

INTERNATIONAL TROPICAL TIMBER ORGANIZATION (ITTO)

THEMATIC PROGRAMME ON  
FOREST LAW ENFORCEMENT GOVERNANCE AND TRADE

PROJECT DOCUMENT

TITLE:	EQUIPPING SMALL AND MEDIUM SIZED FORESTRY ENTERPRISES IN CHINA FOR PROCUREMENT OF TROPICAL TIMBER FROM LEGAL AND SUSTAINABLY MANAGED FORESTS
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SUMMARY:

Small and medium sized wood processing enterprises (SMFEs) in China play a vital role in the domestic and international markets for processing wood products. China's imports of tropical logs accounts for around half the global trade in tropical logs. The SMFEs account for around 90% of the total output value of China's timber enterprises. The majority of the tropical wood processing SMFEs in China do not understand the issues of procurement of timber from legal and sustainably managed tropical forests.; they do not appreciate the international market requirements for verified legal and sustainable sourcing, chain of custody or the importance of contributing to the demands of their overseas buyers in respect of transparent corporate social responsibility. China's response to sustainability in tropical forestry, production and trade or the success of FLEGT is largely influenced by the actions of SMFEs.

This project will provide the means for SMFEs to become equipped for procurement of timber from legal and sustainably managed tropical forests. SMFEs will be surveyed to assess the status of their procurement management. Training and advice will be delivered to enterprises along with information (via a technical bulletin) on marketing, trade, procurement and corporate social responsibility. Policy suggestions will be made and selected SMFEs will be guided through COC certification. A platform for better communication between SMFEs, government and other stakeholders will be established.

EXECUTING AGENCY: THE INSTITUTE OF FORESTRY POLICY AND INFORMATION,  
CHINESE ACADEMY OF FORESTRY (CAF)

DURATION: 36 MONTHS

BUDGET AND PROPOSED SOURCES OF FINANCE: Source

ITTO	322,056
Govt. of P.R. China	112,820
Industry Association	70,160
<b>TOTAL</b>	<b>505,036</b>



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## EQUIPPING SMALL AND MEDIUM SIZED FORESTRY ENTERPRISES IN CHINA FOR PROCUREMENT OF TROPICAL TIMBER FROM LEGAL AND SUSTAINABLY MANAGED FOREST

### PROJECT BRIEF

Small and medium sized wood processing industries (SMFEs) in China play a vital role in the domestic and international markets for processed wood products and they are an important sector in the Chinese economy. A large proportion of the raw materials used by the SMFEs are imported and large volumes of tropical timber are imported and processed.

Many SMFEs are exporting finished products and many others supply processed tropical timber parts and components to larger companies for assembly for export. They also manufacture furniture and other products from tropical timber for the domestic market. China's SMFEs are, however, facing challenges related to procurement of timber from legal and sustainably managed forest, challenges they are not well equipped to address.

The majority of the SMFEs in China do not understand the issues of procurement of timber from legal and sustainably managed forest; **and it is this weakness that will be addressed by this project. As a result of this weakness the SMFEs** do not appreciate the international market requirements for verified legal and sustainable sourcing, chain of custody or the importance of contributing to the needs of their overseas buyers in respect of transparent corporate social responsibility. This project will provide the means for SMFEs to become better equipped for procurement of timber from legal and sustainably managed forest so as to better enhance the FLEGT level in China.

Fighting illegal logging and the associated trade in illegally sourced timber is now high on the agenda of China and the international community. Issues of tropical forestry now attract national and international attention and government policies on procurement are rapidly evolving.

The Chinese government participates at an international level on these issues and has taken positive steps to restrict domestic trade in illegally sourced timber and on illegal logging. China has cooperative agreements with European Union, Russia, Indonesia and Myanmar, to combat illegal logging.

Thus the **Development Objective** of this project is:

*To contribute to China's procurement, production and trade in legal and sustainably harvested tropical timber products in support of sustainable tropical forest management*

It is the enterprises that are central in improving the production, marketing and distribution of tropical timber products from sustainably managed and legal sources. Whether or not there are laws and regulations (FLEGT) or market demands that drive manufacturers (CoC certification), their role is paramount. Therefore, it is only by embedding the concept of "processing and trading tropical timber products from legal and sustainably managed sources" and the fundamentals of FLEGT into SMFEs' purchasing, trade and production ethics that can help sustainable management of tropical forests become a reality.

The vast majority of SMFEs which process imported tropical timber have not yet realized the importance of procurement of timber from legal and sustainably managed forest. There is no readily available mechanism for them to learn about these issues and no mechanism for them to secure assistance in adapting their procurement and production accordingly.

This then leads to the **Specific Objective** which is:

*To accomplish adoption of procurement of legal and sustainably managed tropical timber by SMFEs in Shanghai, Huhou and Jiashan, Zhejiang province, and Zhangjiagang Jiangsu province area. (the Yangtze River Delta area).*

**To achieve the above objective this project will adopt the following strategy and implement the activities described below.**

**The first step will be to advise stakeholders of the final project structure, work plan and administrative/management structure so that they are fully aware of the strategy and work plan.**

**The second step will be to survey the SMFEs in the project area with the assistance of the Shanghai Timber Association (STTA) and the Forestry Authorities in the area. The purpose of this first stage survey is to gather data on the type, size and distribution of the enterprises. With this information the**

SMFEs can be categorized and plans prepared to focus the project activities. In addition information gathered will form the input to two publications as described in the outputs below.

During a second round survey, face-to-face interviews will be conducted with a sample of each category of SMFEs consuming a significant volume of tropical timber

The information so obtained will be used to design and execute the other activities in support of the objective namely: specifically for the SMFEs there will be delivery of information on procurement and sustainability issues through a bimonthly trade journal jointly conducted with the STTA, training on and coaching on C.o.C for pilot industries,

A workshop will be held at which the SMFEs will interact with policy makers and the other stakeholders and to ensure the continual dialogue on an online platform for information exchange between China's SMFEs and government and other stakeholders will be established.

Hardly any international or domestic research on tropical timber processing by small and medium size companies has been undertaken in China. As a result, little is known of the level of their consumption of tropical timber. Also, little is known of the status of their supply chain for tropical forest products.

In the absence of such basic data it is not possible to promote the maximization of their contribution to sustainable forest management through procurement of timber from legal and sustainably managed forest. Because of the lack of information on the SMFEs in China and because their voice does not reach policy makers and researchers, there is neither any dedicated service agencies nor support programmes for SMFEs. They require help so they can adopt methods for the procurement of timber from legal and sustainably managed forest, increase output and improve technology application and management.

This project will address the above weaknesses in the SMFEs in the Yangtze River Delta area. Large volumes of tropical timber are consumed by manufacturers in this area (Approx 60% of total Chinese tropical timber imports in 2009). The geographic area to be covered by this project will be Zhangjiagang (the largest port of entry for tropical timber in China), Huzhou in Zhejiang province (the largest production base of wood flooring), Jiashan (the centre of laminated wood flooring production in China) and Shanghai (both a consumer center and a timber manufacturing and export center of China). A map of the proposed project area is provided below.

The main stakeholders in this project are the Shanghai Timber Trade Association and its members the State Forest Administration (SFA), the Ministry of Commerce (MOC), the Chinese Academy of Forestry(CAF) (implementing agency), Forestry Department of Zhejiang province, Forestry bureau of Huzhou City, Office of Forest management in Nanxun District, Jiashan Plywood Association, Zhangjiagang port Administration and ITTO.

In determining the desired outputs and designing appropriate activities a series of meetings has been held with the industry in the project area and with the Shanghai Timber Trade Association management. The SFA and MOC have been involved in project design from the beginning. The CAF is particularly well placed to execute this project as it has first hand experience of SMFE issues gained from a recent survey/study conducted with FAO (2008/2009).

#### **Beneficiaries**

The project's direct beneficiaries include the following:

- Institutions which formulate China's forestry, industrial and trading policy
- Tropical wood product processing SMFEs
- The Shanghai Timber Trade Association
- Domestic enterprises engaged in tropical forest product trading.
- Foreign enterprises (exporters and importers) that are engaged in tropical forest product trading with China

The project's indirect beneficiaries, mainly including:

- Domestic government agencies and industry institutions which are in charge of forest product production, trading, supply and circulation.
- Domestic research and educational institutions
- Overseas trade and industry organizations that have offices in China which are undertaking large amount of forest product trade with China.
- International organizations such as ITTO, FAO, UNECE, WWF and WB

## Outcomes

On completion of the project, a foundation will have been laid for China's SMFEs in the project area processing tropical timber to adopt systems for procurement of timber from legal and sustainably managed forest. The methods and approach tested and refined in the project area can be replicated in other areas thus supporting the Chinese governments aim of contributing to the efforts of producer countries and the international in promoting sustainable tropical forest management.

Through providing relevant information, training and services to SMFEs in technological adaptation and issues of procurement of timber from legal and sustainably managed forest, chain of custody certification, marketing, and by instilling the concept of forest sustainable management in the pilot region, capacity will have been built in the sector.

There will be seven outputs:

- Report entitled 'China's tropical timber processing SMFEs' and their opportunities for procurement of timber from legal and sustainably managed forest"
- Report entitled "Policy suggestions for promoting procurement of timber from legal and sustainably managed forest in SMFEs".
- Bimonthly bulletin published in cooperation with the Shanghai Timber Trade Association in the Chinese language "Market information, procurement and technology for China's SMFEs"
- Training for pilot enterprises
- Workshop "Procurement of timber from legal and sustainably managed forest and trade of international tropical forest products: challenge and opportunities for SMFEs"
- Online platform for information exchange between China's SMFEs and government and their associations (Chinese language based) and stakeholders.
- Increased operational capacity of the executing agency

Through appropriate policy suggestions and means for an improved understanding of forest law execution and policy implementation and the role of technology level in achieving procurement of timber from legal and sustainably managed forest will have been achieved.

As the major content of the project is supporting pilot SMFEs in Shanghai. Training in FLEGT, chain of custody certification, policy implementation, procurement of timber from legal and sustainably managed forest technology and management will be conducted.

On completion of the project the "**SMFEs-Government stakeholder forum**" will have been established. This forum will continue after the project is complete to maintain the function to communicate policy regulations and information about sustainable operations between stakeholders. It will serve as a platform for government agencies, associations and SMFEs to achieve continual dialog.

## Risk and mitigation

Because there are a large number of SMFEs in the proposed project area and because they are widely dispersed this project will be required to secure cooperation from many production enterprises and regional government officers. The Shanghai industry association, the SFA and the MOC are fully supporting this project and their influence with the industry will be invaluable in the event of difficulties in implementation.

The Shanghai Timber Trade Association has agreed to cooperate during project implementation and has basic data on members to facilitate sampling. However, since the number of SMFEs in the project area is high and because time and money are both limited, decisions on identifying pilot companies will be important so as to get the best results

There will undoubtedly be some difficulties during the implementation of the project but with the input from the Association and with the experience of the CAF/FAO survey as a foundation, risks can be minimised. The CAF has built a good working and cooperative relationship with the General Administration of Customs, Ministry of Commerce, regional government agencies in charge of forestry, related industry associations and enterprises such that risks are minimal.

## Sustainability

There are 3 core outputs that will be sustained on project completion, the online platform (for direct communication between three parties; Government agencies, SMFEs and the Association), the enhanced Association journal (delivering advice and guidance on procurement of timber from legal

and sustainably managed forest issues) and pilot SMFEs that have achieved Chain of Custody management capacity to facilitate demonstration to other SMFEs.

The foundation for the sustainability of this project lies in the irreversible trend in China to achieve trade and manufacturing in legally traded and sustainably harvested tropical timber. This is driving demand in the main consumer markets. Countries importing from China are introducing rules on procurement and consumers are demanding wood products that are manufactured to satisfy sound social and environmental considerations. These pressures on wood product manufacturers will not go away and the Chinese government and the timber industry in China are well aware of the need for change.

Because the core outputs from this project will strengthen the capacity of the SMFEs to understand evolving demand in the markets and Government as policy initiatives, their sustainability is more likely.

**Duration and Budget**

This project will be conducted over a 3 year period and the financial commitment required will be as follows:

Executing Agency	US\$	<u>112,820</u>		
Industry Association	US\$	<u>70,160</u>		
ITTO	US\$	<u>322,056</u>	(personnel US\$ <u>65,300</u>	capital items US\$ <u>9,000</u> )
Total	US\$	<u>505,036</u>		

**LIST OF ABBREVIATIONS AND ACRONYMS**

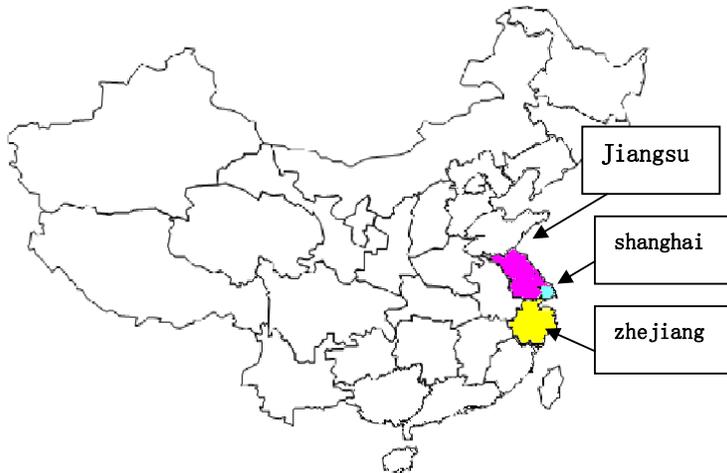
COC	Chain of Custody	NGO	Non-governmental organization
CAF	Chinese Academy of Forestry	NTFP	Non-timber forest product
CSR	Corporate Social Responsibility	PSC	Project Steering Committee
EA	Executing Agency	RIFPI	Research Institute of Forestry Policy and Information
FAO	Food and Agriculture Organization	SAT	State Administration of Taxation
FLEGT	Forest Law and enforcement and governance and Trade	SFA	State Forestry Administration of China
GAC	General Administration of Customs	SFM	Sustainable Forest Management
ITTA	International Tropical Timber Agreement	SME	Small and medium enterprise
ITTO	International Tropical Timber Organization	SMFE	Small and medium forest enterprise
Logframe	Logical framework matrix	STTA	Shanghai Timber Trade Association
MOC	Ministry of Commercial of China	US\$	United States dollar
NDRC	National Development & Reform Commission	UNECE	United Nations Economic Commission for Europe
		WB	World Bank
		WTO	World Trade Organization
		WWF	World Wildlife Fund

**MAP OF PROJECT AREA**

The geographic area to be covered by this project will be Zhangjiagang in Jiangsu Province, Huzhou and Jiashan in Zhejiang province and Shanghai,

Zhangjiagang (the largest port of entry for tropical timber in the region, approx 45% of total Chinese tropical timber imports in (2009, Lujun), Jiangsu province. Huzhou in Zhejiang province (the largest production base of wood flooring), Jiashan in Zhejiang province (used to be one of the top four largest plywood production bases, now is the capital of laminated wood flooring production in China),and Shanghai, most of the semi-manufactures in this area are processed, consumed or exported in Shanghai. Large volumes of tropical timber are consumed by manufacturers in this area. Tropical timber imported to China more than 60% of them goes to Jiangsu, Zhejiang and Shanghai (lingfengmin,2009 ).

A map of the proposed project area is provided below.



## PART 1. PROJECT CONTEXT

### 1.1 Origin

This proposal derives from the convergence of opinions of three entities; The Chinese Academy of Forestry (CAF), the Chinese State Forest Administration (SFA) and the Shanghai Timber Trade Association (STTA) and members.

