

ITTO annual report 2017



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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 USD 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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Photo: A. Walmsley/TRAFFIC

Acronyms and abbreviations

APFNet	Asia-Pacific Network for Sustainable Forest Management and Rehabilitation
ASEAN	Association of South East Asian Nations
CITES	Convention on International Trade in Endangered Species of Wild Fauna and Flora
COP	Conference of the Parties
CSAG	Civil Society Advisory Group
EU	European Union
EUTR	European Union Timber Regulation
FAO	Food and Agriculture Organization of the United Nations
FLEGT	Forest Law Enforcement, Governance and Trade
FSC	Forest Stewardship Council
FY2017	fiscal year ended 31 December 2017
IMM	FLEGT Independent Market Monitor
INAB	National Forest Institute (<i>Instituto Nacional Forestal</i>) (Guatemala)
IPSAS	International Public Sector Accounting Standards
ITTA	International Tropical Timber Agreement
ITTO	International Tropical Timber Organization
IUCN	International Union for Conservation of Nature
IUFRO	International Union of Forest Research Organizations
JICA	Japan International Cooperation Agency
MOU	memorandum of understanding
PEFC	Programme for the Endorsement of Forest Certification
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
RIL	reduced impact logging
SDG	Sustainable Development Goal
SEINEF	Electronic Forest Enterprise Information System (<i>Sistema Electrónico de Información de Empresas Forestales</i>) (Guatemala)
SERFOR	Forest and Wildlife Service (<i>Servicio Nacional Forestal y de Fauna Silvestre</i>) (Peru)
SFM	sustainable forest management
SIFGUA	<i>Sistema de Información Forestal de Guatemala</i> (Guatemala)
SMEs	small and medium-sized 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
UNFF	United Nations Forum on Forests
USA	United States of America
USD	United States dollar(s)
VPA	voluntary partnership agreement
WCO	World Customs Organization
YOKE	Yokohama Association for International Communications and Exchanges



Message from the Executive Director



Photo: K. Sato/ITTO

2017 was my first year serving as ITTO Executive Director, and I am glad to report that we made good progress in strengthening the governance and transparency of the Organization and regaining the confidence of donors. The course of action has also been set for ITTO to fulfill its mandate of promoting the expansion and diversification of international tropical timber trade from legal and sustainable sources through the adoption of ITTO's Biennial Work Programme for 2018–2019 and its policy guidelines on gender equality and the empowerment of women; strengthening the participation of civil society and the private sector in the work of the Organization; and the comprehensive revision of ITTO's financial infrastructure.

ITTO projects bore fruit in 2017 in promoting the conservation, sustainable management, use and trade of tropical forest resources. This annual report highlights examples of improvements in sustainable forestry in the tropics, such as improved standards of forest governance and REDD+ in Papua New Guinea;

the establishment of a timber-tracking mechanism by indigenous communities and small and medium-sized forest enterprises in Peru; and increased capacity for reduced impact logging in Peninsular Malaysia. We are hoping that the downward trend in the number of projects financed by ITTO can be reversed soon for the benefit of the people, forests and economies of member countries.

In 2017, ITTO's thematic programmes helped strengthen forest law compliance and governance; improve the transparency of supply chains; increase the capacity of community and small and medium-sized enterprises to implement and demonstrate that timber comes from legal sources, thereby contributing to sustainable livelihoods; increase forest values through forest restoration and rehabilitation and payments for forest-based environmental services; fill gaps in market transparency; and strengthen information systems on timber markets.

ITTO continued to promote understanding of the structural conditions of international timber markets through regular activities such as the publication of the *Biennial Review and Assessment of the World Timber Situation* and the *Tropical Timber Market Report*, and independent market monitoring of timber licensed under voluntary partnership agreements between the European Union and partner countries. ITTO increased capacity in its producer members to implement sustainable forest management by providing training on the use of ITTO's *Voluntary Guidelines for the Sustainable Management of Natural Tropical Forests*; co-convening an international conference on sustainable mangrove ecosystems; and providing scholarships through its Fellowship Programme.



Photo: A. Walmsley/TRAFFIC

International cooperation and outreach was a priority of ITTO's work in 2017. The Organization was one of the most active members of the Collaborative Partnership on Forests and contributed significantly to international organizations and processes, such as the United Nations Forum on Forests; the Convention on International Trade in Endangered Species of Wild Fauna and Flora; the World Customs Organization; the Food and Agriculture Organization of the United Nations; the United Nations Framework Convention on Climate Change; and the Global Landscape Forum. ITTO's international cooperation was formally strengthened with other international partners, too, such as the Amazon Cooperation Treaty Organization, the Japan International Cooperation Agency, the Chinese Academy of Forestry, and the Asia-Pacific Network for Sustainable Forest Management and Rehabilitation. ITTO is now seen in many public fora, media and publications and has enhanced its interaction with civil-society and private-sector stakeholders.

As we move through 2018 and beyond, I want to highlight a recent development that requires the full attention of the ITTO membership: that is, increased tropical forest degradation, which will diminish the capacity of forests to supply the timber, forest goods and environmental services required for a growing global population. It is within ITTO's mandate and scope to work with members and relevant partners to address this issue, which requires a change in the public perception of tropical forests, tropical timber and tropical timber products and markets. We need to look at forest products in the same way we look at food—as essential commodities; there is no viable

alternative because the rapidly growing global population will need to be supplied with essential forest and wood products. In light of an emerging and dramatic supply gap in many countries, productive forests, forest landscapes and value chains need to become cornerstones of the global forest climate and development agenda as a matter of urgency.

Business as usual is not an option because it will mean more deforestation and forest degradation, or the greater use of non-renewable materials, or increased wood imports, or all these—thereby undermining efforts to fight climate change, promote sustainable development and improve the lives of forest-dependent people. We see new and exciting opportunities in our collaboration with the private sector and we need to look at approaches in an integrated way along supply chains—from the tree in the forest to the end user of the forest product. If incentives for investments and enabling frameworks are scaled up on landscape restoration, sustainable forest management and legal and sustainable supply chains, forests and harvested wood products could make significantly greater contributions to sustainable and inclusive growth, jobs and income and deliver significant global benefits. The international forest and climate-change regime should especially take into account the huge opportunities for substituting non-renewable construction materials and fossil energy with sustainably harvested wood products. I hereby call on our members and partners to join efforts in this noble endeavour.

Dr Gerhard Dieterle
ITTO Executive Director

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.

1983	The first International Tropical Timber Agreement (ITTA) is negotiated and adopted
1985	The ITTA, 1983 comes into force
1986	ITTO is established in Yokohama, Japan
1987	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	<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	<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	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	<i>ITTO Guidelines for the Establishment and Sustainable Management of Planted Tropical Forests</i> is published
	<i>ITTO Guidelines on the Conservation of Biological Diversity in Tropical Production Forests</i> is published
1994	A new ITTA is agreed, establishing the Bali Partnership Fund
1997	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> is published
	<i>World Mangrove Atlas</i> is published
	The Council's Informal Advisory Group is established
1998	<i>Criteria and Indicators for Sustainable Management of Natural Tropical Forests</i> is published, updating the original criteria
2000	Independent diagnostic missions begin assisting countries in identifying actions to achieve Objective 2000
	The Trade Advisory Group (TAG) is established
2001	ITTO provides resources for improving forest law enforcement in the context of SFM
2002	<i>ITTO Guidelines for the Restoration, Management and Rehabilitation of Degraded and Secondary Tropical Forests</i> is published
	The Civil Society Advisory Group is established
2005	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
2006	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	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	ITTO launches thematic programmes on a pilot basis
	The <i>ITTO/IUCN Guidelines for the Conservation of Biological Diversity in Tropical Production Forests</i> is published
2010	An expanded and updated edition of the <i>World Atlas of Mangroves</i> is published
2011	The ITTA, 2006 enters into force
	The <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	Thematic programmes established under the ITTA, 2006 are fully incorporated in the work of ITTO
2013	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	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	ITTO publishes the <i>Voluntary Guidelines for the Sustainable Management of Tropical Forests</i>
	<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	ITTO publishes <i>Criteria and Indicators for the Sustainable Management of Tropical Forests</i> , a revised edition of its pioneering work dating to 1992
2017	ITTO adopts the <i>Policy Guidelines on Gender Equality and Empowering Women</i>
	ITTO publishes <i>The Bright Green Hotspot: Outcomes of the Emerald Triangle Protected Forests Complex Project, 2000–2016</i>
	ITTO and the International Union of Forest Research Organizations publish <i>The Global Teak Study: Analysis, Evaluation and Future Potential of Teak Resources</i>
	ITTO holds a global conference on sustainable mangrove ecosystems, which issues the Bali Call to Action for Sustainable Mangrove Ecosystems
	ITTO co-organizes the Tokyo International Conference on the Forest Governance Initiative with several Japanese partners
	The TAG backs ITTO's support for green supply chains
	ITTO highlights the important role of productive forests in climate-change mitigation and adaptation at the 23rd Conference of the Parties to the United Nations Framework Convention on Climate Change in Bonn, Germany.



Photo: D. Piaggio/SERFOR

CONSEJO INTERNACIONAL DE LAS MADERAS TROPICALES (CIMT) QUINGUAGÉSIMO TERCER PERÍODO DE SESIONES

DEL 27 DE NOVIEMBRE AL 2 DE DICIEMBRE DE 2017, LIMA - PERÚ



Photo: Rahmayanti

1 53rd Session of the International Tropical Timber Council and Associated Sessions of the Committees

**27 November–2 December 2017
Lima, Peru**

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 53rd 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 Pedro Pablo Kuczynski Godard, President of Peru, in the presence of the Council's Chair, Tabi Agyarko; Pablo Benjamín Quijandría Salmón, Peru's Vice-Minister for Agriculture and Irrigation; Benito Owusu-Bio, Ghana's Deputy



Delegates listen during the opening of the 53rd Session of the International Tropical Timber Council.

Photo: D. Piaggio/SERFOR

Minister of Lands and Natural Resources; John Leigh, Executive Director of the Peruvian Forest and Wildlife Service (SERFOR); Eva Müller, Director of the Division of Forest Policy and Resources at the Food and Agriculture Organization of the United Nations (FAO); and Manoel Sobral Filho, Director of the United Nations Forum on Forests (UNFF). The Council received a video message from John Scanlon, Executive Secretary of the Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES).

In his opening remarks, Dr Kuczynski said that conserving and sustainably managing Peru's vast



Pedro Pablo Kuczynski Godard, President of Peru, addresses the International Tropical Timber Council at the opening of its 53rd Session. Photo: Rahmayanti



Tabi Agyarko, Chair of the International Tropical Timber Council, addresses the 53rd Session of the International Tropical Timber Council in Lima, Peru. Photo: D. Piaggio/SERFOR

forest resources is fundamentally important for ensuring the country's future. Peru's position is clear, he said: "It is to promote, along with other countries, the conservation of tropical forests, because they provide oxygen and freshwater supply and mitigate climate change. ... If we don't protect our tropical forests, it will have a huge impact on future generations."

Council Chair Tabi Agyarko spoke about the common purpose among ITTO members in promoting the sustainable management of tropical-timber-producing forests. He noted a widening gap between the number of approved project proposals in the Organization and the funds available to finance them, and he called for a focused effort to address this.

ITTO Executive Director Dr Gerhard Dieterle supported Peru's emphasis on forest restoration, calling for a dramatic global increase in the supply of sustainably produced wood products. He pointed out that,

without such an increase, the annual deficit in the supply of timber and other harvested forest products worldwide could be several billion cubic metres by 2050.

New funds pledged

An additional USD 2.2 million of funds was made available for implementing ITTO's work (Table 1) in pledges made by donors at the session, intersessional pledges, and an announcement by Germany that it will contribute USD 1 million for the enhancement of teak management after it completes administrative procedures.

Donors at the session were the United States of America, the Republic of Korea, China, Finland and the Netherlands.

The funds will be used to finance several activities in the 2018–2019 Biennial Work Programme, which was also approved at the session. The Council agreed to spend up to USD 300 000 from the Working Capital Reserve on a new fundraising initiative, including an ad hoc working group, designed, among other things, to improve ITTO's financing infrastructure and fundraising strategies.

Council adopts gender policy guidelines

Policy guidelines on gender equality adopted at the session¹ provide a much-needed framework for mainstreaming gender considerations in ITTO and will enhance the impact and effectiveness of the



Participants in a side-event held at the 53rd Session of the International Tropical Timber Council pose for a photograph. Photo: D. Piaggio/SERFOR



Consultant Stephanie Caswell presents a report on ITTO's policy guidelines on gender equality and empowering women at the 53rd Session of the International Tropical Timber Council.

