

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

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by

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ABBREVIATIONS AND ACRONYMS

CSAG	Civil society advisory group
EIMI	Economic Information and Market Intelligence
FAO	United Nations Food and Agricultural Organization
FI	Forest Industry
IFAD	International Fund for Agricultural Development
ITTA	international Tropical Timber Agreement
ITTC	International Tropical Timber Council
ITTO	International Tropical Timber Organization
NGO	Non-governemental organization
NTFP	Non-timber forest product
PPP	Public Private Partnership
RFM	Reforestation and Forest Management
SAP	ITTO Strategic Action Plan 2013-2018
SFM	Sustainable forest management
SMEs	Small and medium enterprises
TAG	Trade advisory group
TOC	Theory of change
TORs	Terms of reference
UN	United Nations
UNDP	United Nations Development Program
USA	United States of America
USD	United States Dollar.

1 INTRODUCTION

1.1 Background

1. At the Fiftieth Session of ITTC held in Yokohama in November 2014, the Trade advisory group (TAG) made a statement in which it recalled the intensified challenges to the international tropical timber and timber products trade, giving as examples: (i) the rising regulatory and consumer requirements; (ii) the increasing production and transaction costs; and; (iii) the competition from alternative materials. The statement went on to highlight the consequences of these challenges which include the declining competitiveness and market share, and low appreciation of tropical timber and timber products, particularly in eco-sensitive markets, as the declining market share continues to have major socio-economic impacts for producer countries. Considering that the reasons for the continual decline of market share and competitiveness of tropical timber and timber products are sufficiently understood, the Statement went on to underline that what is needed now is a comprehensive strategy. In that regard TAG suggested to the Council that the ITTO Secretariat be provided with resources to contract consultants to develop comprehensive and innovative ideas on the strategy to help all stakeholders in continually improving the market position and technical foundation of tropical timber and timber products as the environmentally-friendly material of choice.
2. As a follow-up to TAG's statement, the ITTO Secretariat, with collaboration of TAG, drafted the terms of reference for a consultant to develop options to strengthen the participation of the Timber private sector in advancing the objectives of ITTO. The TORs specified that the consultant(s) shall develop strategic options for improving Private sector¹ involvement in the ITTC and ITTO considering two scenarios: (i) More of the same (i.e. the same project and Council procedures) but with a stronger private sector involvement. This should involve suggestions on the involvement of the private sector in ITTO management activities and ITTC deliberations (e.g. expert panels, workshops, informal advisory group deliberations etc.); (ii) a completely new strategy which would involve providing options for consideration by ITTC for a strategy 'blending' the intellectual, financial and physical resources of private sector forestry and forest industry practitioners with forestry administration managers, national policy makers and the ITTC to support of the aims of ITTO in terms of expanding the international market acceptance of tropical timber products.

1.2 Terms of reference

3. Seven specific tasks were assigned to the consultants as follows:

¹ The "private" sector is a broad term that encompasses a range of diverse actors. It covers both formal and informal enterprises, micro, small, medium, and large enterprises, local and global enterprises, private financial institutions, as well as business associations, including women's business associations.

- (1) Summarize findings of ITTO analysis on the trend in imbalanced funding of trade/industry projects/activities.
- (2) Survey the TAG to rank ITTO projects/activities funded at the last 3 ITTC sessions in terms of relevance to the issues facing exporters and importers during the time the projects/activities were funded.
- (3) Assess the involvement of private sector in the formulation of member country positions developed in advance of Council meetings.
- (4) Assess the involvement of the private sector in the country delegations to ITTC. A few member countries include the private sector or civil society representatives as members/ advisors of their delegation to ITTC. This was more frequent in the past.
- (5) Assess and report on strategies to partner with the private sector employed by organizations with development objectives similar to those of ITTO.
- (6) Assess and report on the reasons for engagement/non-engagement in ITTO activities by the private sector.
- (7) Present strategy options to the ITTC to strengthen the participation of the private sector in advancing the aims of ITTO.

2. METHODOLOGY

4. The main information sources used to address the issues covered in the Terms of reference are:
 - A review of ITTC reports and TAG statements in ITTC Sessions.
 - Interviews of TAG members and other other resource persons.
 - A review of literature on practices in other international organizations having partnerships with the Private sector.

With regard to the interviews, discussions with interviews were based on the following questions (Table 1):

Table 1: Questions used for interviews	
TOR Tasks	Questions
(1) and (2)	What is the framework of ITTO/Trade partnership ?
	Has the partnership identified areas in which it can add value to the work of ITTO ?
	Do ITTO's strategic documents and plans provide guidance on how to make the partnership effective ?
	Are there mechanisms and processes for developing projects in Forest Industry and Tropical Timber Trade ?
	Is the current model of project design coherent with the partnership for transformative results ?
	How relevant are ITTO projects/activities in terms of the issues facing exporters and importers during the time the projects/activities were funded ?

