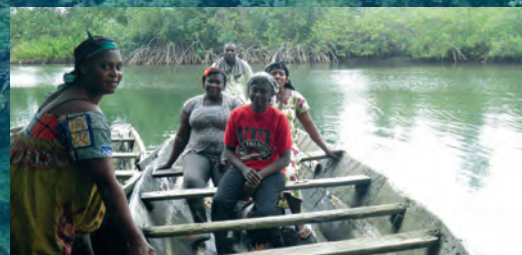


ITTO annual report 2016



ITTO annual report 2016



Annual report 2016

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The International Tropical Timber Organization (ITTO) is an intergovernmental organization promoting the conservation and sustainable management, use and trade of tropical forest resources. Its members represent the bulk of the world's tropical forests and of the global tropical timber trade. ITTO develops internationally agreed policy documents to promote sustainable forest management and forest conservation and assists tropical member countries to adapt such policies to local circumstances and to implement them in the field through projects. In addition, ITTO collects, analyzes and disseminates data on the production and trade of tropical timber and funds projects and other actions aimed at developing sustainable forest industries at both the community and industrial scales. Since it became operational in 1987, ITTO has funded more than 1000 projects, pre-projects and activities valued at more than US\$400 million. All projects are funded by voluntary contributions, the major donors to date being the governments of Japan and the United States of America.

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Front-cover photos: Background—Natural forest pools in Guatemala. Photo: N. Urbina/INAB. Left insert—Project officers review lessons learned in a teak-seed production village in Myanmar. Photo: R. Glauner. Middle insert—Project staff use a NIRS device to identify mahogany wood samples in Brazil. Photo: ITTO–CITES Programme. Right insert—A team from Londji village heads to a mangrove restoration area to plant mangrove propagules. Photo: Cameroon Ecology

Back-cover photo: Left insert—This house in Honduras will act as a carbon sink for decades because of the wood used in its construction. Photo: G. Dieterle. Middle insert—Local women weave baskets in a community forest enterprise in Mexico. Photo G. Sanchez–Vigil. Right insert—Tropical timber for the production of woodflooring in Peru. Photo: CNF

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Acronyms and abbreviations

| | |
|----------|---|
| APEC | Asia-Pacific Economic Cooperation |
| BPF-B | Bali Partnership Fund, Sub-Account B |
| CANAINMA | Mexican National Chamber of Wood Industry |
| CBD | Convention on Biological Diversity |
| CFME | (thematic programme on) Community Forest Management and Enterprises |
| CIRAD | Centre de coopération internationale en recherche agronomique pour le développement |
| CITES | Convention on International Trade in Endangered Species of Wild Fauna and Flora |
| CoC | chain of custody |
| COFO | FAO Committee on Forestry |
| COP | Conference of the Parties |
| C&I | criteria and indicators |
| DRC | Democratic Republic of the Congo |
| ETPFC | Emerald Triangle Protected Forests Complex |
| ETTF | European Timber Trade Federation |
| EU | European Union |
| FAO | Food and Agriculture Organization of the United Nations |
| FSC | Forest Stewardship Council |
| FTA | free-trade agreement |
| GIS | geographic information system |
| IDE | (thematic programme on) Industry Development and Efficiency |
| IISD | International Institute for Sustainable Development |
| ITTA | International Tropical Timber Agreement |
| ITTO | International Tropical Timber Organization |
| IUCN | International Union for Conservation of Nature |
| IUFRO | International Union of Forest Research Organizations |

| | |
|---------|---|
| IWPA | International Wood Products Association |
| JICA | Japan International Cooperation Agency |
| KFS | Korea Forest Service |
| Lao PDR | Lao People's Democratic Republic |
| MOU | memorandum of understanding |
| PCI | principles, criteria and indicators |
| PEFC | Programme for the Endorsement of Forest Certification |
| PFE | permanent forest estate |
| PNG | Papua New Guinea |
| REDD+ | reducing emissions from deforestation and forest degradation, including the role of conservation, sustainable management of forests and enhancement of forest carbon stocks |
| REDDES | (thematic programme on) Reducing Deforestation and Forest Degradation and Enhancing Environmental Services in Tropical Forests |
| SDG | Sustainable Development Goal |
| SFM | sustainable forest management |
| SMEs | small and medium-sized forest enterprises |
| TAG | Trade Advisory Group |
| TFLET | (thematic programme on) Forest Law Enforcement, Governance and Trade |
| TFU | <i>Tropical Forest Update</i> |
| TMT | (thematic programme on) Trade and Market Transparency |
| UNFCCC | United Nations Framework Convention on Climate Change |
| US\$ | United States dollar(s) |
| USA | United States of America |
| WCA | Working Capital Account |
| YOKE | Yokohama Association for International Communications and Exchanges |

Message from the Executive Director

2016 was an important year in the history of ITTO. It was marked by efforts to overcome the consequences of the financial impairment of funds, which led to a series of decisions by the International Tropical Timber Council aimed at strengthening the Organization's governance and transparency.

As incoming Executive Director, I am committed to fully implementing the Council's decisions, engaging in the complete recovery of the Organization, and ensuring that the long history of successful work in ITTO continues and is strengthened, taking into account evolving developments in the international forest regime. I would like to underscore ITTO's commitment to strengthening its governance and transparency through the adoption and implementation of the International Public Sector Accounting Standards and enhanced internal controls in 2017, which are a result of key Council decisions responding to the financial impairment.

Despite the challenges, ITTO projects and activities were fruitful in 2016 in promoting the conservation, sustainable management, use and trade of tropical forest resources. This annual report highlights clear examples of improvements in sustainable forestry in the tropics, ranging from the development of timber identification and tracking in Africa; to the management of a transboundary biodiversity conservation area and associated improved livelihoods in Southeast Asia; to enhanced timber processing and timber industries in Latin America; to the updating of guidelines for sustainable forest management.

Nonetheless, ITTO needs a more programmatic approach to its work and its portfolio of projects and activities. It also needs more outreach to make the case for productive forests and sustainably harvested wood products as viable channels for realizing climate benefits and green growth, especially in light of overarching policy frameworks in the international arena, such as the Sustainable Development Goals, the United Nations Strategic Plan for Forests 2017–2030, the United Nations Framework Convention on Climate Change (UNFCCC), the Paris Agreement on climate change, and the Aichi Biodiversity Targets.

International cooperation was an important part of ITTO's work in 2016. The Organization contributed significantly to international processes, such as the Asia-Pacific Forest Week and the World Forest Week; Asia-Pacific Economic Cooperation; the UNFCCC; the Organization-led Initiative on the Development of Global Forest Indicators to Support the Implementation



Photo: K. Sato/ITTO

of the 2030 Agenda on Sustainable Development and the International Arrangement on Forests Strategic Plan; the Convention on Biological Diversity; the Convention on International Trade in Endangered Species of Wild Fauna and Flora; the World Customs Organization; and the World Trade Organization. ITTO's international cooperation was formally strengthened with other international partners, too, such as BirdLife International, TRAFFIC and the Korea Forest Service. Other forms of cooperation took place with partners such as the International Union of Forest Research Organizations, the International Centre for Bamboo and Rattan, the International Network for Bamboo and Rattan, and several institutions in Japan, ITTO's host country.

Finally, I am delighted that the Organization continued to expand in 2016, with the accession of Madagascar to the International Tropical Timber Agreement 2006, bringing ITTO's membership to 73, its largest ever. As we move through 2017 and beyond, my priority and utmost concern will be to establish an atmosphere of trust in close collaboration with all ITTO members, and to make the Organization a bridge between producers and consumers.

Gerhard Dieterle
Executive Director
July 2017

Timeline of key achievements

ITTO's mission is to facilitate discussion, consultation and international cooperation on issues relating to the promotion, conservation and sustainable management, use and trade of tropical forest resources.

| Year | Title |
|------|---|
| 1983 | <ul style="list-style-type: none"> The first International Tropical Timber Agreement (ITTA) is negotiated and adopted |
| 1985 | <ul style="list-style-type: none"> The ITTA 1983 comes into force |
| 1986 | <ul style="list-style-type: none"> ITTO is established in Yokohama, Japan |
| 1987 | <ul style="list-style-type: none"> The first <i>Annual Review and Assessment of the World Tropical Timber Situation</i> is produced The first pre-projects are approved and funded |
| 1989 | <ul style="list-style-type: none"> <i>No Timber without Trees</i> is published, reporting a negligible area of tropical forest under sustainable forest management (SFM) in ITTO member countries The funding of projects begins The ITTO Fellowship Programme is launched Annual market discussions begin |
| 1990 | <ul style="list-style-type: none"> <i>ITTO Guidelines for the Sustainable Management of Natural Tropical Forests</i> (the first set of guidelines of its kind) is published The ITTO Year 2000 Objective is adopted |
| 1992 | <ul style="list-style-type: none"> ITTO defines SFM ITTO launches <i>Criteria for the Measurement of Sustainable Natural Tropical Forest Management</i> (the world's first internationally agreed set of criteria for SFM) |
| 1993 | <ul style="list-style-type: none"> <i>ITTO Guidelines for the Establishment and Sustainable Management of Planted Tropical Forests</i> are published <i>ITTO Guidelines on the Conservation of Biological Diversity in Tropical Production Forest</i> are published |
| 1994 | <ul style="list-style-type: none"> A new ITTA is agreed, establishing the Bali Partnership Fund |
| 1997 | <ul style="list-style-type: none"> The ITTA 1994 enters into force The <i>Annual Review and Assessment of the World Tropical Timber Situation</i> becomes the <i>Annual Review and Assessment of the World Timber Situation</i> under the new ITTA <i>ITTO Guidelines on Fire Management in Tropical Forests</i> are published <i>World Mangrove Atlas</i> is published The Council's Informal Advisory Group is established |
| 1998 | <ul style="list-style-type: none"> <i>Criteria and Indicators for Sustainable Management of Natural Tropical Forests</i> are published, updating the original criteria |
| 2000 | <ul style="list-style-type: none"> Independent diagnostic missions begin assisting countries in identifying actions to achieve Objective 2000 The Trade Advisory Group is established |
| 2001 | <ul style="list-style-type: none"> ITTO provides resources for improving forest law enforcement in the context of SFM |
| 2002 | <ul style="list-style-type: none"> <i>ITTO Guidelines for the Restoration, Management and Rehabilitation of Degraded and Secondary Tropical Forests</i> are developed The Civil Society Advisory Group is established |
| 2005 | <ul style="list-style-type: none"> Revised criteria and indicators for SFM are published, with a reporting format <i>Best Practices for Improving Law Compliance in the Forestry Sector</i> is published |

| Year | Title |
|-------------|--|
| 2006 | <ul style="list-style-type: none"> A new ITTA is agreed, focusing on the world timber economy, the sustainable management of the resource base, increasing the value of non-timber forest products and environmental services, and encouraging the trade of timber from legal and sustainable sources <i>Status of Tropical Forest Management 2005</i>, a comprehensive survey of tropical forest management, is published. The estimated area of tropical forest under SFM in ITTO producer member countries is 36 million hectares |
| 2007 | <ul style="list-style-type: none"> Revised guidelines for the conservation of biodiversity in tropical production forests are field-tested ITTO co-convenes a landmark international conference on forest tenure |
| 2009 | <ul style="list-style-type: none"> ITTO launches thematic programmes on a pilot basis <i>ITTO/IUCN Guidelines for the Conservation of Biological Diversity in Tropical Production Forests</i> are published |
| 2010 | <ul style="list-style-type: none"> An expanded and updated edition of the <i>World Atlas of Mangroves</i> is published |
| 2011 | <ul style="list-style-type: none"> The ITTA 2006 enters into force <i>Status of Tropical Forest Management 2011</i> is published. The estimated area of tropical forest under SFM in ITTO producer member countries is 53 million hectares |
| 2012 | <ul style="list-style-type: none"> Thematic programmes established under the ITTA 2006 are fully incorporated in the work of ITTO |
| 2013 | <ul style="list-style-type: none"> ITTO, the Food and Agriculture Organization of the United Nations and Association Technique Internationale des Bois Tropicaux combine in an initiative to promote the further processing of timber in the Congo Basin |
| 2014 | <ul style="list-style-type: none"> ITTO adopts the <i>Voluntary Guidelines for the Sustainable Management of Tropical Forests</i> ITTO co-convenes a ground-breaking international forum on payments for the environmental services of tropical forests The Council debates and endorses a major study on the economic impact of government procurement policies on tropical timber markets The Council reviews and endorses the <i>Technical Guide on the Quantification of Carbon Benefits in ITTO Projects</i> |
| 2015 | <ul style="list-style-type: none"> <i>Europe's Changing Tropical Timber Trade</i> is published ITTO launches a dedicated website to promote information on tropical lesser-used timber species at www.tropicaltimber.info ITTO develops environmental product declarations for meranti plywood in Malaysia and Indonesia, khaya lumber in Ghana, and ipê decking in Brazil |
| 2016 | <ul style="list-style-type: none"> ITTO membership reaches 73, the highest ever ITTO releases <i>Criteria and Indicators for the Sustainable Management of Tropical Forests</i>, a revised edition of its pioneering work dating to 1992 |



*A field worker collects samples of genetic material from a specimen of *Dalbergia calycina* in Peru.
Photo: F.N. Palacios*

1 52nd Session of the International Tropical Timber Council and Associated Sessions of the Committees

7–12 November 2016 Yokohama, Japan

The International Tropical Timber Council is ITTO's governing body. It meets at least once a year to discuss wide-ranging issues with the aim of promoting sustainable tropical forest management and the trade of sustainably produced tropical timber.

The 52nd Session of the International Tropical Timber Council and Associated Sessions of the Committees (Economics, Statistics and Markets; Finance and Administration; Forest Industry; and Reforestation and Forest Management) was opened by the Council Chair, Jennifer Conje (United States of America—USA), in the presence of Ambassador Koichi Aiboshi, Assistant Vice-

Minister for Global Issues in Japan's Ministry of Foreign Affairs; Makoto Sekiyama, Director General of the International Affairs Bureau at the City of Yokohama; and Ngole Philip Ngwese, Cameroon's Minister of Forests and Wildlife.

In her opening remarks, Ms Conje noted that the Council's 52nd Session presented an opportunity for change in addressing two issues of considerable importance for the future of ITTO. One of these was the appointment of a new Executive Director, and the other was a major financial impairment arising from failed investments made by previous management in 2013–2015. Ms Conje asked Council members to reflect on the vast amount of good work the Organization had done in its 30 years, and she outlined the actions taken by the Organization to address its challenges.



Council Chair Jennifer Conje speaks at the opening session of 52nd Session of the International Tropical Timber Council. Photo: K. Sato/ITTO

Funding of approximately US\$5 million (Table 1) was announced at the Session for:

- Eleven projects covering several aspects of SFM to be implemented in Benin, Ecuador, Guatemala, Honduras, Indonesia, Mozambique, Myanmar, Papua New Guinea (PNG) and Peru.
- Eleven activities under the Biennial Work Programme.

Table 1: Funding of projects, pre-projects and activities, 2016, in accordance with Decision 1 (LII)

| Project/activity ID number | Title | Amount (US\$) |
|--|---|------------------|
| Projects | | |
| PD 721/13 Rev.3 (F) | Building a participatory and inclusive SFM process for the reduction of deforestation and forest degradation in the Ixil forests in the municipality of Nebaj, Quiché, Guatemala | 440 873 |
| PD 723/13 Rev.2 (F) phase 1, stage 1* | Capacity building for strengthening transboundary biodiversity conservation in the Taninthayi Range, Myanmar | 100 000 |
| PD 732/14 Rev.2 (M) | Improve forest governance in Mozambique | 321 138 |
| PD 737/14 Rev.2 (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, Indonesia | 589 863 |
| PD 741/14 Rev.3 (F) | Capacity building for sustainable management of tropical dry forests on the north coast of Peru | 437 478 |
| PD 751/14 Rev.3 (M)* | Sustainable forest management in the Chimbo River Basin, Ecuador: conserving forest resources and agroforestry systems as a mechanism to strengthen the economic inclusion of community families, particularly rural women, settled in the area | 130 000 |
| PD 754/14 Rev.3 (F) | Rehabilitation and sustainable management of sacred forests on Ramsar sites 1017 and 1018 in Benin | 541 031 |
| PD 764/14 Rev.3 (F) | Enabling customary landowners to participate effectively in community forest management schemes in six pilot areas of PNG | 663 829 |
| PD 765/14 Rev.3 (F) phase 1* | Development of a forest landscape restoration programme for Guatemala based on ITTO guidelines | 150 000 |
| PD 770/15 Rev.1 (I) | Promotion and sustainable management of lesser-used timber species in the moist forests of the departments of Atlantida, Colon and Northern Olancho in Honduras | 196 224 |
| PD 777/15 Rev.3 (F) | Accelerating the restoration of Cibodas Biosphere Reserve functions through proper management of landscapes involving local stakeholders in Indonesia | 564 491 |
| <i>Subtotal</i> | | <i>4 134 927</i> |
| Activities under the extended Biennial Work Programme | | |
| PP-A/39-162A | ITTO–CITES Programme | 205 000 |
| PP-A/48-274 | ITTO's participation in international meetings on criteria and indicators | 10 000 |
| PP-A/50-297 | Developing ITTO guidelines on gender equity | 20 000 |
| PP-A/50-304 | Facilitate involvement of the Trade Advisory Group and the Civil Society Advisory Group | 40 000 |
| PP-A/50-305 | ITTO's cooperation with the Collaborative Partnership on Forests | 10 000 |
| PP-A/50-308 | Enhance cooperation between ITTO and the World Customs Organization through the preparation of guidelines for frontline custom officials in combating illegal timber trade | 4 000 |
| PP-A/52-315 | Capacity-building workshops on ITTO's voluntary guidelines on SFM | 59 032 |
| PP-A/52-316 | Promote the conservation, restoration and sustainable management of mangrove ecosystems | 200 000 |
| PP-A/52-317 | Study on timber legality legislation | 20 438 |
| PP-A/52-318 | ITTO's outreach at international events | 15 000 |
| PP-A/52-319 | ITTO Fellowship Programme | 264 427 |
| <i>Subtotal</i> | | <i>847 897</i> |
| Grand total | | 4 982 824 |

*Partial funding.



The International Tropical Timber Council meets at its 52nd Session in Yokohama, Japan, in November 2016. Photo: IISD

Election of ITTO's Executive Director

The Council elected Dr Gerhard Dieterle as ITTO's new Executive Director by consensus. Dr Dieterle won the position from a field of six candidates and after deliberations on the matter at two previous Council sessions.

Dr Dieterle, a citizen of Germany, has a strong background for the post. He has 35 years of experience in national and international forest policies, environmental and development policies, SFM, landscape management and conservation. Working at the World Bank and based in the USA at the time of the election, Dr Dieterle has also worked in Indonesia and Togo.