Photo: D. Piaggio/SERFOR

¹ ITTO's Policy Guidelines on Gender Equality and Empowering Women was adopted under Decision 6 (LIII).

Table 1: Funding of projects, pre-projects and activities, 2017, in accordance with Decision 1 (LIII)

Project/activity ID number	Title	Amount (USD)
Projects and pre-projects		
PPD 189/17 Rev.1 (F)*	Development of a full project proposal to generate tools for establishing timber species through natural regeneration in the province of Tahuamanu, Peru	50 000
PD 815/16 Rev.2 (I)*	Increasing efficiency of acacia plantations and timber processing industry in Viet Nam	90 000
PD 796/15 Rev.2 (M)*	Establishing a system for collecting, storing, processing and disseminating forest and wildlife statistics in Cameroon	80 000
Subtotal		220 000
Activities under the Biennial Work Programme 2018–2019		
PP-A/53-322*	Incentives for green-growth value chain investments in tropical forests	50 000
PP-A/53-323*	Building legal and sustainable forest products supply chains	100 000
PP-A/53-324*	Strengthening participation of the private sector in the work of ITTO	75 000
PP-A/52-320	Enhance cooperation between ITTO and CITES	397 486
PP-A/53-325*	Operationalizing ITTO policy guidelines on gender equality and empowering of women	25 000
PP-A/50-305	Cooperation and consultation with the Collaborative Partnership on Forests, UNFF and others	25 000
PP-A/50-304	CSAG and TAG involvement	40 000
PP-A/52-319	ITTO Fellowship Programme	78 606
PP-A/53-321	Secondment of Programme Officer from the Korea Forest Service	297 669
Subtotal		1 088 761
Grand total		1 308 761

* Partial funding.

Organization’s policy and project work. In addition, the guidelines will contribute to the achievement of Sustainable Development Goal (SDG) 5: “to achieve gender equality and empower all women and girls”.

ITTO’s *Policy Guidelines on Gender Equality and Empowering Women* address eight core elements: ITTO policies, plans and thematic programmes; the project cycle; capacity building; statistics and information; learning, knowledge management and communication; networking and collaboration; internal functioning; and accountability.

Council launches major report on Emerald Triangle

A report on the progress made in transboundary cooperation between Cambodia, the Lao People’s Democratic Republic and Thailand under a long-running project conducted as part of the ITTO–Convention on Biological Diversity Collaborative Initiative for Tropical Forest Biodiversity was launched at the session. The report, *The Bright Green Hotspot: Outcomes of the Emerald Triangle Protected Forests Complex Project, 2000–2016*, presents the encouraging

results of a project to improve transboundary management in the Emerald Triangle Protected Forests Complex, a conservation jewel shared by the three countries.

Trade Advisory Group backs ITTO’s support for green supply chains

In a statement issued at the conclusion of the 2017 Annual Market Discussion (see Chapter 4), held as part of the 53rd Session, the Trade Advisory Group (TAG) proposed that ITTO work closely with China and other ITTO members to promote the stable, legal and sustainable supply of tropical timber in China and worldwide. The statement, which was presented by TAG co-chair Barney Chan, referred to a roundtable dialogue in September 2017 in Shanghai between 24 large timber companies based in China and the ITTO Secretariat, in which Chinese manufacturers expressed a wish to use legal materials in their products. According to the TAG statement, all participants at the roundtable dialogue agreed that the aim should be to create a “green-supply-chain mechanism” to promote the stable, legal and sustainable supply of tropical timber, bringing together all stakeholders.



A member of an indigenous community in the Peruvian Amazon speaks at a side-event held during the 53rd Session of the International Tropical Timber Council. Photo: D. Piaggio/SERFOR

Civil Society Advisory Group wants more participation

In a statement to Council at the 53rd Session, the Civil Society Advisory Group (CSAG)—which represents a range of non-governmental organizations and groups and provides ongoing inputs to ITTO’s work—encouraged ITTO to give more attention to participatory processes and the empowerment of stakeholders in its project cycle. “CSAG continues to be convinced that informal, domestic and regional markets will play an ever-increasing role in the economy of many ITTO producer and consumer countries,” said CSAG spokesperson, Danièle Ramiamanana. CSAG offered its assistance to ensure sufficient social and gender expertise in the evaluation of project proposals and “strongly recommended” that the Council accommodate formal CSAG presentations in its sessions.

Also at the 53rd Session, the Council:

- Reviewed progress on the implementation of 40 projects.
- Declared four projects completed.
- Awarded 18 new ITTO Fellowships.
- Reviewed progress on the implementation of the extended Biennial Work Programme.
- Reviewed the implementation of the ITTO thematic programmes.



The ITTO Secretariat’s Tetra Yanuariadi (left) and the Chair of the Committee on Forest Industry, Mr Lokossou Achille Orphée, consult during a joint session of the Committee on Economics, Statistics and Markets and the Committee on Forest Industry. Photo: Rahmayanti

- Reviewed the implementation of the ITTO–CITES Programme.
- Reviewed the implementation of Council decisions 5 (LII) and 6(LII) on measures regarding the financial impairment and guidelines for addressing ITTO’s financial shortfall.
- Considered the report of the ad-hoc working group on rotation for the selection of ITTO Executive Director.
- Hosted the ITTO Annual Market Discussion on “sharing experiences on promoting investment in tropical timber industries and tropical forestry”.
- Hosted the following side-events:
 - Towards a Forest Sector with Social and Environmental Commitment: Water, Energy and Food Security, organized by SERFOR and the Japan International Cooperation Agency (JICA).
 - Incentives Mechanisms Enhancing both Green Infrastructure for Water and Sustainable Forest Management: Learning from Experiences, organized by Helvetas.
 - National Fiscal Incentives and Public Procurement Policies to Promote Sustainable Forest Management in Tropical Forests, organized by the Forest Stewardship Council (FSC).
 - Livelihoods and Trade of Timber and Non-timber Forest Products for Local Communities, organized by CSAG.

For detailed coverage of the session, visit www.itto.int/itcc-53 and <http://enb.iisd.org/forestry/itto/itcc53>



Photo: Forestry Department, Peninsular Malaysia

2 Field results of projects completed in 2017

Table 2 summarizes the ITTO projects completed in 2017.

Increasing the traceability of timber in Peru

ITTO project PD 621/11 Rev.3 (M) assisted forest-based small and medium-sized enterprises (SMEs) and indigenous communities in the Peruvian Amazon to adopt an electronic timber traceability system for their certified timber products. In this way it promoted the use of timber sourced from forests under sustainable forest management (SFM), increased the transparency of timber marketing, and improved forest governance through the participation of indigenous peoples and SMEs as key stakeholders in forest conservation.

Outputs of the project included:

- The adoption of a timber traceability system by SMEs that are now selling certified timber.
- The training of technical personnel in SMEs in timber monitoring and control in production and marketing processes that incorporate timber traceability.
- Increased business-management capacity in SMEs.

The project’s electronic traceability system is easy to use, and it serves a record-keeping function for forest operations. The system allows the reliable tracing of forest products from their source, providing SMEs with a tool for controlling wood from the forest to the processing plant. Eighteen forest companies have

adopted the system—four in Ucayali, six in Arequipa and eight in Madre de Dios. Seven indigenous communities are also implementing the system—six in Ucayali and one in Madre de Dios.

The project published an online directory of national suppliers of certified timber.² It also raised awareness of timber traceability, timber tracking and chains of custody.



Workers inspect newly manufactured certified wood pallets in a storage area in Arequipa, Peru.
Photo: Camara Nacional Forestal/ITTO

2 www.cnf.org.pe

The ITTO project has delivered much-needed information and understanding on how REDD+ should work in PNG through quality-of-governance. A lot of issues in land-use and forest-cover change in the country are due to a lack of transparency and ineffective governance in the key sectors of agriculture, forestry, environment and lands. Through this project, these key stakeholders learned and understood how transparency and effective governance will lead to emission reductions.

Transparency and effective governance can also lead to the fair distribution of benefits from emission reductions. Currently, PNG has opted for performance-based payments for carbon emission reductions through policies and measures. However, the sharing of the payments between different beneficiaries has not been plotted out yet. Therefore, understanding the structure of quality governance will help to design an effective mechanism for the fair distribution of performance-based payments.

The participation of the relevant stakeholders during project activities also helped to install some trust and confidence between these stakeholders to work together for transparency and effective governance in resource development activities. Ultimately, this will lead to less land-use and forest-cover change and hence to the reduction of carbon emissions.

Dr Gae Gowae, University of Papua New Guinea, Papua New Guinea

For me as a representative of civil society, I appreciated work that was carried out under this ITTO project because apart from the education of myself and civil society about the need for timber certification as a mechanism for allowing compliance and achieving due governance, which is a fundamental problem for PNG, it also allowed the active collaboration with government on the development of the draft PNG Timber Legality Standards, which at least is a starting point to having some form of principles and criteria to apply to the industry. Although we feel the current standards can be improved to achieve more, I am encouraged that the State, through its officers, has diligently consulted civil society on these matters and has allowed room for more collaboration to ensure standards and criteria that are more accurate and effective.

Mary Theresa Boni, Natural Resources Sectoral Committee, Consultative Implementation Monitoring Council, Papua New Guinea

Development of REDD+ governance standard in Papua New Guinea

In Papua New Guinea (PNG), ITTO project PD 682/13 Rev.1 (F) developed a voluntary standard for evaluating the quality of forest governance and associated activities to reduce greenhouse gas emissions from forests. The standard can be used informally for general assessment or more formally to determine compliance.

The standard was drafted through a participatory process that involved field research and an online survey of stakeholders—landowners, community organizations, cooperatives, universities, civil society, aid agencies and government. The standard's indicators address inclusiveness, accountability, resources and transparency; the standard includes verifiers for these indicators and the means of verification to be employed.

It is expected that the standard will facilitate interactions among government agencies involved in forestry, climate change and local communities.

The project published articles in scientific journals³ on

the use of market mechanisms as a response to anthropogenic climate change, governance values in the climate-change regime, and stakeholder perceptions of the allocation of, and access to, climate-change policy initiatives.

More work is needed to fully deploy the standard in REDD+⁴ and community-level forest management in PNG.



Representatives of forest communities, and others, listen during a drafting session of the REDD+ governance standards. Photo: T. Maraseni/University of Southern Queensland

³ www.pip.com.pg/projects/completed-projects/70-development-of-quality-of-governance-standards-for-redd-in-png.html

⁴ REDD+ = reducing emissions from deforestation and forest degradation (plus the role of conservation, sustainable management of forests and enhancement of forest carbon stocks).

Building capacity in reduced impact logging in Peninsular Malaysia

ITTO project PD 722/13 Rev.1 (I) strengthened capacity in reduced impact logging (RIL) among private and state operators in the forest sector in Peninsular Malaysia. It enabled the training of about 700 personnel, including 170 qualified trainers and 522 forest workers. About 750 other participants increased their awareness of RIL by attending project seminars, workshops and courses.

Training covered aspects such as road engineering, pre-felling actions, the economic edge that RIL provides, and certification; it also enabled the sharing of experiences of RIL conducted elsewhere. The increase in the skills of forest workers is expected to help reduce the impacts of forest operations on the environment and enable better forest regeneration.



ITTO project PD 722/13 Rev.1 (I) built capacity in RIL in Peninsular Malaysia. Photo: Forestry Department, Peninsular Malaysia

Feasibility study on forest certification in Benin

ITTO pre-project PPD 167/13 Rev.1 (M) gathered baseline information to enable the formulation of a project proposal on the certification of about 18 000 hectares of forest plantations managed by Benin's National Wood Office (*Office National des Bois*). The Expert Panel for the Technical Appraisal of ITTO Project Proposals assessed the proposal as category 4.⁵ The pre-project also published a market review of certified timber in the country.



This plantation-grown teak log in Koto, Benin, bears a barcode to facilitate tracking. Photo: Office National des Bois

Table 2: Projects completed in 2017 (regular cycle)

Project ID	Title	ITTO funding (USD)	Donors	Submitted by
PD 682/13 Rev.1 (F)	Development of quality-of-governance standards for reducing emissions from deforestation and forest degradation (REDD) in Papua New Guinea	149 744	Japan	PNG
PD 621/11 Rev.3 (M)	Traceability of timber produced by forest concessions and native communities in Madre de Dios and Ucayali, Peru	349 032	Japan USA	Peru
PD 722/13 Rev.1 (I)	Capacity building on reduced impact logging (RIL) in dry inland forest in the permanent forest of Peninsular Malaysia	226 041	Japan	Malaysia
PPD 167/13 Rev.1 (M)	Feasibility study on the certification of <i>Office National des Bois'</i> national plantation estates in Benin	88 794	Republic of Korea USA	Benin

⁵ Category 4 project proposals are submitted to the Committees with the recommendation not to approve them.