(3)	Do Member countries involve private sector in the formulation of their positions in advance of Council meetings?
(4)	Do the private sector and civil society participate in countries ITTC preparatory meetings?
(5)	How do organizations with development objectives similar to those of ITTO partner with the private sector ?
(6)	What is the added value of the private sector in ITTO's activities ?
(7)	Does ITTO have sufficient capacities to implement the partnership?

3. FINDINGS

3.1 Framework of ITTO and Private sector partnership

5. **Lack of a clear framework for ITTO/Trade partnership.** ITTO has been working with the private sector since late 1980s. Since 1987, trade and industry association started participating among observers in ITTC sessions or as advisors in Delegations of some Member Countries. In ITTC Decision 9(XXVIII) taken in Lima, Peru, in May 2000, the Council invited Trade and Industry representatives and environmental organizations to establish open-ended Advisory Groups to contribute to the work of the Council. This Decision brought the Timber Advisory Group (TAG) into being. It should be noted however that both ITTA, 1983 and ITTA, 1994 make no mention of the private sector. The understanding seems to have been that the private sector organizations were understood under “Non-governmental Organizations” mentioned in Articles 14 and 15 of both Agreements, regarding ITTO’s cooperation and coordination with other organizations, and admission of observers to ITTC sessions, respectively.
6. ITTA, 2006 makes a clearer mention of the private sector. In its preamble, it recognizes the importance of “collaboration among members, international organizations, the private sector and civil society, including indigenous and local communities, and other stakeholders in promoting sustainable forest management”. In its Article 15, it includes private sector organizations among those ITTO should cooperate and coordinate with, in order to pursue the objectives of the Agreement.
7. The existence of a framework for any partnership between an international organization and the private sector is necessary to engage the latter and to ensure its response. For ITTO, this would involve clarifying the rationale of the partnership, defining agreed strategic objectives, establishing the expected outcomes for different parties, and determining the investments required to reach the objectives. Beyond the broad mention of cooperation and coordination between ITTO and non-governmental organizations, such a framework does not exist in the ITTO Action Plans. For example, while the ITTO Action Plan 2008-2011 recognized the private sector as one of the key stakeholders in SFM, it did not elaborate sufficiently on concrete actions to support ITTO/private sector partnership. In this respect, its scope was limited

to engaging TAG/CSAG in partnership to “inform and support” ITTO’s work on key issues facing tropical forests.

8. The ITTO Strategic Action Plan 2013-2018 (SAP) has a more elaborate strategy in relation to the tropical timber trade and the role of the private sector. It mentions the partnership with the private sector among ITTO’s comparative advantages and expects the Organization to get funding from it to accomplish its priorities. More importantly, it defines a strategy of high interest to tropical timber trade as Priority 2, “Increase the Contribution of Tropical Forests to National and Local Economies, Including through International Trade”. In spite of this advance, there is a lack of an operational concept of how the ITTO/private sector partnership can help operationalize strategies to increase the contribution of tropical timber trade to national and local economies.
9. **The consequences of the gaps in the framework.** There are two important consequences of these gaps. One is the lack of guidance for specific approaches and ideas for the implementation of ITTO Work Plan strategies. Such a guidance would allow the identification of actions that can be funded by ITTO or in partnership with the private sector.
10. The second consequence is the lack of tools to advance the engagement of the private sector in ITTO development work. In this context, private sector engagement can be understood as the deliberate and systematic collaboration of ITTO and the TAG to move ITTA objectives forward beyond individual projects or thematic programs. The partnership can be more beneficial if the engagement of the private sector demonstrates a clear added value for both parties. There is no specific guiding strategy to help identify opportunities where ITTO and TAG can work together to increase, for example, market share for tropical timber.
11. Other lacking tools include strategies to manage private sector engagement, institutional understanding of private sector trade priorities, and lack of resources to bring in the Secretariat staff or consultants with business experience. In its first statement in the Council in November 2000, TAG proposed to be represented on the ITTO Expert Panel for Project and Pre-Project Appraisal. There was no follow-up to this suggestion neither by ITTO nor by TAG. Although TAG’s participation in the Expert Panel would not in itself solve the problems, it is one of the means by which both partners can identify how to move forward in the implementation of their partnership.
12. There are no clear membership criteria of TAG, and no membership statistics are produced beyond the list of attendance of Council sessions. Private sector participation reached peak levels in earlier years of ITTO when many Member Countries’ delegations comprised participants of the private sector organizations. The participation of TAG members in ITTC sessions has been shrinking in recent years, with different regional trends in the participation. For example, participation of private sector delegates from Africa and Latin America decreased faster than than participation from Asia. Some interviewed members think that this situation is explained by both a disillusionment in the partnership and the lack of financial resources to support the participation of TAG members as most of them have to pay themselves for their presence. Some analysts also think that ITTO may not have sufficiently measured the

value of partnering with the private sector. This is reflected in the low level of resources that are invested in projects that have a potential to develop tropical timber trade and forest industry. It is further reflected in the lack of a specific evaluation of how the ITTO/Private sector partnership has contributed to better development outcomes by improving project performance, and Member Countries performance in tropical timber trade outcomes.