In his presentation to the Council before his appointment, Dr Dieterle said he was committed to act in the best interests of all producer and consumer countries and to promote an atmosphere of trust, collaboration and partnership. In accepting the appointment, Dr Dieterle thanked Council members for their willingness to come together at the session to address ITTO's challenges.



ITTO's newly appointed Executive Director, Dr Gerhard Dieterle, addresses participants at the 52nd Session of the International Tropical Timber Council. Photo: K. Sato/ITTO

Council decisions

The Council adopted several decisions at the Session, many of which were aimed at improving the Organization's transparency, governance and administration. The decisions included:

- Amendments to the staff regulations and rules.
- The revision of ITTO's financial rules and procedures.
- Further measures regarding the financial impairment.
- Guidelines for addressing ITTO's financial shortfall.
- Standards of conduct for the ITTO Executive Director.
- The establishment of an ad hoc working group to examine options for rotation between producer and consumer members in the appointment of the Organization's Executive Director.

Also at the 52nd Session, the Council:

- Considered the ex-post evaluation of a teak conservation project in Myanmar.
- Reviewed progress on the implementation of 40 projects and one pre-project.
- Declared 18 projects completed.
- Awarded eleven new ITTO Fellowships.
- Reviewed progress on the implementation of the 2015–2016 Biennial Work Programme and extended it by one year.
- Reviewed the implementation of the ITTO thematic programmes.
- Reviewed the implementation of the ITTO–Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES) Programme.

- Reviewed the implementation of the Joint ITTO–Convention on Biological Diversity (CBD) Collaborative Initiative for Tropical Forest Biodiversity.
- Considered the report and recommendations of an oversight committee and an expert panel on the revision of ITTO's financial rules, audit standards, staff regulations, the impact of the financial impairment on projects, and ameliorative measures.
- Reviewed forest-related developments under the UNFCCC.
- Hosted the ITTO Annual Market Discussion on the theme "Free trade agreements—challenges and opportunities for the tropical timber trade".



Delegates browse ITTO publications at the 52nd Session of the International Tropical Timber Council. Photo: K. Sato/ITTO



The incoming Chair, Tabi Agyarko (Ghana), presents a framed gavel to the outgoing Chair, Jennifer Conje, at the closing ceremony of the 52nd Session of the International Tropical Timber Council. Photo: K. Sato/ITTO



Spokesperson for the Producers, Victoire Eheth (Cameroon; left), and Spokesperson for the Consumers, Anna Tyler (New Zealand), share a light-hearted moment at the Chairperson's reception during the 52nd Session of the International Tropical Timber Council. Photo: K. Sato/ITTO

Donors

Donors at the 52nd Session of the International Tropical Timber Council were the governments of the USA and Japan. The Government of the Republic of Korea informed the Council that ITTO and the Korea Forest Service (KFS) had signed a memorandum of understanding earlier in 2016 to increase cooperation on the restoration and sustainable management of tropical forests. The agreement spans ten years and, to facilitate its implementation, the KFS is seconding a professional officer to ITTO from 2017.

2 Field results of projects completed in 2016

Promoting the sustainable management of African forests

The multiphase regional ITTO project PD 124/01 Rev. 2 (M) commenced in 2003 with the aim of promoting the implementation of principles, criteria and indicators (PCI) for SFM in African ITTO member countries and supporting national-level stakeholders in developing PCI adapted to national conditions. The project was divided into phases and stages to facilitate its implementation and funding. The implementation of phase III, stage 2, completed in 2016, strengthened the capacity of participating countries (the Central African Republic, the Democratic Republic of the Congo—DRC, Gabon, Ghana, Mali and Togo) to conduct forest audits in forest concessions, which could serve as a basis for independent forest certification.

As part of phase III, stage 2, national PCI for forest plantations were drafted for Benin, and PCI for natural forests were drafted for both Benin and Mali. Stakeholders in the two countries received training on the PCI, leading to the drafting of national SFM reports for Benin and Mali in accordance with principle 1: “Sustainable forest utilization and maintenance of the multiple functions of forests are a high political priority”.

In collaboration with other partners, the project jointly organized workshops at the country level in Cameroon and DRC on data collection, validation and reporting on forest resources (including audits of forest management by concessionaires). Regional workshops were held to assess the development and use of PCI in participating countries.



*The audit team of ITTO project PD 124/01 Rev. 4 (M) meets forest managers at a concession in Gabon.
Photo: O. Ahimin/ITTO*

The project served as a point of reference for the Forest Stewardship Council’s pre-auditing work in Central and West Africa and as a basis for developing legality assurance systems under forest law enforcement, governance and trade initiatives.



Completed projects, 2016

Key benefits

The benefits of sustainable forest management and the countries within the regions that received support and improvement in those areas



Products and markets



Forest law enforcement and timber legality



Policy and planning



Communities and livelihoods



Biodiversity conservation and forest restoration



Sustainable forestry

Project countries

Countries that benefited from ITTO projects completed in 2016. Some projects were implemented across several countries

Africa



Asia & the Pacific



Latin America & the Caribbean



Projects

ITTO projects completed in 2016
and the key benefits they provided

Establishment and management of production-protection community forests in lower and middle Atrato, Department of Choco, Colombia (PD 20/99)



Forest management, community involvement and sustainable use of Si-kop Forest Area (Coastal Province, Cameroon) (PD 21/98)



Promotion of sustainable management of African forests (PD 124/01)



Conservation and recovery of degraded land in family agriculture units in the eastern Brazilian Amazon (PD 346/05)



Criteria and indicators for the evaluation of tropical forest management sustainability in Mexico (Southeastern Coastal Plains: Gulf of Mexico and Yucatan Peninsula) (PD 351/05)



Conservation and utilization of medicinal plants in Ghanaian forest-fringe communities (PD 424/06)



Sustainable model for the Brazilian woodflooding production chain (PD 433/06)



Institutional strengthening of ANAM for integrated fire management in the tropical forests of Panama (PD 441/07)



Enhancing forest law enforcement in Papua New Guinea (PD 449/07)



Support to improve the productivity of the Peruvian timber industry for the production of higher products (PD 540/09)



Management of the Emerald Triangle Protected Forests Complex to promote cooperation for transboundary biodiversity conservation between Thailand, Cambodia and Laos (PD 577/10)



Establishing a geographic information system for the sustainable management of the forest areas of Togo (PD 581/10)



Development and implementation of a species identification and timber tracking system in Africa with DNA fingerprints and stable isotopes (PD 620/11)



Strengthening the capacity in forest law enforcement and governance of the permanent forest estates in Kratie and Monduliri provinces of Cambodia (PD 673/12)



Establishment of a national forest statistics information management system in Benin (PD 678/12)



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 (PD 687/13)



Development of intra-African trade and further processing in tropical timber and timber products (PD 700/13)



Guidelines for the management of tara (*Caesalpinia spinosa*) plantations with a view to the rehabilitation of wastelands in the subhumid tropics of the coastal region of Peru (PD 724/13)



Donors

ITTO member countries that contributed funds for the implementation of these projects

Australia



Finland



Germany



Japan



Republic of Korea



Sweden



Switzerland



United States of America



Developing DNA timber identification and tracking in Africa

ITTO project PD 620/11 Rev.1 (M) developed practical control mechanisms for identifying the species and geographical origin of wood. The mechanisms are designed to show proof of legal origin, thereby facilitating due-diligence compliance by buyers and the verification of legality by relevant authorities in timber-exporting and -importing countries.

DNA fingerprinting and stable isotope techniques use characteristics inherent to the timber and are impossible to falsify. The project developed reference databases for these characteristics as tools for verifying the declared geographic origin of wood for three main species—iroko (*Milicia excelsa*), sapelli (*Entandrophragma cylindricum*) and ayous (*Triplochiton scleroxylon*)—in Cameroon, the Congo, Côte d'Ivoire, DRC, Gabon, Ghana and Kenya.

The project collected more than 5400 leaf, cambium and wood samples as reference material over the distribution areas of the three species. More than 1000 gene markers were developed for each species. Four groups of individuals with similar genetic composition ("genetic clusters") were identified based on these data and set in a geographic context to create genetic geographic reference maps that are now available to test claims of geographic origin. A similar approach was taken to

developing a database of stable isotopes, which can be used to determine the region of origin of samples.

Thanks to the collaborative nature of the project, DNA sequences can now be used to identify, to the species level, 21 important timber taxa in Africa.

The project transferred technology and built capacity by supporting three reference laboratories in tropical Africa: at the Forest Research Institute of Ghana in Kumasi, for West Africa; at the Institut de Recherche en Ecologie Tropicale in Libreville, Gabon, for Central Africa; and at the Kenya Forestry Research Institute in Nairobi, for East Africa. Technicians in these laboratories have been trained to apply DNA fingerprinting and wood anatomical tree species identification techniques and to perform DNA fingerprinting and stable isotope tests for determining origin. It is envisaged that the labs will conduct DNA tests directly on timber products to ensure legality before export and to confirm claims of origin for timber destined for domestic markets.

The project worked with 14 collaborative agencies in Africa, Asia and the Pacific, and Europe. Among other things, its outcomes were shared with the international coordination office for tree identification and origin assignment at Bioversity International, Malaysia. Funding for the project was considered a contribution to the ITTO–CITES Programme, since its outputs contributed significantly to that programme's objectives.



Wood samples are taken from a tree stump in southwestern Ghana during a training workshop conducted as part of ITTO project PD 620/11 Rev.1 (M). Photo: B. Degen/Thünen Institute

Promoting intra-African trade

Timber markets are growing quickly in Africa, and they could be worth US\$1 billion to local exporters by 2020. In 2014, Africa imported timber and timber products worth US\$7.4 billion, but only US\$400 million (about 5%) of this was intraregional—a missed opportunity for suppliers in the region. The aim of ITTO project PD 700/13 Rev.2 (I) was to promote socioeconomic development and the sustainable management of African forests by adding value to tropical timber and expanding intra-African trade.

Developing the trade in timber and timber products is particularly challenging in Africa because of the long and complicated supply chains, the diversity and bulkiness of products, a lack of common product standards, and weak logistics associated with high transaction costs due to complex administrative procedures. High tariffs, emerging requirements for legality and sustainability (representing non-tariff barriers), and limited transparency due to the prevalence of informal and illegal practices pose additional challenges. Moreover, companies have not prioritized regional markets, and the potential of those markets has not been recognized or exploited.

Phase 1, stage 1 of ITTO project PD 700/13 Rev.2 (I) focused on strengthening capacity for further processing and market transparency in Cameroon, Côte d'Ivoire and DRC. The project established a robust baseline for timber



These trucks loaded with artisanally produced sawnwood at Bouaké, Côte d'Ivoire, are destined for Burkina Faso. The recently completed phase 1, stage 1 of ITTO project PD 700/13 Rev.2 (I) addressed market transparency in Cameroon, Côte d'Ivoire and DRC. Photo: R. Tsanga & E. Essiane/CIFOR

flows within the region, markets, the costs and benefits of tariff and non-tariff barriers, cross-border trade, and the informal sector. The project delivered a monthly bulletin containing news on timber markets and prices and established an online directory¹ of tropical timber producers in Cameroon, the Congo, Côte d'Ivoire and Gabon. The project also provided in-house training for more than 250 workers in 14 wood-processing enterprises in the region.

¹ <http://africantimbercompaniesdirectory.com>

A new forest statistics system for Benin

A lack of reliable information hinders the implementation of SFM in Benin. ITTO project PD 678/12 Rev.1 (M) created a new national forest statistics information system for Benin to address this problem.²

Data recorded in the national forest statistics information system include: forest cover; gazetted forests; national parks; sacred forests; reforested areas and forest plantations; private forests; wood production; fuelwood; nurseries and seedling production; wood-processing industries; the trade of timber and timber products; the production of non-timber forest products; and exports of tree species listed in the CITES Appendices.

Also under the project, a website was developed for the General Directorate of Forests and Natural Resources.³ Reports from the national forest statistics information system are disseminated via this website, including the forest statistics yearbooks for 2013/14 and 2014/15.



Technicians receive training on GIS under ITTO project PD 678/12 Rev.1 (M), which helped Benin establish a national forest information system. Photo: Direction Générale des Forêts et des Ressources Naturelles

² dgfrn-bj.org/foretstatbenin/index.php

³ dgfrn-bj.org

Improved management and livelihoods: Si-Kop community forest, Cameroon

ITTO project PD 21/98 Rev.2 (F) helped people in the Mahoni, Nemkok and Wak communities in Cameroon's Si-Kop community forest to improve their livelihoods and living standards. Among other things, the project was crucial in the gazettelement, in August 2013, of the Si-Kop community forest over an area of 20 395 hectares. A forest inventory was conducted under the project, enabling the formulation of a management plan for the forest, and this was approved in July 2015.

The project constructed two water wells that now provide the communities with potable water, and two warehouses built as part of the project are assisting the commercialization of agroforestry products such as cacao, plantain, roots and honey. People in the Mahoni, Nemkok and Wak communities received training in agroforestry techniques and were supported in establishing nurseries.



This newly installed beehive is part of new apiary enterprises set up in the Si-Kop community forest in Cameroon under ITTO project PD 21/98 Rev.2 (F) to boost local livelihoods. Photo: Office National de Développement des Forêts

Arresting the loss of medicinal plants in Ghana

Up to three-quarters of the population in Ghana depends on plant parts for health delivery. Such use is especially prevalent in rural communities, where poverty is widespread and there is little or no access to modern health-care facilities. Hundreds of medicinal plant species occur in designated forest reserves, sanctuaries (e.g. sacred groves) and farmlands, but these habitats are under serious threat of degradation. ITTO project PD 424/06 Rev.2 (F) piloted community approaches for arresting the loss of traditional medicinal plants in Ghana through appropriate techniques for the *ex situ* (domestication in home gardens) and *in situ* (in natural habitats) conservation and sustainable management of medicinal plants by local communities. The project also provided an avenue by which communities can participate in the production of seedlings for the planting of priority medicinal trees while also improving their own access to traditional health products and boosting their livelihoods.

The focus of the project was on documenting the distribution, availability, conservation methods, sustainability and supply of endangered and common medicinal plants in three ecological zones. Participating communities were trained in the collection and handling of seeds and other propagation materials, best nursery practices and management, medicinal homegardening, and plant domestication. Project beneficiaries were helped to establish plantations of medicinal plants, and training workshops were conducted on appropriate harvesting techniques.



A farmer squats by a one-year-old Terminalia superba (limba) seedling on her farm in Nkoranza, Brong-Ahafo Region, Ghana. The seedling was planted with assistance from ITTO project PD 424/06 Rev.2 (F) to increase the availability of medicinal plants in the area. This seedling will also grow into a valuable timber tree. Photo: S. Brefo Samar/Forest Research Institute of Ghana

The project showed that plant-based medicines remain vital for many people in rural communities for the treatment of diseases such as infertility, piles, malaria, coughs, headaches and convulsions. The project identified, documented and validated (with herbarium samples) 394 medicinal plant species (both timber and non-timber) and their uses. The project supplied farmers in the three ecological zones with more than 200 000 seedlings of frequently used but scarce plant species.

Operationalizing a geographic information system in Togo for SFM

The forest sector in Togo has been characterized by a lack of geospatial data collection and processing, and forest maps have been drawn in a rudimentary manner, creating difficulties for effective policymaking. ITTO project PD 581/10 Rev.2 (F) assisted the Government of Togo to put in place and operationalize a computer-based geographic information system (GIS).

The project provided equipment and materials such as computers, global positioning systems, scanners, digital cameras, and ArcGIS and other software. The project also created capacity by training forest officials in Lomé and five other administrative regions in the use of the GIS.

The GIS enabled the production of maps for the management of the gazetted forests of Sirka, Eto, Tchorough and Amakpape. The system enables standardized data collection and verification processes for natural forests and forest plantations in Togo.



A forest official records the coordinates of a teak plantation as part of the development of Togo's forest GIS, created under ITTO project PD 581/10 Rev.2 (F). Photo: G. Gbadoe/ Office de Développement et d'Exploitation des Forêts

Strengthening international cooperation in the Emerald Triangle Protected Forests Complex

The Emerald Triangle Protected Forests Complex (ETPFC) extends over more than 483 000 hectares of protected areas and reserves and is shared by Cambodia, the Lao People's Democratic Republic (Lao PDR) and Thailand along 317 km of international borders. The ETPFC is part of the Southeastern Indochina Dry Evergreen Forest

ecoregion, and it is one of the most important biodiversity conservation landscapes in Southeast Asia. Among other things, the ETPFC provides habitat for the critically endangered giant ibis, three species of critically endangered vultures, and other endangered species such as the Asian elephant, Asian tiger, fishing cat and white-winged duck. The area is also home to many people, whose cultures are deeply attached to the environment and whose livelihoods are highly dependent on natural resources.

The effective management of the ETPFC has been compromised over the years by, among other things, a lack of transboundary coordination and transnational and internal conflicts. In 2000, ITTO funded a project designed to encourage greater cooperation between Cambodia, Lao PDR and Thailand in the management of the ETPFC. Today, more than 16 years later, the project, now part of the ITTO–CBD Collaborative Initiative for Tropical Forest Biodiversity, recently completed its third phase [PD 577/10 Rev.1 (F)].

The project has promoted leadership among national staff involved in planning, decision-making and coordination activities in the ETPFC; there is now more local capacity for land-use and development planning and project management; and coordination among agencies (within and between governments) has been institutionalized. Project activities included the provision of training to agency personnel in wildlife and plant identification; the formulation of development projects; nature-based tourism management; and the use of GIS for mapping and planning field studies and enforcement patrols. Independent management plans are being implemented in protected areas in the Cambodian and Thailand parts of the ETPFC, representing an important regional advance.

The primary technical accomplishments over the three phases of the project have been the development of individual protected-area management plans for the Pha Taem Protected Forest Complex in Thailand and the Preah Vihear Protected Forest in Cambodia, a consolidation of species lists, the mapping of forest types, improved capacity for management and enforcement, increased knowledge of the key landscape animal species in the ETPFC landscape, most of which are endangered, and a better understanding of the areas used by these species. There is now a formal mechanism to enable personnel from agencies, universities and others to meet to discuss project developments and to share data and exchange information. Studies on wildlife, plants and insects have been completed. Considerable original work on animal distributions has been carried out, including in collaboration with other funding agencies and non-governmental organizations. For the first time, a large database has been developed that amalgamates information on animal distributions in the ETPFC, and maps and predictive models of the distribution of key



Asian elephants (Elephas maximus) stroll in the Preah Vihear Protected Forest, Cambodia. Preah Vihear is part of the ETPFC, the subject of a long-running ITTO project, the third phase of which (PD 577/10 Rev.1 (F)) was completed in 2016. Photo: Cambodia Forest Administration

species have been created. Governments now have sufficient information on which to act to protect major travel corridors for several large wildlife species, to reduce fragmentation through forest recovery, and to ensure that large wildlife species have sufficient habitat to enable their persistence in the ETPFC and the surrounding landscape.

