

# INTERNATIONAL TROPICAL TIMBER ORGANIZATION (ITTO)

## THEMATIC PROGRAMME ON TRADE AND MARKET TRANSPARENCY (TMT)

### PROJECT DOCUMENT

TITLE:	IMPROVING RESILIENCE OF THE TROPICAL TIMBER SECTOR TO THE IMPACTS OF GLOBAL AND REGIONAL ECONOMIC AND FINANCIAL CRISES
SERIAL NUMBER:	TMT-SPD 002/10 Rev.1 (M)
SUBMITTED BY:	ITTO SECRETARIAT
ORIGINAL LANGUAGE:	ENGLISH

#### SUMMARY:

The tropical timber sector has been severely impacted by the global financial and economic crisis which stemmed from the US subprime mortgage crisis in 2007. The adverse effects include a sudden plunge in housing starts and consumer demand for tropical wood products in traditional markets, depressed prices and severe adjustments of the tropical wood processing industries in ITTO producer and consumer member countries. This proposal focuses on increasing the resilience of the tropical timber sector to the threats arising from global economic and financial shocks by increasing the capacity of ITTO producer member countries to manage, adapt, recover from and anticipate such crises. The study will develop a knowledge base for informed decision-making at international, regional and national levels on strategies for minimising the risks to the tropical timber sector from global economic and financial shocks.

The lack of resilience of the tropical forestry sector to the impacts of the recent global financial and economic crisis was raised and highlighted at the Forty-fifth Session of the International Tropical Timber Council held in Yokohama from 9 to 14 November 2009. This proposal by the Secretariat is a response towards addressing the problem, particularly the concern of ITTO producer member countries that detailed analyses of the impacts of the crisis and policy responses were required to enable them to be better prepared for future economic and financial downturns. In addition, the study will address the concern of ITTO consumer member countries that the analyses will improve the understanding of the underlying factors impacting demand for tropical wood products in consumer markets.

EXECUTING AGENCY: ITTO Secretariat

DURATION: 12 months

APPROXIMATE STARTING DATE: October 2010

PROPOSED BUDGET AND OTHER FUNDING SOURCE:	<u>Source</u>	<u>Contribution (in USD)</u>
	ITTO	<u>150,000.00</u>
	<b>TOTAL</b>	<b><u>150,000.00</u></b>

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## LIST OF ABBREVIATIONS AND ACRONYMS

ITTA	International Tropical Timber Agreement
ITTA,2006	The International Tropical Timber Agreement, 2006
ITTO	International Tropical Timber Organization
ITTC	International Tropical Timber Council
EIMI	Economic Information and Market Intelligence division of ITTO
FDI	Foreign Direct Investment
TMT	ITTO Thematic Programme on Trade and Market Transparency
SFM	Sustainable forest management
USD	United States Dollar

## 1. PROJECT CONTEXT

### 1.1 Origin

The tropical timber sector has been severely impacted by the global financial and economic crisis which stemmed from the US subprime mortgage crisis in 2007. The crisis triggered a sudden plunge in housing starts and consumer demand for tropical wood products in traditional markets, cancelled orders, depressed prices for tropical wood products and severe adjustments of the tropical wood processing industries in ITTO producer and consumer member countries. This proposal is in response to concerns expressed by ITTO producer member countries at the Forty-fourth and Forty-fifth Sessions of the ITTC and during the ITTO Annual Market Discussions in 2008 and 2009, that the impacts of the global and economic crisis, which have been evident since 2007, have continued to grip the tropical timber sector. Although there were initial signs of a rebound in the latter half of 2009, the prospects and timeline for a full recovery from the crisis remain fragile and uncertain. An activity under the ITTO Biennial Work Programme 2010-2011 to consider the impact of the global economic and financial crisis on the tropical timber sector and measures to facilitate a speedy recovery from the downturn was proposed. This proposal takes due account of the deliberation at the Forty-fifth Session of the ITTC on the need for ITTO to consider the impacts of the global economic and financial crisis on the tropical timber sector and help ITTO member countries build resilience to future downturns by understanding timber demand drivers. The concerns are that ITTO producer member countries lack the capacity to manage, adapt, recover from and anticipate global economic and financial crises and have limited access to market intelligence on the factors driving market demand for tropical timbers, a fundamental requirement for effective policy strategies in managing market change. The ITTO International Conference on the Promotion of Intra-African Trade in Timber and Timber Products, held in Ghana in 2009, also noted the African region's lack of access to intelligence on consumer markets (both outside and within the region) and its particular vulnerability to external market shocks resulting from the region's heavy reliance on primary product exports.