3.2 ITTO's Funding of Timber Trade and Forest Industry projects

13. **While private sector organizations have been one of ITTO target groups for projects, timber trade and forest industry have attracted less funding compared to SFM.** A Meta-Evaluation of previously evaluated ITTO projects carried out by Simula et al² showed that NGOs and private sector organizations executed 7% per cent of ITTO projects. It further showed that the main intended target groups of ITTO projects include the private sector which was the main beneficiary in more than a third of the projects and secondary beneficiary in another third. Also worth highlighting, the Meta-Evaluation showed that marketing and trade promotion was an element of 24% of the projects but mostly as an additional theme for industry, NTFP and community enterprise projects. Trade diversification (including promotion of lesser used species) was targeted by 15% of the ex-post evaluated projects.
14. Five years after the findings of the above Meta-Evaluation, TAG members believe that ITTO's funding of the member countries' projects in trade and forest industry is still weak. They come to this conclusion by looking at the project funding trend in the years 2012, 2013 and 2014. Table 2 shows that the percentage of funding allocated to trade and industry over these three years was 36.6% of total project financing, and has been 28.2%, 36.5%, and 48.5% in 2012, 2013, and 2014 respectively.

Table 2: Project financing³ (in USD) by ITTO in the years 2012, 2013 and 2014

Year	RFM	Forest Industry (FI)	EIMI	FI+EIMI
2012	3,208,160	511,208	747,736.0	1,258,944 (28.2%)
2013	3,586,988	1,080,070	979,335.0	2,059,405 (36.5%)
2014	1,679,019	1,088,724	492,847	1,581,571 (48.5%)

² Simula, M., El-Lakany, H., and Ivan Tomaselli, I. (2011). Meta-Evaluation of previously evaluated ITTO projects. International Tropical Timber Council; Forty-seventh Session, 14-19 November 2011, La Antigua Guatemala.

³ The information presented in the table does not include funding for Thematic Programmes.

Total	8,474,167	2,680,002	2,219,918	4,899,920
Percentage	63.4	20.0	16.6	36.6

15. The analysis of TAG members also points to the need of investment in developing new thinking and capacity of actors in member countries in order to formulate projects that are attractive to donor funding and can help raise public trust in timber trade business.
16. TAG members and other resources persons consulted also observe that projects are often too narrow to respond to the broader objective of improving Member Countries' timber market share. They are mostly driven by immediate applications that lack wider value, with limited resources to develop real partnership between public and private sectors to develop timber trade and forest industry. TAG members believe that ITTO's forest industry and trade initiatives need rethinking so that they can be more strategically driven and issue-led initiatives, with implementation approaches that stimulate innovation.

3.3 Participation of Trade and Civil Society in members' delegations and in countries ITTC preparatory meetings

17. It comes out of the lists of attendance of ITTC sessions that in general Member Countries' delegations of both producer and consumer groups do not include private sector advisors. This can be explained by the fact that there is no provision for that in the ITTA, and there is no stated policy to encourage members to include participants from the private sector in their delegations.
18. With regard to participation to Council sessions, Member Countries have preparatory meetings prior to review the agenda, define priorities and country positions, etc. TAG members think that in many countries these meetings involve only government officers, with little involvement of the private sector or civil society. They see such an involvement as a better solution for channeling their suggestions, as compared to TAG statements which are made at late stages of Council Sessions, without giving time enough time for their discussion.

3.4 Examples of Partnerships of other International organizations with the private sector

19. In the last ten years, the development community has increasingly adopted strategies focusing on the role that the private sector can play in development. It is widely recognized that the role of the private sector is critical to generate technological and trade innovations, accelerate economic growth, create jobs, and provide needed goods and services to society. There are many examples of international organizations which have developed strategies for

partnerships⁴ with the private sector. This paper provides three examples of organizations which apply such strategies: FAO, IFAD and UNDP.

