



**INTERNATIONAL TROPICAL
TIMBER COUNCIL**

**COMMITTEE ON ECONOMICS,
STATISTICS AND MARKETS**

COMMITTEE ON FOREST INDUSTRY

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Lomé, Togo

REPORT TO THE INTERNATIONAL TROPICAL TIMBER COUNCIL

**FIFTY-THIRD SESSION OF THE
COMMITTEE ON ECONOMICS, STATISTICS AND MARKETS
AND THE COMMITTEE ON FOREST INDUSTRY**

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REPORT

1. Opening of the Session

The Fifty-third Session of the Committees was opened on 4 December 2019 at the Joint Session of the Committee on Economics, Statistics and Markets (CEM) and the Committee on Forest Industry (CFI), co-chaired by Mr. Anicet Ngomin (Cameroon), Chairperson of CEM and Mr. Mohd Kheiruddin Mohd Rani (Malaysia), Chairperson of CFI. Mr. Björn Merzell (Sweden), Vice-Chairperson of the Council chaired the Joint Session of All Committees. The list of participants is presented in document ITTC(LV)/Info. 2.

2. Adoption of Agenda and Organization of Work

The Agenda for the Joint Session of the CEM and the CFI as contained in document CEM-CFI(LIII)/1 Rev.1 was duly adopted. The Joint Session of the CEM and the CFI met on 4 and 6 December to consider items 1, 2, 3, 6, 7, 8, 9, 10, 11, 12, 13, 14, 15 and 16 of the Agenda. The Joint Session of All Committees met on 3 and 5 December 2019 to consider items 4, 5, 14 and the policy work items of the CEM under item 10 of the Agenda.

3. Admission of Observers

The Committees admitted the observers listed in document ITTC(LV)/Info.3 Rev.1 as approved by the Council.

4. ITTO Annual Market Discussion – 2019

The Committees noted the summary of the ITTO Annual Market Discussion – 2019, held in the Joint Session of All Committees as part of the Trade and Markets Day on 3 December 2019, as contained in Appendix A. The theme of the Market Discussion was “Added Value Processing in Africa - The Opportunities and Challenges”. Mr. Barney Chan (TAG Co-coordinator) chaired the Market Discussion.

The following feature presentations were made during the Market Discussion (available on www.itto.int):

Mr. Pyoabalo Alaba, Forest and Water Engineer Director General, ODEF	<i>Forestry and wood processing in Togo – challenges and opportunities</i>
Mr. Ayite Gaba, Co-founder and President Togo Timber S.A.	<i>Value chains from smallholders’ teak plantations in Togo</i>
Ms. Fifonsi Ayélé Dangbo University of Lomé, Togo	<i>Recommendations of the ITTO Regional Workshop on Smallholders Forest Landscape Restoration (FLR) in West Africa</i>
Dr. Labode Popoola, President, West African Research and Innovation Management Association Pioneer Director, Centre for Sustainable Development, University of Ibadan, Nigeria	<i>The dynamics of intra-Africa wood trade markets and implications for sustainable development</i>
Mr. Roy Southey, Executive Director, Sawmilling SA	<i>Wood processing in South Africa – success and setbacks</i>
Mr. Rik Sools, Managing Director, Form International	<i>Industrial forestry plantations in Africa and their importance for developing timber industries – the case of Form Ghana</i>
Mr. Mafa Chipeta, Retired FAO sub-regional coordinator for Eastern Africa and representative to the African Union, the UN Economic Commission for Africa (UNECA) and Ethiopia	<i>Dreams to industrialize – how can Africa achieve its long-postponed ambitions?</i>

The Committees further noted the statement of the Trade Advisory Group (TAG) presented during the Market Discussion as contained in Appendix B.

5. Report of the Expert Panel for Technical Appraisal of Project Proposals

The Joint Session of All Committees considered the report of the Expert Panel for Technical Appraisal of Project Proposals presented by panel member Mr. Jobst-Michael Schroeder (Germany), as contained in document ITTC/EP-54.

In its general findings and recommendations, as derived from the appraisal of 30 proposals (25 projects and 5 pre-projects), the Fifty fourth Panel noted that:

- Twelve (12) proposals including 2 pre-projects and 10 project proposals (40 percent of the total) were commended to the Committees for final appraisal with minor modifications required (Category 1);
- Twelve (12) proposals including 2 pre-projects and 10 project proposals (40 percent of the total) were sent back to proponents for essential revisions, rated as Category 2; and
- Six (6) proposals including 1 pre-project and 5 project proposals (20 percent of the total) received a category 4, indicating that the Expert Panel does not commend these to the Committee for approval as they require complete reformulation.

A high share of projects was related to Reforestation and Forest Management (RFM). Out of the 30 proposals reviewed only 3 were categorized under Forest Industry (10%), 3 were categorized under Economics, Statistics and Markets (10%) and 24 were categorized under Reforestation and Forest Management (80%).

One previously approved but sunset project proposal was resubmitted as a new proposal to the Expert Panel. As this was assessed as Category 1 by the previous Panel, this Panel rated it Category 1 in order to be consistent with the previous evaluation.

The presentation also highlighted that only one proposal focused specifically on gender issues. Additionally two proposals incorporated strong components on gender issues. Although the Panel noticed that more proposals included gender aspects/activities, there is still room for further integrate gender according to the ITTO Policy Guidelines on Gender Equality and Empowering Women (GEEW).

Numerous proposals did not fully follow the ITTO Manual for Project Formulation (Third Edition, 2009). There were inconsistencies with the contents and lengths of various sections and maximum total lengths of the proposals. Many proposals did not follow the correct formulation of budget tables.