### 1.2 Relevance

The proposed study is highly and directly relevant to some of the key components of the objectives of ITTA 2006, the ITTO Action Plan 2008-2011 as well as the scope and objectives of TMT as detailed below.

#### 1.2.1 Conformity with ITTO's objectives and priorities

##### ITTA 2006:

Article 1(e): on promoting improved understanding of the structural conditions in international markets, including long-term trends in consumption and production, factors affecting market access, consumer preferences and prices, and conditions leading to price which reflect the costs of sustainable forest management. **This study will improve the understanding of the drivers of structural changes in global forest products markets arising from global economic shocks.**

Article 1(h): on improving market intelligence and encouraging information sharing on the international timber market with a view to ensuring greater transparency and better information on markets and market trends, including the gathering, compilation and dissemination of trade related data. **The study will address some of the gaps in market intelligence in relation to demand drivers in tropical timber consumer markets.**

Article 1(s): on identifying and addressing relevant new and emerging issues. **The speed and severity of the global financial and economic crisis and its unprecedented impacts on global timber markets warrants a thorough analysis of this issue.**

##### ITTO Action Plan 2008-2011

This proposal is concerned with improving market conditions and transparency of the tropical timber trade and relates directly to Expected Outcome 3, "*Improved data and knowledge, projections and competitiveness on trade in timber and timber products*" and Action F "*undertake studies on the trends and short-term and long-term problems of international timber markets*". As the ability of the tropical timber sector in supplying tropical timber from sustainably managed and legally harvested sources is inextricably linked to its resilience to external economic shocks and the policy actions

undertaken by ITTO producer member countries, this proposal also relates to Expected Outcome 4 “*Increased supplies of tropical timber from sustainably managed and legally harvested sources*”, and Action D “*review and analyse economic and fiscal policies and their impacts on the competitiveness of tropical timber from sustainably managed sources*” ,

This proposal is also relevant to cross-cutting action (c) “*undertake special studies on emerging issues of relevance to the world tropical timber economy and SFM*”, given the unforeseen pace of economic changes in the tropical timber marketplace and their far reaching impacts, and the need to build and enhance the resilience of the tropical timber sector to market changes.

#### TMT objectives and scope:

This proposal is directly relevant to the general objective of TMT and, in particular its specific objective: (c) “*to enhance market access and trade promotion of tropical timber*”. The relevance of the proposal to the scope of TMT relates to the strategy of supporting the “*monitoring and assessing the economic, social and environmental impacts of factors affecting tropical timber markets (e.g....macroeconomic changes in international markets...)*”. The proposed study will contribute to the knowledge base on the underlying factors driving demand changes in tropical timber consumer markets, particularly with respect to global economic changes. In this respect, the proposal is also relevant to specific objective (b) “*to fill gaps in the market transparency of timber and timber products*” by providing strategic market intelligence to tropical timber producers, addressing gaps in market knowledge and providing a framework for monitoring and reacting to factors impacting markets for tropical timber.

