

**STRENGTHENING THE PARTICIPATION OF THE PRIVATE SECTOR IN ADVANCING ITTO'S OBJECTIVES**

ITTO Annual Market Discussion

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Kuala Lumpur, 18 November 2015

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**Presentation Outline**

1. Background and scope of the study
2. Methodology
3. Findings
4. Conclusions and recommendations

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**Background and scope of the study**

**Intensified challenges** to tropical timber trade (ex. rising regulatory and consumer requirements; increasing production & transaction costs; competition from alternative materials).

Low appreciation of tropical timber particularly in eco-sensitive markets

Declining competitiveness and market share of tropical timber

**Issues and constraints**

- Imbalance in ITTO's funding of trade and FI projects;
- Involvement of the private sector in development of Member positions on trade issues in Council sessions;
- Engagement of TG members in ITTO's activities.

**Focus of the TORs:** (1) Develop options to strengthen the participation of private sector in advancing ITTO's objectives; (2) Develop strategy options for improving Private sector involvement in ITTC.

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### Methodology

- Review of ITTC reports and TAG statements in ITTC sessions;
- Interviews with TAG members and other resource persons;
- A review of the literature on practices in other organizations having developed partnerships with the private sector.

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### Main findings

The **weak framework** of ITTO/Private sector partnership

Trend in **imbalance** in ITTO's funding of trade and industry projects and activities

**Participation** of Trade Members delegations and in their ITTC preparatory meetings

Although private sector has long been involved in ITTO's work, the partnership is constrained by lack of clear framework:

- Both ITTA, 1983 and ITTA, 1994 do not make any mention of the "Private sector" in Articles 14 and 15 where they make reference to "Non-governmental Organizations".
- This gap was corrected by:
  - ITTC Decision 9(XXVII) taken in 2000 to bring TAG into being;
  - ITTA, 2006 makes a clearer mention of the Private sector and recognizes the importance of its collaboration in promoting SFM.
- The successive ITTO Action Plans have not provided sufficient elements to clarify the rationale of the Partnership and to establish expected outcomes from the two partners.<sup>2</sup>

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### Main findings

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**Participation** of Trade Members delegations and in their ITTC preparatory meetings

Project financing (USD) by ITTO in the years 2012, 2013 and 2014

Year	RFM	Forest Industry (FI)	EIMI	FI +EIMI
2012	3,208,160	511,208	747,736	1,258,944 (28.2%)
2013	3,586,988	1,080,070	979,335	2,059,405 (36.5%)
2014	1,679,019	1,088,724	492,847	1,581,571 (48.5%)
TOTAL	8,474,167	2,680,002	2,219,918	4,899,920
Percentage	63,4	20,0	16,6	36,6

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**Main findings**

The **weak framework** of ITTO/Private sector partnership

Trend in **imbalance** in ITTO's funding of trade and industry projects and activities

**Participation** of Trade Members delegations and in their ITTC preparatory meetings

- In general, Member countries delegations to ITTC sessions do not include private sector advisors; and there is no stated policy to that effect;
- In general, private sector actors do not participate in meetings in which Member countries prepare positions to be taken on trade in ITTC sessions.

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**Reasons for non-engagement: 4 narratives**

"Market-share" narrative

**"Proactivity" narrative**

"Inclusiveness" narrative

"Long-term vision" narrative.

- Many trade actors interviewed think that ITTO is not innovative in supporting trade and forest industry initiatives as it used to be in earlier years:
  - Les investments supporting market share initiatives and more focus on "forestry" projects;
  - For financed projects in forest industry and trade, there is more support to local and national technical activities/projects rather than to initiatives which can lead to transformational changes.

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**Reasons for non-engagement: 4 narratives**

"Market-share" narrative

**"Proactivity" narrative**

"Inclusiveness" narrative

"Long-term vision" narrative.

- Interviewees who adhere to this narrative argue that ITTO has not done enough to support members to make use of trade opportunities represented by legislations enacted by key tropical timber consumers. Examples of legislations:
  - ✓ Lacey Act (USA, 2008);
  - ✓ Illegal Logging Prohibition Bill (Australia, 2012);
  - ✓ EU Timber Regulation which came into force in March 2013.

