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## REPORT OF PROJECTS AND PRE-PROJECTS IN PROGRESS

### ECONOMICS, STATISTICS AND MARKETS

#### [A] Projects and Pre-Projects under Implementation

1. PD 124/01 Rev.4 (M) Promotion of Sustainable Management of African Forests (ITTO/ATO)  
Phase III Stage 2

Budget and Sources of Funding:

Total Budget:	US\$	600,000
Government of Japan:	US\$	600,000

Executing Agency: ITTO

Approved: Forty-eighth Council Session (Yokohama, 2012)

Financed: Forty-ninth Council Session (Libreville, 2013)

Starting Date: May 2014

Duration: Planned: 18 months (Phase III, Stage 2); extended to 22 months  
To date: 16 months

This project was formulated to assist African member countries of ITTO (who were also all members of the former African Timber Organization, ATO) with the application of the ATO/ITTO harmonized PCIs (Principles, Criteria and Indicators) for the sustainable management of African tropical forests. It required considerable capacity building both in member African countries and within ATO, prior to ATO's cessation of activity in 2011. The project has been divided into 3 phases and each phase into stages for facilitating the mobilization of financing, as follows:

- Phase I: Capacity building at the regional and national levels in member countries, establishment of National Multi-stakeholder Forums and development of national PCIs (43 months, Stages 1 and 2 completed);
- Phase II: Capacity building in other member countries, establishment of National Multi-stakeholder Forums and development of national PCIs in nearly all countries (35 months, Stages 1 and 2 completed);
- Phase III: Capacity building in member countries, development of national PCIs in selected countries and effective use of tools developed during previous Phases for SFM evaluation/auditing/certification in countries (52 months, Stage 1 completed, Stage 2 on-going, Stage 3 pending financing).

The project objectives are as follows:

Development objective:

Promote the sustainable management of African forests through the application and implementation of the ATO/ITTO PCIs with the support and participation of all stakeholder groups.

Specific Objectives:

1. Establish key elements of the adequate capacity to implement the ATO/ITTO PCIs at the national level in the African member countries of ITTO;
2. Establish key elements of the adequate capacity for effective regional-level cooperation through the ATO to support individual member countries to implement ATO/ITTO PCIs.

Following the report on the successful completion of Phase III, Stage 1 at the Forty-seventh Committee Session and subsequent announcement of full funding for Phase III, Stage 2 by the Government of Japan, an agreement to facilitate implementation and oversight of the project was signed with the ITTO Regional Officer for Africa and the project coordinator in early 2014. The first installment of project funds was disbursed in June 2014 following the receipt of funds from the donor. Activities undertaken during 2014-15 include:

- Renewal of the contract of the project coordinator and support staff (secretary/accountant).
- A mission to new members Benin and Mali was undertaken by the project coordinator to plan project activities in these countries.
  - In Benin, project activities were launched through a multi-stakeholder training workshop on national PCI. The GNTDD (National Working Group on SFM) was already in place in the country and had been used as the backbone of the process of development of the national PCI for plantations and natural forests which were finalized in December 2014. Training on undertaking audits using the PCI has been provided and work is proceeding on audits of selected concessions in the country.
  - In Mali, a multi-stakeholder workshop was organized to launch project activities in the country. The workshop established the National PCI Working Group of Mali which is in charge of the development of the national PCI for SFM. A draft national C&I set has been formulated and was undergoing a public consultation process in August 2015 when this report was prepared; field tests and finalization of the document will be completed by October 2015.
- Togo completed draft PCI with assistance from the project in August 2015. Following public consultation, field tests and finalization of the PCI will be undertaken by October 2015.
- The project coordinator assisted the Gabonese government in the audit of 2 forest concessions. A workshop to present the results of these audits took place in September 2014 in collaboration with the local office of WWF.
- The project coordinator also travelled to Congo, Ghana, Nigeria and Togo to organize training sessions on audits using national PCI based on the ATO/ITTO PCI. All of these countries were carrying out audits of selected forest concessions using the PCI in 2015.
- The project coordinator participated in a regional workshop on strengthening the role and use of C&I held in Cameroon in May, 2015.

Project activities are on track and activities will continue in the above countries and others over the next 6 months to ensure successful completion of Phase 3, Stage 2 of the project. The complete progress report submitted by the project coordinator is available on request from the Secretariat (French only). A revised work plan and budget for the final stage (Phase III, Stage 3) of this long-running project were expected to be approved through the on-line no-objection procedure in September 2015; note that China has already pledged US\$100,000 in August 2014 for Stage 3 (see section C, item 1 of this document). The Project Steering Committee is scheduled to meet in Libreville in December 2015.

## 2. PD 449/07 Rev.2 (M) Enhancing Forest Law Enforcement in Papua New Guinea

### Budget and Sources of Funding:

Total Budget:	US\$	739,040
Government of Japan:	US\$	350,040
Government of Australia:	US\$	50,000
Japan Lumber Importers' Association:	US\$	50,000
Government of USA:	US\$	23,000
Government of PNG:	US\$	222,000
PNG Industry Association:	US\$	44,000

Executing Agency: Papua New Guinea Forestry Authority (PNGFA)

Approved and Financed: Forty-third Council Session (Yokohama, 2007)

Starting Date: August 2010

Duration: Planned: 24 months  
To date: 61 months

The project is aimed at increasing the contribution of the forest sector to PNG's national economy through enhanced market access and higher foreign exchange remittances, as well as further improving the sector's forest management practices by enhancing forest law enforcement and governance.

The project was approved and funded at the Forty-third Session of ITTC in November 2007 and the project agreement was signed in May 2008. Following the signing of the project agreement and the approval of project inception report incorporating the first Yearly Plan of Operation (YPO1), the first installment of ITTO funds for the project were disbursed to the Executing Agency in December 2009. However, the early stage of the implementation of the project suffered substantial delay due to problems related to the recruitment of project staff and consultants. Eventually, actual implementation began in August 2010.

To date, progress towards the achievement of outputs is as follows:

- Meetings of the Project Coordinating Committee were held in the Forestry Authority and field trips were made to inspect project sites of the Cloudy Bay forest operations and work proceeded in the preparation of the tracking system software as well as liaison with stakeholders;
- The stakeholder consultation tools, techniques and milestones have been finalized with PNGFA counterparts for inclusion in the detailed Project Implementation Plan and the Roles & Responsibilities Matrix;
- The design of a database to capture timber products flow information has been completed;
- The software to be used for the system under development was prepared to a beta stage. Field visits were carried out to test the prototype software with the two partner companies, Cloud Bay Sustainable Forestry Ltd, and Stetten Bay Logging Company Ltd;
- The field trials of the software assisted greatly and several enhancements were identified. Subsequent to the field trials, the software was further developed to a pre-release version;
- User Acceptance Testing (UAT) was carried out on the pre-release version of the software. This was done by SGS, PNG FA, CBSF, and SBLC staff. The UAT was carried out on PDA units and also on web versions of the software;
- Feedback from the UAT was sent to Helveta Ltd to assist in the refinement of the pre-release software. A final version of the software was developed and manuals prepared for release during the training period in September 2011;
- The initial stakeholder consultations were also undertaken leading to the preparation of a Findings Report. This document provided a sound basis for the drafting of the PNG Timber Legality Standard, Industry Code-of-Conduct and Stakeholder Monitoring Module;
- The software system developed was implemented for testing purposes at the two test sites, Cloud Bay Sustainable Forestry Ltd, and Stetten Bay Logging Company Ltd;
- Field visits were carried out to assist in training and testing the users of the system;
- A number of implementation problems were resolved through field visits, with users gaining more experience in the use of the system;
- Staff at the PNGFA were trained in the use of the new system for royalty assessment approval;

- The users identified a number of issues which would require resolution in a full implementation of the system;
- The PDAs used in the pilot have shown some problems in field use, with users on occasion managing to delete the software. A full implementation would require the software to be better protected from accidental deletion;
- The initial scoping and framework setting activities have been completed in consultation with a reasonable cross-section of registered stakeholders through the scoping questionnaire, draft framework documents and national workshop;
- The research findings have led to the preparation of the 1st draft Timber Legality Standard, Industry Code-of-Conduct and Stakeholder Monitoring Module for Project Steering Committee feed-back, prior to wider circulation and field testing.