20. **United Nations Food and Agricultural Organization (FAO).** FAO's private sector policy aims at attracting increased private sector participation in food security and other agricultural development programmes through partnership activities. To achieve this, FAO acts as a facilitator and "honest broker" for mobilizing managerial, technological, scientific, financial and other resources through new alliances with private industry, non-governmental organizations (NGOs), foundations and other civil society actors. The Organization's general framework to implement its policy on partnerships with the private was clarified with its "Principles and guidelines for FAO cooperation with the Private sector" published in 2000⁵.
21. In 2013, FAO reaffirmed in a revised strategy⁶ that it recognizes that the private sector is a key stakeholder in the fight against food insecurity, malnutrition and rural poverty, and acknowledged the potential that better coordination and collaboration between the public and private sectors can offer in the delivery of the Organization's Strategic Objectives.
22. The main objective of FAO's Strategy is to enhance collaboration aimed at further increasing delivery of FAO's objectives of eliminating food insecurity and reducing poverty, while safeguarding the Organization's characteristic of being a neutral forum. The four specific aims are:
 - (i) To boost agricultural production and food supply, to increase incomes, and enable the provision of employment, services and goods in isolated and vulnerable areas where access to market is particularly difficult;
 - (ii) Helping FAO achieve its five Strategic Objectives as 'development outcomes' in FAO's new Strategic Framework, at local, national and international levels;
 - (iii) Enhancing the involvement and participation of the private sector, as observer in international fora related to FAO's mandate and encouraging the private sector to respect relevant standards set by such fora and Members through FAO's governing bodies; and
 - (iv) Enhancing the participation of the private sector through financial and non-financial contributions in FAO's activities, with mutual cooperation including sharing of lessons learned and development of best practices.
23. With its revised strategy of 2013, FAO considers engaging with all private sector entities, including small and medium enterprises (SMEs), cooperatives and producers' organizations, and local companies. It defines the private sector as including enterprises, companies or businesses, regardless of size,

⁴ In its Organization-wide Strategy, FAO defines the term partnership as, "...cooperation and collaboration between FAO units and external parties in joint or coordinated action for a common purpose. It involves a relationship where all parties make a contribution to the output and the achievement of the objectives rather than a solely financial relationship".

⁵ See: <http://www.fao.org/3/a-x2215e.pdf>.

⁶ FAO (2013). FAO Strategy for Partnerships with the Private Sector. <http://www.fao.org/docrep/018/i3444e/i3444e.pdf>.

ownership and structure, and covering all sectors of the food, agriculture, forestry and fisheries systems from production to consumption, including associated services: financing, investment, insurance, marketing and trade.

24. **International Fund for Agricultural Development (IFAD).** IFAD is one of many development organizations which have realized that private-sector entities have a central role to play in rural development, offering opportunities for the creation of employment and wealth in rural areas. Their contribution in promoting access to markets, undertaking innovations, providing essential services - including technical assistance, training and rural finance - and supplying inputs has proven to be complementary and critical to the services provided by government agencies, NGOs and civil society organizations. Based on this importance of the private sector, the Executive Board approved in 2005 the strategy⁷ for IFAD's engagement with the private sector.
25. The goal of IFAD's Strategy is to engage the private sector to bring more benefits and resources to IFAD's target groups. The immediate objective is to increase pro-poor private-sector operations and investments in rural areas. There are three broad lines of action which are:
 - (i) Policy dialogue for local private-sector development;
 - (ii) Investment operations to support local private-sector development; and
 - (iii) Partnerships with the private sector in order to leverage additional investments and knowledge for rural areas.
26. This strategy made it possible for the Fund to widen the government-led focus of its country strategies and projects to promoting greater involvement of the private sector in its operations. It paid greater attention to value chain development, commercialization and access to markets, as well as articulating a new vision in its Strategic Framework 2011-2015, which is centered around farming as a business and recognizes the significant role that the for-profit private-sector operations can fulfil.
27. One of the conclusions of a corporate-level evaluation conducted in 2011⁸ is that the projects designed after the adoption of the Strategy as compared with those designed earlier had made wider provision for private-sector development, especially through greater attention to rural microenterprises and small businesses, commodity value chains, market linkages and enhanced agricultural productivity.
28. **United Nations Development Program (UNDP).** UNDP adopted its first private sector strategy⁹, "UNDP Private Sector Strategy: Promoting Inclusive Market Development" in 2007. The intention of the Strategy was to give practical direction and substance to the recognition that private sector development and private sector engagement are central not only to poverty reduction, but also to achieving wider corporate objectives in the areas of

⁷ IFAD (2005). Private sector development and partnership strategy.

<http://www.ifad.org/pub/policy/private/e.pdf>.

⁸ IFAD (2011). IFAD's Private-Sector Development and Partnership Strategy. Corporate-level evaluation.

http://www.ifad.org/evaluation/public_html/eksyst/doc/corporate/private_sector.pdf.

⁹ UNDP (2007). Private Sector Strategy: Promoting Inclusive Market Development.

energy and environmental service delivery, crisis prevention and recovery and democratic governance.