The project made substantial capital investments in both Cambodia and Thailand, including vehicles, laboratory equipment, field equipment, computers, mapping facilities, and plant nursery infrastructure. It also provided funds to support the construction of a regional headquarters for management and enforcement staff in the Preah Vihear Protected Forest. All these investments have strengthened the capacity of local staff to manage the ETPFC more effectively and efficiently.

Local people participated actively in the project. They have several new options for their livelihoods—such as bamboo handicraft production, ecotourism, orchid micropropagation, tree planting and nurseries—developed through integrated conservation and development programmes via a revolving fund established in the second phase of the project. These new livelihood options have reduced pressure on the protected areas, reserves and buffer zones of the ETPFC.

Chain of custody in Papua New Guinea

ITTO project PD 449/07 Rev.2 (M,I) assisted the PNG Forest Authority to develop a chain-of-custody (CoC) and timber-tracking pilot system adapted to PNG's needs and realities. Project outputs included an industry code of conduct and a database for monitoring and reporting on the country's timber flows.



These bar codes were attached to a recently harvested log in PNG as part of training conducted under ITTO project PD 449/07 Rev. 2 (M,I) aimed at increasing the country's timber-tracking capability. Photo: T. Bukon/ PNG Forest Authority

Strengthening forest governance in Cambodia by improving livelihoods

ITTO project PD 673/12 Rev.1 (F) contributed to Cambodia's National Forest Programme 2010–2029 by strengthening forest law enforcement and governance and improving the livelihoods of forest-dependent communities in the permanent forest estates (PFEs) of Kratie and Monduliri provinces—the country's most biodiversity- and forest-rich provinces.

The project increased the capacity of the Forestry Administration by updating the forest patrol field guide, training staff in forest law enforcement and the use of the “Case Tracking System for Forest Crime Monitoring”, producing maps of the PFEs in the two provinces, and providing equipment and facilities for 61 field units.

The project helped increase awareness in local communities of forest regulations and to build the capacity of communities to use natural resources sustainably by providing training on agroforestry and tree nursery establishment and management. Under the project, four agroforestry demonstration sites and four nurseries were established, and these are now benefiting more than 100 households. Livelihoods have been improved with the establishment of four community enterprises, which manufacture bamboo products such as baskets, mats and handicrafts for sale in local markets.



A local woman sells a bamboo basket manufactured after training provided under ITTO project PD 673/12 Rev. 1(F), Kratie Province, Cambodia. Photo: K. Ra

The project fostered collaboration between authorities and stakeholders, and a nationwide campaign on the benefits of forests helped raise awareness of SFM. The campaign included a well-received comic book called “Forest is Life”, a project website⁴ and a Facebook page.⁵

⁴ twgfr.org/ittopd673

⁵ www.facebook.com/FLEG-in-Cambodia-FA-ITTO-Partnership-in-Monduliri-and-Kratie-Provinces-770853139619764

Rehabilitating degraded lands in the Brazilian Amazon

Shifting or slash-and-burn cultivation is common in the Amazon, often resulting in deforestation and the abandonment of farmlands within a few years of conversion due to low productivity. The aim of ITTO project PD 346/05 Rev.2 (F) in the Brazilian Amazon was to restore the productivity of such degraded lands using native tree species, including Brazil nut (*Bertholletia excelsa*), cedar (*Cedrela macrocarpa*), mahogany (*Swietenia macrophylla*), paricá (*Shizolobium amazonicum*), taxi (*Tachigalis vulgaris*) and yellow ipé (*Handroanthus serratifolius*). The project built the capacity of local farmers in seedling production, the use of global positioning systems for mapping their lands, soil enrichment, and fire management, and it set up 28 demonstration plots that were monitored for eight years. The demonstration plots are now being used for training and technology transfer under projects funded by other donors.

The ITTO project benefited more than 150 families, who have seen improvements to their lands—such as more productive soils, improved water quality, the return of wildlife, and microclimatic benefits—and livelihoods.



A family farmer and a researcher participate in a seed collection exercise in the Amazonian state of Pará, Brazil, as part of ITTO project PD 346/05 Rev.2 (F). Photo: P. Vanessa/ Empresa Brasileira de Pesquisa Agropecuária

These families are now advocates of SFM and are changing attitudes in their communities in a movement away from unsustainable practices.

Sustainable woodflooding in Brazil

ITTO project PD 433/06 Rev.3 (I) assisted the private sector in Brazil to address the efficiency of the woodflooding production chain, from the forest to the final product. In addition to identifying new tropical species suitable for woodflooding, the project developed quality standards and a certification programme for the industry—an important aspect of efforts to add value to final products.

The project assessed the suitability of 14 lesser-used timber species for woodflooding production with the aim of diversifying the industry's focus on a handful of highly popular tree species and thereby reducing harvesting pressure on those species.

Some of the evaluated species, such as *sucupira preta* and *maparajuba*, showed excellent potential for woodflooding production. Others, such as *cupiúba* and *angelin da mata*, were identified as possibly suitable for alternative uses, including as a substratum in the manufacture of engineered flooring. Detailed information on the species, as well as on species used traditionally in the manufacture of flooring, was published in the book *Woodflooding: Brazilian Species Characteristics*.

The project proposed changes in the woodflooding production process that resulted in improved kiln-drying, a reduction in the production of wood residues, and alternative uses for such residues.

Before the project, there were no formal product standards for woodflooding and therefore no common reference for quality. Standards for lumber and solid woodflooding developed by the project were approved by Brazil's National Institute of Metrology, Quality and Technology in July 2014 and now conform with accepted



A log is measured during training on in-forest milling in the Brazilian state of Pará as part of PD 433/06 Rev.3 (I), which assisted the private sector in Brazil to address the efficiency of the woodflooding production chain. Photo: I. Jankowsky

international standards. The project further developed and implemented a quality certification programme with several woodflooding companies affiliated with Brazil's National Hardwood Flooring Association.

The project increased capacity in the woodflooding industry by conducting training for about 300 stakeholders on subjects such as wood drying, residue management and woodflooding installation. The project published 36 papers, which are available at a website⁶ developed by the project to disseminate information on sustainable woodflooding.

⁶ pimads.org.

Establishing community forest plantations in Colombia

ITTO project PD 20/99 Rev.2 (F) assisted in the establishment and management of 2 648 hectares of forest plantations by Afro-Colombian communities in Colombia's Domingodo-Truando region. More than 2.8 million seedlings of *Gmelina arborea*, *Tabebuia rosea*, *Tectona grandis*, *Cedrela odorata* and *Bombacopsis quinata* were produced in community nurseries, and more than 1600 farmers were training in silvicultural techniques. The project set the groundwork for the establishment of further plantations funded through two other projects.

Boosting wood processing in Guyana

Guyana's forest sector is focused on primary production and, in the past, little attention has been paid to downstream value adding largely because of a lack of industry capacity to move up the value-adding chain. A comprehensive and integrated programme to develop Guyana's wood-processing subsector is essential for the efficient and sustainable use of forest resources.

ITTO project PD 687/13 Rev.1 (I), which was implemented by the Government of Guyana, had three main outputs:

- 1) The training of 320 personnel—managers, supervisors, operators and regulators—in the wood-processing subsector in specific aspects of lumberyard and sawmill management.

- 2) A review of the national (domestic and export) lumber trade, and publication of a revised version of the Guyana Timber Grading Rules and quality/ dimensional standards for lumber to be used in the construction sector.
- 3) Increased awareness among timber users (contractors, architects and value-adding operators).

Thanks to project interventions, there has been an increase in wood recovery rates (by up to 10%) and greater alignment with export standards between Guyana and timber consumer countries. According to data compiled by the Guyana Forestry Commission, exports by small and medium-sized operators have increased by as much as 10%.

Improving intersectoral linkages was another important aspect of the project strategy. The approach succeeded in increasing collaboration between associations representing loggers, exporters, sawmill and lumberyard owners, and companies involved in value-adding production. There is now greater understanding that all major stakeholders need to work together to improve the quality of forest products and to ensure that the forest resource is used efficiently and sustainably.



Instructors demonstrate the use of guides in chainsaw milling to increase wood recovery as part of training conducted under ITTO project PD 687/13 Rev.1 (I). Photo: P. Bholanath/Guyana Forestry Commission

Participatory development of criteria and indicators in southeastern Mexico

ITTO project PD 351/05 Rev.1 (F) assisted in the development of criteria and indicators (C&I) for assessing the management of tropical forests in southeastern Mexico (Campeche, Chiapas, Oaxaca, Quintana Roo and Yucatán). The project implemented and validated ITTO's C&I and those of other major international protocols in nine forest management units covering more than 150 000 hectares and various forest types and levels of organization. More than 1300 forest owners received outreach on the concept and use of C&I. C&I kits were developed for each forest management unit to assist in monitoring progress towards SFM.

Local people participated actively in the project. C&I were developed for tropical forests in southeastern Mexico in a series of 60 workshops, with the participation of stakeholders involved in forest management and harvesting. Efforts were made to obtain the participation of producers from different ethnic groups, such as Mayas, Tzotziles, Tzeltales and Zapotecos, as well as bilingual professionals with ethnic backgrounds, thereby ensuring that diverse voices were heard during the process. *Ejid*os and communities are using the developed C&I to plan silvicultural activities, improve forest harvesting practices, identify priority research issues, and request funding for the implementation of various activities. Involvement in the project has had significant social impacts in

participating *ejidos* and communities. In particular, it has increased understanding and acceptance of C&I as a tool for the evaluation, monitoring and management of forests and for cultural enrichment by encouraging the sharing, among producers, of knowledge and learning on forest management planning and harvesting.



ITTO project PD 351/05 Rev.1 (F) assisted in the development of C&I for assessing the management of tropical forests in southeastern Mexico, including in this harvesting operation in production pine forest in the Santa Catarina Ixtepeji community, Oaxaca, Mexico. Photo: C. Franco

Panamanian communities buy in to integrated fire management

One of the main causes of deforestation in Panama is clearing for subsistence agriculture and cattle-raising, both of which use fire as part of the clearing process. In implementing ITTO project PD 441/07 Rev.2 (F), the Government of Panama sought to improve fire management in the country with the participation of local communities.

Rather than eliminate fire, the project aimed to modify existing practices by applying prevention and control techniques to mitigate the negative effects of fire and to use it to support the conservation of natural resources. The project focused on three pilot areas, comprising two forest reserves (Guacamaya Mount Hydrological Reserve and El Montuoso Forest Reserve) and one community forest (Buenos Aires Comarca).

At project completion, three voluntary forest brigades (one in each area) had been established, equipped and trained in fire prevention and first aid; 14 km of fire breaks had been constructed; and three lookout towers had been built and equipped. A national registry of forest fires is now in place to ensure up-to-date, accurate data on forest fires, and a national early-warning system has been installed for detecting and monitoring fires. Seventy-two government staff received training in managing forest fuel loads, identifying the causes of forest fires, and assessing environmental damage due to fire.

To help in assessing the project's long-term impact, baseline studies were carried out in each area, generating information on climate, geology, geomorphology, hydrogeology, flora, fauna, hydrology and land use.

Several educational materials were prepared and distributed, helping raise awareness among community members—including the young—on integrated fire management, and this is reflected in the creation of volunteer environmental groups in the pilot areas.



Voluntary forest brigades in Panama received training on integrated fire management as part of ITTO project PD 441/07 Rev.2 (F). Photo: Ministerio de Ambiente



This lookout tower in the La Yeguada Forest Reserve, Panama, was built as part of ITTO project PD 441/07 Rev.2 (F). Photo: Ministerio de Ambiente

Greening the dry coastal lands of Peru

There are nearly 1 million hectares of arid and semiarid lands in Camaná Province in the Department of Arequipa on Peru's southern coast, and they are generally considered wastelands with very low economic and environmental value. The aim of ITTO project PD 724/13 Rev.1 (F) was to restore arid and subhumid ecosystems in the southern coastal region of Peru using a local species, tara (*Caesalpineia spinosa*), which is capable of growing in this harsh environment.

The project used tara to afforest 32 hectares of wasteland and established two nurseries to sustain its production. The project also developed a technical package for the establishment of tara plantations to enable the replication of the project's outcomes in other arid areas in Peru. The package contains information on soil, water, irrigation and biodiversity, and guidelines for the management of plantations on degraded and barren lands.



*This tara (*Caesalpineia spinosa*) plantation on arid land in Camaná Province, Peru, was established under ITTO project PD 724/13 Rev.1 (F). Photo: J. Malleux*

Tara trees are a source of tannins, which have applications in the leather, wine and processed-food industries. The establishment of tara plantations in arid and subhumid areas will, over time, contribute to the incomes and living standards of people living in the area.

Helping small enterprises add value in Peru

Most small and medium-sized timber-processing enterprises in the Peruvian provinces of Arequipa, Madre de Dios and Ucayali lack the business management and marketing skills to position themselves well in domestic and international markets. They produce sawnwood, decking, woodflooring, doors and furniture using local timber species; considerable value can be added to such products, given the necessary skills.

The aim of ITTO project PD 540/09 Rev.2 (I) was to strengthen the capacity of small and medium-sized enterprises (SMEs) in the three provinces to add value to their products, manage their businesses better, engage in effective marketing and use good environmental practices.

The project provided training and technical assistance to more than 500 employees in 37 enterprises on topics such as timber drying, timber sorting, machinery for timber processing, value-added processing, finishing techniques, residue management, costing, workplace safety and health, good environmental practices, accounting and finance, business management, and forest certification,

including CoC. Thirty companies made investments to upgrade their machinery and infrastructure, 31 increased their revenue, and one company in Madre de Dios exported three containers of cumarú (*Dipteryx odorata*) decking to France, which it would have been unable to do in the absence of the project.

The project assisted in the development of business plans for 15 companies and products such as home and school furniture, woodflooring, composite panels, doors, coffins, dimensioned wood and prefabricated houses.

The project played an important role in Arequipa province in planning a new industrial park, for which land has now been allocated. The project raised awareness and conducted a marketing campaign on SFM and value-added timber products in the three provinces and in Lima, and it published a monthly timber market report, including prices for forest products and services.

A worker assembles a chair in a furniture factory in Peru, where ITTO project PD 540/09 Rev.2 (I) helped enterprises add value to their timber products. Photo: E. Sangama/Camara Nacional Forestal



Table 2: Projects completed in 2016 (regular cycle)

| Project ID | Title | ITTO funding (US\$) | Donors | Submitted by |
|---|---|---------------------|--|----------------------|
| PD 124/01 Rev.4 (M) phase 3, stage 2 | Promotion of sustainable management of African forests | 600 000 | Japan | ITTO |
| 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 | 2 046 092 | Australia Germany USA | Germany |
| PD 700/13 Rev.2 (I) | Development of intra-African trade and further processing in tropical timber and timber products—phase 1, stage 1 | 1 399 989 | Japan | ITTO |
| PD 678/12 Rev.1 (M) | Establishment of a national forest statistics information management system in Benin | 398 704 | Japan Sweden | Benin |
| PD 21/98 Rev.2 (F) | Forest management, community involvement and sustainable use of Si-Kop Forest Area (Coastal Province, Cameroon)—phase 2 | 647 517 | Japan | Cameroon |
| PD 424/06 Rev.2 (F) | Conservation and utilization of medicinal plants in Ghanaian forest-fringe communities | 429 138 | Japan Republic of Korea USA | Ghana |
| PD 581/10 Rev.2 (F) | Establishing a geographic information system for the sustainable management of the forest areas of Togo | 345 840 | Japan | Togo |
| PD 577/10 Rev.1 (F) | Management of the Emerald Triangle Protected Forests Complex to promote cooperation for transboundary biodiversity conservation between Thailand, Cambodia and Laos—phase 3 | 2 051 039 | Japan | Thailand Cambodia |
| PD 673/12 Rev.1 (F) | Strengthening the capacity in forest law enforcement and governance of the permanent forest estates in Kratie and Monduliri provinces of Cambodia | 464 033 | Japan Republic of Korea | Cambodia |
| PD 449/07 Rev.2 (M, I) | Enhancing forest law enforcement in Papua New Guinea | 473 040 | Australia Japan Japan Lumber Importers' Association USA | PNG |
| PD 346/05 Rev.2 (F) | Conservation and recovery of degraded land in family agriculture units in the eastern Brazilian Amazon | 324 000 | Japan | Brazil |
| PD 433/06 Rev.3 (I) | Sustainable model for the Brazilian woodflooding production chain | 516 927 | Japan Switzerland | Brazil |
| PD 20/99 Rev.2 (F) | Establishment and management of production–protection community forests in lower and middle Atrato, Department of Choco, Colombia | 559 493 | Japan USA | Colombia |
| 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 | 250 068 | Japan USA | Guyana |
| PD 351/05 Rev.1 (F) | Criteria and indicators for the evaluation of tropical forest management sustainability in Mexico (Southeastern Coastal Plains: Gulf of Mexico and Yucatan Peninsula) | 514 653 | Finland Japan USA | Mexico |
| PD 441/07 Rev.2 (F) | Institutional strengthening of ANAM for integrated fire management in the tropical forests of Panama | 463 115 | Japan USA | Panama |
| PD 724/13 Rev.1 (F) | Guidelines for the management of tara (<i>Caesalpinia spinosa</i>) plantations with a view to the rehabilitation of wastelands in the subhumid tropics of the coastal region of Peru | 149 632 | Japan | Peru |
| PD 540/09 Rev.2 (I) | Support to improve the productivity of the Peruvian timber industry for the production of higher value-added products | 448 362 | Japan Switzerland | Peru |

3

Field results of ITTO thematic programmes in 2016

Implementation of ITTO's thematic programmes

ITTO's thematic programmes are an innovation of the ITTA 2006. The following five have been established to date (although only the first three were operational in 2016):

- 1) Forest Law Enforcement, Governance and Trade (TFLET)
- 2) Reducing Deforestation and Forest Degradation and Enhancing Environmental Services in Tropical Forests (REDDES)
- 3) Trade and Market Transparency (TMT)
- 4) Community Forest Management and Enterprises (CFME)
- 5) Industry Development and Efficiency (IDE).

Twelve projects under the TFLET, REDDES and TMT thematic programmes were completed in 2016 (Table 3).

Forest Law Enforcement, Governance and Trade

Projects completed in TFLET in 2016 were influential in:

- Strengthening controls for combating illegal logging in Cameroon by building capacity and collaboration among several national authorities involved in forest

law enforcement, such as the Forestry Administration, the tax revenue and customs services under the Ministry of Finance, the Ministry of Justice, and the police; and by mapping timber trade routes within the country [TFL-PD 003/09 Rev.2 (M)].

- Improving legal frameworks and strengthening forest governance in Guatemala by updating the national forest law and other relevant legislation aimed at regulating timber transport, the monitoring of forest enterprises, and timber harvesting for household consumption. With the entry into force of these regulations, an online registry of forest enterprises—the Electronic Forest Information System⁷—became mandatory. The system has improved forest governance from the point of view of both the national forest authority and forest stakeholders, who are benefiting from systems that automate forest-related processes, minimize response times, standardize forms, clarify procedures, avoid data duplication, minimize human error, limit bureaucracy and the discretionary powers of officers, and meet the deadlines established by law. The capacity of the national authority to enforce forest laws has been strengthened by intensive training on, among other things, GIS, forest inventories, C&I, forest management and forest incentives [TFL-PD 024/10 Rev.2 (M)].