#### **1.2.2 Relevance to target countries’ policies**

In the context of their overall national strategies for recovery from the global economic and financial crisis, ITTO member countries have underlined the importance of considering the impacts of the crisis on the tropical timber sector and helping countries build resilience to future downturns by understanding timber demand drivers. This proposal is premised on new strategic policy responses/measures that will be required at both international and national levels to mitigate and manage the impacts of global economic changes on the forestry sector in tropical producing countries. This proposal will guide systematic national data and information collection **including relevant global economic information such as global construction and economic trends and forecasts, demographic data and forecasts, etc.,** for early warning of economic shifts which will impact on the forestry sector and will assist towards informed decision-making on the development of national policies for wood products trade, including adaptation to market developments (covering new and emerging markets as well), product diversification (including new uses such as bioenergy) and industry sectoral development.

At the international and regional levels, the proposal will provide intelligence to assist in guiding marketing strategies for generic marketing of tropical timber products.

#### **1.3 Target area**

The **study** will have a global focus but it takes into account the disparity in the ability of the ITTO producing regions in recovering and adapting to market changes. **The three ITTO producer regions – Asia-Pacific, Latin America/Caribbean and Africa – have differing geographical, economic, social, technology and market contexts. Factors such as the level of foreign direct investment, GDP and GDP/capita, level of domestic consumption, wood processing capability, ability to attract investment, extent of product diversification, market dependence, ability to innovate (products, markets, and business systems), level of R&D, level of governance, business and marketing systems, etc, differ between countries and regionally.** The Asia-Pacific region for example, is potentially better placed to recover from the ongoing global economic and financial crisis than the Africa region, which is heavily reliant on primary wood product exports and which has relatively limited access to investment capital. In Asia-Pacific, China has become an important source of FDI as well as the largest export market for a number of countries in the region. A structural change in China’s economy from export-led to domestic-led growth in response to the economic and financial downturn will have important implications for the tropical wood products trade within Asia-Pacific. **The market/product mix differs regionally, with Africa historically more dependent on EU markets, Asia-Pacific exports are mostly destined for Asian markets while Latin American wood products exports are to North American and EU**

markets. As such, regional concerns and strategies/solutions for managing economic crises may differ.

This project will also adopt a case study approach to providing specific information on representative countries in each of the three ITTO producing regions **and in selected consumer markets. These case studies (the number of which will be limited by the budget but should include at least two per producer region) will be determined in consultation with the ITTO Secretariat. Particular consideration will be given to ensuring that countries are investigated which represent a range of differing response strategies and interventions which have been adopted.**

**The sectoral coverage will include all end use market sectors which are relevant to the tropical timber sector. Case study consumer market coverage will include at least one mature market and one developing market, with priority given to markets that have been more vulnerable/sensitive to market changes.**

#### 1.4 Outcomes at project completion

The main outcome of the project will be a tropical timber sector which is better prepared for addressing the risks of global economic and financial downturns, with improved knowledge of the dynamics of tropical timber markets, able to anticipate the likely impacts of economic and financial downturns at regional and national levels, and with appropriate strategies able to be put in place with knowledge of the likely outcomes of remedial actions.

The beneficiaries are:

1. Governments of ITTO producer member countries: The study will provide knowledge on mechanisms for adapting to global economic changes, accessing strategic market intelligence and predictive tools to assist policy development and updating and implementing remedial policies quickly and with knowledge of outcomes.
2. Governments of ITTO consumer member countries: Ability to adjust policy responses to market downturns with knowledge of the likely impacts of their remedial measures on the tropical timber sector.
3. Industrial and business sector: Will be supported by more effective government policies on marketing and industry initiatives during economic crises.
4. International Donors: Will be able to finance projects assisting ITTO producer member countries to recover from economic shocks and target priority regions/countries.

The benefits to be generated by this proposal include:

- Improved decision making on strategic market development by producers of tropical timber and timber products.
- Improved and quality knowledge on the dynamics of tropical timber markets, including the factors driving change in tropical timber consumer markets.
- Improved marketing strategies and trade development for tropical timber.
- Policy assistance measures channelled more effectively to industrial and business sector.
- Contribution to poverty alleviation through improved financial returns to the tropical forestry sector.
- Contribution to improved private sector business confidence in ITTO producer member countries through improved long-term planning.
- Promotion of information and knowledge sharing on the benefits of comprehensive understanding of the impacts of the global economic crisis and the effectiveness of remedial measures. Duplication of efforts will be minimised by using existing ITTO data and information in the first instance, and focusing on primary data/information collection to bridge information gaps.

