

INTERNATIONAL TROPICAL TIMBER ORGANIZATION (ITTO)

THEMATIC PROGRAMME ON TRADE AND MARKET TRANSPARENCY (TMT)

SMALL PROJECT DOCUMENT

TITLE:	ANALYSIS OF THE ECONOMIC IMPACT OF GOVERNMENTAL PROCUREMENT POLICIES ON TROPICAL TIMBER MARKETS
SERIAL NUMBER:	TMT-SPD 013/12 Rev.1 (M)
SUBMITTED BY:	ITTO SECRETARIAT
ORIGINAL LANGUAGE:	ENGLISH

SUMMARY:

Legality requirements and timber procurement policies are being introduced in many countries. These requirements and policies are principally aimed at addressing public concerns about the legal and environmental credentials of products. Many purchasers are demanding that products should come from sustainable, or at least legal, sources and that this be verifiable in order to maintain credibility with buyers in the market place.

These requirements and policies have significant implications for tropical timber suppliers. As developments are occurring at a rapid rate, there is an urgent need for tropical wood product exporters to monitor these developments, assess their ability to meet these requirements which are being widely adopted, and explore the market implications and opportunities presented by these developments.

This proposal aims to analyze the economic impact of governmental procurement policies on tropical timber markets, update the developments on legality requirements and timber procurement policies and assess market implications and opportunities for ITTO producers and consumers. Corollary to this objective, the main outputs of this small project proposal are:

- Update of the ITTO Study "The Pros and Cons of Procurement", published as Technical Series 34 in April 2010;
- Comprehensive analysis of the impacts of procurement policies on markets and trade, taking into consideration their relevant effects on demand, supply, costs, prices as well as financial implications for exporting countries;
- Examination of the challenges faced by producer and consumer members in complying with and implementing procurement requirements;
- Recommendations for further action by ITTO to promote trade in tropical timber in the context of procurement policies.

EXECUTING AGENCY: ITTO SECRETARIAT

DURATION: 12 MONTHS

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

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LIST OF ABBREVIATIONS AND ACRONYMS

ITTA	International Tropical Timber Agreement
ITTA,2006	International Tropical Timber Agreement, 2006
ITTO	International Tropical Timber Organization
ITTC	International Tropical Timber Council
CEM	ITTO Committee on Economic Information and Market Intelligence
CFI	ITTO Committee on Forest Industry
EIMI	Division of Economic Information and Market Intelligence, ITTO Secretariat
TPP	Timber procurement policy
TMT	ITTO Thematic Programme on Trade and Market Transparency
SFM	Sustainable forest management
USD	United States Dollar

1. PROJECT CONTEXT

1.1 Origin

Legality requirements and timber procurement policies are being introduced in many countries. These requirements and policies are principally aimed at addressing public concerns about the legal and environmental credentials of products. Many purchasers are demanding that products should come from sustainable, or at least legal, sources and that this be verifiable, in order to maintain credibility with buyers in the market place. These requirements and policies have significant implications for tropical timber suppliers. As developments are occurring at a rapid rate, there is an urgent need for tropical wood product exporters to monitor these developments, assess their ability to meet these requirements which are being widely adopted, and explore the market implications and opportunities presented by these developments.

At the Joint Forty-fourth Session of the CEM and CFI in December 2010, the Committees, considered, *inter alia*, the establishment of a working group to develop guidelines on legality and sustainability for timber products in the context of public procurement. The Committees agreed on the need for further work on this issue to be undertaken by ITTO. With a view to facilitating an in-depth consideration of the issue, the Committees agreed that a background paper on requirements of legality and procurement policies for timber products be prepared based on the terms of reference adopted at the Forty-fourth Session. Subsequently, activity 39 'Analyse the economic impact of government procurement policies on tropical timber markets' was included in the ITTO Biennial Work Programme for 2012-2013 which was approved and adopted by the ITTC at its Forty-seventh Session held in La Antigua, Guatemala in November 2011 and is still pending financing. This proposal is a follow-up to ensure that this pressing issue will continue to be given due consideration by the ITTC and the Committees.

