

INTERNATIONAL TROPICAL TIMBER ORGANIZATION

ITTO

PROJECT DOCUMENT

TITLE:	PROMOTING AND CREATING MARKET DEMAND FOR CERTIFIED TROPICAL WOOD AND VERIFIED LEGAL TROPICAL WOOD
SERIAL NUMBER:	PD 391/06 <u>Rev.2</u> (M)
COMMITTEE:	ECONOMIC INFORMATION AND MARKET INTELLIGENCE
SUBMITTED BY:	GOVERNMENT OF JAPAN
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SUMMARY:

A major obstacle to promoting certified tropical wood and verified legal tropical wood (hereafter "C/VL wood") as a means to achieving sustainable forest management in tropical countries is the inadequate market demand for C/VL wood. Promoting and creating demand for C/VL wood are urgent tasks for Asia because it produces and consumes more tropical wood than any other region. To create such demand is especially important in Japan, one of the world's largest importers of tropical wood.

The Project will establish a center – the "FairWood Center" – to act as a clearinghouse and a point of expertise for C/VL wood. The FairWood Center will support companies both on the demand and supply sides to trade in C/VL wood by providing attractive business-oriented environmental and social information and supporting phased approaches to boost supply.

The Project will focus on Indonesia and Malaysia as tropical timber producing countries, and the knowledge gained from the Project will be used to open the services of the FairWood Center to all producer countries.

The model developed under the Project to encourage sustainable forest management by creating demand for legal and sustainable wood products in consuming countries can be applied to other producer and consumer countries.

EXECUTING AGENCIES: FRIENDS OF THE EARTH JAPAN (FoE Japan)
GLOBAL ENVIRONMENT FORUM (GEF)

DURATION: 24 MONTHS

BUDGET AND PROPOSED SOURCES OF FINANCING:	SOURCE	CONTRIBUTION IN US\$
	ITTO	257,472
	EXECUTING AGENCY	45,000
	TOTAL	302,472

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Acronyms

AFP	Asia Forest Partnership
ASEAN	Association of Southeast Asian Nations
BRIC	<i>Badan Revitalisasi Industri Kehutanan</i> (Forest Industry Revitalization Body)
BRIMAS	Borneo Resources Institute
C&I	Criteria and indicators
CBO	Constituent Based Organization
CIFOR	Center for International Forestry Research
CoC	Chain of custody
C/ML wood	Certified tropical wood and verified legal tropical wood
DFID	The UK Department for International Development
FA	Forestry Agency of Japan
FD Sabah	Forestry Department, Sabah, Malaysia
FFPRI	Forest and Forest Products Research Institute
FLEG	Forest law enforcement and governance
FLEGT	Forest law enforcement and governance and trade
FMUs	Forest management units
FoE Japan	Friends of the Earth Japan
FRIM	Forest Research Institute of Malaysia
FSC	Forest Stewardship Council
FWI	Forest Watch Indonesia
GEF	Global Environmental Forum
GFTN	Global Forest Trade Network
GFS	Global Forestry Services
HCVF	High conservation value forest
IGES	Institute for Global Environmental Strategies, Japan
IPB	Institut Pertanian Bogor
JFWIA	Japan Federation of Wood Industry Associations
LEI	<i>Lembaga Ekolabel Indonesia</i> (The Indonesian Ecolabelling Institute)
MoE	Japanese Ministry of Environment
MoF	Indonesian Ministry of Forestry
MoFA	Japanese Ministry of Foreign Affairs
MPIC	Ministry of Plantation Industries and Commodities, Malaysia
MTCC	Malaysian Timber Certification Council
NGOs	Non governmental organizations
NTFP	Non timber forest products
PEFC	Program for the Endorsement of Forest Certification
SFM	Sustainable forest management
TFT	Tropical Forest Trust
TNC	The Nature Conservancy
UK MoU	Memorandum of understanding between the United Kingdom and Indonesia
USAID	The US Agency for International Development
WALHI	<i>Wahana Lingkungan Hidup Indonesia</i> (Environmental Forum for Indonesia)
WSSD	World Summit on Sustainable Development

PART I. CONTEXT

1. Origin

Illegal logging in the Asia-Pacific region is a major threat to global efforts to promote sustainable forest management. It is pervasive and causing enormous damage to forests, to people dependent on forests and to the economies of tropical timber producer countries.

Recognizing that Japan is a major consumer of tropical wood products and therefore has an important role to play in combating illegal logging, the Japanese government has stated, as its basic policy, that Japan should not use illegal wood. The Project focuses on Japan, one of the world's largest importers of tropical wood, and Indonesia and Malaysia, which are major suppliers of tropical wood to Japan.

There are already a variety of initiatives in Indonesia and Malaysia to address illegal logging through market mechanisms. The major initiatives are certification programs, namely the Forest Stewardship Council (FSC), Lembaga Ekolabel Indonesia (LEI) and the Malaysian Timber Certification Council (MTCC). The combined area of certified forests in Indonesia and Malaysia is over 5 million ha (see Table 1), but this represents only a small percentage of the potential certifiable forest area and can only supply the market with small volumes of certified wood.

Table 1: Area of certified forest in Indonesia and Malaysia (hectares)

	Indonesia	Malaysia
FSC	274,598	71,664
LEI	91,767	-
MTCC	-	4,730,774
Total	366,365	4,802,438

Data as of May 19, 2006.

Source: <http://www.fsc-info.org>, <http://www.lei.or.id/english/index.php>,
<http://www.mtcc.com.my/index.asp>

Increasing market demand is critical for these initiatives to succeed. Demand from Europe for C/VL wood is growing. The Tropical Forest Trust (TFT) and the Global Forest Trade Network (GFTN) are assisting European buyers to source certified wood products. Such initiatives are laudable, but the European market is far smaller than the Asia-Pacific market. The Japanese market share is particularly large¹, however, Japanese companies that use tropical timber are not sufficiently aware of forest management issues in the region and do not know how to source legal and sustainable wood products. A recent survey conducted by the Japan Federation of Wood Industry Associations (JFWIA) of its members confirms this observation. 50% of members believe that no illegally-sourced wood is included in their trade and 40% simply do not know if illegal wood is included or not. Moreover, 65% of members stated that their customers have shown no interest in the legality and origin of the wood that they purchase. None of the companies had a timber procurement policy.²

To fill the gap between the market-based, voluntary initiatives in tropical countries and the Japanese market, Friends of the Earth Japan (FoE Japan) and Global Environmental Forum

¹ In 2004, Japan was the world's largest importer of tropical plywood and the third largest importer of tropical logs (ITTO. 2005. Annual review of world timber).

² JFWIA. 2002. *Report of questionnaire on the illegal logging issue*.

(GEF) launched the "FairWood" campaign for Japanese wood traders and buyers at the end of 2002. We conducted a FairWood forum in Tokyo in December 2004, which was attended by representatives from over 100 companies. At this forum we invited wood buyers from the UK and the US to inform Japanese companies on how to make responsible timber purchases and how buyers can support timber producers to improve their practices. We also invited speakers from NGOs in supplier countries (Telapak and Forest Watch Indonesia) to inform the companies about local realities.

FoE Japan and GEF continues working on the "FairWood" campaign by collecting and disseminating information on the state of the world's forests and timber trade, giving policy recommendations on timber and paper procurement to industries and government, and organizing seminars, symposiums, and working groups for discussion on timber and paper procurement policy. We regularly send out a mail magazine and news summary on timber trade and forest issues.

The proposed project to promote and create market demand for C/VL wood evolved from the discussion during the FairWood forum in 2004 and our subsequent activities. The aims of the Project are:

- to raise the awareness of Japanese tropical timber buyers of the need for sustainable forest management and to provide them with information on how to source legal/sustainable tropical wood from Indonesia and Malaysia;
- to increase demand for C/VL wood in Japan; and
- to support phased approaches for certification and legal verification systems.

To achieve these aims the Project will establish a web-based clearing house and point of expertise (the FairWood Center), which will continue to promote C/VL wood after project completion.

2. Sectoral Policies

2-1. International policies and frameworks

In May 1998, G8 Foreign Ministers agreed to launch and support the "G8 Action Program on Forests" focusing on five priority areas, one of which was illegal logging. The subsequent G8 Summits in Birmingham (1998), Okinawa (2000) and Kananaskis (2002) also called for efforts to tackle illegal logging and the ensuing timber trade.

In line with these agreements, the "Bali Declaration" agreed to by the Ministerial Meeting to launch the East Asia Forest Law Enforcement and Governance (EA-FLEG) in 2001 set the following objectives:

- strengthen bilateral collaboration to address illegal logging associated with illegal trade;
- explore ways in which the export and import of illegally harvested timber can be eliminated;
- help raise awareness of forest crimes and threats; and
- involve stakeholders in decision-making thereby promoting transparency, reducing the potential for corruption, ensuring greater equity, and minimizing the undue influence of privileged groups.

A the first G8 Environment and Development Ministerial Meeting held in March 2005 in Derby (UK) and at the subsequent G8 meeting in July in Gleneagles, the country representatives recognized that tackling illegal logging requires action by both timber producing and consuming countries. They agreed to:

- take steps to halt the import and marketing of illegally logged timber;
- work with and encourage the private sector in producer and consumer countries, including timber processors, exporters, importers and civil society organizations, to develop and promote legally sourced timber products;
- work with the private sector to help them adopt and implement voluntary codes of conduct, good business practices and improved market transparency; and
- work with civil society to inform consumers of the problems caused by illegal logging.

2-2. Policy of Japan

In Japan's Climate Change Initiative that was announced at the G8 Gleneagles Summit 2005, the government stated that "Japan will take actions to tackle illegal logging through a government procurement policy, effort to work out a voluntary 'code of conduct' on the regulation of trade, assistance to timber producing countries and follow-up of the G8 Action Programme on Forests." Japan's "Green Procurement Policy" was subsequently revised and the revisions have been in effect since April 2006. Under this policy, the legality and sustainability of timber and timber products must be considered in public procurement. The Forestry Agency of Japan prepared "The Guideline for Verification and Legality and Sustainability of Wood and Wood Products" for implementation of the revisions. The Guideline discusses definitions of legality and sustainability, the establishment of a multi-stakeholder meeting process, and the possibility of further amendments to the Guideline.

2-3. Policies between Indonesia and Japan

The governments of Indonesia and Japan are collaborating to tackle illegal logging and the illegal timber trade. They established the Asia Forest Partnership (AFP) at the World Summit on Sustainable Development in September 2002 to promote sustainable forest management in Asia. The main issues that AFP is addressing include good governance and forest law enforcement, developing capacity for effective forest management and the control of illegal logging.

In June 2003, Indonesia and Japan signed the Joint Announcement and Action Plan on Cooperation in Combating Illegal Logging and the Trade in Illegally Logged Timber and Wood Products. Both countries recognize the need for urgency and have agreed to the following actions:

- development, testing and implementation of the systems for verification of legal compliance in due course to be applied throughout Indonesia and Japan, in respect of timber and wood products imported directly or indirectly from Indonesia;
- encouraging involvement of civil society in the effort to combat associated illegal trade and illegally harvested timber and wood products and particularly in monitoring the implementation of the systems for verification of legal compliance; and
- joint development of systems for the timely collection and exchange of data on timber trade and wood products between the two countries.

2-4. Policies between Malaysia and Japan

On 13 December 2005, the Prime Minister of Malaysia, Abdullah Ahmad Badawi, and the Prime Minister of Japan, Junichiro Koizumi, signed a joint statement for an economic partnership between Malaysia and Japan. Attachment 1 of the statement addresses the issue of sustainable forest management and the trade in legally obtained timber. Both countries agreed to establish a bilateral expert group under the framework of co-operation, which will hold consultations in order to promote sustainable forest management in both countries on:

- measures to promote sustainable forest management;
- enhancing trade in timber and timber products from sustainable resources;
- research and development and transfer of technology on innovative measures and technologies on forest and wood utilization; and
- international frameworks concerning forests and timber including ITTO and AFP.

3. Programs and Operational Activities

The Japanese government is engaged in a variety of activities to combat the trade in illegally harvested timber and to promote sustainable forest management. For example, based on the Joint Announcement between Indonesia and Japan the government is developing a tracking system using 2-dimension barcode technology, which is able to track logs from the stump to the mill. The government also provides international assistance to the forestry sector of tropical countries through ODA: projects include industrial afforestation/reforestation, prevention of forest fire, promotion of community forestry and capacity building.

The ITTO has supported activities in Indonesia and Malaysia to assist the respective governments to develop systems for legal verification, certification, tracking and endorsement, as well as promoting forest law enforcement. ITTO projects have supported capacity building of forest certification schemes, such as assisting LEI to prepare the ground for forest certification in Indonesia (PD 1/95 Rev. 4 (M)). A current ITTO project (PD 80/01 Rev.6 (M)) is closely linked to the proposed project. Its objective is to increase the availability of certified timber in Indonesia by improving public awareness of certification systems and establishing the national capacities needed to ensure implementation and monitoring of credible certification systems. The ITTO project PD 74/01 Rev.1 (M) is implementing a pilot study on ways to control illegal logging in production and protected areas in Riau and West Kalimantan. ITTO also supported a project (PD 38/00 Rev.1 (F)) to promote trans-boundary conservation along the border between Indonesia and the Malaysian states of Sabah and Sarawak, where the conservation values of the Kayan Mentarang National Park in East Kalimantan are threatened by cross-border illegal logging.

Recently, the ITTC thirty-ninth session announced the strategic policy activities of the Committee on Economic Information and Market Intelligence in the draft biennial work program for the year 2006-2007 (ITTC (XXXIX)/7 Rev.3). The strategic policy activities included "Study on subsidies affecting tropical timber products [ITTC Decisions 4(XXXV) and 1(XXXVII)]" and "Consider further work on forest law enforcement and illegal trade in timber and timber products [ITTC Decision 6(XXXI)]." The aim of the Project is related to these activities.

PART II. THE PROJECT

1. Project Objective

1-1 Development Objective

The overall development objective of the project is to promote and create market demand for certified tropical wood and verified legal tropical wood (hereafter C/VL wood).

1-2 Specific Objective

Specific Objective1: To promote the use of C/VL wood in Japan by establishing and operating a clearinghouse, the FairWood Center, for exchange of information related to C/VL wood.

Specific Objective2: To support the introduction of credible certification and verification systems in tropical wood exporting countries.

2. Justification

2-1 Problems to be addressed

The international trade in tropical timber is threatened by its poor image. Revitalizing this trade requires that systems be developed and implemented that provide consumer countries with confidence that the timber they procure is legal and sustainable. The marketplace must also provide an adequate incentive for producing countries to implement such systems.

