potential and economic feasibility. These would be targeted at improving forest management and the production of timber, timber products and NTFPs to supply local industry or domestic and export markets. Programme interventions would aim at strengthening organizational, managerial and technical skills and the business development of CFEs, smallholders and their organizations. The programme strategy would focus on participatory planning and implementation where communities define their own needs and priorities. Implementation would involve the piloting, demonstration and mainstreaming of successful approaches and models for creating financially and economically viable, socially and culturally adapted CFEs.

At the country level, activities would include, inter alia, the strengthening of the policy, legal and institutional frameworks for CFE development, training, increasing CFE access to capital and markets, the strengthening of community-based organizations, associations and networks, the strengthening of local governance models, the development of tools for implementing community forest management, and improving the efficiency of CFEs.

At the regional and international levels, activities would include, inter alia, providing support to knowledge management and the sharing of country experiences, and partnership-building with interested national, regional and international bodies. To avoid duplication, the Programme would rely heavily on existing knowledge and accumulated experience.

#### **ANTICIPATED OUTPUTS/OUTCOMES**

The intended outcomes of the Thematic Programme would be: (i) improved knowledge and skills in implementing sustainable forest management among communities, smallholders and their organizations; (ii) improved access by CFEs to capital and technology, and strengthened marketing capacities; (iii) increased value added of CFE production; (iv) strengthened organizations of communities and smallholders; and (v) enabling policy and legal frameworks at the country level to implement community forest management.

#### **POTENTIAL PARTNERS/COLLABORATING AGENCIES**

The Programme would be implemented in close cooperation with ITTO's Civil Society Advisory Group and Trade Advisory Group, and relevant international, regional and national organizations and bodies.

#### **INDICATIVE BUDGET AND TIMEFRAME**

An indicative three-year budget of the Thematic Programme that would result in significant improvements in the three tropical regions is US\$10 million, most of which would be for community-level pilot projects and other country-level activities.

#### **POTENTIAL DONORS**

## THEMATIC PROGRAMME ON TRADE AND MARKET TRANSPARENCY

### Programme Profile

#### **RATIONALE**

International tropical timber markets are undergoing structural changes in the face of changing global demand and supply patterns and market requirements. Transparency is essential for promoting international trade in timber and other products from sustainably managed and legally harvested tropical forests. Improvements in market transparency that need to be addressed include assessments of future demand and supply, the description of value chains for tropical timber products, end uses, characteristics of markets (including domestic markets in tropical regions), and factors influencing market conditions and the competitiveness of tropical timber producers. Enhanced market information on non-timber forest products (NTFPs) and a better knowledge of international market opportunities would help the development of forest-based small and medium-sized enterprises (SMFEs), which dominate the NTFP sector. Other specific information gaps include markets for lesser-used species and new plantation timbers.

Public and private timber procurement policies and emerging regulations designed to promote trade in legally produced timber and timber products represent new challenges, especially for tropical timber exporters. Non-tariff barriers and tariff escalation, technical, health and sanitary standards and product specifications in major import markets are also evolving and influencing market requirements for timber and timber products. There is a need to monitor these developments and to support tropical timber producing countries in meeting the challenges they pose. Consumption and trade can be encouraged by communicating the environmental credentials of tropical timber and timber products to buyers, consumers and other stakeholders.

The lack of adequate information makes it difficult to improve national policy and regulatory frameworks and thereby to promote trade in timber and other products from tropical forests. Many ITTO producer member countries will benefit from strengthening information systems concerning the forestry sector and domestic and export markets for forest products.

#### **GENERAL OBJECTIVES**

The general objectives of this Thematic Programme would be to: (i) increase the capacity of producer member countries to develop and employ market intelligence and marketing skills; and (ii) improve market transparency through improved data and analysis.

#### **PROGRAMME STRATEGY**

The Thematic Programme would operate at two levels: (i) the country level, to build capacities to monitor existing markets and develop new markets for products derived from tropical forests and to promote the trade in tropical timber from sustainably managed and legally harvested sources; and (ii) at the regional/international level, to improve market transparency and share experiences on trade and trade promotion.

Activities could include support for:

- the development of market information systems and training on statistical and economic information, market intelligence and marketing for all forest products and services;
- studies and exchanges on:
  - domestic, regional and international market opportunities,
  - substitution and competitiveness in relation to competing materials and non-tropical timber and non-timber products,
  - factors which influence the markets for and competitiveness of tropical timber and timber products and NTFPs,
  - systems for forest certification,
  - procurement and other relevant policies,
  - export/import procedures
  - timber-related technical, safety, health and environmental standards and regulations;



- the development of product standards, grading rules and quality control systems for tropical timber products and NTFPs;
- strengthening the capacity of and cooperation among customs authorities; and
- the improvement of communication on the environmental credentials of tropical timber and timber products.