6. New Projects and Pre-projects

The Committees noted that the following project was approved in August 2019 under the time-bound electronic no objection procedures to accept Expert Panel ratings and circulated to member countries pursuant to Decision 6(XLIII), following the recommendations of the Expert Panel at its Fifty-third Meeting:

Committee on Economics, Statistics and Markets		
PD/PPD NUMBER	TITLE	SUBMITTING COUNTRY
PD 879/18 Rev.1 (M)	Building the Capacity of the National Forest Information and Statistics System	Benin

The Committees noted the projects that were approved in August 2019 under the time-bound electronic no objection procedures to accept Expert Panel ratings and circulated to member countries pursuant to Decision 6(XLIII), following the recommendations of the Expert Panel at its Fifty-fourth Meeting as follows:

Committee on Economics, Statistics and Markets		
PD/PPD NUMBER	TITLE	SUBMITTING COUNTRY
PD 893/19 Rev.1 (M)	Promoting Development of Teak Plantations on Farmlands to Improve Quality, Marketing and Livelihood of Local Communities in Forest-Savannah Transition Zone, Ghana	Ghana
PPD 193/19 Rev.1 (M)	Enhancing Socio-Economic Development and Environmental Protection through Comprehensive Bamboo and Rattan Program in the ASEAN Member Countries	Philippines

Committee on Forest Industry		
PD/PPD NUMBER	TITLE	SUBMITTING COUNTRY
PD 900/19 Rev.1 (I)	Developing Gender Sensitive, Community-based Bamboo Industry Development to Support Sustainable Bamboo Resource Management and Conservation in Lake Toba Catchment Area (LTCA) of the North Sumatra Province of Indonesia	Indonesia

The Indonesian delegation thanked the Fifty-fourth Expert Panel members for rating project PD 900/19 Rev.1 (I) as Category 1 and emphasised that the revision made to the project proposal is in accordance with the Panel's recommendations. The Secretariat informed the delegation of Guatemala that they could consider resubmitting project PD 897/19 (M) (rated category 4 by the Fifty-fourth Expert Panel meaning the Panel could not commend the project for approval by the Council) once it had been adequately revised to address the concerns of the Expert Panel.

7. Review of Projects and Pre-projects in Progress

The Committees considered the Report of Projects and Pre-projects in Progress as contained in document CEM-CFI (LIII)/2 Rev.1 and took note of progress in the implementation of the following projects and pre-projects:

(A) Projects under implementation

Committee on Economics, Statistics and Markets

1. PD 599/11 Rev.1 (M) Development and Testing of National Forest Stock Monitoring System (FSMS) with Improved Governance Capabilities at all Levels of the Forest Administration (Philippines)
2. PD 732/14 Rev.2 (M) Improve Forest Governance in Mozambique
3. PD 751/14 Rev.3 (M) Sustainable Forest Management in the Chimbo River Basin, Ecuador: Conserving Forest Resources and Agroforestry Systems as a Mechanism to Strengthen the Economic Inclusion of Community Families, Particularly Rural Women, Settled in the Area

Committee on Forest Industry

1. PD 737/14 Rev.2 (I) Developing Supply Capacity of Wood-based Biomass Energy through Improved Enabling Conditions and Efficient Utilization of Degraded Forest Lands Involving Local Communities in North Sumatra Province of Indonesia
2. PD 770/15 Rev.1 (I) Promotion and Sustainable Management of Lesser-Used Timber Species (LUTS) in the Moist Forests of the Departments of Atlantida, Colon and Northern Olancho in Honduras

3. PD 815/16 Rev.2 (I) Increasing Efficiency of Acacia Plantation and Timber Processing Industry in Vietnam

The Committees held discussions on the following projects:

Committee on Economics, Statistics and Markets

- PD 599/11 Rev.1 (M) Development and Testing of National Forest Stock Monitoring System (FSMS) with Improved Governance Capabilities at all Levels of the Forest Administration (Philippines)

The Committee took note that the Executing Agency (DENR) had recently submitted the long-delayed final report on this project, but expressed concern that the final financial audit of the use of ITTO funds had still not been submitted. In response to queries from the USA and Japan, the Secretariat noted that while monitoring missions and progress reports submitted by DENR during project implementation had not provided any indication of misuse of ITTO funds, no guarantees of appropriate use of ITTO funds could be provided without the final audit. The Secretariat noted that such problems with projects not completing reporting requirements were also an issue for the Committees on Forest Industry and Reforestation and Forest Management. It agreed to develop proposals on how to prevent such problems and/or deal with them at an earlier stage for consideration of the Committee at its next session. The delegate of USA requested further explanation on the implications of recommending termination of a project for the submitting country. The Secretariat explained that no specific rules or Council decisions regulate this but in practice the Secretariat maintains a 'black list' of executing agencies of terminated projects and informs the Expert Panel of previous problems if such an executing agency submits new project proposals. The Committee decided that it would recommend this project for termination at its next session unless a satisfactory final financial audit is submitted to the Secretariat before then.

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

The Committee noted that an up-to-date progress report had been submitted to the Secretariat in October 2019, detailing project activities during the first year of implementation. The Secretariat reported on a recent monitoring visit to the project, which had found that all project activities were being implemented as planned in the approved work plan and budget.

- PD 751/14 Rev.3 (M) Sustainable Forest Management in the Chimbo River Basin, Ecuador: Conserving Forest Resources and Agroforestry Systems as a Mechanism to Strengthen the Economic Inclusion of Community Families, Particularly Rural Women, Settled in the Area

The Committee noted that this project was now complete and therefore decided to consider the project under agenda item 8.

(B) Projects and Pre-projects pending financing

Committee on Economics, Statistics and Markets

1. PD 796/15 Rev.2 (M) Establishing a System for the Collection, Storage, Processing and Dissemination of Forest and Wildlife Statistics in Cameroon
2. PD 819/16 Rev.3 (M) Market Survey for Forest Products in Peru
3. PD 832/16 Rev.2 (M) Implementing Mechanisms to Improve Traceability in the Forest Production Chain in Guatemala
4. PD 844/17 Rev.2 (M) Promoting Plantations of the Locally Endangered Species Timoho (*Kleinhovia hospita*), Mentaok (*Wrightia pubescens*) and Terbelo Puso (*Hymenodictyon orixense*) to Enhance Sustainable Use, Local Communities Livelihood and Culture (Indonesia)

5. PD 845/17 Rev.1 (M) Enhancing the Capacity of Forest Communities in Forest Governance, Monitoring and Community Development Projects in Mankraso Forest District Ghana
6. PD 879/18 Rev.1 (M) Building the Capacity of the National Forest Information and Statistics System (Benin)
7. PD 893/19 Rev.1 (M) Promoting Development of Teak Plantations on Farmlands to Improve Quality, Marketing and Livelihood of Local Communities in Forest-Savannah Transition Zone, Ghana
8. PPD 193/19 Rev.1 (M) Enhancing Socio-Economic Development and Protection through Comprehensive Bamboo and Rattan Program in the ASEAN Member Countries (Philippines)

