



# FLEGT INDEPENDENT MARKET MONITORING (IMM)

## BACKGROUND

The Independent Timber Market Monitoring (IMM) mechanism has been established to support implementation of bilateral Voluntary Partnership Agreements (VPA) between the EU and timber supplying countries. IMM provides independent scrutiny to assess concrete changes in the EU timber market and monitors the extent to which the market recognizes and appreciates FLEGT VPA licensed timber.

VPAs are a key element of the EU's Forest Law Enforcement Governance and Trade (FLEGT) Action Plan which defines the EU's policy

to promote legal logging and trade in legally licensed timber. Once agreed, the VPAs include commitments and action from both parties to develop a Legality Assurance System (LAS) which licenses timber and timber products for export to the EU. IMM responds to requests for independent timber market monitoring from VPA partner countries and commitments to impact assessment made in the agreements.

The EU Timber Regulation (EUTR), which entered into application on 3 March 2013, is an integral part of the FLEGT Action Plan and mutually

## OBJECTIVES

The role of the IMM is to allow the VPA partner countries and European Commission to better understand the market incentives of entering into and implementing a VPA, and to monitor how the EU and wider international market for FLEGT licensed timber develops during the life of the VPA. It also builds on the opportunity presented by LAS development to improve the quality of timber trade statistics and effectiveness of timber market development programmes for legally licensed FLEGT timber.

IMM primary objectives are to:

- collect, analyse, report and disseminate information on acceptance and trends of FLEGT-licensed timber on the EU market.
- improve knowledge and understanding of the impacts of VPAs on timber prices, trade and market trends globally, especially with regard to VPA partner countries.
- ensure VPA countries and the EC provide reliable statistics and information on FLEGT timber trade.
- respond to requests and inform decisions by the VPA Joint Monitoring and Review Mechanism (JMRM) in Ghana and the Joint Implementation Committees (JICs) in other VPA countries by providing independent, timely and accurate information on market impact.
- contribute to monitoring the impacts of the FLEGT Action Plan and to inform its implementation.
- develop a long-term strategy for sustaining the IMM in consultation with the EU and VPA partner countries.



supportive of the VPAs. The EUTR prohibits placing of illegally harvested timber on the EU market. The EUTR also requires EU operators to implement a “due diligence system” to minimize the risk of placing illegally harvested timber on the market. The EUTR indicates clearly that timber products covered by a valid FLEGT license are automatically considered to have been legally harvested. The EUTR therefore creates a further incentive for FLEGT licensed timber. In addition, EU member states have developed their own policies to promote legal timber. These include public procurement policies some of which favour FLEGT licensed timber alongside timber certified through private sector schemes.

## VPA PARTNER COUNTRIES

As of July 2014, six countries have ratified a VPA with the EU and are developing the systems needed to control, verify and license legal timber: Cameroon, Central African Republic, Ghana, Indonesia, Liberia, and Republic of the Congo. Nine countries are negotiating VPAs with the EU: Côte d’Ivoire, Democratic Republic of the Congo, Gabon, Guyana, Honduras, Laos, Malaysia, Thailand, and Vietnam. Cambodia and Myanmar are currently in a preparation phase. Another nine countries have expressed an interest in a dialogue on FLEGT/VPAs: Bolivia, Colombia, Ecuador, Guatemala, Peru, Philippines, Papua New Guinea, Sierra Leone, and Solomon Islands.