#### **ANTICIPATED OUTPUTS/OUTCOMES**

The intended outcomes of the Thematic Programme would be: (i) improved market transparency for tropical timber and timber products and NTFPs; (ii) strengthened country capacity in market intelligence, information systems and trade promotion; and (iii) improved market conditions that promote trade in tropical timber and timber products and NTFPs.

#### **POTENTIAL PARTNERS/COLLABORATING AGENCIES**

The Thematic Programme would be implemented in close cooperation with ITTO's Trade Advisory Group and Civil Society Advisory Group, relevant international and regional organizations, national timber trade associations and civil-society organizations.

#### **INDICATIVE BUDGET AND TIMEFRAME**

An indicative three-year budget for this Thematic Programme that would result in significant improvements in the three tropical regions would be US\$5 million, most of which would be for country-level activities and the remainder for regional/international level activities.

#### **POTENTIAL DONORS**

THEMATIC PROGRAMME ON  
INDUSTRY DEVELOPMENT AND EFFICIENCY

Programme Profile

**RATIONALE**

Tropical forest industries create value from the use of forest resources and can contribute to their sustainable management. The potential for revenue and employment can be increased by, for example, expanding production and exports of further-processed products. At the same time, where local processing capacities exceed the sustainable timber production potential of forests, unsustainable and illegal activities can occur. National legal and policy frameworks must consider the need for long-term sustainable industrial development.

Examples of problems in forest industries include structural deficiencies and managerial weaknesses. The latter is particularly common in small and medium-sized forest enterprises (SMFEs). Management systems in SMFEs may be inadequate for the effective planning and control of operations, posing difficulties for effective supply-chain management and product tracking. These enterprises may not have sufficient capacity to apply modern technology and management methods, which may be a barrier to integration with established supply chains. Access to financing (particularly for SMFEs) is often identified as an important constraint to sustainable tropical forest industry development. The situation is characterized as a vicious circle in which low profitability results in a lack of sufficient funds for the renewal of capital equipment, which further inhibits the profitability of the enterprise.

There are several underutilized opportunities for tropical forest resource-based industrial development, including growing product demand in emerging markets, new markets for secondary processed wood products, the expanded use of lesser-used species, new product and process innovations, and the commercialization of forest-based services. Many tropical countries need external support in order to make use of these opportunities with a view to increasing employment and revenue generation, thereby contributing to poverty reduction.

**GENERAL OBJECTIVE**

The general objective of this Thematic Programme would be to strengthen the capacity of tropical timber-producing countries to: (i) increase the production, further processing and trade of tropical timber and other forest products and services from sustainably managed and legally harvested forests; and (ii) improve efficiency in the processing and utilization of tropical timber and timber products and non-timber forest products (NTFPs).

**PROGRAMME STRATEGY**

The Thematic Programme would operate at three levels with the aim of enhancing sustainable forest industry development in ITTO producer member countries, with a particular emphasis on SMFEs.

At the enterprise level, the Programme would demonstrate and disseminate innovative approaches and technologies, support business development, and strengthen management and technical skills along the whole value chain in order to improve efficiency and value adding.

At the country level, the Programme would support the mainstreaming of innovations, improving policy and legal frameworks, the promotion of investment, and the strengthening of those institutions that serve industrial development.

At the regional/international level, the Programme would support the sharing of experiences, technology transfer and partnership-building.

Activities could be implemented through research and development, technology transfer and international cooperation. These could include:  
support for industrial planning, investment promotion, business development and risk management; improved concession management;  
development of efficient harvesting and processing technologies; the utilization of wood residues and wood wastes; the development of sustainable wood-based bioenergy production; the organization of commercial supply chains and producer networks and the strengthening of relevant stakeholder associations; and the

improvement of managerial and technical skills in SMFEs through capacity-building, institutional strengthening, training and networking.

**ANTICIPATED OUTPUTS/OUTCOMES**

The intended outcomes of the Thematic Programme would be: (i) the increased supply and trade of forest industry products and services with higher value added; (ii) improved efficiency in the harvesting and processing of timber and NTFPs; (iii) reduced emissions from industrial operations; (iv) improved policies to promote investment, facilitate the development and transfer of technology; and (v) improved management capacity, particularly in SMFEs.

**POTENTIAL PARTNERS/COLLABORATING AGENCIES**

The Programme would be implemented in close cooperation with the ITTO Trade Advisory Group and Civil Society Advisory Group, relevant international and regional bodies, and national industry and trade associations.

**INDICATIVE BUDGET AND TIMEFRAME**

An indicative three-year budget for the Thematic Programme that would result in significant improvements in the three tropical regions is US\$10 million, most of which would be for pilot projects and other country-level activities, supported by relevant regional and international-level activities.

**POTENTIAL DONORS**

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