Committee on Forest Industry

1. PD 841/17 Rev.2 (I) Building Partnerships Among Actors Involving in Acacia and Eucalyptus Value Chain in Vietnam
2. PD 870/18 Rev.1 (I) Developing Effective System for Sustainable NTFP Utilization through Forest Management Unit Engagement to Improve Community Livelihoods in Nusa Tenggara (Indonesia)
3. PD 900/19 Rev.1 (I) Developing Gender Sensitive, Community-based Bamboo Industry Development to Support Sustainable Bamboo Resource Management and Conservation in Lake Toba Catchment Area (LTCA) of the North Sumatra Province of Indonesia

The Committees noted that projects PD 796/15 Rev.2 (M), PD 844/17 Rev.2 (M), PD 841/17 Rev.2 (I) and PD 870/18 Rev.1 (I) would lose their approved status under the sunset provision of Decision 2(X) before the next session of the Committees. The representative of Cameroon requested that donors consider providing additional funds to PD 796/15 Rev.2 (M), which had already received partial funding of US\$80,000 from the USA. She also requested that ITTO consider waiving the sunset provision of Decision 2(X) for approved projects. The Committees decided to recommend all of the above projects for immediate funding.

8. Report on Completed Projects and Pre-projects

The Committees considered the Report of Completed Projects and Pre-projects as contained in document CEM-CFI (LIII)/3 and additional information presented during this Session as follows:

Committee on Economics, Statistics and Markets

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

The Secretariat informed the Committee that the project had been successfully completed, with the final report and audit received by the Secretariat in mid-2019 and deemed acceptable. The final report and other project outputs are available through the project search function on ITTO's website. The project had established a computer based database to allow entry and analysis of data on timber harvests, trade and flows. The representative of Côte d'Ivoire provided further information on the project outputs and thanked the donors who had supported the project, seeking their continued support for possible follow up work. The Committee declared this project complete.

- PD 751/14 Rev.3 (M) Sustainable Forest Management in the Chimbo River Basin, Ecuador: Conserving Forest Resources and Agroforestry Systems as a Mechanism to Strengthen the Economic Inclusion of Community Families, Particularly Rural Women, Settled in the Area

The Secretariat informed the Committee that the project had been successfully completed, with the final report and audit received by the Secretariat in October 2019 and deemed acceptable. The final report and other project outputs are available through the project search function on ITTO's website. The project had established nurseries and provided agroforestry training to women's groups in the Chimbo River valley in Ecuador to allow restoration of several degraded forest areas in the region. The Committee declared this project complete.

9. Ex-post Evaluation

(A) Ex-post Evaluation Reports

To facilitate the sharing of experiences and lessons learned from ex-post evaluation of projects among members, the consideration of ex-post evaluation reports is undertaken in a Joint Session of All Committees. There were no ex-post evaluation reports on projects under CEM and CFI at this Session.

(B) Selection of Projects for Ex-post Evaluation

The Secretariat informed the Committees that all resources of the pooled ex-post evaluation fund had been used to resolve the financial impairment and that it would therefore not be possible to select projects for ex-post evaluation at this Session unless voluntary contributions were pledged specifically for this purpose. The Committees did not select any projects for ex-post evaluation at this Session, but noted that the resources of the pooled ex-post evaluation fund were beginning to accumulate as projects were completed and remaining monitoring funds were transferred to the pooled fund upon agreement by donors. The Committees expressed hope that there would soon be sufficient resources in the fund and requested the Secretariat to prepare a list of all projects declared complete during the previous 3 years for consideration as potential ex-post evaluation candidates at their next Session.

10. Policy Work

Four issues/activities under the CEM were discussed in the Joint Committee Session of all committees during Trade and Markets Day on 3 December 2019 and one issue/activity under the CFI was discussed in the Committee of Forest Industry.

Committee on Economics, Statistics and Markets

(i) Market Access and Forest and Timber Certification

The Secretariat delivered a presentation containing updated developments on: 1) Market Access; and 2) Forest and Timber Certification in 2018. Concerning Market Access, four legislative instruments, the EU Timber Regulation, the Lacey Act Amendments, the Illegal Logging Prohibition Act of Australia and the Clean Wood Act of Japan are all in force, regulating timber entering the 28 EU member states, the United States, Australia and Japan. Meanwhile, attention should also be given to developments relevant to market access in Republic of Korea and Vietnam, as well as under CITES. With regards to Forest and Timber Certification, the total area of certified forests in ITTO producer member countries was 51.4 million hectares in 2018, accounting for 10% of the world's total area of certified forests of about 505 million hectares. The number of Chain of Custody certificates (CoCs) in ITTO producer member countries was 3,654, accounting for 7.7% of global CoCs. The two international certification systems, FSC and PEFC, continued to be the main schemes being implemented in ITTO producing member countries.

The Indonesian delegate added information on Indonesia's Timber Legality Assurance System (SLVK) in which a due diligence procedure is being implemented to verify legality of timber and timber products entering supply chains of timber production in the country. There are five options to prove the product's legality: 1) Holding a FLEGT License (not applicable yet since there are no countries other than Indonesia issuing such licenses); 2) Independent voluntary certification (e.g. FSC, PEFC etc.); 3) Mutual recognition with exporting country; 4) Country specific guidelines on timber and timber product supply chains administration; and 5) Statement letter on legality of timber and timber products from authority of the exporting country. Besides the proof of legality, the due diligence process for imports under SLVK requires information on importer, exporter, imported products (such as product category/HS code, volume, etc.), port of discharge, port of destination, country of origin, country of harvest, etc.

The delegation of the European Commission underlined the importance of collaboration with the VPA countries to promote transparency and accountability of timber supply chains and wider consultation with stakeholders in order to impact consumer consumption patterns and develop better understanding on the need to reduce pressure on natural resources. The delegate also indicated that the target date for Vietnam's VPA process to issue FLEGT licenses in 2020 seems to be too ambitious. The delegate also informed that in July 2019, the EC released a communication describing the EU's fight against deforestation and land degradation in producer countries.

The Liberian delegate shared the progress of the VPA process in his country. Some of the required VPA systems are already in place and Liberia is expecting to complete the licensing process in 2021.