In Japan, a major importer of tropical timber and wood products, the availability of C/VL wood is very low. Weak domestic demand and the small volumes that producing countries are able to supply explain the low volumes of C/VL wood that are traded. The problems of low demand and small volumes of supply are mutually reinforcing.

Closer examination reveals that the promotion of C/VL wood is hindered on both consumer and producer sides by 1) a lack of information and 2) insufficient support services. For both sides information on certification and verification systems is: dispersed and hard to find (a significant problem in Japan is that such information is largely not available in Japanese); not attractive for business people as information on quality, cost, and delivery schedule is not clear, and; poorly promoted. In addition, the supply of C/VL wood must meet the requirements of buyers for quality, cost and delivery schedule. There is no forum to exchange such information between suppliers and buyers.

Many wood suppliers and buyers require institutional and informational support to begin trading in C/VL wood. Japanese firms require assistance to develop wood procurement policies. They lack information about how to procure certified/verified wood and are not fully aware of the potential benefits of trading in C/VL wood. Consequently, there is little demand from Japan for C/VL wood, which results in little incentive for suppliers to offer C/VL wood. Organizations that wish to offer assistance find that knowledge of procurement practices and the supply chains of Japanese companies are poor and that information is hard to obtain.

Buyers that wish to procure legal and sustainable wood not only need information on the types and availability of C/VL wood, they also require information on the environmental and social

burden/risks associated with all commercial tropical wood according to species and regions. Information of this sort is unavailable.

Support for suppliers is also lacking. Phased approaches are a pragmatic means of making certification more accessible to suppliers, but much greater support for phased approaches is required. Legal verification systems have only recently been developed and suppliers will require external assistance to implement these. Suppliers lack basic information on certification and verification and up-to-date market information for C/VL wood.

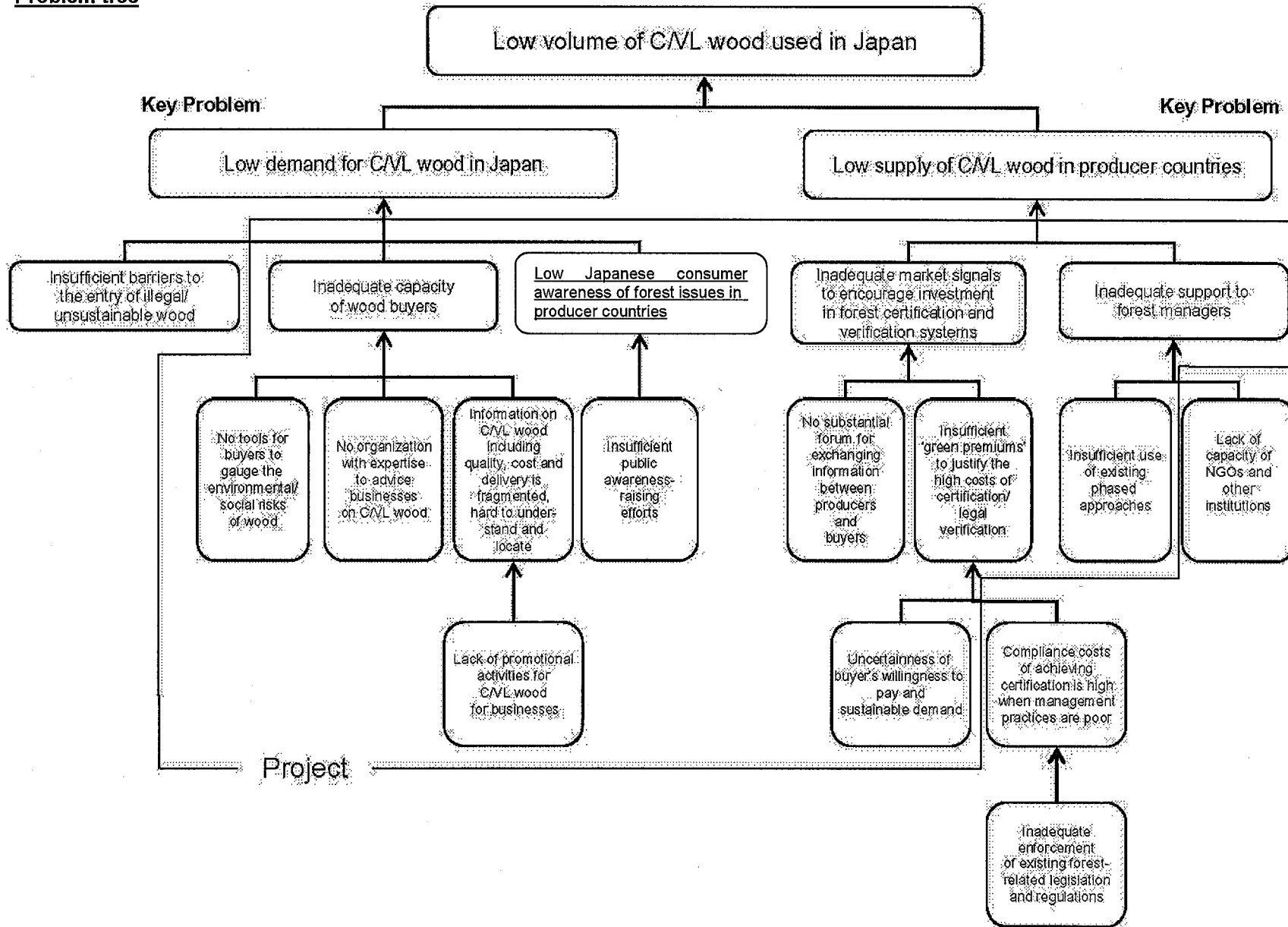
A clearinghouse and point of expertise in Japan (FairWood Center) would make an important contribution to bridging this information gap. It would also provide: a mechanism through which suppliers and buyers could contact each other; support to suppliers to implement phased approaches to certification, and; support to buyers to develop procurement policies. The FairWood Center would not only provide information and support for trade in legal and sustainable wood, it will also provide information (guidebooks) on the social and environmental risks of using wood that is not verified as legal and/or sustainable.

Another critical constraint to the development of C/VL wood markets is that premiums do not exist in some markets and in others are low. The proposed center to promote C/VL wood would advocate a "fair price" for "fair wood."

Problem tree

See next page.

Problem tree



2-2 Intended situation after Project completion

By the end of the 24-month project period:

- 1) A center of expertise and information clearinghouse- the FairWood Center – will be established;
- 2) Use of C/VL wood will be promoted in Japan;
- 3) The target buyers in Japan will develop procurement policies for wood products;
- 4) The target suppliers will have the capacity to obtain certification and/or verification of legality; and
- 5) Opportunities for exchange information on C/VL wood products would be offered through workshops.

The FairWood Center will:

- act as a clearinghouse to disseminate information on existing certification and verification systems, and social and environmental risks of wood procurement;
- provide opportunities to exchange information among relevant stakeholders through workshops, seminars, a mail based timber magazine, forums etc.;
- act as a bridge to introduce suppliers and buyers of C/VL wood, provide support for phased approaches to certification in supplier countries and for Japanese buyers to develop procurement policies; and
- in the future, provide expertise for public procurement and public works projects in Japan, and open its services to all supplier countries.

The FairWood Center will continue to promote trade in C/VL wood after project completion. To ensure the sustainability of the FairWood Center it may be appropriate to shift to a member-based operation, with members including Japanese wood buyers and timber companies in tropical countries.

The Project will build partnerships between Japanese companies and companies in producer countries to conduct trade in C/VL wood. These partnerships will stand as demonstration models/success stories that can be used to encourage other Japanese companies to build similar partnerships.

During the project period, the FairWood Center will focus on Indonesia and Malaysia as supplier countries. The knowledge accumulated during the project period will be used to make the services of the Center available to all countries supplying wood to Japan.

The Project intends to promote markets for sustainable tropical wood as a means of raising the profile of the tropical wood industry, contributing to sustainable forest management and improving the livelihoods of people who rely on forests.

2-3 Project strategy

To achieve the Specific Objectives, the following strategies are planned:

1. Identify and classify companies on both demand (Japan) and supply (Indonesia and Malaysia) sides that have the potential and desire to trade in C/VL wood.
2. Collect environmental and social information on wood species and products as well as certification and verification systems, and compile this information in an attractive

business-oriented guidebook.

3. Conduct workshops to disseminate this information to Japanese wood buyers and to identify companies interested in developing procurement policies.
4. Create the web-based FairWood Center to act as bridge between buyers and sellers. The Center will be a clearinghouse for information on C/VL wood and will provide support to both buyers and sellers.
5. Assist Japanese buyers in establishing timber procurement policies and integrate these with their corporate social responsibility and risk management strategies.
6. Select a small number of timber companies in Malaysia and Indonesia that are interested in supplying the Japanese market with C/VL wood. Assist these companies to develop action plans in order to implement phased approaches to certification and/or legal verification that are acceptable to Japanese buyers. Link these suppliers with buyers in Japan to act as a demonstration of what can be achieved. For the procedure to select companies in Japan and companies in producer countries, see annex N.

The following alternatives have been examined to achieve the objectives:

Alternative 1:

The Project could build the capacity of timber suppliers in Indonesia and Malaysia to acquire certification/verification and to improve their forest management towards SFM. However, capacity building of suppliers and the promotion of certification alone would have limited impacts as the low demand for C/VL wood and the high cost of obtaining certification would remain major obstacles.

Alternative 2:

Another alternative is to build the awareness of consumers in Japan. This would require educating a very large population about the background and underlying causes of illegal and destructive logging, the nature and significance of certification/verification systems, and the importance of demand-driven approaches to promote SFM. Although such awareness-raising is important, it is time-consuming and would not represent the most cost-effective use of resources.

Alternative 3:

The Project could conduct a campaign in Japan against tropical timber products sourced from illegal and destructive logging. Based on previous experiences of such campaigns, it is likely that Japanese consumers would not understand the background of the campaign and tend to simplify the issues. There is a risk of prompting a boycott of timber from specific countries, which would not generate any long-term solutions and could unjustly jeopardize their development prospects. This type of campaign could target its criticism at specific companies, which would simply shift sourcing from one place to another without consideration for SFM.

2-4 Target beneficiaries

At the national level:

-Wood-related businesses in Indonesia, Malaysia and Japan.

All the outputs from the Project, such as the guidebook on social/environmental risks, information to promote the supply and use of C/VL wood and workshops, will contribute to building the capacity of wood-related businesses on the consumer side and the supplier side.

-Japanese, Indonesian and Malaysian governments

The project will contribute to the efforts to promote sustainable forest management and combat illegal logging that are part of the Joint Announcement and Action Plans announced by the Indonesian and Japanese governments and the Joint Statement for an economic partnership between the governments of Malaysia and Japan.

At the International level:

- The Project model to promote SFM by creating demand for C/VL wood in consuming countries can be applied to other producer and consumer countries in Asia through the co-operation of regional/international forums such as ASEAN or APT.

At the local level:

- Through promoting the use of C/VL wood and avoiding wood sourced from illegal or destructive logging, the Project will: strengthen the rights and security of local people through the proper enforcement of legislation and forest regulations; facilitate their participation in forest management; encourage sustainable management practices that allow forests to provide public goods (stabilization of hill slopes, preservation of waterways, etc.), and; promote the rights of local people regarding forest access and use.

2-5 Technical and scientific aspects

The technical and scientific aspects of the project are associated with 1) the development of a guidebook for buyers in Japan, and 2) the development of a model to promote phased approaches to certification/verification for wood business in supplier countries. At a multi-stakeholder dialogue on "Practical actions to combat illegal logging" convened by The Forests Dialogue on 7-10 March 2005 in Hong Kong, the participants agreed that business and civil society should create a simple, credible, independent and objective ratings system that can be utilized to identify high-risk countries and tree species, and possibly expanded to cover companies. The proposed guidebook will include information on species and regions. Local organizations in Malaysia and Indonesia with relevant technical and scientific expertise, such as CIFOR, IPB in Indonesia and FRIM in Malaysia, will be recruited to assist in the development of the guidebook.

Phased approaches that promote a pragmatic step-by-step approach are supported by many organizations including ITTO, PEFC and WWF to overcome the cost and technical barriers to certification. Forest managers have responded positively to these approaches and the necessary technical and scientific expertise is progressing. The Project will employ the expertise of local organizations in Malaysia and Indonesia to develop a model that can be used to promote the phased implementation of certification/verification schemes, particularly with a view to encouraging the participation of Japanese buyers. A matrix will be developed to identify promising forest-related businesses in Indonesia and Malaysia to participate in development of the model. The model will be open to all certification/verification schemes and will encourage any efforts to shift toward acquiring certification/verification.

2-6 Economic aspects

The introduction of certification/verification systems will raise the overall production cost. A barrier to promoting the use of C/VL wood is the difficulty for timber-related businesses in

tropical countries to bear the additional cost. These costs are especially high when present practices do not conform to sustainable forest management principles (compliance costs) and when countries do not have their own national certification standard (auditing costs). The matrix discussed above will identify forest-related businesses that are attempting to move towards SFM and have already taken steps in this direction. Compliance costs will be lower for such companies. Both Indonesia and Malaysia have their own national certification schemes and certification bodies, which reduce assessment and auditing costs. The Project model to support phased approaches will prioritize the issue of costs and the FairWood Center will identify cost-effective certification/verification options.

Through workshops and discussions the Project will identify Japanese companies that wish to use C/VL wood, with the aim of assisting these companies to develop timber procurement policies. The Project will encourage Japanese buyers to pay an appropriate price for C/VL wood in recognition of the extra costs in producing such wood, and will assess options for Japanese buyers to meet part of the costs of certification/legal verification in developing countries.

The recent reform of Japan's public procurement policy will contribute to raising the demand for C/VL wood in Japan and could lead to higher prices.

2-7 Environmental aspects

Illegal logging is recognized as a major threat to SFM as it is unregulated forest destruction that values forests only for the timber that can be extracted. Illegal and destructive logging in general: undermines national forest programs for sustainable forest management; threatens sensitive ecosystems, including those under protected area management; is responsible for extensive deforestation and forest degradation; triggers forest fires, and; decreases forest bio-diversity.

The project is expected to promote SFM by encouraging the use of wood that has been harvested according to forest-related legislation and regulations and widely accepted SFM principles. These principles, and increasingly national legislation/regulations, recognize the importance of: establishing and enforcing sustainable rates of harvesting; implementing a management plan that minimizes impacts on waterways and hill slopes; protecting endangered species; implementing reduced impact logging practices, and; preserving high conservation value forests.

The guidebook that will be developed by the Project as a risk assessment tool will help the business sector to avoid sourcing timber from destructive forestry operations.