This project has experienced considerable delay in implementation due to the replacement of project personnel and in the preparation of the completion report, final financial audit and technical reports. The Executing Agency has finalized and submitted the project completion report and the technical reports, but the final financial audit report is still pending. In the event that the final financial audit report is submitted and deemed satisfactory prior to its Forty-ninth Session, the Committee may wish to declare this project completed. In the event the final audit is not submitted or is not satisfactory, the representative of PNG will be requested to provide an explanation to the Committee for the non-submission of this report. Given the severe delay to date, the Committee may in this case wish to recommend that the project be terminated without a (satisfactory) audit and that this should be noted when considering any future projects submitted by the Executing Agency.

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 (The Philippines)

Budget and Sources of Funding:

Total Budget:	US\$	788,043
Government of Japan:	US\$	392,930
Government of Australia:	US\$	60,000
Government of USA:	US\$	25,000
Government of Korea:	US\$	20,000
Government of the Philippines:	US\$	290,113

Executing Agency: Philippines Forest Management Bureau (FMB)

Approved: Spring Project Cycle, May 2011

Financed: Forty-seventh Council Session (La Antigua, 2011)

Starting Date: May 2013

Duration: Planned: 18 months (extended to 36 months)  
To date: 28 months

The project is aimed at improving forest governance, institutional law enforcement capacity, stakeholder coordination and forest sector competitiveness through improved data management in the Philippines. Its specific objective is to develop and test an integrated, real-time, multi-tiered, online national Forest Stock Monitoring System (FSMS) with improved governance capabilities at all levels of the Forest Administration.

The project was approved and funded at the Forty-seventh Session of ITTC in November 2011 and the project agreement was signed in November 2012. Following the signing of the project agreement, the Executing Agency had been working on the finalization of the project inception report incorporating the detailed work plan. After the revised inception report as well as other relevant documents were finally submitted and approved, the first installment of ITTO funds for the project was disbursed to the Executing Agency in May 2013, marking the official commencement of project implementation.

The implementation of the project experienced substantial delay due to problems related to the recruitment of project staff and consultants. Eventually, actual implementation began in April 2014 and a letter approving

the full project team was sent in August 2014. However, the project implementation continued suffering delay due to the changes of project team and consultancy firm. In accordance with the request of the Executing Agency and the recommendation of the first PSC meeting which was held in April 2015, a letter approving no-cost extension of eighteen months was sent in May 2015. The Executing Agency also submitted the request in late July 2015 for subcontracting the consultancy firm which will be essential for the implementation of this project.

**4. 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)**

Budget and Sources of Funding:

Total Budget:	US\$	2,267,025
Government of Germany:	US\$	1,916,093
Government of USA:	US\$	100,000
Government of Australia:	US\$	30,000
Executing Agency:	US\$	220,932

Executing Agency: Johann Heinrich von Thünen Institute (vTI)

Approved: Autumn Project Cycle, October 2011

Financed: Forty-seventh Council Session (La Antigua, 2011)

Starting Date: February 2012

Duration: Planned: 36 months (extended to 42 months)  
To date: 43 months (incl. six month no-cost extension)

Although many legal instruments (EU timber trade regulation, US Lacey Act etc.) have been established to combat illegal logging and trade of illegally sourced timber, practical control mechanisms to identify tree species and geographic origin of wood and wood products are still lacking. The project will develop a species identification and timber tracking system with DNA fingerprints and stable isotopes for three important timber tree species in seven African countries, namely Cameroon, Central African Republic, Democratic Republic of Congo, Republic of Congo, Gabon, Ghana and Kenya. The primary project focus is on the three target species chosen by timber producing country representatives, i.e., iroko (*Milicia excelsa*, *M. regia*), sapelli (*Entandrophragma cylindricum*) and ayou (*Triplochiton scleroxylon*). For these species samples will be collected across their distribution area for the development of gene markers. The samples will be screened for DNA fingerprints and stable isotopes and provide a genetic and chemical reference database to control the country of origin. Using DNA-fingerprints a tree by tree approach to control the chain of custody will be applied for ayou and sapelli in cooperation with the Forestry Commission and the Forest Research Institute and timber companies in Ghana and Cameroon. Tools to identify the species will be further developed using both a wood anatomical approach and the DNA barcoding for 20 important African timber species. Technical support will be provided to three selected reference laboratories in West-Africa (Kumasi, Ghana), Central-Africa (Libreville, Gabon) and East-Africa (Nairobi, Kenya). Staff of these laboratories and particularly also from the other participating groups will be trained to apply DNA-techniques and wood anatomy to identify the tree species and to perform standard DNA tests to check the origin. The results of the project will be provided to the international coordination office for tree identification and origin assignment at Bioversity International in Kuala Lumpur, Malaysia. The project involves 14 collaborative agencies from Europe, Africa and Australia and was initialized during a pre-project under the TFLET Thematic Programme.

The project has officially commenced on 1 February 2012. The technical coordinator of the project, Mr. Zoewinde Henri Bouda has commenced his work on 16 April 2012. The fifth instalment of US\$700,000 has been transferred to the Executing Agency in April 2015. The final instalment will be made once the final accounting has been received. The annual financial audit (2014) has been received and approved. A cost-extension (6 month) proposed by the 2nd PSC meeting was approved in November 2014 after the additional budget required (US\$220,751) was approved by the German Ministry of Food and Agriculture (BMEL). The final project conference was held in Douala, Cameroon on 1-2 July 2015 and the report is under preparation.

As of 31 July 2015 all project activities have been completed except the preparation of the completion report and the final project audit. In the event that the completion report and final financial audit report are submitted and deemed satisfactory prior to its Forty-ninth Session, the Committee may wish to declare this project completed.

5. PD 621/11 Rev.3 (M) Traceability of Timber Produced by Forest Concessions and Native Communities in Madre de Dios and Ucayali (Peru)

Budget and Sources of Funding:

Total Budget:	US\$	627,157
Government of Japan:	US\$	200,000
Government of USA:	US\$	149,032
Executing Agency:	US\$	278,125

Executing Agency: Camara Nacional Forestal, Peru

Approved: Autumn Project Cycle, October 2012

Financed: Forty-eighth Council Session (Yokohama, 2012)

Starting Date: September 2013

Duration: Planned: 27 months  
To date: 24 months

This project aims to promote the use of timber sourced from forests under sustainable forest management, with the aim of enhancing the transparency of timber marketing and improving forest governance in the Peruvian Amazon region through the participation of indigenous peoples and small and medium enterprises as key stakeholders in the conservation of forests.

Outputs of the project are: (i) Forest SMEs have adopted a timber traceability system and are marketing certified timber; (ii) Technical personnel of forest SMEs have developed the capacity required for adequate timber monitoring and control in production and marketing processes incorporating timber traceability; and (iii) Forest companies' business management capacity strengthened.

The project agreement was signed in June 2013 and the Executing Agency submitted an acceptable project inception report and all other start-up documentation in August 2013 when the project coordinator and team were approved by ITTO. The first installment of funds was transferred in September 2013.

During 2014-15, seven workshops were held in the cities of Pucallpa, Puerto Maldonado and Lima, with the theme "Experience and importance of traceability of wood in the marketing of forest products". The events served to promote the importance of traceability, familiarize stakeholders with various processes of wood traceability at national and international levels, and to gather input as a basis for designing a tracking system that is economically and socially viable in Peru.

In Pucallpa a workshop on "Traceability processes of wood in forest communities and native forest concessions" for representatives of indigenous communities was also undertaken. The event aimed to train the villagers on the guidelines for the development of general forest management plans and annual operating plans, procedures for forest census, and the development and standardization of data collection formats to facilitate the design of field traceability software.

The project has also carried out a study and produced a report on experiences in wood traceability and chain of custody, summarizing different traceability systems, including the experiences developed with support from ITTO. Internationally, technologies used for these systems increasingly use sophisticated digital platforms, chemical testing and radio frequency identification chips; nationally, traceability systems have been developed mainly at the initiative of companies, especially as part of chain of custody monitoring by forest processing plants, mostly involving the physical tracking of logs and spreadsheets for storing information. The experience of the International Finance Cooperation in Bolivia to develop software for tracking and monitoring of timber is also highlighted. All of these systems are being studied to collect their lessons and experiences in order to improve the design of software being developed by the project.