(ii) Clean Wood progress report

The Secretariat reported on its work under a contract with the Japan Forestry Agency to compile data on forest legislation/regulations/etc. for five tropical countries (Brazil, Ecuador, Laos, Philippines and Thailand) for inclusion in the Clean Wood Navi website. The website was developed by the Japan Forestry Agency to provide information to wood-related business entities covered under Japan's Clean Wood Act on laws and regulations applying to production and trade of timber in key exporting countries. The objective of Japan's Clean Wood Act is to promote the use and distribution of wood and wood products made from trees harvested in compliance with the laws and regulations of Japan and the countries of origin. The Act, which was passed in 2016 and came into force in 2017, encourages companies to take measures to ensure the use of legally harvested wood and wood products. The Secretariat informed that the five tropical country reports it prepared had been subject to review at a stakeholder workshop in Tokyo in March 2019 and that English versions of the reports (including information on legislation related to harvesting, transportation, distribution and trade of wood and wood products, information relevant to legality of wood and wood products, current situation of wood production and trade, forest certification and other related aspects) would soon be posted on the ITTO website. The representative of the Japan Forestry Agency thanked the Secretariat for its assistance.

(iii) Progress report on Independent Market Monitoring of FLEGT-licensed timber in 2019

The Secretariat provided a brief summary of progress in implementing the IMM project under the 2018-19 BWP. The IMM was established under an EU-funded ITTO project to support the implementation of bilateral voluntary partnership agreements (VPAs) between the EU and timber-supplying countries and to analyse their market impacts. VPAs are a key element of the EU's Forest Law Enforcement, Governance and Trade (FLEGT) Action Plan and the EU Timber Regulation (EUTR), which define the EU's policy for promoting legal logging and the trade of legal timber. The Secretariat informed the Committees that the IMM progress report would be presented by the IMM lead consultant (Sarah Storck) and market analyst (Rupert Oliver).

The consultants presented work undertaken during 2018-2019 including key findings of IMM special studies, trade surveys on perceptions of FLEGT licensed timber and trade consultations to explore European buyers' purchasing priorities.

The IMM special studies carried out in 2018-19 included:

- European private-sector timber procurement policies;
- EU member state public timber procurement policies;
- EU wood promotion and FLEGT;
- Architects' perceptions and experience with FLEGT licensing; and
- FLEGT impact on forest sector investment.

All special studies can be downloaded at: <http://www.flegtimm.eu/index.php/reports/special-studies>. The IMM trade surveys have been carried out in seven EU countries, i.e. Belgium, France, Germany, Italy, Netherlands, Spain, and UK, involving 109 respondents. The trade consultations have found that EU buyers make their purchasing decisions based on the following hierarchy: 1) Price; 2) Quality; 3) Reliability (continuous availability of product in required quantities & quality); 4) Logistics /delivery time; 5) European market preferences (wood species); and 6) For furniture/retail, design and flexibility to adapt to fashion play a major role. It was concluded that timber legality is a precondition in Europe, but companies only start looking into environmental credentials/legality after pre-selection according to the above criteria. Detailed trade statistics on timber flows into the EU market were also presented.

The delegate of the European Commission appreciated the detailed IMM report prepared by the consultants. The IMM is important because it allows participants to see the market impact of VPAs and how buyers and public authorities relate to specific measures. He noted that under EU directives, all EU states have a legal obligation to establish public procurement policies in accordance with EU guidelines (which refer to FLEGT) and in line with national needs. The EC delegate also pointed out the impacts of FLEGT licensing on the protection of natural resources and combating deforestation and land degradation.

(iv) Items for CEM Policy Work for 2020

The Committee considered and agreed on the following items for discussion under its policy work agenda in 2020:

- Market access;
- Forest and timber certification;
- APEC EGILAT and ITTO collaboration; and
- IMM progress report.

Committee on Forest Industry

(i) Enhancing conservation and sustainable management of teak forests in Greater Mekong sub-region

The Secretariat made a presentation on the project entitled 'Enhancing conservation and sustainable management of teak forest and legality of wood supply in Greater Mekong Sub-region (PP-A/54-331). The Project was funded in 2018 when USD1.2 million was provided by the Ministry of Food and Agriculture (BMEL) of the Federal Republic of Germany. The project is executed by the ITTO Secretariat in collaboration with five participating countries: Thailand, Myanmar, Lao PDR, Vietnam and Cambodia. The objective of the project is to demonstrate legal and sustainable teak supply chains with the engagement of local communities, smallholders and government actors in the Greater Mekong Sub-region. The progress so far included: the launching of the project in Bangkok, Thailand (April 2019), organizing a workshop on teak propagation techniques and silvicultural practices in Thailand (August 2019), organizing a regional workshop on sustaining teak forests in Mekong Basin (September 2019), field preparation in the participating countries, and issuing 2 newsletters.

The delegate of Indonesia supported the project and expressed the willingness of Indonesia to contribute to any efforts of teak plantation establishment based on Indonesia's experiences.

(ii) Items for CFI Policy Work for 2020

The Committees considered and agreed to maintain the item: 'Enhancing conservation and sustainable management of teak forests in Greater Mekong Sub-region' to report the progress of the Activity No. 4 of BWP 2018-2019 on its Policy Work agenda at its next Session.

11. Biennial Work Programme of the Committees for 2020-2021

The Committees took note of the recommendation of the Ad Hoc Working Group on Financing Infrastructure and Fundraising Strategies established under Decision 6(LIV) to approve a new ITTO Strategic Action Plan (SAP) at the Fifty-sixth Session of the Council in 2020, and the anticipated piloting of a new programmatic approach and project cycle in 2020, and that the Council may wish to discuss and consider the extension of the BWP 2018-2019 for one year until 2020. A new BWP, in line with the new SAP and taking into account the results of the new programmatic approach and project cycle, will be considered for adoption by the Council at its Fifty-sixth Session in 2020.

The Secretariat provided an update on two activities under the 2018-19 BWP that would continue into 2020 which were relevant to the mandates of the Committees. An activity on incentives for SFM was undertaking case studies in all three tropical regions, focusing on both fiscal and non-fiscal incentives. An additional component of this activity is examining the magnitude and potential impact on incentive structures of the looming supply-demand gap for tropical timber in several tropical regions. Another activity under the 2018-19 BWP was providing training for the private sector in producer member countries to better deal with emerging legality and due diligence requirements in timber importing countries. This activity, being undertaken with WRI and other partners, had convened a workshop for

the Peruvian private sector in 2019 and would provide similar training workshops in Guatemala in 2020. Reports on both of these activities would be provided to the Committees at their next Session.