## 2. PROJECT RATIONALE AND OBJECTIVES

### 2.1 Stakeholder analysis

This proposal is based on an analysis of different stakeholders' problems, needs and interests concerning their ability to recover from global financial and economic crises.

Stakeholder group	<u>Characteristics</u>	Problems, needs, interests	Benefits
<b>Primary stakeholders</b>			
Industrial and business sector companies and country-level trade and industry associations	<u>Private sector producers, exporters and trade and industry representatives who produce and export tropical timber to consumer markets; trade and industry associations involved in promotion of tropical timber and provide strategic planning and advice to the private sector</u>	Not supported by government policies on market and industry reorientation and other measures required to mitigate abrupt market demand shifts and other challenges associated with global economic crisis. <u>Need to maintain profitable business enterprises and market competitiveness during global economic crises and abrupt changes in demand.</u>	Supported by effective government policies on generic marketing and industry initiatives during economic crises. <u>Assistance measures channeled effectively. Able to develop long-term business strategies with improved and comprehensive market knowledge base.</u>
National and local Governments and government policy advisors	<u>Public sector government policy advisors and implementers; responsible for providing strategic planning and advice to the public sector and at country level.</u>	Need to respond quickly, with certainty and with knowledge of the likely outcomes of various policy options; need <u>reliable</u> information on the likely impacts of strategic policy responses for the adjustment of national and local policies to mitigate the threats of global market changes to both public and private forest stakeholders;	Will be able to update and implement remedial policies quickly and with knowledge of outcomes, <u>utilizing reliable and high quality market intelligence..</u>
<b>Secondary stakeholders</b>			
Local communities		Limited capacity (financial resources and competency) in accessing strategic information and proactively responding to the impacts of global economic changes on the forestry sector upon which their livelihoods depend.	Will be better able to access information and respond to global economic changes.
<b>International donors</b>	<u>Provide finance and appropriately channel funding assistance to tropical timber producers</u>	<u>Need to efficiently channel assistance to tropical timber producer countries, and identify priority countries, following global market shocks and demand shifts.</u>	<u>Will be able to finance projects to assist producer countries in recovering from economic shocks and target priority regions/countries.</u>

<u>Regional organizations</u>	<u>Advise on regional economic and trade and industry strategies; finance regional initiatives.</u>	<u>Need strategic information on regional impacts of global economic and financial crises and methods to predict regional economic crises which could affect the tropical timber sector.</u>	<u>Will be able to advise members and finance regional initiatives effectively</u>
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## 2.2 Problem analysis

The tropical timber sector has been, and continues to be, severely impacted by the global financial and economic crisis stemming from the US subprime mortgage crisis which began in 2007. The adverse effects on the sector have been profound and wide-ranging, from cancelled orders to plummeting demand and sales, depressed prices, retrenchments, closures, unemployment, investment freeze and poverty, as well as setbacks in forest management, governance, forest law enforcement, conservation and protection.

The global economic crisis is estimated to have led to subdued global economic growth of 0.8% in 2009, with the steepest decline in the developed economies and Eastern Europe. Global trade fell by 12.3%; the sharpest decline since World War II. At the same time, emerging economies, including ITTO producer member countries that are dependent on trade to support economic growth are facing increased measures to restrict trade and capital flows as developed economies move to protect jobs and domestic industries. The immediate causes of the downturn in growth and trade have been reduced household spending in the developed economies and reduced capital supply by banks. A broader, underlying cause is the global imbalance between debtor and creditor nations that has developed over the last 20 years as the United States increased debt and China raised savings. A key uncertainty is the extent to which the global economy will recover from the crisis. This critically influences, and in turn is influenced by, the extent of trade and financial protectionism, and attempts by emerging economies, especially China, to shift from being dependent on exports to the United States and Europe, to relying on domestic-led growth.

