



**INTERNATIONAL TROPICAL  
TIMBER COUNCIL**

**COMMITTEE ON ECONOMICS,  
STATISTICS AND MARKETS**

**COMMITTEE ON FOREST INDUSTRY**

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FIFTY-FOURTH SESSION  
9 – 13 November 2020  
Virtual Session

**REPORT TO THE INTERNATIONAL TROPICAL TIMBER COUNCIL**

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

## REPORT

### 1. Opening of the Session

The Fifty-fourth Session of the Committees was opened on 11 November 2020 at the Joint Session of the Committee on Economics, Statistics and Markets (CEM) and the Committee on Forest Industry (CFI), chaired by Dr. Catherine Karr-Colque (U.S.A.), Chairperson of the Committee on Economics, Statistics and Markets (CEM) and the Committee on Forest Industry (CFI). The list of participants is presented in document ITTC(LVI)/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(LIV)/1 Rev.1 was duly adopted. The CEM and the CFI met on 11 and 12 November 2020 to consider items 1, 2, 3, 4, 6, 7, 8, 9, 10, 12, 13, 14, 15 and 16 of the Agenda. Items 5 and 11 of the Agenda were covered under the Council Agenda.

### 3. Admission of Observers

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

### 4. ITTO Annual Market Discussion – 2020

The Committees noted that following consultations with the Trade Advisory Group (which convenes the Market Discussion), this item will be deferred until the next physical sessions of the Council and Committees. This decision was taken since the private sector representatives of the Trade Advisory Group who contribute to the Market Discussion are unavailable to participate this year due to the demands of coping with the impacts of COVID-19 on their businesses. Consultations with the TAG will continue to consider the possibility of a virtual Market Discussion in 2021 should the Council/Committees still be unable to meet physically then.

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

The Council considered the report of the virtual Expert Panel for Technical Appraisal of Project Proposals presented by the Secretariat, as contained in document ITTC(LVI)/12.

The Fifty-fifth Panel appraised 18 proposals (16 projects and 2 pre-projects), with results as follows:

- Ten (10) Proposals: 2 Pre-projects and 8 Project Proposals (59 percent of the total) were commended to the Committee for final appraisal with minor modifications required (category 1);
- Six (6) Project Proposals (35 percent of the total) will be sent back to proponents for essential revision, rated as category 2;
- One (1) Project Proposal (6 percent of the total) received a category 3, indicating that the project requires a pre-project to better formulate a new proposal; and
- Consideration of one Project Proposal will be deferred until the Expert Panel can physically meet, due to the different ranking by the reviewers.

### 6. New Projects and Pre-projects

The Committees noted the projects and pre-project that were approved in October 2020 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-fifth Meeting as follows:

<b>Committee on Economics, Statistics and Markets</b>		
PD/PPD NUMBER	TITLE	SUBMITTING COUNTRY
PD 878/18 Rev.2 (M)	Support for the Certification of National Teak Plantations of the National Timber Board (ONAB), Benin	Benin
PD 913/20 Rev.1 (M)	Strengthening Forest Monitoring and Extending the Coverage of the Traceability System in Panama	Panama

<b>Committee on Forest Industry</b>		
PD/PPD NUMBER	TITLE	SUBMITTING COUNTRY
PD 912/20 Rev.1 (I)	Strengthening Technical and Business Management in the Timber Forest Industry of Peru	Peru
PPD 195/19 Rev.2 (I)	Pre-project for a Feasibility Study on Processing and Valorizing Timber in Togo	Togo

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(LIV)/2 Rev.1 and took note of progress in the implementation of the following projects and pre-projects. There was no discussion on them as there were no projects and pre-projects in progress that had implementation issues that required reporting to the Committees.