12. Election of Chairpersons and Vice-Chairpersons for 2020

Following the usual consultations undertaken by the producer and consumer groups, Ms. Catherine Karr-Colque (USA) was elected as the Chairperson of the CEM and CFI for 2020. The names of the Vice-Chairs will be communicated prior to the next Session by the producer group and will be announced to the Committees at their next Session for their adoption.

13. Dates and Venues of the Fifty-fourth and Fifty-fifth Sessions of the Committees

The Fifty-fourth Session of the Committees will be held in conjunction with the Fifty-sixth Session of the International Tropical Timber Council in 2020.

The Fifty-fifth Session of the Committees will be held in conjunction with the Fifty-seventh Session of the International Tropical Timber Council in 2021.

14. Other Business

The following items were discussed during Trade and Markets Day on 3 December 2019 under the agenda of the Joint Committees (all Committees):

(i) Global Timber Tracking Network (GTTN) – Phase I & II; Vision Phase III

Mr. José Bolaños from the GTTN Secretariat made a presentation entitled 'Wood identification technology: tools to support legal trade'. He explained that the GTNN was started in 2013 with funding from the Government of Germany under the coordination of Bioversity International and had moved to the European Forest Institute during its second phase. The Network consisted of 200+ researchers, labs and authorities worldwide aimed at advancing innovative science-based approaches to verify trade claims (legality, origin, etc.) for wood-based products. Two key end users of the GTNN include:

- Law enforcement: customs, CITES authorities, competent authorities, and judiciary;
- Due diligence: economic operators' own due diligence systems; SFM and CoC due diligence certifiers.

He elaborated GTTN's work program that consists of developing/maintaining a Service Provider Directory (SPD), reference database, guidelines and standardization, market assessment, priority species list, and communication and advocacy. He invited more parties to join and use GTTN.

The delegate of Germany expressed gratitude to all partners involved in the development of Phase I and Phase II of the GTTN over many years. The GTTN helped ensure the identification of harvested tree species and their origins even for transformed timber and supported capacity building in producing countries plus offering cost-effective tools for law enforcement. The delegate also opined that ITTO's LSSC and SW4SW initiatives will benefit from further development of the GTTN. The delegate mentioned that the Government of Germany would like to support the transfer of the GTTN into the framework of the ITTO LSSC program and was looking forward to the submission of a concept notes jointly prepared by EFI and ITTO. The US delegate informed the Committees of its involvement in Phases I and II of the GTTN and that it welcomed GTTN becoming part of the ITTO LSSC program. The Australian delegate said that the GTTN could provide significant benefits for her country and that she looked forward to its further development in Phase III.

(ii) WRI Open Timber Portal

Ms. Marie Vallée of the World Resources Institute (WRI) made a presentation on the Open Timber Portal (OTP). The OTP is an independent web platform promoting compliance with legal requirements in timber harvest and trade. It is intended to make previously inaccessible information about on-the-ground management practices and compliance with timber legality requirements publically available. The OTP was designed by WRI in consultation with a number of local civil society organizations, government agencies, companies, and industry associations.

The US delegate noted that the OPT is a useful tool to improve transparency of timber supply chains and could benefit many ITTO member countries. The delegate asked if WRI would be expanding the scope

of the OTP beyond the initial pilot area in Congo Basin, to which WRI responded that it was planning to do so but the next region to be covered had not been finalized yet.

(iii) APEC-EGILAT

The ITTO Secretariat introduced the APEC Expert Group on Illegal Logging and Associated Trade (EGILAT) and informed the Committees that ITTO had attended two EGILAT meetings in Chile during 2019. He noted that ITTO had been invited to collaborate on policy work agreed at these meetings that aims to assist the private sector to comply with evolving global timber legality measures. He also noted that the Secretariat had included a request for additional funding under Activity 14 of the 2018-19 BWP (on collaboration with other international organizations/initiatives) to allow it to attend APEC-EGILAT meetings in 2020 (planned to be held in Malaysia). He then introduced Mr. Rikiya Konishi of Japan Forestry Agency who made a presentation on behalf of APEC EGILAT members. He explained the primary goal of the APEC is to support sustainable economic growth and prosperity in the Asia-Pacific region. The 21 APEC economies account for 2.19 billion hectares of forest cover (over 50 per cent of the world's forests). They also engage in a significant amount of trade in forest products, accounting for around 80 per cent of the international trade in such products. He described the objectives and key tasks of current policy themes of APEC-EGILAT, i.e. 1) identify the issues faced by private sector entities throughout the timber supply chain in trading in legally harvested forest products; 2) identify actions that can be undertaken by APEC economies (on an individual or collective basis) and other parties (including the private sector, civil society and international organizations) to support legal trade; and 3) identify the resources and materials available to help private sector entities trade in legally harvested forest products. He further revealed the potential collaboration areas of ITTO and APEC-EGILAT especially in the area of legal and sustainable supply chains and the promotion of responsible trade and markets.

The US delegate mentioned that APEC-EGILAT is an important initiative for ensuring the trade of legal timber and supported the involvement of ITTO given the many potential synergies with its work. The Australian delegate thanked Japan for its significant support to APEC-EGILAT and supported ITTO involvement in the initiative, suggesting that the Secretariat liaise with the APEC-EGILAT Secretariat to secure observer status to allow regular attendance at meetings.

During the discussions in Other-Business of the Joint Committees Session, the FSC Director General Kim Carstensen made an intervention to express a common message from FSC-PEFC encouraging more collaboration with ITTO and others on forestry and forest products to solve challenges of climate change and biodiversity. He felt that there is a need to further improve transparency in trade and responsible forest management. He informed the Committees that FSC and PEFC had areas of common interest, such as certification as a tool for legality and ensuring timber products coming from responsible forest management, human capacity building, financial-fiscal incentive, and supply chains control (wood identification and blockchain). He was hopeful for further collaboration with ITTO on these and other relevant topics.