Issues of tropical forestry are now high on the national agenda and government policies on procurement of legal and sustainably harvested tropical timber are rapidly evolving. But only occasionally will be central authorities consult with the timber trade bodies before adjusting a policy. When discussions on this proposal began in 2008 the government and the SFA recognised the weaknesses in their communication of these policies to the timber industries.

The government and the SFA rely on the government gazette and the mass media to publicise policy changes. There is no established channel for communicating with the various trade bodies in the timber sector either through regular direct meetings or direct written communication.

The STTA , an influential Association whose members consume large amounts of tropical timber is far from the centre of government policies makers. The Association is not proactive in seeking dialogue with government even though it regularly discusses the assistance the sector needs in its bimonthly trade bulletin. The issue of the lack of advice and guidance on certification and the need for government agencies to provide resources and support to the SMFEs to address the risks to markets from failure to adjust procurement strategies and adopt certification has been regularly articulated.

In meetings with the STTA over the period July 2008 - end 2009 during the implementation of another project by the staff from the Chinese Academy of Forestry, the issue of the lack of expertise in the STTA and their desire to see the central government and SFA offer help was regularly raised.

It was at this stage in discussions with the STTA that the first concept for this project emerged. When it was suggested to the STTA that the Chinese government could cooperate with ITTO and develop a package of support for the SMFEs this was enthusiastically welcomed. Subsequent dialogue and face to face meetings between the STTA and representatives from participating government agencies gave rise to this project proposal.

The proposal also relies, in part, on the output of a survey of small and medium sized forest industries conducted by the CAF and FAO in 2008 and 2009 which revealed some interesting features:

- The government, through policy formulation knowingly and unknowingly is impacting SMFEs but there is little information exchange between government agencies and departments and SMFEs ;
- The majority of domestic SMFEs are not aware of and therefore do not appreciate issues on the sustainability of forest management and procurement of timber from legal and sustainably managed forest. Companies that had heard about forest certification did not know its significance. Some SMFEs who have developed international markets realized their need for certification but could not obtain certified raw materials.
- SMFEs' low level of management and technology, the low level of worker skill and a lack of staff training opportunities means that they are not well equipped to meet the challenges of procurement of timber from legal and sustainably managed forest.
- One of the main comments of the SMFEs was that there is an absence of dedicated services for SMFEs to help them understand the importance of procurement of timber from legal and sustainably managed forest and understand the related policies and regulations. There are no institutions offering technical, advisory and training services with the aim of increasing the capacity and sustainability of the SMFEs.

China's imports of tropical logs accounts for around half the global trade in tropical logs. Tropical timbers are mainly used for plywood, wood flooring, and furniture and most of the companies are SMFEs. The SMFEs account for around 90% of the total output value of China's timber enterprises (Sun, Changjin, 2005). But it is the large scale enterprises only which have high level supply chain management and tend to operate to international standards.

The government and the SFA recognise that the success of the country in developing a viable response to sustainability in tropical forestry, production and trade and the success of FLEGT is largely influenced by the [procurement strategies of the SMFEs.](#)

There is, in China, a lack of reliable data and information on SMFEs. National statistics only cover enterprises with an annual turnover of more than 5 million yuan. For the CFA/FAO survey of wood processing enterprises in Anji, Zhejiang and Yong'an, Fujian in 2008, it emerged that, 86% of surveyed enterprises had a turnover less than 5 million such that data on their production etc was not recorded in official statistics. Therefore, there is a serious lack of information and relevant research and policy recommendations for SMFEs

This study is a necessity, not only to help SMFEs understand the [importance of sourcing](#) legal and sustainably managed tropical timber and the FLEGT initiative so hastening the sustainable development of global production and trade of tropical timber, but also in guiding SMFEs towards national and international levels and towards orderly, balanced and sustainable development.

In addition, this project will be of significance to tropical timber producing countries trading with China. It will improve trade and market transparency, provide information on the supply chain for manufacturing and exporting countries so as to determine a sound marketing strategy and for promoting cooperation between China and timber producing countries.

## **1.2 Relevance**

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

#### **Compliance with ITTA 2006 Objectives**

This project proposal is consistent with paragraph (o), in particular and with paragraph (d), and (k) [in general with](#), Article 1, Objectives of the International Tropical Timber Agreement, 2006: [as it relates directly to encouraging information sharing on voluntary mechanisms such as, certification and chain of custody to promote sustainable management of tropical forests through procurement of timber from legal and sustainably managed tropical timber. Further this project aims at enhancing the capacity of enterprises in China to implement strategies for achieving trade in tropical timber and timber products from legal and sustainably managed sources Finally this project will impact the marketing and distribution of tropical timber and timber product exports from sustainably managed and legally harvested sources](#)

#### **Compliance with the ITTO Action Plan 2008 - 2011**

This project proposal relates primarily to the ITTO Thematic programme "Forest Law Enforcement, Governance and Trade".

In terms of Action by Committees this project relates to the Economic Information and Market Intelligence Committee Expected Output 4 "Increased supplies of tropical timber from sustainably managed and legally harvested sources.

This goal identifies [how](#) ITTO support [will be channelled to activities for the](#) effective enforcement of forest laws and regulations and the development and application of good forest-sector governance and facilitate the exchange of experiences amongst members. [The project especially addresses the policy of the government of China to contribute to improving forest law enforcement and governance and address illegal activities in the forest sector through trade measures.](#)

In addition this project [will generate outputs](#) relevant to a second action for the EIMI Committee [namely in relation to reviewing](#) and analysing economic and fiscal policies that are conducive to the competitiveness of tropical timber from sustainably managed sources".

In addition this project [will generate outputs](#) relevant to a second action for the EIMI Committee [namely in relation to reviewing](#) and analysing economic and fiscal policies that are conducive to the competitiveness of tropical timber from [legal and](#) sustainably managed sources [as member countries such as China are encouraged to](#) establish and maintain economic and fiscal policies that are conducive to the competitiveness of tropical timber from [legal and](#) sustainably managed sources.

### **1.2.2 Conformity with objectives of the ITTO Thematic Programme, FOREST LAW ENFORCEMENT, GOVERNANCE AND TRADE (TFLET)**

The objectives of this project are consistent with those of the ITTO Thematic Programme for FOREST LAW ENFORCEMENT, GOVERNANCE AND TRADE (TFLET)

The current level of understanding by SMFEs in China of the importance of supply chain management and of international criteria for managing the supply chain to ensure procurement of legal and sustainably managed tropical timber is not understood or widely appreciated.

The SMFEs in China suffer managerial capacity weaknesses which lead to ineffective planning and control of operations for effective supply-chain management.

The objectives of this project are consistent with the general objective of the ITTO TFLET programme, specifically objective 3 to “ Improve capacity of small and medium-sized enterprises to implement and demonstrate that timber produced and traded comes from legal sources’ and objective 4 “ Improve international cooperation in forest law enforcement and governance among ITTO member countries and other related international initiatives”.

Further, the strategies proposed in this proposal are consist with those identified in the TFLET as being In support of strengthening the trade in legally produced tropical timber and effective management of supply chains.

### **1.2.3 Relevance to the submitting country’s policies**

[Currently, the Chinese government does not have a procurement policy for public sector sourcing of wood products.](#)

[The government of China is actively promoting the consumption of legal and sustainably sourced tropical timber by the wood processing industries and this project will assist that goal. The details of the government’s policies and regulations regarding tropical timber consumption are given below.](#)

**Compliance with the State Forest Administration policies and measures in “The Tenth Five Plan in Forestry (2001~2005) and the 2010 Long-term Planning”:**

- To extensively promote and popularize sustainable forest management and forest certification system, put an end to illegal logging and disseminate information on illegal transactions, increase public awareness of ecological and environmental protection
- Strengthen the supervision and management of domestic markets for forest products. Create conditions for the orderly flow of the market and for sustainable forest management and to take steps to achieve an acceptable certification system.

**Compliance with a series of Actions of the Chinese government:**

- China’s national Forest Certification Standard has been promulgated and is being tested out pilots in several forest areas.
- Initiated by China, Australia and the United States together, the “Asia-Pacific Forest Rehabilitation and Sustainable Management Network” was established.
- “Forest Law Enforcement and Bilateral Policy Coordination Mechanism” with European Union was signed and the two sides will cooperate in reducing consumption of illegal timber and fight against illegal logging and trade.

**Compliance with a series of Actions of the Chinese government for SMEs:**

- moving industries towards quality and from quantity expansion, from expansion to sustainable development and from the simple pursuit of economic benefits to more emphasis on a combination of improving economic efficiency and fulfilling social responsibility.

Although the above objectives and plans [of the government of China make special reference to the role of the](#) small and medium-sized industrial enterprises at a national level, there is still no such specific objectives and plans for [small and medium sized forest industries](#). It is exactly [the](#) goal of this project to develop a series of policy recommendations for the consideration of the relevant decision-making government agencies.

### 1.3 Target Area

This project will mainly implement in Shanghai, Huzhou City and Jiashan county, Zhejiang province and Zhangjiagang city, Jiangsu Province. All these four places are located within Yangtze River Delta area. The project area is one of the main manufacturing centres in China and is the hub of economic activity in the country.

#### 1.3.1 Geographic location

The Yangtze River Delta area is on the east coast of China and on an inlet of the ocean, and encompasses 15 cities in two provinces, Jiangsu province and Zhejiang Province and one municipality directly under the Central Government, Shanghai City.

#### 1.3.2 Social, cultural, economic and environmental aspects

##### Social, Cultural and Economic Aspects

At present, The Yangtze River Delta area is the fastest developing economic area with the biggest economic scale and has the very large development potential in China.

The Yangtze River Delta area was the pioneer of private economic development at the beginning of China's "Opening and Reformation" and remains the most active economic area in China. Manufacturers in this area are opinion leaders in China and have a high level of manufacturing competitiveness in the domestic market.

Of all the provinces of China, Jiangsu province, (74 million population), has a GDP of over 3002 billion Yuan GDP ranked the third largest in China. Zhejiang ranks fourth with a GDP of around 2110 billion Yuan (46 million population). Shanghai, as a municipality directly under the Central Government, has a population of 16,25 million and a GDP of over 1308 billion Yuan..

The total area covers approx 205.8 thousand Sq Km or around 2% of China, the total population is 136.5million or around 10 % of the total for China. In 2008 the contribution to national GDP was some RMB6500 billion (US\$952billion) or around 20% of the total GDP of the country.

Area	Total GDP (billion Yuan)	GDP Rank in China	Area (1000sq km)	Population (1000)
Jiangsu	3002.4	3	100	73810
Zhejiang	2110.7	4	100	46470
Shanghai	1308.0	7	5.8	16250

Zhejiang is famous for the concentration of industries and it is said that "one county produces one article" or "one town produces one article" even "one village produces one article". The level of specialisation is very high in both areas.

This specialisation helps the industry produce at an optimized scale and to be highly efficient and highly competitive. Tropical timber processing clusters are one of the special industries in Zhejiang province.

Beside its important economic status in China, the Yangtze River Delta area is also a very important tropical timber processing area. During the survey for this proposal companies were visited in Zhejiang, the main tropical timber processing area. (Visits were made to tropical timber proposing companies in July, in Jiashan,7;Deqing, 9;6 in Nanxun, and 2 in Shanghai in May).

The main concentration of wood processing is in Nanxun district of Huzhou City, and has earned the name as the Capital of Chinese Wood Flooring Production, This district of 716 sq km, and a population of 514 thousand population generates a GDP of around 16 billion Yuan annually. About 1/3 of all Chinese manufactured solid wood flooring is made in this area and more than 80% of the semi-wood flooring products are manufactured here.

Another important county is Jiashan in Zhejiang province as this is a traditional plywood precession area in China.

Beside of this, Zhangjiagang city in Jiangsu province, is the biggest port for import tropical timber with around 30% of all the tropical logs being imported here every year.

Shanghai city, is both a major manufacturing and consuming center in China. Of the tropical timber imported into China, more than 60% is via Jiangsu, Zhejiang, Shanghai and Shandong province (lingfengmin ,2008).

China's SMFEs, as in other countries, contribute to employment generation, income distribution and the reduction of poverty. They create wealth, increase the safety of local resources and are responsible for the local environment. They help improve regional creativity and protect the local culture.

In China most SMFEs are located in undeveloped parts of the country where people live a relatively poor life. As a result, with the increase of business and technology levels, SMFEs can increase local employment, improve the overall economy level, improve welfare and aid innovation. They can also cultivate local entrepreneurship.

### **Environmental aspects**

There are no negative environmental aspects foreseen from either implementation of this project or the continuation by the SMFEs of activities promoted by this project. There are positive environmental benefits expected from this project at the level of the enterprises, at a national level and ultimately at an international level.

#### *Enterprise level*

At the enterprise level, the delivery by the project of advice and guidance on efficiency improvements through capacity building in managerial and technological developments (activity 333) will result in improved resource utilization and better environmental control of waste and hazardous materials within the enterprises.

Since 2008, small and medium sized enterprise including SMFEs have lived in an environment with dramatic changes: With the financial crisis spreading to the real economy, a significant reduction in international demand, structural changes in domestic and international material supply, price changes in labor costs, exchange rate fluctuations and fluctuating oil and energy prices. China's small companies are today facing unprecedented challenges.

At a national level the Chinese government has adopted a series of objectives for small and medium companies in all sectors but nothing is being done specifically for the SMFEs.

The government activities include moving industries towards quality and from quantity expansion, from expansion to sustainable development and from the simple pursuit of economic benefits to more emphasis on a combination of improving economic efficiency and fulfilling social responsibility. This project will through activity 2.1 – 2.5 provide a report on SMFEs to provide information to government for the development of policies specifically for the SMFEs.

#### *National level*

At the national level the project outcomes will contribute to the on-going efforts of government to address environmental sustainability of the wood processing sector.

In recent years, China's forestry sector has undergone significant changes. The sector operates within the market economy for forest products and a priority of government is now the environmental sustainability of the sector.

This directional change in China's forestry and wood processing sector policies can be tracked through six key national projects, covering the period 2001 to 2015, these are:

The Natural Forest Protection Project;  
The "Green for Grain" Project;  
Anti- and Treating Desertification Project Surrounding Beijing and Tianjin;  
The "Three Norths" and Protection Forest Building Project in Middle and Lower Reaches of Yangtze River;  
The Wildlife Conservation and Natural Reserve Construction;  
The Forestry Industrial Base Construction Project in Fast-Growing-Timber-Based Areas.

In order to regulate the production, consumption and trade of China's tropical forest products, promote global sustainable management of tropical forests and fight against illegal logging and trading, the Chinese government has acted through the following:

2002: Chinese and Indonesian Governments signed a memorandum of understanding, to collaborate in controlling the illegal trading of forest products.

2007: “Guidelines for Sustainable Forest Cultivation Used for Chinese Enterprises Abroad” introduced. This guides Chinese companies engaged in forest cultivation and development overseas and requires attention to sustainability and biodiversity and ecological protection while take full consideration of local community development.

2007, conference on “Sino-European Forest Law Enforcement and Governance” organized by the SFA and others. Meeting proposed:

Making the Ministry of Commerce a window for organizing research on global sustainable supply chain management in various industries including forestry.

Developing the forest certification to ensure sustainable management of forests

2008, As proposed by Chinese President Jintao Hu, a joint China, Australia and the United States “Asia-Pacific Forest Rehabilitation and Sustainable Management Network” was established.

2009, the “Forest Law Enforcement and Bilateral Policy Coordination Mechanism” with European Union was signed and the two sides cooperate in reducing consumption of illegal timber and fight against illegal logging and trade.

2009 “Guide for Sustainable Management and Use of Forest Resources Used for Chinese Enterprises Abroad” published. This provides instructions for Chinese companies, on principles to be adopted in respect of economical feasible and environmental responsible.