2-8 Social aspects

The social aspects of the Project primarily relate to the social changes that occur after systems of legal verification and forest certification are implemented. The social consequences of illegal and unsustainable logging that exist prior to the introduction of such systems include:

- Direct impacts on communities: a) social disintegration due to conflicts over the destruction of the forest resource and decisions made in the interests of individuals rather than the community, b) damage to livelihoods through the degradation of waterways and decrease in the supply of non-wood and wood products used for subsistence and/or income generation, c) low provision of social services because of lost public revenue from royalties and taxes, d) eventual

loss of wage employment opportunities when the local forestry industry collapses through over-harvesting, and e) intimidation and physical abuse of those that oppose the illegal practices.

- Impacts on forest governance: democratic processes are impeded by weak systems of governance characterized by rent seeking, patronage, bribery and influence peddling.

Independent studies have identified various positive social impacts after appropriate legal verification and forest certification schemes were introduced. Social benefits have been secured from certification of both industrial and community-based forestry. Benefits include: a) legitimization of local land tenure rights, b) continued access to forests for non-industrial uses, c) increased enthusiasm for sustainable forest management after seeing the benefits of improved law enforcement and forest certification, d) opening of spaces for communities to engage in dialogue with other stakeholders, e) enabling communities to control incursions on to their land and help them set terms under which their resources are used, f) community leverage for donor and government financial and technical support, g) improved labor conditions and employment, and h) improved livelihoods from the establishment of locally-based processing operations.

By supporting the development and implementation of well-designed legal verification and certification systems, the project seeks to reduce the adverse social consequences of illegal/destructive logging, especially on the local community. Conversely, the project seeks to maximize the social benefits that are derived from sustainable forest management from the introduction of certification/verification systems. A task of the FairWood Center will be to encourage further refinement of these systems to be responsive to local needs and expectations, and to fully utilize local institutions and existing practices for sustainable forest management.

2-9 Risks

The additional costs of implementing certification and legal verification systems can weaken the competitiveness of C/VL wood products. To avoid this situation, it is important to both reduce the costs of these systems and to raise the awareness of buyers to the importance of "green" procurement. The Project provides opportunities for cost saving by developing a cost-effective model for supporting phased approaches to certification/legal verification in supplier countries. The Project also supports targeted buyers to develop green procurement policies that are informed by the concepts of legality and sustainability.

Another potential risk is that green procurement policies could exclude legally produced wood products that are not certified or legally verified. However, the demand for C/VL wood in the Japanese market can be expected to remain relatively small compared with the total size of the market. As long as the Project takes a balanced approach by supporting both the supply side and demand side, it can gradually build a market for C/VL wood that does not threaten non-verified legal wood.

In the operation of the Project, inadequate cooperation and coordination with partner agencies in Indonesia and Malaysia could be another risk. However, the executing agencies have visited the partner agencies to explain the Project and have been successful in garnering their support. Further discussion with partner agencies will take place prior to project initiation.

A further potential risk is that Japanese buyers may not be sufficiently interested in C/VL wood, despite the project activities. However, a change in public procurement policy, the results of efforts of environmental organizations in Japan and recent initiatives within the private sector indicate that this should not be a problem. The revision in 2006 of Japan's green procurement policy adopted under the "Law Concerning the Promotion of Procurement of Eco-Friendly Good and Services by the State and Other Entities" included the requirement that consideration must be given to the legality and sustainability of timber, wood products and paper products that are procured by the government. This has already stimulated a response from the private sector: associations of timber importers and timber manufacturers are now creating codes of conduct and will ask their member companies to only use legal wood. Five environmental organizations, including the executing agencies, have been discussing the sustainability of paper purchases with companies through organizing a study team. Consequently, the major paper supplier companies in Japan - Canon, Nippon Paper Industries, Oji Paper Group, Fuji Xerox and Askul - announced sustainable paper procurement policies.

3. Output

The expected outputs of the project organized according to the Project objectives are listed below.

3-1 Specific Objective 1

To promote the use of C/VL wood in Japan by establishing and operating a clearinghouse, FairWood Center, for exchange of information related to C/VL wood.

- Output 1-1: Pre-study of the degree of interest in procuring C/VL wood in Japan and to identify obstacles
- Output 1-2: Creation of a guidebook on the environmental and social issues associated with tropical wood from Indonesia and Malaysia
- Output 1-3: Two workshops to introduce Japanese companies to environmental and social information on tropical wood as well as ways to avoid environmental/social risks
- Output 1-4: Establishment of the FairWood Center to act as a clearinghouse and point of expertise for information necessary to create a strong cooperative relationship between consumer and producer countries for trade in C/VL wood
- Output 1-5: Providing assistance to Japanese companies to develop procurement policies for C/VL wood

3-2 Specific Objective 2

To support the introduction of certification or verification systems in the tropical wood producing countries.

- Output 2-1: Identification of obstacles to introducing certification and verification systems in tropical wood producing countries
- Output 2-2: Providing support to introduce phased approaches for certification and verification systems in tropical wood producing countries

4. Activities

4-1 Output 1-1

- Activity 1-1-1: Select 5 major wood purchase companies from different industries - trading companies, wholesale merchants, manufactures, and house builders - in Japan (total 20 companies). Conduct interview research to identify their interests in C/VL wood, their current procurement practices, their informational needs and obstacles they face
- Activity 1-1-2: Compile the results in a report and use this to inform planning for the FairWood Center and workshops
- Activity 1-1-3: Create a matrix for selecting suppliers in a systematic manner in Indonesia and Malaysia to participate in the Project
- Activity 1-1-4: Conduct one Advisory Group meeting in Tokyo

4-2 Output 1-2

- Activity 1-2-1: Collect environmental and social information for different regions, wood species and products
- Activity 1-2-2: Analyze collected data
- Activity 1-2-3: Compile the analyzed data into an environmental and social guidebook for procuring tropical wood

4-3 Output 1-3

- Activity 1-3-1: Publicize the workshops widely and visit targeted companies mentioned in Output 1-1 to induce their attendance
- Activity 1-3-2: Organize two workshops targeting Japanese companies to introduce environmental and social information on tropical wood as well as ways to avoid environmental social risks based on the guidebook mentioned in Output 1-2

4-4 Output 1-4

- Activity 1-4-1: Create a FairWood Center website, which will be managed in Japan
- Activity 1-4-2: Provide information on C/VL wood, certification and verification systems through the FairWood Center website. Encourage participants of the workshop (Output 1-3) and targeted companies mentioned in Output 2-1 to utilize the website. Distribute information through mail magazines

4-5 Output 1-5

- Activity 1-5-1: From the original 20 companies interviewed select 10 companies for further discussions. From these select 1 or 2 companies that are interested in utilizing certified/verified wood
- Activity 1-5-2: Closely assist these 1 or 2 companies to develop procurement policies and to link them with existing and potential suppliers

4-6 Output 2-1

- Activity 2-1-1: Select and interview 5 potential companies (total 10 companies) in Indonesia and Malaysia.
- Activity 2-1-2: Compile a report and reflect the findings in the operation and planning of the FairWood Center and workshops

4-7 Output 2-2

- Activity 2-2-1: Identify 3 suppliers in each country that have the potential to shift towards supplying C/VL wood
- Activity 2-2-2: Facilitate exchange of information through the use of the FairWood Center among the suppliers and potential Japanese buyers
- Activity 2-2-3: Assist the selected suppliers in developing action plans to implement phased approaches for certification and/or verification systems

5. Logical Framework Worksheets

Project elements	Indicator	Means of Verification	Important Assumption
Development objective: Promote and create market demand for C/VL wood	- Full operation of FairWood Center - Japanese companies, other than the target companies, develop the procurement policy (pp), and procure C/VL with assistance from the Center	An action plan of the Center Developed procurement policy An informal statement or proclamation of the partnership in the center	C/VL wood can be economically viable
Specific objective 1: To promote the use of C/VL wood in Japan by establishing and operating a clearinghouse, FairWood Center, for exchange of information related to C/VL wood	- Target company(s) in Japan develops and applies a procurement policy with C/VL - Target company(s) in Japan purchases C/VL wood	Procurement policies of Japanese companies A model for procuring C/VL wood	Japanese companies can be motivated to demand C/VL wood
Specific objective 2: To support the introduction of certification or verification systems in the tropical wood producing countries	- Target company(s) in Indonesia and Malaysia develops and implements an action plan for a phased approach to certification or legal verification with the support from the Center - Target company(s) in Indonesia and Malaysia produce certified and/or verified timber and/or wood products	Action plans of companies A model for implementing a phased approach for acquiring certification or verification	Indonesian and Malaysian suppliers can be motivated to supply C/VL wood
Project elements	Indicator	Means of Verification	Important Assumption
Output 1-1: Pre-study of the degree of interest in procuring C/VL wood in Japan and to identify obstacles	Top 5 companies of trading companies, wholesale merchants, manufactures, and house builders visited and interviewed	A report of current demand and obstacles to the use of C/VL wood	Good interviewee acceptance of the process and that all data/references collected are credible
Output 1-2: Creation of a guidebook on the environmental and social issues associated with tropical wood from Indonesia and Malaysia	Information on environmental and social issues of tropical wood from Indonesia and Malaysia is collected and analyzed	A guidebook for wood buyers	Guidebooks are an effective way of presenting information on social and environmental issues to businesses

Output 1-3: Two workshops to introduce Japanese companies to environmental and social information on tropical wood as well as ways to avoid environmental/social risks	Two workshops conducted in Tokyo and Osaka	Participants list; attendance form	Workshops can be effective in raising the awareness of businesses of environmental and social concerns, and in encouraging them to take action
Output 1-4: Establishment of the FairWood Center to act as a clearinghouse and point of expertise for information necessary to create a strong cooperative relationship between consumer and producer countries for trade in C/VL wood	FairWood Center established	Member list of FairWood Center Completed questionnaires of members	An independent information clearinghouse can provide useful information to companies and can act as a bridge between suppliers and buyers
Output 1-5: Providing assistance to Japanese companies to develop procurement policies for C/VL wood	At least 1 Japanese company participating in the Project took action to procure C/VL wood	The actions announced through the website Company procurement documents	The FairWood Center can provide adequate support to Japanese companies
Project elements	Indicator	Means of Verification	Important Assumption
Output 2-1: Identification of obstacles to introducing certification and verification systems in tropical wood producing countries	Top 5 companies in Indonesia and Malaysia (total 10) visited and interviewed	A report identifying obstacles and potential to acquire certification/legal verification	Good interviewee acceptance and credibility of all data/references
Output 2-2: Providing support to introduce phased approaches for certification and verification systems in tropical wood producing countries	<u>2 companies in Indonesia and 2 in Malaysia</u> develops an action plan to implement a phased approach to certification/legal verification	Action plans	The FairWood Center can provide necessary support to Indonesian and Malaysian suppliers

6. Work Plan

Activities	Responsible Organization	First Year				Second year			
		1	2	3	4	1	2	3	4
Output 1-1: Pre-study of the degree of interest in procuring C/VL wood in Japan and to identify obstacles									
Activity 1-1-1: Select 5 major wood purchase companies from different industries - trading companies, wholesale merchants, manufactures, and house builders - in Japan (total 20 companies). Conduct interview research to identify their interests in C/VL wood, their current procurement practices, their informational needs and obstacles they face	FoE, GEF								
Activity 1-1-2: Compile the results in a report and use this to inform planning for the FairWood Center and workshops	FoE, GEF								
Activity 1-1-3: Create a matrix for selecting suppliers in a systematic manner in Indonesia and Malaysia to participate in the Project	FoE								
Activity 1-1-4: Conduct one Advisory Group Meeting once in Tokyo	FoE, GEF								
Output 1-2: Creation of a guidebook on the environmental and social issues associated with tropical wood from Indonesia and Malaysia									
Activity 1-2-1: Collect environmental and social information for different regions, wood species and products	<u>Task Teams in Indonesia and Malaysia and other local partners</u>								
Activity 1-2-2: Analyze collected data	<u>Task Teams in Indonesia and Malaysia and FoE</u>								
Activity 1-2-3: Compile the analyzed data into an environmental and social guidebook for procuring tropical wood	FoE, GEF								
Output 1-3: Two workshops to introduce Japanese companies to environmental and social information on tropical wood as well as ways to avoid environmental/social risks									
Activity 1-3-1: Publicize the workshops widely and visit targeted companies mentioned in Output 1-1 to induce their attendance	FoE, GEF								
Activity 1-3-2: Organize two workshops targeting Japanese companies to introduce environmental and social information on tropical wood as well as ways to avoid environmental social risks based on the guidebook mentioned in Output 1-2	FoE, GEF								

Output 1-4: Establishment of the FairWood Center to act as a clearinghouse and point of expertise for information necessary to create a strong cooperative relationship between consumer and producer countries for trade in C/VL wood									
Activity 1-4-1: Create a FairWood Center website, which will be managed in Japan	FoE, GEF								
Activity 1-4-2: Provide information on C/VL wood, certification and verification systems through the FairWood Center website. Encourage participants of the workshop (Output 1-3) and targeted companies mentioned in Output 2-1 to utilize the website. Distribute information through mail magazines	FoE, GEF								
Output 1-5: Providing assistance to Japanese companies to develop procurement policies for C/VL wood									
Activity 1-5-1: From the original 20 companies interviewed select 10 companies for further discussions. From these select 1 or 2 companies that are interested in utilizing certified/verified wood	FoE, GEF								
Activity 1-5-2: Closely assist these 1 or 2 companies to develop procurement policies and to link them with existing and potential suppliers	FoE, GEF								
Output 2-1: Identification of obstacles to introducing certification and verification systems in tropical wood producing countries									
Activity 2-1-1: Select and interview 5 potential companies (total 10 companies) in Indonesia and Malaysia	FoE, GEF, IGES								
Activity 2-1-2: Compile a report and reflect the findings in the operation and planning of the FairWood Center and workshops	FoE, GEF, IGES								
Output 2-2: Providing support to introduce phased approaches for certification and verification systems in tropical wood producing countries									
Activity 2-2-1: Identify <u>3 suppliers in each country</u> that have the potential to shift towards supplying C/VL wood	<u>FoE, GEF, IGES</u>								
Activity 2-2-2: Facilitate exchange of information through the use of the FairWood Center among the suppliers and potential Japanese buyers	FoE, GEF, IGES								
Activity 2-2-3: Assist the selected suppliers in developing action plans to implement phased approaches for certification and/or verification systems	<u>FoE, GEF, IGES</u>								