1.2 Relevance

This small project proposal is highly and directly relevant to several 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:

As procurement policies for timber products are predicated on the need to ensure the legality and sustainability of these products, the proposal is directly relevant to the overarching objectives under Article 1 of ITTA, 2006 of promoting the expansion and diversification of international trade in tropical timber from sustainably managed and legally harvested forests and promoting the sustainable management of tropical timber producing forests. It is also highly relevant to many of the sub-objectives of ITTA, 2006 but is most germane to the following sub-objectives:

Article 1(k): Improving marketing and distribution of tropical timber and timber product exports from sustainably managed and legally harvested sources and which are legally traded, including promoting consumer awareness.

Article 1(o): Encouraging information sharing for a better understanding of voluntary mechanisms such as, *inter alia*, certification, to promote sustainable management of tropical forests, and assisting members with their efforts in this area.

ITTO Action Plan 2008-2011

With its focus on the economic impact of governmental procurement policies on tropical timber markets, this proposal is principally concerned with improving market conditions as well as the transparency of the tropical timber trade. It, therefore, relates directly to Expected Outcome 3, "Improved data and knowledge, projections and competitiveness on trade in timber and timber products" and particularly Action G "Undertake studies on the trends and short-term and long-term problems of international timber markets and on the status of sustainable management in timber-producing forests".

This proposal is also directly relevant to Expected Outcome 4 'increased supplies of tropical timber from sustainably managed and legally harvested sources' particularly in the context of Action C 'Provide a forum for discussion on non-discriminatory trade, competing products, shortcomings in the enforcement of forest laws and regulations and other factors that might affect the access and marketability of tropical timber products', Action D 'Review and analyse economic and fiscal policies and their impact on the competitiveness of tropical timber from sustainably managed sources', Action E 'Update and share information on certification systems and the use of phased approaches to certification' and Action F 'Assist members as appropriate to build capacity to engage in voluntary certification to enhance the market acceptance of tropical timber and timber products.

TMT objectives and scope:

This proposal is directly relevant to the general objective of TMT of (i) promoting the trade in tropical timber, timber products and NTFPs by increasing the capacity of producer member countries in market intelligence and enhancing marketing skills and (ii) improving market transparency through improved data and knowledge. This proposal also relates closely with the three specific objectives of TMT, particularly (b) filling gaps in market transparency of tropical timber and timber products and (c) enhancing market access and trade promotion of tropical timber.

In terms of the scope of TMT, this proposal falls neatly under (i) improvement of market transparency, (ii) facilitation of market access and trade development as well as the cross-cutting themes on capacity-building and strengthening of policy, legal and institutional framework. In the area of facilitating market access, this proposal is directly linked to the strategy of monitoring and assessing the economic, social and environmental impacts of factors affecting tropical timber market, specifically the economic impact of governmental procurement policies on tropical timber markets.

1.2.2 Relevance to target countries' policies

In the context of the growing awareness and commitment to the sustainable management of tropical forests and trade in tropical timber and timber products from sustainably managed and legally harvested forests, several ITTO member countries, particularly consumer member countries have developed and implemented public timber procurement policies favouring or limited access only to timber and timber products from legal and sustainable sources. Some of these policies are being reinforced by legislation, such as the EU Timber Regulation which will prohibit the placing of illegal timber on the EU market with effect from March 2013 and the recent amendments to the Lacey Act aimed at curbing illegal timber imports into the USA.

ITTO producer member countries are concerned that these policies are causing confusion in the market place and may affect their ability to meet all the requirements.

This proposal focuses on the development- of timber procurement policies in key consumer markets, assessment of impacts and implications for the tropical timber markets and enhancement of the capacity of ITTO producer member countries in meeting the policy requirements. This will contribute towards facilitating the achievement of the intended objective of these procurement policies in promoting trade in tropical timber from legal and sustainable sources. -

1.3 Target area

The proposal will have a global focus, with emphasis on key ITTO producing and consuming member countries as exporters and importers of tropical timber and timber products. It takes into account the peculiarities of the three ITTO producing regions in ensuring regional balance. This proposal 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 consuming regions. These case studies will be determined in consultation with the ITTO Secretariat.