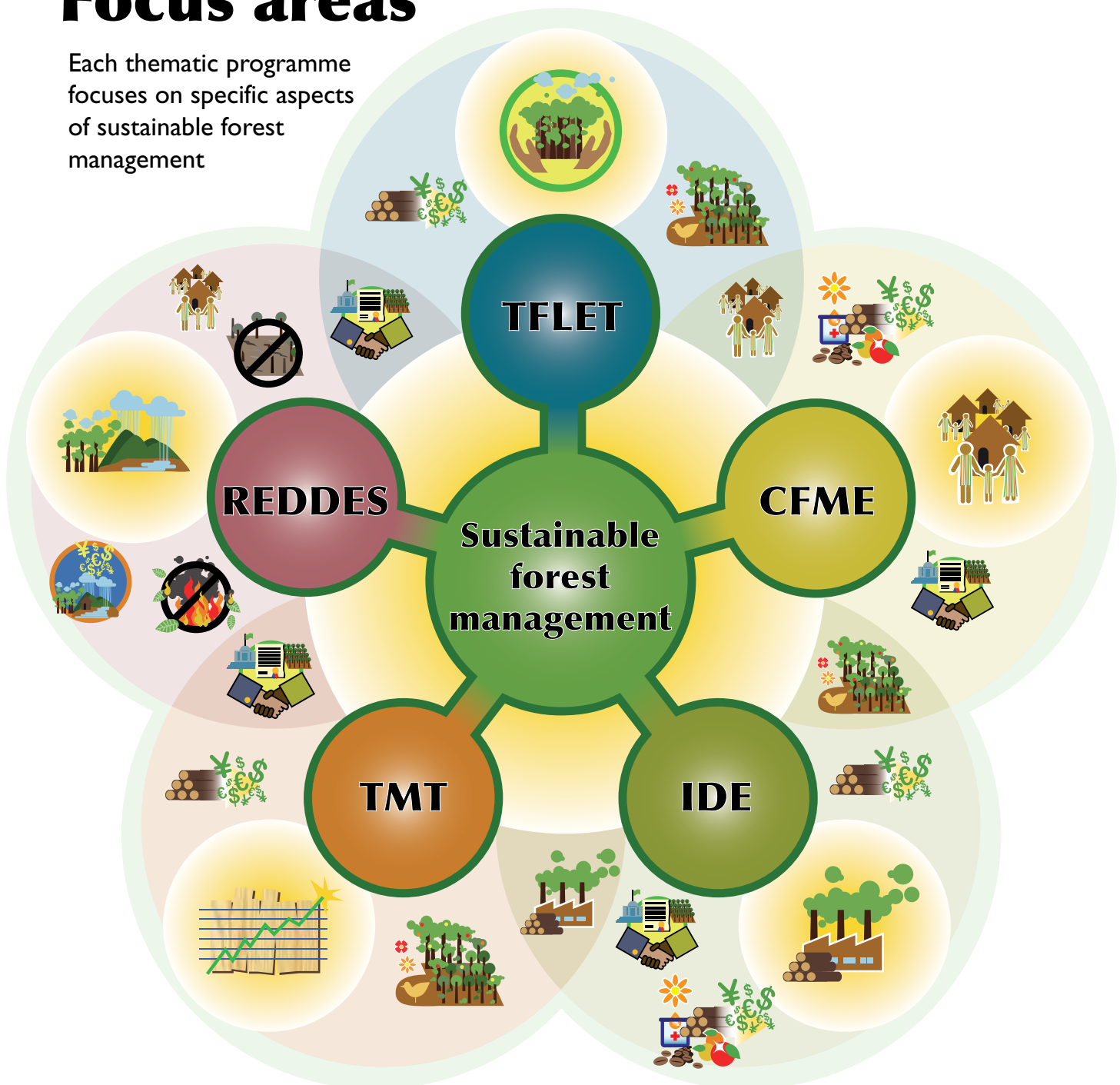
⁷ seinef.inab.gob.gt

Thematic programmes



Focus areas

Each thematic programme focuses on specific aspects of sustainable forest management



The programmes

The thematic programmes are targeted areas of work to assist ITTO in achieving its objectives through an integrated and strategic programmatic approach



Quick starts on projects



Focused projects and activities



Opportunities to address global issues and policies

TFLET



Forest Law Enforcement, Governance and Trade (TFLET)

Safeguarding forest resources

REDDES



Reducing Deforestation and Forest Degradation and Enhancing Environmental Services in Tropical Forests (REDDES)

Enhancing forest environmental services

CFME



Community Forest Management and Enterprises (CFME)

Improving livelihoods

TMT



Trade and Market Transparency (TMT)

Improving forest markets & trade

IDE



Industry Development and Efficiency (IDE)

Strengthening forest industries



An officer from Guatemala's National Environmental Police checks documentation of a timber consignment. Law enforcement capacity has been strengthened under ITTO project TFL-PD 024/10 Rev.2 (M). Photo: Instituto Nacional de Bosques

Reducing Deforestation and Forest Degradation and Enhancing Environmental Services in Tropical Forests

Projects completed in REDDES in 2016 were influential in:

- Reducing emissions from deforestation and forest degradation in Ghana and Togo in Africa and Malaysia and Myanmar in Asia
 - In Ghana, technical and managerial capacities were developed for the conservation, restoration and rehabilitation of degraded areas and in carbon accounting and monitoring. A baseline of carbon stocks and an economic valuation of goods and services provided by forests were produced for the Ankasa Conservation Area, considered the most biologically diverse forest ecosystem in Ghana [RED-PD 026/09 Rev.1 (F)].
 - In Togo, more than 810 hectares of forest and savannah lands were reforested or rehabilitated by local communities, supported by nurseries established in Alaoussou, Bato, Natchambonga and Djiyega villages. The species used were *Khaya grandifolia*, *Khaya senegalensis*, *Terminalia superba*, *Cedrela odorata*, *Tectona grandis*, *Gmelina arborea*, *Leucaena leucocephala*, *Peltophorum ferrugineum*, *Albizia lebbek*, *Azadirachta indica*, *Senna siamea*, *Eucalyptus camaldulensis*, *Tamarindus indica*, *Vitellaria paradoxa* and *Parkia biglobosa* [RED-PD 031/11 Rev.1 (F) and RED-SPD 092/12 Rev.1 (F)].
 - In Malaysia, improved practices were introduced in the state of Pahang, such as reduced impact logging and silvicultural prescriptions to enhance carbon stocks and reduce forest degradation. A carbon

baseline was produced and a framework for payments for carbon and watershed environmental services was established for future policy development. These activities were part of REDD+⁸ readiness initiatives in Malaysia [RED-PD 037/11 Rev.2 (F)].

- In Myanmar, ITTO interventions pioneered REDD+ awareness, capacity building and readiness among national authorities, civil society and forest stakeholders. A REDD+ readiness roadmap was prepared, adopted and presented at a side-event at the 21st Conference of the Parties (COP) to the UNFCCC. A national strategy for REDD+ was also developed, including criteria and indicators for REDD+; social and environmental safeguards; guidelines for forest monitoring and verification; forest biomass and above-ground forest carbon inventories; and REDD+ demonstration sites in Yedashe Township [RED-PD 038/11 Rev.3 (F)].

⁸ REDD+ = reducing emissions from deforestation and forest degradation, including the role of conservation, sustainable management of forests and enhancement of forest carbon stocks.



This nursery was established for reforestation activities in Alaoussou, Togo, under ITTO project RED-PD 031/11 Rev.1 (F). Photo: Office de Développement et d'Exploitation des Forêts



A group of farmers receives training on technical and managerial aspects of REDD+ in the Ankasa Conservation Area, Ghana, under ITTO project RED-PD 026/09 Rev.1 (F). Photo: E. Antwi-Bawuah/Council for Scientific and Industrial Research–Forestry Research Institute of Ghana



Women tend seedlings at Togo's Natchambonga nursery, established under ITTO project RED-SPD 092/12 Rev.1 (F). Photo: C.A. Ezzo-Wazina/Direction des Ressources Forestières



Field officers conduct a forest inventory in the Kabaung Reserved Forest, Myanmar, under ITTO project RED-PD 38/11 Rev.3 (F). Photo: Myanmar Forest Department



Two local women weave baskets as part of a community enterprise on the coastal plain of Veracruz, Mexico. ITTO project RED-PD 045/11 Rev.2 (M) investigated the economic value of the ecosystem services provided by forests in the region. Photo: G. Sanchez-Vigil

Trade and Market Transparency

Projects completed in TMT (as part of the ITTO–CITES Programme) in 2016 were influential in:

- Improving the management of afrormesia in Cameroon through the collection of data on harvesting, transport, processing and export [TMT-SPD 020/15 (M)].
- Improving data recording and the tracking of afrormesia in northern Congo [TMT-SPD 021/15 (M)].
- Improving the accessibility of market information on tropical timber and timber products in Africa with the aim of promoting and facilitating intra-African timber through an online platform⁹ [TMT-SPD 012/12 Rev.1 (M)].
- Assessing Guyana's commercial forest resource to determine the conservation status of its species, with a particular focus on red cedar (*Cedrela odorata*) for possible CITES listing. The outputs of the resource assessment were used to develop a management plan for the sustainable harvesting of red cedar and to increase the capacity of the industry to harvest, develop and market the species domestically and internationally, consistent with the objectives of a CITES Appendix III listing. The project's main technical report includes a map of red cedar distribution; an overview of population size, distribution, stand density, size structure and regeneration dynamics; and an outline of a possible strategy for the sustainable management of red cedar in Guyana. A second technical report focused on the domestic and international markets of the species and a reporting framework for CITES [TMT-SPD 014/13 Rev.1 (M)].
- Establishing a fully documented reference sample collection and developing DNA and wood anatomy identification systems for all *Dalbergia* species listed in CITES Appendices [TMT-SPD 022/15 (I)].



*Red cedar (*Cedrela odorata*) sawnwood sits in stacks in a warehouse in Guyana. Guyana has increased its capacity to sustainably manage red cedar and other species listed in the CITES Appendices, thanks to various interventions financed by ITTO. Photo: P. Bholanath/Guyana Forestry Commission*

⁹ africantimber.net

Table 3: Thematic programme projects, pre-projects and activities completed in 2016

| Project ID | Title | ITTO funding (US\$) | Submitting country |
|---------------------------|---|---------------------|--------------------|
| TFLET | | | |
| TFL-PD 003/09 Rev.2 (M) | Strengthening the national process for controlling illegal logging and associated trade in Cameroon | 365 526 | Cameroon |
| TFL-PD 024/10 Rev.2 (M) | Improvement of forest law enforcement at the national level to promote forest governance in Guatemala | 563 339 | Guatemala |
| REDDES | | | |
| RED-PD 026/09 Rev.1 (F) | Reducing emissions from deforestation and forest degradation through collaborative management with local communities | 658 716 | Ghana |
| RED-PD 031/11 Rev.1 (F) | Rehabilitation and restoration of residual forests and arid savanna lands in the Akpé and Akama valleys | 478 894 | Togo |
| RED-SPD 092/12 Rev.1 (F) | Reducing deforestation and forest degradation in the Natchambonga and Djiyega community forests by promoting participatory forest management actions | 149 904 | Togo |
| RED-PD 037/11 Rev.2 (F) | Reducing forest degradation and emissions through SFM in Peninsular Malaysia | 590 922 | Malaysia |
| RED-PD 038/11 Rev.3 (F) | Capacity building for developing REDD+ activities in the context of SFM | 571 890 | Myanmar |
| TMT | | | |
| TMT-SPD 020/15 (M)* | Support Agence Nationale d'Appui au Développement Forestier (ANAFOR) for optimum operation of the database management of <i>Pericopsis elata</i> (assamela) in Cameroon | 113 400 | Cameroon |
| TMT-SPD 021/15 (M)* | Establishment of an observatory of the exploitation of <i>Pericopsis elata</i> in Congo | 130 000 | Congo |
| TMT-SPD 012/12 Rev.1 (M)* | Improving intra-African trade and market transparency in timber and timber products | 111 931 | Ghana |
| TMT-SPD 014/13 Rev.1 (M)* | Enhancing the sustainable management and commercial utilization of the CITES-listed species <i>Cedrela odorata</i> (red cedar) in Guyana | 136 640 | Guyana |
| TMT-SPD 022/15 (I)* | Establishment of a fully documented reference sample collection and identification system for all CITES-listed <i>Dalbergia</i> species and a feasibility study for <i>Diospyros</i> and look-alike species | 200 000 | Switzerland |

* Funded through the ITTO–CITES Programme under a contractual provision with the main donor (the European Commission) to allow up to 20% of its funds to be allocated to relevant projects under the TMT thematic programme.

4 Economics, statistics and markets

Review and assessment of the world timber situation

Under the ITTA 2006, a “review and assessment of the world timber situation” is to be published biennially. In 2016, ITTO presented preliminary data for the *Biennial Review and Assessment of the World Timber Situation 2015–2016*, to be published in 2017.

The biennial review:

- Summarizes developments in major markets for tropical timber.
- Provides an analysis of the production, consumption, trade and prices of primary tropical timber products (tropical logs, sawnwood, veneer and plywood).
- Describes trade in secondary processed wood products, with a focus on tropical countries.
- Analyzes trends in the production and trade of tropical primary wood products.

Tropical Timber Market Report

Twenty-one editions of the *Tropical Timber Market Report* were published in 2016, providing news and information on tropical timber market trends and trade from around the world.¹⁰

¹⁰ Past editions of the Tropical Timber Market Report are available at www.itto.int/mis_back_issues

Improving forest product statistics in the Caribbean

ITTO, the Food and Agriculture Organization of the United Nations (FAO) and the Centre for Agriculture and Biosciences International held a regional workshop on forest product statistics for the Caribbean on 12–14 April 2016 in Saint Augustine, Trinidad and Tobago, with the aim of strengthening the statistical collection, analysis and reporting abilities of countries in the region. Participants came from Antigua and Barbuda, the Bahamas, Barbados, Belize, Dominica, Grenada, Guyana, Haiti, Jamaica, Saint Kitts and Nevis, Saint Lucia, Saint Vincent and the Grenadines, Suriname, and Trinidad and Tobago.



Workers in Trinidad and Tobago process a pine log to produce sawnwood. Photo: J.C. Claudon/ITTO

Monitoring forest and timber certification

The Committee on Economics, Statistics and Markets reviewed progress in forest and timber certification (to 2015) at its annual session in 2016. It noted that the total area of certified forests in ITTO producer member countries was 28.9 million hectares in 2015, which was 6.3% of the global area of certified forests (458 million hectares). A total of 3105 CoC certificates were current in ITTO producer member countries, which was 7.7% of the total number of CoC certificates worldwide. Table 4 summarizes the situation in ITTO producer countries.

Forest certification in ITTO producer member countries mainly involves two international certification systems: those of the Forest Stewardship Council (FSC) and the Programme for the Endorsement of Forest Certification (PEFC).

- FSC
 - The area of FSC-certified forests in ITTO producer countries was 18 million hectares in 2015, which was 9.7% of the total area of FSC-certified forest worldwide.
 - There were 2603 FSC CoC certificates in ITTO producer countries in 2015, which was 8.7% of the global total.
 - The ITTO producer countries with the largest areas of FSC-certified forest in 2015 were:
 - Brazil—6 million hectares (1089 FSC CoC certificates)
 - the Congo—2.4 million hectares
 - Indonesia—2.2 million hectares.
- PEFC
 - The total area of PEFC-certified forest in ITTO producer countries was 8.2 million hectares in 2015, which was 3% of the total area of PEFC-certified forest worldwide.
 - There were 497 PEFC CoC certificates in ITTO producer countries in 2015, 4.7% of the total worldwide.

- The ITTO producer countries with the largest areas of PEFC-certified forest in 2015 were:
 - Malaysia—4.7 million hectares
 - Brazil—2.8 million hectares
 - Indonesia—0.7 million hectares.

In addition to the FSC and the PEFC, three ITTO producer countries have their own certification systems:

- 1) Brazilian Forest Certification Programme
- 2) Indonesian Forestry Certification Cooperation
- 3) Malaysian Timber Certification Council.

The PEFC has endorsed all these systems, and their statistics are included in those of the PEFC.

In 2015, two-thirds of the world's certified forests was certified by the PEFC and almost one-third was certified by the FSC, but the FSC accounted for the bigger share of certified forests in ITTO producer member countries.

Two national schemes were in operation in Indonesia, as of the end of 2015: the Indonesian Ecolabelling Institute, with 2.6 million hectares of certified forest; and the Indonesian Timber Legality Assurance System, with 318 521 V-Legal documents issued.



These production forests of the Shipibo-Conibio indigenous people in Ucayali, Peru, are certified by the FSC. ITTO project TFL-SPD 029/12 Rev.1 (M) assisted the communities to sell their certified timber in the fair-trade market. Photo: Asociacion para la Investigacion y Desarrollo Integral

Table 4: Area of certified forests in ITTO producer countries

| | 2014 | 2015 |
|--|--|---|
| Area of certified forests in ITTO producer countries | 25.6 million ha (5.7% of global area of certified forest—451 million ha) | 28.9 million ha (6.3% of the global area of certified forests—458 million ha) |
| Number of CoC certificates in ITTO producer member countries (percentage of total CoC certificates worldwide) | 2806 (7.2%) | 3105 (7.7%) |
| Total area of FSC-certified forests in ITTO producer countries (percentage of the total area of FSC-certified forest worldwide) | 16 million ha (8.8%) | 18 million ha (9.7%) |
| Total area of PEFC-certified forest in ITTO producer countries (percentage of the total area of PEFC-certified forest worldwide) | 7.7 million ha (2.7%) | 8.2 million ha (3%) |
| Other certification schemes | 1.9 million ha | 2.6 million ha |

Guidelines for customs officers to help ensure timber trade legality

More than 100 customs officers, forestry officials, timber trade enforcement officers and private-sector representatives from across Malaysia met in Putrajaya on 12 May 2016 to develop timber trade guidelines to assist frontline customs authorities in their work. The national workshop was organized by the Ministry of Plantations Industries and Commodities, the Malaysian Timber Industry Board, the Royal Malaysian Customs and TRAFFIC, in collaboration with the World Customs Organization and ITTO.

Cooperation between ITTO and CITES

The ITTO–CITES Programme for Implementing CITES Listings of Tropical Tree Species aims to ensure that international trade in tropical tree species listed in the CITES Appendices is consistent with the sustainable management and conservation of those species. The objectives of the programme are to assist CITES national authorities and the private sector in meeting the requirements for managing and regulating trade in CITES-listed tree species; provide capacity-building support; and conduct specific studies to enhance the global framework for collecting and analyzing information on the biology and management of CITES-listed tree species and trade in products derived from them.