Photo: G. Sánchez-Vigil



Photo: G. Sánchez-Vigil

3 Field results of ITTO thematic programmes in 2017

ITTO's thematic programmes are an innovation of the International Tropical Timber Agreement (ITTA), 2006. The following were operational in 2017:

- 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).

Examples of projects completed in 2017 are described below; Table 3 shows the status of projects conducted under ITTO's thematic programmes.

Forest Law Enforcement, Governance and Trade

Projects implemented under TFLET contribute to the following specific objectives:

- Strengthen forest law compliance and governance through improved national policy and legal frameworks, strengthened enforcement and other institutions, improved data and knowledge, and strengthened partnerships and improved cooperation among the private sector, civil-society organizations and other stakeholders.
- Improve transparency and the effective management of supply chains and increased domestic and international trade in legally produced tropical timber.

- Improve the capacity of communities and SMEs to implement and demonstrate that timber comes from legal sources, contributing to sustainable livelihoods.

Strengthened timber tracking and improved governance in Guatemala

Two studies conducted as part of ITTO pre-project TFL-PPD 040/13 Rev.2 (M) have provided a better understanding of timber flows in the country, helping identify the challenges and costs faced by forest communities in proving the legality of their timber products and potential measures to overcome these.

The Traceability and Market Study of Forest Products in Guatemala (*Estudio de mercado y trazabilidad de productos forestales en Guatemala*) and Analysis of the Vulnerability of Communities Linked to Forest Production Chains (*Análisis de vulnerabilidad de comunidades vinculadas a las cadenas productivas forestales*) shed light on: the sources of raw materials; timber species and volumes; timber transport routes; destinations of processed products such as sawnwood, woodchips, plywood and particleboard; actors in supply chains; timber tracking; law enforcement; the costs of legality for forest smallholders; and areas vulnerable to deforestation. The studies were based on information obtained from the Electronic Forest Enterprise Information System (*Sistema Electrónico de Información de Empresas Forestales—SEINEF*), an output of another ITTO project [TMT PD 004/11 Rev.2 (M)]. The purpose of SEINEF, which became operational in early 2014, is to register, monitor and control the

flow of forest products through companies that are legally established and registered with the forest authority.

The two studies made recommendations on how best to incentivize legality. The findings are assisting Guatemalan authorities in their efforts to improve the country's forest governance.

Improving the performance of Guatemala's primary timber-processing industry

As part of ITTO pre-project TFL-PPD 045/13 Rev.2 (M), 32 timber-processing companies in four of Guatemala's major timber-processing regions benefited from capacity building aimed at increasing their efficiency in log processing. Ultimately, the aim is to increase yields of primary processed products and improve monitoring and control.

In addition, the pre-project developed an Android-based app, "rendimadera", designed to standardize the calculation of log yields in accordance with regulations. The app has enabled a significant increase in efficiency in about 50% of primary timber-processing companies.



*A timber worker inspects the quality of sawnwood as part of capacity-building activities in Guatemala's timber-processing industry conducted under ITTO pre-project TFL-PPD 045/13 Rev.2 (M).
Photo: A. Guoron/INAB*

Improved self-governance in Indonesian forest communities

Community forestry is booming in Indonesia, with smallholder farmers responsible for an increasing proportion of the timber supply. Forest-growing has the potential to significantly boost incomes for these farmers, but bureaucratic procedures can be a major obstacle. The Government of Indonesia, with assistance from ITTO project TFL-PD 033/13 Rev.2 (M), has streamlined the paperwork to make it easier for smallholders to legally harvest, transport and sell their timber, helping to stimulate the forest industry and increase the benefits for local communities and the environment. Local-level timber administration and governance has improved in eight Indonesian provinces—Central Sulawesi, East Kalimantan, Jambi, Java, Lampung, North Sumatra, Nusa Tenggara and West Sumatra—as a result of the project.



*A forest community member learns a timber identification technique as part of ITTO project TFL-PD 033/13 Rev.2 (M). Forest communities in eight Indonesian provinces are receiving more benefits from the sale of their timber because of the project.
Photo: Indonesian Ministry of Forestry/ITTO*

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

Projects implemented under REDDES contribute to the following specific objectives:

- Reduce forest degradation.
- Maintain and enhance climate-change mitigation and other tropical forest environmental services.
- Contribute to the social and economic sustainability and wellbeing of forest-dependent communities by increasing forest values through forest restoration and rehabilitation and payments for forest-based environmental services.

Examples of projects completed in 2017 are described below.

Rehabilitating degraded forest for woodfuel in Ghana

ITTO project RED-SPD 077/12 Rev.1 (F) established 50 demonstration plots for woodfuel production on a total of 18 hectares with the participation of farmers in six communities in the Kintampo North and Nkoranza districts in Ghana. The project demonstrated the potential for integrating wood-energy production in agricultural landscapes by interplanting tree plantations with cash crops, thereby increasing both the income of farmers and forest cover. The success of the project is reflected in the Ghana Forest Plantation Development Strategy 2016–2040, which recommends the establishment of woodlots for charcoal and firewood in the savannah and transition zones by interplanting *Senna siamea*, *Acacia* species and *Azadirachta indica* with cash crops to sustainably meet the country's high demand for wood energy.

Valuation of forest environmental services in Mexico

Ecosystems such as mangrove forests, flood forests, rainforests and scrub forests on dunes, and their connectivity, are prioritized in Mexico's climate-change mitigation policies thanks to an assessment and economic valuation conducted in the state of Veracruz as part of ITTO project RED-PD 045/11 Rev.2 (M). The assessment and valuation indicated that these ecosystems are crucial for, among other things, reducing flood peaks, providing a reliable supply of fresh water, conserving biodiversity, maintaining the soil nutrient cycle, producing biomass, and sustaining livelihoods. Converting them into livestock pastures or real estate, therefore, carries considerable risks. The ITTO project helped build capacity among local communities, *ejidos*⁶ and forest owners to improve their forest management and rural practices, and it raised their awareness of the benefits this can bring, including through payments for environmental services. Women have been particularly empowered, organizing themselves into groups to manage nurseries, conduct reforestation campaigns, create ecotourism- and handicraft-based enterprises—and even write a book about medicinal plants in the region. The project produced many outreach materials, including videos, maps, technical reports, post-graduate theses and scientific papers.

⁶ An *ejido* is a land area given to a rural settlement. The allocated area includes three types of land—urban plots, farming plots and community lands—and it is governed through an *ejido* hierarchical system, with general assemblies the highest decision-making authority.



A farmer inspects a *Senna siamea* seedling in a demonstration plot in Nkoranza district, Ghana. Photo: P. Masupa/ITTO

Trade and Market Transparency

Projects implemented under the TMT contribute to the following specific objectives:

- Fill gaps in the market transparency of tropical timber and timber products.
- Enhance market access and promote the trade of tropical timber.
- Strengthen information systems on markets and the forest sector.

Examples of projects completed in 2017 are described below.

Better understanding of CITES regulations by small enterprises in China

China is one of the world's largest producers, consumers, importers and exporters of forest products, and it plays an important role—mainly as an importer—in the international trade of tree species listed in the CITES Appendices. SMEs account for 90% of companies engaged in forest-product imports in China, and they are crucial for meeting demand for forest products in both domestic and international markets. In many cases, however, SMEs are unaware of CITES laws and regulations, are unable to estimate the impacts of changes in the listing of tree species, and often fail to fulfill the trade requirements for CITES-listed tree species.

To overcome such challenges, ITTO project TMT-SPD 023/15 Rev.1 (M) helped raise the capacity of SMEs and tropical timber importers in the Yangtze River delta to understand and prepare procurement strategies and business plans that take into account changes in the CITES Appendices. The project produced three main outputs:

- 1) An analysis of trends and impacts on China's timber trade of commercial timbers included in CITES.



Project officers and the ITTO Secretariat's Li Qiang (right) visit the showroom of the Hanguan Rosewood Company showing the ornate carving typical of traditional Chinese rosewood furniture. Chinese companies that manufacture rosewood furniture have improved their knowledge of CITES regulations thanks to ITTO project TMT-SPD 023/15 Rev.1 (M). Photo: X. Luo

- 2) A web-based communication platform, WeChat, for the dissemination and exchange of up-to-date information on CITES.
- 3) Training workshops for 100 representatives of SMEs and importers in the project area.

The project generated considerable momentum, interest, outputs and outcomes, and it laid the foundation for Chinese tropical-timber-processing SMEs and importers in the project area to understand CITES and comply with CITES rules in China. For example:

- The project increased awareness among SMEs of the importance of SFM and protecting CITES-listed tree species.
- Research conducted under the project improved the implementation of CITES regulations and other policies and increased the capacity of SMEs to trade timber sourced from legal and sustainably managed forests.
- Training courses (both online and on-the-spot) provided by the project helped Chinese SMEs better understand CITES trade requirements and the trade situation of CITES-listed tree species.

According to She Xuebin, chairman of the Nature Company (an SME in the Yangtze River delta):

WeChat is a good channel for us to trace and monitor the export trends of wooden products, such as flooring, wooden window and door, etcetera. It has gathered the most authoritative trade data, the most influential experts, the most timely industry news of the forestry industry, and is playing an important role for enterprises to master the development of the industry.

The Tropical Timber Atlas

ITTO project TMT-SPD 010/12 Rev.1 (M) published the *Tropical Timber Atlas*, which presents the main characteristics and technological behaviours of 300 timber species, comprising 283 tropical species and 17 temperate species. The inclusion of temperate species facilitates comparison with tropical ones and their applications for particular purposes. The atlas consolidates and fully updates three widely used tropical timber reference books published between 1986 and 1990.

The *Tropical Timber Atlas* provides a broad range of information on each featured species, such as physical and mechanical properties, natural durability, the impregnability of the heartwood, preservative treatment requirements, drying, sawing and machining, assemblage, commercial grading, response to fire, major uses, trade restrictions, and common names in major producing countries.

The *Tropical Timber Atlas* will increase access to information on lesser-known timber species and serve as a vital reference tool for producers (e.g. forest managers, logging companies and policymakers), consumers (e.g. traders, processors, architects, builders, contractors and contracting authorities), research and educational institutions, and government authorities and decision-makers, thus filling gaps in market transparency and promoting the trade of tropical timber and timber products.

A robust forest information system for Guatemala

Like many other timber-producing countries, Guatemala finds it difficult to prove the legality of forest products, and it is an even greater challenge to put in place monitoring mechanisms that promote

legal forest practices. Part of the problem is that many monitoring and verification actions are carried out manually and are subject to the discretion and bureaucracy of regulatory institutions. To overcome such challenges, Guatemala sought ITTO's support to strengthen its forest statistical information system (*Sistema de Información Forestal de Guatemala—SIFGUA*) with a view to automating requests and approvals for forest-related processes required by law, increasing market transparency and trade, and improving decision-making in the forest sector.

ITTO project TMT-PD 004/11 Rev.2 (M) has helped upgrade SIFGUA by automating forest-related processes, minimizing response times, standardizing forms and procedures, minimizing human error, limiting officers' discretionary powers and bureaucracy, and enabling it to meet the deadlines established by law to process requests and applications. SIFGUA consists of three information systems:

1) The Electronic Forest Enterprises Information System (SEINEF): this timber-tracking system registers, monitors and controls the flow of forest products through companies. SEINEF's standardized timber transport document—the “company bill of transport”—is now generated electronically.

SEINEF, which is mandatory for all forest enterprises of any size, provides users with a wide range of services, such as automatic digitization and review of their regular reports; the verification of supporting documentation on inventory entries and exits; and analyses of yield levels and internal flows. A direct benefit for businesses is a reduction in the time and cost of obtaining authorizations. For example, Edy Corado, General Manager of Natural Woods, an exporter of engineered timber flooring, said:

We entrepreneurs base our decisions on figures—if we get positive figures, we will be willing to change, and SEINEF has proven to be a helpful system, not only to keep our records in order for INAB but also to streamline the process. We no longer need to visit an office to have our report reviewed, which used to take up to three months, and then we had to go back to the office to pick up the report. This was a costly and tedious procedure for obtaining an approval.

2) The Electronic Forest Administration System in Protected Areas (*Sistema Electrónico de Administración Forestal en Áreas Protegidas*): This



Officers of Guatemala's National Environmental Police receive training in the field monitoring of timber consignments as part of ITTO project TMT-PD 004/11 Rev.2 (M). Photo: L. Siney/INAB

system automates various forest services provided by the National Council for Protected Areas (*Consejo Nacional de Áreas Protegidas*), the authority in charge of managing forests in natural protected areas. The Electronic Forest Administration System in Protected Areas is designed to automate permits for forest harvesting in protected areas,⁹ the registration of professionals developing management plans in protected areas, and the issuance of CITES permits.