*COVER PHOTO: Logs harvested in a managed forest concession in Indonesia. Photo: Rupert Oliver*

*TOP: FLEGT training in timber legality assurance undertaken as part of the VPA process in Indonesia. Photo: EC DEVCO Photo Library*

*RIGHT: FLEGT VPA negotiations are on-going between Vietnam and the EU. Photo: Vietnam Forest Sector Support Partnership*

## ORGANIZATION

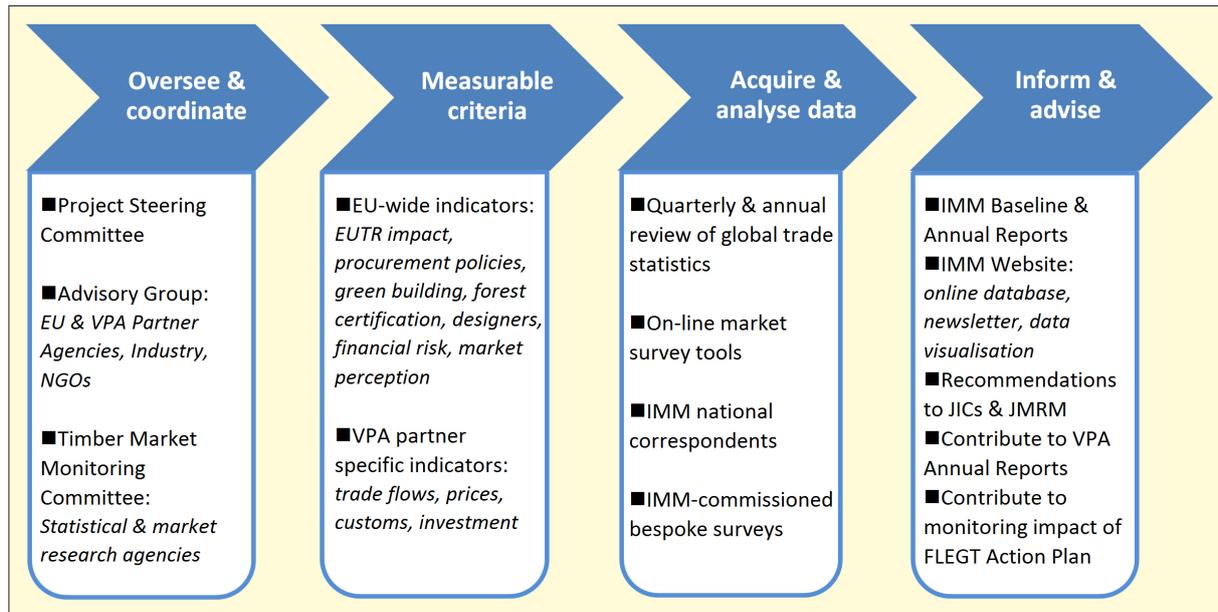
IMM is funded by the European Commission through DG DEVCO, the Directorate-General for Development and Co-operation. It has a budget of €4.4 million over the five year period 2014 to 2018. IMM is implemented by the International Tropical Timber Organization (ITTO), an intergovernmental agency which promotes legal and sustainable tropical forest management and timber trade. ITTO’s membership comprises most tropical timber producing and consuming countries, including almost all VPA partner countries. IMM builds on ITTO’s strong record of statistical capacity building, data collection and market information in the tropical forest products sector.

Oversight of IMM activities is provided by a project steering committee (PSC) comprising ITTO and EC representatives. In addition to review of IMM work plans and monitoring of the IMM process, the PSC is responsible for ensuring the independence and integrity of the IMM and quality of its output. Guidance of activities will also be provided by:

- An Advisory Committee (AC) which advises on technical aspects, promotes coordination of IMM activities with other agencies, and facilitates participation by stakeholders and communication of IMM activities. The AC comprises representatives of: relevant government agencies in EU member states and partner countries that have ratified a VPA; UN agencies such as ITTO, FAO, and UNECE; European agencies such as the EC, Eurostat, and EFI; trade associations; and other non-governmental organisations.
- A Timber Market Monitoring Committee (TMMC) is being established as a sub-group of the Advisory Committee comprising organisations directly engaged in timber market monitoring such as ATIBT, Chatham House, ETTF, Eurostat, Forest Trends, Global Timber Forum and EU Sustainable Tropical Timber Coalition. The TMMC will facilitate information exchange, avoid duplication of research effort, improve market monitoring practices and statistics, and encourage use of common data protocols.