7. Budget

7-1 Overall project budget by activity

Activities	10 personnel total	20 subcon- tract	30 duty travel	40 capital items	50 consum- able items	60 miscella- neous	Total
Output 1-1							
Activity 1-1-1	10,800		2,400				
Activity 1-1-2	6,000					5,000	
Activity 1-1-3	1,000						
Activity 1-1-4	4,300		7,800			2,000	
Output 1-2							
Activity 1-2-1		28,800	6,000				
Activity 1-2-2		6,000					
Activity 1-2-3	4,800					12,500	
Output 1-3							
Activity 1-3-1	7,200		6,000			2,000	
Activity 1-3-2	8,600		6,500			11,000	
Output 1-4							
Activity 1-4-1	4,800			4,800		8,000	
Activity 1-4-2	12,000						
Output 1-5							
Activity 1-5-1	19,200		1,800				
Activity 1-5-2	9,600					500	
Output 2-1							
Activity 2-1-1	0	7,200	4,000				
Activity 2-1-2	1,100	1,800				4,000	
Output 2-2							
Activity 2-2-1	1,200	3,600					
Activity 2-2-2	12,000		5,500				
Activity 2-2-3	9,600	6,000					
Activity total	112,200	53,400	40,000	4,800	0	45,000	255,400
Subtotal	112,200	53,400	40,000	4,800	0	45,000	255,400
Total	112,200	53,400	40,000	4,800	0	45,000	255,400
Subtotal-ITTO	92,200	53,400	40,000	4,800	0	40,000	230,400
Subtotal-Executing Agency	20,000	0	0	0	0	5,000	25,000
Total	112,200	53,400	40,000	4,800	0	45,000	255,400

7-2 Yearly project budget by sources

1. Yearly project budget by sources - ITTO

Annual Disbursements		TOTAL	YEAR1	YEAR2
Budget Components				
10 Project personnel		92,200	30,000	62,200
20 Sub-contracts		53,400	43,800	9,600
30 Duty travel		40,000	26,200	13,800
40 Capital items		4,800	4,800	0
50 Consumable items		0	0	0
60 Miscellaneous		40,000	31,000	9,000
	Subtotal 1	230,400	135,800	94,600
80 ITTO Monitoring, Evaluation and Administration cost				
81 Monitoring and Review Costs		5,000		
82 Evaluation Costs		3,000		
	Subtotal 2	238,400		
83 Program Support Costs (8% of subtotal 2)		19,072		
90 Refund of Pre-Project costs		0		
ITTO TOTAL		257,472		

2. Yearly project budget by sources – Executive agency

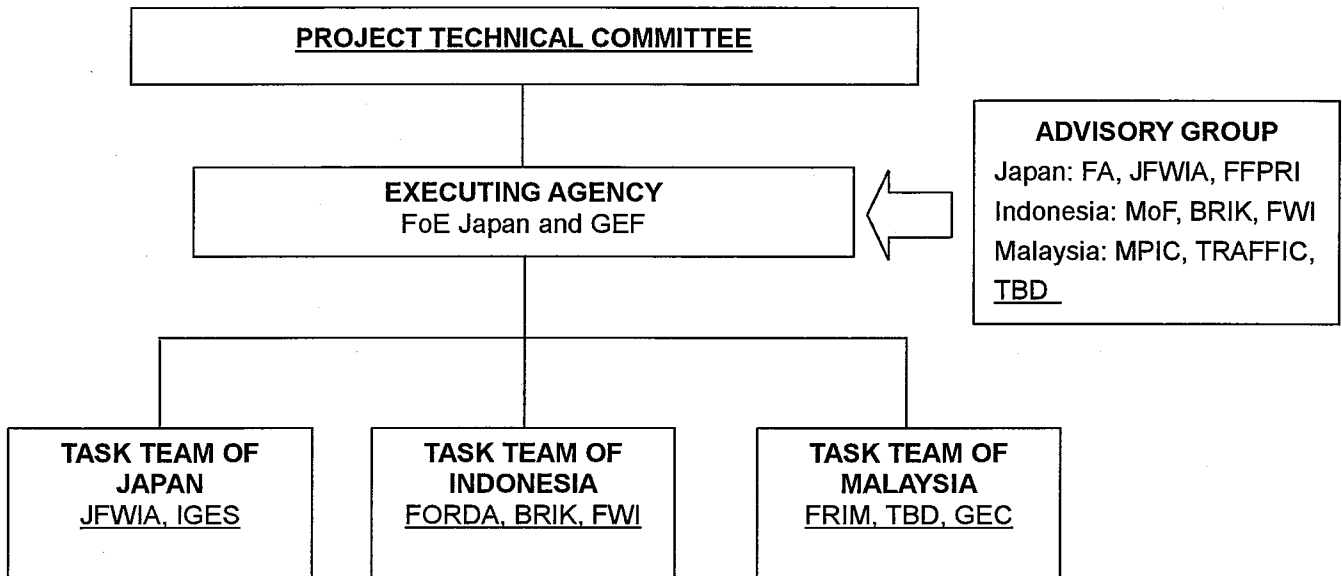
Annual Disbursements		TOTAL	YEAR1	YEAR2
Budget Components				
10. Project personnel		20,000	10,000	10,000
20. Sub-contracts		0	0	0
30. Duty travel		0	0	0
40. Capital items		0	0	0
50. Consumable items		0	0	0
60. Miscellaneous		5,000	2,500	2,500
	Subtotal	25,000	12,500	12,500
70. Executing Agency Management Costs		20,000	10,000	10,000
EXECUTING AGENCY TOTAL		45,000	22,500	22,500

3. Consolidated yearly project budget

	Budget component	TOTAL	YEAR 1	YEAR 2
10	Project personnel			
	11 Project coordinators	95,100	29,700	65,400
	12 National consultant	11,200	7,000	4,200
	13 Other labor	5,900	3,300	2,600
	19 Component total	112,200	40,000	72,200
20	Sub-contract			
	21 Sub-contract (with local partners)	53,400	43,800	9,600
	29 Component total	53,400	43,800	9,600
30	Duty travel			
	31 Daily Subsistence Allowance	0	0	0
	32 International Travel	18,000	12,000	6,000
	33 Transport Costs	13,000	9,400	3,600
	34 Domestic Accommodation	9,000	4,800	4,200
	39 Component total	40,000	26,200	13,800
40	Capital items			
	44. Capital equipment (computer, server, and GPS)	4,800	4,800	0
	49. Component total	4,800	4,800	0
50	Consumable items			
60	Miscellaneous			
	61 Sundry	0	0	0
	62 Symposium / Workshop	6,000	2,000	4,000
	63 Printing/Web design	14,500	13,500	1,000
	64 Postage/Communication	1,000	1,000	
	65 Translation/Interpretation	23,000	17,000	6,000
	66 Other miscellaneous	500	0	500
	69 Component total	45,000	33,500	11,500
70	Executing agency management cost			
		20,000	10,000	10,000
	SUBTOTAL	275,400	158,300	117,100
80	ITTO Monitoring, Evaluation and Administration cost			
	81 Monitoring and Review Costs	5,000		
	82 Evaluation Costs	3,000		
	83 Program Support Costs	19,072		
	89 Component Total	27,072		
90	Refund of Pre-Project costs			
100	GRAND TOTAL	302,472		

PART III. OPERATIONAL ARRANGEMENT

1. Management structure



FoE Japan and GEF, the two executing agencies, will be responsible for the fundamental planning and operation of the project. Both organizations already have a very close working relationship that includes daily communications and regular meetings. GEF will be mainly responsible for planning and organizing the workshops in Japan. FoE Japan will be mainly responsible for organizing and managing the web-based FairWood Center. The two executing agencies will work closely together on all other Project activities.

The Institute for Global Environmental Strategies (IGES), which has assisted in formulating the proposal, will work closely with the executing agencies as a national consultant. The main task for IGES will be to provide neutral advice, especially on gathering and collation of information and certification and legal verification activities.

The task teams will advise the executing agencies on day-to-day logistics and coordination for fluid implementation of the Project in the respective countries. The task teams along with other local partners will work on the collection of environmental and social information on forests. The local consultants will provide support to suppliers for developing and implementing action plans for phased approaches to certification/legal verification.

Advisory group

The Advisory Group will consist of nine members, with three people from each country, namely Indonesia, Malaysia and Japan. For each country a representative will be selected from government, private sector and civil society. The main task for the Advisory Group will be to provide neutral advice, especially on the guidebook for Japanese companies and selection of potential buyers, companies and the certification/verification schemes/initiatives. Every four months, the executing agencies will submit a progress report and a plan for the next four month's activities to the Advisory Group. The members of the Advisory Group will review the reports and advise the executing agencies on the planned activities. Individual comments will be disseminated to all Advisory Group members and an E-discussion will be conducted to

provide further guidance to the executing agencies.

Project technical committee

The Project technical committee will act as the top decision-making body.

2. Monitoring, reporting and evaluation

The project will be monitored and evaluated by representatives of ITTO in accordance with ITTO operational regulations. All the following activities will be carried out on the basis of the objectives, outputs, activities and indicators established in the logical framework, work plan and the implementation guidelines.

(a) Project progress reports

A project progress report will be submitted at the end of FY2006 and FY2007. The reports will be submitted to ITTO at least four weeks before each ITTO monitoring visit and two months before ITTC sessions.

(b) Project completion reports

A project completion report will be submitted to ITTO within three months of the project completion.

(c) Monitoring, review and steering committee's visits

ITTO representatives can attend the meetings of implementation members and FairWood workshops, in addition to the Advisory Group.

(d) Evaluation

The monitoring missions will decide whether an ex-post evaluation is necessary and useful for the follow-up or extension of the project.

3. Future operation and maintenance

The executing agencies, FoE Japan and GEF, will continue to provide information and technical support to both Japanese buyers and tropical timber suppliers through the operation of the FairWood Center. Financial sustainability of the Center will be achieved through membership fees. The Center could also assist public agencies, which under the public procurement policy revision in Japan described earlier must now consider the legality and sustainability of wood, if funding is provided. The activities/services of the Center will be open to all supplier countries.

PART IV. THE TROPICAL TIMBER FRAMEWORK

1. Compliance with ITTA 1994 Objectives

The Project will contribute to the following ITTO objectives as expressed in Article 1 of the International Tropical Timber Agreement (ITTA), 1994:

Art. 1 (c) To contribute to the process of sustainable development;

The Project will contribute to sustainable development by promoting certification and legal verification systems for tropical timber in Indonesia and Malaysia. In the process of obtaining verification/certification suppliers will improve their management practices by following forestry regulations and, in the case of certification, following broadly accepted principles of sustainable forest management. In supporting the implementation of forest-related legislation and regulations, the Project will contribute to combating illegal and destructive logging.

Art. 1 (d) To enhance the capacity of members to implement a strategy for achieving exports of tropical timber and timber products from sustainably managed sources by the year 2000;

The Project focuses on the export of tropical timber, aiming to promote imports by Japanese traders of legal timber that has been sourced from sustainably managed tropical forests in Indonesia and Malaysia .

Art. 1 (e) To promote the expansion and diversification of international trade in tropical timber from sustainable sources by improving the structural conditions in international markets, by taking into account, on the one hand, a long-term increase in consumption and continuity of supplies, and, on the other, prices which reflect the costs of sustainable forest management and which are remunerative and equitable for members, and the improvement of market access;

The Project seeks to improve the structural conditions in international markets by promoting credible certification and legal verification schemes as a voluntary means of differentiating between sustainable/unsustainable, legal/illegal tropical timber. The Project will advocate that Japanese buyers pay a "fair price" to assist in covering the auditing costs of certification/legal verification.

Art. 1 (h) To improve market intelligence with a view to ensuring greater transparency in the international timber market, including the gathering, compilation, and dissemination of trade related data, including data related to species being traded;

The project will set up the FairWood Center as an information clearinghouse to promote trade in C/VL tropical wood. The Center will provide market intelligence related to the demand and supply of C/VL tropical wood and tools for buyers to avoid species and regions with high environmental and social risks.

Art. 1 (k) To improve marketing and distribution of tropical timber exports from sustainably managed sources;

The Project will promote the use of C/VL wood in Japan to intermediaries, construction firms, processors, consumers and other wood users.

Art. 1 (n) To encourage information-sharing on the international timber market.

The FairWood Center will operate a website that will be available to all potential suppliers of C/VL tropical timber and Japanese buyers. The FairWood Center will provide a medium for information-sharing and will organize symposiums/seminars for buyers, suppliers and consumers.

2. Compliance with ITTO Action Plan

The Project will make a significant contribution to the following elements and priorities of the ITTO Action Plan:

- a) Encourage and assist producing member countries to identify and address constraints in their implementation of sustainable forest management and the sustainable development of the forest industry to enhance the contribution of the forest sector to national objectives

The Project seeks to increase demand from Japan for legal and sustainable wood. Because Japan is a major importer of tropical wood, an increase in demand for legal/sustainable tropical wood would encourage producer member countries to improve their forest management practices toward sustainable forest management and the sustainable development of the forest industry. The Project will also provide assistance to potential suppliers of C/VL wood in two producer member countries – Indonesia and Malaysia.

- h) Encourage and increase the involvement of non-government stakeholders, including industry and trade associations, environmental organizations and indigenous groups, in the activities of the organization with a view to promoting transparency, dialogue and cooperation in furthering ITTO's objectives.

Implementation of the Project will include a diverse group of stakeholders: governments, NGOs in producer and consumer member countries, researchers and private sector organizations including industry and trade associations. The composition of the Advisory Group reflects this diversity of stakeholders and will enhance transparency and dialogue as well as encourage pragmatic and balanced outputs that will contribute to ITTO's objectives.

The project relates to the following Goals and Actions of the ITTO Yokohama action plan 2002-2006:

GOAL 1: Improve transparency of the international timber market

Action:

2. Promote the collection and dissemination of accurate and timely trade and economic data relevant to the global timber market, in cooperation with international organizations and other sources, with a view also to reducing duplication where possible.
7. Encourage members and assist them, where appropriate, to:
 - Cooperate with relevant organizations, including the private sector, NGOs and others in gathering data;

GOAL 2: Promote tropical timber from sustainably managed sources

Action:

1. Promote public awareness of progress made in implementing sustainable forest management and in the increased availability of tropical timber from sustainably managed sources.
2. Provide a forum for discussion on non-discriminatory trade, subsidies for competing products, shortcomings in enforcement of forest law and regulation, and other factors that may affect the marketability and access of tropical timber products.
3. Monitor progress being made regarding the comparability and equivalence of certification systems.
5. Examine the market and product requirements that may have to be met in order to develop exports of added-value products.
7. Encourage members and assist them, where appropriate, to:
 - Develop awareness of progress made in implementing sustainable forest management and in the increased availability of tropical timber from sustainably managed sources
 - Develop awareness of market and end-use requirements for tropical timber.
 - Establish and maintain economic and fiscal policies that are conducive to the competitiveness of the industry and trade in tropical timber from sustainably managed sources.