3) The Electronic Forest Management System (*Sistema Electrónico para la Gestión Forestal*)¹⁰—for forests outside protected areas: This system automates various forest services provided by the National Forest Institute (*Instituto Nacional de Bosques—INAB*), the authority in charge of managing forests outside natural protected areas. It includes automated services associated with forest harvesting, forest incentives, the National Forest Registry, applications for company bills of transport, and export permit applications for forests outside protected areas.

All these systems have facilitated the automatic, real-time verification of stocks, progress in harvesting operations, and on-the-road monitoring of timber shipments. SIFGUA also disseminates information through its website,¹¹ with data now publically available on, for example, forest companies operating in Guatemala, timber production, timber products, timber exports and imports, timber species, and forest areas under approved management plans.

7 www.seinef.inab.gob.gt

8 <http://seaf.conap.gob.gt>

9 Natural protected areas in Guatemala are composed of a core area and a buffer zone. Low-impact harvesting is permitted only in the buffer zone, with a limit of 14 cubic metres of timber on a 40-year rotation.

10 <http://segefor.inab.gob.gt>

11 www.sifgua.org.gt

Table 3: Status of projects in ITTO thematic programmes in 2017

Submitted by	Project ID	Title	ITTO funding (USD)	Status*
TFLET				
Australia	TFL-PD 037/13 Rev. 2 (M)	Implementing a DNA timber-tracking system in Indonesia	518 833	Ongoing
Cameroon	TFL-PD 014/09 Rev.1 (M)	Reduction of illegal logging through better governance of community forests in the Lom et Djerem Division, East Region, Cameroon	302 562	Terminated [Council Decision 6(LII)]
Guatemala	TFL-PPD 040/13 Rev.2 (M)	Development of a programme to strengthen the traceability of legally sourced forest products in Guatemala	74 586	Completed
Guatemala	TFL-PPD 045/13 Rev. 2 (M)	Improving forest product monitoring and efficiency through the development of a programme to enhance the performance of the primary forest-processing industry	66 942	Completed
Indonesia	TFL-PD 032/13 Rev. 2 (M)	Strengthening the capacity of local institutions to sustainably manage community forestry in Sanggau for improving livelihoods	456 680	Ongoing
Indonesia	TFL-PD 033/13 Rev. 2 (M)	Strengthening the governance of community forest through improved capacity to adequately perform timber administration in Java and Nusa Tenggara region in Indonesia	495 880	Completed
Panama	TFL-PD 044/13 Rev.2 (M)	Strengthening of ANAM's management capacity to reduce illegal logging and trade in the eastern region of Panama (Bayano and Darien) through monitoring and control mechanisms	412 556	Ongoing
PNG	TFL-SPD 043/13 Rev. 1 (M)	Chain of custody verification for timber processors in Papua New Guinea	147 280	Terminated [Council Decision 6(LII)]
REDDES				
Brazil	RED-PD 029/09 Rev.1 (F)	Monitoring deforestation, logging and land use change in the Pan Amazonian Forest—PANAMAZON II	1 124 784	Ongoing
Brazil	RED-SPD 058/11 Rev.2 (F)	Developing REDD+ ES in the Brazilian Atlantic rainforest	142 110	Terminated [Council Decision 6(LII)]
Ghana	RED-SPD 077/12 Rev.1 (F)	Rehabilitation of degraded forests for sustainable woodfuel production and climate-change mitigation in the forest-savanna transition zone of Ghana	121 662	Completed
Ghana	RED-PD 093/12 Rev.3 (F)	Advancing REDD+ in Ghana: preparation of REDD+ pilot schemes in off-reserve forests and agroforests	297 205	Ongoing
Guatemala	RED-SPD 079/12 Rev.1 (F)	Strengthening of governance and sustainable management of mangrove ecosystems in Guatemala as a climate-change adaptation measure	146 751	Ongoing
Liberia	RED-SPD 084/12 Rev.1 (F)	Improving efficacy of forestry policies and activities in Liberia through REDD+ demonstration projects	149 922	Ongoing
Mexico	RED-PD 045/11 Rev.2 (M)	Environmental assessment and economic valuation of ecosystem services provided by coastal forests (mangrove forests, flood forests, rainforests and scrub forests on dunes) and their agricultural replacement systems on the central coastal plain of Veracruz, Mexico	470 682	Completed
TMT				
Cameroon	TMT-SPD 020/15 (M)	Support to ANAFOR for the optimal operation of the <i>Pericopsis elata</i> (assamela) management database in Cameroon	113 400	Completed
China	TMT-SPD 023/15 Rev.1 (M)	Supporting SMEs and importers of tropical timber for better understanding of CITES and the need to comply with CITES rules in China	150 000	Completed
Congo	TMT-SPD 021/15 (I)	Establishment of a monitoring centre for the industrial use of <i>Pericopsis elata</i> in the Republic of the Congo	130 000	Completed
France	TMT-SPD 010/12 Rev.1 (M)	Preparation of the publication "Atlas of tropical timber species – 1st edition: technological characteristics and uses of 273 tropical timber species (and 17 temperate species)"	138 033	Completed
Ghana	TMT-SPD 012/12 Rev.1 (M)	Improving intra-African trade and market transparency in timber and timber products	111 931	Completed
Ghana	TMT-SPD 017/15 Rev. 2 (M)	Improving sustainable <i>Pericopsis elata</i> conservation and trade regulation in Ghana	149 997	Completed
Global	TMT-SPD 022/15 (M)	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	Completed
Guatemala	TMT-PD 004/11 Rev.2 (M)	Strengthening of the forest information system of Guatemala to improve market and trade transparency and decision-making in the forest sector	359 716	Completed
Guyana	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	Completed

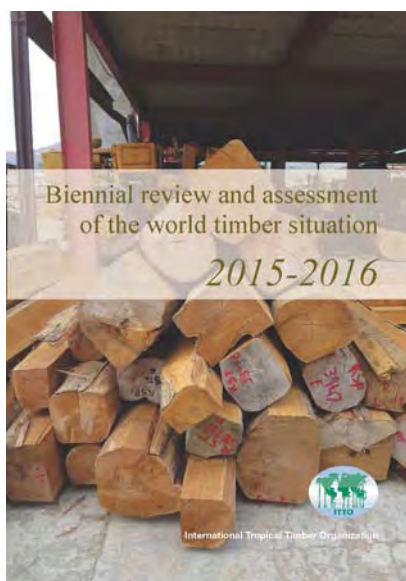
* All projects listed as completed were reported completed at the 53rd Session of the International Tropical Timber Council.



Photo: Rahmayanti

4 Economics, statistics and markets

Review and assessment of the world timber situation



Under the ITTA, 2006, ITTO is to conduct a “review and assessment of the world timber situation” biennially. In 2017, ITTO published the *Biennial Review and Assessment of the World Timber Situation 2015–2016*,¹² giving insights into developments and trends in the global timber sector and international timber markets. The 2017 *Review* reports on production, trade and

¹² www.itto.int/annual_review

prices for primary wood products (industrial roundwood, sawnwood, veneer and plywood); trade and prices for secondary processed wood products; major traded tropical wood species; and directions of trade for primary tropical wood products. Data from the 2017 *Review* are included in ITTO’s online statistical database,¹³ which now spans 1990–2016 and constitutes a formidable tool for analyzing the evolution of, and long-term trends in, the trade of tropical timber and primary tropical timber products, as well as important shifts in timber production and further processing.

The latest edition of the *Review* features a comprehensive case study of the plywood industry in China,¹⁴ which has become one of the world’s biggest producers of this commodity. The case study describes the impacts of China in the supply of raw materials globally, as well as improvements in the efficiency of plywood production and domestic shifts in plywood end uses.

Tropical Timber Market Report

Twenty-three editions of the *Tropical Timber Market Report* were published in 2017, providing news and information on tropical timber market trends and trade from around the world.¹⁵

¹³ www.itto.int/annual_review_output

¹⁴ The China case study was undertaken as part of continuing collaborative work between ITTO, FAO and APFNet.

¹⁵ The *Tropical Timber Market Report* is available (on free registration) at www.itto.int/market_information_service.



Dr Dieterle inspects a consignment of FSC-certified timber during a visit to timber companies in Shanghai, China. Photo: State Forestry Administration

Monitoring forest certification

The Committee on Economics, Statistics and Markets reviewed progress in forest and timber certification (to 2016) at its annual session in 2017. The total area of certified forests in ITTO producer countries was 30.0 million hectares in 2016 (up by 1.1 million hectares compared with 2015), which was 6.0% of the global area of certified forests (498 million hectares). A total of 3261 chain-of-custody certificates were current in ITTO producer member countries (an increase of 5% compared with 2015), which was 8% of the total number of chain-of-custody certificates worldwide. Table 4 summarizes the situation in ITTO producer countries.

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

- **FSC**
 - The area of FSC-certified forests in ITTO producer countries reached 19 million hectares in 2016, which was 6% of the total area of FSC-certified forest worldwide.
 - The top three ITTO producer countries for FSC-certified forest in 2016 were:
 - Brazil—6.2 million hectares
 - Indonesia—2.8 million hectares
 - the Congo—2.6 million hectares.
 - There were 2766 FSC chain-of-custody certificates in ITTO producer countries in 2016, which was 8.5% of the FSC's global total. The top three countries for chain-of-custody certificates were Brazil (1078), Viet Nam (526) and India (351).
- **PEFC**
 - The total area of PEFC-certified forest in ITTO producer countries was 8.6 million hectares in 2016 (up by 5% from 2015), which was 2.9% of the total area of PEFC-certified forest worldwide.
 - The top three ITTO producer countries for PEFC-certified forest in 2016 were:
 - Malaysia—4.04 million hectares

- Brazil—2.72 million hectares
- Indonesia—1.85 million hectares (more than double compared with 2015).
- There were 490 PEFC chain-of-custody certificates in ITTO producer countries in 2016 (4.5% of the PEFC's total worldwide). Among ITTO producers, Malaysia holds the largest share of chain-of-custody certificates, with 353.

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

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

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

The PEFC accounted for two-thirds of the world's certified forests in 2016 and the FSC for almost one-third, but the FSC accounted for the larger share of certified forests in ITTO producer member countries.

The Indonesian Ecolabelling Institute's certification scheme reported 2.4 million hectares of certified forest in 2016. In addition, the Indonesian Timber Legality Assurance System, which has been established under a voluntary partnership agreement (VPA) between the Government of Indonesia and the European Union (EU), provides proof of legality for Indonesian timber products: 22.2 million hectares of forest in Indonesia is covered by this scheme.¹⁶

Market access for tropical timber and tropical timber products

At its annual session in 2017, the Committee on Economics, Statistics and Markets reviewed the situation on market access for tropical timber and tropical timber products. It noted that guidelines and reviews were published in 2016–2017 to facilitate understanding of, and compliance with, the following laws requiring evidence of the legality of imported timber: the Lacey Act in the United States of America (USA); the EU Timber Regulation (EUTR); Australia's Illegal Logging Prohibition Act; and Japan's Clean Wood Act.

In the case of the EUTR, the Committee heard that all EU member states now have national laws in place. The latest version of the EUTR guidance document was adopted in February 2016.

¹⁶ The forest areas certified by the Indonesian Ecolabelling Institute or encompassed by the Indonesian Timber Legality Assurance System are not included in Table 4.

Table 4. Area of certified forests in ITTO producer countries

	2015	2016
Area of certified forests in ITTO producer countries	28.9 million ha (6.3% of the global area of certified forests—458 million ha)	30.0 million ha (up by 1.1 million ha; 6.0% of the global area of certified forest—498 million ha)
Number of chain-of-custody certificates in ITTO producer member countries (percentage of total chain-of-custody certificates worldwide)	3105 (7.7%)	3261 (8%)
Total area of FSC-certified forests in ITTO producer countries (percentage of total area of FSC-certified forest worldwide)	18 million ha (9.7%)	19 million ha (6%)
Total area of PEFC-certified forest in ITTO producer countries (percentage of total area of PEFC-certified forest worldwide)	8.2 million ha (3%)	8.6 million ha (2.9%)
Other certification schemes	2.6 million ha	2.4 million ha

The Government of the USA released a new electronic system known as the Automated Commercial Environment to facilitate imports under the Lacey Act, and it has been enforcing rules for foreign trade zones from November 2016.

Under the Illegal Logging Prohibition Act, the Australian government has issued country-specific guidelines to assist importers in understanding the regulatory frameworks of exporting countries.