The sectoral coverage will include all end use market sectors which are relevant to the tropical timber sector and timber procurement policy issues. Case studies will cover key consumer markets and tropical timber producers. These studies will be drawn on directly to identify impacts of related policies.

1.4 Outcomes at project completion

The main outcome of the proposal will be the updated and improved analysis of the economic impact of governmental procurement policies on tropical timber markets, an assessment of the developments of legality requirements and timber procurement policies, an assessment of market implications and opportunities and recommendations on enhancing the capacity of ITTO producer member countries in meeting timber procurement policy requirements.

The beneficiaries of this proposal include:

1. Governments of ITTO producer member countries: The proposal will provide information, knowledge analysis and recommendations for better understanding and improved capacity in meeting the requirements of timber procurement policies based on latest developments and assessment of implications and impact of timber procurement policies.
2. Governments of ITTO consumer member countries: The proposal will provide opportunities for enhancing capacity for promoting international trade in tropical timber and timber products from sustainably managed and legally harvested forests and strengthening the capacity of their trading partners in meeting timber procurement requirements.
3. Forest industry and timber trade sector: The proposal will enhance understanding of the sector on requirements of timber procurement policies and how best to meet them, and on the risks and obstacles associated with the purchasing and supply of legal and sustainable tropical timber products
4. Community forests and SMEs: The proposal will provide information and recommendations on how to meet the requirements of procurement policies.

The benefits to be generated by this proposal include:

- Updated information on the developments of the issues relating to legality and timber procurement policies;
- Enhanced understanding of impacts and effects of timber procurement policies on markets and trade, particularly for ITTO producer member countries;
- Enhanced knowledge on challenges in meeting timber procurement requirements compiled and disseminated to ITTO producer and consumer member countries;
- Enhanced capacity of ITTO member countries particularly producer member countries in complying with the requirements of timber legality and procurement policies.

2. PROJECT RATIONALE AND OBJECTIVES

2.1 Stakeholder analysis

This proposal is based on an analysis of different stakeholders' problems, needs and interests.

Stakeholder group	<u>Characteristics</u>	Problems, needs, interests	Benefits
<u>Primary stakeholders</u>			
National Governments of ITTO member countries	Public sector refer to government departments, agencies or institutions including local governments and authorities in both ITTO producer and consumer member countries	ITTO producer member countries require information on the development of procurement policies and their impact on tropical timber market and trade; These countries are in need of improved capacity in law enforcement, institution set-up and trainings to meet requirements of timber procurement policies;	Better understanding and improved capacity to meet the requirements of timber procurement policies

		ITTO consumer member countries need to consider the implications of procurement policies and requirements on their trading partners and provide assistance to meet challenges	
Forest industry and trade sector	Private industrial producers, exporters and trader and related associations involved in procurement policies and practices	Needs information on market requirements for legal and sustainable timber in order to secure and maintain access to markets	Better understanding of the requirements, risks and obstacles associated with the purchasing and supply of legally and sustainably produced tropical timber products
Secondary stakeholders			
Community forest and SMEs	Community forests, smallholders and small and medium-sized forest enterprises	Limited capacity of community forest and SMEs as tropical timber suppliers in meeting requirements of timber legality and procurement policies which can act as barriers preventing them access to markets	Support and incentives from their governments in meeting requirements of timber procurement policies