The predicted near-term impacts of the global economic and financial crisis include emerging economies facing difficulty in accessing capital, a key source of growth in the past five years, as domestic stimulus packages compete for global finance (financing for forest management and processing is essential to the development of the tropical forestry sector, through SFM, planted forests, payments for ecosystem services, and value-added processing); a decline in FDI; reduction in exports by ITTO producer member countries as imports by developed countries fall; increased competition for export markets; an end to the recent commodity price boom, which was the largest since 1900; increased unemployment, particularly in emerging country export sectors and reduced spending on research and development.

ITTO producer member countries are not well positioned to manage and recover from this crisis, lacking capacity to access the market intelligence required to implement effective measures to manage and recover from these challenges. The current crisis is the most recent of several economic slumps but the tropical timber sector does not appear to have developed a knowledge base and effective remedial strategies from the lessons learned from previous crises. Furthermore, the current crisis has highlighted the vulnerability and lack of preparedness of the tropical timber sector to respond to future global and regional economic crises.

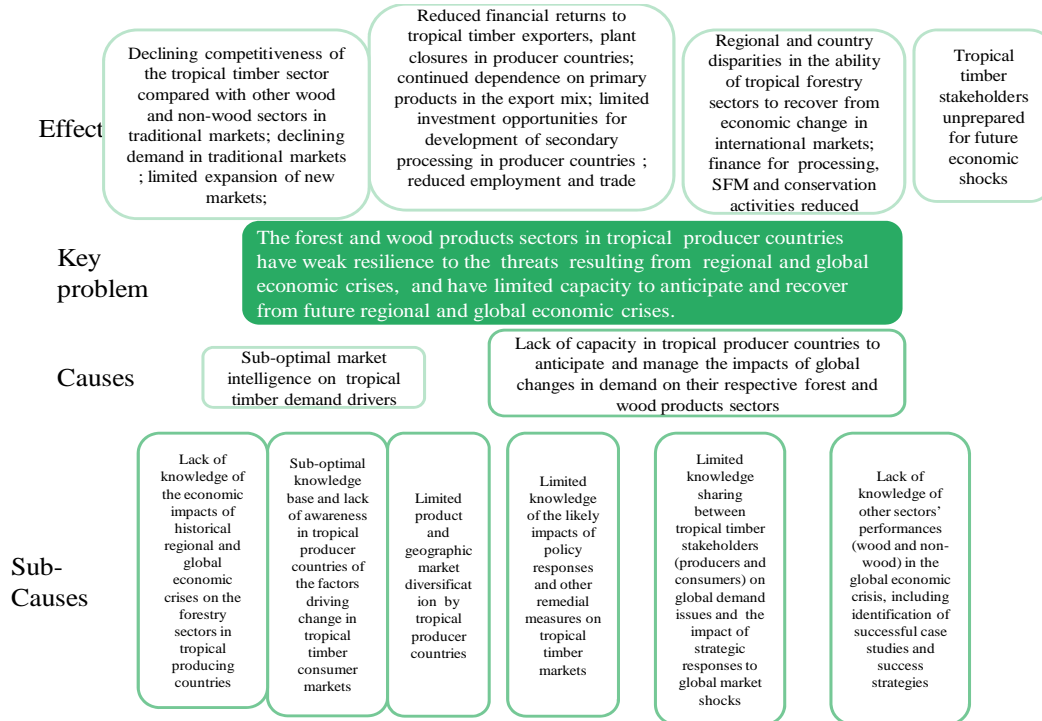
**The core problem to be addressed by this proposal is the lack of resilience of ITTO tropical producer countries in facing the threats resulting from global economic crises. The causes of the key problem are firstly a general gap in the market intelligence base required to understand the factors driving demand in consumer markets and their impacts on tropical timber markets. There is a sub-optimal knowledge base of the factors driving change in tropical timber consumer markets and a lack of collective knowledge of the impacts of historical global and regional economic crises on the dynamics of the tropical timber trade and industries. The limited geographic and product diversification by tropical timber producers has further limited the market intelligence focus for analyses of the tropical timber trade.**