15. Recommendations to the International Tropical Timber Council

- (i) The Committees recommended that funding be made immediately available for the following projects approved under the time-bound electronic no-objection procedure for the project cycle 2019:

Committee on Economics, Statistics and Markets

PD 832/16 Rev.2 (M)	Implementing Mechanisms to Improve Traceability in the Forest Production Chain in Guatemala [US\$416,080]
PD 879/18 Rev.1 (M)	Building the Capacity of the National Forest Information and Statistics System (Benin) [US\$347,088]
PD 893/19 Rev.1 (M)	Promoting Development of Teak Plantations on Farmlands to Improve Quality, Marketing and Livelihood of Local Communities in Forest-Savannah Transition Zone, Ghana [US\$567,694]
PPD 193/19 Rev.1 (M)	Enhancing Socio-Economic Development and Environmental Protection through Comprehensive Bamboo and Rattan Program in the ASEAN Member Countries (Philippines) [US\$131,600]

Committee on Forest Industry

PD 900/19 Rev.1 (I) Developing Gender Sensitive, Community-based Bamboo Industry Development to Support Sustainable Bamboo Resource Management and Conservation in Lake Toba Catchment Area (LTCA) of the North Sumatra Province of Indonesia [US\$499,184]

- (ii) The Committees recommended that funding be made immediately available for the following projects approved earlier:

Committee on Economics, Statistics and Markets

PD 796/15 Rev.2 (M) Establishing a System for the Collection, Storage, Processing and Dissemination of Forest and Wildlife Statistics in Cameroon [US\$487,627]

PD 819/16 Rev.3 (M) Market Survey for Forest Products in Peru [US\$406,459]

PD 844/17 Rev.2 (M) Promoting Plantations of the Locally Endangered Species Timoho (*Kleinhovia hospita*), Mentaok (*Wrightia pubescens*) and Terbelo Puso (*Hymenodictyon orixense*) to Enhance Sustainable Use, Local Communities Livelihood and Culture (Indonesia) [US\$592,051]

PD 845/17 Rev.2 (M) Enhancing the Capacity of Forest Communities in Forest Governance, Monitoring and Community Development Projects in Mankraso Forest District Ghana [US\$146,944]

Committee on Forest Industry

PD 841/17 Rev.2 (I) Building Partnerships Among Actors Involving in Acacia and Eucalyptus Value Chain in Vietnam [US\$427,784]

PD 870/18 Rev.1 (I) Developing Effective System for Sustainable NTFP Utilization through Forest Management Unit Engagement to Improve Community Livelihoods in Nusa Tenggara (Indonesia) [US\$605,555]

- (iii) The Committee on Economics, Statistics and Markets recommended that PD 599/11 Rev.1 (M) be recommended to Council for termination at its next Session unless a satisfactory final financial audit is submitted to the Secretariat before then.

16. Report of the Session

The Committees adopted this report for submission to the Council, with due acknowledgement to the work of the Secretariat under the able guidance of the Chairpersons of the Committees.

APPENDIX A

REPORT ON THE ITTO ANNUAL MARKET DISCUSSION - 2019 “Added Value Processing in Africa – The Opportunities and Challenges” 3 December 2019, Lomé, Togo

The theme of the 2019 Annual Market Discussion organized by the ITTO Trade Advisory Group (TAG) was: “Added Value Processing in Africa—The Opportunities and Challenges”.

For decades, efforts have been directed at encouraging domestic added-value tropical timber production for export, but this has not happened to any significant extent in Africa. As it was 20–30 years ago, today’s trade by ITTO member countries in West and Central Africa is dominated by log exports and primary wood production. The changing dynamic of African production and demand for wood products, and what is needed to spur development of the wood-processing sector, were the issues addressed by speakers at this year’s ITTO Annual Market Discussion.

Five speakers spoke on the manufacturing of added-value wood products in Africa. Other speakers examined value chains from smallholder teak plantations in Togo, and one presented recommendations from the ITTO Regional Workshop on Smallholder Forest Landscape Restoration in West Africa, held on 27-29 November 2019 in Lomé. The speakers, and the titles of their presentations, were as follows:

Mr. Pyoabalo Alaba
Forest and Water Engineer
Director General, Office of Forest Development and
Exploitation, ODEF

*Forestry and wood processing in Togo –
challenges and opportunities*

Mr. Ayite Gaba
Co-founder and President, Togo Timber S.A.

*Value chains from smallholder’s teak plantations in
Togo*

Ms. Fifonsi Ayélé Dangbo
University of Lomé, Togo

*Recommendations of the ITTO Regional
Workshop on Smallholders Forest Landscape
Restoration (FLR) in West Africa*

Dr. Labode Popoola, President
West African Research and
Innovation Management Association
Pioneer Director
Centre for Sustainable Development
University of Ibadan, Nigeria

*The dynamics of intra-Africa wood trade markets
and implications for sustainable development*

Mr. Roy Southey, Executive Director
Sawmilling SA

*Wood processing in South Africa – success and
setbacks*

Mr. Rik Sools, Managing Director
Form International

*Industrial forestry plantations in Africa and their
importance for developing timber industries – the
case of Form Ghana*

Mr. Mafa Chipeta
Retired FAO Sub-regional coordinator for
Eastern Africa and FAO representative to the
African Union, the UN Economic Commission for
Africa (UNECA) and Ethiopia

*Dreams to Industrialize – how can Africa achieve
its long-postponed ambitions?*

The presentations were followed by a question and answer session with members of the Joint Committees. Mr. Barney Chan (Trade Advisory Group co-Coordinator, Malaysia) presented the TAG Market Statement (Appendix B). Presentations made during the 2019 ITTO Annual Market Discussion and the TAG statement are available at <http://www.itto.int/ittc-55/presentations>.

Summary of Presentations

Pyoabalo Alaba said that the forest sector in Togo contributes to the country's economic development but, despite the many goods and services provided by forests, this contribution to national wealth is poorly defined and underappreciated. He pointed out that the low level of development of sectoral statistics has contributed to this lack of understanding of the economic potential of the forest sector.

Mr Alaba reported that logs account for around 65% of Togo's timber exports; some sawnwood is exported, but there is virtually no secondary or tertiary product production for export. Industrialization of the timber sector remains a major concern, and there is a need to provide incentives for the development of the forest industry, address traceability and establish a legal framework for promoting industrialization.