The main species covered by the ITTO–CITES Programme to date are *Pericopsis elata* (afroormosia, assamela), *Prunus africana* (African cherry, pygeum) and *Diospyros* species (ebony) in Central Africa and Madagascar; *Swietenia macrophylla* (big-leaf mahogany), *Cedrela odorata* and other *Cedrela* species (cedro, cedar) in Latin America; *Gonystylus* species (ramin), *Aquilaria* and *Gyrinops* species (agarwood) in Asia; and *Dalbergia* species (rosewood) in both Africa and Latin America.

The ITTO–CITES Programme continued its collaborative capacity-building activities in 2016. As of the end of December 2016, all 44 activities in the programme had been completed.

More information on the programme and its activities is available at www.itto.int/cites_programme.



Logs are inspected in Sabah before transiting through Peninsular Malaysia. Photo: The Sabah Foundation



Forest workers stand next to a mahogany tree (*Swietenia macrophylla*) in Amazonian forest, Brazil. The ITTO–CITES Programme has assisted countries like Brazil and Peru to better understand the ecology and silviculture of this species and thereby improve its management. Photo: S. Hirakuri/STCP



These fruits of agarwood (*Aquilaria malaccensis*) are growing in Peninsular Malaysia, where the ITTO–CITES Programme has conducted reproductive and genetic studies to improve the management and conservation of the species. Photo: Forest Research Institute of Malaysia



*Researchers at the University of Dschang collect samples of wood of *Pericopsis elata* in the Bidou forest plantation, Cameroon. Photo: Mouliom*



This equipment uses near infrared spectroscopy to identify wood as part of efforts to monitor the mahogany trade in Brazil. Photo: Laboratório de Produtos Florestais

Partnership between ITTO and CITES is making a difference in trade of listed tree species

The partnership between ITTO and CITES, formalized in the ITTO–CITES Programme for Implementing CITES Listings of Tropical Timber Species, has brought about a “remarkable” shift in expectations in both range states and importing states about the listing of timber species, according to Milena Sosa Schmidt, the CITES Secretariat’s Senior Scientific Programme Officer for Flora. Speaking at the 52nd Session of the International Tropical Timber Council in Yokohama in November 2016, Dr Sosa Schmidt said the partnership had also had a wide range of other benefits.

CITES is an international agreement between governments with the aim of ensuring that international trade in specimens of wild animals and plants does not threaten their survival. The species covered by CITES are listed in three Appendices, according to the degree of protection they need. ITTO and the CITES Secretariat have been working in close partnership under the ITTO–CITES Programme for more than a decade.

The inclusion of timber species in CITES Appendices has accelerated in recent years, said Dr Sosa Schmidt, and today more than 800 tree species are listed, of which around 650 are used for their timber. Historically, she said, states had associated CITES with trade bans, and this had resulted in fierce opposition to proposed inclusions of tree species in CITES Appendices. But the ITTO–CITES Programme has had a transformative effect.

“I have been glad to witness how these wrong beliefs have evolved into positive support among CITES signatory countries that are adopting all new listings of tree species,” said Dr Sosa Schmidt. “This was one of the most remarkable impacts of this work.”



Milena Sosa Schmidt from the CITES Secretariat speaks at the 52nd Session of the International Tropical Timber Council. Photo: K. Sato/ITTO

CITES is now regarded as an effective tool for ensuring that international trade is done in a controlled way so that it does not pose a threat to the survival of tree species in the wild, said Dr Sosa Schmidt. “I believe that this programme has succeeded in demonstrating that range states can count on international technical and financial support when their tree species are included in CITES.”

Other benefits of the ITTO–CITES Programme for member states, said Dr Sosa Schmidt, were improved forest management and the regulation of trade in CITES-listed tree species in participating member states, and increased awareness and cooperation in research, silviculture and CITES compliance. Moreover, the Programme has promoted greater integration of knowledge on SFM and species conservation, management and international trade to provide a coherent policy framework. There is also greater awareness and capacity worldwide on managing and regulating the international trade in CITES-listed tree species.

Annual Market Discussion

Free-trade agreements—challenges and opportunities for the tropical timber trade

The 2016 Annual Market Discussion, which was held during the 52nd Session of the International Tropical Timber Council, examined the pros and cons of free-trade agreements (FTAs) for tropical timber. Co-chaired by Jorge Malleux (Peru) and Barney Chan (Malaysia), the Annual Market Discussion featured speakers from Mexico, Nigeria, Thailand, Peru, the European Union (EU) and the USA.¹¹

- Referring to FTAs negotiated by the EU, **André de Boer**, Secretary General of the European Timber Trade Federation (ETTF), said “the more the better”. He noted, however, that European manufacturers—especially those relying on domestic markets—might have different points of view. The European Commission has clear aims for its FTAs, he said, which it negotiates to strengthen the EU economy and create jobs by enabling European businesses to compete more effectively and export more. FTAs also increase access to raw materials and vital components from around the world. Mr de Boer described how the ETTF is capturing the benefits of open trade in tropical timber products through active promotion. Its efforts have been boosted by the EU Sustainable Tropical Timber Coalition (an alliance of industry, businesses, governments and non-governmental organizations created in 2013), which has the ambition and resources to stimulate an increase in EU imports of tropical timber products.



André de Boer, Secretary General of the ETTF, speaks at the 2016 Annual Market Discussion. Photo: K. Sato/ITTO



Speakers listen to an intervention from the floor during ITTO's 2016 Annual Market Discussion. Photo: IISD

- Trade agreements can be powerful tools for boosting Peru's timber exports, according to **Erik Fisher Llanos**, President of the Forestry Committee of the Peruvian Association of Exporters. But, he said, this goal is not being achieved because the development of the timber sector in Peru is hampered by a misdiagnosis of the problems in the country's tropical forest sector. This, in turn, has resulted in an emphasis on fighting illegal logging and its associated trade at the expense of the fundamental cause of the problem—poverty. Mr Fisher said that the sector's challenges could be addressed by strengthening the management capacity of regional administrations, tackling overregulation, and improving communication with the main international markets. He noted that the USA–Peru Trade Promotion Agreement had been signed in December 2007 and, by 2013, Peru's exports to the USA had increased by 38%, to US\$8.1 billion; American businesses exported US\$10.1 billion in merchandise to Peru in the same year.



Participants watch a presentation by Erik Fisher Llanos, President of the Forestry Committee of the Peruvian Association of Exporters, at the 2016 Annual Market Discussion. Photo: IISD

¹¹ Presentations from the Annual Market Discussion are available at itto.int/ittc-52/presentations.html



Participants watch a presentation by Enrique Tellez Pacheco, President of CANAINMA, at the 2016 Annual Market Discussion. Photo: IISD

- **Enrique Tellez Pacheco**, President of the Mexican National Chamber of Wood Industry (CANAINMA), said he recognized the benefits to Mexico of the North American Free Trade Agreement and other FTAs. But although FTAs might provide new export and import opportunities for tropical timber, he said, much work is required to deliver such opportunities to the domestic tropical timber sector in Mexico, which is dominated by SMEs. The challenge, said Mr Tellez, is to increase the competitiveness of Mexican companies so they can take advantage of FTAs. This requires that government and organizations such as CANAINMA address the fragmentation of tropical timber production in the Mexican southeast, where only low-value-added products are manufactured. Efforts are needed, he said, to open up financing to replace obsolete equipment, boost skill levels, and increase transparency in the sector as a way of tackling illegal logging.



Joe O'Donnell, IWPA's Senior Manager for Government and Public Affairs, speaks at the 2016 Annual Market Discussion. Photo: K. Sato/ITTO

- **Joe O'Donnell**, Senior Manager for Government and Public Affairs at the International Wood Products Association (IWPA), USA, said that the outcome of the presidential election in the USA meant that the Trans-Pacific Partnership would not go ahead in the USA, at least in the near term. He indicated that the election result would likely also have other impacts on the trade environment in the USA but that the IWPA was committed to working to keep trade flows open. The USA has FTAs in effect encompassing 20 countries, reported Mr O'Donnell, and these have proven to be one of the best ways of opening up foreign markets to American exporters. The reduction of trade barriers and the creation of a more stable and transparent trading and investment environment make it easier and cheaper for USA companies to export their products and services to trading-partner markets.



Labode Popoola, Professor of Forest Economics/ Sustainable Development at the University of Ibadan, Nigeria, and President of Nigeria's Forestry Association, speaks at the 2016 Annual Market Discussion. Photo: K. Sato/ITTO

- **Dr Labode Popoola**, Professor of Forest Economics/ Sustainable Development at the University of Ibadan, Nigeria, and President of Nigeria's Forestry Association, said that although West African wood-product exports are significant, the production and trade of wood products is poorly integrated, reducing the economic benefits and the capacity of the sector to meet the needs of domestic and regional markets. An imbalance in purchasing power between international and domestic markets, and the resultant overconcentration of effort on the export trade, has left legitimate domestic wood demand—which is growing quickly—unaddressed. A common strategic framework is needed to generate meaningful data on local, national and transboundary trade and its impacts in the subregion. Dr Popoola recommended more effective enforcement, negotiation and knowledge generation in the sector, and a greater sharing of knowledge and expertise among forest agencies in the subregion.

- **Jirawat Tangkijngamwong**, Chair of the Thai Timber Association and a director of Deesawat Industries and Deesawat Design, spoke about the way in which open trade drives finished-product exports and design opportunities. There are 1500 registered wood manufacturers in Thailand, he said, of which only 52 would be considered large-scale, a further 210 are medium-sized, and the balance—more than 1200—are small. A close look at the sector, said Mr Tangkijngamwong, reveals that there are also 8000 unregistered “microindustries”. SMEs in Thailand are slow and unproductive, and they cannot compete with larger domestic companies and certainly not with foreign rivals. To help them survive in the increasingly harsh competitive environment, said Mr Tangkijngamwong, the Thai industry is, unaided, using its entrepreneurial skills to adapt traditional crafts and designs to create products that will attract international buyers.



Jirawat Tangkijngamwong, Chair of the Thai Timber Association and a director of Deesawat Industries and Deesawat Design, speaks at the 2016 Annual Market Discussion. Photo: K. Sato/ITTO

Statement of the Trade Advisory Group

- **Barney Chan**, Coordinator of the ITTO Trade Advisory Group (TAG), presented a statement on TAG’s behalf. He said that ITTO is the world’s premier organization on tropical forestry and trade and must continue to function, and he set out three key factors that illustrate this. First, ITTO works with member countries on projects according to accepted guidelines on SFM. Second, ITTO provides a fair and level playing field on which all stakeholders can interact. Third, ITTO delivers market intelligence to a wide international audience through its Market Information Service, which provides continuous updates on trends, prices, trade news, production and exports.

In view of the recent severe financial setback to ITTO, said Mr Chan, “we in TAG want to work closely with ITTO members to move our organization forward beyond this crisis”. The TAG statement said that, together, the Council and the Secretariat were “a formidable force that has and can continue to help shape the future of tropical forest management and trade”.



Jorge Malleux (left) and Barney Chan, TAG co-chairs, interact with the audience at the 2016 Annual Market Discussion. Photo: K. Sato/ITTO



*This huge mahogany (Swietenia macrophylla) tree is growing in Pará state, Brazil.
Photo: S. Hirakuri/STCP*

Photo: T. Yanuariadi/ITTO

5

Forest industry

Credit schemes for small and medium-sized forest enterprises in Indonesia

The aim of this activity¹², which commenced in April 2014, was to facilitate access to formal credit lines for SMEs to enable them to sustainably manage their forests, add value to timber and non-timber products, and improve local livelihoods.

In Indonesia, banks generally have little interest in financing small-scale forestry because of a lack of trust in the ability to repay loans; moreover, the country's central bank issued a general ban on financing forestry operations. To overcome this problem, a pilot scheme to promote access to credit for SMEs was developed in the Ciamis Regency in West Java under activity PP-N49-287 of ITTO's 2013–2014 Biennial Work Programme. Sawmills in the regency require working capital to source raw materials and cover labour costs, as well as investment capital for updating or buying equipment.

The Natural Resource and Development Centre—a local non-governmental organization that provides technical assistance to SMEs requiring financing and makes recommendations to the Ministry of Environment and Forestry on credit applications—developed the pilot scheme collaboratively with Bri-Agro¹³, a local bank. Bri-Agro agreed to provide loans for working capital to SMEs in the regency, backing



A stakeholder from PT Resource Wood receives technical assistance to make a credit application in West Java, Indonesia, under activity PP-N49-287 of ITTO's 2013–2014 Biennial Work Programme. Photo: Natural Resources Development Center

such loans with a guarantee fund provided by ITTO. To date, three loans have been granted to SMEs, two sawmills and one wood-pellet factory.

The scheme requires refinement: one of the main obstacles, for example, is the lack of capacity among SMEs to provide the necessary documentation for credit applications. Although the ITTO activity has officially come to an end, the scheme will continue using the revolving funds derived from credit paybacks.

¹² "Demonstration and adoption of credit schemes for small–medium forest enterprises (SMEs)".

¹³ www.briagro.co.id



Mahogany (Swietenia macrophylla) seeds lie on the forest floor, South America. Photo: S. Hirakuri/STCP

Photo: P. Vanessa/Empresa
Brasileira de Pesquisa Agropecuária

6 Reforestation and forest management

Updating ITTO's criteria and indicators

ITTO released a revised edition of its pioneering C&I for sustainable tropical forest management in 2016.¹⁴ The aim of the revision was to ensure that the C&I continue to meet the evolving needs of tropical forest stakeholders and to comprehensively inform the development of tropical forest policies and management practices. Among other things, the new edition will help tropical countries in reporting to ITTO and other processes, such as on the Sustainable Development Goals (SDGs), and in establishing baselines for REDD+.

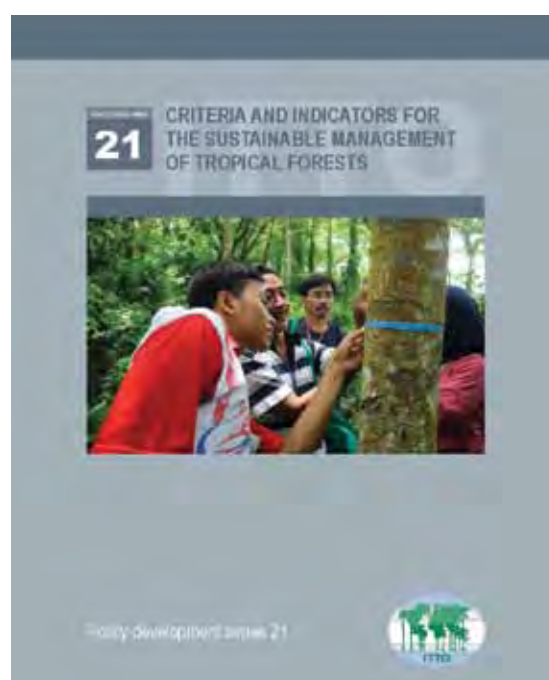
C&I have an important role in operationalizing the concept of SFM. Criteria characterize the essential components of SFM, and indicators are ways of assessing each component. When monitored over time, C&I show changes and trends in the biophysical, socioeconomic and policy conditions relevant to SFM. The new edition of the ITTO C&I has seven criteria and 58 indicators.

New guidelines on assessing environmental and social risks and impacts in ITTO projects

ITTO has developed guidelines¹⁵ for understanding and managing the impacts, risks and mitigation measures of its field projects. The Committee on Reforestation and Forest Management adopted the *Guidelines for Environmental and Social Risks and Impacts Assessment in ITTO Projects* in November 2016 and recommended

¹⁴ Available at www.itto.int/policypapers_guidelines

¹⁵ www.itto.int/direct/topics/topics_pdf_download/topics_id=4876&no=0



their wider application by member countries in submitting project proposals for funding through ITTO's regular cycle and thematic programmes. Initially, the guidelines will be used in a pilot phase to assist in determining the environmental and social categories of ITTO projects and their resultant environmental and social assessment requirements. The guidelines can be used iteratively as a design tool (for project proponents) and an appraisal tool (for ITTO) from the earliest stages of project identification.



Project beneficiaries pose in the Pamu Berekum Forest Reserve, Ghana, during a monitoring visit for ITTO project PD 530/08 Rev.3 (F). The new environmental and social risk and impact assessment guidelines will improve the design and monitoring of ITTO projects. Photo: L. Damnyag/Council for Scientific and Industrial Research–Forestry Research Institute of Ghana

Joint ITTO–CBD Collaborative Initiative for Tropical Forest Biodiversity

The overall objective of the Joint ITTO–CBD Collaborative Initiative for Tropical Forest Biodiversity is to enhance biodiversity conservation in tropical forests with the direct participation of local stakeholders by addressing the main causes of biodiversity loss in tropical forests—deforestation and forest degradation. The initiative supports ITTO producer member countries in reducing biodiversity loss by implementing the CBD Programme of Work on Forest Biodiversity, focusing on the objectives common to both the CBD Strategic Plan for Biodiversity 2011–2020 and the Strategic ITTO Action Plan 2013–2018.

The initiative aims to achieve four key outputs:

- 1) Enhanced local capacity for biodiversity conservation in production forests and the rehabilitation of degraded and secondary forests.
- 2) Improved conservation and management of protected areas, especially through the management of buffer zones near protected areas, and transboundary conservation.
- 3) Safeguarding tropical forest biodiversity in forestry interventions, including in REDD+–related projects.

- 4) Improved welfare of local communities and indigenous groups through biodiversity conservation and the sustainable use of natural resources.

These outputs are to be achieved under the ITTO–CBD Collaborative Initiative through the promotion of SFM, with particular emphasis on biodiversity protection; forest monitoring and adaptive management to sustainably generate multiple benefits; protection against invasive species; and enhancing the value of natural tropical forests to avoid land-use change. ITTO leads the implementation of the initiative in close consultation with the CBD Secretariat, donors, other partners and especially beneficiary countries. Sixteen projects have been funded to date, with donors of the total budget of US\$14 million mainly comprising the governments of Belgium, Japan, the Republic of Korea, Switzerland and the USA. Five projects were funded under the Joint ITTO–CBD Collaborative Initiative in 2016 (Table 5).

Biodiversity conference in Mekong subregion

The Regional Conference on Biodiversity Conservation in Tropical Forests of the Greater Mekong Subregion was convened under project PD 577/10 Rev.1 (F), which is part of the ITTO–CBD Collaborative Initiative (see page 19 for a description of this project). The conference, which was held in Siem Reap, Cambodia, on 23–25 March 2016, provided a forum for sharing national, regional and



The iconic Siamese Eld's deer lives in the Emerald Triangle in the border area between Cambodia, Lao PDR and Thailand, where efforts are being made under a Joint ITTO–CBD Collaborative Initiative for Tropical Forest Biodiversity project (PD 577/10 Rev.1 (F)) to better manage the region's biodiversity. Photo: N. Bhumpakphan

global initiatives on biodiversity conservation, analyzing threats to forest biodiversity such as illegal logging and hunting, and proposing policy frameworks to improve local livelihoods and strengthen conservation activities. Among other things, the conference concluded that community participation and secure tenure are prerequisites for the conservation of biodiversity in the Mekong subregion and that biodiversity conservation initiatives that lead to self-reliance can help alleviate poverty.