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**Reasons for non-engagement: 4 narratives**

"Proactivity" narrative

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"Inclusiveness" narrative

"Long-term vision" narrative.

- With regard to the partnership, many interviewees recognize the difficult to see which groups of actors do/should constitute the mainstream of the partnership.
- Many also mentioned that SMEs which should be one of ITTO's target groups for projects are not represented in the Partnership.
- One of the factors that was mentioned to explains the gaps in representativeness of important actors is ITTO's lack of a Private sector policy.

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**Reasons for non-engagement: 4 narratives**

"Proactivity" narrative

"Proactivity" narrative

"Inclusiveness" narrative

"Long-term vision" narrative.

- Some interviewees think that ITTO is not having clear strategic views on key issues regarding production and consumption of tropical timber. Example of issues:
  - ✓ Lack of a strategy to take into account demographic dynamics and economic growth trends in the next 35 years.

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**Theory of Change framework used as basis for the development of recommended strategy options**

- The Theory of Change (TOC) framework is intended as an alternative to the "black box" approach of the logical framework, in which important assumptions, and causal factors are left undocumented.
- Questions addressed by the TOC and which get answers from interviews of TAG members and ITTO SAP are:
  - ✓ What goal and impacts are being addressed by the ITTO/TAG partnership?
  - ✓ What outcomes does the partnership aim to achieve?
  - ✓ What intermediate steps lead to those outcomes and impacts?
  - ✓ What assumptions are associated with each link in the causal chain?

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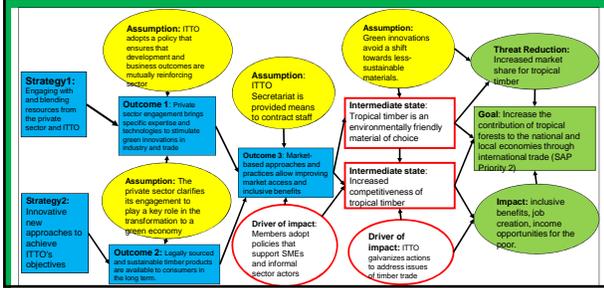
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**A proposed working Theory of Change for the ITTO/TAG Partnership**




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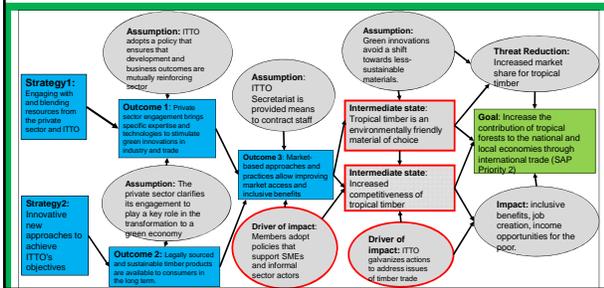
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**What the TOC reveals: the need of an appropriate approach to identify the issues to be addressed by the partnership**




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**Conclusion and recommendations**

**Conclusions**      **Recommendations**

- The years of the years of the participation of the private sector in ITTO's work and the mere mention of organizations of the private sector in ITTA, 2006 are not sufficient for a strong partnership between ITTO and TAG;
- What is need to strengthen the ITTO/Private sector partnership is a clear framework allowing to optimize the contribution to the achievement of ITTA, 2006 objectives.

Conclusion and recommendations

Conclusions

Recommendations

- ITTO should consider adopting a clear policy and guidelines for orienting its partnership with the private sector. Lessons from related experiences made by the development community and UN Organizations such as FAO, IFAD and UNDP can be useful in this regard.
- ITTO should raise the appreciation of member countries on the value of partnerships with the private sector for tropical timber trade in the perspective of the post-2015 development.
- As next steps:
  - ✓ ITTO should set-up a Working Group to prepare the guidelines;
  - ✓ ITTO and TAG should undertake dialogue on blending financial resources to address resource mobilization gap to fund projects in trade and forest industry.

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