The major challenges, according to Mr Alaba, include strengthening the institutional framework to support industrialization, raising the technical capacity of stakeholders, strengthening the statistical framework to provide a sound basis for policy decisions, and addressing standardization and legality verification. Mr Alaba concluded by saying that demand for wood products in Togo is expanding rapidly, and efforts are needed to increase domestic production to meet this demand.

Mr Ayite Gaba, a Togolese entrepreneur and teak exporter, opened his presentation by pointing out that the global market for teak is worth around USD 500 million annually and that India is the largest market for teak (followed by Thailand and China). Mr Gaba said that Togo exports most of its high-quality teak logs and sawnwood to India, and dependence on one market poses a risk.

Mr Gaba made four recommendations: 1) teak growers in Togo should improve the quality and productivity of plantations to command higher prices; 2) the government should provide incentives to drive domestic processing to diversify the pool of buyers for small growers; 3) ITTO should develop support mechanisms for small teak growers and processors; and 4) local manufacturers should offer benefit-sharing mechanisms to growers to raise their income and ensure the continuous supply of raw materials.

Ms Fifonsi Ayélé Dangbo provided a summary of recommendations from the ITTO Regional Workshop on Smallholders Forest Landscape Restoration in West Africa. She pointed out that smallholders are usually classified according to their size, which can vary from less than 1 hectare up to 10 hectares and more. The common characteristics of smallholders in West Africa include: limited access to land; low financial capital; a general focus on subsistence; the application of only simple technologies for production; and dependence on others for marketing, which creates a high level of vulnerability and risk of exploitation.

Of the workshop's five recommendations, two were highlighted: 1) governments need to establish land and tree tenure for the effective empowerment of smallholders undertaking forest landscape restoration as well as create incentive mechanisms and management support for smallholders; and 2) smallholders should be supported to improve the growth, quality and productivity of plantations and in the development of markets. Ms Dangbo concluded with the statement, arising from the workshop, that, "if a smallholder has technical support and capital for a modest investment, tree plantations and woodlots can serve as a 'tree bank' offering secured interest and acting as a personalized 'pension fund'".

Dr Labode Popoola illustrated the timber resource flows in the West African sub-region, noting that Africa is still one of the world's least-connected continents in terms of ease of movement of people, trade, information and finance, both within and across borders. He pointed out that intracontinental trade is still limited in Africa at 10–13 percent, which is much lower than in other continents.

Dr Popoola said although the forest product export industry is significant it is poorly integrated with national economies, and this has a negative effect on patterns of economic growth and the satisfaction of domestic regional demand. An imbalance in purchasing power between international and domestic markets and the resulting overconcentration on profiting from the export trade is leaving domestic demand unaddressed. In rapidly urbanizing economies such as Ghana, Gambia, Nigeria and post-conflict Sierra Leone and Liberia, the result of the emphasis on exports is a domestic market that is sourced almost entirely illegally.

Dr Popoola called for a common strategic framework to generate meaningful data on local, national and transboundary trade and their impacts in the sub-region. This will make for proper valuation and accountability in the forest sector. He provided an analysis of regional agreements, saying that the benefits to be derived from an expanded intra-African timber trade will only be achieved if stakeholders are fully committed and look to the long term.

Roy Southey, Executive Director of Sawmilling SA, outlined the development of South Africa's forest industry, from the last century to today. Three factors driving development of wood processing in the country seemed especially important, he said: 1) a strong mining industry, which brought skilled workers to the country and created domestic demand for timber; 2) a timber shortage, which created impetus for the country to develop plantations with the view to achieving timber self-sufficiency; and 3) a period of international isolation, which forced investment to create a domestic wood-processing industry.

Today's South Africa has a number of government incentive schemes to encourage investment and development in the forest products industry, notably those offered by the Industrial Development Corporation, a government-owned finance institution. This support played a major role in aiding private afforestation and the establishment of processing facilities, including sawmills, pulp plants and even small-pole-treating facilities.

Rik Sools, Managing Director of Form International, spoke about his company's experiences in developing teak plantations in Ghana, addressing the question of why there is so little teak processing in Ghana. The timber industry in Ghana, he said, is focused mainly on natural forest logs, and the large mills have not yet seriously considered plantation sources, which are still maturing. Most currently traded teak is 12-15 years old. Quality would be improved if the trees were allowed to mature, but there is pressure, especially on the part of small plantation owners, to take early returns, which leads to the harvesting of small-sized trees and, consequently, low prices for growers. This, said Mr Sools, is discouraging small growers and could drive them to use the land for cash crops such as cashews.

Mr Sools emphasized the role of the public sector in providing an enabling environment, for example through direct support for sustainable private-sector projects, human resource development and research and development. Governments could facilitate land access, improve plantation regulations and provide subsidies and tax incentives for reforestation.

Feature address

Mafa Chipeta spoke provocatively on the issue of Africa's lagging forest industries, beginning with the challenge, "What can be done to get better outcomes?". He said that, even though the Annual Market Discussion was a private-sector forum, most answers to questions about making a real difference must be directed at government policy and action rather than the private sector.

He said Africa's development has been weak in all areas, and a culture of laying blame on others instead of finding its own solutions has taken root. In his opinion, the failure of private investment in Africa has almost certainly been mostly due to a failure of government policy, commitment and discipline.

Given that industrialization has failed in many sectors, including where Africa has abundant natural resource endowments, Mr. Chipeta set out what he perceives to be the key policy changes and accompanying investments that could unlock the industrialization potential.

He said that, because of the increasing inaccessibility of many natural forests, especially in humid Central Africa, countries should promote the establishment of industrial wood plantations to support processing industries and trade based on them. They should also establish well-managed, corruption-free accessible sources of funds dedicated to promoting value-added forest industries.

Mr. Chipeta said that, "domestic entrepreneurs must stop glorifying small and medium enterprises and seize the ambition for some of them to become giants and champions of their countries' forest industries. The serious sector development efforts cannot forever be subcontracted to foreign companies so the domestic companies introspect and organize themselves to move forward". African countries, he said, should take heart from the success of other regions but develop solutions specific to their own situations rather than trying to copy what those who have already succeeded did.