**The second cause of the problem is that tropical timber producers lack the capacity on an individual country basis to anticipate and manage the impacts of global changes in demand on their respective forest and wood products sectors. Prediction and management of market changes requires collective knowledge sharing on global demand drivers and the impacts of strategic responses to date of global market shocks, including the impact of government policy responses such as incentives to forestry sectors and other remedial measures, as well as information to draw on the experiences of other sectors during the economic crisis in order to identify success strategies.**

**Cumulatively, the effects of the key problem (as stated in Figure 1) imply an unsustainable trade in tropical timber products.**

Figure 1: Problem Tree



## 2.3 Objectives

### 2.3.1 Development objective and impact indicators

The development objective of this proposal is to **assist in sustaining** a profitable, long-term international trade in tropical timber products from sustainably managed and legally harvested forests.

The expected impact indicators of the scheme to be proposed are:

- i) Long-term growth in consumer market demand and prices for tropical timber products and expansion of new markets.
- ii) Level of FDI in secondary wood processing, forest conservation and SFM initiatives in ITTO producer member countries.
- iii) Proportion of secondary processed timber products in the global trade in tropical timber products.
- iv) Contribution of the tropical timber sector to national GDP in ITTO producer member countries.
- v) Reduction of the risk of export demand fluctuations and price volatility for tropical timber products resulting from global macroeconomic changes.

### 2.3.2 Specific objective and outcome indicators

The specific objective of this proposal is to **assist in increasing** the resilience of the tropical forest sector to the threats resulting from future global economic and financial shocks by enhancing the capacity of ITTO producer member countries to anticipate, manage and recover from global economic crises.

Outcome indicators are:

- i) Methods available for monitoring and influencing factors impacting markets for tropical timber.
- ii) Knowledge base available for informed decision making at international, regional and national levels on strategies for minimising the risks to the tropical forestry sector from global economic shocks.

## 3. DESCRIPTION OF PROJECT INTERVENTIONS

### 3.1 Outputs

There will be **two** components of the proposed study under this proposal which will be consolidated into one seamless report:

1. **Key drivers of tropical timber demand and their impacts on tropical timber markets compiled and analysed.**
2. **2 Strategic measures for improving the capacity of tropical timber producers to anticipate and manage the impacts of global changes in demand on the respective forest and wood products sectors identified and recommended.**

### 3.2 Activities and inputs

#### **Output 1**

Activity 1.1: Review quantitative time series data, studies, reports and other relevant qualitative information available on production, consumption, trade and prices of tropical timber products (primary and secondary) from ITTO producer member countries and key supplying countries to key markets; industry, investment and employment indicators as well as SFM, governance and conservation indicators and other relevant social, economic and environmental indicators, as a basis for determining the extent of the impacts of the recent and past global financial and economic crises.

Activity **1.2: Develop a survey instrument and** conduct structured interviews with key stakeholders (public and private sector) to critically assess the extent and impacts of regional and national policy responses and other remedial measures to the recent global financial and economic crisis, on tropical timber production, trade and investment within the three ITTO producing regions and in selected countries. The assessment will include the impacts of both ITTO producer member country responses (eg subsidies, import duties, fiscal stimulus packages, domestic demand stimulus packages) and ITTO consumer member country responses to the crisis (including trade protectionist measures such as non-tariff trade barriers) on tropical timber markets.