Under Japan's Clean Wood Act, companies may voluntarily register for certification of the measures they are applying to ensure they trade only in legally produced timber; a Japanese government-licensed institution can provide such certification. The voluntary registry entered into force in late 2017.

The Committee heard that the CITES Conference of the Parties (COP) adopted decisions in October 2016 to include certain species of flora from the CITES Appendices. The number of tropical tree species listed in CITES Appendix II increased from 231 to 238 as a result of these decisions.

FLEGT independent market monitoring

The FLEGT [Forest Law Enforcement, Governance and Trade] Independent Market Monitor (IMM)¹⁷ is a multiyear initiative implemented by ITTO and financed by the EU to support the implementation of bilateral VPAs between the EU and timber-supplying countries. It uses trade-flow analysis and market research to independently assess trade, market impacts, acceptance and trends of FLEGT-licensed timber in the EU market. It also aims to improve knowledge and understanding of the impacts of VPAs on timber prices, trade and market trends globally, especially as they pertain to VPA partner countries.

¹⁷ www.flegtim.eu

In 2017 the IMM established a network of correspondents in seven key EU markets as well as in Indonesia and Ghana; conducted scoping studies and stakeholder surveys in the EU markets and in Indonesia and Ghana; and published its annual report for 2015–16.

Annual Market Discussion

Sharing experiences on promoting investment in tropical timber industries and tropical forestry

The 2017 Annual Market Discussion, which was held during the 53rd Session of the International Tropical Timber Council, reviewed experiences and lessons learned that have unlocked investments in tropical forests.¹⁸ The Discussion was chaired by TAG



The 2017 Annual Market Discussion was chaired by André de Boer. Photo: D. Piaggio/SERFOR

¹⁸ Presentations from the Annual Market Discussion are available at www.itto.int/ittc-53/presentations. A summary video is available at www.itto.int/ittc-53/market_discussion

co-coordinator André de Boer and featured speakers from Brazil, Finland, Germany, the Netherlands, Papua New Guinea and Peru.



Ingrid Nielsen, head of Investment Advisory and Strategy Consulting at Indufor (Finland), reported on a project that has helped small-scale landholders in 60 villages in Tanzania establish 15 000

hectares of plantations with an investment of 20 million euros. Ms Nielsen concluded that “it is possible, it is profitable and it is sustainable” to scale up smallholders in clusters and associations to produce industrial-scale timber volumes.



Erik Fisher, president of the Committee on Wood and Wood Industries of the Peruvian Exporters' Association (*Asociación de Exportadores*), Peru, presented an example of a Peruvian natural-forest

concession that is involving local communities, generating employment for 350 people, and stimulating the local economy while also halting deforestation in the area and providing significant biodiversity conservation benefits.



Ivan Tomaselli, president of Brazil-based STCP Consulting and Engineering, showed that Latin American countries with major plantation programmes have the region's most dynamic wood sectors, and he outlined

what he saw as the key enabling factors for sustainable forest-sector development.



Bob Tate, executive officer of the Papua New Guinea Forest Industries Association, said that the main barrier to investment in his country was policy and political uncertainty. “The conflict and confusion created

by parties with differing development objectives only serves to ward off potential investment in forest industrial development and drives home the message that investors beware—the rules may change at any time and for any reason,” he said.



Christian Held, deputy head of the Forest Investment Division at UNIQUE Consulting, Germany, suggested that the three main timber production models—natural forests, forest

plantations, and silvopastoral and agroforestry systems—were all important for meeting future timber demand. Nevertheless, data from UNIQUE operations in Uruguay indicate that sustainably managed plantations are ten times more profitable than sustainably managed natural forests.



Rik Sools, deputy director and senior forestry expert at FORM International, the Netherlands, spoke about his company's work in Ghana and Tanzania to attract investments to create about 12 000 hectares of forest

plantations. Among the success factors have been phased development, the use of a sound, sustainable model that addresses social and environmental issues, high biological growth, and a blend of public and private investment.

Statement of the Trade Advisory Group



Barney Chan, TAG co-coordinator,¹⁹ presented a statement on TAG's behalf. TAG noted “a growing desire in China” to develop green timber supply chains, and Mr Chan referred to a roundtable

dialogue in September 2017 in Shanghai between 16 large timber companies based in China and the ITTO Secretariat, in which Chinese manufacturers expressed a desire to use legal materials in their products. According to the TAG statement, all participants at the roundtable dialogue agreed that the aim should be to create a “green supply-chain mechanism” to promote the stable, legal and sustainable supply of tropical timber, bringing together all stakeholders.

In the statement, Mr Chan also referred to growing wood demand for a range of uses, such as the construction of tall buildings and biomass energy. “The issue for the private sector is how to galvanize financial resources to create the next wood fibre crops,” he said. TAG called on ITTO to set up a working group to guide ITTO's future work on tree plantations.

¹⁹ TAG was established to provide inputs to ITTO's policy and project work. It is open to anyone with an interest in the tropical timber trade, including representatives of tropical forest industries, timber exporters and importers, timber trade and industry consultants, and trade and industry associations.

PHOTO CREDITS ABOVE
Ingrid Nielsen, Bob Tate, Christian Held, Barney Chan: D. Piaggio/SERFOR.
Erik Fisher, Rik Sools: Rahmayanti. Ivan Tomaselli: SEMIRA Comunicaciones



Photo: Natural Resources Development Center

5 Forest industry

Financing mechanisms for small and medium-sized forest enterprises

In 2017, the Committee on Forest Industry reviewed developments, policies and programmes aimed at improving financing mechanisms for forest-based SMEs. Mr Rizo Patron, SERFOR's Director of Forest Competitiveness, informed the Committee that Peru is working to streamline procedures so that loans and credit better match the characteristics and needs of the country's forest sector. He spoke of the need to create an enabling environment for further funding and investment and the role that incentives can play, such as grants for forest communities and associations, low-interest loans, and other tax incentives.



Mr Rizo Patron informed the Committee on Forest Industry about credit schemes for forest-based SMEs in Peru. Photo: Rahmayanti



Ms Desy Ekawati spoke about an ITTO-funded pilot activity in Indonesia to provide forest-based SMEs with credit. Photo: Rahmayanti

Desy Ekawati outlined the impacts and lessons learned from an ITTO activity completed in 2016 that piloted a scheme to provide forest-based SMEs with credit. Under the activity, three SMEs received credit channelled through a local bank specialized in agribusiness; the SMEs used the loans to acquire equipment and as working capital for the production of wood pellets, and they have since repaid the loans. Ms Ekawati said that SMEs in Indonesia need capacity building in loan applications and on technical and administrative matters if they are to benefit from formal forms of financing.



Photo: Indonesia's Ministry of Environment



Photo: A.O. Lokossou

6 Reforestation and forest management

Capacity building on SFM guidelines

A second regional workshop on ITTO's *Voluntary Guidelines for the Sustainable Management of Natural Tropical Forests* was held on 8–12 May 2017 in Cotonou, Benin.²⁰ The aim of the workshop was to stimulate the development and implementation of national and subnational guidelines on SFM, drawing on the ITTO guidelines published in 2015 and the experiences of countries in the region. Participants at the workshop concluded that there is a need to revise the *ATO/ITTO Principles, Criteria and Indicators for the Sustainable Management of Natural Tropical Forests in Africa*.

International Conference on Sustainable Mangrove Ecosystems

Nearly 300 policymakers, researchers, practitioners and community representatives from 25 countries attended the International Conference on Sustainable Mangrove Ecosystems held in Bali, Indonesia, on 18–21 April 2017.²¹ Papers presented at the conference demonstrated that, with adequate investment, sustainable mangrove management can play a significant role in conserving and enhancing carbon sinks, enabling adaptation to climate change, and achieving SDGs 5, 13, 14 and 15. The conference

showed the leading role of women in the restoration and rehabilitation of degraded mangroves worldwide and the importance of involving local communities in sustainable mangrove management. It issued the Bali Call to Action for Sustainable Mangrove Ecosystems, which identifies five key measures that, if implemented, would help ensure that mangrove ecosystems are protected, expanded and managed sustainably. In abbreviated form, the five measures are:

- 1) Prioritizing sustainable mangrove management in national policies and laws and strengthening forest law enforcement.
- 2) Promoting sound land-use planning, clarifying land tenure and user rights, and empowering local communities, especially women.
- 3) Increasing the effectiveness of mangrove restoration with the most appropriate restoration strategies and practices.
- 4) Facilitating access to financing mechanisms to scale up mangrove-based climate-change mitigation and adaptation.
- 5) Generating and disseminating knowledge on mangrove management and change.

The conference was organized jointly by ITTO, the Ministry of Environment and Forestry of Indonesia and the International Society of Mangrove Ecosystems, supported by partners such as the Association of South East Asian Nations (ASEAN)–Republic of Korea

²⁰ The workshop statement and presentations are available at www.itto.int/news_releases/id=5125

²¹ The Bali Call to Action for Sustainable Mangrove Ecosystems, the conference report, and videos and presentations of the conference are available at www.itto.int/mangrove2017



This boardwalk through mangrove forest at the Mangrove Information Center in Bali, Indonesia, enables visitors to appreciate the beauty and importance of mangroves. Photo: K. Sato/ITTO



Participants at the International Conference for Sustainable Mangrove Ecosystems wave after planting mangrove seedlings at the Mangrove Information Center in Bali, Indonesia. Photo: Indonesia's Ministry of Environment

Forest Cooperation, the Center for International Forestry Research, FAO, the US Forest Service, and mangrove-related civil-society groups and the private sector in Indonesia. The conference was funded by the governments of Japan and the USA.

The outcomes of the conference were presented at a side-event at COP23 to the United Nations Framework Convention on Climate Change (UNFCCC). The side-event, *Mangroves in the Tropics: Realizing the Potential for Climate-change Mitigation and Adaptation*, was co-organized by ITTO and Japan's REDD+ Research and Development Center.



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 1353 young and mid-career professionals from about 50 countries to pursue professional development opportunities and improve their career prospects. The total value of Fellowship awards is about USD 8 million, of which Japan has contributed 69%, the USA 17%, the Netherlands 8% and Australia 3%, with the remainder obtained from various sources, including the private sector.

In 2017, the International Tropical Timber Council awarded 18 Fellowships to professionals in 15 producer member countries at a total value of USD 110 811, based on the recommendations of a selection panel convened at the Council's 53rd Session. Figures 1–3 show how these fellowships were distributed by region, purpose 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 2017, by region

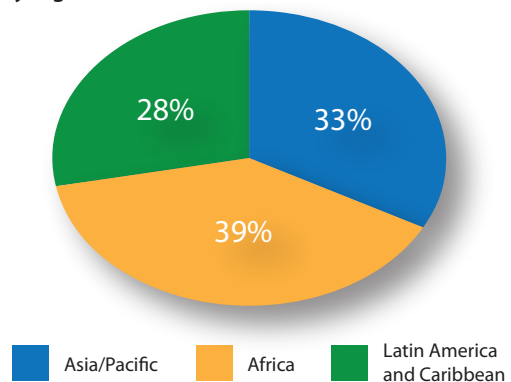


Figure 2: Purpose of ITTO Fellowships awarded in 2017

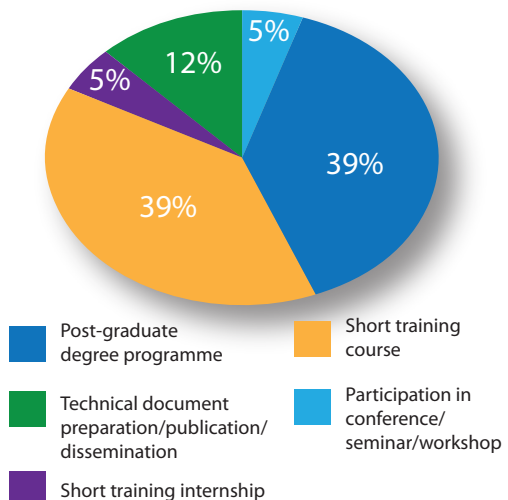


Figure 3: Gender of ITTO Fellowship awardees in 2017

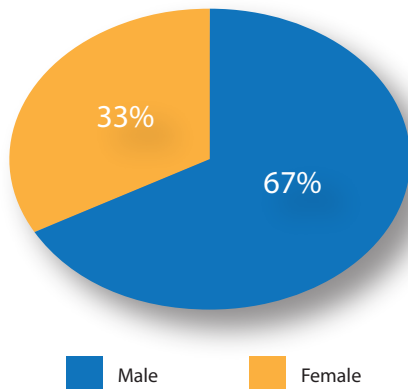


Photo: I. Legba

The voices of ITTO Fellows

Ms Thais Almeida Lima (Brazil) conducted field research for her doctorate on mapping selective logging in the southern region of Amazonas, Brazil, with support from an ITTO Fellowship.