#### *International level*

On completion of this project, SMFEs processing efficiency and resource utilization rate will be improved due to the adoption of improved management and technology. As a result of this, the contribution of tropical wood processing industries to the international efforts to establish sustainable forest management in tropical forests will be strengthened.

In addition, the implementation of this project will help improve SMFEs’ awareness of the importance of sustainable forest management. It will also facilitate better forest law execution and policy implementation and increase SMFEs’ use of timber from legal and sustainably managed forest. As SMFEs progressively resist the entry of illegally harvested timber into the domestic market, the world’s tropical forest resources will benefit and will be better protected.

#### **1.4 Expected outcomes at project completion**

On completion of the project, foundations will have been laid for China’s SMFEs in the project area processing tropical timber to adopt systems for the procurement of timber from legal and sustainably managed forest.

The project will benefit China’s forest product processing industrial development, increase employment opportunities and promote regional economic development. It can also help China SMFEs increase management techniques and production efficiency and give them a better understanding of overseas market requirements. In this way, procurement of timber from legal and sustainably managed forest by China’s SMFEs can contribute to poverty reduction and trade in legal an sustainably managed tropical timber.

Apart from the above, which refer to industries in the Shanghai area, the accomplishments and experiences from this project can also be replicated for SMFEs in other areas of China.

On completion of this project, SMFEs processing efficiency and resource utilization rate will be improved due to increasing management and technology introduction. As a result the contribution of tropical wood processing industries to the efforts to establish sustainable forest management in tropical forests will be strengthened.

In addition, the implementation of this project will help improve SMFEs’ awareness of the importance of sustainable forest management. It will also facilitate better forest law execution and policy implementation and increase SMFEs’ use of timber from legal and sustainably managed forest. As the SMFEs progressively resist the entry of illegally harvested timber into the domestic market the world’s forest resource will benefit and will be better protected.

The procurement system to be promoted and demonstrated to the SMFEs will be the FSC system. Following the FSC procurement system, an enterprise's procurement of timber from legal and sustainably managed forest should follow the steps as set out in the FSC procedure.

At project completion, the procurement mechanism will have been established in pilot enterprises and training will have been provided so that the STTA and other SMFEs have the know how to establish procurement systems.

The smooth implementation of this project can provide a reference point for government agencies in charge of making policies on forest product production and trade. This will support the efforts of the Chinese government in contributing to global initiatives in support of sustainable tropical forest management.

The methods and approach tested and refined in the project area will be capable of replication in other areas thus supporting the Chinese government's aim of contributing to the efforts of producer countries and the international in promoting procurement of timber from legal and sustainably managed forest.

## PART 2. PROJECT RATIONALE AND OBJECTIVES

### 2.1 Rationale

#### 2.1.1 Institutional set-up and organizational issues

There has been hardly any international or domestic projects studying tropical timber processing by SMFEs in China. This lack of reliable data and information on SMFEs hinders the development of policies and programmes for promoting the contribution of SMFEs to SFM.

Compounding the problem is the stark lack of public or private sector service organizations for SMFEs, notably on specialized services, training, technical information, market information and procurement of timber from legal and sustainably managed forest.

In addition, the lack of information exchange and communicating mechanisms between government agencies and SMFEs on tropical forest issues is weak at all levels.

Because of these weaknesses it will be necessary to involve a range of stakeholders. The Implementing Agency has identified the following institutions and agencies as vital partners in this project. The following table sets to the partners and their respective roles in project execution:

<u>Relevant/potential institutions</u>	<u>Respective roles</u>
<u>Ministry of Commerce and GAC</u>	<u>Information and data support</u>
<u>State Forestry Administration, Zhejiang Forest Department, Jiangsu Forest Department, China timber distribution, Jiashan Plywood Association, Zhangjiagang Port Administration</u>	<u>SMFE liaison and communication support</u>
<u>Research Institute of Forestry Policy and Information Chinese Academy of Forestry</u>	<u>Implementation team</u>
<u>Shanghai Timber Trade Association.</u>	<u>Project cooperative partner</u>
<u>Rain Forest Alliance, Smart Wood, Beijing Forestry University</u>	<u>Technological and training providers</u>

The Implementing Agency already maintains good working relationships with these agencies and they have all been fully briefed on the development of this project and are committed to participate in its execution.

Meanwhile, management systems in SMFEs are inadequate for the effective planning and control of operations, posing difficulties for effective supply-chain management and product tracking. SMFEs do not have the capability for vertical integration, they are involved only in manufacturing and the tropical timber raw materials for most SMFEs are from China's domestic wholesale markets. The SMFEs in China have no idea of the importance of sourcing timber from legal and sustainably managed tropical forest.

#### 2.1.2 Stakeholder analysis

During July 2009, the survey of CAF, visited Zhejiang in its main tropical timber processing area, there are Nanxun district, Huzhou City, meetings with officials who are from Zhejiang Forestry Department, Huzhou City forest bureau, Forestry Management Office in Nanxun and association of Zhejiang Forestry Industry Association and Jiashan County plywood association and several forestry processing manufactures. (see list in the table).

**List of organizations and agencies co-opted for project development**

<b>Organisation</b>	<b>Province</b>	<b>When</b>
Shanghai Timber Trade Association	municipality directly under the Central Government	Oct. 2005 to Aug. 2009
Processing industries	Nanxun district, Huzhou City	May 2007 to July 2009
Forestry Department of Zhejiang province	Hangzhou City, Zhejiang	May 2007 to July 2009

Zhangjia gang port, Jiangsu	Zhangjia gang city, Jiangsu	Oct, 2005
Forestry bureau of Huzhou City	Huzhou city, Zhejiang	May 2007 to July 2009
Zhejiang Forestry Industry Association	Hangzhou City, Zhejiang	July 2009
Jiashan Plywood Association	Jiashan County, Zhejiang	Oct. 2005, May 2006 July 2006, Apr. 2007 Sep. 2007, July 2009
Office of Forest management in Nanxun District	Nanxun city, Zhejiang	July, 2009

Consensus on the need for the changes that this project will bring about varies with the different project stakeholders. Of the two primary stakeholders (Shanghai Timber Trade Association and its member industries) there is a strong recognition of a need for the project on the part of the Association. The Association is aware of the Chinese government aim to see only imports of sustainably produced tropical timber.

The consensus amongst the industries varies widely. The larger companies (whether wholly Chinese owned or joint ventures) have generally adopted appropriate tropical timber procurement practices and are aware of the implications in the market place of not doing so.

The SMFEs however represent a very heterogeneous community, some are anxious to adopt procurement of timber from legal and sustainably managed forest but are unsure as to how to proceed, some are aware of the need for change but are restrained through fear raw material and thus production costs will be unmanageable. Others are more concerned for profit and will seek to avoid change as long as possible. In this group and in the previously mentioned group, fear of production cost escalation is a primary factor. This is driven by a lack of a clear understanding of the issues and what can be done during manufacturing to minimize any burden of increased raw material costs.

The Association has a clear appreciation of the variation in attitudes amongst its members and this became clear during discussions and factory visits made as a prelude to this proposal. The Association has a shortlist of target companies with the resources to participate in the piloting of the CoC certification. It has also determined the target industries for the promotion of the concept of procurement of timber from legal and sustainably managed forest and COC certification once the piloting has been achieved. The most reluctant group will be the last to be targeted once the project has something to show (ie in the second and third years of implementation).

In China the Shanghai Timber Trade Association has a strong influence over its members and the enthusiastic support the Association has for this project will be advantageous during implementation.

Within the target groups for this project there are no gender issues.

The following stakeholder analysis identifies the various stakeholders. The list of stakeholders evolved over time. Initially the primary stakeholders were involved providing them with the sense of ownership of the project concept and later, prior to project proposal drafting, the secondary stakeholders were brought into the discussions picture.

#### Stakeholder Analysis

Stakeholder group	Characteristic	Problems, needs, interests	Potentials	Involvement in project
<b>Primary</b>				
<b>SMFEs</b>	Not all production by SMFEs in project area derived from sustainable tropical timber	Commercial viability at risk as do not understand need to adopt procurement of timber from legal and sustainably managed forest  Perceptions on need for change varies within the SMFE community	Majority of SMFEs anxious to secure assistance on sustainable procurement and production. Others will need convincing	Main project beneficiaries

<b>Shanghai Timber TradeAssoc.</b>	Desires to play more active role in SMFE development	Lacks capacity to adequately communicate sustainability issues to industry .	Industry driven with authority and respected by Government (MOC and SFA)	A major beneficiary and important for sustainability of objective
<b>Secondary</b>				
<b>SFA</b>	Responsible for implementing Govn policies on sustainable tropical timber procurement	Lacks basic information on SMFEs in overall timber sector investment and trade	Well founded policy decisions can support SMFE development	Strong support for CAF as lead agency in implementing project
<b>Stakeholder group</b>	<b>Characteristic</b>	<b>Problems, needs, interests</b>	<b>Potentials</b>	<b>Involvement in project</b>
<b>CAF</b>	Actively involved in SMFE development	Needs more data on SMFEs to effectively promote policy initiatives by Government	Can further enhance skills and capability to conduct research on SMFEs	Directly involved as project implementing agency
<b>Tertiary</b>				
<b>Tropical producer countries</b>	China a major market for commodities. Aiming for SFM and trade in sustainably produced timber	Require all trading partners to appreciate issues of SFM and trade in sustainable timber	Can trade sustainably produced tropical timber given industry appreciation and support	Will benefit from insight of China's SMFEs from project outputs
<b>China's trading partners</b>	Require products manufactured from sustainable sources	Consumers driving demand for socially responsible purchasing	Can expand trade in wood products from sustainably and legal sources	No direct involvement but will benefit from project outputs

### Stakeholder inputs

The SFA and the MOC are listed below as secondary stakeholders but it is these two agencies plus the Shanghai Timber Trade Association that wield very strong influence over the SMFEs, indirectly through regulations and policy but also directly at a company level.

<b>Stakeholder group</b>	<b>Input into project</b>
<b>Primary</b>	
<b>SMFEs</b>	Companies selected for piloting will provide financial and management input These companies will offer other companies opportunity to learn from experiences gained
<b>Shanghai Timber TradeAssoc.</b>	Will work closely with implementing agency to identify appropriate companies and secure company cooperation. Will provide resources for information dissemination to members
<b>Secondary</b>	
<b>SFA</b>	Will exercise influence on Association and companies when required. Will provide details of relevant policies and regulations and other information relevant to issue of sustainability. Will be active in promoting project concept in other tropical timber consuming industries in China

<b>MOC</b>	Will exercise influence on Association and companies when required. Will provide details of relevant policies and regulations and other information relevant to developments in domestic and internal trade and markets for wood products. Will be active in promoting project concept in other tropical timber consuming industries in China
<b>Stakeholder group</b>	<b>Input into project</b>
<b>CAF</b>	As implementing agency will arrange, manage and project activities. Will arrange, manage and host workshops and conference
<b>Tertiary</b>	
<b>Tropical producer countries</b>	No direct input required
<b>China's trading partners</b>	No direct input required

### 2.1.3 Problem analysis

#### Problem analysis

What little research of China's SMFEs that has been conducted to-date has not been at a sufficient depth to allow the development of specific policy recommendations for either local authorities or the national government. This has resulted in inadequate government policies to encourage or support SMFEs' contribution to government's objectives in support of sustainable tropical forest management. The first priority of this project is to correct this lack of in-depth information.

The lack any formal communication mechanisms between government agencies and SMFEs on sustainable tropical forest is weak at all levels and this makes it difficult to improve national policy and regulatory frameworks and to directly influence the procurement strategies of the SMFEs and the overall implementation of FLEGT. This weakness will be addressed in this project.

Due to the lack of appreciation of the role the industry plays in promoting sustainable tropical forest management, most SMFEs are price takers, the margin on their products is kept very low and it is surviving in market that is always top priority. This leads the SMFEs to attach more importance to convenience of supply and low price, which can result in inappropriate procurement of tropical timber. As a result international markets for wood products from the SMFEs are threatened and jobs at risk from processing unsustainably produced tropical timber.

Inadequate management capacity within many of the SMFEs results ineffective planning and control of operations which poses difficulties for effective tracking of raw material inputs and better integration of procurement with in established supply chains. A large proportion of the SMFEs in China have a poor understanding of legal and sustainable tropical timber procurement issues. Unsustainably harvested tropical timber is utilised in some SMFE production. As a result of this Contribution of China's SMFEs to national and international initiatives on stemming trade in tropical timber from illegal and unsustainably managed tropical forest is not being maximized

While the SMFEs are serviced by Timber Associations the management of these Associations tend to have a rigid management structure and focus mainly on issues relating to government regulations. Most are far from the form of the truly private sector organizations with true membership driven functions and activities. With their restricted human, financial and technical resources the potential of these associations for promoting SMFE development is limited (Sun, Changjin and Xiaoqian Chen, 2003). Based on the above, this project incorporates a series of outputs and activities involving strengthening a major association servicing the SMFEs in project area.

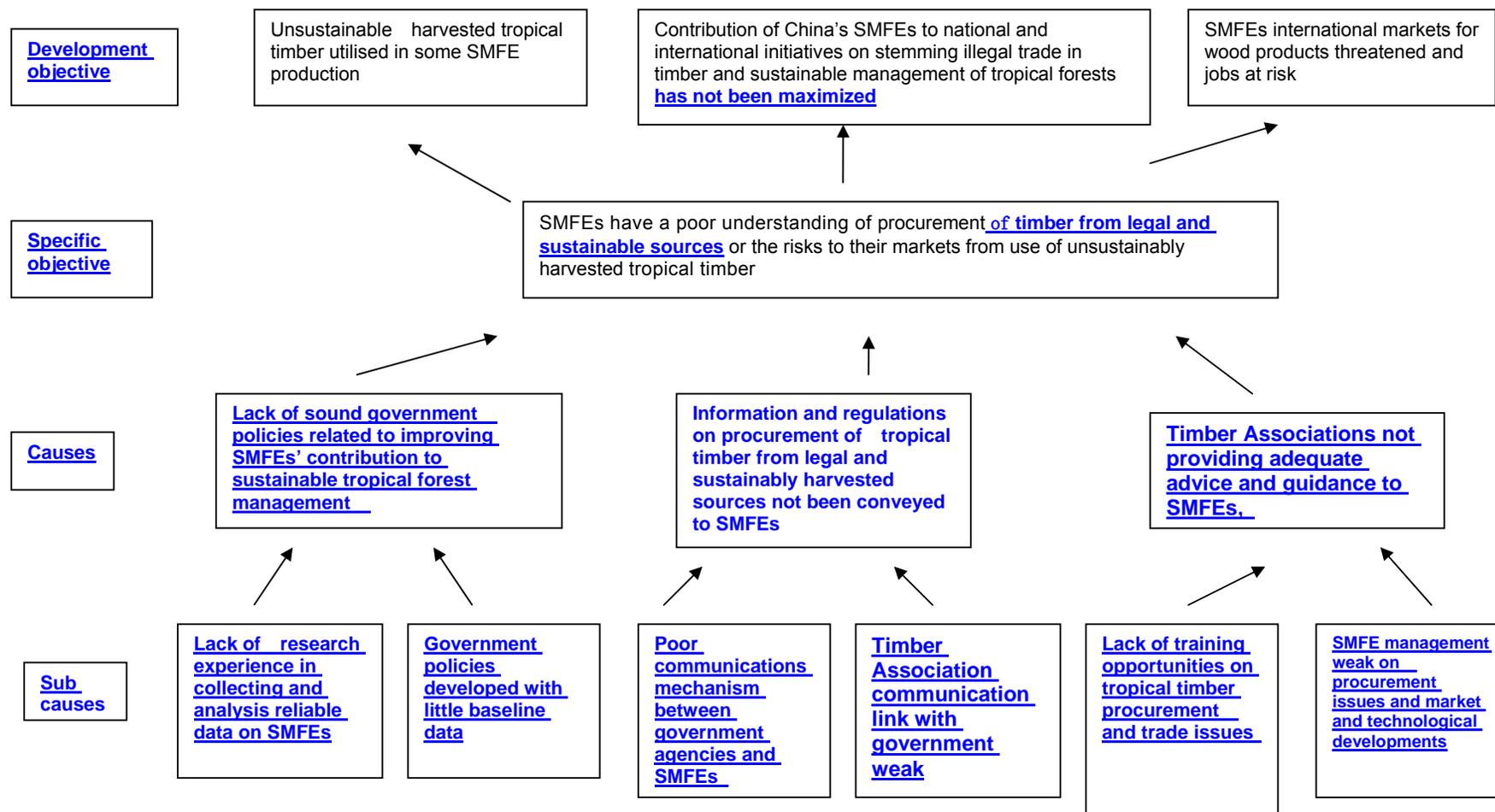
In this three year project, the first activity will be a survey to provide baseline information on the situation regarding the structure of the SMFEs sector in the project area and procurement of tropical wood raw materials by the SMFEs in the survey area. An assessment of the status of management capacity and production efficiency will also be undertaken.