Activity **1.3:** Review available information on the factors determining demand for tropical timber products in consumer markets, focusing on at least one mature consumer market (eg USA, Italy, UK) and one developing market (eg India, China, Middle East ). Determine the impact of change drivers on tropical timber demand and identify market drivers which can be influenced by tropical timber producers and those that have the potential to contribute to the vulnerability of the tropical timber sector (such as product and market dependence, product supply chain, etc).

## **Output 2**

**Activity 2.1** Review available information on the performance of other sectors (wood and non-wood) in responding to the global financial and economic crisis, identifying successful case studies and success strategies employed by those sectors, including the use of futures markets, price control mechanisms, subsidies and other governmental support mechanisms.

Activity **2.2:** Identify and formulate recommendations on strategies at national, regional and international levels, to minimize the risks to ITTO producer member countries of future global economic crises, including methods for monitoring and influencing market change in global timber markets.

### **3.3 Strategic approach and methods**

#### **Expertise required and expected competency**

The project will engage qualified international consultant(s) with extensive experience in tropical wood products market economics and in-depth knowledge of global wood products trade and markets.

#### **Data collection procedures:**

**This study will employ extensive literature searching to review available information as described in activities 1.1, 1.3 and 2.1. A survey instrument will be developed for primary data and information collection** through intensive and comprehensive consultations involving key stakeholders **(as described in Activity 1.2)** and will involve **both phone/skype interviews and** visits to ITTO producer and developing consumer member countries to be selected in consultation with the ITTO Secretariat. The methodology will ensure that the project addresses specific information gaps and minimises duplication of previous work by ensuring use of extensive related work already undertaken by ITTO on the competitiveness of tropical timber, the long-term outlook for tropical timber, a number of consumer market studies, and previous work on the impact of the Asian financial crisis on the tropical timber sector. **Given the budget limitations of the study, the engagement of member countries using a workshop type of forum is not possible. However, member countries will have the opportunity to provide input to the study, and will be made aware of the study, via the structured interviews (Activity 1.2) and an opportunity to provide further input will provided when the study is presented at the ITTC session and through review and inputs to the draft report.**

### 3.4 Work plan

**Table 1 Tentative Schedule**

Activity/ Month	<u>Responsible party</u>	1	2	3	4	5	6	7	8	9	10	11	12
Activity <u>1.1</u>	<u>Consultant</u>												
Activity <u>1.2</u>	<u>Consultant</u>												
Activity <u>1.3</u>	<u>Consultant</u>												
Activity <u>2.1</u>	<u>Consultant</u>												
Activity <u>2.2</u>	<u>Consultant</u>												
Presentatio n <u>and</u> <u>publicatio</u> <u>n</u> of results (Study report including Outputs 1- <u>2</u> )	<u>Consultant/</u> <u>ITTO</u> <u>Secretariat</u>												

### 3.5 Budget

**Table 2 ITTO budget by component**

Category	Description	Total
<b>20</b>	<b>Sub-contracts</b>	
21	Sub Contract to Consulting Team	100,000
<b>29</b>	<b>Subtotal</b>	<b>100,000</b>
<b>30</b>	<b>Duty travel</b>	
31	DSA	6,000
32	International Travel	12,000
<b>39</b>	<b>Subtotal</b>	<b>18,000</b>
<b>60</b>	<b>Miscellaneous</b>	
61	Publication	<u>14,000</u>
62	Miscellaneous	<u>743</u>
<b>69</b>	<b>Subtotal</b>	<b><u>14,743</u></b>
<b>80</b>		
81	ITTO monitoring & review	0
82	ITTO mid-term evaluation	0
84	ITTO ex-post evaluation	0
	<b>Subtotal (11–82)</b>	<b><u>132,743</u></b>
85	ITTO program support (13% of 11–84)	<u>17,257</u>
<b>100</b>	<b>GRAND TOTAL</b>	<b><u>150,000</u></b>

## 4. IMPLEMENTATION ARRANGEMENTS

### 4.1 Executing agency and organizational structure

The ITTO Secretariat based on its accumulated experience in commissioning relevant studies related to the tropical timber sector and economy, will, through its Division of Economic Information and Market Intelligence (EIMI), execute the proposed study under this proposal and will hire the services of consultant(s) to provide technical assistance in carrying out the activities.