The project coordinator also met with technicians of the National Forestry Authority (General Directorate of Forestry and Wildlife) responsible for the development of the prototype module of Forest Control on wood traceability, to share ideas on forest tracking systems, considering all stages of traceability of forest products, starting from the forest census.

The project coordinator also participated in a workshop in Lima in the second quarter of 2015 on "Wood export to the European Union, latest trends, specific demands and regulations in force", organized by the Association of Exporters of Peru and Peru Tropical Wood Program.

All project activities are on track for successful conclusion of the project in early 2016. The Project Steering Committee met in April 2015 and will meet again in early 2016 prior to project completion. The complete progress report submitted by the Executing Agency (Spanish only) is available on request from the Secretariat.

6. PD 678/12 Rev.1 (M) Establishment of a National Forest Statistics Information Management System in Benin

Budget and Sources of Funding:

Total Budget:	US\$	737,833
Government of Japan:	US\$	388,704
Government of Sweden:	US\$	10,000
Government of Benin:	US\$	339,129

Executing Agency: Direction Generale des Forets et des Ressources Naturelles (DGFRN)

Approved: Autumn Project Cycle, October 2012

Financed: Forty-eighth Council Session (Yokohama, 2012)

Starting Date: July 2013

Duration: Planned: 29 months (24 months in project document + 5 month ext.)  
To date: 26 months

This project is designed to develop a forest statistical information system for Benin. To date, the overall progress towards the achievement of the development and specific objectives and all the outputs is good. Output 1 is now complete while output 2 (75%) and 3 (60%) are both underway. Technical reports and applications developed by the project include: (i) periodic reports on data related to the forest sector, (ii) monitoring and evaluation procedures of forestry statistics manual, (iii) forestry information system developed and validated by the stakeholders (available at <http://dgfrn-bj.org/foretstatbenin/index.php>), (iv) the administrator's guide of the database, (v) the instruction manual of the database, (vi) the new framework of harmonized reporting, and (vii) the analysis report of the variability of the weight and volume of charcoal bags in the Republic of Benin. At least 197 foresters have been trained on the database and reporting procedures. All studies have been completed and validated by stakeholders in the forestry sector.

A national technical meeting has been held on the 24th March 2015 and the second PSC meeting on 18 June 2015. The second annual audit of the financial management of the project was completed on 31 December 2014. An additional amount of US\$120,000 was made available to the project by the Government of Benin, which increased its contribution from US\$119,129 to US\$339,129. A project extension for 5 months without additional funds from ITTO was requested by the Executing Agency to finalize the remaining activities and approved by ITTO. These activities include communication and dissemination of project results, a final workshop of review/dissemination of results at the end of the project extension period, and carry out the final financial audit of the project accounts and submit to ITTO at the latest by end March 2016.

All project activities are on track for successful conclusion at the end of the project.

7. PD 692/13 Rev.1 (M) Implementation and Operationalization of a National Information System for the Sustainable Management of Forest Resources (Côte d'Ivoire)

Budget and Sources of Funding:

Total Budget:	US\$	670,998
Government of Japan:	US\$	205,708
Government of U.S.A.:	US\$	84,833
Government of Côte d'Ivoire:	US\$	380,457

Executing Agency: Direction de l'Informatique, des Statistiques et des Archives du Ministère de l'Environnement, des Eaux et Forêts (DISA)

Approved: Spring Project Cycle, April 2013

Financed: Forty-ninth Council Session (Libreville, 2013)

Starting Date: March 2015

Duration: Planned: 24 months  
To date: 6 months

The project is designed to develop a national forest statistics management system in Côte d'Ivoire. The aim of this project is to achieve the full computerization of the forest statistics data collection and processing system and thereby contribute to improving the decision-making process within the forest sector of Ivory Coast.

The project officially started in March 2015 with a launch ceremony during which the main stakeholders and beneficiaries of the project could address their specific concerns and expectations of the project. The implementation phases and timeline were also presented during this launching ceremony.

The development of the statistics management system is based on two necessary outputs: (i) the deployment of IT equipment and software in 12 data collection centers and (ii) the collection of data in these centers according to established and harmonized procedures and training. During the first six months of the project implementation, 6 data collection centers were equipped with hardware and software. The other centers should receive the equipment before the end of 2015. The installation of the equipment was slowed down by various technical constraints such as failed internet connections and telecom infrastructures. This situation forced the Executing Agency to find different internet providers financed by the Ivory Coast counterpart contribution. Despite these difficulties, the IT consultant was hired for the development and deployment of the data collection software and the project activities have not been suffering from major delays. The software should be tested before the end of 2015 and the procedures for data collection should be defined in December 2015. The training phase for data collection should follow these activities and start during the first semester of 2016. The Executing Agency is maintaining a dedicated website ([www.eauxetforets.gouv.ci/oibt](http://www.eauxetforets.gouv.ci/oibt) in French only) for promoting the progress and results of the project. The first Project Steering Committee meeting will be organized in the first half of 2016.

8. PD 756/14 Rev.1 (M) Development of a Business Management Services Program of Forest MSMEs (Micro, Small and Medium Enterprises) in Guatemala

Budget and Sources of Funding:

Total Budget:	US\$	275,053
Government of U.S.A.:	US\$	149,341
Government of Guatemala:	US\$	125,712

Executing Agency: Instituto Nacional de Bosques (INAB)

Approved: Autumn Project Cycle, October 2014

Financed: Fiftieth Council Session (Yokohama, 2014)

Duration: Planned: 24 months



Following the signing of the project agreement in June 2015, the implementing agency had been working on the finalization of the project inception report incorporating the detailed workplan. A more detailed report on its implementation will be provided to the next session of the Committee.

**9. PPD 167/13 Rev.1 (M) Feasibility Study on the Certification of ONAB's National Plantation Estates (Benin)**

Budget and Sources of Funding:

Total Budget:	US\$	113,294
Government of U.S.A.:	US\$	68,794
Government of Republic of Korea:	US\$	20,000
Government of Benin:	US\$	24,500

Executing Agency: Office Nationale des Bois (ONAB)

Approved: Spring Project Cycle, April 2013

Financed: Forty-ninth Council Session (Libreville, 2013)

Starting Date: July 2014

Duration: Planned: 10 months (extended to 12 months)  
To date: 14 months

The aim of this pre-project is to gather the information required to formulate a forest certification project proposal to ITTO in order to improve the sustainable forest management (SFM) of the estimated 17,856.10 ha of plantations managed by the Office National du Bois (ONAB) in Benin. The expected outputs are: (i) the gathering of a baseline information needed for the certification of the ONAB national plantation estates and (ii) a project formulation for the timber certification in Benin submitted to ITTO for approval.

The pre-project started in July 2014. All the activities of the first output were fully completed. The list of activities are as follows: (i) implementing and operationalizing the pre-project management unit; (ii) identifying players and stakeholders in the certification process for ONAB's forest estate plantations (a stakeholder matrix was elaborated, a communication plan was prepared and capacity building was strengthened); (iii) implementing an information and outreach campaign for all players and stakeholders involved in the forest certification process (10 workshops were organized with various stakeholders such as participatory societies, ONAB staff and local communities); iv) defining Principles, Criteria and Indicators (PCIs) for the certification of ONAB's national forest estate plantation (they were identified, formulated and validated through a workshop organized along with the project PD 124/01 Rev.4 (M) Phase III Stage 2 "Promotion of sustainable management of African forests"; and (v) conducting a market review for ONAB timber (cost/benefit analysis and potential advantages of timber certification were identified through the various certification schemes and a price strategy was elaborated).

The 2 activities of the second output, (i) develop and submit a project proposal on the certification of ONAB's estate plantations and (ii) have the project proposal validated and submitted to ITTO for funding, required a no-cost extension of 2 months for the full completion of the pre-project (August 2015). By the time of the completion of this report (August 2015), the activities were about to be finalized in order to produce the project proposal and submit it to ITTO. In the event that the completion report and final financial audit report are submitted and deemed satisfactory prior to its Forty-ninth Session, the Committee may wish to declare this pre-project completed.