The initial survey will determine the extent of production of wood products from legal and sustainable resources by the SMFEs in the survey area. This information will be the basis for fine-tuning of planned support for the SMFEs in follow-up activities

A report will be prepared providing policy suggestions for Government on promoting the SMFEs contribution to national initiatives on tropical timber procurement and production of wood products from legal and sustainably managed tropical forest

This project will be aided by cooperation from the Shanghai Timber Trade Association, which represents one of the largest timber product production and distribution centres in China. This project will be helpful for industry development and efficiency for promoting Chinese private sector of SMFEs.

**Problem Tree analysis**



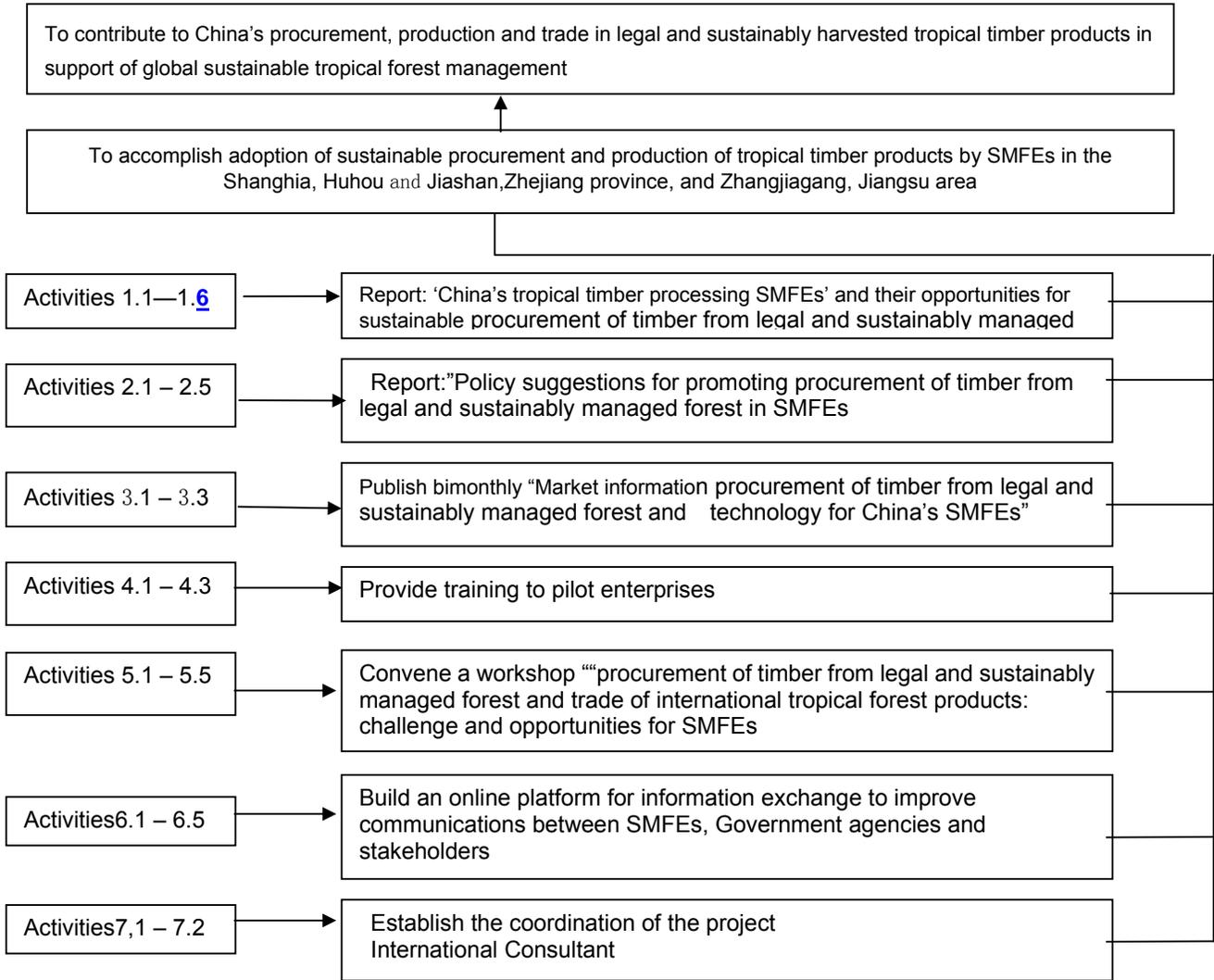
## 2.14 Logical framework matrix

<b>PROJECT ELEMENTS</b>	<b>INDICATOR</b>	<b>MEANS OF VERIFICATION</b>	<b>ASSUMPTIONS</b>
To contribute to China's procurement, production and trade in legal and sustainably harvested tropical timber products in support of global sustainable tropical forest management	Imports of certified or certified legal tropical timber increased by 30% as a proportion of total imports in the project area	Import statistics, Producer country export data and industry figures and from Association and assessed by Field visits	Import/export data identifies category of topical imports. Local Association and industry cooperate
To accomplish adoption of sustainable procurement and production of tropical timber products by SMFEs in the Shanghai, Huzhou and Jiashan, Zhejiang province, Zhangjiagang, Jiangsu area	30% increase in volume of certified or certified legal tropical timber consumed by SMFEs  All pilot SMFEs with CoC systems in place.  All pilot SMFEs with sustainable procurement policies	Association data Statistics/Reports on industry SMFE survey Field visit Review research	Data collected at port of entry  SMFEs report statistics to Association  Project Training effective  SMFEs' have management and financial capacity
Output 1 Report entitled "China tropical timber processing SFMEs' and their opportunities for procurement of timber from legal and sustainably managed forest	Survey data on main tropical timber processing SMFEs in project area Report Printed	Stakeholder review of report Minutes of consultations Evaluation by PSC and ITTO Mailing list for Report distribution	SMFEs intention to participate in review realised bv Good information exchange
Output2 Policy suggestions for Promoting procurement of timber from legal and sustainably managed forest in SMFEs	Minutes of Stakeholder dialogue on policy suggestions Dissemination to relative policy makers Report printed	<i>Review related records and documents</i>  Mailing list for Report distribution <i>Review research report</i>	Stakeholders Cooperate  Good information exchange
Output3 Disseminate information, on <a href="#">issues related to procurement of tropical timber from legal and sustainably managed forest and technology for China's SMFEs</a> " (Chinese <a href="#">bulletin to inform and create a published stock of information available for the SMFEs as they are guided to adjust their tropical timber procurement strategies</a> )	36,000 copies of Bulletin to SMFEs and stakeholders, quality of published articles from correspondents  Mailing list to SMFEs	Feedback from SMFEs <a href="#">management on value in developing procurement mechanisms</a>	Regular input from 8 correspondents and stakeholders Shanghai Timber Trade Associations maintains journal publication and distribution

<b>PROJECT ELEMENTS</b>	<b>INDICATOR</b>	<b>MEANS OF VERIFICATION</b>	<b>ASSUMPTIONS</b>
Out put 4 provide training to pilot enterprises	<p>Training courses completed</p> <p>Comment on content of training courses</p> <p>Number of SMFEs participants</p>	<p>List of participants</p> <p>Minute of meeting</p> <p>Review of proceedings</p>	<p>Suitable trainers are available and sourced.</p> <p>Government bodies and timber enterprises</p>
Output 5 workshop on 'procurement of timber from legal and sustainably managed forest and trade of international tropical forest products: challenges and opportunities for SMFEs'	<p>Workshop concluded</p> <p>30 participants, 15 from China, <b>4</b> from other ITTO member countries, 9 from international organizations and NGOs,</p> <p>Published conference Proceedings</p>	<p><i>List of SMFEs and other participants</i></p> <p><i>Proceedings mailing list</i></p>	<p>Appropriate speakers identified and commit to participate</p>
Output 6 information exchange and forum for communication between China SMFEs ,government and stakeholders (Chinese language)	<p>Online communication system established linking stakeholders</p> <p>Inclusion of information in support of sustainable procurement and production</p>	<p>Number of stakeholders using online platform</p> <p>Content update regularity</p>	<p>Stakeholder's maintain interest and utilise online platform</p> <p>CAF continues to manage online platform</p>
Out put 7 Increase operational capacity of the executing agency <u>to address past weaknesses in SMFE surveys and development of policy recommendations for national authorities by the executing agency in order that the SMFEs have the necessary support and information to adjust their procurement procedures</u>	<p><u>Quality of survey management and results as assessed by project Coordinator and international consultant</u></p> <p><u>Project implemented at international level. as determined from peer review during international conference to present results</u></p>	<p><u>Assessed project implantation and level of commitment and cooperation from Association and other stakeholders</u></p> <p><u>Acceptance and adoption of policy recommendations by national government</u></p> <p><u>Scope for replication in other regions of China.</u></p>	<p><u>Experienced dedicated Project Coordinator and international consultant</u></p> <p><u>Project team willing to deliver commitment and imagination during implementation under guidance of Project Coordinator and international consultant.</u></p>

**2.2 Objectives**

**Objective Tree**



**2.2.1 Development objective and impact indicators**

To contribute to China’s procurement, production and trade in legal and sustainably harvested tropical timber products in support of global sustainable tropical forest management

The long term indicator is:

Imports of certified or certified legal tropical timber increased by 30% as a proportion of total imports in the project area by the end of project.

## 2.2.2 Specific objective and outcome indicators

To accomplish adoption of sustainable procurement and production of tropical timber products by SMFEs in the Shanghai, Huzhou and JiaShan, Zhejiang province and Zhangjiagang, Jiangsu area.

### The outcome indicators are:

#### Output 1

the survey of industries in the project area will be completed and 800 copies of the resultant report published in Chinese and English. Completed in 4<sup>th</sup> Qtr of year 2.

#### Output 2

200 copies of the report "Policy suggestions for promoting procurement of timber from legal and sustainably managed forest in SMFEs" both in Chinese and English published. Completed in 4<sup>th</sup> Qtr of year 2.

#### Output 3

18,000 copies of 'China Timber' includes information of sustainable forest management and market information issued. Activity begins in 1<sup>st</sup> Qtr year 2 and continues. By the end of the project, 36,000 copies of China Timber distributed to stakeholders.

#### Output 4

2 pilot enterprises provided with coaching on CoC and sustainable operations, production, management and technology. 40 representatives from different SMFEs trained. Completed by 1<sup>st</sup> Qtr year 3.

#### Output 5

30 participants attend workshop of which 19 participants are funded, (4 from overseas producer countries, 15 domestic industries and 9 from international organizations and NGOs). 600 copies of workshop proceeding have been distributed. Completed in 1st Qtr of year 3.

#### Output 6

Structure of the website including information on FLEGT, procurement issues and tropical timber incorporated into the CAF/FAO Forest Connect website. Completed in 4<sup>th</sup> Qtr year 1 .

The communication platform between SMFEs and Government stakeholder established. Completed by 1<sup>st</sup> Qtr year 2 and continues.

#### Output 7

High quality survey management and results as assessed by Project Coordinator and international consultant. Begins in 1<sup>st</sup> Qtr year 1 and continues

Skills transferred from international consultant to project team and project implemented at international standard as determined from peer review during international workshop. Begins 2<sup>nd</sup> Qtr year 1 and completed by 2<sup>nd</sup> Qtr year 3.

## PART 3. DESCRIPTION OF PROJECT INTERVENTIONS

### 3.1 Outputs and activities

#### 3.1.1 Outputs

**Output 1 Published and disseminated report entitled ‘China’s tropical timber processing SMFES’ and their opportunities for procurement of timber from legal and sustainably managed forest”**

##### Indicator

- By the end of the first year, The survey of industries in the project area will be done in two stages. : all SMFES in the project area will be surveyed by telephone and by mail/email. and the survey face-to-face interviews will be conducted with a 10% sample of each category of SMFES will be conducted.
- By the end of the project, 800 copies of the report both in Chinese and English have been published

**Output 2 Published and disseminated report entitled “Policy suggestions for promoting procurement of timber from legal and sustainably managed forest in SMFES”.**

##### Indicator

- By the end of the project, 200 copies of the report both in Chinese and English have been published,

**Output 3 Published and disseminated journal “Market information, procurement of timber from legal and sustainably managed forest and technology for China’s SMFES”**

##### Indicator

- By the end of the second year, 18,000 copies of China Timber which have the logo of ITTO and has added information of sustainable forest management and market information should be issued.
- By the end of the project, 36,000 copies of China timber which cover information below have been issued to related stakeholders.
  - ✓ Issues of sustainability, public and private procurement policies in the market and consumer environmental purchasing trends
  - ✓ Domestic, regional and international market drivers and opportunities;
  - ✓ Substitution and competitiveness in relation to competing materials and non-tropical timber products
  - ✓ Factors which influence the markets for and competitiveness of tropical timber and timber products,
  - ✓ Timber-related technical safety, health and environmental standards and regulations.
  - ✓ SFM and CSR

**Output 4 Training on Forestry Sustainable Management and Technology for Pilot Enterprises**

##### Indicator

- By the end of the first year, 2 pilot enterprises have been provided with coaching on CoC and sustainable operations, production, management and technology.
- By the end of the project, 40 representatives from different SMFES have been trained with the SMF related information and technology, and can apply in their daily operation,

In addition the project has provided training in:

- ✓ forest law enforcement and policy;
- ✓ Knowledge of Chain of Custody ;
- ✓ procurement and other relevant policies;
- ✓ export/import procedures.
- ✓ SFM and CSR

**Output 5 Concluded workshop on “procurement of timber from legal and sustainably managed forest and trade of international tropical forest products: challenge and opportunities for SMFES”**

##### Indicator

- By the end of the second year, 30 participants, 6 from over sea produce countries, 15 from domestic 9 from international organizations and NGOs have present the workshop, which including SMFES, government, NGOs, research institute, media also from producing and consuming countries.,
- By the end of the project, 600 copy of workshop proceeding have been issued.

## Output 6 set up “SMFEs-Government stakeholder forum”

### Indicator

- By the end of the first half year, the structure of the website which add information of FLEGT and tropical timber information have been constructed into the website of CAF/FAO Forest Connect website.
- By the end of the project, the communication platform between SMFEs and Government stakeholder has been established.

## Output 7 Increase operational capacity of the executing agency

### Indicator

- By the end of the first half year, the first steering committee have been established to advising the project plan and implementation.
- By the end of the project, 3 steering committee have been held.
- By the end of the project, 1 international consultant have provided totally 1.5 months guild for the research report composing and SMFEs training.

