

INTERNATIONAL TROPICAL TIMBER ORGANIZATION

I T T O

PROJECT DOCUMENT

TITLE	OPERATIONAL SUPPORTIVE SYSTEM FOR PROMOTING THE FURTHER PROCESSING OF TIMBER IN FIVE COUNTRIES OF THE CONGO BASIN
SERIAL NUMBER	PD 457/07 Rev.5 (I)
COMMITTEE	FOREST INDUSTRY
SUBMITTED BY	THE GOVERNMENT OF GABON
ORIGINAL LANGUAGE	ENGLISH

SUMMARY

The objective of the proposed project is the socialization and implementation of a supportive mechanism for stakeholders in the timber processing industries of Central African Republic, Cameroon, Gabon, Congo, and Democratic Republic of the Congo, with the aim of boosting the countries' SME/SMI potential of exports of processed timber products, through:

1. Setting up a light and functional structure for supporting the Further Processing of Timber (FPT);
2. Conduct a baseline study of the timber processing value chain and assess its potential for growth;
3. Establishing an action plan to address the needs of the SME/SMI and artisanal sector in order to up-grade them in the value chain through value addition, employment generation and income increase.

EXECUTING AGENCY Economic Community of Central African States
(ECCAS)

DURATION 48 MONTHS

APPROXIMATE Upon Financing
STARTING DATE

BUDGET AND PROPOSED SOURCES OF FUNDING	Sources	Contribution in (US\$)
	CFC / ITTO	1,253,345.00
	Economic Community of Central African States (ECCAS)	634,369.00
	TOTAL	1,887,714.00



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**Operational Supportive System for Promoting the Further Processing of Timber
in
Five Countries of the Congo Basin
(CFC/ITTO/81)**

Project Document

ACRONYMS

AFD	Agence Française pour le Développement
ADB	African Development Bank
CAR	Central African Republic
CEMAC	<i>The Economic and Monetary Community of Central Africa</i>
CERNA	Centre d'économie des ressources naturelles
CCI/ICC	International Chamber of Commerce
CFC	Common Fund for Commodities
CDE	Centre pour le Développement de l'Entreprise
CIFOR	<i>The Center for International Forestry Research</i>
CIRAD	Centre de coopération Internationale en Recherche Agronomique pour le Développement
CITES	Convention on International Trade in Endangered Species of Wild Fauna and Flora
COMIFAC	Commission en charge des Forêts d'Afrique Centrale / Central African Forest Commission
DRC	Democratic Republic of the Congo
ECCAS	Economic Community of Central African States
ECOWAS	<i>Economic Community of West African States</i>
ENEF	Ecole Nationale des Eaux et Forêts (Gabon)
ERAIFT	The Regional Postgraduate School in Integrated Development of Tropical Forests / Ecole Régionale Post-Universitaire d'Aménagement et de Gestion Intégrés des Forêts et des Territoires Tropicaux (RDC)
EU	European Union
FAO	Food and Agriculture Organization
FLEGT	Forest Law Enforcement, Governance, and Trade
FPT	Further Processing of Timber
FPTP	Further Processed Timber Products
GFBC	<i>The Wood Chain Cluster of Cameroon / Groupement de la Filière de Bois du Cameroun</i>
IFIA	Interafrican Forest Industries Association / Association Interafricaine des Industries Forestières
IMF	International Monetary Fund
ITTA	International Tropical Timber Agreement
ITTC	International Tropical Timber Council
ITTO	International Tropical Timber Organization
LUS	Lesser Used Timber Species
NDFs	Non-Detrimental Findings
NGO	Non Governmental Organization
ONF	Office National des Forêts
PACEBCo	<i>The Support Programme for the Conservation of the Ecosystems of the Congo Basin / Programme pour la Conservation des Écosystèmes du Bassin du Congo</i>
PRO€INVEST	European Union/ACP Countries Partnerships developed and initiated by the European Commission on behalf of ACP Countries
PSFE	Programme Sectoriel Forêt Environnement / Forest and Environment Sector Programme
RIFFEAC	Réseau des Institutions de Formation Forestière et Environnementale d'Afrique Centrale / Network of Forest and Environment Training Institutions in Central Africa
SADC	<i>Southern Africa Development Community</i>
SEFNA	<i>The Union of National Forest Companies du Cameroon / Syndicat des Exploitants Forestiers Nationaux du Cameroun</i>
SFM	Sustainable Forest Management
SME	Small and Medium-scale Enterprises
SMI	Small and Medium-scale Industries
SPWPs	Secondary Processed Wood Products
STIEPFS	<i>The Union of Industrial Operators and Exporters of Special Products / 'STIEPFS' - Syndicat des Exploitants – Transformateurs – Industriels – Exportateurs des Produits Forestiers Spéciaux du Cameroun</i>
SWOT	Strengths, Weaknesses, Opportunities and Threats
SYNFOGA	The Union of the Industrial Timber Producers of Gabon

