



# Independent Market Monitor Methodology



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# IMM Background

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- Project commissioned by EU FLEGT Facility at EFI
- Develop methodology for Independent Market Monitoring
- IMM is a condition of some VPAs (e.g. Indonesia)
- Role of the IMM
  - Collect, analyse and record information on the acceptance of FLEGT-licensed timber on the EU market
  - Investigate the impact of the VPA on price, trade and market data
  - Common methodology for monitoring licensed timber from all VPA countries to reduce costs and enhance comparability
- Preliminary report now being reviewed by the EC
- Followed by broader consultation with VPA partners & other interested stakeholders

# IMM as an opportunity

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- Forest products sector suffers from poor quality and lack of timely production, trade and consumption statistics
- Compounds existing challenges of fragmented industry, long supply lines, poor transport infra-structure, and long lead times
- Particularly true of hardwoods and secondary/tertiary products
- Termination of funding for ITTO MNS will make situation worse
- Contributes to trade volatility, poor investment & policy decisions, misallocation of resources
- VPA licensing system offers a significant opportunity to improve the quality and availability of data
- Licensing should provide more comprehensive and accurate data on timber sources and products than typically found in trade data
- IMM could facilitate central collation and analysis
- Issues: commercial confidentiality, standardisation of licenses across VPA countries, access to and regularity of reports from competent authorities

# Market Monitoring Indicators

- Framework of 52 indicators for quantitative assessment of market impacts

Elements for inclusion in an IMM	Indicators	Means of Verification				Recommended frequency of monitoring	Risks and assumptions related to data collection
		Source of Information	Primary data	Secondary data	Purchased data sets		
i. EU Timber Regulation	Application of EUTR compliant due diligence systems by operators in EU Member States	Structured interviews with regulators in EU Member States. Publicly available reports issued by regulatory authorities and Monitoring Organisations. Reports of ENGOs and other agencies (e.g. Chatham House)	✓	✓		Annual	Reliable assessment of extent of application of due diligence systems heavily dependent on availability of information from the EC and relevant regulatory authorities.
	Sanctions imposed on non-compliant operators in EU Member States	Structured interviews with regulators in EU Member States. National regulatory documents issued by Member States	✓	✓		Annual	
	Prosecutions of non-compliant operators in EU Member States	Structured interviews with regulators in EU Member States. Official records and media reports. ENGO reports.	✓	✓		Annual	Information on prosecutions may not be available from all authorities.
	Recognition that FLEGT VPA licensed timber meets EU TR and needs no further risk assessment or mitigation action, through reliable and consistent communication .	Structured interviews with regulators and Monitoring Organisations. Review of formal guidance issued by these bodies.	✓	✓		Annual	

# 33 EU-wide indicators

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- Monitor EU market environment for all FLEGT VPA timber
- Examples:
  - effectiveness of EUTR implementation
  - scope and content of public sector procurement policies
  - timber procurement requirements established by EUTR MOs, TTF's & major retailers
  - handling of VPA licenses in FSC and PEFC CoC standards
  - perceptions of VPA licensed timber in design and architectural community
  - recognition of FLEGT VPAs in guidelines for assessment of forest sector risk in the financial sector

# 19 VPA partner-specific indicators

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- Changing market environment for each VPA partner country
- Examples:
  - monitoring of volume and value of trade flows between the VPA partner country, the EU and other markets
  - Price trends for specific indicator products from the partner country
  - time to clear customs
  - size and quality of investment in the VPA partner country
  - changing trade and end-user perceptions of timber from the partner country resulting from VPA licensing

# Data sources

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- Review of available published data on international wood prices, production and trade from UN sources, Eurostat, and various commercial entities
- Identified major irregularities and large gaps
- Some to be filled by new data from VPA Licenses
- More rigorous, consistent & timely review and “cleaning” of statistics
- Need for product-specific survey work in the EU
- Regular interviews with wood traders & their advisors, current and potential buyers, specifiers of FLEGT VPA licensed products in the EU

# Outstanding issues

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- Preliminary proposals subject to wider stakeholder consultation
- Scope of indicators to be covered
- What is the appropriate institution to act as the IMM?
  - Private company, multilateral agency, or non-governmental organisation?
  - Qualities: independence, expertise in trade statistics, markets, access to private sector, adequate staffing, adaptability
  - Institutional review to be undertaken soon.
- Links to other institutions undertaking parallel research
  - e.g. European TTF, Chatham House, WWF, WRI, VPA country timber promotion organisations, ITTO, Eurostat, UNECE Timber Committee
  - Timber Market Monitoring Committee proposed to co-ordinate, avoid duplication
- Timing: ideally IMM established during 2012
  - Baseline data prior to issue of VPA Licenses & enforcement of EUTR
  - Proposal to pilot test methodology for the Ghana (Government based) and Indonesia (Operator based) VPA Licenses

# Further questions

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