### 3.1.2 Activities

The survey of industries in the project area will be done in two stages. In the first stage, with the assistance of the Association and the Forestry Authorities in the area, all SMFEs in the project area will be surveyed by telephone and by mail/email. The purpose of this first stage survey is to gather data on

- the type of enterprise (e.g. Sawmill, plywood mill, furniture factory, moulding plant, flooring factory etc)
- the number of workers per shift of operation
- the proportion of tropical timber used in production (e.g. temperate hardwoods 35%, softwoods 22%, tropical hardwoods 63%)

With this information the SMFEs can be categorized.

In the second stage of the survey face-to-face interviews will be conducted with a 10% sample of each category of SMFEs which consume a significant volume of tropical timber products during production. The information gathered is that necessary for two main purposes:

- the design and execution of the training and information delivery element of this project
- as input to the development of policy recommendations, another output of this project

Activities in support of Output 1

- Activity 1.1 Collect and review relevant [published and unpublished](#) material [on SMFEs in the project area](#).
- Activity 1.2 conduct mail [and](#)/or telephone survey in order to categorise the SMFEs Visits and investigate the main tropical processing [SMFEs](#).
- Activity 1.3 data analysis
- Activity 1.4 compose [research](#) report
- Activity 1.5 [arrange translation of](#) research report 1
- Activity 1.6 print and publish report ” China’s tropical timber processing SMFEs’ and their opportunities for procurement of timber from legal and sustainably managed forest” (in both Chinese and English)

Activities in support of Output 2

- Activity 2.1 collect and review [published and unpublished material on SMFEs in the project area](#).
- Activity 2.2 survey both SMFEs and stakeholders.
- Activity 2.3 compose [research](#) report [“Policy suggestions for promoting procurement of timber from legal and sustainably managed forest in SMFEs”](#).
- Activity 2.4 [arrange](#) translation of research report 2
- Activity 2.5 print and publish report 2.(in both English and Chinese)

Activities in support of output 3

- Activity 3.1 [compile published](#) material and arrange [contracts for technical journalists](#)
- Activity 3.2 [contract](#) 8 special correspondents, with an employment term of 24 months.
- Activity 3.3 [arrange editing](#) and translation [of material](#)
- Activity 3.4 [arrange printing](#), and distribution 3000 copies each [journal](#) issue.

Activities in support of Output 4

- Activity 4.1 [establish](#) training [advisory](#) group, confirm training plan
- Activity 4.2 one-to-one Certification Coaching for 2 SMFEs( including Consultant and Training on CoC)
- Activity 4.3 [execute](#) training courses for 40 representatives of SMFEs

Activities in support of Output 5

- Activity 5.1 confirm the specific proposal [for](#) the Workshop.
- Activity 5.2 [arrange attendance for](#) representatives from tropical timber producing countries.
- Activity 5.3 [arrange attendance for domestic](#) representatives [\(funded\) and invite other participants.](#)
- Activity 5.4 [plan and](#) convene workshop (rent meeting rooms; [arrange refreshments etc](#))
- Activity 5.5 print, publish and distribute workshop symposium (both Chinese and English)

Activities in support of Output 6

- Activity 6.1 [establish](#) internet message [board and](#) invite contributions from stakeholders
- Activity 6.2 Collect [compile and upload](#) information on sustainable forestry, production and FLEGT
- Activity 6.3 [promote](#) information exchange and forum for communications
- Activity 6.4 maintain and update [website](#)
- Activity 6.5 purchase equipment

Activities in support of Output 7

- Activity 7.1 Establish the coordination [mechanisms for the](#) project
- Activity 7.2 [arrange](#) international consultant [contract and work schedule](#)

### **3.2 Implementation approaches and methods**

To achieve the specific objective this project will adopt the following strategy during the implementation process:

The first step in project implementation will be to advise stakeholders of the final project structure, work plan and administrative/management structure. An initial workshop/dialogue will be held with the three primary stakeholders and other interested parties so that they are fully aware of the important role they are to play to make the project a success.

Detailed discussions will be held on the final agreed work plan so as to reaffirm the target schedule. At the same time, a reporting framework will be agreed to allow the executing agency to provide progress reports and highlight any communication or technical difficulties. It is envisaged the progress reports from the executing agency to stakeholders will be quarterly. These reports will be over and above the progress reports provided to the donor (ITTO) and to the Project Steering Committee.

Other strategic activities to ensure the smooth operation of project activities will be:

Building upon existing communication mechanisms with domestic tropical timber production enterprises, merchants and large tropical timber importers.

Building upon existing communication mechanisms with government agencies in charge of the forestry industry and some major public associations, such as China Forestry Industry Association, China Forest Product Industry Association, China Timber Circulation Association, China Furniture Association, and some regional associations, In the project area the project will cooperate closely with the Shanghai Timber Trade Association.

Promoting recognition of the role of SMFEs to central government agencies such as the State Forestry Administration, National Development and Reform Commission and General Administration of Customs as well as local government agencies.

Involving the association and members in the planning and implementation of the supply chain analysis through joint enterprise questionnaire

Involving stakeholders through meetings and questionnaires in the design and implementation of training. Through the application of advanced management and technology and from an understanding of issues of sustainability, production and trading of timber from sustainable managed sources will be facilitated.

Designing in cooperation with stakeholders the mechanisms for relevant information to be disseminated to SMFEs through a network of communication so as to establish opportunities for information and communication flows between stakeholders.

This project focuses on China SMFEs' role in tropical forest sustainable management. It will place SMFEs on the international tropical forest product supply chain and will examine their advantages, disadvantages, challenges and opportunities in contributing to sustainable forest management through their own adoption of procurement of timber from legal and sustainably managed forest.

Because the wood production base in China is huge this study will focus on tropical forest product processing enterprises in Shanghai, Huzhou City and Jiashan county, Zhejiang province and Zhangjiagang city, Jiangsu Province. This is one of the largest processing centres for tropical products in China.

The major research areas will include raw material sourcing flows, production, processing and trade. The project will examine different factors that influence a processing enterprise's choice of using tropical timber with legal source, the internal, external driving force and constraint factors in undertaking forest certification. The aim is to secure precise data and offer objective policy suggestions.

During the process of project implementation participation of government agencies responsible for forestry and trade and the private enterprises (tropical forest product producer and traders) will be ensured through workshops and meetings and coordination mechanism for stakeholders will be included. This is necessary to ensure the success of the project as these stakeholders are not only helpful to verify statistical data but also ensure the objectiveness and reliability of survey data. The full participation of stakeholders will help convey the project's conclusion to government policy makers. The aim is to provide policy makers and stakeholders with a sounder scientific basis for decision making.

Regarding methodology, this project will adopt a combination of sampling and structured surveys. Enterprise will be selected accounting for product type and geographic location in the project area.

Interviews and questionnaires will be used to determine enterprises' situation and potential for procurement of timber from legal and sustainably managed forest. We will also use SPSS (Statistical Package for Social Science) to study China SMFEs' production, trading management, market situation, timber utilization rates and identify major factors which limit SMFEs to undertake procurement of timber from legal and sustainably managed forest and management.

In addition, this project will support two major enterprises to undertake CoC. It will offer technology training and illustration to pilot and major enterprises in Shanghai. In addition, It will also offer consulting and training on forest law enforcement and related issues such as policy implementation and sustainable forest management.

Through this SMFEs will have a better understanding of the importance of chain of custody and its relationship to forest sustainable management. Their production technology and management level will also be improved.

Through publishing of the study report and other relevant materials, information on tropical forest product market and sustainable management regulation and laws can be provided to domestic medium and small forest product producing and trade enterprises timely. In this way opportunities will be created for sustainable tropical forest product international trade.

### 3.3 Work plan

Work plan	Responsibly	Schedule in every three months for three years											
	Party	First year				Second year				Third year			
		I	II	III	IV	I	II	III	IV	I	II	III	IV
<b>Output 1</b>	Project												
Activity 1.1 Collect and review relevant materials	Members and Counterparts												
Activity 1.2 mail or telephone survey visits and investigation to the main tropical processing area face to face.													
Activity 1.3 data analysis													
Activity 1.4 Composition of research report													
Activity 1.5 Translation of Report 1													
Activity 1.6 Printing and Publishing Report 1													
<b>Output 2</b>	Project Members and Counterparts												
Activity 2.1 Collection and Organization of Information	Members and Counterparts												
Activity 2.2 SMFEs and stakeholder survey													
Activity 2.3 Composition of Report 2													
Activity 2.4 Translation of Report 2													
Activity 2.5 Printing and Publishing Report 2													
<b>Output3</b>	Project Members and Counterparts												
Activity 3.1 Information Collection	Members and Counterparts												
Activity 3.2 Recruiting 8 journalists for 24months													
Activity 3.3 Edit and Translation													
Activity 3.4 Printing, Publishing and Circulating													
<b>Out put 4</b>	Project Members and Counterparts												
Activity 4.1 Select SMFE to be certification coach and Set up training group, confirm training plan	Members and Counterparts												
Activity 4.2 One-to-one Certification Coach													
Activity 4.3 Training Courses on Policies, Regulations and Technology about procurement of timber from legal and sustainably managed forest													

Work plan	Responsibly	Schedule in every three months for three years											
	Party	First year				Second year				Third year			
		I	II	III	IV	I	II	III	IV	I	II	III	IV
<b>Output 5</b>	Project Members and Counterparts												
Activity 5.1 Conference Preparation							■						
Activity 5.2 Invitation of International Representatives								■					
Activity 5.3 Invitation of Domestic Representatives								■					
Activity 5.4 convene workshop									■				
Activity 5.5 publish and distribute workshop symposium									■	■			
<b>Output 6</b>	Project Members and Counterparts												
Activity 6.1 arrange internet message invite contributions from stakeholders					■								
Activity 6.2 information collect and data gather				■	■	■	■	■	■	■	■	■	■
Activity 6.3 information exchange and forum for communications between stakeholders (Chinese)						■	■	■	■	■	■	■	■
Activity 6.4 web relatistic ,maintain and update				■	■								
Activity 6.5 equipment bought				■	■								
<b>Output 7</b>	Project Members and Counterparts	■	■	■	■	■	■	■	■	■	■	■	■
Activity 7.2 International Consultant			■								■		

### 3.4 Budget

#### 3.4.1 Master budget table

Output/ Activities	Description	Budget component	Quantity			Units	Unit cost US \$	Total cost US\$	ITTO			Executing agency	Industry
			Year 1	Year 2	Year 3				Year 1	Year 2	Year 3		
<b>Output 1</b>	<b>Report entitled "China's tropical timber processing SFMEs' and their opportunities for sustainable procurement steering committee meeting"</b>												
<b>A1.1</b>	<b>Collection and review relevant materials</b>												
	office supplies	52					1,000					1,000	
	1 technician for materials review and desk research	11	3			person-month	1,000	3,000				3,000	
<b>A 1 .2</b>	<b>Mail and telephone survey ,Visits for investigation and field survey</b>												
	Visit and investigation to the tropical timber processing project area by team members												
	4 experts for SMFEs survey and visit for totally 100 person-days	11	3.3			person-month	1,600	5,280				3,520	1,760
	Trips (air travel)	33	10			capita	400	4,000	4,000	0	0		
	Accommodation and subsistence	31	100			day	80	8,000	8,000	0	0		
	Local Transport in project area	33	80			Nos.	20	1,600	1,600	0	0		
	voice recorder	44	2			piece	500	1,000	1,000	0	0		
<b>A 1 .3</b>	<b>Data analysis</b>												
	1 technician for 1 months	12	1			month	1,500	1,500	1,500	0	0		
<b>A1 .4</b>	<b>Composition of Research report</b>												
	2 experts (1 Industry and market,1 forestry sustainable management)	11		2		person-month	1,600	3,200	0	3,200	0		
	Peer review of Research Report 1												
	1 expert in forestry policy	13		1		person-month	2,000	2,000	0	2,000			
<b>A 1.5</b>	<b>Translation of Research Report 1</b>												
	Translation	20		100		page	50	5,000	0	5,000	0		
<b>A1 .6</b>	<b>Printing and Publishing Report 1</b>												
	Printing	20		800		copy	10	8,000	0	8,000	0		
	Publishing/Distribution	20		800		copy	2.5	2,000	0	2,000	0		
<b>Output 2</b>	<b>Policy Advice on Promoting Forestry Sustainable Management of China's Small and Medium Forestry Enterprises'</b>												
<b>A2.1</b>	<b>Collection and Organization of Information</b>												
	office supplies	52						1,000		0	0	1,000	
	1 technician for materials review and desk research	11	1			month	1000	1,000				1,000	

Output/ Activities	Description	Budget component	Quantity			Units	Unit cost US \$	Total cost US\$	ITTO			Executing agency	Industry
			Year 1	Year 2	Year 3				Year 1	Year 2	Year 3		
A2.2	<b>National Consultant</b>												
	2 experts for SMFEs survey and stakeholders' visit	11	2			person-month	1,600	3,200				3,200	
	Trips (air travel))	33	4			capita	400	1,600	1,600	0	0		
	Accommodation and subsistence	31	60			day	80	4,800	4,800	0	0		
	Local Transport in project area	33	50				20	1,000	1,000	0	0		
A 2.3	<b>Composition of Report 2</b>												
	2 experts (1 Industry and market,1 forestry policy) advising SMFEs of policy development	11		2		person-month	1,600	3,200	0	3,200	0		
	Peer review of Research Report 2												
	1expert in forestry policy	11		1		person-month	2,000	2,000	0	2,000	0		
A2.4	<b>Translation of Report 2</b>												
	Translation	20		100		page	50	5,000	0	5,000	0		
A2.5	<b>Printing and Publishing Report 2</b>												
	Printing	20		200		copy	10	2,000	0	2,000	0		
	Publishing/Distribution	20		200		copy	2	400	0	400	0		
<b>Output3</b>	<b><u>Disseminate market and technical information and information on procurement of tropical timber from legal and sustainable sources for China's SMFEs' Bulletin (Chinese)</u></b>												
A3.1	<b>Information Collection and Contributions Solicitation</b>												
A3.2	<b>Recruiting 8 journalists for 30 months</b>												
	8 journalists from around China in main tropical processing area for 24 months beginning Yr 2	12		96	96	person-month	150	28,800	0	14,400	14,400		
A 3.3	<b>Edit and Translation</b>												
	1 editor journal edition and information translation	11	0	12	12	person-month	1600	38,400					38400
A 3.4	<b>Printing, Publishing and Circulation of 3000 copy of bulletin ever two month</b>												
	Journal typesetting, printing,Publishing and Circulation	20		1	1	year	10000	20,000					20,000
<b>Output 4</b>	<b>Training on Forestry Sustainable Management and Technology and Enterprises</b>												
A4. 1	<b>set up training group ,confirm training plan</b>												
	training group planning	65						2,000	0			2,000	
A4. 2	<b>One-to-one Certification Coaching (including Consultant and Training on CoC Certification)</b>												
	consultant and training for pilot enterprises ,subcontracted	62	2				15,000	30,000	30,000	0			