2.2 Problem analysis

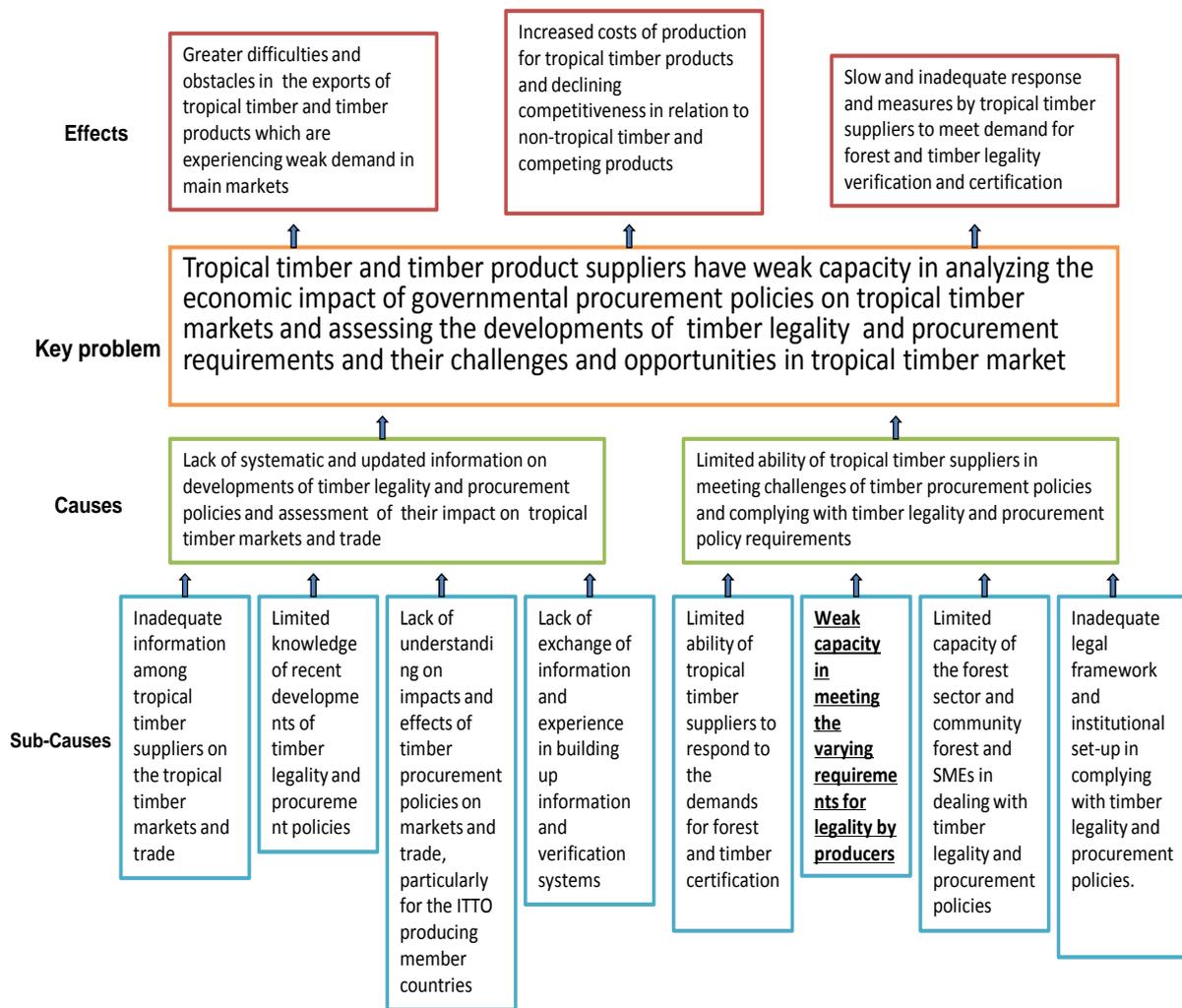
Timber procurement policies and their requirements have significant implications for tropical timber suppliers. As developments are occurring at a rapid rate, there is an urgent need for tropical wood product exporters to monitor these developments, assess their ability to meet these requirements which are being widely adopted, and explore the market implications and opportunities presented by these developments.

ITTO tropical timber suppliers face challenges in complying with procurement requirements. These include inadequacy of information among tropical timber suppliers on the changing tropical timber market and trade; limited knowledge of latest developments on timber legality and procurement policies; lack of understanding of the impacts and effects of procurement policies on markets and trade; insufficient exchange of information and experience in building up information and verification systems; limited ability to respond to the demand for forest and timber certification; **weak capacity in meeting the varying requirements for legality by producers**; inadequate capacity of forest sector as well as community forest and SMEs in dealing with timber legality and procurement policies; and inadequate legal framework and institutional set-up in complying with timber legality and procurement policies.