ToR	Terms of Reference
TTPs	Tropical Timber Products
UNCTAD	United Nations Conference on Trade and Development
UNICONGO	L'Union Patronale et Interprofessionnelle du Congo
UNIDO	United Nations Industrial Development Organization
VPAs	Voluntary Partnership Agreements
WPC	Wood Promotion Center of Cameroon
WTO	World Trade Organization

1. LOGICAL FRAMEWORK

NARRATIVE SUMMARY	OBJECTIVELY VERIFIABLE INDICATORS	MEANS OF VERIFICATION	IMPORTANT ASSUMPTIONS
<p><u>Project Goal:</u></p> <p>To increase income earning of artisans, and SMEs/SMIs in the timber sector through the promotion and development of further processing of timber in the countries of the Congo Basin.</p>	<p>At least 5% increase in volume and value terms of the products derived from FPT during the 5 years following the completion of this Project.</p>	<p>National statistical information systems; Foreign trade indicators; ITTO / UNECE / FAO / EUROSTAT Joint Forest Sector Questionnaire.</p>	<p>National policies for the further processing of tropical timber in the countries of the Congo Basin are in line with COMIFAC's Convergence Plan and the ATO Action Plan.</p>
<p><u>Project Purpose:</u></p> <p>Implementation and operation of a stakeholders support system for the further processing of tropical timber in Cameroon, Central African Republic, Gabon, Congo, and the Democratic Republic of the Congo.</p>	<p>The supportive system is in place and operational with human resources, facilities, proper materials and support from the stakeholders in the three target countries (Cameroon, Central African Republic, and Gabon).</p> <p>In those countries with dissemination/pilot components (Congo and DRC), the process for establishing supportive systems has been initiated.</p>	<p>Legal constituency of the support units; Verification in-situ.</p> <p>Progress Report & Workshop Minutes.</p>	<p>Private sector and institutional stakeholders support the project to establish a support system and participate in it in a dynamic way.</p>

NARRATIVE SUMMARY	OBJECTIVELY VERIFIABLE INDICATORS	MEANS OF VERIFICATION	IMPORTANT ASSUMPTIONS
Outputs:			
1. - Support system for stakeholders of the timber processing industry established and operational.	<p>A support system for timber processing stakeholders established and operational in each country. The human resources and facilities required for their operation are available.</p> <p>Reviewed applicability of operational support system model in piloting countries.</p>	<p>Legal constituency of the support units; Verification in-situ.</p> <p>Progress Report & Workshop Minutes.</p>	<p>The legislation in force in the countries provides the basis for the establishment of the support structures for the stakeholders of the industry.</p> <p>The stakeholders are actively engaged in the project activities.</p> <p>There is a favorable environment to disseminate the experience gained in the target countries.</p>
2. - A baseline study on timber processing in the craft, semi-industrial and industrial sectors, and the analysis of their respective operational mechanisms.	A baseline study report describing FPT operational procedures and mechanisms in the craft, semi-industrial and industrial sectors available for each of the five countries.	Report on the impact and potential of the FPT on the economy of the countries involved.	Private stakeholders of the industry positively participate in the surveys conducted to assess their situation.
3. - Action Plan to address the needs of timber processing stakeholders along with the capacities and resources required to meet them.	A clear inventory of the stakeholders' needs and a detailed road-map (resources and activities) to address them is available and validated.	Inventory report and road-map available.	Private stakeholders of the industry have clearly and realistically expressed their needs and their aspirations to develop their respective businesses.