Mapping logging activities through remote sensing techniques is the only feasible way of monitoring vast extents of tropical forests, which mainly occur in developing countries. The field work funded by ITTO was done in different areas of authorized (legal) logging in a focus area in the Brazilian Amazon. The field data collected form an important part of my upcoming publication on the comparison of two different and freely available sets of satellite imagery (Sentinel 2 and Landsat 8). The field research was also supported by the local government and the methodology I have been developing will be suitable for use by law enforcement institutions. I would like to express my gratitude to the ITTO Fellowship Programme for supporting me in my PhD research.



ITTO Fellow Almeida Thais Lima (right) conducts field research in Santo Antônio do Matupi, Brazil. Photo: T. Lima

Dr Nguyen Tu Kim (Viet Nam) completed a short training course on wood anatomy and identification at the Forest Products Laboratory of the United States Department of Agriculture in Madison, Wisconsin, USA, in 2017.



Dr Nguyen Tu Kim examines wood samples at the Forest Products Laboratory, Wisconsin, USA.

Photo: Nguyen Tu Kim

It is encouraging for me that ITTO understands the importance and difficulty of identifying wood from African and American countries—Viet Nam is importing up to 3 million cubic metres of wood per year. ITTO's support for my short training course was critical to enhancing my lab's ability to identify these woods. Despite the short-term nature of the training, I met my goals of: recognizing the different structural features of 50 species of wood, especially CITES-listed species and common commercial timbers distributed in African and American countries; exhibiting practical knowledge of wood identification through macroscopic and microscopic methods; performing specimen preparation and observation of wood features using a range of optical microscopy techniques; and improving my skills in wood identification based on key features and characteristics. With the ever-increasing demand at my laboratory for wood identification, the improvement in knowledge and skills with wood identification I achieved during my study is very useful. In addition, my study gave me good opportunities to discuss research with my host, Dr Alex C. Wiedenhoef, and other scientists on his team, to join the international network of wood anatomists, and to engage in cultural exchange. I would like to express my sincere thanks and gratitude to ITTO for providing financial support for my study and work in the USA.

Ms Dorothy Asare Akoto completed a master's degree in tropical forest management at the Technical University of Dresden, with support from an ITTO Fellowship.

Ghana is one of the countries in the world with high rates of deforestation. Now there is a strong emphasis on landscape restoration. Taking a cue from the cocoa sector in Ghana, where smallholder farmers account for the bulk of Ghana's enviable world cocoa production record, it has been argued that plantation development and indeed landscape restoration can be better served by small-scale farmers as against large-scale developers. However, as foresters in Ghana, we are faced with myriad problems that constrain our efforts to support small-scale farmers in the country. We have very little money, qualified staff and decision-making power at our disposal. In addition, the data and information that we have are not adequate or reliable enough to serve as the basis for meaningful planning. The ITTO Fellowship Programme gave me financial support to complete a master's degree course in tropical forestry in Germany that has equipped me with information and skills to support tropical forest management in Ghana. For my thesis, I interviewed smallholder farmers and experts on how to optimize the governance of landscape restoration in Ghana. After my return to Ghana, I have been assigned a new position at my organization to support tropical forest management in Ghana.



Dorothy Asare Akoto interviews a smallholder in the Sunyani Forest District, Ghana, as part of field research for her thesis. Photo: D. Akoto



Photo: R. Carrillo/ITTO



Photo: Fundación Naturaleza para la Vida

8 International cooperation

Convention on International Trade in Endangered Species of Wild Fauna and Flora

ITTO and CITES convened the International Workshop on Tree Species in CITES in La Antigua, Guatemala, in February 2017, supported by the Guatemalan Nature for Life Foundation (*Fundación Naturaleza Para la Vida*). The aims of the workshop were to build capacities to strengthen the implementation of CITES for listed tree species; highlight the importance of CITES for regulating international trade; strengthen CITES implementation within a framework of international cooperation; and thus ensure that trade in the products of CITES-listed tree species is legal, sustainable and traceable. The workshop considered the resolutions, decisions and new tree listings and other amendments made to the Appendices adopted at CITES COP17, which took place in South Africa in 2016. The workshop also examined non-detriment



Field officers conduct an inventory of *Dalbergia* in Guatemala. Photo: R. Martínez/*Fundación Naturaleza para la Vida*

findings, the implications of the listing of species in the CITES Appendices, the resources available for international cooperation, the joint work of CITES and ITTO, and market trends in timber products. The main taxa of interest were *Dalbergia*, *Pterocarpus*, *Guibourtia*, *Adansonia*, *Bulnesia*, *Aquilaria* and *Gyrinops*.

International Day of Forests

ITTO joined celebrations of the International Day of Forests on 21 March 2017 by posting a message addressing the Day's theme of wood energy—in recognition of the important role of wood in helping meet the energy needs of both rural and urban communities.²² The post highlighted sustainable charcoal production by women in Côte d'Ivoire, which has been supported by an ITTO project.

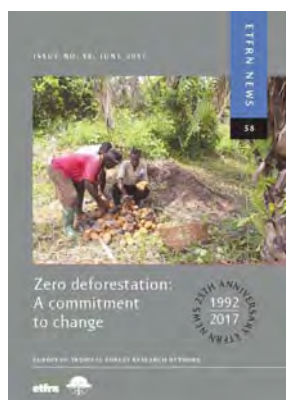


Amazon Cooperation Treaty Organization

ITTO and the Amazon Cooperation Treaty Organization signed a letter of intent in June 2017 with the aim of increasing cooperation on the sustainable management of the Amazon Basin. The two organizations will work jointly on forest restoration, productive forests, criteria and indicators for SFM, forest fires and outreach.

²² The post is available at www.itto.int/news_releases/id=5066

European Tropical Forest Research Network



ITTO contributed two features to the newsletter of the European Tropical Forest Research Network in 2017²³ on the theme of “zero deforestation”. In one article, Tim Cadman, ITTO projects manager Hwan OK Ma, and co-authors elaborate on a comparative evaluation of zero-

deforestation and governance. In another article, Dr Dieterle describes wood-based incentives mechanisms for green growth.

International Union of Forest Research Organizations



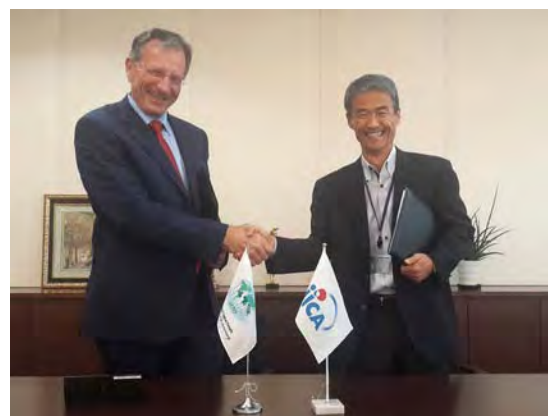
The International Union of Forest Research Organizations (IUFRO) published an ITTO-commissioned global study on teak, one of the world’s most valuable tropical hardwoods, in 2017. *The Global Teak Study: Analysis, Evaluation and Future Potential of Teak Resources*,²⁴

published as Volume 36 of the IUFRO World Series, includes the findings of an ex-post evaluation of an ITTO project on the *ex-situ* and *in-situ* conservation of teak in Myanmar²⁵ and a comprehensive review and analysis of teak-related ITTO projects in Côte d’Ivoire, Ecuador, Ghana, Indonesia and Panama.

Japan International Cooperation Agency

ITTO and JICA agreed to increase collaboration on the conservation of tropical forests worldwide through specific activities in 2017 and 2018. Dr Dieterle and Kunihiro Yamauchi, Director General of JICA’s Global Environment Department, signed the agreement on 27 July 2017. Cooperative activities include:

- The convening of the Tokyo International Conference on the Forest Governance Initiative (see below).



Dr Dieterle and Kunihiro Yamauchi, Director General, JICA Global Environment Department, shake hands at the signing of an agreement between ITTO and JICA. Photo: H.O. Ma/ITTO

- The organization of joint events on knowledge sharing and capacity building at international fora.
- Cooperation on knowledge management through interoffice exchanges, the production and distribution of joint publications, ITTO’s participation in the Japan Public–Private Platform for REDD+, and capacity building for JICA’s international trainees through lectures provided by ITTO.

JICA, the Japan Aerospace Exploration Agency, Japan’s Forestry Agency and ITTO co-organized the Tokyo International Conference on the Forest Governance Initiative, which took place on 24–26 October 2017 in Tokyo, Japan. The aim of the conference was to tackle illegal logging in the tropics through satellite technologies (such as JJ-FAST), other early warning systems and improved governance.

ITTO also provided lectures to JICA trainees in 2017 on sustainable tropical forest management and remote sensing.

Japan

ITTO participated in many activities and events in its host country, Japan, in 2017, in partnership with the Government of Japan, local governments, non-governmental organizations, universities and schools. For example, members of the ITTO Secretariat:

- Delivered a presentation at the Yokohama Kokusai Forum in February 2017 on the theme “the role of tropical forests in a modern world and its implications for Japan”.
- Participated in and delivered a keynote speech at the Green Earth Festival on the International Day of Forests in March 2017 at the Sea Forest on Tokyo Bay and later at the Timber Hall (Mokuzaikaikan). The event was organized jointly by the Government of Japan and other organizations.

²³ www.etfrn.org/publications/zero+deforestation:+a+commitment+to+change

²⁴ Available at www.itto.int/technical_report

²⁵ Available at www.itto.int/direct/topics/topics_pdf_download/topics_id=4879&no=0



The ITTO Secretariat's Ramón Carrillo speaks to students at Tokai University, Yokohama, Japan. Photo: M. Sakai/ITTO

In 2017, ITTO also:

- Hosted two university students in spring and summer as part of the internship programme of the Yokohama Association for International Communications and Exchanges (YOKE).
- Presented a half-day workshop as part of the Global Seminar for Youth, held by YOKE in Yokohama. The workshop was directed at high-school students interested in pursuing careers in international relations and the environment.
- Participated in 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 issues such as food security, poverty alleviation, environmental protection and urban challenges.
- Delivered lectures on tropical forests and their contributions to the SDGs at Shin Ishikawa Elementary School, Takada Junior High School, Yokohama Science Frontier High School, Yokohama National University and Tokai University as part of the City of Yokohama's Lecture Delivery Programme.
- Presented lectures on ITTO's field and policy work to promote SFM to overseas trainees at the Yokohama Waterworks Bureau.
- Staffed a booth and distributed educational material at the Yokohama Kokusai Festa. The aim of this event was to raise awareness of global environmental issues in Japanese society.
- Served as a board member of the Yokohama Science Frontier High School, providing advice and lectures to help improve school curricula on global environmental issues.
- Attended the 12th meeting of the steering committee of the International Partnership for the Satoyama Initiative in Kanazawa. At the meeting, ITTO reported on the outcomes of relevant ITTO projects and activities and progress towards achieving the Aichi biodiversity targets. It also provided inputs to the Initiative's strategic planning and action plan 2013–2020.

China

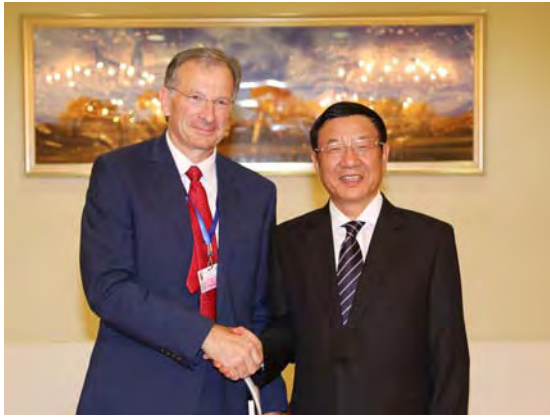
ITTO and the Government of China agreed in 2017 to strengthen their cooperation on the sustainable management, use and trade of tropical forest resources and enabling south–south cooperation. The commitment was made at a meeting between Dr Dieterle and the Minister for the State Forestry Administration, Mr Zhang Jianlong, during an official visit to China by Dr Dieterle and other members of the ITTO Secretariat in September 2017. Memoranda of understanding (MOUs) were signed between ITTO and the Chinese Academy of Forestry and between ITTO and the Asia-Pacific Network for Sustainable Forest Management and Rehabilitation (APFNet).

The aim of the MOU with the Chinese Academy of Forestry is to promote international capacity building and training on SFM, timber processing for value-added products, and sustainable timber trade. The intent of the MOU with APFNet is to identify, develop and implement joint activities on strategic policies, projects and capacity building in areas relevant to the mandates of the two organizations.