A problem to be addressed by this proposal is the weak capacity of the tropical timber and timber product suppliers in analyzing the economic impact of governmental procurement policies on tropical timber markets as well as in assessing the developments of timber legality and procurement requirements and the attendant challenges and opportunities for the tropical timber markets.

One cause of the problem is that tropical timber suppliers lack the systematic and updated information on developments of timber legality and procurement policies as well as the assessment on their impact on tropical timber market and trade. Another cause of the problem is that tropical timber producers have limited ability to meet the requirements and challenges of timber procurement policies and timber legality.

Figure 1: Problem Tree



Objectives

2.2.1 Development objective and impact indicators

The development objective of this proposal is to assist in enhancing capacity for the promotion of international trade in tropical timber and timber products from sustainably managed and legally harvested forests.

The expected impact indicators are:

- i) Long-term growth in international trade in tropical timber products.
- ii) Improved market conditions and opportunities for tropical timber and timber products from legal and sustainable sources.
- iii) Strengthened management of tropical forests and forest law enforcement and governance.
- iv) Enhanced capacity of ITTO member countries in implementing strategies for achieving exports of timber products from legal and sustainable sources.
- v) Strengthened information sharing and assessments on developments of timber legality and timber procurement policies.

2.2.2 Specific objective and outcome indicators

The specific objective of this proposal is to analyze the economic impact of governmental procurement policies on tropical timber markets through the update of the developments of legality requirements and timber procurement policies and the assessment of market implications and opportunities for ITTO producer and consumer member countries.

Outcome indicators are:

- i) Updated information on the developments relating to legality and timber procurement policies;
- ii) Better understanding on impacts and effects of timber procurement policies on markets and trade, particularly among ITTO producer member countries;
- iii) Enhanced knowledge on challenges and difficulties in meeting timber procurement requirements compiled and disseminated by ITTO producer and consumer member countries;
- iv) Enhanced capacity of ITTO member countries particularly producer member countries in complying with timber legality and procurement policies.

3. DESCRIPTION OF PROJECT INTERVENTIONS

3.1 Outputs

There will be four components of this proposal which will be consolidated into one seamless report:

1. Update of the ITTO study "The Pros and Cons of Procurement", published as Technical Series 34 in April 2010.

Output indicators

- Developments and progress since last study on legality and procurement policies were updated;
 - Market shares of private and public procurements in importing countries were identified;
 - Elements among procurement policies were reviewed.
2. Comprehensive analysis of the economic impact of governmental procurement policies on the tropical timber markets and trade.

Output indicators

- An analysis on the effects of procurement policies on demand, supply, market, trade and prices was conducted;

- Impacts of procurement policies on costs and financial implications to exporter countries were assessed.
3. Examination and assessment of the challenges faced by ITTO producer and consumer member countries in complying with the requirements of timber procurement policies and in developing and implementing these policies.

Output indicators

- Difficulties and obstacles faced by ITTO member countries in meeting the requirements of procurement policies were identified;
 - An analysis on the ability of tropical timber suppliers in complying the requirements and costs of procurement policies was assessed.
4. Recommendations for further action by ITTO to promote trade in tropical timber in the context of governmental procurement policies.

Output indicators

- A number of recommendations to ITTO and its members on further actions relating to procurement policies were identified and proposed.

3.2 Activities and inputs

Output 1: Update of the ITTO study “The Pros and Cons of Procurement”, published as Technical Series 34 in April 2010

Activity 1.1: Update on developments and progress on the issues relating to legality and procurement policies since the issue of the study;

Activity 1.2: Overview the developments and trade flows in major importing countries;

Activity 1.3: Identify the market shares of private and public procurements in importing countries;

Activity 1.4: Review common and different elements among procurement policies.

Output 2: Comprehensive analysis of the economic impact of procurement policies on the tropical timber markets and trade

Activity 2.1: Conduct analysis on the effects of procurement policies on demand, supply, market, trade and prices;

Activity 2.2: Assess the impacts of procurement policies on costs and financial implications to exporter countries.