NARRATIVE SUMMARY	OBJECTIVELY VERIFIABLE INDICATORS	MEANS OF VERIFICATION	IMPORTANT ASSUMPTIONS
<u>Inputs, Activities and Types of Resources:</u>			
<p>Component 1: Support system for stakeholders of the timber processing industry established and operational.</p> <p>1.1: Validation of the organizational model and preparation of the ground for its set-up.</p> <p>1.2: Entry in operation of the Support System.</p> <p>1.3: The support system proves itself among the stakeholders as a useful mean for the FPT.</p> <p>1.4 Long-term self sustainability of the supportive structure established.</p> <p>1.5 Piloting the establishment of appropriate operational support system in DRC and Congo.</p>	<p>1.1: Agreements and arrangements in place for the organizational set-up of the supportive structures.</p> <p>1.2 A light and functional structure of supportive system is set-up in each target country with personnel and office space.</p> <p>1.3: The Support Systems receives further support and requests of assistance from the stakeholders.</p> <p>1.4 Arrangements and agreements for future funding of the supportive system are in place.</p> <p>1.5 Experiences shared in DRC and Congo.</p>	<p>Report on the partnership agreements with the relevant stakeholders for the set-up of the supportive system.</p> <p>Ordinance setting-up the envisaged structure and personnel contracts.</p> <p>Records of request, assistance, and memberships.</p> <p>Records of membership and services fees, grant agreements, and partnership agreements.</p> <p>Records of dissemination activities</p>	<p>Consultations are done in an effective and favorable manner with the relevant stakeholders.</p> <p>Political will from the public and private sectors in favor of the support systems exist.</p> <p>Financing and inputs are available on time and no major disturbances occur in the timber market.</p> <p>Stable political and economical environment in the timber sector.</p> <p>There is a favorable environment and stakeholders' engagement to disseminate the experiences gained in the target countries.</p>

NARRATIVE SUMMARY	OBJECTIVELY VERIFIABLE INDICATORS	MEANS OF VERIFICATION	IMPORTANT ASSUMPTIONS
<p>Component 2: Baseline study on timber processing in the craft, semi-industrial and industrial sectors.</p> <p>2.1: Identification of stakeholders in the craft, semi-industrial and industrial sectors, their resources, capabilities, jobs profiles and product flows.</p> <p>2.2: Assessment of trade organizations and bodies and their interaction with the timber sector.</p> <p>2.3: Assessment of the qualitative and quantitative availability and accessibility of timber for second-stage processing.</p> <p>2.4: Analysis of institutional, legal and fiscal frameworks for the FPT.</p> <p>2.5: SWOT analysis per country and activity sector and recommendations for relevant actions by the supportive structures.</p>	<p>2.1: Socio-economical assessment of the timber processing industry.</p> <p>2.2: Inter-institutional links of the timber sector identified.</p> <p>2.3: Assessment of supply and demand of timber and identification of capabilities for further processing in each country.</p> <p>2.4: Existing Institutional, legal and fiscal frameworks favorable for the further processing of timber identified.</p> <p>2.5: Strengths, weaknesses, threats and opportunities for the timber sector clearly identified.</p>	<p>Report on socio-economical assessment of stakeholders through the timber value chain, and the identification of its potential in terms of employment generation.</p> <p>Technical report on trade links of the timber sector.</p> <p>Technical report identifying availability and accessibility of timber for further processing.</p> <p>Technical report on current policies favorable for the FPT and recommendations for enhancing them.</p> <p>SWOT Report</p>	<p>Willingness of the craft and semi-industrial sector in providing reliable information on their operations.</p> <p>Willingness of the craft and semi-industrial sector in providing reliable information on their operations</p> <p>Willingness of the stakeholders in providing reliable information. No major disturbances occur in the timber market.</p> <p>Stable political, legal and economical environment in the timber sector.</p> <p>Stable political, legal and economical environment in the timber sector.</p>

NARRATIVE SUMMARY	OBJECTIVELY VERIFIABLE INDICATORS	MEANS OF VERIFICATION	IMPORTANT ASSUMPTIONS
<p>Component 3: Action Plan to address the needs of timber processing stakeholders identified along with the capacities and resources required to meet them.</p> <p>3.1: Identification of the various actual and planned types of value-added processing operations.</p> <p>3.2: Identification of training needs among the various operators involved in the timber sector and analysis of the adequacy between supply and demand.</p> <p>3.3: Analysis of needs related to inputs, human resources, funding, equipment, marketing, and management.</p>	<p>3.1: New product lines with market potential identified and recommendation for immediate action.</p> <p>3.2: Capacity building needs identified.</p> <p>3.3: Technical needs of the industry identified, along with recommendations for immediate action.</p>	<p>Technical report matching current capabilities of the stakeholders' of FTP with new product lines with market potential.</p> <p>Technical report on Capacity Building.</p> <p>Technical report on needs relating to inputs, human resources, funding, equipment, marketing, and management.</p>	<p>No major disturbances in the timber market.</p> <p>Adequate involvement of major stakeholders and readiness to provide appropriate information.</p> <p>Adequate involvement of major stakeholders and readiness to provide appropriate information.</p>