**[B] Projects Pending Agreement**

None.

**[C] Projects Pending Financing**

1. PD 124/01 Rev.4 (M) Promotion of Sustainable Management of African Forests (ITTO/ATO)  
Phase III Stage 3

Budget and Sources of Funding:

Total Budget:	US\$	518,144
Government of China:	US\$	100,000
Remaining ITTO Contribution:	US\$	418,144

Executing Agency: ITTO

Council Session Approved: Forty-eighth Council Session (Yokohama, 2012)

Duration: Planned: 18 months

Phase III Stage 3 of this project will be considered for financing following completion of Phase III Stage 2 (see section A, item 1). The project coordinator prepared a revised work plan (18 months) and budget US\$673,325 for Phase III Stage 3 which is expected to be approved by the on-line no-objection process in September 2015. The Government of China pledged US\$100,000 to this project in August 2014.

2. PD 732/14 Rev.2 (M) Improve Forest Governance in Mozambique

Budget and Sources of Funding:

Total Budget:	US\$	406,238
ITTO Contribution:	US\$	321,138
Government of Mozambique:	US\$	85,100

Executing Agency: National Directorate of Land and Forest (DNTF)

Approved: Spring Project Cycle, April 2015

Duration: Planned: 15 months

Financing for this project is still pending and the Council has authorized the Executive Director to begin implementation as soon as earmarked funds for the total ITTO contribution become available in the Special Account. The project will lose its status as an approved project on 30 November 2016.

3. PD 746/14 Rev.2 (M) Strengthening the Production, Marketing and Conservation of Pinabete in Guatemala

Budget and Sources of Funding:

Total Budget:	US\$	683,832
ITTO Contribution:	US\$	508,872
INAB Contribution:	US\$	132,192
CONAP Contribution:	US\$	42,768

Executing Agency: Instituto Nacional de Bosques (INAB)

Approved: Autumn Project Cycle, October 2014

Duration: Planned: 36 months

Financing for this project is still pending and the Council has authorized the Executive Director to begin implementation as soon as earmarked funds for the total ITTO contribution become available in the Special Account. The project will lose its status as an approved project on 31 May 2016.

**FOREST INDUSTRY****[A] Projects and Pre-projects under Implementation****1. PD 73/89 (M,F,I) Assistance for Project Identification and Formulation (ITTO)**

## Budget and Sources of Funding:

Total Budget:	US\$	3,132,009.89
Government of Japan:	US\$	1,216,900.00
Government of Denmark:	US\$	300,000.00
Government of Switzerland:	US\$	310,000.00
Government of USA:	US\$	177,755.00
Government of UK:	US\$	80,000.00
Government of Australia:	US\$	77,354.89
Bali Partnership Fund Sub-account B:	US\$	970,000.00

Executing Agency: ITTO Secretariat

Approved and Financed: Seventh Council Session (Yokohama, 1989)

Starting Date: April 1990

Proposed Duration: 2 years + annual extensions thereafter

The objective of this project is to improve the project identification and formulation capability of personnel in ITTO producer member countries in order to expand their national capacity to invite investment and aid into the forestry sector. The importance of the project is inscribed in Decisions 2(X), 2(XI), 6(XIII), and 8(XVIII) of the Council, reminding and encouraging ITTO Members to use the expert facility available under the project to enhance their ability to identify and formulate sound projects.

The project is closely linked to other ITTO activities, particularly the Expert Panel and implementation of the Project Cycle, which together seek to enhance quality in the structure and implementation of ITTO projects. Several independent consultancies to assist ITTO members in project formulation and several training workshops have been funded and organized under this project.

During the Forty-eighth Session of CEM-CFI, the Secretariat informed the Committees that funds available under this long-running project had been depleted and that no further assistance could be offered to members for project formulation until additional funds were provided. The Committees noted the importance of support for project formulation and decided to recommend that additional funds be made available by donors for this project at this Session and that the issue of an additional programme support charge to provide funds for project formulation assistance be included on the agenda of the Committee on Finance and Administration at its next Session. The USA subsequently pledged US\$22,755 for this project in 2014.

Upon a request from the Government of Mexico and in collaboration with CONAFOR, a training course on ITTO project formulation has been conducted in Zapopan, Jalisco from 11 to 15 May 2015 with 31 participants, representing forestry's stakeholders in Mexico. The facilitator of the training was Dr. Luiz Carlos Estraviz Rodriguez from Brazil, a former ITTO Expert Panel member for project proposal appraisal. Following the training in Mexico, the project budget is again exhausted. This issue will therefore be raised in the Committee on Finance and Administration (CFA) as recommended by the Committee at its last Session. Depending on the discussions in the CFA and any approved change to funding for project development approved there, the Committee may wish to declare this project completed.

**2. PD 364/05 Rev.4 (I) Development of marketing chains for *Eucalyptus citriodora* essential oils 'a non-timber forest product with high added value' by village communities in the Congo**

Budget and Sources of Funding:

Total Budget:	US\$	622,261
CFC:	US\$	480,511
Government of the Republic of Congo:	US\$	141,750

Executing Agency: Service National de Reboisement (SNR)  
(National Reforestation Service)

Approved and Financed: Forty-third Council Session (Yokohama, 2007)

Starting Date: March 2010

Duration: Planned: 24 months  
To date: 66 months

The project aims at alleviating poverty in the rural areas of the Congo and DRC by making use of the existing eucalyptus plantations and by providing local village communities with know-how and technologies for extracting essential oils, through two specific objectives:

- Specific Objective 1: To provide village community members with technologies and expertise required to extract essential oils; and
- Specific Objective 2: To create a marketing chain for essential oils.

At its Forty-seventh Session, the Committee noted the slow progress in the implementation of the project, and the claim from the Executing Agency that the targets set in the logical framework matrix were too high and unrealistic and its request for reviewing those targets for a second non-cost extension of the project until 31 March 2014. Such request for extension was approved by CFC on 27 September 2013. Following CFC approval a request for fund replenishment was submitted in November 2013. The transfer of funds was approved in May 2014, as additional documentation was requested by CFC. Furthermore, the Committee at its Forty-eighth Session (November 2014) recommended that if the project was not satisfactorily declared as completed at its Forty-ninth Session (November 2015), the project should be terminated.

As of August 2015, progress has been made towards the achievement of the specific objectives as follows:

- Outputs 1.1 and 1.2 "Development Programme for *Eucalyptus citriodora* essential oil extraction prepared" and "Trainers trained in essential oil extraction technologies". Training of trainers was conducted in two modules by one of the project partners, 'Pôle d'Excellence Régionale' of the Faculty of Science, University of Brazzaville' (PER). The first module was conducted in June 2010 on the fundamentals of distillation techniques; the second module was conducted in October 2010 on hydrolysis for *Eucalyptus citriodora* essential oil and its applications. A total of 14 trainers from Congo and DRC were equipped to conduct training at the local villages.

Five artisanal extractors were placed in selected sites (Ossio, Odziba, Loudima, Loandjili in the Republic of Congo, and Kinzono in DRC) for conducting training to the local villages on the extraction of essential oils. A total of 56 villagers in the Republic of Congo and 42 in DRC have been trained.

- Output 1.3 "Production process organized". In order to shift the production method from artisanal to semi-industrial, Prof. M. Moudachiro, an expert in extraction of essential oils based in Benin was engaged as international consultant. The consultant assessed the availability of biomass for extraction of essential oils and commissioned the construction of semi-industrial extractors.

Five semi-industrial extractors were commissioned in December 2012, and were delivered in the first quarter of 2013, each with a capacity of 1 m<sup>3</sup> or 1,000 liters for the boiler and the tank which can provide a yield of approximately 6%. Due to the delay in the fund replenishment the extractors were finally transported and installed in 4 sites in the Republic of the Congo (Loandjili, Loudima, PK 45

and Ossio) during the first semester of 2014, followed by training at each site for the proper operation of the extractor.

For the extractor assigned to DRC, efforts were made during the months of June-July 2015 in order to import it free of any custom duty. However, at the time of preparation of this report (August 2015), the Secretariat has no satisfactory evidence that transportation, installation and training at its final destination (Kinzono village) has been completed.