Discussion and interventions

In the ensuing discussion, a delegate from Peru commented that it is very appropriate to recognize the efforts and contributions made by small and medium-sized enterprises (SMEs) in the forestry and timber sector, and he welcomed the inclusion of presentations on the community forest sector and would like to see more such participation in Council discussions. The delegate from Peru said he was surprised to see that many of the problems in Africa are similar to those facing some Latin American countries. Issues such as industrial economies of scale, deforestation, the low level of added-value production and a disorganized domestic market are very familiar. While recognizing the advantages of certification, the delegate from Peru said this is achievable only by large enterprises because SMEs do not have the financial resources or skills

to achieve certification. He asked, "Why pursue certification when ITTO has an alternative tool, the C&I for SFM?". This, he said, took years to develop, has been updated and revised but seems out of fashion now. It should be relaunched because it is especially useful for small operators as it could be a recognizable "green stamp".

A delegate from Viet Nam provided information on how, over a period of 20-30 years, his country has created an industry capable of exporting wood products worth around USD11 billion this year, with the aim of increasing this to USD20 billion by 2025. Behind this success, said the delegate, is land reform that began in the 1990s. At that time, the government began allocating land to farmers, privatizing state enterprises and encouraging plantations. Viet Nam banned the logging of natural forests in 2016. The delegate reported that Viet Nam currently has around 3 million hectares of acacia plantations and around 1 million hectares of rubberwood plantations, and there has also been extensive tree planting by farmers, who receive payments for forest services funded by downstream water users. Farmers have been encouraged to reforests their lands. Viet Nam has around 5000 wood-processing enterprises, most of which are exporting. The country is actively pursuing SFM and responsible management and hopes to be shipping FLEGT-licensed wood products by 2021.

Trade statement

The TAG coordinator read out a prepared statement to participants attending the Market Discussion. This statement is appended as it was presented in Appendix B.

Theme for 2020 Annual market discussion

The Trade Advisory Group (TAG) decided to defer its decision on the theme for the 2020 Annual Market Discussion. A theme will be conveyed to the ITTO Secretariat in advance of the next ITTC.

APPENDIX B

STATEMENT OF THE TRADE ADVISORY GROUP (TAG)

Presented at the 2019 Annual Market Discussion by
Barney Chan (TAG Coordinator)
3 December 2019

Chairman,

Ladies and Gentlemen,

This Trade Statement is made on behalf of the Trade Advisory Group.

International trade in tropical timber and timber products has been rather uncertain over the last several months, made worse by the reality of a massive trade dispute.

The global timber trade has not been immune to the disruptive effects of the US–China trade dispute. US log and sawnwood exports to China have fallen, hurting US producers, and China's wood-product exports to the US have been decimated by the tariffs imposed on imports and the proliferation of anti-dumping and countervailing orders on a variety of wood products. As a result, Chinese companies have cut back on tropical timber imports used for export production.

Meanwhile, building construction contracted in the European Union in the first half of 2019, according to the latest Eurostat data. A large and growing proportion of the tropical-hardwood-faced plywood imported into the EU is manufactured in China. The EU imported 76 100 tonnes of this product from China in the first half of 2019, up by 39% compared with the same period in 2018. These gains offset a 4% fall in plywood imports from Indonesia over the period, to 46 300 tonnes, and a 32% drop from Malaysia, to 19 700 tonnes.

Japan's plywood imports dropped by 15% in the first half 2019, year-on-year. Import volumes have declined from the main suppliers of China, Indonesia and Malaysia. Meanwhile, Japan is increasing the use of her own local timber resources for plywood production.

As worrying as these figures are, they are only the bumps over the last several months. What is even more worrying is the trend shown over the last several years. The ITTO/FLEGT Independent Market Monitor released a Report in May 2019 on EU public timber procurement policies. This Report analysed the major EU markets for HS Code 44, which is timber and other timber products, imported from VPA partner countries. In 2005, total imported into EU was 9.2 million cubic metres in round wood equivalent. By 2017, this figure has dropped to 4.4 million. In 12 years, products in HS Code 44 going into EU dropped by 52%. Fifty two percent.

However, amidst all this gloomy news, we noted with respect that recently a motion has been accepted in the Dutch parliament, by an overwhelming majority, to use more timber in the building sector as this is much more environmentally friendly than the use of competing materials such as concrete. This Dutch political move has reminded us that TAG had suggested in 2017 that ITTO should look at climate change and see in which niche can we make the biggest impact.

What can ITTO do to address climate change? Firstly, we need to be realistic with the resources we have available. The Finance Working Group was convened twice to seek ways to strengthen our financial health. While it seems there might be light at the end of our dark financial tunnel, we need to be prudent, not to spread ourselves out too thin. In this context, TAG suggests ITTO to focus on only one aspect of climate change: the positive relationship between trees and carbon sequestration. Since there is scientific evidence growing trees is good for the climate, we should capitalize on this. This positive linkage is also now accepted by many international fora.

The Inter-Governmental Panel on Climate Change has clearly recognized the role of wood products, both from natural and planted forests, as significant in the fight against climate change. Further, the Panel said the fight cannot be achieved without forests and forest products. This is a critical statement of fact which TAG wants ITTO to communicate freely and widely.

There is year round sunshine and rains in the tropics, so growing conditions are ideal --- not only in tree plantations but also in well managed commercial production forests. Timber harvesting is not carbon emission and timber products are renewable and store carbon.

Council should be aware of the increasing interest shown globally to establish tree plantations. And more importantly, Council should know the struggle by investors and other stakeholders to plant trees. There is probably enough biological science and knowledge available on how to grow trees, with enough care to biodiversity, but what is holding back plantations of significant scale? Is Economics not on the side of the trees? Is it more profitable to plant other crops which, ironically, might necessitate deforestation before planting?

This is where ITTO can play an important role to unlock the critical obstacles, so as to spur on tree plantations, especially in the context of ecosystem restoration. There is already a lot of expertise in Member Countries, and elsewhere, but ITTO need to show leadership and harness this collective expertise into a practical way forward.

In this context, we ask Council to fund an international meeting of experts on facilitating commercially viable plantations in tropical countries, or the development of an international tropical timber plantations strategy. The strategy could identify the obstacles to commercially viable, long term economics of plantations in tropical countries, as well as actions countries could take to make themselves competitive to international investors interested in tree plantations. The strategy should also look at where industries using plantations are a success and what are the factors that created that business opportunity.

The TAG is standing by to support ITTO management, as we always do. But are you ready? Are we capable to ignite a tree plantation revolution to save the Climate?

Thank you.