**(A) Projects under implementation**

**Committee on Economics, Statistics and Markets**

1. PD 732/14 Rev.2 (M) Improve Forest Governance in Mozambique
2. PD 832/16 Rev.2 (M) Implementing Mechanisms to Improve Traceability in the Forest Production Chain in Guatemala

**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

**(B) Projects and Pre-projects pending financing**

**Committee on Economics, Statistics and Markets**

1. PD 819/16 Rev.3 (M) Market Survey for Forest Products in Peru
2. 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
3. PD 878/18 Rev.2 (M) Support for the Certification of National Teak Plantations of the National Timber Board (ONAB), Benin
4. PD 879/18 Rev.1 (M) Building the Capacity of the National Forest Information and Statistics System (Benin)
5. 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

6. PD 913/20 Rev.1 (M) Strengthening Forest Monitoring and Extending the Coverage of the Traceability System in Panama
7. 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 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
2. PD 912/20 Rev.1 (I) Strengthening Technical and Business Management in the Timber Forest Industry of Peru
3. PPD 195/19 Rev.2 (I) Pre-project for a Feasibility Study on Processing and Valorizing Timber in Togo

The Committees noted that projects PD 819/16 Rev.3 (M), PD 845/17 Rev.2 (M), PD 879/18 Rev.1 (M), PD 893/19 Rev.1 (M), PPD 193/19 Rev.1 (M) and PD 900/19 Rev.1 (I) would lose their approved status under the sunset provision of Decision 2(X) before the next session of the Committees. 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(LIV)/3 and additional information presented during this Session as follows:

#### **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 Secretariat informed the Committee that the project had developed and tested an integrated, real-time, multi-tiered, online national Forest Stock Monitoring System (FSMS) to improve governance capabilities at all levels of the Forest Administration in the Philippines. The implementation of this project experienced substantial delay due to various problems including the recruitment of project team and consultants by the Executing Agency, as well as ITTO funding impairment. Eventually, the project has achieved its objective and completed all outputs. The Executing Agency submitted the completion report and the technical report in October 2019. However, the final audit report was only received by ITTO in August 2020. According to the final audit report, an unspent balance of US\$61,044.54 remains in the project account and should be returned to ITTO as soon as possible. The final report and other project outputs are available through the project search function on ITTO's website. As the completion report and the final audit report have been received and deemed acceptable, the Committee declared the project complete.

The representative of the project donor (Japan) welcomed the successful completion of this project. Noting that the COVID-19 pandemic could result in delays to other projects, he urged the Secretariat to keep donors updated on any delays to projects under implementation.

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 usually 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 the current balance available following consultation with donors on remaining monitoring and evaluation funds from projects completed since the impairment for CEM is US\$36,281 and for CFI US\$15,000. It recommended that members review the table of recently completed projects contained in document CEM-CFI(LIV)/1 Rev.1 with a view to making recommendation(s) for ex-post evaluation(s) at their next meeting when it will be hopefully be possible to recruit consultants able to travel to project locations to undertake the evaluations.

The Malaysian delegate took the floor to report the successful implementation of the previously reported completed project PD 722/13 Rev.1 (I) 'Capacity Building on Reduced Impact Logging (RIL) in Dry Inland Forest in the Permanent Forest Reserve of Peninsular Malaysia'. He summarized the results of the project and proposed it as a candidate for ex-post evaluation. The Committees adopted the recommendation to defer selection of projects for ex-post evaluation (including PD 722/13 Rev.1 (I)) to their next sessions.

10. Policy Work

Five issues/activities under the CEM and two issues under the CFI were considered by the Committees. Presentations on items (i), (ii), and (iv) are included in document CEM-CFI(LIV)/Info. 1 Rev.2.

**Committee on Economics, Statistics and Markets**

(i) Market Access

The Secretariat reported on developments relating to market access for tropical timber in 2019 and early 2020, including on four major legislative instruments: the EU Timber Regulation, the U.S. Lacey Act Amendments, the Illegal Logging Prohibition Act of Australia and the Clean Wood Act of Japan, which are regulating timber entering into these markets. In addition, the update also covered the legislative developments in other important timber markets, such as the Korean Revised Sustainable Use of Timber Act, Chinese Forest Law Amendment and Viet Nam - EU VPA/FLEGT Agreement, as well as the Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES).