Output 3: Examination and assessment of the challenges faced by producer and consumer members in complying with the requirements of timber procurement policies and in developing and implementing these policies

Activity 3.1: Identify and examine the difficulties and obstacles faced by tropical timber producers and consumers in meeting the requirements of timber procurement policies.

Activity 3.2: Analyze and assess the ability of suppliers of tropical timber in meeting the requirements and costs of timber procurement policies.

Output 4: Recommendations for further action by ITTO to promote trade in tropical timber and timber products in the context of governmental procurement policies

Activity 4.1: Identify and address recommendations to ITTO and its members on further actions relating to procurement policies with a view to promoting trade in tropical timber and timber products from legal and sustainable sources.

3.3 Strategic approach and methods

One consultant from an ITTO producer member country and one consultant from an ITTO consumer member country will assist the Executive Director in the conduct of the study under this proposal.

The study will be conducted in consultation with the ITTO Secretariat, ITTO member countries, ITTO Trade Advisory Group (TAG) and ITTO Civil Society Advisory Group (CSAG) and other relevant parties.

Expertise required and expected competency

The proposal will engage qualified international consultants with extensive experience and in-depth knowledge in tropical wood products market economics, global wood products trade and markets and policy analysis of timber legality and procurement policies.

Data collection procedures:

This proposal will employ extensive literature searching to review available information as described in activities 1.1-1.4, 2.1, 2.2, 3.1, 3.2 and 4.1. A survey instrument will be developed for primary data and information collection through consultations involving key stakeholders and will involve interviews and visits to ITTO producer and consumer member countries to be selected in consultation with the ITTO Secretariat. The methodology will ensure that the project addresses specific information gaps and minimizes duplication of previous work by ensuring use of extensive related work already undertaken by ITTO. The analysis will also be prepared in consultation with the Trade Advisory Group (TAG) and the Civil Society Advisory Group (CSAG) of ITTO and other relevant parties. Member countries as well as TAG and CSAG will have the opportunity to provide inputs to the draft report of the study following its presentation at the designated Session of the ITTC.

3.4 Work plan

Table 1 Tentative Schedule

Activity/ Month	Responsible party	1	2	3	4	5	6	7	8	9	10	11	12
Activity 1.1	Consultants	■	■	■									
Activity 1.2	Consultants		■	■	■								
Activity 1.3	Consultants			■	■	■							
Activity 1.4	Consultants				■	■	■						
Activity 2.1	Consultants							■	■	■	■		
Activity 2.2	Consultants						■	■	■	■			
Activity 3.1	Consultants							■	■	■	■		
Activity 3.2	Consultants								■	■	■		
Activity 4.1	Consultants									■	■	■	■
<u>Presentation and publication of results</u>	Consultants/ ITTO Secretariat										■	■	■

3.5 Budget

Table 2 ITTO budget by component

Category	Description	Total
10	Personnel	
16	International consultant 1	40,000
17	International consultant 2	40,000
19	Subtotal	80,000
30	Duty travel	
31	DSA international	10,000
32	International Travel	25,000
33	Domestic Travel	5,000
39	Subtotal	40,000
40	Publication	12,743
80		
81	ITTO monitoring & review	0
82	ITTO mid-term evaluation	0
84	ITTO ex-post evaluation	0
	Subtotal (11–82)	132,743
85	ITTO program support (13% of 11–84)	17,257
100	GRAND TOTAL	150,000

4. IMPLEMENTATION ARRANGEMENTS

4.1 Executing agency and organizational structure

ITTO is an intergovernmental international organization with the overarching objectives of promoting the expansion and diversification of international trade in tropical timber from sustainably managed and legally harvested forests and the sustainable management of tropical timber producing forests. Its members represent about 80% of the world's tropical forests and 90% of the global tropical timber trade. ITTO develops internationally agreed policy documents to promote sustainable forest management and forest conservation and assists tropical member countries to adapt such policies to local circumstances and to implement them in the field through projects. Since it became operational in 1987, ITTO has funded more than 800 projects, pre-projects and activities valued at more than US\$300 million.