29. UNDP's aim with its strategy was to develop a more explicitly pro-poor focus for its private sector work. For private sector development, this meant moving away from single theme projects in areas such as business development services and micro-credit. For private sector engagement, it required ensuring that interventions have a more systemic and sustainable impact. Before long, it appeared to UNDP that a new strategy was needed in order to update the private sector engagement part. This updating was needed in order to take into account new developments in the development community, including the Busan High-level Conference on Aid Effectiveness, the Rio+20 Conference on Sustainable Development, and the UN Secretary-General's emphasis on strengthening UN – Business partnerships.
30. In 2012, UNDP adopted a new strategy¹⁰, "Strategy for Working with the Private Sector". The main objective is to accelerate progress by enhancing and focusing private sector engagement and development in support of UNDP's global medium term priorities as per the agenda for organizational change, with a focus on:
 - (i) Supporting countries to achieve sustainable and inclusive growth (with greater focus on key economic sectors, markets or regions), and
 - (ii) Accelerating economic recovery with an emphasis on job creation in fragile states and regions.
31. **Lessons from these examples.** It can be concluded that by adopting clear policies, strategies, or guidelines the three organizations above have adequately captured the recent trends in the development community of cooperating with the private sector in relation to the key role it can play in development. The adoption of clear strategies allowed them to be more focused as far as organization-specific definition of private sector and thematic areas of cooperation are concerned.

3.5 Reasons for engagement/non-engagement of the private sector in ITTO activities

32. **A wide range of private sector actors.** In the past ITTO has collaborated with the Timber Private Sector, in particular through Public Private Partnership in key areas including building local capacity, biodiversity conservation in timber producing concessions, forest certification, promoting SFM and innovation in reduced impact logging. ITTO projects have contributed to skills development and poverty reduction by linking communities to market. These themes have mainly attracted forest sector associations involved in public private partnerships (PPPs) in member countries.
33. The reasons for engagement or non-engagement of private sectors with ITTO are difficult to comprehend without conducting a survey covering those who

¹⁰ UNDP (2012). Strategy for Working with the Private Sector.

<http://www.undp.org/content/dam/undp/library/corporate/Partnerships/Private%20Sector/UNDP-Private-Sector-Strategy-final-draft-2012.pdf>.

are engaged and those who disengaged. Such a survey would require first to establish a typology of actors who participated in ITTO's work since the beginning because neither the ITTAs nor the ITTO Action plans define the mainstream actors for the partnership. In this regard, ITTA, 2006 does not go beyond recognizing the importance of collaboration with the private sector organizations, and stating that their facilities, services and expertise should be utilized. This recognition was echoed in the ITTO Strategic Action Plan 2013-2018, which states that accomplishing the Organization's strategic priorities will depend on its ability to continue developing effective partnerships with the private sector. As mentioned above, the SAP provides elements for operationalizing this partnership under its strategic priority 2, under which it is recognized that international markets can be a source of considerable economic benefits.

3.5.1 Reasons for engagement

34. Members of TAG see many reasons for engagement in partnering with ITTO. First, the partnership has a potential to allow private sector organizations to have a dialogue with ITTC on issues regarding for example meeting future demand of sustainably produced tropical timber, increasing its market share, meeting expanded markets for certified timber. Second, private sector actors want to contribute to policy dialogue on how to increase the impact of ITTO policy and project work on promoting SFM and increasing access of tropical timber to markets.
35. An important reason clearly stated recently by TAG is possibility to effectively harness the energies, experience and investments in forestry and the wood processing industries by the private sector to contribute to meeting the primary objective of ITTO of "an international trade of tropical timber from sustainably managed forests". It is because of this reason that TAG has recently proposed an approach that blends private sector investments and ITTO funding to in a way that would advance the objectives of the Organization in "good forestry and trade, creating jobs, advancing innovation and helping countries generate greater revenues from their forest resources".
36. These reasons seem to have been captured by ITTO. The SAP recognizes that small and medium-sized enterprises face particular challenges, for example in gaining access to information and in meeting requirements in international markets, and need guidance and tools to enable them to succeed, and states that «Changes in consumer demands, public policies and private sector practices in many major markets for tropical forest products require investments on the part of producers and exporters in order to ensure their continuing access to markets and competitiveness».

3.5.2 Reasons for non-engagement

37. Over the years since there have been high and low levels of active participation of the private sector in ITTO's work. As there has not been a specific evaluation of the effectiveness of the partnership between ITTO and the the private sector, it is difficult to make an evidence-based conclusion on the exact reasons of non-engagement of private sector actors in the

partnership. However, the interviews conducted with TAG members and other resource persons who have been involved in ITTO work from other angles reveal the following four main narratives: the “market share” narrative, the “proactivity” narrative, the “inclusiveness” narrative, and “long-term vision” narrative.