Regarding production of *Eucalyptus citriodora* essential oils, as of June 2015 a total of 364 liters have been produced in the Congo. Chromatographic and physical analysis of the essential oils from five sites of Congo has been carried out by the French laboratories Lexva Analytique.

In addition during the reporting period, progress has been made towards the establishment of *Eucalyptus citriodora* plantations with a total of 43,244 plants produced in four sites of Congo (Loandjili, Ossio, PK-45 and Loudima); additional establishment of 28.66 ha of plantations; and maintenance work carried out in 59 ha of existing plantations.

A test to optimize the production of biomass was also carried out in the Loudima site by the Center for Research and Development of Industrial Plantations.

- Output 2.1 “Market for *Eucalyptus citriodora* essential oil organized”. A market study for essential oils in the Republic of the Congo has been commissioned and as of June 2015, the Executing Agency reports that it has not yet satisfactorily completed. The market study for DRC has not been carried out.
- Activities under output 2.2 “Essential oil production and marketing techniques disseminated through extension work” have not yet started.

As for finances the Executing Agency states that in spite of receiving the last installment of funds, it has pre-financed project expenses from its own resources in the amount of approximately US\$78,500.76

Due to the severe delay in completing this project, the Committee may wish to request the representative of the Government of the Republic of Congo to provide more information on the implementation of the project (including preparation of a final report and audit) and decide whether the project should be terminated in accordance with its recommendation at the Forty-eighth Session.

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

#### Budget and Sources of Funding:

Total Budget:	US\$	821,787
Government of Japan:	US\$	466,927
Government of Switzerland:	US\$	50,000
ANPM:	US\$	304,860

Executing Agency: National Hardwood Flooring Association (ANPM)

Approved: Spring Project Cycle, June 2008

Financed: Forty-fifth Session (Yokohama, 2009)

Starting Date: May 2011

Duration:	Planned:	30 months
	To date:	52 months

The project aims at increasing the efficiency of the Brazilian wood flooring industry by integrating lesser used timber species (LUS) into the production chain by improving drying and manufacture processes, adding value and quality to the product, and by promoting residue utilization.

Outputs were reported as completed as follows:

- Output 1 “Proposing a management model to integrate the exploitation and use of lumber from commercial and less used species”. The LUS were identified and laboratory tests were conducted to determine their physical-mechanical properties (specific gravity, shrinkage, Janka hardness, kiln drying behavior, superficial cutting and finishing, impregnation and densification, and heat treatment). A book summarizing the properties of the species has been published in both English and Portuguese under the title “*Wood flooring: Brazilian species characteristics*” along with a wood sample display.

The selected LUS are:

1. Angelim vermelho - *Dinizia excelsa* Ducke
2. Itaúba amarela - *Mezilaurus lindaviana* Schwacke & Mez
3. Cedrinho - *Erismia uncinatum* Warm.
4. Cupiúba - *Goupia glabra* Aubl.
5. Pequiá - *Caryocar villosum* (Aubl.) Pers.
6. Angelim da mata - *Hymenolobium excelsum* Ducke
7. Maparajuba - *Manilkara bidentada* (A. DC.) A. Chev.
8. Timborana - *Piptadenia gonoacantha* (Mart.) J.F.Macbr.
9. Sucupira amarela - *Bowdichia nitida* Spruce ex Benth.
10. Tachi preto - *Tachigali myrmecophyla* (Ducke) Ducke
11. Tanibuca folha pequena - *Buchenavia parvifolia* Ducke
12. Mandioqueira escamosa - *Qualea paraensis* Ducke
13. Castanha sapucaia - *Lecythis usitata* Miers
14. Jarana amarela - *Lecythis poiteaui* O.Berg

Pilot production of wood flooring from LUS was carried out in the facilities of *Indusparquet* located in the state of Sao Paulo. Samples of wood flooring of the fourteen species are available and have been used at several trade shows, such as ‘FEICON’ (the most important trade show for the construction industry in Latin America) and other training events in order to promote the integration of these species into the production chain.

- Output 2 “Proposing a model to reach more efficient and integrated manufacturing”. Revision of appropriate literature and surveys to wood flooring industries in relation to the use of wood residues was conducted. The information obtained was used for preparing posters, training manuals, a project website ([www.pimads.org](http://www.pimads.org)), a project video (<https://www.youtube.com/watch?v=4SzDWcTbo7w>).

120 stakeholders from the Brazilian wood flooring industry were trained on drying techniques and wood residue management through a series of workshops.

Activities related to the testing of electrical moisture meters have led to the production of a technical report on calibration curves for electrical moisture meters. A manual entitled “*Wood residue management in the wood flooring industry*” has been published in Portuguese.

- Output 3 “Quality certification programme”. Standards for solid wood flooring were revised and updated and thanks to the project, Brazilian standards are now in conformity with international standards. A total of 11 standards were officially published by the Brazilian Association of Technical Norms (ABTN). The “Quality Certification Programme” was finalized and approved by the National Institute of Metrology, Quality and Technology (INMETRO) in July 2014. The “Quality Certification Programme” is composed of a “normative” and “requirements of product conformity”. In total 22 wood flooring companies were audited for the “Quality Certification Programme” and seven of those companies obtained the certification which allows them to use a mark of conformity. Dissemination and training materials were produced and four training courses on the “Quality Certification Programme” and four on “Installation and maintenance of wood floorings” were carried out training a total of 160 employees of the wood flooring industry.

The Executing Agency carried out additional activities such as dendro-chronological analysis, thermo-mechanical modification of the LUS, and manufacturing of wood panels from residues (reports of these activities were produced and are available).

In addition the Executing Agency wrote four abstracts for international conferences, three articles for journals, five theses for masters and PhD, articles for ITTO’s TFU and other dissemination material such as posters, booklets, folders, etc. A project website was also established, which contains all relevant

information of the projects, including the publications, technical reports and other dissemination material at [www.pimads.org](http://www.pimads.org). In total, 36 works were produced during the course of project implementation.

It is expected that activities carried out and outputs achieved will have positive impacts from the economic, social and environmental point of view:

- Economic aspect: Incorporating more timber species into the manufacturing process of wood flooring will have positive impacts in SFM; more efficient utilization of raw material will increase the product conversion rate and the return to the industries; and providing more options to the consumers may increase market share.
- Social aspect: Training provided will increase the technical qualification of workers in the wood flooring industry; utilization of more timber species may improve the livelihoods of local communities in the Amazon.
- Environmental aspects: The reduction and use of timber residues for other byproducts may reduce carbon emissions, specially taking into account that burning residues is a common practice in the Amazon.

The Executing Agency has submitted the completion report and technical reports. At the time of preparation of this report, the final financial audit was under review by the ITTO Secretariat, indicating that expenditures for the ITTO contribution were under the approved budget, while counterpart contributions were increased to a total of US\$465,407.20. If the final financial audit is deemed satisfactory prior to the Forty-ninth Session of the Committee, the Committee may wish to declare this project completed.

#### **4. PD 457/07 Rev.5 (I) Operational Supportive System for Promoting the Further Processing of Timber in Five Countries of the Congo Basin (Gabon)**

Budget and Sources of Funding:

Total Budget:	US\$	1,887,714
Common Fund for Commodities:	US\$	1,253,345
Economic Community of Central African States (ECCAS):	US\$	634,369

Executing Agency: Economic Community of Central African States (ECCAS)

Approved: Autumn Project Cycle, October 2010

Financed: Forty-sixth Council Session (Yokohama, 2010)

Starting Date: October 2011

Duration:	Planned:	48 months
	To date:	47 months

This project aims to implement a supportive mechanism for stakeholders in the timber processing industries so as to boost the countries' exports of processed timber products by small and medium enterprises (SMEs), through the:

- Setting up a light and functional structure for supporting further processing of timber (FPT);
- Conduct of a baseline study of the timber processing value chain and assessment of its potential for growth; and
- Establishment of an action plan to address the needs of the SMEs and artisanal sector in order to up-grade them in the value chain through value addition, employment generation and increase in income.