NARRATIVE SUMMARY	OBJECTIVELY VERIFIABLE INDICATORS	MEANS OF VERIFICATION	IMPORTANT ASSUMPTIONS
<p>Component 4: Project Management</p> <p>4.1: Selection of appropriate consultants and personnel. 4.2: Inception meeting. 4.3: Prepare annual work plan with its associated budget. 4.4: Establish internal Project Technical Committee and organize quarterly meetings. 4.5: Prepare bi-annual progress reports.</p> <p>4.6: Establish Project Steering Committee and organize its annual meetings. 4.7: Organize mid-term review.</p> <p>4.8: Organize final evaluation.</p> <p>4.9: Organize annual external audit report. 4.10: Prepare Project Completion Report and financial and audit report.</p> <p>4.11: External supervision by CFC and ITTO.</p>	<p>4.1: Qualified personnel.</p> <p>4.2: Launching project activities. 4.3: Logical and manageable organization of project activities. 4.4: Provide appropriate guidance and follow-up for project implementation. 4.5: Provide on-time report of project implementation to the donors and supervisory body. 4.6: Provide appropriate guidance and follow-up for project implementation. 4.7: Assess the progress of the project activities towards the achievement of its objective and provide appropriate recommendations. 4.8 Assess the achievements of the project, lessons learned, and potential for replication. 4.9: Transparency of funds management. 4.10: Report and disseminate the results of the project.</p> <p>4.11: Verify the execution of project activities in situ.</p>	<p>CVs and No-Objection letters.</p> <p>Project inception report. YPO document approved by CFC & ITTO. Minutes of Project Technical Committee meetings.</p> <p>Bi-annual progress reports and financial reports.</p> <p>Minutes and material of PSC meetings.</p> <p>Mid term review report.</p> <p>Final Evaluation report.</p> <p>Annual audit report.</p> <p>Completion report and final audit approved by CFC & ITTO.</p> <p>External supervision reports.</p>	<p>Financing and inputs are available on time. No major disturbances occur in the timber market. Political and economical stability in the countries involved.</p>

2. PROJECT SUMMARY

1. - Project Title:

Operational supportive system for promoting the further processing of timber in five countries of the Congo Basin

2. - Duration:

48 months

3. - Location:

Central African Republic, Cameroon, Gabon, Republic of Congo, and Democratic Republic of Congo

4. - Nature of the project:

Socialization and implementation of a supportive mechanism for stakeholders in the timber processing industries with the aim of boosting the countries' SME/SMI potential of exports of processed timber products, through:

- 1.- Setting up a light and functional structure for supporting the FPT;
- 2.- Conduct a baseline study of the timber processing value chain and assess its potential for growth;
- 3.- Establishing an action plan to address the needs of the SME/SMI and artisanal sector in order to up-grade them in the value chain through value addition, employment generation and income increase.

5. - Brief description:

The project overall goal is to increase by at least 5% the exports (in volume and value) of processed timber products from the Congo Basin within 5 years after its completion, through the establishment of effective support systems.

The countries of the Congo Basin (Central African Republic, Cameroon, Gabon, Congo, and DRC) certainly have the potential for achieving a reasonable increase in exports of processed timber products through domestic value addition, thus benefiting their economies through revenue increase and employment generation. Their forests constitute the second largest forest continuum after the Amazon and the richest production forests in Africa. In economic terms, Africa's total imports of Tropical Timber Products (TTPs) in 2007 were worth US\$4.4 billion, of which only US\$394 million originated from the continent itself, making Africa a net importer of TTPs but a net exporter of primary products (logs). Therefore such increase in exports by the countries of the Congo Basin it's achievable if the proper measures are taken in order to increase value addition into more elaborated timber products that can be sold domestically, in other African countries, and abroad.

In recent years changes in legislation in these countries have encouraged domestic value-addition of timber, resulting in the installation and up-grading of processing plants focused mainly on first stage processing still, with a relatively small proportion of FPT units. Therefore creating a favorable environment for the FTP is a must that can be best achieved through the establishment of functional and light supportive systems that facilitate the interaction and cooperation of the various stakeholders involved in the timber processing at both national and regional levels.

The immediate beneficiaries of this project are the various stakeholders involved in timber processing, such as artisans, and SMEs/SMIs whose methods of operations are intermediary between those of artisans and the large industries involved in the value-added processing of timber in the form of sawn wood and veneer. The project will also indirectly benefit trade partners such as but not limited to suppliers of consumables, glue, varnish material, equipment; forest managers; member states; decision-makers who will have relevant indicators made available to them for guiding the development of the industrial and craft segments of the sector; and consumers within each country and the region as a whole who will have a broader range of products derived from locally-processed timber offered to them. Local populations will benefit from employment enhancement linked to further processing of timber development.