38. **The market share narrative.** Referring to ITTO’s mission of promoting the expansion and diversification of international trade in tropical timber from sustainably managed and legally harvested forests, many members of TAG describe an Organization which proved to be innovative in its earlier years but which has progressively focused more on “forestry” and less on forest industry and tropical timber trade. They specifically mentioned that ITTO has not sufficiently invested in initiatives aimed at increasing market share for tropical timber. They add that its projects have mostly focused on local and national technical activities outputs rather impacts on transformational change¹¹ on timber and NTFP industry, or on trade and increased timber market share. One of the explanations given by those who adhere to this narrative is the limited scope of the ex-post evaluation exercises. They say that evaluations tend to present results in snapshots form at local or sector levels rather than assessments of project overall contribution to improved timber trade and contribution to member countries economic growth over time. Overall they see that on timber industry and timber trade the ITTO’s success stories have been scanty.
39. **The proactivity narrative.** Those who adhere to this narrative think that ITTO has not done enough to deliver on the basis of opportunities, by taking into account the important global shifting trends in timber procurement. They refer in particular to the opportunities represented by legislations that have been enacted by key tropical timber consumers in the aim of supporting the legal production and trade in timber, and prohibit the placing of illegally harvested timber and associated timber products on their markets. These legislations include: Lacey Act Amendment (USA, 2008), Illegal Logging Prohibition Bill (Australia, 2012), and the European Union Timber Regulation which came into force in March 2013.
40. **The inclusiveness narrative.** The TAG members and other resource persons interviewed consider that there is a wide range of private sector actors and activities that could be harnessed towards the realization of ITTO’s mission and objectives. They recognized the difficulty to see which groups of actors and activities do or should constitute the mainstream as far as ITTO partnership with the private sector is concerned. One analyst observed that most TAG members are almost entirely from trade associations, not from companies involved in forestry activities that might be interested in CSR activities through ITTO. Yet, noted the same analyst, there is a need to directly interact with the companies which would have a better chance of success for resource mobilization if suitable modalities for cooperation can be found.

¹¹ Transformational change is the process whereby positive development results are achieved and sustained over time by institutionalizing policies, programmes and projects within national strategies. See: UNDP (2011). “Supporting transformational change”. <http://www.undp.org/content/dam/undp/library/Cross-Practice%20generic%20theme/Supporting-Transformational-Change.pdf>.

41. There is a similar difficulty of describing who among the private sector actors should be the target groups for ITTO projects. The groups often mentioned as not participating nor represented in ITTO and private sector partnership are the SMEs, including those of women entrepreneurs. A group of actors most mentioned as not being adequately targeted by ITTO's trade and industry projects are those of the informal sector. In the context of Africa, informal sector actors are known to be very dynamic as far as job creation is concerned, but they often lack support to improve their skills and to connect to international markets.
42. Many persons interviewed believe that these inclusiveness gaps are due to the fact that ITTO does not have an approach of the private sector as a stand alone policy area as its mission would suggest. They note that at this advanced stage of discussions on the post-2015 sustainable development agenda, ITTO has not yet clarified what role it expects the private sector to play. As a good reference for such a role, the TAG refers to this quotation from EU Communication on "Strengthening the Role of the Private Sector in Achieving Inclusive and Sustainable Growth in Developing Countries": *"The impact that private sector actors can have on development is now widely recognized, and donors around the world are seeking ways to effectively engage with the private sector for creating jobs, providing incomes, goods and services, advancing innovation, and generating public revenues essential for economic, social and environmental welfare"*¹².
43. **The long-term vision narrative.** Some resource persons interviewed think that ITTO is not having clear strategic views on key issues regarding long-term trends in production and consumption of tropical timber. To illustrate this, they mention the lack of a strategy to take into account demographic dynamics and economic growth trends of the next 35 years and their implications on production and consumption of tropical timber. They point to the likelihood of a shift of some current tropical timber exporting countries to net timber importers. To support this narrative, they refer to a recent study published by Global Environment Fund¹³ (2013) whose analysis of data from recent research suggests that Africa will increasingly become a large net importer of wood products, as opposed to a net exporter. This analysis shows that Africa is beginning to experience a wood supply crisis, particularly near population centers close to the coast.
44. In the light of the above four narratives, a clear ITTO strategy to engage the private sector is timely.

4. PROPOSED APPROACH TO STRENGTHEN THE PARTICIPATION OF THE PRIVATE SECTOR IN ADVANCING ITTO'S OBJECTIVES

45. **Not more of the same.** The last point in the TORs is to present strategic options to the ITTC to strengthen the participation of the private sector in

¹² See :

http://ec.europa.eu/smartregulation/impact/planned_ia/docs/2014_devco_001_private_sector_communication_en.pdf.