Table 5: Projects funded in 2016 under the Joint ITTO–CBD Collaborative Initiative for Tropical Forest Biodiversity

| |
|--|
| Building capacity for the sustainable management of tropical dry forests on the north coast of Peru [PD 741/14 Rev.3 (F)] |
| Restoration and sustainable management of sacred forests on Ramsar sites 1017 and 1018 in Benin [PD 754/14 Rev.3 (F)] |
| Accelerating the restoration of Cibodas Biosphere Reserve functions through proper management of landscapes involving local stakeholders [PD 777/15 Rev.3 (F)] |
| Development of a forest landscape restoration programme for Guatemala based on ITTO guidelines [PD 765/14 Rev.3 (F) phase 1] |
| Capacity building for strengthening transboundary biodiversity conservation of the Taninthayi Range in Myanmar [PD 723/13 Rev.2 (F) phase 1, stage 1] |



*This nursery was established for reforestation activities in Alaouso, Togo, under ITTO project RED-PD 031/11 Rev.1 (F).
Photo: Office de Développement et d'Exploitation des Forêts*

7 Fellowships

The ITTO Fellowship Programme promotes human resource development in member countries and strengthens professional expertise in tropical forestry and related disciplines. Since its establishment in 1989, the programme has enabled more than 1300 young and mid-career professionals from more than 49 countries to pursue professional development opportunities and improve their career prospects. The total value of fellowship awards is about US\$7.9 million, of which Japan has contributed 73%, the USA 16%, the Netherlands 7% and Australia 3%, with the remainder obtained from various sources, including the private sector.

A selection panel was convened at the 52nd Session of International Tropical Timber Council in 2016 and a total of eleven Fellowships were awarded to professionals in nine producer member countries at a total value of US\$58 725. Figures 1–3 show how these Fellowships were distributed by region, type and gender.

Online application process

Fellowship applications can be submitted at:
www.itto.int/itto_fellowship_login

Fellowship brochure

A brochure on the ITTO Fellowship Programme is available at: www.itto.int/publicity_materials

Figure 1: ITTO Fellowships awarded in 2016, by region

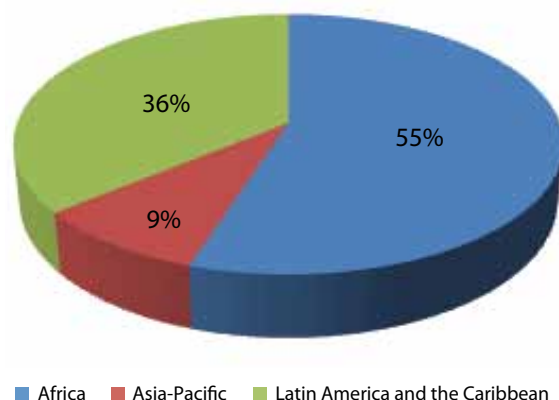
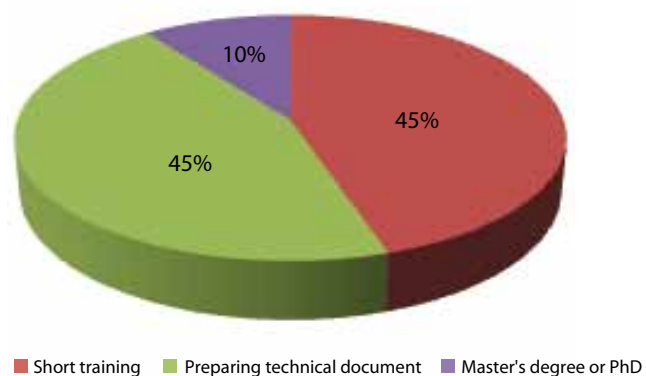


Figure 2: Proportion of ITTO Fellowships awarded in 2016, by purpose



Impact assessment

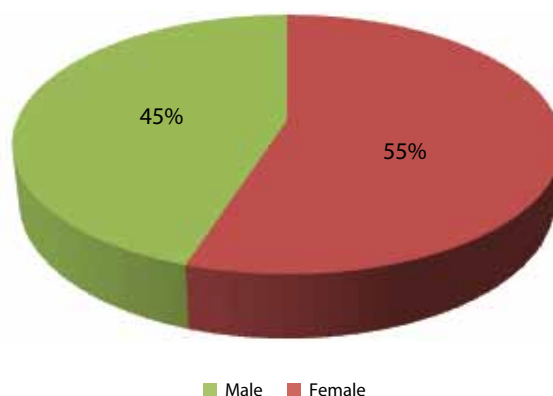
An impact assessment of the ITTO Fellowship Programme conducted in 2016 found that the programme is having a strong positive influence on careers while strengthening capacity in the forest sectors of developing countries, as indicated in Figure 4.

According to the assessment, the ITTO Fellowship Programme is highly regarded for its role in building human resources worldwide in disciplines related to tropical forests and the tropical timber industry and economy; it is perhaps the only international scholarship programme specialized in such disciplines. One of the programme's attributes is its cost-effectiveness: awarded funds go directly to young and middle-level professionals working in ITTO's priority areas, without the involvement of intermediate executing agencies or institutions.

The philosophy behind the programme is that investment in the development of human resources is a key accelerator of improvements in the management of tropical forests and creating sustainable forest-based industries and trade. The programme has caused a shift towards higher qualifications among applicants and thus improved their career prospects. ITTO Fellowships have clearly benefited the professional development of recipients and improved their career prospects. For example, 73% of 155 assessment respondents answered "totally related" or "strongly related" to the question of whether any job promotion or new job position they had obtained was due to the skill or knowledge they gained from the Fellowship; 61% responded that they had obtained a relevant job position or job promotion immediately after completing their Fellowship activities. According to the assessment, most ITTO Fellows return home immediately on completion of their Fellowship activities; home countries, therefore, are mostly retaining the human capacity developed under the programme.

A summary of the impact assessment is available at www.itto.int/tfu/id=5031

Figure 3: Proportion of ITTO Fellowships awarded in 2016, by gender



The voices of ITTO Fellows

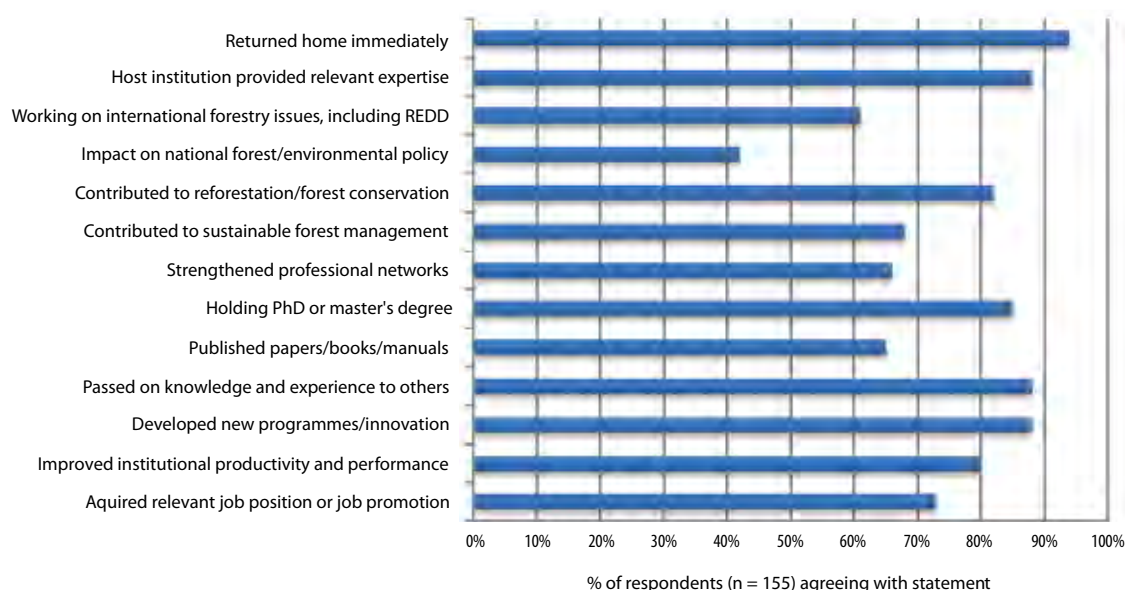
"The ITTO Fellowship enabled me to complete a master's degree in biodiversity, conservation and management at Oxford University. During this time I had the chance to interact with top researchers from around the world, learning from their experiences and furthering my knowledge on biodiversity conservation. For my dissertation I had the opportunity to carry out fieldwork in the Peruvian Amazon, where I studied the interactions among a group of local hardwood tree species, surrounding indigenous and local communities, and a large-scale plantation. This experience helped me expand my knowledge on tropical forest conservation. As a young researcher, I am very thankful for the support ITTO has given me."

—Daniela K. Requena Suarez (Peru)



Daniela K. Requena Suarez completed a master's degree in biodiversity conservation and management at Oxford University with support from an ITTO Fellowship. Her field research was conducted in the Peruvian Amazon. Photo: D.K. Requena Suarez

Figure 4: The impacts of ITTO Fellowships



"Helping management to control illegal logging has always been one of my main study goals, but funding was a setback. Working in various forest concessions, log yards and sawmills in southwestern Cameroon gave me firsthand experience in SFM. Developing and testing the KatLog Pro software greatly improved my experience in software development, and I was particularly overwhelmed by the solutions it brought to the management of timber harvesting. That is, KatLog Pro analyzed logging data from timber companies and brought to light the overexploitation of some timber species beyond their number, volume and diameter limits, traced timber from the forest to their final destinations, and identified the non-respect of the 1994 Forestry Law of Cameroon's quota of 70% transformation of timber before export. The software also has an online component that timber-consuming countries and other stakeholders can use to check the legality of timber in the supply chain before purchase. To control illegal timber in the market, hence protecting the diversity of tropical rainforests, policymakers have to adapt the KatLog Pro software package in their policies and integrate it in legislation to form a worldwide consortium for fighting illegal logging."

—Kato Samuel Namuene (Cameroon)



Kato Samuel Namuene used an ITTO Fellowship to conduct doctoral research in southwestern Cameroon on the use of a decision-support system in timber harvesting. He obtained his doctorate in 2016.



ITTO Fellow Kato Samuel Namuene during field research in southwestern Cameroon. Photo: Kato Namuene



8 International cooperation

Asia-Pacific Forestry Week

ITTO and the World Resources Institute led stream 1 of Asia-Pacific Forestry Week, which was held on 22–26 February 2016 in Clark Free Port Zone, the Philippines. Stream 1, “Pathways to prosperity: future trade and markets”, generated recommendations for ensuring that forests play their role in the economic development of the Asia-Pacific region while maintaining a balance with conservation and restoration initiatives.¹⁶

ITTO also staffed a booth to disseminate publications relevant to Asia-Pacific Forestry Week.

¹⁶ www.fao.org/about/meetings/asia-pacific-forestryweek/streams/stream-1-programme



Participants browse in ITTO's booth at the 2016 Asia-Pacific Forestry Week. Photo: R. Carrillo/ITTO



Stream 1 sits in session at the 2016 Asia-Pacific Forestry Week. Photo: R. Carrillo/ITTO



International Day of Forests

ITTO joined the celebration of the International Day of Forests on 21 March 2016 by posting a special message on its website. The Day's theme was forests and water, designed to highlight the role of forests in water supply.

ITTO and BirdLife International extend collaboration to 2020

ITTO and BirdLife International renewed their commitment to work together towards biodiversity conservation and forest restoration by signing a new memorandum of understanding (MOU) on 7 May 2016 in the presence of Her Imperial Highness, Princess Takamado of Japan, who is also Honorary President of Birdlife International. The new MOU, which is valid for five years, was agreed after the successful implementation of a previous MOU spanning 2012–2015.

The work to be carried out under the new MOU includes:

- The development and implementation of joint projects on forest restoration, the improvement of local livelihoods, socioenvironmental safeguards for REDD+, and best practices for combating deforestation drivers.
- The development and testing of indicators for monitoring deforestation, forest degradation and restoration.
- Awareness-raising through educational activities as a way of mobilizing public support for forest conservation, restoration and sustainable management.



From left: Patricia Zurita (Chief Executive Officer of BirdLife International), Steven Johnson (ITTO) and Her Imperial Highness, Princess Takamado (Honorary President of Birdlife International) smile during the MOU signing ceremony. Photo: R. Carrillo/ITTO

ITTO collaborated with BirdLife International in 2016 by participating in and providing inputs to the International Rubber Study Group Focus Forum on Sustainability, which was held in Singapore in May 2016. It was noted that the International Rubber Study Group had formulated C&I for sustainable rubber, taking into account international references, including ITTO's C&I for SFM.

Building capacity on forestry in the World Trade Organization

ITTO representatives made a presentation to the World Trade Organization's Committee on Trade and Environment on 30 June 2016 to share ITTO's experiences and lessons learned in forest law enforcement and the ITTO–CITES Programme for Implementing CITES Listings of Tropical Tree Species.

On 4 July 2016, ITTO representatives presented a lecture on the tropical timber trade to participants at the World Trade Organization's advanced course on trade and the environment, attended by trade and environment officials from developing countries.



ITTO Secretariat staff members participate in the World Trade Organization's Committee on Trade and Environment via video conference. Photo: A. Samayoa

Global Timber Conference 2016

An ITTO representative made a keynote presentation at this event on the status of Asia's timber industry and trade. The conference was held on 19–21 September 2016 in Kuala Lumpur, Malaysia.



ITTO staff members talk with children at the Organization's booth at Yokohama Kokusai Festa. Photo: Y. Kamijo/ITTO

ITTO and TRAFFIC strengthen partnership

ITTO and TRAFFIC signed an MOU on 4 October 2016 to enable them to jointly pursue shared objectives on the conservation, sustainable management and use of tropical forest resources and in the fight against illegal wildlife trade and other forest-related crimes.



Steven Broad, TRAFFIC Executive Director (left), and Steven Johnson, ITTO Officer-in-Charge, sign an MOU to enhance cooperation between their two organizations. Photo: K. Ishii/ITTO

Cooperation with Japan

ITTO participated in many activities and events in its host country, Japan, in partnership with national and local governments, NGOs, universities and schools. For example:

- ITTO was represented at the 10th meeting of the steering committee of the International Partnership for the Satoyama Initiative and the Initiative's 6th global conference, held in Cambodia, where ITTO reported on the outcomes of completed forest management projects.
- ITTO hosted four university students in spring and summer 2016 as part of the internship programme of the Yokohama Association for International Communications and Exchanges (YOKE), exposing interns to the Organization's work in promoting SFM in the tropics.
- ITTO participated in and delivered a keynote speech at the Green Earth Festival for the International Day of Forests, which was held on 26 March 2016 at the sea forest located on Tokyo Bay. The event was organized jointly by the Government of Japan and a number of organizations.
- ITTO was invited by the School of Agriculture at Hokkaido University to present a lecture to sophomore students on the Organization's work and the global relevance of tropical forests. The lecture, on 4 April 2016, was attended by 300 students.
- ITTO presented a half-day workshop as part of the Global Seminar for Youth, which was organized by YOKE and held in Yokohama on 26 August 2016. The workshop was directed at high-school students interested in pursuing careers in international relations and the environment.



ITTO provided input to an educational video about tropical forests for the "Let's Visit International Organizations Center" programme for elementary-school children.

- ITTO was a host for YOKE's "Let's Visit the International Organizations Center" programme for elementary-school students. The aim of the programme is to educate young people on global issues such as food security, poverty alleviation, environmental protection and urban challenges. ITTO welcomed the students and briefed them on tropical forests and the Organization's work. More than 850 students visited ITTO headquarters in September and October 2016. ITTO also provided inputs into an educational video and a publication about the global importance of tropical forests targeted at elementary-school children.
- ITTO provides Yokohama schools with lectures on demand through the City of Yokohama Lecture Delivery Programme, covering a range of topics related to SFM. In 2016, an ITTO representative presented a talk to the Higashi Ichigao Elementary School.
- ITTO presented lectures on the Organization's field and policy work to promote SFM to English- and French-speaking Japan International Cooperation Agency (JICA) trainees from Cameroon, Chad, the Congo, DRC, Ethiopia, Gabon, Kenya, Mozambique, Malawi, Lao PDR, Myanmar and PNG as part of the JICA Trainees Programme. The lectures were held on 2 September 2016 for English-speaking trainees and 18 October 2016 for French-speaking trainees.
- ITTO staffed a booth and distributed educational material at the Yokohama Kokusai Festa on 8–10 October 2016. This public event aims to increase awareness of global environmental issues in Japanese society.
- ITTO is a member of the board of the Yokohama Science Frontier High School, providing advice and lectures to help improve school curricula on global environmental issues.



ITTO's Steven Johnson (centre) was a guest on the "Cool Wood Goods" TV show, which was broadcast on NHK World. Photo: NHK World

- ITTO presented a special lecture to Meiji Gakuin University in November 2016.
- ITTO contributed to the TV show "Cool Wood Goods" on the "Biz Buzz Japan"¹⁷ television programme. The episode, which was aired by NHK World TV on 25 November 2016, focused on forest-related business opportunities in Japan.
- ITTO participated in the 6th Tokyo International Conference on African Development, held in Nairobi, Kenya, in August 2016. ITTO took part in discussions in thematic session 3, which focused on "promoting social stability for shared prosperity". The ITTO representative emphasized the crucial role of sustainably managed forests in enabling social stability and resilience in Africa. ITTO also facilitated the high-level segment of a side-event, "Forest and landscape restoration for food security and resilience to climate change", organized by Japan's Ministry of Agriculture, Forestry and Fisheries.

23rd Session of the Committee on Forestry and World Forest Week

ITTO participated in the 23rd Session of the FAO Committee on Forestry (COFO 23) and World Forest Week, providing substantive inputs on agenda items 4 "State of the world's forests 2016"; 5.2 "Forest-related indicators to monitor the Sustainable Development Goals"; and 6.2 "Funding opportunities for forests".

As part of World Forest Week, ITTO, FAO, the United Nations Forum on Forests, Natural Resources Canada and the German Federal Ministry of Food and Agriculture jointly organized a side-event titled "Criteria and indicators: mobilize actions for sustainable forest management and SDGs".