Output/ Activities	Description	Budget component	Quantity			Units	Unit cost US \$	Total cost US\$	ITTO			Executing agency	Industry
			Year 1	Year 2	Year 3				Year 1	Year 2	Year 3		
A 4. 3	<b>invite related training institutes for training courses on procurement of timber from legal and sustainably managed forest, Policies, Regulations and Technology and management</b>												
	<b>2 x 2day Introduction/training, 20 participants per workshop</b>												
	<b>training courses organization and management ,subcontracted,</b>												
	Training courses, subcontracted	62		1	1	event	20,000	40,000	0	20,000	20,000		
<b>Output5</b>	<b>Organization of International Symposium</b>												
A5.1	<b>Conference Preparation</b>												
	1 coordinator for 3 months	12		3		person-month	1,200	3,600	0	0	0	3,600	
	Office supplies and communication costs	52						2,000				2,000	
A5.2	<b>Invitation of International Representatives</b>												
	international trips	32		4		capita	2,800	11,200	0	11,200			
	Accommodation and subsistence	31		16		day	150	2,400	0	2,400			
A5.3	<b>Invitation of Domestic Representatives</b>												
	Domestic transportation	33		15		capita	400	6,000	0	6,000	0		
	Accommodation	31		60		day	150	9,000	0	9,000	0		
A5.4	<b>convene workshop</b>												
	Meeting Room Rent	65		3		day	800	2,400	0	2,400			
	Translator	20		9		capita	1,000	9,000	0	9,000	0		
	Refreshment and Meal	65		160		day*capita	15	2,400	0	2,400	0		
	Field Tour	65		40		capita	35	1,400	0	1,400	0		
	contingencies	65						900		900			
A 5.5	<b>Conference Proceedings</b>												
	Composition and Translation	20		120		page	40	4,800	0	4,800	0		
	Printing and Publishing	20		600		copy	10	6,000	0	6,000	0		
<b>Output 6</b>	<b><u>“SMFEs-Government stakeholder sustainable procurement and production forum”</u></b>												
A6.1	<b>internet message invite contributions from stakeholders</b>												
A6. 2	<b><u>Collect and analyse information on legal and sustainable procurement and FLEGT.</u></b>												
	1technical expert in charge of maintaining and updating web site for 6 months	12		3	3	person-month	1,600	9,600	0	4,800	4,800		

Output/ Activities	Description	Budget component	Quantity			Units	Unit cost US \$	Total cost US\$	ITTO			Executing agency	Industry
			Year 1	Year 2	Year 3				Year 1	Year 2	Year 3		
A6.3	<b>information exchange and forum for communications</b>												
	1experts for website editor translation and update	11	0	6	6	person-month	1,600	19,200	0			19,200	
A6.4	<b>web relatistic, maintain and update</b>												
	web structure and function design and relatistic, subcontracted	20	1			event	15,000	15,000	15,000			0	
A 6.5	<b>equipment</b>												
	Laptop	44	1				2,000	2,000	2,000				
	Internet server	44	1			unit	6,000	6,000	6,000				
<b>out 7</b>	<b>Increase operational capacity of the executing agency in SMFEs researching and serviceing</b>												
<b>A 7.1</b>	<b>Establish the coordination of the project</b>												
	coordinator and EA personnel at Beijing,1 coordinator,1 technical expert, and 1 accountatt	11	6	6	6	person-month	1600	28,800				28,800	
	Steering committee (transport and organization)	609	1	1	1	event	2,000	6,000				6,000	
	information,media,various publications	611	1	1	1	event	1,000	3,000				3,000	
	Duty travel	31	1	1	1	year	3,000	9,000				9,000	
	audit fees		1	1	1			10,500				10,500	
<b>A7.2</b>	International Consultant	13	1		0.5	month	10,000	15,000	10,000		5,000		
	International Trips	32	1			capital	2,810	2,810	2,810				
	Accommodation	31	30			day	173	5,190	5,190				
	Local Ground Transport	33	30			day	20	600	600				
	Computer for project coordination and editing	43	2			unit	1,000	2,000				1,000	1000
	<u>contingency budget</u>							4,400	2,200	2,200			
	offices at beijing	41	1	1	1	year		15,000				15,000	
	offices at Shanghai	42	1	1	1	year		9,000					9000
	<b>GRAND TOTAL</b>							<b>454,180</b>	<b>97,300</b>	<b>129,700</b>	<b>44,200</b>	<b>112,820</b>	<b>70,160</b>

### 3.4.2 Consolidated budget by component

Category	Description	Total	Year 1	Year 2	Year 3
<b>10</b>	<b>Personnel</b>				
10.1	Desk research	4,000	4,000		
10.2	SMFE Technical Survey	8,480	8,480		
10.4	Compile and review activity reports	11,900	1,500	10,400	
10.5	Technical/Marketing authors	28,800	0	14,400	14,400
10.6	Editing technical publication	38,400	0	19,200	19,200
10.7	Conference organization	3,600		3,600	
10.8	Web creation/management and up-dating	28,800	0	14,400	14,400
10.9	Project coordination	28,800	9,600	9,600	9,600
11	International consultant	15,000	10,000		5,000
	<b>Sub total</b>	167,780	33,580	71,600	62,600
<b>20</b>	<b>Sub-contracts</b>				
20.1	Translation Chinese to English	23,800		23,800	
20.2	Printing	16,000		16,000	
20.3	Publication and distribution	22,400	0	12,400	10,000
20.4	SMFE Coc Certification Coaching and Training	0	0	0	0
20.5	Website construction and maintenance	15,000	15,000		
	<b>Sub-total</b>	77,200	15,000	52,200	10,000
<b>30</b>	<b>Duty travel</b>				
	<b>Subsistence</b>				
30.1	National experts	21,800	15,800	3,000	3,000
30.2	Conference participants	11,400	0	11,400	
30.4	International consultant	5,190	5,190		0
	<b>Sub-total</b>	38,390	20,990	14,400	3,000
	<b>Domestic air travel</b>				
30.5	National experts	5,600	5,600		
	<b>International air travel</b>				
30.6	Conference participants	11,200	0	11,200	
30.8	International consultant	2,810	2,810		0
	<b>Local transport</b>				
30.9	National experts	2,600	2,600	0	
310	Conference participants	6,000		6,000	
311	International consultant	600	600		0
	<b>Sub-total</b>	28,810	11,610	17,200	0
<b>40</b>	<b>Capital items</b>				
40.1	Lap top computers	2,000	2,000		
40.2	Desktop computers	2,000	2,000	0	0
40.3	Photocopier	0	0		
40.4	Fax machine	0	0		
40.5	Digital cameras	0	0		
40.6	Internet server	6,000	6,000		
40.7	Fax machine	0	0		

Category	Description	Total	Year 1	Year 2	Year 3
40.8	Voice recorder	1,000	1,000		
40.9	office in beijing	15,000	5,000	5,000	5,000
41	office in shanghai	9,000	3,000	3,000	3,000
	<b>Sub-total</b>	<b>35,000</b>	<b>19,000</b>	<b>8,000</b>	<b>8,000</b>
<b>50</b>	<b>Consumables</b>				
50.1	Office supplies	4,000	1,000	3,000	
	<b>Sub-total</b>	<b>4,000</b>	<b>1,000</b>	<b>3,000</b>	<b>0</b>
<b>60</b>	<b>Miscellaneous</b>				
60.1	Training group planning/arrangements	2,000	1,000	1,000	
60.2	SMFE Coc Certification Coaching and Training	70,000	30,000	20,000	20,000
60.3	conference room rent	2,400		2,400	
60.4	Conference sundries	4,700		4,700	
60.5	Stakeholder and PSC meetings	6,000	2,000	2,000	2,000
60.6	Media interaction information delivery	3,000	1,000	1,000	1,000
60.7	contingency budget	4,400	2,200	2,200	
60.8	Audit fees	10,500	3,500	3,500	3,500
	<b>Sub-total</b>	<b>103,000</b>	<b>39,700</b>	<b>36,800</b>	<b>26,500</b>
	<b>Sub total all categories</b>	<b>454,180</b>	<b>140,880</b>	<b>203,200</b>	<b>110,100</b>
70	<b>National management costs</b>				
80	<b>project monitoring and administration</b>				
80.1	ITTO monitoring and review	12,000			
80.2	ITTO final evaluation	15,000			
80.3	sub-total 10-80.2	481,180			
80.5	ITTO programme support (8% 10-80.1)	23,856			
	<b>Grand total</b>	<b>505,036</b>			

### 3.4.3 ITTO budget by component

Category	Description	Total	Year 1	Year 2	Year 3
<b>10</b>	<b>Personnel</b>				
10.1	Compile and review activity reports	11,900	1,500	10,400	
10.2	Technical/Marketing authors	28,800	0	14,400	14,400
10.3	Web creation/management and up-dating	9,600		4,800	4,800
10.4	International consultant	15,000	10,000		5,000
	<b>Sub total</b>	<b>65,300</b>	<b>11,500</b>	<b>29,600</b>	<b>24,200</b>
<b>20</b>	<b>Sub-contracts</b>				
20.1	Translation Chinese to English	23,800		23,800	
20.2	Printing	16,000		16,000	
20.3	Publication and distribution	2,400		2,400	
20.4	Website construction and maintenance	15,000	15,000		
	<b>Sub-total</b>	<b>57,200</b>	<b>15,000</b>	<b>42,200</b>	<b>57,200</b>
	<b>Duty travel</b>				
<b>30</b>	<b>Subsistence</b>				
	National experts	12,800	12,800		
30.1	Conference participants	11,400		11,400	
30.2	International consultant	5,190	5,190		0
30.3	<b>Domestic air travel</b>				
	National experts	5,600	5,600		
30.4	<b>International air travel</b>				
	Conference participants	11,200	0	11,200	
30.5	International consultant	2,810	2,810		
30.6	<b>Local transport</b>				
	National experts	2,600	2,600		
30.7	Conference participants	6,000		6,000	
30.8	International consultant	600	600		0
	<b>Sub-total</b>	<b>58,200</b>	<b>29,600</b>	<b>28,600</b>	<b>0</b>
	<b>Capital items</b>				
<b>40</b>	Lap top computers	2,000	2,000		
40.1	photocopier	0			
40.2	Fax Machine	0			
40.3	Power point projector	0			
40.4	Digital cameras	0	0		
40.5	Voice recorder	1,000	1,000		
40.6	internet server	6,000	6,000		
	<b>Sub-total</b>	<b>9,000</b>	<b>9,000</b>		
	<b>Miscellaneous</b>				
<b>60</b>	conference room rent	2,400		2,400	
60.1	Conference sundries	4,700		4,700	
60.2	SMFE Training	70,000	30,000	20,000	
60.3	contingency budget	4,400	2,200	2,200	
	<b>Sub-total</b>	<b>81,500</b>	<b>32,200</b>	<b>29,300</b>	
	<b>National management costs</b>				
70	<b>Sub total all categories</b>	<b>271,200</b>	<b>97,300</b>	<b>129,700</b>	<b>44,200</b>
	<b>project monitoring and administration</b>				
<b>80</b>	ITTO monitoring and review	12,000			
80.1	ITTO final evaluation	15,000			
80.2	sub-total 10-80.2	<b>298,200</b>			
80.3	ITTO programme support (8% 10-80.1)	<b>23,856</b>			
80.5	<b>GRAND TOTAL</b>	<b>322,056</b>			

### 3.4.4 Executing agency budget by component – CAF

Category	Description	Total	Year 1	Year 2	Year 3
<b>10</b>	<b>Personnel</b>				
10.1	Desk research	4,000	4,000		
10.2	SMFE Technical Survey	6,720	6,720		
10.5	Conference organisation	3,600		3,600	
10.6	Web creation/management and up-dating	19,200	0	9,600	9,600
10.7	Project coordination	28,800	9,600	9,600	9,600
	<b>Sub total</b>	<b>62,320</b>	<b>20,320</b>	<b>22,800</b>	<b>19,200</b>
30.1	National experts	9,000	3,000	3,000	3,000
	<b>Sub-total</b>	<b>9,000</b>	<b>3,000</b>	<b>3,000</b>	<b>3,000</b>
<b>40</b>	<b>Capital items</b>				
40.1	Desktop computers	1,000	1,000	0	0
40.3	office in beijing	15,000	5,000	5,000	5,000
	<b>Sub-total</b>	<b>16,000</b>	<b>6,000</b>	<b>5,000</b>	<b>5,000</b>
<b>50</b>	<b>Consumables</b>				
50.1	Office supplies	4,000	1,000	3,000	0
	<b>Sub-total</b>	<b>4,000</b>	<b>1,000</b>	<b>3,000</b>	
<b>60</b>	<b>Miscellaneous</b>				
60.1	Training group planning/arrangements	2,000	1,000	1,000	
60.4	Stakeholder and PSC meetings	6,000	2,000	2,000	2,000
60.5	Media interaction information delivery	3,000	1,000	1,000	1,000
60.7	Annual audit	10,500	3,500	3,500	3,500
60.9	<b>Sub-total</b>	<b>21,500</b>	<b>7,500</b>	<b>7,500</b>	<b>6,500</b>
<b>GRAND TOTAL</b>		<b>112,820</b>	<b>37,820</b>	<b>41,300</b>	<b>33,700</b>

### 3.4.5 Executing agency budget by component - Industry Association

Category	Description	Total	Year 1	Year 2	Year 3
10	Personnel				
10.2	SMFE Technical Survey	1,760	1,760		
10.4	Editing technical publication	38,400	0	19,200	19,200
	<b>Sub total</b>	<b>40,160</b>	<b>1,760</b>	<b>19,200</b>	<b>19,200</b>
20	<b>Sub-contracts</b>				
20.1	Publication and distribution	20,000		10,000	10,000
	<b>Sub-total</b>	<b>20,000</b>	<b>0</b>	<b>10,000</b>	<b>10,000</b>
40	<b>Capital items</b>				
40.1	Desktop computers	1,000	1,000		
40.4	office in shanghai	9,000	3,000	3,000	3,000
	<b>Sub-total</b>	<b>10,000</b>	<b>4,000</b>	<b>3,000</b>	<b>3,000</b>
<b>GRAND TOTAL</b>		<b>70,160</b>	<b>5,760</b>	<b>32,200</b>	<b>32,200</b>

### 3.5 Assumptions, risks, sustainability

#### 3.5.1 Assumptions and risks

Because there are a large number of SMFEs in the proposed project area and because they are widely dispersed, this project will be required to secure cooperation from many production enterprises, industry associations and regional government officers. Previous work by the executing agency in the project area will be invaluable in project implementation; the main government stakeholders are known and have cooperated on other occasions with the CAF personnel.

During the discussions on the design of this project a solid relationship has been established with the Shanghai Timber Trade Association which is enthusiastic about this project and has agreed to cooperate during project implementation. The Association has basic data on SMFEs in the project area and membership data will facilitate sampling. However, since the number of SMFEs is high and time and money are both limited it will be necessary to objectively decide on the participants so as to get the best results

The piloting of the chain of custody with a number of SMFEs will require a commitment of management time and energy and funds. This will be taken into account when a selection is made of those SMFEs targeted as models. At the time of preparing this project proposal there was already strong interest from several SMFEs to commit to cooperating in the chain of custody exercise. There will undoubtedly be some difficulties during the implementation of the project but with the strong support for this project already secured from Government agencies, with input from the Association and with the experience of the CAF/FAO survey as a foundation, risks can be minimised. Because of the ground work already done with stakeholders the risk of failure is greatly reduced.

Additional to the promotion of this project with stakeholders the CAF has built a good working and cooperative relationship with the General Administration of Customs, Ministry of Commerce, regional government agencies in charge of forestry, related industry associations and enterprises such that risks to the project are minimal.

#### 3.5.2 Sustainability

There are 3 core outputs that will be sustained on project completion, the online platform (for direct communication between three parties, Government agencies, SMFEs and the Association), the enhanced Association journal (delivering advice and guidance on procurement of timber from legal and sustainably managed forest issues) and the technical capacity of the STTA to facilitate demonstration of CoC certification via the pilot SMFEs that have assisted by this project to secure CoC certification

This project has strong support from the relevant government agencies as the expected outcome of the project is in support of government policies. Meetings between these agencies, the STTA and the executing agency (CAF) revealed the determination of the government to influence the procurement strategies of the timber private sector, particularly the SMFEs.