¹³ GEF (2013). Africa will import, not export wood. http://www.globalenvironmentfund.com/wp-content/uploads/2013/05/GEF_Africa-will-Import-not-Export-Wood1.pdf.

advancing the aims of ITTO. The summaries of different narratives from interviews allow to conclude that ITTO and TAG partnership should not be “more of the same” because it has not given satisfaction. The second alternative mentioned in the TORs, of a completely new and comprehensive strategic approach which consists in improving the performance of the partnership should be the scenario of choice for the future. The improvement could come about namely through the blending of the intellectual, financial and physical resources of private sector and ITTO to support ITTO in the implementation of its Strategic Action Programme 2013-2018 and beyond, as proposed by TAG.

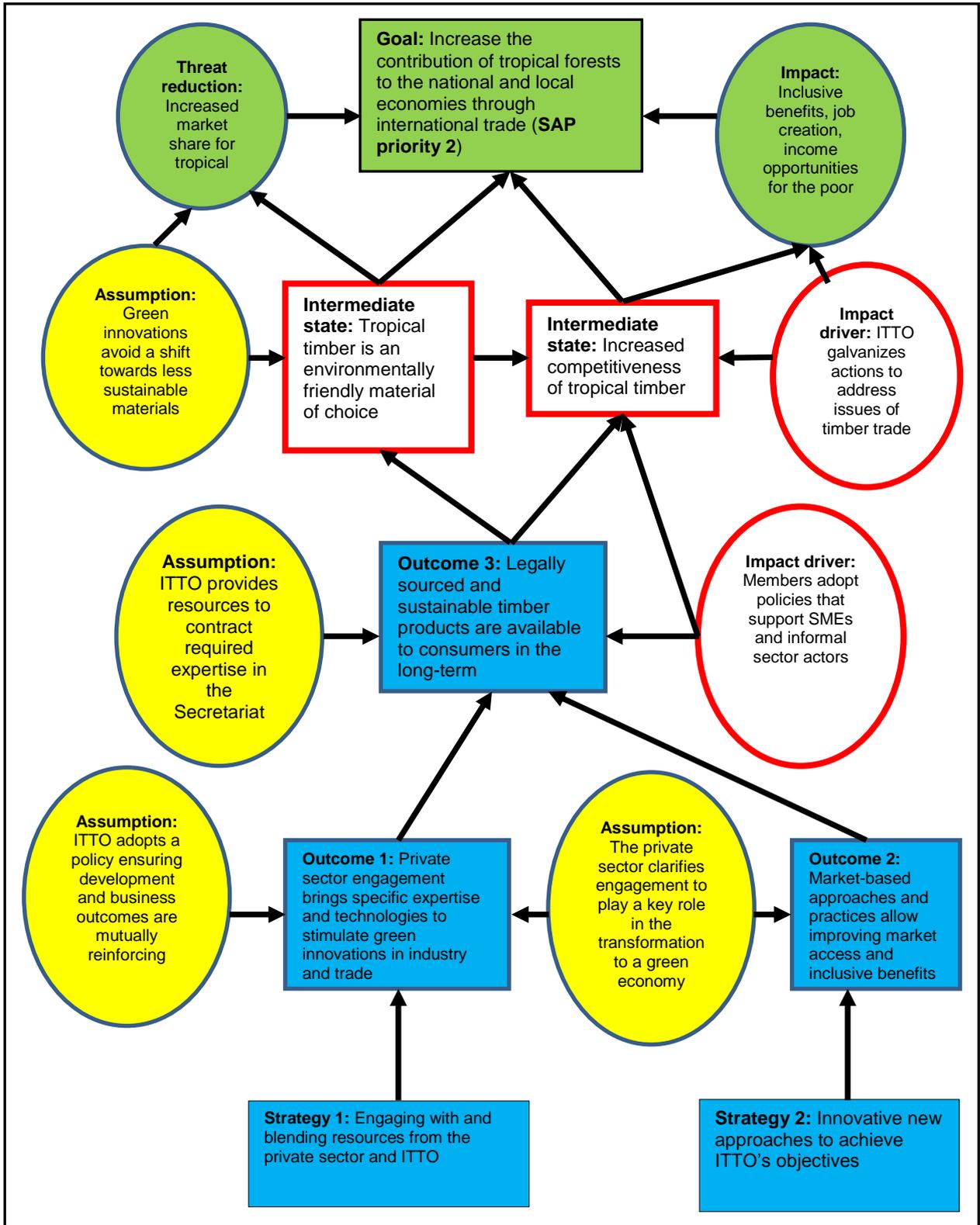
46. In the trade and forest industry areas, the SAP’s description of ITTO’s goal is described under Priority 2 as “Increase the contribution of tropical forests to national and local economies, including through international trade”. What needs to be done by both partners, ITTO and TAG, is to identify options to accelerate the progress to achieving the impacts that are expected under Priority 2. This requires designing realistic interventions, clarifying accountabilities and establishing an ITTO/TAG shared understanding of the expected results and pathways to accelerate progress in the achievement of impacts.
47. The Theory of Change (TOC) approach¹⁴ can be used by both partners as a first step in developing an agenda for initiatives that can help achieving transformational changes in tropical timber trade and forest industry in Producer Member Countries. The TOC can provide ideas that would help ITTO and TAG to move beyond “business as usual”, through greater contextual awareness and clarity about the rationale, assumptions and long-term development goals to be pursued. This is exactly what TAG would like.
48. A working TOC is presented in the Figure on next page. It is conceived to remain in the framework of Priority 2 of the SAP while emphasizing the necessary conditions to engage the Private Sector in order to reach the goal that is understood under that priority. Specific details allowing to accelerate the processes can be worked out by the parties concerned.
49. **Rationale and desired impact of the ITTO/Private sector Partnership.** In the framework of the SAP, the rationale for the ITTO/private sector partnership is to increase the contribution of tropical forests to the national and local economies through international trade. The desired impact of the partnership is two-fold:
 - (i) Increased market share for tropical timber;
 - (ii) Inclusive benefits, job creation and income opportunities for the poor.
50. The TOC figure shows that there are two important preconditions or “Intermediate states¹⁵” that must be in place in order to achieve the above impacts. In the analysis of TAG, these are: (a) tropical timber is an