Over the past three years, the human resource capacity of the regional coordination team of the project at the Economic Community of Central African States (ECCAS) was strengthened by the recruitment of the Assistant to the Regional Coordinator and the National Coordinators to carry out the activities in the field. A technical meeting involving the project's stakeholders was held in Douala, Cameroon in April 2014. To date, less than 20% of the project activities have been completed due to various delays in implementation.

Following a PSC meeting in December 2014, a decision was taken by the project donor (Common Fund for Commodities - CFC) to suspend their funding to ECCAS due the many delays experienced and ECCAS's inability to submit an audit report accounting for the first instalment of funds sent by CFC in 2011. ITTO has submitted a proposal to CFC to become the Executing Agency for this project itself. This request was still pending at the time of the preparation of this report. The Secretariat will provide an update to the Committee during the Session.

#### 5. PD 506/08 Rev.1 (I) Reviving Forestry Education in Liberia

Budget and Source of Funding:

Total Budget:	US\$	352,249
Government of Japan:	US\$	212,522
Government of USA:	US\$	80,000
Government of Liberia (FDA and Ministry of Education):	US\$	59,727

Executing Agency: The Forest Development Authority (FDA) and the Ministry of Education (MoE), supporting the Forestry Training Institute (FTI), Tubmanburg

Approved and Financed: Forty-fourth Council Session (Yokohama, 2008)

Starting Date: August 2009

Duration: Planned: 24 months  
To date: 73 months

This project is aimed at supporting the reestablishment of forest education activities for middle level forestry technicians of the Forestry Training Institute (FTI) located in Tubmanburg. This involves the establishment of a functional curriculum, training of trainers and immediate practical training of the currently registered students of FTI. In addition, the project supports a national working group to conduct a strategic process on overall forest education in Liberia.

The Committee of Forest Industry at its Forty-seventh Session recommended that the Secretariat undertake a Special Financial Monitoring Mission to Liberia to try to resolve the problems with this project and to inform the Executing Agency that unless substantive progress in project implementation could be demonstrated to the next Session of the Committee, it would recommend to Council that this project be terminated.

ITTO's Administrative and Finance Officer visited Liberia from 30 June to 4 July 2014 to undertake the mission. He held discussions with the Executive Director of FTI and his staff and with the relevant officials of FDA; paid a field visit to the forestry school, and scrutinized expenditure records and other relevant documents.

As a follow up action of the ITTO mission, the Executing Agency submitted to ITTO a request, attached with a revised action plan and work plan, for a six month extension to complete the remaining project activities. The project will mainly utilize available domestic experts and consultants to undertake remaining activities.

Following the presentation of the mission report by the Secretariat, the Committee recommended at its Forty-eighth Session to release the project balance of US\$39,130 subject to the Executing Agency fulfilling the conditions set out under the recommendations listed in the mission report, and granted a 6 (six) month extension without additional funds. The project balance was released to the Executing Agency on 8 April 2015, however no progress report was received on the use of these funds in time for inclusion in this report. The representative of the Government of Liberia will be invited to provide an update on the completion of the project and preparation of final report/audit to the Committee.



**6. PD 540/09 Rev.2 (I) Support to Improve the Productivity of the Peruvian Timber Industry for the Production of Higher Value-Added Products**

Budget and Sources of Funding:

Total Budget:	US\$	873,440
Government of Switzerland:	US\$	230,000
Government of Japan:	US\$	218,362
National Chamber of Forestry	US\$	425,078

Executing Agency: National Chamber of Forestry of Peru

Approved: Autumn Project Cycle, October 2011

Financed: Forty-seventh Council Session (La Antigua, 2011)

Starting Date: November 2012

Duration:	Planned:	27 months
	To date:	34 months

This project aimed to improve the level of efficiency in the wood and furniture industries, and thereby increase the volume and value of their exports, by linking the sustainable management of 12 million hectares of productive forests into the supply chain. The specific outputs of the project are: (i) improved business management and marketing, (ii) upgraded timber industry with value-added product processing, and (iii) increased export of timber products and furniture.

The following outputs have been achieved by the project:

Output 1 "Timber products produced and marketed according to quality standards, quantity and cost requirements of the national and international markets": Introduction workshops to promote high added value in the timber industries have been carried out in the cities of Puerto Maldonado, Madre de Dios, Tingo Maria, Pucallpa and Lima. Training courses on financial mechanisms have been carried out for timber industries in the cities of Puerto Maldonado, Pucallpa and Aguyatia. Training workshops on business management have been carried out directly at the facilities of the timber industries, covering topics such as production cost, health and safety at the work place, machinery and finishing techniques applied in the manufacture of wooden furniture and good environmental practices. To date, thirty timber industries targeted have received technical assistance in timber sawing, timber drying, moulding, and manufacturing of panels, as well as on application of technological innovation in the production process and using new techniques and technologies to improve the transformation of value-added wood. Two reports on prices for forest products and services, collecting valuable market information from the departments of Arequipa, Lima, Madre de Dios and Ucayali, have been published and disseminated in hard copy and via the website of CNF.

Output 2 "Industrialists identify with their business management role for the sustainable and efficient use of timber resources". Courses on forest certification and chain of custody (CoC) have been conducted for timber industries in the city of Puerto Maldonado and with the Native Community of Sinchi Roca. 15 timber industries were identified for assistance in the development of business plans and all of these have now been completed in Madre de Dios, Ucayali and Arequipa. The project also offered technical and marketing assistance to wood processing businesses, including developing material for information campaigns (activity 2.3), consisting of videos, posters, newsletters, brochures, leaflets, polo shirts and caps. These materials have been disseminated in campaigns carried out in Puerto Maldonado (Madre de Dios) and in Pucallpa (Ucayali).

Output 3 "Increased export of timber products and furniture." Under activity 3.1, the project provided technical assistance on issues like chain of custody (CoC), occupational safety and health (OSH), technical specifications for the production of school furniture, REMYPE accreditation (National Register of Micro and Small Enterprises) and proceedings before SENASA (National Service of Agrarian Health). On the formation and/or formalization of business (activity 3.2), technical assistance was provided to the Peruvian Furniture Association. Under activity 3.3 (administrative and business organization management), the course "Certification of timber products" was held. Project staff also participated in five national meetings on new forest laws during 2014-15 and contributed to developing a profile for the construction of a techno-ecological industrial park for the micro, small and medium wood processing industry in Arequipa. The project has also established

a roundtable for sustainable forest development advocacy, with ten meetings convened involving stakeholders in Madre de Dios and Ucayali.

The project steering committee met for the final time in April 2015. All project activities have now been successfully completed and all outputs/objectives achieved. The full completion report submitted by the Executing Agency (Spanish only) is available on request from the Secretariat. In the event that the final financial audit report is submitted and deemed satisfactory prior to its Forty-ninth Session, the Committee may wish to declare this project completed.

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

Budget and Sources of Funding:

Total Budget:	US\$	872,032
Government of Japan:	US\$	287,095
Government of Switzerland:	US\$	150,000
Government of Australia:	US\$	100,000
Government of Indonesia:	US\$	334,937

Executing Agency: Directorate General of Watershed Management and Social Forestry (DGWMSF), Ministry of Forestry in collaboration with Bangli District Forestry Agency (BDFA)

Approved: Spring Project Cycle, May 2011

Financed: Forty-seventh Council Session (La Antigua, 2011)

Starting Date: November 2013

Duration: Planned: 36 months  
To date: 22 months

The project is aimed at initiating the enhancement of national capacity in bamboo industry development through the development of model capacity building in Bali. The planned outputs of the project are: i) investment in bamboo industry promoted; ii) institutional framework for bamboo industry development enhanced; and iii) participation of local communities in bamboo industry development increased. The basic notion underlying the project design is that increased rate of utilization of bamboo resource should increase availability of substitutes for wood products and augment income of the poor thus lessening pressure on forest resources and that increased utilization can only be achieved and sustained through enhanced capacity in both bamboo resource-based development and in efficient utilization of the resource.

During the period of November 2013 until June 2015, the project has completed seven activities, namely:

- Activity 1.1 Collect, publish and disseminate reliable information on Bali's bamboo growing stock;
- Activity 1.2 Collect, publish and disseminate updated information on market demand for bamboo products and processing technologies;
- Activity 1.3 Conduct feasibility study on bamboo development project in Bali;
- Activity 1.5 Organize one national workshop on bamboo industry development in Bali;
- Activity 2.1 Identify and officially designate zone area for bamboo industry development in Bali;
- Activity 3.3 Identify and develop technologies for producing quality planting materials to support bamboo plantation development; and
- Activity 3.4 Identify appropriate bamboo processing technologies for a small-scale processing plant.