17 www3.nhk.or.jp/nhkworld/en/tv/bizbuzz/201610310600

Asia-Pacific Economic Cooperation

ITTO projects shared their experiences and lessons learned on timber tracking, wood species identification and the verification of origin at the Workshop on Strengthening Forest Control Systems and Market Chains in APEC Economies in August 2016, which took place during the Third Senior Official Meeting held under the auspices of Asia-Pacific Economic Cooperation (APEC) in Lima, Peru. The following presentations were direct contributions by ITTO:

- “Large-scale project on genetic timber verification”, by H.N. Bouda, Thünen Institute [ITTO project PD 620/11 Rev.1 (M) and other activities].
- “Scientific verification in timber supply chains”, by A. Lowe, University of Adelaide [ITTO project PD 620/11 Rev.1 (M)].
- “Electronic verification system to improve legality and traceability of forest products in Guatemala”, by L. Siney, Instituto Nacional de Bosques [ITTO project TMT-PD 004/11 Rev/2 (M)].
- “ITTO’s work in promoting legality and traceability of timber and timber products”, by R. Carrillo.



A member of the ITTO Secretariat presents at the workshop on strengthening forest control systems and market chains in APEC economies. Photo: R. Carrillo/ITTO

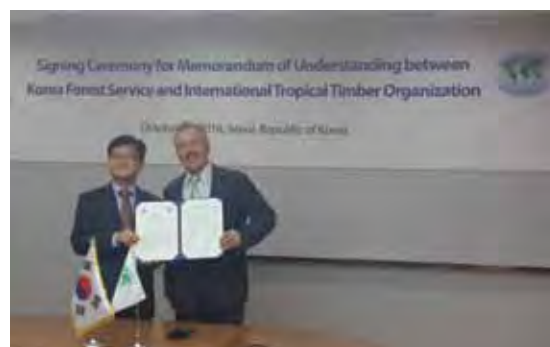
ITTO and the International Union of Forest Research Organizations

ITTO participated in the International Union of Forest Research Organizations (IUFRO) Regional Congress for Asia and Oceania, held in Beijing, China, on 24–27 October 2016, providing inputs at the scientific session on forest certification.

Also in 2016, IUFRO led an ex-post evaluation¹⁸ of an ITTO project on the conservation of teak (*Tectona grandis*) in Myanmar [PD 270/04 Rev.2 (F)].

ITTO and Korea Forest Service strengthen partnership

ITTO and the KFS signed an MOU on 17 October 2016 to increase cooperation on the restoration and sustainable management of tropical forests. The MOU, which spans ten years, was signed at KFS headquarters in Seoul, Republic of Korea, by Dr Shin Won Sop, Minister of the KFS, and Dr Steven Johnson, ITTO Officer-in-Charge. The MOU will support sustainable tropical forest management, with a particular focus on restoring degraded forests.



Shin Won Sop, Minister of the KFS (left), and Steven Johnson, ITTO Officer-in-Charge, sign an MOU to enhance cooperation between the two organizations. Photo: H.O. Ma/ITTO

Cooperation with the International Centre for Bamboo and Rattan and the International Network for Bamboo and Rattan

ITTO shared lessons learned from its portfolio of bamboo and rattan projects at the first International Forest City Conference, held in Shenzhen, China, on 29–30 November 2016. The conference was organized by the International Centre for Bamboo and Rattan and the International Network for Bamboo and Rattan.

¹⁸ The full ex-post evaluation report is available at www.itto.int/council_committees/evaluations

United Nations Framework Convention on Climate Change

ITTO participated in UNFCCC COP 22, held in Marrakesh, Morocco, on 7–18 November 2016. In cooperation with other partners, ITTO hosted two side-events, the first on 17 November 2016 titled “Enabling results-based payments for REDD+ in tropical forest: lessons for reference settings” and the second on 1 December 2016 titled “REDD+ within the intended nationally determined contributions: governance lessons learnt from community forest management in the tropics”. ITTO also participated in the Global Landscapes Forum, which was convened concurrently with UNFCCC COP 22; hosted exhibition booths at COP 22 and the Global Landscapes Forum; and attended events organized by other partners.



This ITTO side-event at UNFCCC COP 22 discussed lessons learned in enabling results-based payments for REDD+. Photo: T. Yanuariadi/ITTO

The Organization-led Initiative on the Development of Global Forest Indicators to Support the Implementation of the 2030 Agenda on Sustainable Development and the International Arrangement on Forests Strategic Plan

At this event, ITTO contributed to discussions on identifying a common set of indicators that could be used for monitoring and reporting on progress towards the forest-related targets of the SDGs while also streamlining reporting on forests at the national and international levels. ITTO presented information based on its report *Status of Tropical Forest Management 2011* and its capacity-building activities in monitoring, assessment and reporting.

Asia Institute of Technology

ITTO designed and delivered a training course on accounting for carbon emission reductions and removals through REDD+ activities. The course was held on 31 November–4 December 2016 at the Asia Institute of Technology's campus in Khlong Luang, Thailand.

Wood Chemical 2016

ITTO presented a paper at Wood Chemical 2016, held on 7–8 December 2016 in Bali, Indonesia, on the theme “updates on wood-based panel products and trade”.

Convention on Biological Diversity

ITTO participated in CBD COP 13, held on 2–17 December 2016 in Cancun, Mexico, by:

- Attending and providing inputs to the high-level segment and ministerial roundtable on forests (on 2–3 December 2016). ITTO also provided inputs on mainstreaming and integrating biodiversity across sectors (agenda item 10) and CBD's cooperation with other international organizations (agenda item 13).
- Hosting the side-event, “Borderless conservation in a borderless world: efforts of countries to conserve tropical forest biodiversity in transboundary areas” (on 8 December 2016), in conjunction with the CBD Secretariat and BirdLife International.



Chheang Dany, Cambodian Forest Administration, delivers his presentation at the ITTO–CBD–BirdLife International side-event at CBD COP 13. Photo: S. Lim



ITTO increased its efforts to disseminate ITTO's work in 2016, with the aim of:

- 1) Enhancing knowledge-sharing and dissemination.
- 2) Leveraging knowledge through partnerships.
- 3) Enabling knowledge use.

Much of ITTO's outreach is achieved through field projects, activities and cooperation with international partners, as outlined in other sections of this report. This section presents those outreach activities conducted by the ITTO Secretariat.

Tropical Forest Update

ITTO published four editions of the *Tropical Forest Update* (TFU)—a newsletter promoting the conservation and sustainable use of tropical forests—in 2016, with the following titles:

- 1) **ITTO and CITES: an enduring partnership**—highlighting the results, benefits and impacts of the ITTO–CITES Programme, 2016 being the programme's tenth year.
- 2) **Getting it done locally**—presenting evidence of local communities as good forest managers.
- 3) **Measures that add value**—stating the case for value adding in the tropical timber sector.
- 4) **Council appoints new head of ITTO**—presenting outcomes of the 52nd Session of the Council and ITTO's work on C&I.

The TFU is distributed free-of-charge to more than 15 000 individuals and organizations in more than 160 countries, and it is also available on the ITTO website¹⁹ and via the TFU app.

¹⁹ www.itto.int/tfu





Mobile TFU

ITTO released a free app in 2016 that makes the TFU instantly available on smartphones and tablets. The app, which can be downloaded at Apple's App Store and Google Play²⁰, enables users to:

- Download issues and save them to their smartphone libraries.
- Create bookmarks and share them via other applications.
- View thumbnails in full screen.
- View the TFU in one- and two-page modes.
- Access editions dating from 2014 in English, French and Spanish.
- Navigate to ITTO's website.

Tropical Forest News

Five editions of ITTO's e-newsletter *Tropical Forest News* were published in 2016, providing subscribers with timely insights into ITTO's work and other relevant news and events. *Tropical Forest News* can be subscribed to via "Quick links" on the ITTO website; it is mobile-enabled, which means it can be read easily on tablets and smartphones.



ITTO Policy and Technical Series²¹

ITTO published the following report in its Policy Development Series in 2016:

- **Criteria and indicators for the sustainable management of tropical forests.** This publication is an update of ITTO's long-running efforts to assist in monitoring and assessing the condition of natural tropical forests in ITTO producer member countries and in identifying the improvements needed in forest practices.

Publications of ITTO projects and activities

The publications listed below were produced by ITTO projects and activities and disseminated through ITTO media in 2016.

- **Manual de buenas prácticas rurales** [*Manual on good rural practices*]. This publication is designed to assist farmers in increasing the productivity of their fields and grazing lands by using trees to produce woodfuel, fruits and fodder, stabilize soils, store carbon, assist water infiltration, and generate other benefits. The practices described herein can contribute to SFM and increase the valuation of coastal forests along the Gulf of Mexico and in the Mexican Pacific Region [ITTO project RED-PD 045/11 Rev.2 (M)].
- **Servicios ecosistémicos de las selvas y bosques costeros de Veracruz** [*Ecosystem services of tropical and coastal forests of Veracruz*]. This publication presents the results of an economic valuation of flooded forests and wetlands (mangroves, swamps and marshes) in the state of Veracruz along the Gulf of Mexico. Among other things, these forests provide crucial protection against storms and floods, help regulate the water supply, underpin a lucrative fishing industry, host important biodiversity, provide a food supply, and store large quantities of carbon. The valuation concluded that the economic value of these services is much greater than that of the grazing land that often replaces them [ITTO project RED-PD 045/11 Rev.2 (M)].
- **Technical report on strengthening the capacity in forest law enforcement and governance of the permanent forest estates in Kratie and Mondulhiri provinces of Cambodia.** This publication summarizes the development of Cambodia's forest law enforcement and governance strategic plan [ITTO project PD 673/12 Rev.1 (F)].

²⁰ Keywords = TFU ITTO.

²¹ All reports mentioned here are available at www.itto.int/technical_report or www.itto.int/policypapers_guidelines



- **Report on the Workshop on Capacity Building of Forestry Department Peninsular Malaysia's Staff in Identification of Aquilaria to Species Level and in the Grading of Agarwood.** This publication contains information gathered from stakeholders in Malaysia to facilitate the identification and grading of agarwood for the better enforcement of CITES regulations [ITTO–CITES Programme].
- **Annotated bibliography of publications on ramin and karas (1927–2015).** This book compiles publications—from the oldest records available—on ramin and karas for the benefit of researchers, students and other interested persons [ITTO–CITES Programme].
- **Informe Foro sobre Manejo del Fuego para la Sanidad y Salud Forestal de los Bosques Naturales y Plantados** [Report on the Forum on Fire Management for the Health of Native and Planted Forests]. This report summarizes the results of Panama's programme on integrated forest fire management [ITTO project PD 441/07 Rev.2 (F)].
- **Conociendo los manglares, las selvas inundables y los humedales herbáceos** [Knowing mangroves, flooded forests and herbaceous wetlands]. This manual compiles information on the distribution, population dynamics and conservation status of species in mangroves, flooded forests and herbaceous wetlands and the laws that regulate their conservation and use in Mexico. Written in a simple, user-friendly manner to make it

accessible to all kinds of audience, the book features many photographs illustrating mangrove ecosystems [ITTO project RED-PD 045/11 Rev.2 (M)].

- **Reforestación y enriquecimiento de especies arbóreas en los médanos: guía práctica** [Practical guide to the reforestation and enrichment planting of dunes]. This handbook is designed to help local communities restore vital degraded coastal dune ecosystems in the Mexican state of Veracruz [ITTO project RED-PD 045/11 Rev.2 (M)].
- **Técnicas, mañas y prácticas para recuperar y cuidar los árboles y el monte en los médanos de Veracruz** [Techniques, tricks and practices to restore and maintain trees and woodland in the dunes of Veracruz]. This publication describes techniques for attracting birds, bats, insects and other wildlife that carry the seeds of trees and other plants to cleared dunes, thereby helping in the natural regeneration of those areas, providing connectivity between habitats, and restoring environmental functions [ITTO project RED-PD 045/11 Rev.2 (M)].
- **Experiencias de vinculación del proyecto criterios e indicadores (C&I) de manejo forestal sustentable con los ejidos del Golfo de México y la Península de Yucatán** [Linking experiences of the criteria and indicators project with ejidos in the Gulf of Mexico and the Yucatan Peninsula]. This report presents the lessons learned among five ejidos in Mexico in applying C&I for SFM to their forests [ITTO project PD 351/05 Rev.1 (F)].



- **Study on investigation and assessment techniques of tropical forest ecotourism resources in Diaoluoshan National Forest Park.** This report explores the importance of forest ecotourism in the construction of the Hainan International Tourism Island and the need for it to boost both environmental services and local livelihoods in Hainan Province [ITTO project RED-SPD 075/12 Rev. 1 (F)].
- **Pisos de madeira: características de espécies brasileiras/Woodflooring: Brazilian species characteristics.** This publication (in both Portuguese and English) contributes to the availability of information on woods already used in industrial woodflooring production and on lesser-known woods with potential for such use [ITTO project PD433/06 Rev.3 (I)].
- **Assessing the ITTO Guidelines for the Restoration, Management and Rehabilitation of Degraded and Secondary Tropical Forests. Case studies of Ghana, Indonesia and Mexico.** ITTO commissioned this report from the World Resources Institute as part of its contribution to the Global Partnership on Forest and Landscape Restoration with the aim of increasing understanding of the factors to be taken into account in successful forest and landscape restoration and the rehabilitation of degraded forests in the tropics. The report presents a review of restoration activities at project sites in Africa, Asia and Latin America.

- **Manual for in-house training on wood-sawing, kiln-drying, ply-milling, saw-doctoring, mill management, and further processing of timbers from tropical Africa.** The aim of this manual, which is available in English and French, is to build capacity in timber processing at different stages of the production chain and to add value to timber and forests in African ITTO member countries [ITTO Project PD 700/13 Rev.2 (I), phase 1, stage 1].

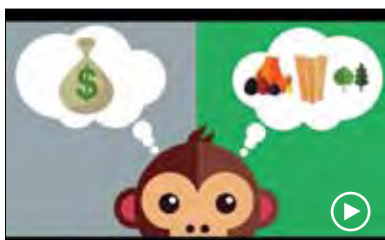
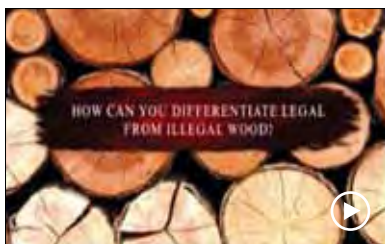
ITTO website

- The ITTO website (www.itto.int), which is available in English, French, Japanese and Spanish, was updated regularly in 2016. It contains a wide range of information on ITTO's work, such as news; calls for proposals; vacancy announcements; information for the International Tropical Timber Council and its committees; publications, including the *Tropical Forest Update* and the policy development and technical series; databases; the Market Information Service; information on ITTO Fellowships, thematic programmes, and collaboration with the CBD and CITES; a listing of forthcoming events; and a search tool for the ITTO project database. The website recorded 142 758 unique visitors in 2016.

ITTO project search²²

The ITTO project search tool was improved in 2016; it now displays contact details of executing agencies,

22 www.itto.int/project_search



project websites, photos, videos and social media, as well as other project outputs, such as completion reports, technical reports and papers, ex-post evaluation reports, and dissemination materials. The tool allows searches by the following parameters: project ID; keywords; country; donor; status (i.e. completed, operational or seeking finance); area of work (i.e. economics, statistics and markets; forest industry; and reforestation and forest management); and thematic programmes, thus enhancing the dissemination of the knowledge gained through the implementation of ITTO field projects.

YouTube channel²³

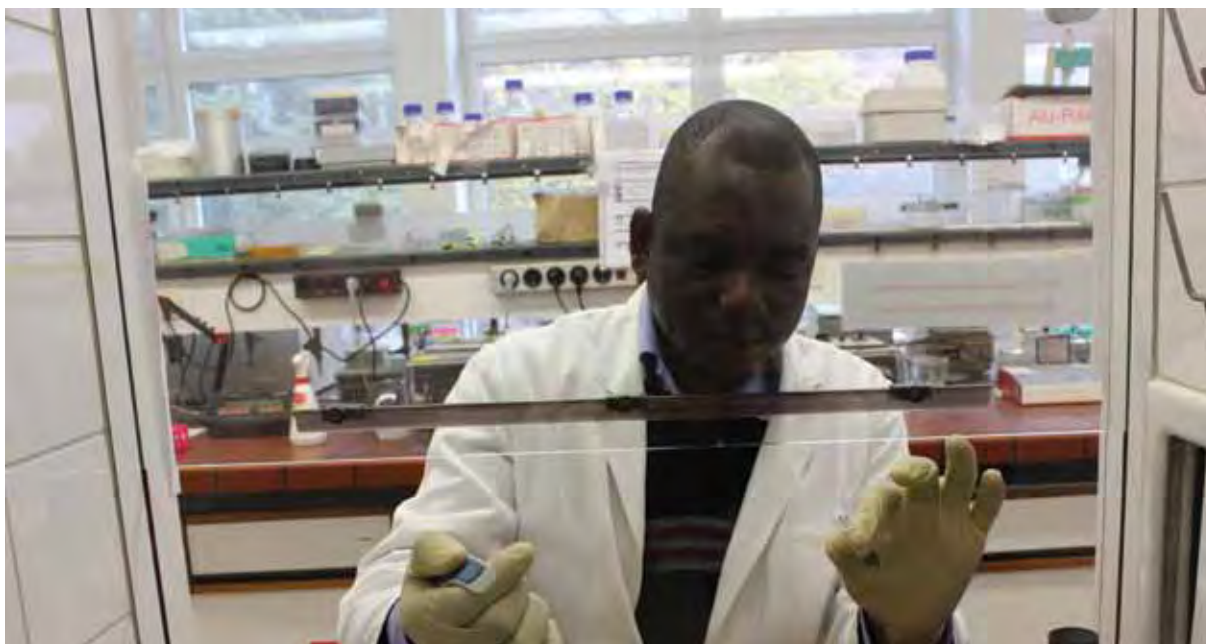
As of the end of 2016, a total of 35 videos portraying the Organization's work were available on ITTO's YouTube channel. Additions during the year included:

- **Criteria and indicators for SFM of tropical forests.** This video promotes the latest edition of the ITTO C&I for SFM, which was published in September 2016. Available in English and Japanese. Produced by the ITTO Secretariat.
- **Local communities, forest managers *par excellence*.** This video makes the case for supporting local communities in managing their forests and describes ITTO's long-running contributions through projects and other activities. Available in English, French, Japanese and Spanish. Produced by the ITTO Secretariat.
- **Ecosystem services of the coastal forests of Veracruz, Mexico.** This video summarizes the findings of a quantitative assessment of the goods and services provided by the various types of tropical and coastal forests (mangrove forests, tropical flood forests, rainforests and scrub forests on dunes) on the coastal plains of Veracruz along the Gulf of Mexico. The ecosystem services assessed include flood containment,

carbon sequestration, improved water quality, climate-change mitigation and adaptation, and accelerated regeneration. Available in Spanish with English subtitles [ITTO project RED-PD 045/11 Rev.2 (M)].