(ii) Forest and Timber Certification

The Secretariat reported on recent developments in forest certification in ITTO producer member countries. In 2019, the total area of certified forests in ITTO producing members was 32.2 million hectares, accounting for 6.1% of the world's total. The number of Chain of Custody (CoC) certificates in ITTO producer countries was 4,154 which accounted for 7.9% of the total in the world. The FSC certified forest area in ITTO producers reached 18.9 million hectares which was 9.4% of global FSC certification, while the PEFC certified area reached 13.3 million hectares, accounting for about 4% of the world total of PEFC.

The certification statistics of four national schemes, CERFLOR of Brazil, MTCC of Malaysia, IFCC of Indonesia and PAFC of Gabon, had previously been endorsed by PEFC. Three ITTO producers achieved PEFC endorsement of their national systems in 2019, including India NCCF (Network for Certification and Conservation of Forests), Thailand FTI (Federation of Thai Industries) and Cameroon CAPAFC (Cameroonian Association of the Pan African Forestry Certification). Their certification statistics are expected to be covered by PEFC in future updating.

There are two national schemes in Indonesia: the SVLK had certified 19.4 million hectares, while the LEI system increased to cover 3.4 million hectares in 2019.

- (iii) APEC EGILAT and ITTO collaboration

The Committee took note of the brief report contained on document CEM-CFI (LIV)/1 Rev.1.

- (iv) Progress report on Independent Market Monitoring of FLEGT-licensed timber in 2020

The consultants (Sarah Storck and Rupert Oliver) delivered a presentation on IMM informing the latest developments on VPA and EUTR related issues. The delegation of Peru requested more time for presentation and discussion on this important topic. The Indonesian delegate recommended that a furniture study carried out by IMM be extended to other products and that work should be undertaken to ensure consistency between products regulated by the VPA and those regulated under the EUTR. The delegation of China welcomed the IMM presentation and the insights it provided on the tropical forest sector, and suggested to have more comprehensive information on the methodology and assessment criteria for determining perceptions of “negligible risk” be provided, and that future work include field studies rather than relying solely on importer interviews and questionnaires.

- (v) Items for CEM Policy Work for 2021

The Committee considered and agreed on the following items for discussion under its policy work agenda in 2021:

- 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 Committee took note of the brief report on this activity as contained in document ITTC(LVI)/4 Rev.1.

- (ii) Items for CFI Policy Work for 2021

The Committee considered and agreed on the following items for discussion under its policy work agenda in 2021:

- Enhancing conservation and sustainable management of teak forests in Greater Mekong Sub-region

11. Biennial Work Programme of the Committees for 2021-2022

The Committees noted that this item would be taken up under agenda item 12(b) of Council.

12. Election of Chairpersons and Vice-Chairpersons for 2021

The Committees will nominate and elect their Chairperson(s) and Vice-Chairperson(s) at the beginning of their next meeting once nomination from the Producer and Consumer caucuses are received.

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

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.

The Fifty-sixth Session of the Committees will be held in conjunction with the Fifty-eighth Session of the International Tropical Timber Council in 2022.

14. Other Business

None.

15. Recommendations to the International Tropical Timber Council

- (i) The Committees recommended that funding be made immediately available for the following projects and pre-project approved under the time-bound electronic no-objection procedure for the project cycle 2020:

**Committee on Economics, Statistics and Markets**

- PD 878/18 Rev.2 (M) Support for the Certification of National Teak Plantations of the National Timber Board (ONAB), Benin [US\$444,752]
- PD 913/20 Rev.1 (M) Strengthening Forest Monitoring and Extending the Coverage of the Traceability System in Panama [US\$856,352]

**Committee on Forest Industry**

- PD 912/20 Rev.1 (I) Strengthening Technical and Business Management in the Timber Forest Industry of Peru [US\$385,706]
- PPD 195/19 Rev.2 (I) Pre-project for a Feasibility Study on Processing and Valorizing Timber in Togo [US\$93,632]

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

**Committee on Economics, Statistics and Markets**

- PD 819/16 Rev.3 (M) Market Survey for Forest Products in Peru [US\$406,459]
- 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]
- 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 (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 (Indonesia)[US\$499,184]

- (iii) The Committees recommended that members review the table of recently completed projects contained in document CEM-CFI(LIV)/1 Rev.1 with a view to making recommendation(s) for ex-post evaluation(s) at their next meeting.

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.