The following are some highlights of completed activities:

- Feasibility study on bamboo development project in Bali. Feasibility study was conducted to determine the viability of bamboo industry development in Bangli Regency, Bali. Bamboo industry was considered for having four business units, namely: i) bamboo cultivation which is limited to species of *petung* and *tali*; ii) laminated bamboo processing; bamboo handicraft with *sokasi* product (box); and

bamboo shoots processing as food sources. The study has used Market Analysis and Development (MA&D) approach developed by Lecup et al. (1999), which assessed the following five aspects: i) market and marketing aspect; ii) technical and technological aspect; iii) ecological and environmental aspect; iv) socio-cultural-institutional aspect, and v) financial aspect. The results of the study are valid under the assumptions made during the study and on the relatively stable conditions within the enterprises operating environment.

- National workshop on bamboo industry. In collaboration with the Ministry of Environment and Forestry, the Ministry of Industry, the GIZ, and local NGOs, the workshop was held in Yogyakarta on 20-21 January 2015 with more than 100 participants. The objective of the workshop was to increase synergy among the stakeholder in developing bamboo-based industry. Related aspects in the development (policy, technical, institutional, market and capital) were discussed and resulted the following key points: i) the need for political will from the government to support the future use of bamboo, such as fiber and rayon, paper, crystalline and activated carbon; ii) on handicraft, there are problems, such as improvement of design and innovation, support from the local government to the local community, standardization of pricing and product quality; iii) on construction and lamination, the main problems are lack of raw materials due to competition for other uses (mass production on bamboo stick, toothpick, chopstick etc.), and technical aspect such as the fulfillment of environmental standards; and iv) the need for a grand design of the national bamboo development.

Five activities have been started during the reporting period and progressing towards the achievement of the outputs as follows:

- Activity 1.4 Assess adequacy of economic infrastructure and discuss findings with Bali Government. The expected output of this activity is the assessment of economic infrastructure for bamboo industry development in Bali. The field activity was started in August 2015;
- Activity 2.2 Install and operate a publicly accessible bamboo information system. The web-based bamboo database is still under development. The progress of this development can be monitored from its address: [www.forda-mof.org/itto/](http://www.forda-mof.org/itto/);
- Activity 2.5 Launch National Campaign to promote bamboo industry development. This activity is carried out with the support of the Research Center for Cultural and Environmental Products of the Bandung Institute of Technology (ITB). Related to this activity, the Project has participated in the national event of Nusantara Great Harvesting by promoting bamboo's products from Bali Province;
- Activities 3.1 Allocate 6 Ha of natural bamboo forest in 4 sites as demonstration plots of silviculture techniques. This activity is involving the local community in Penglipuran Village, Bangli District under the supervision of a national expert. The plot observations are done twice a year, during the dry season and rainy season, to investigate the growth of the treated bamboo clumps.
- Activities 3.2 Establish 12 ha demonstration plantation of 4 bamboo species having high commercial values in 4 sites under different treatments. Until recently, from the targeted 1,900 bamboo seeds, a total of 1,850 bamboo seeds from different species and sources (modern technique planting materials such as tissue culture and conventional planting materials such as rhizome propagation and stem cutting). The progress of the activity is going well with the involvement of farmer groups in the area.

8. PD 687/13 Rev.1 (I) Strengthening the Performance of the Wood Processing Sector in Guyana, through Building Local Capacity and Enhancing National Systems that Promote Forest Products Trade and Sustainable Utilization of Forest Resources

Budget and Sources of Funding:

Total Budget:	US\$	348,693
Government of Japan:	US\$	200,068
Government of U.S.A.:	US\$	50,000
Government of Guyana:	US\$	98,625

Executing Agency: Guyana Forestry Commission

Approved: Spring Project Cycle, April 2013

Financed: Forty-ninth Council Session (Libreville, 2013)

Starting Date: June 2014

Duration: Planned: 24 months  
To date: 15 months

The project is aimed at building the capacity of stakeholders (Management, Operators and Regulators) within the wood processing sector to improve sustainability, efficiency and competitiveness, and enhance the national system for inspection and certification. The Development Objective is to contribute to the enhancement of the efficiency and competitiveness of Guyana's wood processing sector as a means for sustainable utilization of timber resources and national development. The Specific Objective is to strengthen the performance of the wood processing sector through building local capacity and enhancing national systems that will promote and facilitate efficient trade and utilization of lumber for both local and export markets.

Progress towards the achievement of the outputs is as follows:

- Output 1: Trained personnel operating within wood processing operations

The procurement process for the wood processing and training consultant was completed and he has submitted a schedule of possible dates for conducting the workshops for the groups of stakeholders (managers and supervisors, sawmill operators, lumberyard operators and monitoring staff of GFC and other relevant government agencies) at specified locations. The consultant has commenced the process of conducting document review to gather relevant information and data on the present situation in the wood processing sector and on the draft code of practice for wood processing facilities (sawmills and lumberyards), to prepared relevant material and presentations to be used in conducting the workshops. To date, the training curriculum has been completed for four categories of stakeholders: i) managers and supervisors; ii) sawmill operators; iii) lumber yard operators; and iv) inspectors/regulators.

- Output 2: National system established to improve efficiency in local trade of lumber and facilitate export

The procurement process for the building/construction consultant was completed and the consultant is in the process of conducting document review to gather relevant information and data on the present scenario in the construction and wood processing sector, preparing relevant materials and presentations on the trade of lumber, developing an inspection and certification system for lumber, and providing recommendations for alignment of standards and codes for the use of quality lumber in the construction sector. The report by the consultant will be a key input into the development of the revised timber grading rules for Guyana.

- Output 3: Increase awareness for persons using lumber (Contractors, Architects, Value-Added Operations)

The procurement process for the wood technologist was completed and the consultant has commenced the process of conducting document review to gather relevant information and data on the present situation in the value-added and construction sectors so as to prepared relevant material and presentations for the groups of stakeholders - contractors, architects, stakeholders of the value-added sector (furniture, windows, doors,

spindles, etc.). To date, four interviews have been conducted with value added stakeholders to inform the revised Grading Rules. A full presentation has been developed and all materials prepared for the execution of the sessions to be held in August 2015.

9. PD 700/13 Rev.1 (I) Development of Intra-African Trade and Further Processing in Tropical Timber and Timber Products – Phase I Stage 1 (ITTO)

Budget and Sources of Funding:

Total Budget:	US\$ 1,399,989
Government of Japan:	US\$ 1,399,989

Executing Agency: ITTO

Approved: Spring Project Cycle, April 2015

Financed: Spring Project Cycle, April 2015

Starting Date: April 2015

Duration:	Planned:	12 months
	To date:	4 months

The project is aimed at removing the main identified constraints in the expansion of further processing of tropical timber into value added products and trade development, particularly through intra-African trade through nine areas of action: facilitation of trade; elaboration and implementation of national strategies for industrial and trade development; business development in pilot enterprises; improvement of market transparency; trade promotion measures; training; strengthening of national industry and trade associations; innovative financing; and technology transfer. Implementation involves effective engagement of stakeholders and close cooperation with the identified international, regional and national partners in the private and public sectors. The activities are implemented in a logical sequence divided between two three-year phases to ensure mainstreaming and sustainability of impacts. Phase I is divided into two stages of which the first one focuses on three pilot countries and strengthening of capacities in industry and trade development.

In 2013 the ITTC approved the project PD 700/13 Rev.1 (I) “Development of Intra-African Trade and Further Processing in Tropical Timber and Timber Products” for financing. The project budget was US\$6,274,545 but funding could not be raised to start implementation. In December 2014 the Government of Japan indicated their interest in financing a first stage of the project with duration of one year and requested ITTO to prepare a respective funding proposal.