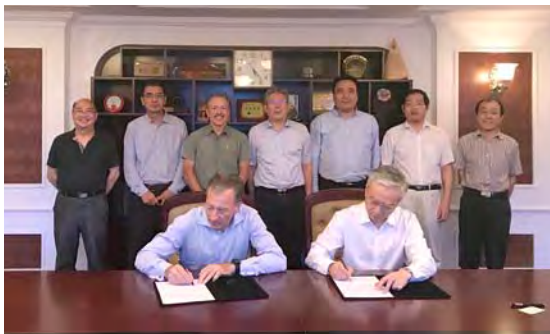
During his visit to China, Dr Dieterle attended a roundtable meeting with the heads of Shanghai's 16 largest timber companies. Among other things he



Students visit ITTO's information booth at Kokusai Festa 2017, Yokohama, Japan. Photo: R. Carrillo/ITTO



Dr Dieterle and Jianlong Zhang, Minister of the State Forestry Administration, shake hands at their meeting in 2017. Photo: State Forestry Administration



Dr Dieterle (left) and Dr Zhang Shougong, president of the Chinese Academy of Forestry, sign an MOU between ITTO and the Chinese Academy of Forestry. Photo: State Forestry Administration

pointed out that ITTO promotes linkages and collaboration between producers and consumers of tropical timber and supports initiatives to achieve “green” supply chains. The industry leaders participating in the dialogue expressed strong interest in developing a mechanism for achieving green supply chains, with assistance from ITTO.



Dr Dieterle attends a meeting with representatives of Shanghai’s 16 largest timber companies and staff of China’s State Forestry Administration. Photo: State Forestry Administration

Food and Agriculture Organization of the United Nations

ITTO shared its experiences in data collection, validation, analysis and dissemination at a workshop aimed at improving forest-product statistics in Portuguese-speaking countries organized by FAO in Viana do Castelo, Portugal, in October 2017. Participants attended from Angola, Brazil, Cabo Verde, Guinea-Bissau, Mozambique, Portugal and Sao Tome and Principe, and Portuguese industry associations were represented.

ITTO continued to collaborate with FAO in 2017 on the collection of forest statistics through the Collaborative Forest Resources Questionnaire and the Intersecretariat Working Group on Forest Sector Statistics. It also participated in consultations on the Global Forest Resources Assessment 2020.



Participants at a workshop on improving forest statistics in Portuguese-speaking countries visit a Portuguese kraft paper mill. Photo: J.C. Claudon/ITTO

World Customs Organization

In collaboration with the World Customs Organization (WCO), TRAFFIC International and the Malaysian Timber Industry Board, ITTO co-convened a technical workshop in October 2017 in Putrajaya, Malaysia, to review the WCO Timber Trade Guidelines for Frontline Customs Officers. Workshop participants tested reference materials and training tools developed for use by customs officials in monitoring the timber trade.

UN Framework Convention on Climate Change

Speaking in a high-level segment at UNFCCC COP23, Dr Dieterle noted that productive forests, forested landscapes and their associated value chains have the potential to be a cornerstone of efforts to combat climate change. If rapidly increasing demand for forest products is not met sustainably, he said, there will be more deforestation and forest degradation or substitution with non-renewable alternatives, both of which “have the potential to strongly undermine current efforts to fight climate change and promote sustainable development”.



A panelist speaks at an ITTO co-hosted side-event at UNFCCC COP23 on the potential of tropical mangrove ecosystems for climate-change mitigation and adaptation. Photo: K. Tokugawa/Forestry and Forest Products Research Institute of Japan

ITTO, the REDD+ Research and Development Center at the Forestry and Forest Products Research Institute of Japan, JICA, Indonesia's Ministry of Environment and Forestry and the Center for International Forestry Research co-hosted a side-event at UNFCCC COP23 on the potential of tropical mangrove ecosystems for climate-change mitigation and adaptation. The side-event called for sound land-use planning in coastal regions, integrated mangrove management for multiple benefits, and innovative financial mechanisms to enable communities to improve their livelihoods, protect coastlines and arrest mangrove loss and degradation.

Global Landscape Forum

Speaking at the 2017 Global Landscape Forum, held in conjunction with UNFCCC COP23, Dr Dieterle emphasized green growth as a driver of forest landscape restoration, which, in turn, would help conserve biodiversity while generating employment, storing carbon and ensuring a sustainable supply of timber. Sustainably produced timber would provide climate-change mitigation benefits in addition to carbon storage because it can be used to substitute for fossil products.



The landscape in the Sierra de Los Tuxtlas mountain range in Mexico, which was once almost fully forested. Green growth is essential for restoring forest landscapes, combating climate change, and bringing other benefits. Photo: G. Sánchez-Vigil

Other international forums

ITTO delivered presentations and speeches related to its mandate in many forums in 2017, including the following:

- UNFF Working Group Meeting and UNFF Special Session in New York, USA, in January.
- Seventh International Wildland Fire Conference International Liaison Committee meeting in Washington, DC, USA, in February.
- Expert Meeting on Reporting to the UNFF, held in Brasilia, Brazil, in February.
- Thirteenth Session of the UNFF in New York, USA, in May.
- Forest Sector Innovations for a Greener Future held in Vancouver, Canada, in June.
- Tackling Illegal Logging and Deforestation, convened by the European Commission in Brussels, Belgium, in June.
- International Seminar on Current International Issues affecting Forestry and Forest Products, convened by ASEAN in Putrajaya, Malaysia, in July.
- Seminar on High Value-added Forestry Industrial Development for ITTO Member Countries, organized by the Chinese Academy of Forestry in July–August.
- A restoration event in the Kerumutan landscape in Sumatra, Indonesia, organized by Asia Pulp and Paper–Japan.
- International Workshop on Application of High-throughput Genotyping Technologies for Forest Tree Species Identification and Timber Tracking, held in Madrid, Spain, in September.
- COP13 of the United Nations Convention to Combat Desertification in Ordos, China, in September.
- World Business Summit of the Flooring Industry in Changzhou, China, in September.
- Twenty-seventh Session of FAO's Asia-Pacific Forestry Commission in Colombo, Sri Lanka, in October.
- Global Timber Conference 2017, organized by the Government of Sarawak and the Sarawak Timber Industry Development Corporation in November.
- Second International Conference on Innovation and Commercialization of Forest Products, convened by the University of Lambung Mangkurat in South Kalimantan, Indonesia, in November.



Photo: J.C. Claudon/ITTO



Photo: D. Piaggio/SERFOR

9 Outreach

The aims of ITTO's outreach are to:

- 1) Enhance knowledge-sharing and dissemination.
- 2) Leverage knowledge through partnerships.
- 3) Enable 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 outreach activities conducted mainly by the ITTO Secretariat, including the dissemination of project-based outputs.

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 2017, with the following titles:

- 1) **Flying under the radar?**—exploring the role of SMEs in the tropical forest sector.

- 2) **All is not lost**—highlighting the potential of tropical forests to address global challenges and ITTO's role in this.
- 3) **Holding the ground on mangroves**—addressing the need to arrest mangrove loss and restore degraded mangrove ecosystems.
- 4) **Know your timber**—presenting outcomes of the 52nd Session of the International Tropical Timber Council and ITTO's work on timber identification, grading and species conservation.

The TFU is distributed free-of-charge to more than 15 000 individuals and organizations in more than 160 countries. It is also available on the ITTO website²⁶ and via the TFU app (which can be obtained from Apple's App Store and Google Play²⁷).

26 www.itto.int/tfu
 27 Keywords = TFU ITTO

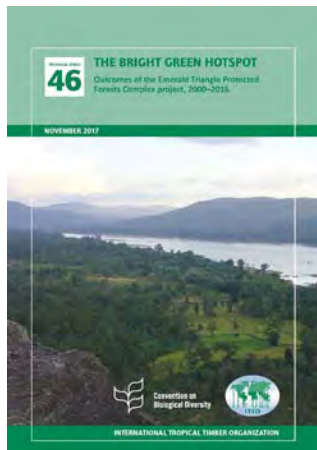


Tropical Forest News



ITTO continued to publish its e-newsletter *Tropical Forest News* in 2017, 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.

Technical Series



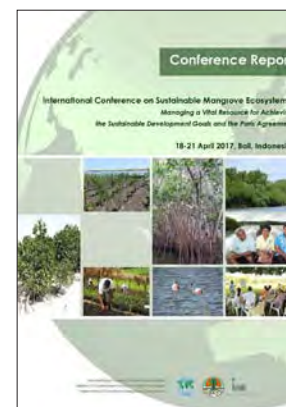
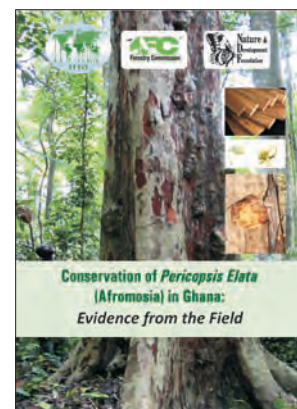
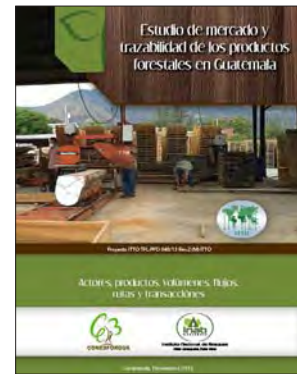
ITTO published *The Bright Green Hotspot: Outcomes of the Emerald Triangle Protected Forests Complex Project, 2000–2016* in 2017 as number 46 in its Technical Series. This report, written by local and international experts with strong credentials and vast experience on the ground in the

Emerald Triangle, sets out the findings and results of a project designed to encourage greater cooperation between Cambodia, the Lao People's Democratic Republic and Thailand in the region's management and conservation.²⁸

Publications of ITTO projects and activities

The publications listed below were produced by ITTO projects and activities in 2017 and disseminated through ITTO media.

- ***Managing Mahogany Plantations in the Tropics.*** The aim of this manual, published by the CSIR-Forestry Research Institute of Ghana, is to help farmers and other smallholders establish and manage plantations of African mahogany (*Khaya* spp.). An output of ITTO project PD 528/08 Rev.1 (F).
- ***Estudio de Mercado y Trazabilidad de Productos Forestales in Guatemala*** [Market and Traceability Study of Forest Products in Guatemala]. This report, published by INAB, examines Guatemala's



wood flows, including processed products such as sawnwood, woodchips, plywood and particleboard. An output of ITTO project TFL-PPD 040/13 Rev.2 (M).

- ***Análisis de Vulnerabilidad de Comunidades Vinculadas a las Cadenas Productivas Forestales*** [Analysis of Vulnerability of Communities Linked to Forest Production Chains]. This report, also published by INAB, analyzes the positive and negative impacts of forest production chains on rural communities in Guatemala. An output of ITTO project TFL-PPD 040/13 Rev.2 (M).

²⁸ All publications in ITTO's Policy Development and Technical series are available at www.itto.int/technical_report or www.itto.int/policypapers_guidelines/www.itto.int/policypapers_guidelines

- **Guyana Timber Grading Rules: Revision 2016.** The Guyana Forestry Commission's revised rules on timber grading draw heavily on the rules used in Guyana's main international timber markets; they are aimed at reducing differences in the expectations of sellers and buyers. An output of ITTO project PD 687/13 Rev.1 (I).
- **Social and Environmental Safeguards for REDD+ Programme in Myanmar.** The aim of this booklet is to strengthen capacity in Myanmar for developing and implementing REDD+, thereby enhancing the provision of environmental services and reducing the emission of greenhouse gases through SFM. Available in Burmese and English. An output of ITTO project RED-PD 038/11 Rev.3 (F).
- **Conservation of *Pericopsis elata* (afromosia) in Ghana.** This report, published by the Nature and Development Foundation, presents data on the distribution, conservation and trade of *Pericopsis elata*—better known by its trade name afromosia—in Ghana. An output of ITTO project TMT-SPD 017/15 Rev.2 (M).
- **International Conference on Sustainable Mangrove Ecosystems: Managing a Vital Resource for achieving the Sustainable Development Goals and the Paris Agreement.** This is the report of a conference held in Indonesia in 2017 to promote the conservation, restoration and sustainable management of mangroves in the tropics. It emphasizes the potential of mangrove restoration and sustainable management to contribute to SDGs 13, 14 and 15 and the Paris Agreement on climate change. An output of the ITTO Biennial Work Programme 2015–2016 (extended to 2017).