## The IMM system



As an integral component of impact monitoring and reporting requirements of the VPAs, IMM is establishing close working relationships with the JMRRM in Ghana and JICs in other VPA countries.

ITTO has appointed a Lead Consultant based in Europe to develop work plans and co-ordinate data collection and analysis. ITTO is expanding its statistical and data analysis capacity, hosted in Japan, to align with the objectives of the IMM. Building on ITTO's existing network in tropical timber trading countries, IMM is establishing correspondents in each VPA partner country and in priority EU markets for VPA licensed timber. Correspondents are responsible for regular data collection and assessment of market conditions and product prices.



*Timber measurement at a sawmill in Ghana - improving the quality of data at every stage of the supply chain is a key part of the FLEGT VPA process. Photo: Yves Derrenne, EC DEVCO Photo Library*

## METHODOLOGY

As far as possible, IMM applies a single market monitoring format to all VPA partner countries while also taking into consideration country specific circumstances and needs. This allows significant reductions in costs and time and facilitates the comparability of information between countries. A documented set of procedures is being developed to ensure market analysis is consistent, objective and transparent.

A framework of indicators is being designed to allow quantitative assessment of market impacts. For each indicator, IMM identifies data sources, means of verification and monitoring frequency (monthly, quarterly, annual, or biennial). Indicators are divided into two groups:

- "global" indicators designed to monitor the market environment for all FLEGT VPA timber. Examples include: market impacts of EUTR implementation; scope and content of public sector procurement policies; timber procurement requirements established by timber trade associations and other private sector initiatives; and handling of FLEGT VPA licenses in FSC and PEFC chain of custody standards for percentage-based labelling and project certification.
- VPA partner-specific indicators designed to monitor the changing market environment for each individual VPA partner country. Examples include: monitoring of volume and value of trade flows between the VPA partner country, the EU and other regions of the globe; price premiums for specific indicator products derived from that partner country; and indicators that measure changing attitudes to timber from the specific VPA partner country resulting from VPA licensing.



*Valencia Port Spain. FLEGT VPA licenses are checked by customs at EU port of arrival. Timber with a valid license is considered legal under EUTR. Photo: Fundación Valenciaport*

IMM will progressively widen the scope of monitoring against the indicators in liaison with VPA countries and other stakeholders as more licensed timber becomes available, market awareness rises, and market monitoring capacity is established.

## OUTPUTS

An IMM Baseline Report will provide comprehensive data on forest products trade flows into the EU from VPA and potential VPA countries during the ten year period 2004 to 2013. This data will be supplemented by VPA country production data derived from ITTO and VPA Partner countries. Data will be summarized in a variety of charts, maps and other visualization tools and will be supported by a commentary on market trends.

IMM will prepare Annual Reports to summarize the status of licensing in VPA Partner countries, provide an overview of major market trends and implications for VPA licensing, and a systematic review of market impacts against the indicators. The reports will include country annexes, detailing developments in each VPA country and markets for their timber products. IMM will also work closely with each JIC to assist in preparation of market-related aspects of their own FLEGT VPA Annual Report mandated under the terms of the agreements. Where relevant and feasible, the IMM will also undertake specific studies of issues or markets at the request of VPA countries and with the approval/support of the PSC and AC.

An IMM website is being developed for real-time distribution and visualization of data relating to trade in VPA licensed timber and associated market impacts as such data become available. The website will also be used as a hub for on-line collection of market survey data. IMM will issue a regular quarterly e-newsletter via the website and by email. The newsletter will perform the dual role of regularly reporting on IMM activities and commenting on the latest quarterly trends in trade in VPA licensed timber products.

IMM will also contribute regular articles to ITTO's Tropical Timber Market (TTM) Report, published every two weeks to improve transparency in international tropical timber markets, and Tropical Forest Update which is published quarterly in English, French and Spanish.

## CONTACTS

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