The ITTO Secretariat, with its accumulated experience in commissioning relevant studies related to the certification and procurement policies, will, through its Division of Economic Information and Market Intelligence (EIMI), execute the study under this proposal and will hire the services of consultants 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
4. Timber legality and procurement policies

The implementation of the small project will be led by the ITTO Secretariat. Major works of the study will be carried out by consultants. Presentation and publication of the project results will be conducted by the ITTO Secretariat and the consultants.

The terms of reference for the consultant(s) 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 – PROFILE OF THE EXECUTING AGENCY

ITTO is an intergovernmental international organization with the overarching objectives of promoting the expansion and diversification of international trade in tropical timber from sustainably managed and legally harvested forests and the sustainable management of tropical timber producing forests. Its members represent about 80% of the world's tropical forests and 90% of the global tropical timber trade.

ITTO develops internationally agreed policy documents to promote sustainable forest management and forest conservation and assists tropical member countries to adapt such policies to local circumstances and to implement them in the field through projects. In addition, ITTO collects, analyses and disseminates data on the production and trade of tropical timber and funds projects and other actions aimed at developing industries at both community and industrial scales. All projects are funded by voluntary contributions, mostly from consumer member countries. Since it became operational in 1987, ITTO has funded more than 940 projects, pre-projects and activities valued at more than US\$340 million.

The governing body of the ITTO is the International Tropical Timber Council, which is composed of all the Organization's members. ITTO has two categories of membership: producing and consuming. The Council is supported by four committees, which are open to all members and observers and provide advice and assistance to the Council on policy and project issues. Three of the committees deal with key areas of policy and project work: economic information and market intelligence; reforestation and forest management; and forest industry. These committees are supported by the Expert Panel for the Technical Appraisal of Projects and Pre-projects, which reviews project proposals for technical merit and relevance to ITTO objectives. The fourth committee, on Finance and Administration, advises the Council on matters related to the budget and other funding and administrative issues concerning the management of the Organization.

Non-member stakeholders have established two advisory groups to facilitate their participation in the Council and to provide input to the Council's decision-making process. These are the Trade Advisory Group (TAG) and the Civil Society Advisory Group (CSAG).

ITTO's small secretariat of about 35 staff is based in Yokohama, Japan. It is headed by an Executive Director, who is responsible to the Council for the administration and operation of the Agreement in accordance with decisions made by the Council. The Headquarters of ITTO is located in Yokohama, Japan. There are two (2) regional offices based in Libreville, Gabon for the African Region and Brasilia, Brazil for the Latin American and Caribbean Regions.

ANNEX 2 – TERMS OF REFERENCE FOR THE CONSULTANCY TEAM

Background

Legality requirements and timber procurement policies are being introduced in many countries. These requirements and policies are principally aimed at addressing public concerns about the legal and environmental credentials of products. Many purchasers are demanding that products should come from sustainable, or at least legal, sources and that this be verifiable, in order to maintain credibility with buyers in the market place. These requirements and policies have significant implications for tropical timber suppliers. As developments are occurring at a rapid rate, there is an urgent need for tropical wood product exporters to monitor these developments, assess their ability to meet these requirements which are being widely adopted, and explore the market implications and opportunities presented by these developments.

This proposal by the Secretariat is to assist in analyzing the economic impact of governmental procurement policies on tropical timber markets through the update of the developments of legality requirements and timber procurement policies and the assessment on market implications and opportunities for ITTO producer and consumers.

Description

The consultants will review procurement policies in the public and private sectors in ITTO consumer and producer member countries, with emphasis on public-sector policies which are likely to have a stronger impact on tropical timber markets. Structured interviews will be conducted with key stakeholders in the public and private sectors (to be determined in consultation with ITTO). The analysis will also be prepared in consultation with ITTO member countries, ITTO Trade Advisory Group (TAG), ITTO Civil Society Advisory Group (CSAG) and other relevant parties.

The consultants will update the ITTO study “The Pros and Cons of Procurement”, published as Technical Series 34 in April 2010, including: overview of developments and trade flows in major importing countries; market shares of private and public procurements in importing countries; and common and different elements among these policies.