ITTO website

The ITTO website (www.itto.int), which is available in English, French, Japanese and Spanish, was updated regularly in 2017. The website 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 TFU and the Policy Development and Technical series; databases; the Market Information Service; information on ITTO Fellowships, thematic programmes and collaboration with relevant partners; a list of forthcoming events; and a search tool for the ITTO project database.

YouTube channel²⁹

As of the end of 2017, 70 videos (up from 35 at the end of 2016) showing aspects of the Organization's work were available on ITTO's YouTube channel. Additions during the year included:

- **The 53rd Session of the International Tropical Timber Council.** Videos feature the opening session, the 2017 Annual Market Discussion (including interviews with speakers), and the closing ceremony. There are also interviews with eminent people—Cécile Ndjebet, Stephanie Caswell, Mika Koskinen (Ambassador of Finland for Peru, Ecuador, Colombia and Bolivia) and Gerhard Dieterle—on ITTO's *Policy Guidelines on Gender Equality and Empowering Women*. Other interviewees are Hin Keong Chen, TRAFFIC International, on green supply chains, and Marioldi Sánchez, AIDER, on capacity building for community forest enterprises in Peru based on ITTO-financed projects. There is also a message from David Cooper at the Secretariat of the Convention on Biological Diversity.



- **Videos from ITTO projects and activities.** Several videos produced as part of ITTO projects and activities were posted on the ITTO YouTube channel in 2017. These address:
 - Improved livelihoods in the Tacaná Volcano mountain range between Guatemala and Mexico through SFM, forest restoration, ecotourism, floriculture and aquaculture—outputs of ITTO project PD 668/12 Rev.1 (M).
 - The potential application of research on mapping selective logging in the Brazilian Amazon—an output of an ITTO Fellowship by Thais A. Lima.
 - ITTO support for community forest management by strengthening community organization and capacity building for the effective management of community forest enterprises in the Brazilian Amazon—an output of ITTO project PD 454/07 Rev.3 (F).
 - Increased awareness of the conservation status of afromosia (*Pericopsis elata*) in Ghana—an output of ITTO project TMT-SPD 017/15 Rev.2 (M).
 - Three keynote presentations delivered at the International Conference on Sustainable Mangrove Ecosystems held in Bali, Indonesia, on 18–21 April 2017.

29 www.youtube.com/user/ittosfm

- The restoration and sustainable use of bamboo resources in Indonesia, and the introduction of the “1000 bamboo villages” initiative—an output of ITTO project PD 600/11 Rev.1 (I).
- Development of a timber-tracking system for native communities and forest-based SMEs in the Peruvian Amazon—an output of ITTO project PD 621/11 Rev.3 (M).
- The application of near-infrared spectroscopy for wood identification for 16 endangered tropical tree species and verification of origin for mahogany (*Swietenia macrophylla*) by the Forest Products Laboratory of the Brazilian Forest Service—an output of the ITTO–CITES Programme for Implementing CITES Listings of Tropical Tree Species.
- The sustainable management of mangrove ecosystems by Cameroonian women—an output of ITTO project PD 492/07 Rev.3 (F).



A screenshot from a video on improved livelihoods in the Tacana Volcano Mountain Range between Guatemala and Mexico



A screenshot from a video on community forestry in the Brazilian Amazon



A screenshot from a video on “1000 bamboo villages” in Indonesia



A screenshot from a video on a timber-tracking system in the Peruvian Amazon

- **Thematic videos produced by the ITTO Secretariat.** The ITTO Secretariat produced the following short videos to promote the work of the Organization and the importance of SFM in the tropics:
 - “The dialogue on forests”—presenting the views of stakeholders on the values that tropical forests provide and the role of ITTO in enhancing them.
 - “Criteria and indicators for the sustainable management of tropical forests”—the French, Japanese and Spanish versions of this video promoting the latest version of the ITTO criteria and indicators for SFM. The English version was produced in 2016.
 - “Local communities: forest managers *par excellence*”—the French, Japanese and Spanish versions of this video, which makes the case for supporting local communities in managing their forests and describes ITTO’s long-running contributions to tropical forestry. The English version was produced in 2016.



A screenshot from the video, “Local communities: forest managers *par excellence*”



A screenshot from a video on the ITTO criteria and indicators for SFM

Photo exhibition of ITTO projects and activities³⁰

- The Yokohama Central Library hosted an exhibition of photos from ITTO projects and activities in September–October on the theme, “the bounty of tropical forests, their inhabitants, and us”.
- A collection of 50 photos from ITTO projects and activities was displayed during the 53rd Session of the International Tropical Timber Council in Lima, Peru. The exhibition highlighted the benefits and impacts of recently completed and operational

30 www.itto.int/ittc-53/photo_exhibition



An exhibition of photos from ITTO projects and activities was held at the Yokohama Central Library in 2017.
Photo: R. Carrillo/ITTO

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; empowering women; enhancing local livelihoods; capacity building; Fellowships; forest restoration; biodiversity; environmental services; the improved management of CITES-listed tree species; and the use of timber in construction and green supply chains.

Coverage of the 53rd Session of the International Tropical Timber Council

A dedicated webpage provided comprehensive coverage and reporting of the 53rd Session of the International Tropical Timber Council, including daily news and developments, presentations, photos, interviews and insights.³¹



A participant browses through ITTO publications at the 53rd Session of the International Tropical Timber Council.
Photo: Photo: D. Piaggio/SERFOR

Publicity materials

The ITTO Secretariat produced posters and other publicity materials in 2017 to promote ITTO activities and outputs.³² Among these were:

- A poster promoting the Technical Series publication, *The Bright Green Hotspot*.
- A brochure on the Bali Call to Action for Sustainable Mangrove Ecosystems.
- The 2018 ITTO calendar.

Social media

ITTO actively promoted ITTO's work and disseminated the outputs of its projects and activities through Facebook, Instagram, Twitter and YouTube.



31 www.itto.int/itc-53

32 www.itto.int/publicity_materials



Photo: Helvetas Guatemala

10 Financial highlights

This chapter consists of two sections: an executive summary of ITTO's financial statements prepared by the ITTO Secretariat, and an extract of ITTO's audited financial statements. Both sections are part of the financial reports prepared in accordance with the ITTO Financial Rules and Procedures to be considered by the International Tropical Timber Council at its 54th Session in November 2018.

1. Executive summary of ITTO's financial statements for the year ended 31 December 2017 prepared by the ITTO Secretariat

The audited financial statements provide information on the financial position and performance of ITTO for the fiscal year ended 31 December 2017 (FY2017). Following the impairment of investments amounting to USD 18 million in 2015–2016, the International Tropical Timber Council adopted Decision 6(LII) in November 2016 to address the financial shortfall, which ITTO implemented to reorganize its finances in order to regain sufficient funds to fully meet its financial obligations and resume its regular operations. As part of the requirements of the decision, the ITTO Secretariat, at the Council's 53rd Session in November 2017, provided a detailed report (ITTC(LIII)/12) on the implementation of Decision 6(LII) and concluded that all impacted projects and activities were fully operational and achieving their expected outputs and objectives and that ITTO was able to fully meet its financial obligations. The Council finalized and approved the measures detailed in that report in Decision 7(LIII) on 2 December 2017.

For ITTO's project accounts in FY2017, new voluntary contribution pledges of USD 1.3 million were announced at the 53rd Session of the Council. Total project costs in FY2017 were USD 4.4 million from projects mostly funded before FY2017. The total revenue from assessed contributions in the Administrative Account was USD 7.2 million, of which USD 1 million was not received during FY2017 and was accounted for as assessed contributions receivable (arrears).

In accordance with the ITTO Financial Rules and Procedures, ITTO has adopted the International Public Sector Accounting Standards (IPSAS) as its standard for preparing its financial statements. This is the second year of reporting under IPSAS, and comparative information is therefore now available for most elements. Highlights include the following:

1. The figures in the statement of financial performance changed significantly between 2016 and 2017. This is because the 2016 figures included non-recurring revenue of USD 5.3 million in the write-off of obligations, as approved in Decision 6(LII). The surplus/deficit for 2017 was close to zero and can be considered reasonable under regular operations for a non-profit organization.
2. Voluntary contributions receivable increased by USD 3.9 million between 2016 and 2017, largely because ITTO received assurance of the continuation of funding for certain projects in 2017.
3. Net cash outflow increased by USD 2.4 million due to the recommencement in 2017 of projects/activities suspended in 2016 due to the financial impairment.

ITTO is committed to creating a solid foundation for transparent and effective financial management and reporting. In addition to the adoption of best practices for internal control introduced in the ITTO Financial Rules and Regulations, ITTO developed an internal audit system in 2017 that is compliant with international standards to give assurance of the effectiveness and integrity of the controls that are implemented. 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 that are similar in nature. At the same time, the importance of the Council's role as the governing body should be emphasized through regular reporting from the ITTO Secretariat and adequate oversight by Council members.

2. Extract of ITTO's audited financial statements for the year ended 31 December 2017

Statement of financial position as at 31 December (USD)

	31 December 2017	31 December 2016
Assets		
Current assets		
Cash and cash equivalents	16 878 793	19 661 535
Investments	-	-
Assessed and voluntary contributions receivable	6 060 384	1 936 461
Other accounts receivable	60 686	66 741
Advance transfers – projects	1 691 886	614 170
Advance transfers – others	257 687	176 226
Total current assets	24 949 435	22 455 134
Total assets	24 949 435	22 455 134
Liabilities		
Current liabilities		
Accounts payable – member states	-	41 038
Accounts payable – others	921 079	381 563
Voluntary contributions advance receipts – allocated	4 848 275	7 884 439
Voluntary contributions advance receipts – unallocated	284 326	522 392
Assessed contributions advance receipts	305 561	500 040
Total current liabilities	6 359 241	9 329 472
Non-current liabilities		
Accounts payable – others	728 758	813 420
Voluntary contributions advance receipts – allocated	10 031 805	4 461 310
Total non-current liabilities	10 760 563	5 274 730
Total liabilities	17 119 803	14 604 203
Net of total assets and total liabilities	7 829 632	7 850 931
Net assets		
Accumulated surplus – restricted	4 886 695	5 720 974
Accumulated surplus – unrestricted	442 936	279 957
Reserves	2 500 000	1 850 000
Total net assets	7 829 632	7 850 931

Statement of financial performance for the year ended 31 December
(USD)

	<i>2017</i>	<i>2016</i>
Revenue		
Administrative Account		
Assessed contributions	7 178 516	7 445 429
Other voluntary contributions	852 092	1 492 454
Financial revenue	15 197	15 470
Other income	1 185	1 637
Project Account		
Member states' voluntary contributions	3 377 631	5 223 502
Other voluntary contributions	66 268	5 331 013
Programme-support revenue	198 265	524 727
Ex-post evaluation revenue	13 631	-
Financial revenue	20 764	7 711
Total revenue	11 723 551	20 041 944
Expenses		
Administrative Account		
Employee benefits	4 147 181	4 298 697
Other operating expenses	3 226 019	3 114 974
Project Account		
Project expenses	4 371 650	6 328 401
Total expenses	11 744 850	13 742 073
Surplus/(deficit) for the year	(21 299)	6 299 871

Statement of cash flows for the year ended 31 December
(USD)

	2017	2016
Cash flows from operating activities		
Surplus/(deficit) for the year	(21 299)	6 299 871
Adjustments to reconcile deficit/surplus to net cash flows		
Increase/(decrease) in allowance for doubtful receivables	559 409	268 961
Changes in assets		
(Increase)/decrease in assessed contributions receivable	(1 019 075)	(385 775)
(Increase)/decrease in voluntary contributions receivable	(3 664 255)	(406 966)
(Increase)/decrease in other accounts receivable	6 055	138 853
(Increase)/decrease in advance transfers – projects	(1 077 715)	1 588 313
(Increase)/decrease in advance transfers – others	(81 461)	(6 006)
Changes in liabilities		
(Decrease)/increase in accounts payable – member states	(41 038)	(81 385)
(Decrease)/increase in accounts payable – others	454 854	(232 703)
(Decrease)/increase in voluntary contributions advance receipts – allocated	2 534 330	(6 014 909)
(Decrease)/increase in voluntary contributions advance receipts – unallocated	(238 067)	(1 978 631)
(Decrease)/increase in assessed contributions advance receipts	(194 478)	453 335
Net cash flows from operating activities	(2 782 742)	(357 042)
Net increase/(decrease) in cash and cash equivalents	(2 782 742)	(357 042)
Cash and cash equivalents — beginning of year	19 661 535	20 018 577
Cash and cash equivalents — end of year	16 878 793	19 661 535

11 Member states and votes

(as of 31 December 2017, under the ITTA, 2006)

Producer members (35)	2017 No. of votes	Consumer members (38)	2017 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



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