Institutional sustainability will be provided by the CAF which has committed to maintaining the online communication platform and this activity will be included in the annual budget for the CAF and from the SFA which is charged with implementing government initiatives with the timber sector. The CAF, which will host and manage the online communication platform, is committed to the continuation of this because of the strong support received from Government and the STTA.

Confidence in the technical level sustainability of the project results is derived from two aspects. Firstly, technical information delivery will be sustained as the STTA is committed to continue producing the Association Journal. The STTA has committed to sustaining the Journal and through this project will be provided with the means to continuously source material relevant to tropical timber procurement issues. The sustainability of the Association journal to deliver relevant technical and market information to the SMFEs is assured since this output is funded from association membership fees. Guidance on the sustainability and production issues that need to be included in the Association journal will derive from this project. This project will provide the STTA with a sound basis for better serving membership, improving the relevance of the journal and for expanding readership. The Shanghai Timber Trade Association is fully committed to continuation of the outputs of this project.

The second aspect of the projects technical sustainability derives from the strengthening of the capacity of the management of the STTA and that there will be SMFEs who have been guided through CoC certification and will be available to demonstrate the process to other SMFEs.

The foundation for the sustainability of this projects objective of giving the SMFEs the practical and demonstrated means (through training and piloting of CoC certification) to meet the demands of consumers for wood products from legal and sustainably managed sources lies in the irreversible policy of the Chinese government to have the Chinese wood processing sector operating to international standards so as to achieve trade and manufacturing in legally traded and sustainably harvested tropical timber. This is driving demand in the main consumer markets. Countries importing from China are introducing rules on procurement and consumers are demanding wood products that are manufactured to satisfy sound social and environmental considerations. These pressures on wood product manufacturers will not go away and the Chinese government and the timber industry in China are well aware of the need for change.

Because the core outputs from this project will strengthen the capacity of the SMFEs to better meet market demand and demands from the central government their sustainability is assured. In addition and explicitly required by the government agencies promoting this project, the mechanisms for delivering support to SMFEs on procurement issues developed in the Shanghai area are intended to provide for replication in other tropical wood processing regions in China.

There is a strong financial incentive for the SMFEs through the STTA to move rapidly to sound procurement strategies as without this market access will be at risk and the SMFEs themselves will be baring the costs of securing CoC certification. Because of this the prospects for the results of the project to be sustained are good.

In the process of the project implementation, the Chinese government and the implementing agency have committed to provide all the time necessary support and services required and will provide the project funds to be borne by the Chinese government.

In the process of the project implementation, the project members have been advised that they must strictly abide by all agreements reached with ITTO and must complete in time all outputs in compliance with the work plan put forward in the project proposal.

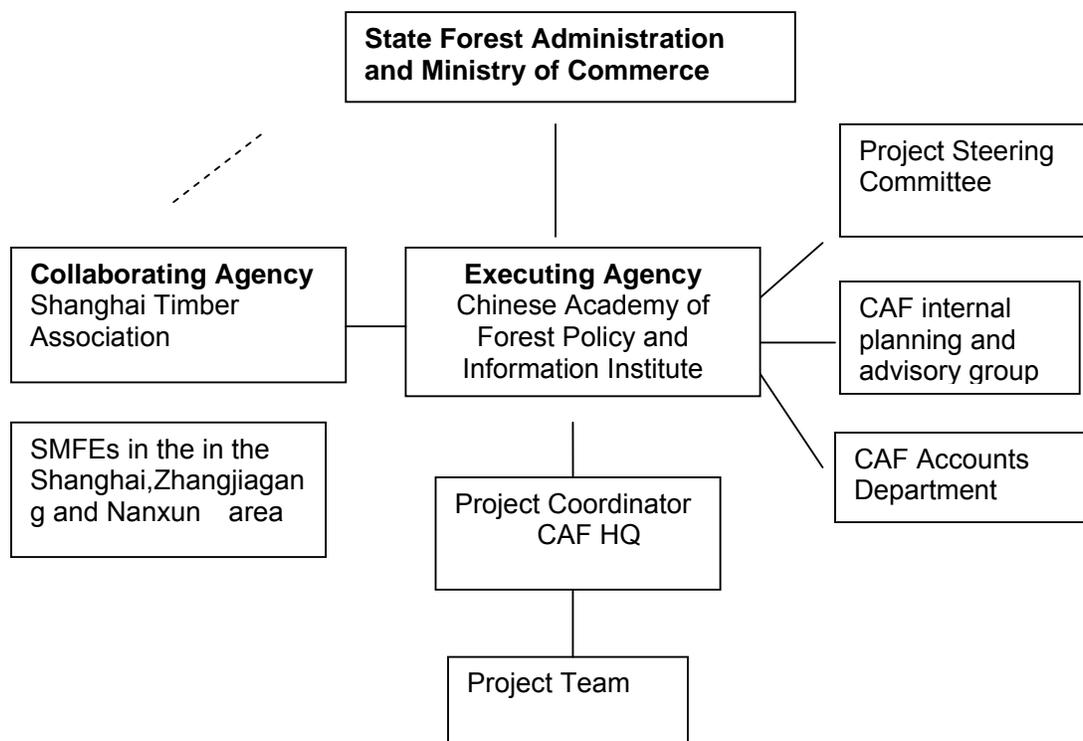
The effective mechanism for submitting the reports to the Chinese government policy makers has been established through implementing several ITTO projects and SFA projects. After the project completion, the Research Center of SFA for China 's Forest Products International Trade will continually(which is based in Research institute of Policy and Information, CAF) will continually be responsible for the operation of online forum and the bulletin for SMFEs as well as the management of data bank .

## PART 4. IMPLEMENTATION ARRANGEMENTS

### 4.1 Organization structure and stakeholder involvement mechanisms

Under the guidance of Ministry of Commerce (MOC) and the SFA, the project will be implemented by the Research Institute of Forestry Policy and Information/Chinese Academy of Forestry (CAF/RIFPI). The collaborating agency is the Shanghai Timber Trade Association which while operating as an independent industry association has strong links to the SFA and the MOC. The project organizational structure is shown below.

**Project Organizational Structure**



#### 4.1.1. Executing agency and partners

The CAF/RIFPI is responsible for the research of policy, development planning and information in the national forestry sector. It is also a unit engaging in the research of international forestry, and is a key institution to provide information and consulting services to domestic and foreign relevant organizations as well as companies and enterprises. Over the years, domestic and world forest product industry development and its market variations is all the time one of the institute's key research projects. The key members of the project has participated in the formulation of the state forestry medium and long-term development plans (including Eighth Five-year, Ninth Five-year and Tenth Five-year forestry plans and 2001-2010 forestry plan as well as the formulation of major forestry policies (including industrial policy and science and technology one). In addition, the project's key members has collaborated with ITTO, FAO and other international organizations a number of time, and has well accomplished their assignments.

#### 4.1.2. Project management team

The Executing agency will set up a management team to management the project implementation: An experienced and professional project coordinator for day-to-day project management and additional professional, administrative and financial staff to make up the project management team. The project coordinator is a full-time position, the names and curricula vitae of the project management team will be appear in Annex □ we also recruits the consultants specified in the proposal, the terms of reference of consultants will be in Annex □.

#### **4.1.3. Project steering committee**

The Executing agency will establish a Project Steering Committee (PSC) to oversee project implementation, approve (and modify where necessary) the Work Plan and approve budget expenditure. The PSC will monitor the overall strategic management of the project.

The PSC will comprise representatives from the following:

China Ministry of Commerce  
Chinese State Forestry Administration  
Shanghai Timber Trade Association  
University professor  
CAF/RIFPI  
ITTO  
and the  
Project Coordinator(as secretary to the PSC)

#### **4.1.4. Stakeholder involvement mechanisms**

As previously mentioned, stakeholders will be regularly updated on project activities, schedules and progress throughout the project cycle. Individual and group meetings will be held with stakeholders in the project area (SMFEs, Government agencies, Port Authority and Customs). These meetings will have a formal structure. Stakeholders will be invited to suggest items for the agenda and the chairmanship of these meetings will rotate amongst stakeholders and minutes of the meeting will be kept. Meetings will also be held with educational institutes in the project area to update them on activities and to schedule their involvement in the proposed training elements in this project.

### **4.2 Reporting, review, monitoring and evaluation**

#### **Start-up**

The Executing Agency will follow the reporting and monitoring system as defined in ITTO's Manual on Project monitoring, Review and Evaluation. On conclusion of the Project Agreement the Executing Agency will inform ITTO when the first element in the Work plan is scheduled to begin. If, within 3 months of the planned start the project has not commenced the Executing Agency will report to ITTO following the guidelines in the ITTO Manual on Project monitoring, Review and Evaluation.

#### **Project Progress Reports**

These will be delivered to ITTO four weeks before scheduled PSC meetings and before any point prior to the disbursement of funds to the project or at any other time stipulated in the Project Agreement unless otherwise notified by ITTO the Executing Agency will deliver Progress Reports no later than 10 weeks before each ITTC.

#### **Project Technical Reports**

Technical reports will be prepared in advance of the PSC meetings and periodically to update stakeholders of progress and issues that need to be addressed. The content of these reports will be purely technical in nature.

#### **Financial Reports**

The Project Progress Reports will include financial statements of the project accounts and will be prepared by the CAF Accounts Department. An audited Financial Statement following ITTO requirements will be provided as follows unless otherwise agreed in the Project Agreement:

Within 3 months of the close of the financial year for the Executing agency

Within 4 months after completion of the project

At any time as required by ITTO

The content of the financial statements will follow the requirements of the ITTO Manual on Project Monitoring, Review and Evaluation.

## Schedule of reporting

	Year 1				Year 2				Year 3				QTR15
	QTR 1	QTR2	QTR 3	QTR4	QTR 5	QTR 6	QTR 7	QTR 8	QTR 9	QTR 10	QTR 11	QTR 12	
Inception Statement	■												
Progress Report			■			■			■			■	
Technical Report			■			■			■			■	
Financial Report			■			■			■			■	
Audited Financial Statement													■
Completion Report													■

### 4.3 Dissemination and mainstreaming of project learning

At the core of this project is the delivery of information and the transfer of skills to SMFEs in procurement of timber from legal and sustainably managed forest and sustainable procurement of tropical timber. The outputs include reports for stakeholders, technology transfer, capacity building and the piloting of chain of custody certification for demonstration to a wide audience of SMFEs in other parts of China.

#### 4.3.1 Dissemination of project results

On conclusion of the Project Agreement an event will be hosted by the CAF to launch the project, this will give stakeholders the opportunity to reaffirm their commitment to the success of the project and to acknowledge the support provided by the donor. This event will be open to the media and to all other interested government and non-government parties.

The budget proposals include elements for the publishing and dissemination of project reports (outputs 3.1.1.1 and 3.1.1.2). Output 3.1.1.3 is the enhancement of the Shanghai Timber Trade Association journal through articles prepared by guest writers. The dissemination of this journal will be undertaken by the Association. The Chinese timber trade press will be provide with regular press release as the project progresses so as to inform as wide an audience as possible.

Further dissemination of project experiences will be achieved through the budgeted workshop (output 3.1.1.5). This workshop will bring together stakeholders from government, the private sector as well as representatives from both tropical timber producer countries and consumer countries.

#### 4.3.2 Mainstreaming project learning

This project is focussed on SMFEs in the Zhangjiagang, Nanxun and Jiangsu areas however the SFA and the MOC expect that the methods and experienced gained from the project will have application in other areas where there are concentrations of SMFEs. This wider objective of government will influence the style of report preparation and will be borne in mind as the project activities proceed and as outputs are developed.

There two technical outputs to mainstream project learning, the training events for the SMFEs and the piloting of COC certification with selected SMFEs so as to establish demonstration of the process and the advantages of this effort. Both have application when a similar effort of support for SMFEs in other areas of China is undertaken.

The baseline survey of SMFEs and the policy suggestions to Government are designed to influence national policy and regulations regarding the SMFEs and the objective of securing the understanding and support of the SMFEs in the country to contribute to China's procurement, production and trade in legal and sustainably harvested tropical timber products in support of global sustainable tropical forest management.

At an international level the experiences gained from this project will be the theme of the proposed concluding workshop. Participants to this workshop will include as many representatives of tropical timber producing and consuming countries as possible within the budget.

## ANNEX 1. PROFILES OF THE EXECUTING AND COLLABORATING AGENCIES

### Profile of the executing and Collaborating Agencies

The executing agency will be the Research Institute of Forestry Policy and Information (**RIFPI**), Chinese Academy of Forestry.

The Research Institute of Forestry Policy and Information/Chinese Academy of Forestry (CAF/RIFPI) is responsible for the research of policy, development plan and information in the national forestry system, it is also a unit engaging in the research of international forestry, and is a key institution to provide information and consulting services to domestic and foreign relevant organs as well as companies and enterprises. Over the years, domestic and world forest product industry development and its market variations is all the time one of the institute's key research projects. The key members of the project has participated in the formulation of the state forestry medium and long-term development plans (including Eighth Five-year, Ninth Five-year and Tenth Five-year forestry plans and 2001-2010 forestry plan as well as the formulation of major forestry policies (including industrial policy and science and technology one). In addition, the project's key members has collaborated with ITTO, FAO and other international organizations a number of time, and has well accomplished their assignments.

**RIFPI** is one of the most important research institutes for policy and information, and meanwhile an important consultant agency of the State Forestry Administration, People's Republic of China. In May 2009, the Research Center of SFA for China's Forest Products International Trade was established based in the **RIFPI**, its main function is to conduct policy research related to trade on international forest products. **RIFPI** is also the main window for the exchange of information between China and a variety of international organizations, the governing bodies of forestry and forest product industries in different countries, as well as the main manufacturing and trading companies (enterprises). Over years, it has undertaken several national forestry policies (including industrial policy, scientific and technological policy, etc.), the long-term developing plan (including scientific and technological plans), development strategies and many other research tasks on soft science, and it has completed a large number of major projects cooperated with various international organizations such as ITTO, FAO, WB, INBAR, and so on, as well as non-governmental organizations such as NASDA, IDRC, WWF, Ford Foundation, and so on.

Currently there are 120 employees, of which 40 are senior research fellows, and a lot of which are proficient and familiar with English, Japanese, Russian, French, German and other languages. The RIFPI is equipped with not only departments of research, journals, computer rooms, and business units of printing and forestry company, but also the biggest library of forestry in China. This library is a national center for documentation and literature on forestry science and technology, with a collection of 400,000 books, and 1000 kinds of domestic and international periodicals, of which 700 are foreign journals.

The Collaborating agency will be the Shanghai Timber Trade Association (**STTA**).

**STTA** established in April 2003, it is a non-profit, inter-departmental, and multi-ownership industrial corporation composed by enterprises and institutions of timber distributing and processing on a voluntary basis. STTA has existing 130 members of various ownerships. Its primary principles are: to abide by the Constitution, laws and regulations, to implement national policies and strategies, to provide services for industries and members with all its strength, to facilitate technological improvement, to promote industrial development, to maintain their members' legitimate rights and interests, to substantially enhance the governance of the industry, to regulated timber markets and to popularize the concept of green and environmental protection.

The association is authorized to manage and edit the national journal of 'China's Timber', offering a wide range of information and professional guidance. It has a monthly issue of "Shanghai Wood", organizes or co-organizes exhibitions from time to time of timber or woodworking machinery. The association is equipped with the department of suggestions and consultations, department of market development, department of inspection and identification, and editorial department of "Shanghai Wood", etc.