- **Valor económico** [Economic value]. This video explores the full economic value of flooded forests and wetlands (mangroves, swamps and marshes) in Mexico based on the goods and services they provide. Available in Spanish [ITTO project RED-PD 045/11 Rev.2 (M)].
- **Sustainable forest management in Guatemala.** This video shows various approaches to forest management in Guatemala according to forest type, species composition, geographical location and, most importantly, the needs of forest-dependent people. The aim of such approaches is to maximize the benefits, goods and services derived from such forests while ensuring their sustainability for present and future generations. Available in Spanish with English subtitles [ITTO project TFL-PD 024/10 Rev.2 (M)].
- **¿Qué es la conectividad?** [What is connectivity?]. This video shows the connectivity function of isolated trees and remnant vegetation, for example by providing habitat for birds and bats, which, among other things, spread the seeds of native plants. Isolated trees and habitat fragments, therefore, enable the ongoing exchange of genes, accelerating natural regeneration and helping conserve biodiversity. Available in Spanish [ITTO project RED-PD 045/11 Rev.2 (M)].
- **Illegal logging and forest law compliance in Ghana.** The aim of this video is to raise the awareness of the public on forest law enforcement and thereby encourage a proactive approach to defending the rights of the poor and ensuring responsible forest management. Available in English [ITTO project TFL-SPD 028/12 Rev.1 (M)].

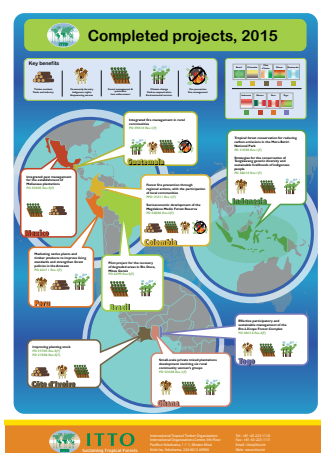
23 www.youtube.com/user/ittosfm



Francois Mankessi, a trainee from the Congo, learns a DNA extraction technique at the Thünen Institute of Forest Genetics. This photo, from ITTO project PD 620/11 Rev.1 (M), was one of 47 images displayed at the 52nd Session of the Council. Photo: L. Schindler/Thünen Institute

Photo exhibition of ITTO project and activities²⁴

A collection of 47 photos from ITTO projects and activities was displayed at Pacifico Yokohama in hard and soft copy in conjunction with the 52nd Session of the International Tropical Timber Council in November 2016. The exhibition highlighted the benefits and impacts of recently completed and operational projects and activities funded by the Organization in forest management, timber processing and value adding, timber identification and tracking, the use of non-timber forest products, enhancing local livelihoods, capacity building, forest restoration, GIS, biodiversity, environmental services, and the improved management of CITES-listed tree species.



Coverage of the 52nd Session of the International Tropical Timber Council²⁵

A webpage was dedicated to comprehensive coverage and reporting of the 52nd Session of the International Tropical Timber Council, including daily news, developments, presentations, photos and insights.

Publicity materials²⁶

The ITTO Secretariat produced posters and other publicity materials in 2016 to promote numerous activities and outputs of the Organization. Among these were the following:

- Poster on criteria and indicators for the sustainable management of tropical forests.
- Poster on the TFU app.
- Poster on assessing ITTO guidelines.
- Infographic on ITTO thematic programmes.
- Infographic on completed projects in 2016 and key benefits.

²⁴ www.itto.int/ittc-52/photo_exhibition.html

²⁵ www.itto.int/ittc-52

²⁶ www.itto.int/publicity_materials



10

Financial highlights

Photo: Gerardo Sanchez-Vigil

This chapter consists of two sections: an executive summary of ITTO's financial statements prepared by ITTO management, and ITTO's summary financial statements audited by the independent auditors. Both sections are part of the financial reports prepared in accordance with ITTO's financial rules and procedures, which will be considered by the International Tropical Timber Council at its 53rd Session in November–December 2017. In addition to the two sections, the auditor's opinion on ITTO's summary financial statements is provided.

1 Executive summary of ITTO's financial statements for the year ended 31 December 2016 prepared by ITTO management

The audited financial statements provide information on the financial position and performance of ITTO for the fiscal year ended 31 December 2016 (FY2016). Due to an impairment of investments amounting to US\$18 million, ITTO had a deficiency in funds available to meet its financial obligations at the beginning of FY2016. Council decisions made in November 2016 to address the financial shortfall, however, enabled ITTO to reorganize its finances and thereby regain sufficient levels of funds to fully meet its financial obligations and to resume its regular operations by the end of FY2016. Additional measures to strengthen internal controls and accountability were implemented at the same time through a revision of the financial rules and procedures and the adoption of the International Public Sector Accounting Standards (IPSAS).

For ITTO's project accounts, new voluntary contribution pledges of US\$5.4 million were reported in FY2016, and total project cost expenses in this period were US\$6.3 million for projects mostly funded before FY2016. The total assessed contribution revenue in the Administrative Account was US\$7.4 million, of which US\$0.8 million was not received in cash during FY2016 and was accounted for as assessed contributions receivable (arrears).

In accordance with its revised financial rules and procedures, ITTO has adopted IPSAS as its standard for preparing its financial statements. As a result, the following changes in reporting have been made (among others):

1. Reclassification of liability and net asset items were made in accordance with their obligations. A total of US\$3.2 million was moved from liability to net asset, and an amount of US\$16.9 million was moved from net asset to liability. Project funds received in advance from donors are now shown as liabilities to reflect ITTO's obligation to donors.
2. US\$4.8 million of assessed contributions receivable (arrears) were written off based on ageing. It should be noted that this is only an accounting treatment to re-evaluate the value of the receivables as an asset and does not free members from their legal obligations to pay arrears.
3. Employee benefits, such as annual leave, home leave and repatriation benefits, which ITTO has an obligation to provide to its staff, are now recognized as a liability. The amount of the allowance for FY2016 was US\$0.8 million.
4. A budget comparison table has been added to the financial statements comparing the administrative budget with actual amounts, with detailed explanations in the table's corresponding notes.

In November 2016, the Council adopted Decision 6 (LII) to address ITTO's financial shortfall, which amounted to US\$18 million at the time due to impairments in investment made by former management. The decision allowed the write-off of US\$5.3 million in project-related obligations and the reclassification of US\$12.7 million of funds from various sources, which, combined, allowed ITTO to bridge the gap created by the impairment. As a result, there are no more negative net asset items in the financial statements, and ITTO is able to fully meet its financial obligations.

It is recommended that ITTO continue to implement and strengthen its internal control and accountability measures by proactively evaluating and improving its systems and by adopting best practices from organizations similar in nature. At the same time, the importance of the Council's role as the governing body should be emphasized through regular reporting by ITTO and adequate oversight by Council members.

2 ITTO's summary financial statements for the year ended 31 December 2016 audited by the independent auditors

Statement of financial position as at 31 December

(United States dollars)

| | 31 December 2016 | 31 December 2015 (restated) |
|--|-------------------|-----------------------------|
| Assets | | |
| Current assets | | |
| Cash and cash equivalents | 19 661 535 | 20 018 577 |
| Investments | - | - |
| Assessed and voluntary contributions receivable | 1 936 461 | 1 412 681 |
| Other accounts receivable | 66 741 | 205 594 |
| Advance transfers – projects | 614 170 | 2 202 483 |
| Advance transfers – others | 176 226 | 170 220 |
| Total current assets | 22 455 134 | 24 009 555 |
| Total assets | 22 455 134 | 24 009 555 |
| Liabilities | | |
| Current liabilities | | |
| Accounts payable – member states | 41 038 | 122 423 |
| Accounts payable – others | 381 563 | 579 849 |
| Voluntary contributions advance receipts – allocated | 7 884 439 | 10 466 258 |
| Voluntary contributions advance receipts – unallocated | 522 392 | 2 501 023 |
| Assessed contributions advance receipts | 500 040 | 46 705 |
| Total current liabilities | 9 329 472 | 13 716 258 |
| Non-current liabilities | | |
| Accounts payable – others | 813 420 | 847 837 |
| Voluntary contributions advance receipts – allocated | 4 461 310 | 7 894 400 |
| Total non-current liabilities | 5 274 730 | 8 742 237 |
| Total liabilities | 14 604 203 | 22 458 495 |
| Net of total assets and total liabilities | 7 850 931 | 1 551 060 |
| Net assets | | |
| Accumulated surplus – restricted | 5 720 974 | 13 476 609 |
| Accumulated surplus – unrestricted | 279 957 | (13 425 549) |
| Reserves | 1 850 000 | 1 500 000 |
| Total net assets | 7 850 931 | 1 551 060 |

Statement of financial performance for the year ended 31 December
(United States dollars)

| | 2016 |
|--|-------------------|
| Revenue | |
| Administrative Account | |
| Assessed contributions | 7 445 429 |
| Other voluntary contributions | 1 492 454 |
| Financial revenue | 15 470 |
| Other income | 1 637 |
| Project Account | |
| Member states' voluntary contributions | 5 223 502 |
| Other voluntary contributions | 5 331 013 |
| Programme-support revenue | 524 727 |
| Financial revenue | 7 711 |
| Total revenue | 20 041 944 |
| Expenses | |
| Administrative Account | |
| Employee benefits | 4 298 697 |
| Other operating expenses | 3 114 974 |
| Project Account | |
| Project expenses | 6 328 401 |
| Total expenses | 13 742 073 |
| Surplus/(deficit) for the year | 6 299 871 |

Statement of cash flows for the year ended 31 December

(United States dollars)

| | 2016 |
|--|-------------------|
| Cash flows from operating activities | |
| Surplus for the year | 6 299 871 |
| <i>Non-cash movements</i> | |
| Increase in allowance for doubtful receivables | 268 961 |
| Changes in assets | |
| (Increase) in assessed contributions receivable | (385 775) |
| (Increase) in voluntary contributions receivable | (406 966) |
| Decrease in other accounts receivable | 138 853 |
| Decrease in advance transfers – projects | 1 588 313 |
| (Increase) in advance transfers – others | (6 006) |
| Changes in liabilities | |
| (Decrease) in accounts payable — member states | (81 385) |
| (Decrease) in accounts payable — others | (232 703) |
| (Decrease) in voluntary contributions advance receipts — allocated | (6 014 909) |
| (Decrease) in voluntary contributions advance receipts — unallocated | (1 978 631) |
| Increase in assessed contributions advance receipts | 453 335 |
| Net cash flows from operating activities | (357 042) |
| Net (decrease) in cash and cash equivalents | (357 042) |
| Cash and cash equivalents — beginning of year | 20 018 577 |
| Cash and cash equivalents — end of year | 19 661 535 |

Note to summary financial statements**Note 1****Basis of presentation**

1. The summary financial statements are prepared in accordance with criteria developed by management. Under management's established criteria, management discloses the statement of financial position, statement of financial performance and statement of cash flows without reference to notes or summarization of information. These summary financial statements are derived from, and should be read in conjunction with, ITTO's audited financial statements for the year ended 31 December 2016, which will be available on the ITTO website on approval by the Council.



Tel: +81-3-3295-1040
Fax: +81-3-3295-1993
www.bdo-toyo.co.jp

BDO Toyo & Co.
Kandamitoshirocho7,
Chiyoda-ku, Tokyo
101-0053 Japan

Report of The Independent Auditor on the Summary Financial Statements

To the Executive Director of International Tropical Timber Organization

Opinion

The summary financial statements, which comprise the statement of financial position as at December 31, 2016, statement of financial performance and statement of cash flows for the year then ended are derived from the audited financial statements of ITTO.

In our opinion, the accompanying summary financial statements are consistent, in all material respects, with the audited financial statements on the basis described in Note 1.

Summary Financial Statements

The summary financial statements do not contain all the disclosures required by International Public Sector Accounting Standard. Reading the summary financial statements and the auditor's report thereon, therefore, is not a substitute for reading the audited financial statements and the auditor's report thereon. The summary financial statements and the audited financial statements do not reflect the effects of events that occurred subsequent to the date of our report on the audited financial statements.

The Audited Financial Statements and Our Report Thereon

We expressed an unmodified audit opinion on the audited financial statements in our report dated June 29, 2017.

Management's Responsibility for the Summary Financial Statements

Management is responsible for the preparation of the summary financial statements on the basis described in Note 1.

Auditor's Responsibility

Our responsibility is to express an opinion on whether the summary of financial statements are consistent, in all material respects, with the audited financial statements based on our procedures which were conducted in accordance with International Standards on Auditing ("ISA") 810(Revised), *Engagements to Report on Summary Financial Statements*.

July 13, 2017

BDO Toyo & Co.

BDO Toyo & Co.
Kandamitoshirocho7, Chiyoda-ku, Tokyo
101-0053 Japan

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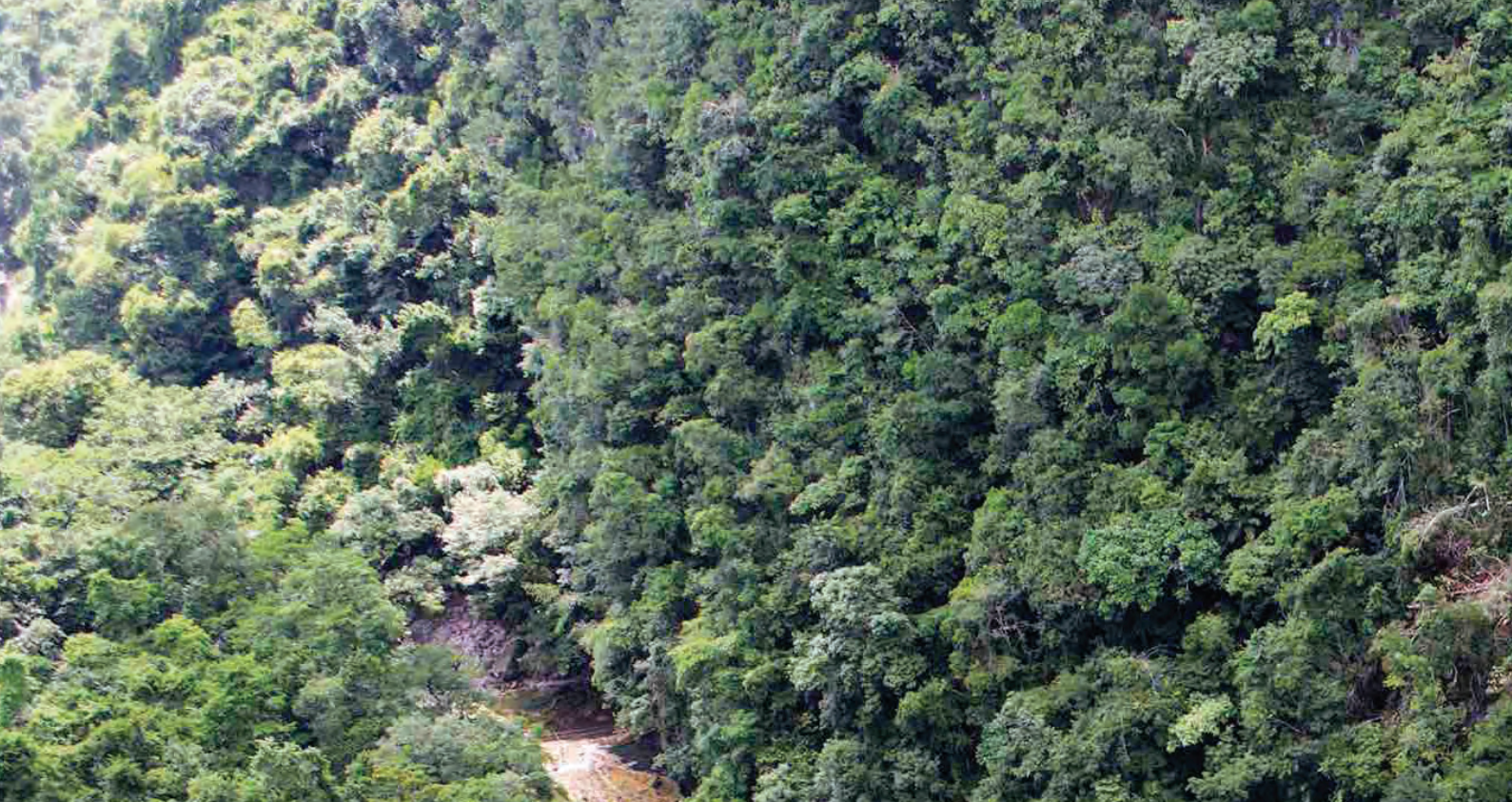
Member states and votes

Photo: Gerardo Sanchez-Vigil

Member states and votes (as of 31 December 2016, under the ITTA 2006)

Madagascar acceded to the International Tropical Timber Agreement 2006 in 2016, thus increasing ITTO membership to 73, the largest ever.

| Producer members (35) | No. of votes | Consumer members (38) | No. of votes |
|--|--------------|---|--------------|
| Africa | | Albania | 10 |
| Benin | 21 | Australia | 16 |
| Cameroon | 22 | China | 265 |
| Central African Republic | 21 | European Union | [382] |
| Congo | 22 | Austria | 10 |
| Côte d'Ivoire | 21 | Belgium | 15 |
| Democratic Republic of the Congo | 22 | Bulgaria | 10 |
| Gabon | 22 | Croatia | 10 |
| Ghana | 21 | Cyprus | 10 |
| Liberia | 21 | Czech Republic | 11 |
| Madagascar | 21 | Denmark | 11 |
| Mali | 21 | Estonia | 10 |
| Mozambique | 22 | Finland | 10 |
| Togo | 21 | France | 33 |
| Asia and the Pacific | | Germany | 19 |
| Cambodia | 18 | Greece | 11 |
| Fiji | 14 | Hungary | 10 |
| India | 28 | Ireland | 13 |
| Indonesia | 94 | Italy | 22 |
| Malaysia | 97 | Latvia | 10 |
| Myanmar | 54 | Lithuania | 10 |
| Papua New Guinea | 39 | Luxembourg | 10 |
| Philippines | 16 | Malta | 10 |
| Thailand | 30 | Netherlands | 30 |
| Viet Nam | 16 | Poland | 11 |
| Latin America and the Caribbean | | Portugal | 13 |
| Brazil | 130 | Romania | 10 |
| Colombia | 24 | Slovakia | 10 |
| Costa Rica | 12 | Slovenia | 10 |
| Ecuador | 18 | Spain | 15 |
| Guatemala | 12 | Sweden | 11 |
| Guyana | 16 | United Kingdom of Great Britain and Northern Ireland | 27 |
| Honduras | 12 | Japan | 164 |
| Mexico | 25 | New Zealand | 11 |
| Panama | 13 | Norway | 10 |
| Peru | 28 | Republic of Korea | 58 |
| Suriname | 15 | Switzerland | 11 |
| Trinidad and Tobago | 11 | United States of America | 73 |
| Total | 1 000 | Total | 1 000 |



INTERNATIONAL TROPICAL TIMBER ORGANIZATION

International Organizations Center, 5th Floor, Pacifico-Yokohama, 1-1-1, Minato-Mirai, Nishi-ku, Yokohama, 220-0012, Japan
Tel +81-45-223-1110 Fax +81-45-223-1111 Email itto@itto.int Web www.itto.int