After a review of recent developments in the region, Stage 1 was designed which is targeted at implementing those activities that can be implemented during the initial one-year period building a basis for a subsequent Stage 2 to implement the remaining other activities. Planning has been done in such a way that Stage 1 that can be successfully implemented independently from financing of Stage 2.

Stage 1 described in this document contains selected key activities to initiate the process of industry and trade development in the region, focusing on three pilot countries. The activities cover (i) trade facilitation through improved information on trade barriers and measures how to reduce them, (ii) elaboration of national strategy for development of further processing, (iii) improvement of market transparency including the regional markets, cross-border trade and domestic supply by the informal sector, (iv) technical training in further processing, and trade development, and (v) strengthening on national industry/trade associations for advocacy and providing adequate services to their members.

In addition to regional level efforts, Stage 1 focuses on three pilot countries which include Côte d'Ivoire, Cameroon and another country in the Congo Basin. At the end of Stage 1 a regional workshop is organized to share lessons learned in all the five intervention areas specifically targeted at the private sector.

In February 2015, the Government of Japan has provided ITTO with the budget to implement the Stage 1 activities. The project implementation has officially been started in April 2015 with the ITTO Secretariat as the Executing Agency. The necessary project consultants have been engaged and activities have also been initiated. CIFOR is involved in undertaking baseline studies on domestic markets, cross-border trade and the role of the informal sector in the pilot countries.

10. PD 722/13 Rev.1 (I) Capacity Building on Reduced Impact Logging (RIL) in Dry Inland Forest in the Permanent Forest of Peninsular Malaysia

Budget and Sources of Funding:

Total Budget:	US\$	504,308
Government of Japan:	US\$	226,041
Government of Malaysia:	US\$	278,267

Executing Agency: Forestry Department of Peninsular Malaysia

Approved: Autumn Project Cycle, October 2013

Financed: Forty-ninth Council Session (Libreville, 2013)

Starting Date: March 2015

Duration: Planned: 12 months  
To date: 6 months

The aim of this project is to strengthen human resource development via a capacity building program to produce adequate number of qualified skilled personnel for both state forestry departments and the private sector in Peninsular Malaysia. The Development Objective is to improve the efficient implementation of RIL in permanent reserved forest in Peninsular Malaysia. The Specific Objectives to strengthen the capacity of personnel on RIL implementation in permanent reserved forest in Peninsular Malaysia.

This project focuses on training of personnel and concentrates on activities like training of forest workers and organizing seminar. It will involve courses that related directly to RIL and the training will be conducted mainly at Terengganu Forestry Training Centre (TFTC) in Kuala Berang, Terengganu. At the end of the project about 470 personnel are targeted to be trained including 110 as qualified trainers and 360 forest workers both from the forestry department and private sectors. There are also about 750 participants who will benefit from awareness raising programs conducted through various seminars on forestry related issues during the course of the project.

During the reporting period, eight (8) training courses have been conducted for a total of 138 trainers, covering the topics of dendrology, forest mensuration, heavy machinery handling, tree marking, tree felling, and chainsaw handling. In the next training schedules, the project will train forest workers to implement RIL effectively to fully materialised Sustainable Forest Management (SFM) in Peninsular Malaysia.

**[B] Projects and Pre-projects Pending Agreement**

None.

**[C] Projects and Pre-projects Pending Finance**

1. PD 608/11 Rev.2 (I) Life Cycle Assessment-Based Initiative for Carbon Foot Print Reduction and Improved Utilization of Tropical Timber Products from Malaysia

Budget and Sources of Funding:

Total Budget:	US\$	1,014,843
ITTO contribution:	US\$	629,843
Government of Malaysia:	US\$	265,000
Other sources:	US\$	120,000

Executing Agency: Forest Research Institute Malaysia (FRIM)

Approved: Fiftieth ITTC, November 2014

Duration: 36 months

Financing for this project is still pending and the Council has authorized the Executive Director to begin implementation as soon as earmarked funds for the total ITTO contribution become available in the Special Account. The project will lose its status as an approved project on 30 June 2016.

2. PD 700/13 Rev.2 (I) Development of Intra-African Trade and Further Processing of Tropical Phase I Stage 2 Timber and Timber Products – Phase I Stage 2 (ITTO)

## Budget and Sources of Funding:

Total Budget:	US\$	4,874,556
ITTO contribution:	US\$	3,759,256
Participating Governments:	US\$	297,000
Private Sector		818,300

Executing Agency: ITTO

Approved: Spring Project Cycle, April 2015

Duration: 24 months

Phase I Stage 2 of this project will be considered for financing following completion of Phase I Stage 1 (see section A, item 9).

3. PD 709/13 Rev.2 (I) **Enhancing Bali Wooden Handicraft Industry by Improving the Quality of Planted-Wood Raw Materials and Complying to Legality Standard (Indonesia)**

## Budget and Sources of Funding:

Total Budget:	US\$	635,728
ITTO contribution:	US\$	540,008
Government of Indonesia:	US\$	95,270

Executing Agency: Directorate General of Forest Utilization in collaboration with Bali Provincial Forestry Agency

Approved: Spring Project Cycle, April 2014

Duration: 36 months

Financing for this project is still pending and the Council has authorized the Executive Director to begin implementation as soon as earmarked funds for the total ITTO contribution become available in the Special Account. The project will lose its status as an approved project on 30 November 2015.

4. PD 719/13 Rev.2 (I) **Competitiveness and Business Strengthening for a Carpenter Group in Region VII (Huehuetenango-Quiché), Guatemala**

## Budget and Sources of Funding:

Total Budget:	US\$	213,856
ITTO contribution:	US\$	149,968
Executing Agency contribution:	US\$	63,888

Executing Agency: Asociación Mesa de Concertación Forestal y Ambiental de la Región VII

Approved: Spring Project Cycle, April 2014

Duration: 24 months

Financing for this project is still pending and the Council has authorized the Executive Director to begin implementation as soon as earmarked funds for the total ITTO contribution become available in the Special Account. The project will lose its status as an approved project on 30 November 2015.

5. PD 720/13 Rev.3 (I) Strengthening of Two Community Associations to Improve the Forest Industry in the Department of Huehuetenango, Guatemala

Budget and Sources of Funding:

Total Budget:	US\$	213,747
ITTO contribution:	US\$	129,371
Executing Agency contribution:	US\$	84,376

Executing Agency: Asociación de Silvicultores Chancol (ASILVO CHANCOL)

Approved: Autumn Project Cycle, October 2014

Duration: 24 months

Financing for this project is still pending and the Council has authorized the Executive Director to begin implementation as soon as earmarked funds for the total ITTO contribution become available in the Special Account. The project will lose its status as an approved project on 31 May 2016.

6. PD 737/14 Rev.1 (I) **Developing Supply Capacity of Wood-based Biomass Energy through Improved Enabling Conditions and Efficient Utilization of Degraded Forest Lands Involving Local Communities in North Sumatra Province of Indonesia**

Budget and Sources of Funding:

Total Budget:	US\$	791,982
ITTO contribution:	US\$	594,832
Government of Indonesia/ISWA:	US\$	197,150

Executing Agency: Directorate General of Forestry Utilization Management (BUK), Ministry of Forestry

Collaborating Agency: Indonesian Sawmill & Woodworking Association (ISWA)

Approved: Spring Project Cycle, April 2014

Duration: 48 months

Financing for this project is still pending and the Council has authorized the Executive Director to begin implementation as soon as earmarked funds for the total ITTO contribution become available in the Special Account. The project will lose its status as an approved project on 30 November 2015.

7. PD 770/15 Rev.1 (I) Promotion and Sustainable Management of Lesser-Used Timber Species (LUTS) in the Moist Forests of the Departments of Atlantida, Colon and Northern Olancho in Honduras

Budget and Sources of Funding:

Total Budget:	US\$	248,624
ITTO contribution:	US\$	196,224
Government of Honduras/ICF:	US\$	52,400

Executing Agency: Instituto Nacional de Conservación y Desarrollo Forestal, Areas Protegidas y Vida Silvestres (ICF)

Approved: Spring Project Cycle, April 2015

Duration: 24 months

Financing for this project is still pending and the Council has authorized the Executive Director to begin implementation as soon as earmarked funds for the total ITTO contribution become available in the Special Account. The project will lose its status as an approved project on 30 November 2016.