ANNEX A1 Profile of executing agency - Friends of the Earth Japan

1. The Expertise of Friends of the Earth Japan

Friends of the Earth Japan is a non-governmental, non-profit organization. The field of activities of the agency are as follows:

Vision

“towards the realization of sustainable society”

Research and Proposals

Researches the causes of global environmental problems, and make proposals to government and business regarding concrete solutions to these problems.

- Climate Change and Energy
- IFI/ECA Watch
- Forest/Forestry

Overseas Projects

Focuses Japanese attention on the environmental problems of specific areas. Informs people about the actual nature of these problems. Cooperates with people in the affected areas to work towards solving the problems.

- Far East Russia (nature conservation)
- China (desert greening)

Local Activities

Suggests environmental reforms through participatory activities in each district. Builds the national FoE Japan network through the activities of local groups.

- Reviving “Satoyama” Project
- Local group activities

Sustainable Communities

Considers environmental problems from the perspective of our daily lives in our local communities. Make suggestions on how our society should be, in preparation for a sustainable future.

- Solar power project
- Waste investigation group project
- Learning from Germany project

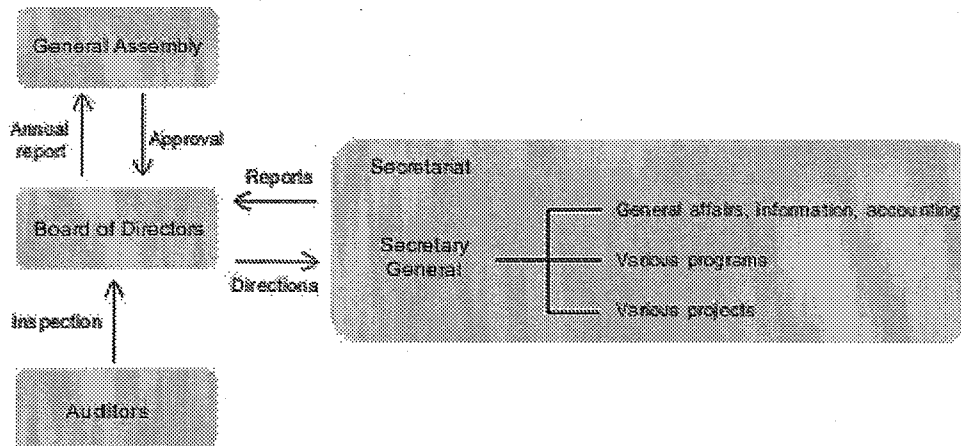
Information and education

Disseminates information obtained from FoE Japan’s national and international networks to news organizations and citizens. Educates people in order to encourage action that benefits the environment.

- Green Earth newsletter / e-mail magazine
- Events, Eco-tours, Hiking
- Publications

Managing Structure

The organization is made up of the Board of Directors, the General Assembly, the Auditors, and the Secretariat.



2. Yearly Budget (Friends of the Earth Japan; as Non-Profit Organization)

2005	Revenue:	¥75,002,374
2005	Expenses:	¥71,438,533

The below is a list of funding sources over the past 3 years

- Charles Stewart Mott Foundation, USA private foundation
- National Land Afforestation Promotion Organization, Japanese Organization
- The Defense of Green Earth Foundation, Japanese private foundation
- Keidanren Nature Conservation Fund, Japanese private foundation
- Japan Fund for Global Environment, Environmental Restoration and Conservation Agency

3. Personnel-relating to Forest

- 2 experts (post-graduate degrees)
- 2 middle level technicians (volunteer-base)
- 1 administrative personnel

Total: 5 personnel in forestry related fields

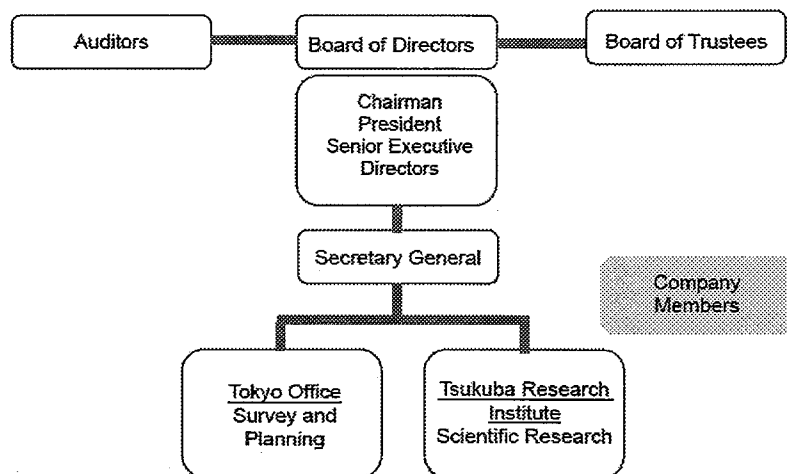
ANNEX A2 Profile of executing agency - Global Environmental Forum

1. The expertise of the Executing Agency

The Global Environmental Forum (GEF) is a non-profit organization whose objective is to conduct and support scientific research on global environmental issues such as global warming and tropical forest protection and to disseminate those findings. Since its foundation in May 1990, it has actively engaged in many research projects of environmental monitoring, in raising public awareness of environmental pollution, and in the development of guidelines for environmental management of businesses.

GEF has been conducting research projects on forest and desert issues over the past 10 years commissioned by the Ministry of Environment, Japan for the funding scale of approximately US\$50,000 each year. The FairWood campaign, which GEF conducts in close relationship with FoE Japan, has also been receiving grant from the Japan Fund for Global Environment in the past two years for the amount of approximately US\$42,000.

GEF has conducted a number of policy-related research projects funded by Ministry of the Environment with the funding scale of approximately US\$650,000 each year. For scientific research projects, GEF receives commissions from the National Institute for Environmental Studies for the funding scale of about US\$ 1 million each year.



GEF's activities include:

1. Scientific and policy research regarding environmental problems
 - Research on global environmental issues such as global warming and tropical forest conservation
 - Implementation of environmental monitoring activities – air, water, eco-systems
 - Studies of corporate social responsibility (CSR)
 - Development of guidelines for corporate environmental management and environmental assessments
2. Partnership with journalists
 - Secretariat of the Japanese Forum of Environmental Journalists
 - Networking among environmental journalists around the world
 - Support activities of TVE Japan (Television Trust for the Environment Japan Committee)

3. Partnership with businesses

- Secretariat of the Business Leaders' Inter-Forum for Environment 21(B-LIFE21)
- Support activities of the Network for Sustainability Communication (NSC)

4. Environmental information dissemination

- Publication of the monthly environmental magazine, Global Net
- Publication of the "Environmental Data Book"

5. Support local and cross-border activities for the environment

- Cooperation with the Inter-governmental Panel on Climate Change (IPCC)
- Support the research and overseas dispatch of environmental experts in Japan and other countries
- Secretariat of the Japan Trust for Global Environment

2. Yearly Budget

2004 Revenue: ¥600,971,000

2004 Expenses: ¥595,984,000

3. Personnel-relating to Forest

- 1 expert, doctor's degree
- 2 experts, graduate degrees

Total: 3 experts in forestry related fields

ANNEX B Curricula Vitae of the Key Personnel

1) Project Coordinators

Tokiharu OKAZAKI, Vice Executive Director, FoE Japan

Graduate from Tokyo University in 1960 and engaged in economic development projects for more than 30 years. Joined NGO at age 60.

Active in most fields of environmental issues, especially forestry.

Councilor of Sustainable Green Ecosystem Council (SGEC) - the Japanese Forest Certification Council.

Member of Committee on Combating Illegal Logging of JFW

ITTO registered NGO member

Kenichi NAKAZAWA, Director of Forest Program, FoE Japan

Graduate (Masters degree) Tokyo Metropolitan University

Received Environment Minister Award on Forest/Forestry Advocacy in 2003

Participated FLEG-Asia and AFP meetings in 2002-2004

Wood Procurement Policy Research in UK, EU and North-American west coast.

Junichi MISHIBA, Campaigner/researcher of Forest Program, FoE Japan

Graduate Tsukuba University in 2003 (Master of Environmental Sciences)

Japan Overseas Cooperation Volunteer, Ghana: 1998-2000.

Participated in AFP meetings in 2004

Yuki SAKAMOTO, Research Co-ordinator, Global Environmental Forum

Graduated from the Department of Foreign Studies, Sophia University

Engaged in Research on Environmental Considerations related to Overseas Activities of Japanese Companies in 1995-1999

Engaged in Siberia Forest Campaign of FoE-Japan in 1999-2000

Participated in AFP meetings in 2003-2004

Kanna MITSUTA, Research Co-ordinator, Global Environmental Forum

Graduate Tokyo University in 1991

Research coordinator, Global Environmental Forum: 1991-2001, 2004-

Research on Enhancement of Sustainable Forest Management commissioned by Japanese Environmental Ministry in 1993-2000

Case studies of sustainable community development commissioned by Japanese Environmental Ministry in 1995-1997

Deputy Director, Environment Analysis Department, Japan Bank for International Cooperation (JBIC): 2001-2003

Member of Advisory Council of Environmental and Social Considerations Review of Japan International Cooperation Agency (JICA): 2004-

2) National Consultants

Name	SCHEYVENS Henry
Date, Place of Birth, Nationality	05 October 1965, Palmerston North, New Zealand
Contact Details	Email: scheyvens@iges.or.jp. ph: +81-46-878-9026
Current Position	Policy Researcher and Co-manager, Forest Conservation Project, Institute for Global Environmental Strategies (Japan)
Field and institution of graduation	BSc (Hons), Physical Geography, Massey University MPhil, Development Studies, Massey University PhD, Political Science, Monash University
Relevant work undertaken in last three years	Regional review of forest certification in Asia-Pacific region. Coordinating field assessments on certification in PNG, Lao PDR and Indonesia.

Name	LOPEZ-CASERO Federico
Date, Place of Birth, Nationality	17 August 1970, Muenchen, Germany
Contact Details	Email: lopezcasero@iges.or.jp. ph: +81-46-855-3836
Current Position	Policy Researcher, Forest Conservation Project, Institute for Global Environmental Strategies (Japan)
Field and institution of graduation	BSc, Political Science, Universitaet Augsburg (University of Augsburg) MPhil, Political Science, Universitaet Augsburg (University of Augsburg) PhD, Environmental Sciences, The University of Tokyo
Relevant work undertaken in last three years	PhD dissertation on public policies for sustainable forest management in Switzerland and Japan. Conducting research on illegal logging and timber trade issues in Japan and the Asia-Pacific region.

3) Local Partners and consultants

Name	BUJANG Mark
Date of Birth	16 October 1975
Place of Birth	Kuching, Sarawak, Malaysia
Nationality	Malaysian
Contact Details	Email: snanet@tm.net.my Phone: +6085423044 Fax: +6085438580
Current Position	Programme Coordinator and GIS Technician at Borneo Resources Institute (BRIMAS)
Training	BSc. Majoring in Geology, ESRI Trained in Geographic Information System (GIS) Applications
Relevant work undertaken in last three years	Coordinating BRIMAS' programs and activities i.e. community organizing, para-legal training, community based mapping activities, community based resource management activities. One of the ordinary members of the board of the Non-Timber Forest Products Exchange Programme (NTFP-EP), a regional network of NGOs and CBOs in Southeast Asia and South Asia promoting the sustainable use and conservation of NTFPs. Currently facilitating the Sarawak Penan Association (SPA) in implementing their UNDP Small Grants Project for the Protection of Tropical Forests.

Name	Eng Weng Hong
Date, Place of Birth, Nationality	8th February 1948, Seremban, Negeri Sembilan, Malaysia. Nationality: Malaysian
Contact Details	Email: engwh@tm.net.my Telephone: +6088 240 853 Fax: +6088 260 853
Educational Background	Bachelor of Science in Physics & Mathematics Bachelor of Science in Civil Engineering Master of Science in Forest Engineering / Forestry
Current Position	Managing Director, KiwiHeng Wood Industry Consultants Sdn Bhd., KiwiHeng Environmental Consultants
Seminar Presentation	1. Paper 'Glue Lamination & LVL Applications in the Construction of Portal Frame Structures' in FRIM (Forest Research Institute Malaysia) - 1992

	<p>2. Paper 'Wood Residues for Power Generation in relation to maximum utilization for wood recovery and market demand for products' in FRIM - 1993</p> <p>3. Paper at FRIM Seminar 'Wood Waste Utilization in Sabah' – 1997</p>
Relevant work undertaken in last three years	<p>2001 - Present</p> <ol style="list-style-type: none"> 1. Qualified assessor and auditor of forest under FSC (Forest Stewardship Council), MTCC (Malaysian Timber Certification Council), 2. Qualified assessor and auditor in CoC (Chain of Custody) for manufacturing mills (sawmills, plywood, MFD, chipmill) 3. Completed pre-assessment work on 3 FMUs (Forest Management Units) and CoC for 3 mills in Sabah, Malaysia <p>2002 – Present</p> <p>Developed product research and finally marketed structural finger jointed truck flooring using Acacia mangium</p> <p>2005</p> <p>Technical consultant for Forestadora Tapebiuca (Sawmill and Plywood) in Buenos Aires, Argentina</p> <p>2006</p> <p>Work with Malaysia Forest & Trade Network (MFTN) on CoC for garden furniture manufacturer in Sarawak, Malaysia</p>

Name	Arbi VALENTINUS
Date, Place of Birth, Nationality	July 9th, 1972 Pematang Siantar, Indonesia Indonesia
Contact Details	Email: wedha@telapak.org ph: +62811117143
Current Position	Co-Manager, Forest Projects, Telapak/EIA Political Director, Telapak
Training	<p>Marine Science and Technology, Bogor Agricultural University (IPB). Environmental Science, Lawalata IPB. GIS Mapping and Analysis, Participatory Mapping Working Group (JKPP) and Forest Watch Indonesia (FWI). Forest Crime Investigation, Telapak/Probela Network. Forest Crime Documentation, Environmental Investigation Agency (EIA). Timber Tracking (Chain of Custody/CoC) Assessor, Indonesia Ecolabel Institute (LEI). Timber Identification and Timber Administration System, Ministry of Forestry (MoF). Application of Anti Money Laundering Law on Forest Crime, Indonesia Working Group on Forest Finance (IWGFF).</p>
Relevant work undertaken in last three years	<p>Investigations of illegal logging in Indonesia and cross border illegal timber trade/smugglings from Indonesia in Asia Pacific region. Lobby work in relevant initiatives and meetings on illegal logging with the government, trade, and NGOs representatives; principally FLEG East Asia Pacific (FLEG-EAP), Asia Forest Partnership (AFP), and EU-FLEGT initiatives. Key person within Telapak for certification issue, with a full knowledge in chain of custody (CoC) and sustainable forest management (SFM) certification. Research on forest/timber certification monitoring in Indonesia. Developing timber legality verification standard as team member of Indonesia stakeholders working group which consisting of representative of NGOs, certifiers, government, academicians/experts, and forest practices/business/trade representatives.</p>