### 4.2 Project management

The consultant(s) to be hired will require the following knowledge:

1. Market economics
2. Tropical wood product markets
3. Policy analysis

The Terms of reference for the conduct of the study are contained in Annex 1.

### 4.3 Monitoring and reporting

In general, the proposal will be monitored and evaluated in accordance with ITTO operational manuals, guidelines and regulations. All activities will be carried out on the basis of the objectives, outputs, activities/ indicators and work plan contained in the proposal.

## ANNEX 1 – TERMS OF REFERENCE FOR THE CONSULTANCY TEAM

### Background

The tropical timber sector has been severely impacted by the global financial and economic crisis which stemmed from the US subprime mortgage crisis in 2007. The adverse effects have been a sudden plunge in housing starts and consumer demand for tropical wood products in traditional markets, depressed prices and severe adjustments of the tropical wood processing industries in ITTO producer and consumer member countries. This study aims at increasing the resilience of the tropical timber sector to the threats arising from future global economic shocks by increasing the capacity of ITTO producer member countries in anticipating, managing, adapting and recovering from global economic crises. This study will develop a knowledge base for informed decision making at international, regional and national levels on strategies for minimising the risks to the tropical timber sector from global economic shocks. Based on the outcomes of the study, ITTO will be well placed to offer appropriate measures and recommendations to its members in support of their efforts to build resilience to global economic shocks.

### Description

The consultant(s) will review quantitative time series data, studies, reports and other relevant qualitative information available on production, consumption, trade and prices of tropical timber products (primary and secondary) from ITTO producer member countries and key supplying countries to key markets; industry, investment and employment indicators as well as SFM, governance and conservation indicators and other relevant social, economic and environmental indicators, as a basis for determining the extent of the impact of the global financial and economic crisis.

Structured interviews will be conducted with private and public sector key stakeholders (to be determined in consultation with ITTO) to critically assess the extent and impacts of regional and national policy responses and other remedial measures to the recent global financial and economic crisis, on tropical timber production, trade and investment within the three ITTO producing regions and in selected countries. The assessment will include the impacts of both ITTO producer member country responses (eg subsidies, import duties, fiscal stimulus packages) and ITTO consumer member country responses to the crisis (including trade protectionist measures such as non-tariff trade barriers) on tropical timber markets.

The consultant(s) will review available information on the factors underlying demand for tropical timber products in consumer markets, focusing on at least one mature consumer market (eg USA, Italy, UK) and one developing market (eg India, China, Middle East ). The consultant(s) will determine the impact of change drivers on tropical timber demand and identify market drivers which can be influenced by tropical timber producers and key factors which have the potential to contribute to the vulnerability of the tropical timber sector.

The available information on the performance of other sectors (wood and non-wood) in responding to the global financial and economic crisis will be reviewed, identifying successful case studies and success strategies employed by those sectors.

The consultant(s) will identify and formulate recommendations on strategies at national, regional and international levels, to minimize the risks to ITTO producer countries of future global economic crises, including methods for monitoring and influencing market change in global timber markets.

### Expected outputs

The expected outputs of the study will be:

- 1 **Key drivers of tropical timber demand and their impacts on tropical timber markets compiled and analysed.**
- 2 **Strategic measures for improving the capacity of tropical timber producers to anticipate and manage the impacts of global changes in demand on the respective forest and wood products sectors identified and recommended.**

### **Preparation and Submission of Reports**

1. Prepare and submit a preliminary report of the study to the ITTO Secretariat by **August** 2011.
2. Make a presentation on the interim results of the study at the Forty-**seventh** Session of the ITTC.
3. Prepare a final report for publication under ITTO's Technical Series, and an article for publication in ITTO's Tropical Forest Update.