## **ANNEX 2. TASKS AND RESPONSIBILITIES OF KEY EXPERTS PROVIDED BY THE EXECUTING AGENCY**

### **Luo, xinjian, 40, Female,**

Bachelor of Forest in Beijing Forestry University, MBA of Tsinghua University, Beijing. now a candidate for Ph.D of Forestry Economics and Management, specialization in forest products market and trade. Ms. Luo is an Associate research fellow on Forestry Economics and Management of Chinese Academy of Forestry. Dr. Luo proficient in English and is experienced with participation in researches in national forestry policies and development strategies, and has been involved in a large number of international projects. In particular, Dr Luo conducted the project of "Diagnostic Study on Small and medium-sized Forest Enterprises in China", cooperated with FAO in 2008 and 2009. Based on the survey and study undertaken in Anji of Zhejiang province and Yong'an of Fujian province on SMFEs of bamboo and domestic timber processing, the paper, "Diagnostic Study on Small and medium-sized Forest Enterprises in China" was finished; in 2007. Dr. Luo was engaged in the World Bank funded project of "China: Collective Forest Tenure Reform" and responsible for the investigation and analysis on the value chain of processing enterprises and farmers in forest areas. Now, Dr Luo is one of the core staff in the Research Center of SFA for China's Forest Products International Trade, Which is a main policy research organization for SFA based in RIFPI, Chinese Academy of Forestry. Ms. Luo is in charge of Chinese forest products international trade analysis, enterprise surveying and industry policy research. Dr.Luo will be the project team leader of this project and will take overall responsibility for project implementation.

### **Wang, Shaofang:52 Male,**

**Mr.Wang is an** Economist and secretary-general of Shanghai Timber Trade Association, who has been engaged in secretary-general work for many years and familiar with the production and trade of plywood and wood-flooring in Shanghai and Zhangjiagang area and the operation and business of SMFEs, while maintaining a good relationship with them.

### **Zhao, Jie: 37 , Male,**

Master of Forestry Economics and Management, Nanjing Forestry University, Associate research fellow on Forestry Economics and Management of Chinese Academy of Forestry. Who is mainly engaged in the study on forest certification and proficient with English. For many times Dr Zhao has participated in consulting and training specialized for enterprises on forest certification.

### **Chen, Yong:34, Male,**

Ph.D of Forestry Economics and Management from Chinese Academy of Forestry, proficient with English, Assistant research fellow on Forestry Economics and Management of Chinese Academy of Forestry. Who is mainly engaged in FLEGT study and the policy of against illegal logging. Dr Chen has for many times involved in the study on national forestry policies and development strategies, as well as a great number of international projects.

### **Lin, Fengming: 69 Male**

Research fellow, now in charge of the practice of China Tropical Forest Product Information and Consultation Center, majored in forest product industry in university, proficiency in Russian, familiar with English and Japanese, has participated in the formulation of national forestry eighth five-year and ninth five-year plans and 2001-2010 long-term forestry plan and in the research of scientific and technological policy. He will assist the leader of the project to accomplish the work.

### **Hu, yanjie: 36, Female,**

PhD of Forestry Economics and Management of Chinese Academy of Forestry, associate research fellow, majored in forestry economics, familiar with English, has participated in a number of research studies of national forestry policy and development strategy, and has completed a series of international cooperative projects.

### **Tanxiufeng:41 Female**

Candidate for Ph.D of Forestry Economics and Management of Chinese Academy of Forestry, assistant research fellow, majored in forestry economics, familiar with English, has participated in a number of research studies of national forestry policy and development strategy, and has completed a series of international cooperative projects.

**Wang, Jian: 29, Male,**

Bachelor of Management from Shanghai Business School, who is from Shanghai Timber Trade Association, MrWang is engaged in connecting with timber processing companies of tropical forest, and is familiar with the status of companies in tropical timber trade and processing, plywood and wood-flooring production, while maintaining a good relationship with SMFEs.

**Wu, hong, 46, Female,**

Bachelor of Forest economics and management, she has been focus on project management for more than 5 years, now is engaged in research project management coordination and monitor in RIFPI

**ANNEX 3.**  
**TERMS OF REFERENCE OF PERSONNEL AND CONSULTANTS AND**  
**SUB-CONTRACTS FUNDED BY ITTO**

■ **TERMS OF REFERENCE OF PERSONNEL AND CONSULTANTS FUNDED BY ITTO**

Name		Gender	Age	Agency	the title of a technical position	Function in the project	the number of work months involved
Team leader	Luoxinjian	Female	40	Chinese Academy of Forestry	Associate research fellow	In charge of the whole project implementation, Outputs 1 to 7	36
Vice team leader	Wang shaofang	Male	52	Shanghai Timber Trade Association	Economist	Assistant the team leader Output1,A1.2,A1.7 Output2,A2.2, Output 5	24
Zhao, Jie		Male	37	Chinese Academy of Forestry	Associate research fellow	Output 1, A1.2 , A1.4 Output 2 A2.2,A2.3 Output 6,A6.2	30
Chen, Yong		Male	34	Chinese Academy of Forestry	Assistant research fellow	Output 1, A1.2 , A1.4 Output 2,A2.2,A2.3 Output 6,A6.3	30
Lin, Fengming		Male	69	Chinese Academy of Forestry	Research fellow	Output 1A1.4, Output 2,A2.3	4
Hu yanjie		Female	36	Chinese Academy of Forestry	Associate research fellow	Output 1, A1.4,A2.3	4
Wang jian		Male	29	Shanghai Timber Trade Association	Manager	Output 1,A1.2, Output 5,A5.1,	6
Tanxiufeng		Female	41	Chinese Academy of Forestry	Assistant research fellow	Output 1 , A1.2,A1.3, Output 2, A2.3	9
Wu hong		Female	46	Chinese Academy of Forestry	Assistant research fellow	Output1,A1.1, A2.1, Output 3, A3.1 Output 4,A4.1 Output 5,A5.1 Output 7 A7.1	36

## ■ TERMS OF REFERENCE FOR INTERNATIONAL CONSULTANT

### Background

Small and medium sized wood processing industries (SMFEs) in China play a vital role in the domestic and international markets for processed wood products and they are an important sector in the Chinese economy. China's SMFEs are, however, facing challenges related to sustainable and legal procurement of tropical timber raw materials, challenges they are not well equipped to address.

The objective of the project will be to provide an overall picture of the required inputs needed by SMFEs to achieve sustainable production through procurement of timber from legal and sustainably managed tropical forests . The project will lay the foundation for the delivery of appropriate information and support that allows SMFEs to progress to sustainable production through procurement of timber from legal and sustainably managed tropical forests thereby aiding the efforts of the Chinese government in combating the trade in illegally sourced tropical timber.

The project also aims to increase the awareness of government policy makers of the role SMFEs have in supporting China's efforts to halt the trade in illegal tropical timber.

### Tasks for the international consultant

The purpose of this consultancy is for the International Consultant to:

1. provide advice and guidance on the survey of the SMFEs. The consultant will assist in the design of the survey and will interact with the project team members assigned to survey work
2. accompany the survey personnel to selected SMFEs in the Shanghai area to test run the survey structure and to fine tune the approach taken during the survey. In particular the consultant will focus the survey on collection of information that will allow assessment of processing efficiency indices, purchasing policies and awareness of issues of procurement of timber from legal and sustainably managed tropical forests and transparent corporate responsibility
3. provide advice and guidance on the supply chain evaluation
4. provide advice and guidance during the analysis of the SMFE survey paying particular attention to identifying where further project activities such as training workshops and information delivery should be concentrated to achieve the greatest impact on improving capacity for procurement of timber from legal and sustainably managed tropical forests
5. help structure the report outline, review and edit the final reports that are translated into English and co-author an article for ITTO's Tropical Forest Update

### Consultant Experience

The consultancy work is envisaged to be carried out by an expert with experience of the tropical wood processing industries. Experience in technology transfer and market information delivery to wood processing industries is required.

It is highly desirable that the consultant has experience of China's wood processing sector.

It is essential that the consultant is familiar with issues of procurement of timber from legal and sustainably managed forest and issues for manufacturers of tropical wood products emerging from international, especially EU (FLEGT and CoC) initiatives on procurement of verified legal and sustainable tropical timber and the wider issues of sustainable tropical forest management .

The expert must be a native English speaker and should possess excellent communication skills, both written and oral.

**Timing of Consultancy**

The international consultant will be for a one month:

Stage 1            3 weeks (Beijing and Shanghai)

Survey structure review and survey piloting SMFEs in the Shanghai and Zhejiang area

Advice and guidance on the assessment of trade flows, the analysis of the survey results and advice on report structure and content as well as on the sustainability of information delivery through the Shanghai Timber Association and the on-line platform for information exchange to improve communications between SMFEs, government agencies and stakeholders and give advice on the training content for the SMFEs according to the survey results.

Stage 2            1 weeks (Home country)

Undertake editing of the final reports translated into English

The timing and schedule for the international consultant inputs will be decided in consultation with the consultant as the project proceeds.

#### ANNEX 4.SUMMARY OF MODIFICATIONS IN RESPONSE TO ITTO PREVIOUS REVIEW

- 1 This proposal is revised based on the Recommendations of previous ITTO reviews from the AutumnCycle\_09 's expert panel
2. The total budget of this project has been changed from US\$ 810,628 to US\$ 505,036; the funding sources from ITTO has been reduced from US\$ 449,928 to US\$322,056;

The main reasons for the budget amendments is because the activities have been rearranged in a more efficient way, the main amendments are as follows :

- The attendance at international conferences by the project team has been cancelled
  - The allocation of costs for field visits(Number of days) has been reduced.
  - The allocation of experts on the field visits has been adjusted
  - The budget of disseminate bulletin has been adjusted from 36 months to 24 months after the survey of SMFEs
  - the budget of the website has been reduced from 36 months to 24 months after the survey of SMFEs
  - some capital items have been deleted
3. The other parts revised in the proposal are following the comments of the experts which are as bellow and details are listed in the table.

The review of the project proposal entitled: 'EQUIPPING SMALL AND MEDIUM SIZED FORESTRY ENTERPRISES IN CHINA FOR SUSTAINABLE PRODUCTION' questioned whether the term 'sustainable production' adequately reflected the objective of the project. It was recommended that this term be changed throughout the document to better reflect the objective of the project which is to ensure 'production of products from legal and sustainably managed tropical forest.

Because of this change of wording the title of the proposal has been amended to:  
'EQUIPPING SMALL AND MEDIUM SIZED FORESTRY ENTERPRISES IN CHINA FOR PROCUREMENT OF TROPICAL TIMBER FROM LEGAL AND SUSTAINABLY MANAGED FOREST'

The review identified 13 issues in the proposal which required attention; these are listed in the table below along with the action that was taken. The review questioned the number of experts proposed for field studies. In reassessing this element in the proposal the opportunity was taken to streamline the budget resulting in a reduction in the overall budget and a reduction in the contribution sought from ITTO.

Other areas identified in the review as requiring attention included clearly stating the linkage of the proposal with the objectives of the Thematic Programme, expanding on the purpose of the initial survey of the wood product manufacturers, clearly identifying the contribution of industry to the project, including an assessment of the environmental aspects of the project and identifying quantitative targets for the development and specific objectives. These issues and others mentioned in the review have been addressed. The changes and additions are identified in the following table and the page number given identifies where in the proposal the changes may be found.

<b>Reviewer Comments</b>	<b>Summary of revision to proposal</b>
1. Reference is made to the Thematic Programme, however it is weak. The linkage is quite obvious, however the proposal does not specifically spell-out its relation with the Specific Objectives of the TP Document	Reference is made in the proposal to the specific Thematic Programme and the linkage between the objectives of the proposal and the Thematic Programme (TFLEFT) are spelt out. Page 7
2. Sufficient information in assumptions and means of verification. The term "sustainable" production (of industrial enterprises) doesn't necessarily mean production of products from legal and sustainably managed tropical forest resources. This needs to be amended throughout the report.	The term 'sustainable production' has been replaced throughout the proposal with production based on '.... procurement of timber from legal and sustainably managed tropical forests' Page 1-38

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| 3. | It is unclear what the purpose of Activity 1 (the field survey and report) is to achieving the specific objective. Is this to provide information from which can be estimated the situation regarding production of wood products from legal and sustainable resources in the survey area, or is this to provide only specific case studies? In both situations, a sample size of only 30 SMEs (involving sampling by 4 people and 200 person-days) from a total of 16,000 seems a bit small? The sampling method and reasons for the sample size need to be explained. It is also unclear how the activities are linked to achieve the specific objective – they are just listed and appear to be disjoint activities. | The purpose of Activity 1 (to provide information from which can be estimated the situation regarding production of wood products from legal and sustainable resources in the survey area) has been elaborated and the text in the proposal has been expanded to provide a clearer explanation of the purpose of Activity 1.<br>Page 16, Page20. |
| 4. | Should the Activity 7.2 International Consultant be included in Activity 4, if the purpose is to provide training? Terms of reference need to be provided for the consultant.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           | The International Consultant is expected to provide advice, guidance and training to the project team from the Executing Agency and is therefore included in Activity 7.2<br>Page 46<br>The International Consultant TOR is annexed.                                                                                                             |
| 5. | It is suggested that some co-funding from industry sources would be appropriate. Attendance at 4 international conferences is inappropriate and there is no rationale provided.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         | The Co-funding from the industry has been separated from the combined (Executing Agency/Industry) budget and now separate tables show the contribution of the Executing Agency, Industry and ITTO<br>Page 32<br>The budgetary provision for conference attendance has been removed from the proposal.                                            |
| 6. | The allocation of costs for field visits (number of days) would appear excessive given that only 30 enterprises are being surveyed. At 200 person-days allocated, this implies a visit of about 6.7 person-days per enterprise.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         | The budget for field visits has been revised downwards and the error (30 enterprises) has been corrected.<br>The overall budget has been revised and new budget tables are presented<br>Page 29-36                                                                                                                                               |
| 7. | The allocation of 4 experts on the field visits seems very cost ineffective.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            | The number of experts on field visits has been reduced.<br>Page 29                                                                                                                                                                                                                                                                               |
| 8. | In Table 3.4.1, conflicting information is given on the numbers of editions of the journal publication in items A3.3 and A 3.4 – 24 per annum, or every 2 months?                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       | The conflicting information on the numbers of editions of the Journal has been corrected and A.3.4 now reads: 'Printing, Publishing and Circulation of 3000 copy of bulletin ever two months'<br>Page 24                                                                                                                                         |
| 9. | Budget has been allocated for PSC meetings, which shall be removed. Project Personnel and Subcontracts is around 55% of the total ITTO budget, this can be reduced.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     | The allocation of the budget for PSC within the ITTO contribution has been removed.<br>Page 35.<br>The budget for project personnel and sub-contracts has been adjusted from US\$247,700 to US\$122,500 and now represents 38 % of the total ITTO contribution.<br>Page 35.                                                                      |

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| 10. | ITTO Monitoring shall be adjusted at US\$10,000.00 per year and Programme Support shall be recalculated as 8% of Subtotal, plus monitoring and evaluation cost.                                                                               | After consulting the ITTO Secretariat on appropriate Monitoring costs an amount of US\$12,000 has been included in the budget. Programme Support is calculated at 8% exclusive of monitoring and evaluation costs.<br>Page 35. |
| 11. | Environmental effects are not described in the proposal.                                                                                                                                                                                      | Text has been added to the proposal describing the national and international environmental aspects of the proposal.<br>Page 6-7                                                                                               |
| 12. | Quantitative targets exist for number of participants to workshops and number of publication. No quantitative target exists for the development and specific objectives, such as a percentage of imports of tropical logs from legal sources. | Quantitative targets for the development and Specific Objectives have been included in the revised document.<br>Page 21-22.                                                                                                    |
| 13. | More specific information is needed on "International Development Organizations" as regards stakeholder analysis and involvement.                                                                                                             | The reference to "International Development Organizations" as stakeholders has been removed from the revised proposal.<br>Page 13-14                                                                                           |