Name	Poerba Christian
Date, Place of Birth, Nationality	12 Dec 1972, Pematang Siantar, Indonesia
Contact Details	Email: bob@fwi.or.id ph: +628121105172
Current Position	Executive Director Forest Watch Indonesia
Training	Field Investigation, Management Data and Information
Relevant work undertaken in last three years	<p>Experience of similar activities as a project coordinator and executive director of FWI:</p> <p>Developing GIS and Remote Sensing To Update Forest Spatial Data". The project aimed at a) identifying the types of information generated by remote sensing that are relevant to the network's needs; b) developing remote sensing based forest condition monitoring system and GIS-based forest performance monitoring system; c) updating spatial data on forest condition, including vegetation and non-vegetation maps and forest cover maps; and d) updating spatial data on concession and forest use maps, including HPH, HTI and plantation maps.</p> <p>Updating Papua's Biodiversity Habitat Information By using Remote Sensing Technology". This project is a model of collaborative effort between a Government institution, International and National NGOs. It is also probably the first had ever been done on this specific subject, especially for BAPLAN. The idea was to update existing knowledge of Papua biodiversity to add its conservation value through analyses of its forest cover.</p> <p>Promotion of Ecologically-Sustainable Socially-Equitable and Economically-Viable Forest Management in Indonesia through Implementation of Credible Forest Certification System" was a collaborative work of AMAN, LEI and FWI. The specific objectives are (1) to strengthen indigenous people in the context of forest certification under the co-ordination of AMAN); (2) to develop data-based forest certification monitoring network under the co-ordination of FWI; and (3) develop a community-based forest certification system under the co-ordination of LEI.</p>

Name	Chee Tong Yiew
Date, Place of Birth, Nationality	15, July 1946; Penang, Malaysia; Malaysian
Contact Details	Email: tychee@genet.po.my ph: +603 79572997
Current Position	Manager, Forest and Wetlands Programme with Global Environment Centre(GEC),
Training	Forester by profession (Institute of Foresters Malaysia)
Relevant work undertaken in last three years	<p>Before joining GEC in 2002, for 35 years was with the Forestry Department of the Government of Malaysia, the last position was serving as the Director of Special Function with responsibility include planning and producing promotional materials for the dissemination of information to create/stimulate public awareness on forestry, develop forestry related eco-tourism programmes, information centres, facilities and infrastructures in forest recreational parks. In addition was involved in the projects to create multi-disciplinary involvement in promotional activities for Eco-tourism, environmental protection and development, and socio-economic benefits from forestry activities. Was a member of the team in developing the Malaysian Criteria and Indicators (MC & I) for Sustainable Forestry Management in Peninsula Malaysia.</p> <p>A forester by profession with special skills in participatory approach to community forestry. Currently, working as the Manager for the Forest and Wetlands Programme with Global Environment Centre, managing all peatland related projects, particularly, Leader of the South East Asia Regional component for the UNEP-GEF project on Integrated Management of Peatland for Biodiversity and Climate Change (2003-2006), successfully developed the ASEAN Peatland Management Initiative (APMI) creating a</p>

	<p>framework for peatland sustainable use and conservation activities in the region and the ASEAN Peatland Management Strategy (APMS) and a key member of the Monitoring and evaluation team to review and guide the implementation of the US\$3.4 Million project on Climate Change Forest and peatlands in Indonesia.</p>
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	<p>As a member of the Project Team designed and developed a USD5.8 million IFAD/GEF Project on "Rehabilitation and Sustainable Use of Peatlands in Southeast Asia" under the framework of the APMI and APMS for member countries in the ASEAN Region for the period of 2006-2011. For the project development had conducted extensive consultations with key stake-holders in the countries of the ASEAN Region</p>
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ANNEX C Terms of reference for consultants and experts

Terms of Reference for Japanese Consultant Demand side study in Japan (Activity 1-1-1)

1. Purpose

The purpose of the activity is as follows:

- to acquire preliminary information for risk assessment tools;
- to gather opinions for the design of tools that assist Japanese businesses to develop wood procurement policies; and
- to promote participation from businesses in planned workshops and the information clearinghouse (FairWood Center).

2. Output

The consultant should identify the current Japanese buyers/users of wood-products from Indonesia and Malaysia that could participate in the project. The consultant should also gather opinions from the private sector on the design and contents of the tools.

3. Activities

A study team for the activities will be organized by FoE Japan, GEF and the consultant. The consultant is expected to provide technical advice to the team and to assist the interview survey.

The study team will select 20 companies based on existing procurement data and reports.

The consultant will visit the companies and conduct interviews. During the visit, the current situation of illegal/destructive logging and international efforts to address the issues should be clearly explained. The following information should be gathered:

- type of wood-products that the company deals with (volume, species, suppliers and origin);
- consciousness of environmental and social aspects of wood production;
- opinions of the Project;
- opinions of the planned tools;
- willingness to pay for the additional cost of certified/legally verified products; and
- willingness to participate the project.

The consultant should compile a report based on the interviews and data gathered.

4. Period

The study will be conducted in the first 3 months of the project.

5. Prequalification

The consultant should be familiar with timber product circulation in Japan.

6. Man Month

3 M/M will be allocated to the consultant.

Terms of Reference for Indonesian and Malaysian partners conducting collection of environmental and social information on forest (Activity 1-2-1, 1-2-2)

1. Purpose

The purpose of the activity is to prepare a guidebook that will provide environmental and social information on wood/wood products from tropical forests.

2. Output

Maps, data, and fact sheets will be prepared that show the degree of risks of tropical timber/forest according to species and location regarding illegal/destructive logging using labels such as "high risk", "medium risk" and "low risk."

3. Activities

The following activities should be conducted:

- gather and analyze the existing data and report on the issues relating to environmental and social risks associated with tropical timber/forests such as illegal/destructive logging;
- classify the results of 1) by types of products, species and origin; and
- compile risk assessment tools such as maps, data, or fact sheets, which show risk of illegal/destructive logging by types of products, species and origin.

The "partners" will work with the "task team" for their respective countries and will collaborate with all team members to improve the quality of the output.

4. Period

The first 6 months of the project

5. Prequalification

The consultant should be familiar with environmental and social implications of tropical wood production in the supplier countries.

6. Man Month

9 M/M

**Terms of Reference for identifying potential companies in Indonesia and Malaysia
(Activity 2-1-1 and 2-1-2)**

1. Purpose

The purpose of the activities is to identify potential companies for acquiring certification/legal verification.

2. Output

The outputs will be a report that describes the obstacles to introducing certification/verification systems based on a survey of major companies in the respective country, a matrix for identifying potential companies, the names of companies and how they can be approached and encouraged to participate further in the Project.

3. Activities

The following activities will be conducted by national experts that provide consultancy services and the executing agencies.

- Survey 5 major companies in the respective country and conduct interview research on their product lines, their production processes and their interest in forest certification/legal verification schemes.
- Develop a matrix for selecting companies that have the potential to acquire certification/legal verification and supply the Japanese market.
- Employ this model for identifying companies that could participate further in the Project in order of suitability.
- Compile a report that describes 1) the obstacles to introducing certification/verification systems in the respective country based on the company survey, 2) the matrix, 3) the names of companies with potential to acquire forest certification/legal verification, and 4) options for how they can best be approached.

4. Period

The study will be conducted in the third and fourth quarter of the first year of the project.

5. Prequalification

The consultant should be familiar with the domestic timber business sector in Indonesia and Malaysia, respectively.

6. Man Month

Activity 2-1-1 3 M/M

Activity 2-1-2 1 M/M

Terms of Reference for providing support in introducing certification and verification systems to Indonesia and Malaysia (Activity 2-2-1, 2-2-2 and 2-2-3)

1. Purpose

The purpose of the activities is to provide assistance to potential suppliers of C/VL wood to the Japanese market to acquire certification/legal verification through phased approaches.

2. Output

The outputs will be a model plan for acquiring certification/verification and an announcement through the website of the action plans of the participating companies.

3. Activities

The activities will be conducted by business-oriented NGOs that provide consultancy services.

- Approach 3 suppliers in Indonesia and Malaysia (total 6) that have potential to shift towards supplying certified or verified wood.
- Link these suppliers with potential buyers in Japan through the FairWood Center.
- Discuss available certification and verification systems with the participating companies and potential buyers and facilitate them to select the system that best meets their capabilities and needs. The contracting agency will show no bias towards any particular scheme during communications and discussions with the participating companies in the supplier countries and potential buyers in Japan.
- Provide guidance for developing and implementing action plans to achieve certification/verification.

4. Period

The second 12 months of the project

5. Prequalification

The consultants should have expertise in developing action plans and applying phased approaches to certification/legal verification in the respective countries.

6. Man Month

Activity 2-2-1 1 M/M
Activity 2-2-2 12 M/M
Activity 2-2-3 6 M/M

ANNEX D List of the advisory group members

Country	Sector	Name and organization
Japan	Government	Mr. Hideaki TAKAI Forestry Agency of Japan
	Private	Mr. Koji KADOYA Japan Federation of Wood Industry Associations (JFWIA)
	Civil society	Dr. Takeshi TOMA Forestry and Forest Products Research Institute (FFPRI)
Indonesia	Government	<u>Mr. Harry Budiman (to be confirmed)</u> Forestry Production Management Division, Ministry of Forestry, Republic of Indonesia
	Private	<u>TBD</u> BRIK
	Civil society	Mr. Christian Purba Forest Watch Indonesia (FWI)
Malaysia	Government	Mr. Ahmad Loman Undersecretary of Timber Industries Division, Ministry of Plantation Industries and Commodities
	Private	<u>TBD</u>
	Civil society	Mr. Chen Hin Keong TRAFFIC South East Asia

ANNEX E Existing certification/verification initiatives in Indonesia

a) Lembaga Ekolabel Indonesia (The Indonesian ecolabeling institute) Certification

The Indonesian Ecolabeling Institute (LEI), as an accreditation body for natural resource certification schemes, has been developing certification systems for natural forest production, forest plantations, community-based forest management and chain of custody since 1994. A regional network for monitoring and supporting the implementation of certification has been established covering 14 Provincial Communication Forums. In October 2004, through a multi-stakeholder Congress, LEI became a Constituent Based Organization (CBO), with representatives from NGOs, indigenous people, academics and the private sector. This transformation has expanded LEI's role in developing certification systems in forestry as well as in marine and agricultural products. LEI will also play a role in promoting conflict resolution and policy advocacy.

b) Forest Stewardship Council (FSC)

There are three FSC certified forests: two natural forests in Riau province in Sumatra and in East Kalimantan and a teak plantation in Sulawesi. The latter is under community-based forest management and was supported by TFT to acquire certification. FSC CoC certification has been issued to 29 factories.

c) Mandatory Sustainable Forest Management Verification

The Ministry of Forestry has started a mandatory verification program from December 2002 to assess performance of FMUs as concession holders. The assessment is conducted by independent assessor institutions, using the criteria and indicators which were developed by the Ministry. The mandatory verification program has been applied to natural forests and plantation forests. The verification process was completed in 124 FMUs in natural forests and 90 FMUs in plantation forests by November 2004. The ministry has also developed and started a mandatory verification program for forest product industries in 2004. The assessment of 39 industries was completed by November 2004.³

d) Legality Standard and Verification system

The development of a legality standard and verification system is being carried out under the auspices of the Indonesian Ministry of Forestry in close partnership with The Nature Conservancy (TNC) under the Indonesia-UK Memorandum of Understanding on Illegal Logging, with participation from SGS and URS Forestry. Financial support was provided by the UK Department for International Development (DFID), the US Agency for International Development (USAID) and The Home Depot. A draft legality standard, resulting from stakeholder consultations, that describes the requirements for legal timber from Indonesia, was announced in May 2003, but is still to be finalized and implemented. TNC also developed a computerized wood tracking system using barcodes that is being tested by PT. Sumalindo in East Kalimantan.

e) Badan Revitalisasi Industri Kehutanan (BRIK, Forest Industry Revitalization Body)

During 2002 Indonesia established an organization to revitalize the forest industry (BRIK) which is responsible for controlling the export of timber products. All exporters must be a

³ Based on key informant interview conducted by FoE Japan.

member of BRIK and must document the origin of the wood when exporting.

f) Phased approach to certification

ITTO is promoting the development and promotion of phased approaches to certification to address the current problem of tropical developing countries lagging behind in forest certification. ITTO convened an international workshop on phased approaches to certification on 19-21 April 2005 in Bern, Switzerland.

The objectives of this workshop were to:

- solicit views, facilitate consultations and promote a better understanding of phased approaches to certification among buyers, government agencies with timber procurement policies, certification schemes and other stakeholders;
- raise awareness among governments, markets, donor agencies, NGOs, multilateral development banks and international organizations on the merits and benefits of phased approaches to certification and possibilities to encourage their implementation; and
- facilitate understanding of procurement policies of buyers and public agencies as related to certification and the implications of such policies for tropical timber producers.

Other business-based organizations (TFT and GFTN) have developed phased approaches and are supporting tropical forest managers to implement these with funding from their European members. In Indonesia, GFTN established *Nusa Hijau* as an alliance between WWF Indonesia and forest coordinators, wood processors, forest products traders, specifiers and end-users operating in Indonesia. TFT has established its own CoC system that extends from the harvesting site to the European buyers.

ANNEX F Existing certification/verification initiatives in Malaysia

a) Malaysian Timber Certification Council (MTCC)

The Malaysian Timber Certification Council (MTCC) is an independent organization that started operations in January 1999 to develop and operate a voluntary and independent national timber certification scheme in Malaysia.

The original MTCC forest certification standard - MC&I (2001) - was based on 1998 ITTO Criteria and Indicators for sustainable management of natural tropical forests. MTCC has developed a new standard - MC&I (2002) - which draws on the principles and criteria of the Forest Stewardship Council. 4.73 million ha, or 33% of total permanent reserved forests in Malaysia, are certified by MTCC. Eight FMUs in Peninsular Malaysia and one in Sarawak have been certified.