The consultants will conduct an analysis on the effects of procurement policies on demand, supply, market, trade and prices and assess the impacts of procurement policies on costs and financial implications to exporter countries.

The consultants will examine the challenges faced by tropical timber producers and consumers in complying with and implementing procurement requirements.

The consultants will offer recommendations to ITTO for further actions regarding procurement policies with a view to promoting tropical timber trade from legal and sustainable sources.

Expected outputs

The expected outputs of the project will be:

- 1 Update of the ITTO study “The Pros and Cons of Procurement”, published as Technical Series 34 in April 2010;
- 2 Comprehensive analysis of impacts of procurement policies on markets, taking into consideration of their relevant effects;
- 3 Examination on the challenges faced by producer and consumer members in complying with and implementing procurement requirements;
- 4 Recommendations for further action by ITTO to promote trade in tropical timber in the context of procurement.

Preparation and Submission of Reports

1. Prepare and submit a preliminary report of the analysis to the ITTO Secretariat by April 2013.
2. Make a presentation on the interim results of the analysis at the Forty-ninth Session of the ITTC scheduled to be held in Libreville, Gabon from 25 to 30 November 2013.

3. Prepare a final report for publication under ITTO's Technical Series and an article for publication in ITTO's *Tropical Forest Update*, taking due account of the inputs to be provided by ITTO member countries and relevant parties.

ANNEX 3: Responses to reviewer comments

Reviewer Comment	Amendment(s) made	Page
<p>Comment 1: <i>Is ITTO also not a stakeholder? ITTO's need is to update the publication to make it more relevant to contemporary needs of the timber industry and benefits as a key contributor to streamlining for better understanding of procurement policies and requirements for legal timber products on the market</i></p>	ITTO member countries have been listed as one of the primary stakeholders of the project and ITTO Secretariat can not be a stakeholder anyway. ITTO members will benefit from better understanding and improved capacity to meet the requirements of timber procurement policies.	3-4
<p>Comment 2: <i>Besides the proliferating and varying procurement policies (PPP), the problem of having to also meet the varying requirements for legality under these PPPs by producers should also be addressed. Problem Trees did not show the arrows</i></p>	Both the problem analysis and the problem tree were modified with comments included.	4-5
<p>Comment 3: <i>Please provide concise and verifiable indicators for each output</i></p>	Output indicators for 4 outputs were included.	6-7
<p>Comment 4: <i>Missing activity (or not explicit formulated) to define representative importing countries and their policies. Listed outputs should be under point 3.1</i></p>	<p>There is no need for an activity to define representative importing countries as the study will follow the format of the previous one and it will certainly identify and assess the policies of relevant importing countries.</p> <p>Outputs were listed under point 3.1 and appeared in 3.2 for grouping activities.</p>	6-7
<p>Comment 5: <i>Consultancy involving two experienced consultants. However, instead of having one from a consumer country one from a producer country, you may consider having one consultant with market and product knowledge and the other with Legality and policies knowledge instead</i></p>	The consultancy of this study, which includes two consultants with one from producer country and another from consumer country, was agreed by member countries during the Committee. The required expertise and expected competency of the two consultants were clearly listed in this section.	8
<p>Comment 6: <i>Workplan: The specific activities matched with the appropriate consultant expertise should be indicated in the table i.e. who does what and when?</i></p>	The duties including implementing specific activities will be assigned to the respective consultants based on the TORs.	9
<p>Comment 7: <i>Appropriate for the task, but the budget needs more detail</i></p>	Budget was revised with breakdown.	10
<p>Comment 8: <i>Solid experience for the EA, but not described in much detail - please describe more in detail</i></p>	More detailed information of ITTO as the Executing Agency was included in 4.1 and Annex 1.	10
<p>Comment 9: <i>TORs for consultants provided, but what is ITTO's role in execution and management? TORs may need revision - provided comment under 3.3. is considered.</i></p>	The role of ITTO Secretariat in execution and management of the small project was included.	10
<p>Comment 10: <i>lacking the Profile of the Executing Agency - please include.</i></p>	The Profile of ITTO as the Executing Agency was included as Annex 1.	12