¹⁴ In development language, a theory of change provides the story of how the goal and the objectives of an initiative will be reached, what will need to happen for them to be reached, and what assumptions are being made. The TOC can be developed for any level of intervention (policy, strategy, plan, program, project).

¹⁵ Intermediate states (also known as intermediate outcomes) are the necessary conditions that must be in place for achieving the impacts.

environmentally friendly material of choice; and (b) appreciation of tropical timber and timber products is higher and its competitiveness is increased.

Figure : Proposed Theory of Change for the ITTO/Private Sector Partnership



51. Given the above rationale, the TOC of ITTO/Private Sector partnership is straightforward. By implementing strategies that allow, (a) the private sector to bring its specific expertise and technologies to stimulate green innovations in industry and trade, (b) legally sourced and sustainable timber products to be available to consumers in the long-term, and (c) improving market access and inclusive benefits through increased capacity to adopt market-based approaches and practices, the partnership would be able to make tropical timber an environmentally friendly material of choice, and to increase its competitiveness.
52. These are conditions that are required to increase the market share of tropical timber, to realize inclusive benefits, create jobs and offer sources of income for the poor. If this is achieved the Partnership will increase the contribution of tropical forests to the national and local economies through international tropical timber trade.
53. However, the TOC shows that this will not be possible if the following assumptions are not met:
 - (i) ITTO adopts a policy ensuring that development and business outcomes are mutually reinforcing;
 - (ii) The Private sector clarifies its engagement to play a key role in the transformation to a green economy;
 - (iii) ITTO provided resources to its Secretariat to contract the required expertise, and
 - (iv) Green innovations allow to avoid a shift towards less sustainable materials.
54. In addition to the four assumptions, the following impact drivers¹⁶ need to be realized:
 - (i) ITTO producer members adopt policies that support SMEs and informal sector actors; and
 - (ii) ITTO galvanizes actions to address issues of timber trade.

5. CONCLUSION AND RECOMMENDATIONS

55. **Conclusion.** This work has shown that the ITTO/Private sector partnership lacks a framework, and cannot therefore optimize its contribution to the achievement of the ITTA's objectives. The years of participation of the private sector in ITTO's work and the mention of the private sector organizations in ITTA, 2006 in relation to cooperation with ITTO appear to have had only limited influence on what both partners can achieve together. The lack of a policy for the partnership and of guidelines for its implementation is clearly in contrast with the expectations of both partners as far as their cooperation to contribute to the achievement of the priorities of successive ITTO Action Plans are concerned. There is therefore a strong case for improving the situation by building a better defined and more innovative partnership.

¹⁶ Impact drivers are the significant factors that, if present, are expected to contribute to the achievement of partnership impacts, and are within the ability of the partners to influence.

56. **Recommendations.** In line with this conclusion, the following recommendations are made to both ITTO and TAG:
- (i) ITTO should consider a clear policy and guidelines for orienting the partnership with the private sector and engaging it for achieving the ITTA's objectives. Lessons from related experiences made by the development community in general and UN organizations such as FAO, IFAD and UNDP in particular, could be used in the elaboration of the guidelines.
 - (ii) Given the role that the private sector can play in post-2015 development, ITTO should raise the appreciation of member countries on the value of private sector partnerships to achieve national objectives in the forestry sector.
 - (iii) As next steps:
 - ITTO should set-up a Working Group to prepare guidelines
 - ITTO and TAG should undertake dialogue on blending financial resources to address the resource mobilization gap to fund projects in the areas of tropical timber trade and forest industry in the framework of Priority 2 of the SAP and the implementation of the expected policy and guidelines.