The National Steering Committee (NSC), which consists of representatives from the timber industry, academia and research institutes, NGOs and government agencies, is working towards PEFC endorsement of the MTCC scheme. In order to receive this endorsement, the institutional set-up and CoC are being reformed. Another initiative is to transform the NSC into an FSC-endorsed national working group to develop an FSC national standard.

b) Forest Stewardship Council (FSC)

There are three FSC certified forest management units in Malaysia: two in Peninsular Malaysia and one in Sabah. FSC CoC certificates have been issued to 61 factories. The FSC certified forest in Sabah is the Deramakot Forest Reserve of the Sabah Forestry Department. The Forestry Department organizes web-based auctions to sell the certified timber. Recently, the main buyers are European companies that want FSC certified timber for furniture. A green premium is being paid for this timber.

c) Phased approach to certification

Tropical Forest Trust (TFT)

Tropical Forest Trust (TFT) provides a phased approach to FSC certification. Their activities are driven by the demand of European buyers. TFT requires their suppliers to develop an action plan to acquire FSC certification. While implementing the action plan, the supplies are allowed to supply their products as TFT proofed wood. In this unique scheme, TFT provides suppliers with European market linkages as an incentive to achieve FSC certification.

TFT has three project sites in Sabah: two are natural forests and one is an *Acacia mangium* plantation. They also offer an independent timber tracking system called TracElite, which uses barcodes and satellite data transfer.

Malaysia Forest and Trade Network (MFTN)

Malaysia Forest and Trade Network (MFTN) is a member of the Global Forest and Trade Network, which is organized by WWF. MFTN supports its members through a phased approach to acquire full FSC certification.

ANNEX G Consultations in Indonesia

Period: May 8 to May 20, 2005

Cities: Jakarta, Bogor

Bureau of International Cooperation and Investment, Ministry of Forestry

Mr. Bambang Murdiono

Ms. Sri Murniningtyas

Asia Pacific FLEG Secretariat

Dr. Ir. Agustinus W. Taufik

Center for Standardization and Environment

Mr. Tri Joko Mulyono

Mr. Sigit Pramono

BRIK

Ms. Dra. Soewarni

Mr. Njoto Suhardjojo

Mr. A. Irwan Aten

Mr. Ir. Zulfikar Adil

Mr. Jimmy Purwonegoro

LEI

Mr. Taufiq Alimi

Mr. Daru Asycarya

CIFOR

Dr. Krystof Obidzinski

Mr. Ferdinandus Agung Prasetyo

European Union

Mr. Vernon Copeland

Illegal Logging Response Center

Mr. Micheal Jaeger

NGOs

Mr. Moray Mcleish, The Nature Conservancy (TNC)

Mr. Yudi Iskandarsyah, , The Nature Conservancy (TNC)

Mr. Patrick Anderson, WALHI

Mr. Rully Syumanda, WALHI

Mrs. Farah Sofa, WALHI

Mr. Arbi Valentinus, Telapak

Mr. Ridzki R. Sigit, Telapak

Mr. Harry Gunawan, Telapak

Mr. E.G. Togu Manurung, Forest Watch Indonesia

Mr. Christian Purba, Forest Watch Indonesia

Mr. Hugh Blackett, Tropical Forest Trust (TFT)

Mr. Nurcahyo Adi, WWF Indonesia

Mr. Irwan Gunawan, WWF Indonesia

Mr. Yoga Sofyar, an activist researching forest matters in East Kalimantan.

ANNEX H Consultations in Malaysia

Period: March 27 to April 4, 2006

Cities: Kuala Lumpur, Sandakan, Kuching, Miri

<Peninsular Malaysia>

Malaysian Timber Council

Ms. Aimi Lee Abdullah

Ms. Siti Syaliza Mustapha

Malaysian Timber Certification Council

Dato Dr. Freezailah Che Yeom

Mr. Chew Lye Teng

Mr. Harnarinder Singh

Malaysian Timber Industry Board

Ms. Norchahaya Hashim

Mrs. Ruzainah Abdul Jalil

Ministry of Plantation Industries & Commodities

Mr. Mohd Zulkarnain Abd. Kadir

Malaysian Timber Certification Council (MTCC)

Mr. Chew Lye Teng

Mr. Harnarinder Singh

Forestry Department of Peninsular Malaysia (FDPM)

Mr. Yap Yee Hwai

Forest Research Institute Malaysia (FRIM)

Dr. Shamsudin Ibrahim

Mr. Wan Hohd Shukri Wan Ahmad

NGOs

Ms. Moi See, WWF Malaysia

Mr. Faizal Parish, Global Environment Centre

Mr. Chen Hin Keong, TRAFFIC South East Asia

<Sabah>

Sabah Forestry Department

Mr. Frederick Kugan

Mr. Albert Radin

Mr. Jeflus Sinajin

Mr. Roslan Junaidi

Mr. Joseph Vun

Mr. Nordin Daling

Mr. Christopher A. Matunjau

Industries

Mr. Raymund Tan Get Seng, Sasaran Ehsan Utama Sdn. Bhd.
Mr. Andrew Garcia De Chavez, Rakyat Berjaya Sdn. Bhd
Mr. Robbie Makajil, Rakyat Berjaya Sdn. Bhd
Mr. Richard Yong, Anrobois (Sabah) Sdn. Bhd.
Mr. Y P Chua, Sabah Timber Industries Association
Mr. P J Tan, Sabah Timber Industries Association
Mr. Victor Xavier, Sabah Timber Industries Association
Mr. Lee Yin Poh, Sabah Timber Industries Association
Mr. Stephen Chaw Zie Shing, Sabah Timber Industries Association
Ms. Brenda Wong, Sabah Timber Industries Association
Mr. Mohd Daud Tampokong, Kumpulan Yayasan Sabah Group
Mr. Tan Peng Juan, Superwoodawmill Sdn. Bhd.
Mr. Victor P. Xavier, Jayakuik Sdn. Bhd.
Mr. Bill Maynard, Malaysia Sdn Bhd, Global Forestry Services
Mr. Jason Lim, Malaysia Sdn Bhd, Global Forestry Services
Mr. Hugh Blackett, Tropical Forest Trust

NGOs

Ms. Linda Edward Giyung, WWF Malaysia, Kota Kinabalu

<Sarawak>**Sarawak Forestry Corporation**

Mr. Liew Tchin Fah
Mr. Zulkifli Baba Noor
Mr. Sani Bakar
Ms. Elaine Tan
Mr. Liew Tchin Fah

Sarawak Timber Association

Dr. Lee Hua Seng
Mr. Barney Chan,
Ms. Celina Yong

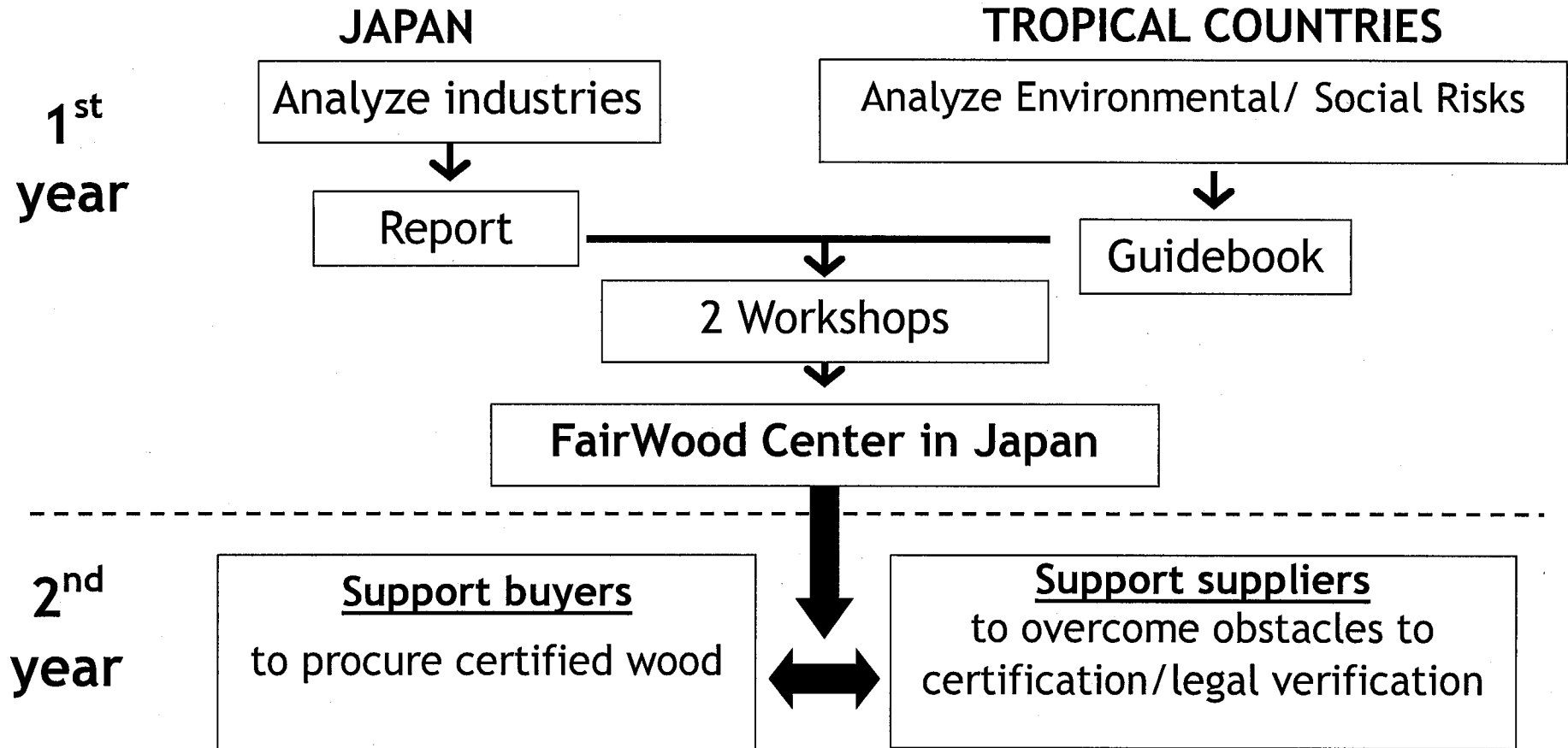
Industries

Mr. James K.S. Chan, Harwood Timber Sdn Bhd.
Mr. Ibrahim Haji Bero, Hardwood Timber Sdn. Bhd.

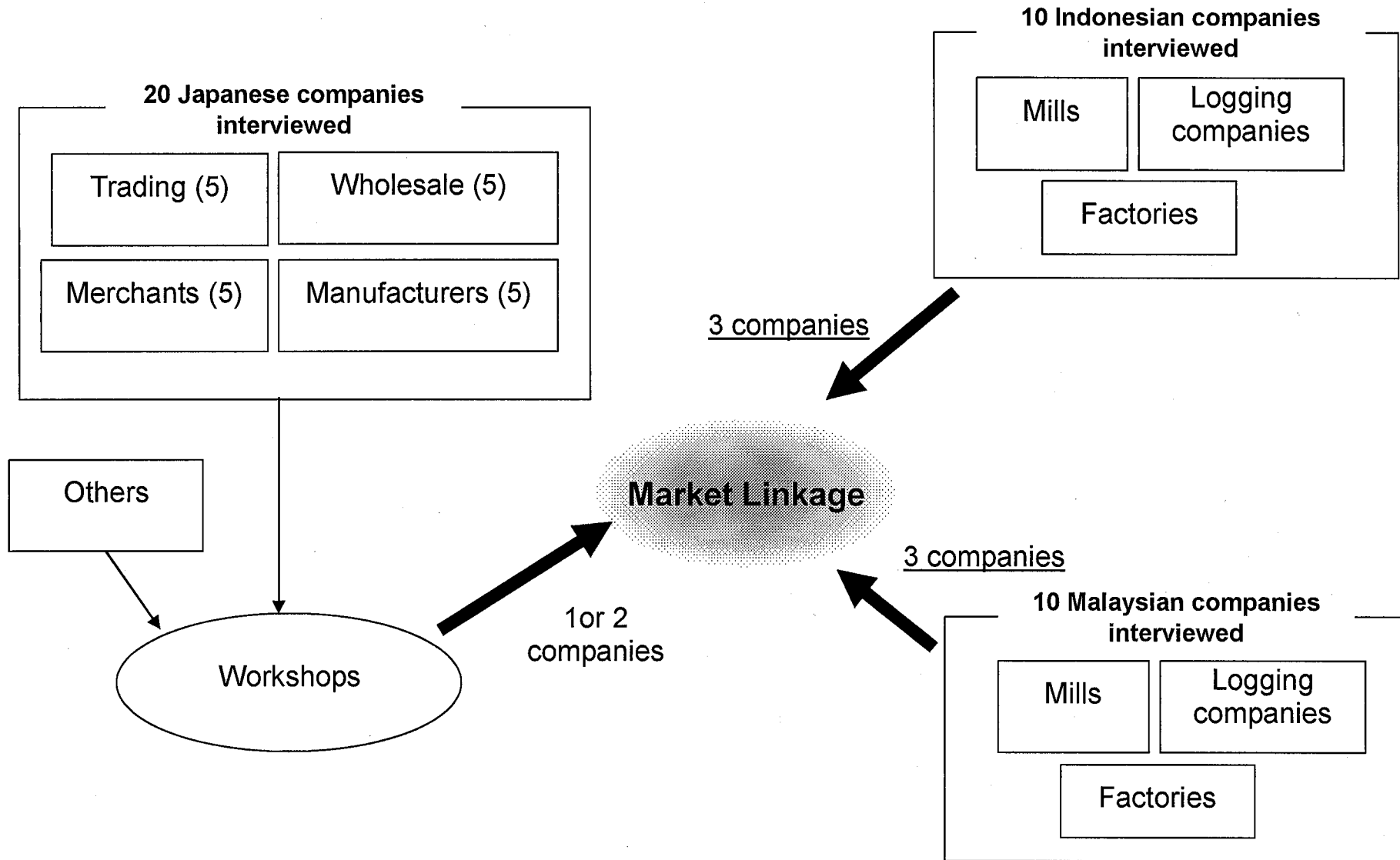
NGOs

Mr. Thomas Jalong, Sahabat Alam Malaysia (SAM)

ANNEX I Proposed Project Framework



ANNEX J Procedure for identifying on 1 or 2 potential companies to begin trading in C/VL wood



ANNEX K Recommendations of the 31st Expert Panel and summary of the modifications

(i) Undertake further consultations with relevant stakeholders in Malaysia;

A three person team (one person each representing FoE Japan, GEF and IGES) conducted a round of consultations in Malaysia from 27 March – 4 April 2006. The consultation team visited each of the three regions of Malaysia (Peninsular Malaysia, Sabah, Sarawak), which have separate forestry departments and forest regulations. In all three regions the team discussed the Project with representatives from government, the private sector and NGOs. The names of the people who participated in the consultations are listed in annex H of the proposal. The team also conducted extensive discussions with indigenous people residing in forested areas in Sarawak.

(ii) Refine the overall formulation of the proposal with a view to achieving its balanced presentation, taking due account of the results of consultations in Malaysia;

We have used the consultations in Malaysia to refine the overall formulation of the proposal. In addition, we have undertaken a considerable extent of rewriting of the major components of the proposal to incorporate the information and views garnered during the consultations.

(iii) Further refine the problem tree, taking into account the issues relating to the lack of green premium and high costs of sustainable forest management and certification in the tropics;

We have refined the problem tree taking a broader view of the challenges to raising demand for certified and legally verified wood. The problem tree identifies low premiums and the high compliance and auditing costs of forest certification as major constraints. The Project acknowledges that the proposed FairWood Center will have to address these issues as a high priority.

(iv) Elaborate social aspects of the proposal and its impact on local people;

We have elaborated the social aspects of the proposal and its impact on local people in section "2.8 Social aspects." Our discussion explains the consequences for local people of illegal and destructive logging and highlights the potential benefits to local people when management frameworks to produce certified/legally verified wood are implemented.

(v) Further analyze the potential risks relating to the economic viability of C/VL tropical wood, potential impact on imports of tropical timber into Japan and cooperation required from Indonesia and Malaysia;

The modified proposal highlights that the tropical wood industry has a poor international image and will continue to be under threat unless this image can be improved. C/VL systems are a means of bringing greater credibility to tropical wood and reversing the trend of declining imports by Japan.

We have interpreted the Expert Panel's expression "Indonesia and Malaysia" to mean all potential collaborators in these two countries, not just their governments. The proposal describes the cooperation required from Indonesia and Malaysia under section "2-3 Project strategy", "4. Activities", "6. Work plan" and "Annex C. A terms of reference."

- (vi) Provide appropriate measures to ensure that no biasness will arise in the gathering, collation and dissemination of information and that the proposal would be open to all credible standards and/or certificate and verification systems;**

The Project will recruit independent research bodies in both Indonesia and Malaysia to scrutinize the data/information that will be used to compile the guidebook of species, regions and products. The Project will recruit recognized business-oriented NGOs in Indonesia and Malaysia, with expertise in implementing forest certification and legal verification schemes. The Project will be advised by these organizations as to which certification/legal verification schemes are most appropriate to the participating companies and their potential markets in Japan.

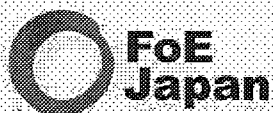
- (vii) Increase the contributions of the Executing Agencies to the overall budget of the proposal.**

We have complied with this request. See section "7. Budget."

Note:

Extensive revisions to the proposal have been made in line with the requests from the Expert Panel. In addition, to sharpen the focus of the proposal we have removed extraneous information from some parts and added information to others as necessary. We have also sought to improve the level of English throughout the proposal. However, we have only underlined those sections of the proposal where additions or modifications to the content were made, and not where modifications were merely to improve the English.

ANNEX L Request for letters of consent to the
governments of Indonesia and Malaysia



Kepada 23 Agustus 2006
Yth Bapak Ir. Bambang Mardiono MSc.
Kepala Biro Kerjasama Luar Negara dan Investasi
Dan
Yth Bapak Ir. Harry Budiman M. MM
Kepala Dit. Bina Pengolahan dan Pemasaran Hasil Hutan

Perihal: Permohonan Surat Keterangan Izin dan Persepakatan

Dengan hormat

Sehubungan Proyek ITTO berjudul "Promotion of Certified Plywood and Sawntwood" yang telah kami berdiskusi dengan bapak-bapak pada bulan Mei 2005 dan bulan Juli 2006 (dilihat lampiran bapak-bapak degan siapa telah kami berdiskusi), proposalnya telah diterima di Expert Panel ke-32 pada tanggal 4 Agustus.

Di Expert Panel tersebut, kami diberikan 6 nasehat-nasehat untuk pengajuan ITTC (Session of Council) ke-41 yang akan diadakan pada bulan November 2006. Salah satu nasehat adalah "Provide written evidence of consent and agreement for the proposal by the Governments of Japan, Indonesia and Malaysia as well as other stakeholders."

Oleh karena itu, bersama surat ini, kami mohon bantuan bapak-bapak untuk menerbitkan Surat Keterangan Izin dan Persepakatan (Evidence of Consent and Agreement) atas proyek kami. Formulir tertentu untuk surat tersebut tidak ada.

Karena adanya batas waktu pengajuan proposal tersebut (tanggal 4 September 2006), kami mohon surat tersebut dikirimkan sebelum tanggal 30 Agustus.

Demikian surat permohonan kami buat. Kami juga mengucapkan terima kasih atas

perhatian dan bantuan bapak-bapak.

Hormat saya,

江原 誠

Makoto EHARA
Foret Program Staff
Friends of the Earth Japan
FAX:+81-3-3951-1084
TEL:+81-3-3951-1081

Lampiran: bapak-bapak dengan siapa telah kami berdiskusi

Bulan Mei 2005

-Biro Kerjasama Luar Negeri dan Investasi
Bapak Bambang Mardiono
Ibu Sri Murniningtyas

Bulan Juli 2006

-Biro Kerjasama Luar Negeri dan Investasi
Bapak Sumaryono
Ibu Kasmalia Sari

-Dit. Bina Pengolahan dan Pemasaran HI
Bapak Djoko Supomo
Bapak Nandang Prihadi

Nezu Ayako

差出人: Nezu Ayako [bwa15929@nifty.com]
送信日時: 2006年8月18日金曜日 11:58
宛先: 'ahmad@kppk.gov.my'
CC: 'mzak'; Aimi Lee Abdullah; 'MISHIBA Junichi'; henry scheyvens
件名: RE: ITTO project [FoE Japan/GEF]



ITTO proposal
final PD-391-06-...
Mr. Ahmad Loman

Undersecretary of Timber Industries Division, Ministry of Plantation Industries and Commodities

CC: Mr. Mohd Zulkarnain Abd Kadir, Ministry of Plantation Industries and Commodities
Ms. Aimi Lee, MTC
Mr. Junichi Mishiba, FoE Japan, Mr. Henry Scheyvens, IGES

Dear Mr. Ahmad Loman,

This is Ayako Nezu of the Global Environmental Forum in Japan. As you may be aware, our organization along with Friends of the Earth Japan have submitted a project proposal titled "Promoting and Creating Market Demand for Certified Tropical Wood and Verified Legal Tropical Wood." Thank you for agreeing to participate in our advisory group. Our proposal has passed the last expert panel, and we are in the process of revising the proposal to meet their recommendations.

One of the specific recommendations of the Panel is to obtain a written evidence of consent and agreement for our proposal by the Governments of Japan, Malaysia, and Indonesia, as well as other stakeholders. To meet this recommendation, we would like to ask for a letter from the government of Malaysia to express that the Malaysian government endorses our proposal.

I am attaching our proposal. I would be grateful if you could read through our proposal and evaluate whether you can agree with our project. (Please note that we are still in the process of making minor changes.) As we have stated in the page 4 of our proposal, we believe that the aims of our project corresponds to the aims stated in the Joint Statement for an economic partnership between Malaysia and Japan. For detailed information on the economic partnership, please refer to the following URL: <http://www.mofa.go.jp/region/asia-paci/malaysia/agreement/joint0512.html>

Ms. Aimi Lee Abdullah of MTC has informed me that you would be going away next Monday. I would appreciate your cooperation in delegating any necessary work to Mr. Zulkarnain before you go away. If you require any more information or clarification, please do not hesitate to contact me.

Yours sincerely,

Ayako Nezu (Ms.)

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1-18-1 Toranomon, Minato-ku, Tokyo
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<http://www.gef.or.jp>



**DEPARTEMEN KEHUTANAN
SEKRETARIAT JENDERAL**

Alamat : Gedung Manggala Wanabakti Jalan Gatot Subroto - Jakarta 10270
Telepon : 5704501 - 04 Telex 65591 Dephut IA
Faximile 5738732 Kotak Pos 6505 Jakarta 10065

Ref. S. 1017 /KLN-2/2006

Jakarta, 25 September 2006

Dr. Manoel Sobral Filho
Executive Director of ITTO
International Organizations Center
Yokohama, JAPAN
Fax: (81-45) 223-1111

I am writing to inform you that Mr. Makato EHARA from Friends of the Earth, Japan has made a series of consultation with Director of Forest Products Development and Trade and his staff in May 2006 in Jakarta regarding the proposed project PD 391/06 Rev. 1 (M) "Promoting and Creating Market Demand for Certified Tropical Wood and Verified Local Tropical Wood".

Following the discussion, Director of Forest Products Development and Trade has made reference to support the proposed project PD 391/06 Rev. 1 (M) in the event the implementation of the project could contribute to promote Indonesia forest products trade in Japan.

I thank you for your kind attention.

Sincerely yours,



[Signature]
Sambang Murdiono
Director, Bureau of International Cooperation

cc.

1. Director of Forest Products Development and Trade
Ministry of Forestry
2. Mr. Makato Ehara, Friends of the Earth, Japan (Fax: +81-3-3951-1084)

ANNEX M Draft agenda of the workshop

The aims of the workshop are to inform Japanese companies of the objectives and activities of the Project, the need for sustainable forest management, existing certification/verification schemes and the social and environmental situation of the producer countries related to the forest industry. Workshops will be held in the beginning of the second year of the Project in Tokyo and in Osaka. The workshops will be widely advertised to timber/timber product-related companies through e-mail, facsimile, Internet and, if necessary, post. The expected number of participants is approximately 150 – 200.

Tentative workshop agenda

1. Introduction of the ITTO Project "PROMOTING AND CREATING MARKET DEMAND FOR CERTIFIED TROPICAL WOOD AND VERIFIED LEGAL TROPICAL WOOD" by the Executing Agency.
2. Description of forest management in Indonesia and Malaysia by government officials from the respective countries.
3. Explanation of all certification and verification schemes available in Indonesia and Malaysia, coordinated by IGES.
4. Report of experiences of Japanese companies that have achieved forest management and/or CoC certification by industry representatives.
5. Open discussion of the needs and concerns of Japanese industries related to certification/verification, moderated by the Executing Agency.

ANNEX N Procedure for selecting companies in Japan and in producer countries

Japanese companies

The following two options will be used for selecting Japanese companies:

1) Self-selection by companies

Any company can register their interest in participating in the Project by contacting the Executing Agency. The Project will provide opportunities – workshops and interviews – specifically for companies to register their interest.

2) Efforts by the Executing Agency to elicit company participation

The Executing Agency will actively seek out and select companies considering the following criteria.

Companies have:

- more than 1,000 employees
- a website
- an environmental report/sustainability report for high grade compliance
- a procurement policy
- announced its procurement policy to the public through the Internet or in printed form, e.g., annual report.

Precondition: companies that procure tropical timber/timber products

Companies in producer countries

Nine criteria will be used to objectively select companies in the producer countries. Some of the criteria are compulsory (a) and others are optional (b and c). The Project will select companies that meet the preconditions and the greatest number of optional conditions.

a) Preconditions of companies are to have:

- no record of law violation in the last three years.
- all the necessary documents for compliance of their business

b) Companies should have either:

- an annual report that shows steps taken to improve environmental performance
- plans to further improve environmental performance including itemization of expenditure specific to these plans in the company budget
- ISO 9000 or 14000 series certification
- JAS certification

c) It is desirable that companies:

- are conducting business with Japan
- are aware of certification and legal verification
- have appointed an environmental officer

ANNEX O Recommendations of the 32nd Expert Panel and summary of the modifications

All new modifications to the text are underlined.

1. **Provide written evidence of consent and agreement for the proposal by the Governments of Japan, Indonesia and Malaysia as well as other stakeholders.**

We have sent requests for letters of consent to the Governments of Indonesia, Malaysia and Japan. We are waiting to receive letters of consent from the Governments of Indonesia and Malaysia (see Annex L for copies of our requests). The letter of consent by the Government of Japan is attached as the cover letter of this proposal.

2. **Provide appropriate measures to ensure that no biasness will arise in the gathering, collation and dissemination of information and that the proposal would be open to all credible standards and/or certificate and verification systems.**

The following statement has been added to the "Terms of Reference for providing support in introducing certification and verification systems to Indonesia and Malaysia" on p. 40.

"Discuss available certification and verification systems with the participating companies and potential buyers and facilitate them to select the system that best meets their capabilities and needs. The contracting agency will show no bias towards any particular scheme during communications and discussions with the participating companies in the supplier countries and potential buyers in Japan."

A draft agenda for the workshops to be held in Japan has been added as Annex M. Item 3 of the agenda is "Explanation of all certification and verification schemes available in Indonesia and Malaysia."

To ensure that data is collated, analysed and disseminated objectively, each of the task teams (see p. 23) has been reorganised to include independent, recognised research institutions that will advise on these activities.

3. **Amend reference to low public awareness of forest issues in producing countries to include consuming countries as well.**

With reference to "low public awareness" the problem tree is attempting to explain why there is low demand for C/VL wood in Japan. The original statement in the problem tree "low public awareness of forest issues in producer countries" was intended to mean that Japanese consumers have low awareness of forest issues in producer countries (not that consumers in producer countries have low awareness). We have altered the original text to read "Low Japanese consumer awareness of forest issues in producer countries" to more correctly convey our intended meaning.

- 4. Delete the reference made to the studies by WWF, 2002 and EIA/Telapak, 2004 on page 11 of the proposal.**

We have deleted the reference as requested.

- 5. Provide a mechanism and procedure for an objective selection of companies in Japan, and of more companies in Indonesia and Malaysia.**

Refer to annexes M and N for the mechanism and procedure for an objective selection of companies in Japan. We have raised the number of companies in Indonesia and Malaysia that the Project will assist in developing and implementing action plans to achieve certification/legal verification to a total of 6 (3 from each country; see modifications on p.15, p.40 and p.50). We believe it may be unreasonable to raise this number further given the time frame of the Project and the size of the Project budget.

- 6. Ensure that the task teams in Japan, Indonesia and Malaysia are more representative of the various parties that will be engaged in the project and that the composition of this representation is the result of mutual agreement.**

The task teams (see p. 23) have been reorganized to include independent research institutions, civil society organizations, and private sector associations who have been informed of, and agreed to, team composition.