6. - The estimated total cost:

US\$1,887,714.00

7. - Financing sought from the Fund:

US\$1,253,345.00

8. - Mode of financing:

Grant

9. - Co-financing:

Not applicable

10. - Mode of co-financing:

Not applicable

11. - Counterpart contribution:

US\$634,369.00 (cash and in kind)

- In kind: US\$470,869.00
- Cash: US\$163,500.00

12. - Project Executing Agency:

Economic Community of the States of Central African States (ECCAS)

13. - Supervisory Body:

International Tropical Timber Organization (ITTO)

14. - Estimated starting date:

Upon financing or **2011**

3. OVERVIEW OF THE COMMODITY

3.1 Production and trade figures

International Trade:

The countries of the region have contributed to international TTP trade by exporting logs and first-stage processed product mainly to Europe (which absorbed 53% of total exports value as of 2008).

In 2008, exports of logs from the five proposed project countries (Central African Republic, Cameroon, Gabon, Congo, and DRC) represented 27% of the total world's tropical log trade, estimated at 3.25 million m³. The five countries' total production of logs in the same year, reached nearly 8.5 million m³.

Exports of other primary processed wood products namely sawnwood, veneer and plywood from the five countries accounted for 1.28 million m³, equivalent to 4.12% of the world's primary processed wood products trade.

Presently, Europe is not the only consumer. Asia, especially China, India, and Vietnam have been increasingly sourcing timber from the Congo basin. The main traded species include: African mahogany (*Khaya spp.*); Sapele (*Entandrophragma cylindricum*); Okoumé, Padouk, Kevazingo, Moabi, Agba, Beli, Azobé, Douka, Izombe, Iroko, Movingui, etc.

The total export value of Secondary Processed Wood Products (SPWPs) from the five countries has been less than 1% of the world trade in the period of 2004-2008. In 2008 exports of SPWPs from the five countries were valued at US\$28.66 million. Then Africa has been a net importer of TTPs at total import value US\$4.4 billion.

The production of Further Processed Tropical Timber Products is dominated by Asian and Latin American producer countries, having 69% and 29% shares of the world production respectively. The furniture and joinery products for the housing industry and profiled timber products are mainly exported to Europe, North America and Japan.

Intra-African Trade:

There is also an intra-African trade for sawn wood; South Africa is importing significant volumes of Okoumé from Gabon; and so are some of the North African countries named Morocco, Tunisia and Algeria. Senegal has been diversifying its sources for TTPs as a result of unstable circumstances in Côte d'Ivoire and Liberia. Both Cote d'Ivoire and Ghana import their timber from the Congo Basin to feed the demand of many industrial processing units. The domestic timber production in these two countries is not sufficient to satisfy the demand. Lack of raw material is a serious problem in some traditional exporting countries in Western Africa (Ghana and Côte d'Ivoire) while the Congo Basin is seen as a potential supplier with great resources.

Besides formal markets, informal sawn wood product exists between the Central African countries exist involving also a number of neighboring countries. These flows are between Cameroon and Chad or Nigeria, and between the DRC and Uganda, Zambia and Tanzania. There is a noticeable absence of visibility of this informal sector responding to the needs of local markets not served for by industrial production which is essentially geared for exports. It is expected that these trade flows will increase in the next few years in line with demand which is strongly linked to high population growth rates, especially in urban areas.

African wood supplies and the potential for more intra-African trade are expected to grow: it is projected that industrial roundwood production in Africa will expand by about 21 million m³ between 2010 and 2020 reaching 93 million m³. Sawnwood consumption will increase by 7 million m³ achieving 19 million m³ by 2020 and wood-based panel consumption is projected to increase to about 4 million m³.

Trade characteristics

Trends in the past few years indicate that timber product manufacturing is being relocated to “new producers” while many timber markets are opening up in all continents. The competition from Asian countries, particularly China, Vietnam and Korea, is very stiff. These Asian countries have companies that, for many reasons, are able to import raw logs to African countries and manufacture furniture and other products at very competitive prices, despite the high transport costs. The African suppliers suffer from a reputation of being unreliable in intra-African markets.

The end-uses of tropical timber products are similar across the countries in Central Africa. However, there are some regional characteristics depending on the extent and structure of domestic further-processing industries.

The processing capacity to produce SPWPs in the Central African countries is limited. The somewhat lower quality of SPWPs, compared to those imported from Europe or Asia, is decreasing the competitiveness and sales of regional products.

Most of the timber product trade is conducted by specialized traditional timber traders who also have stock capacity.

Mark-ups are typically quite high. The import markets are price-sensitive and less attention is given to product quality if minimum requirements are met.

In Central Africa, significant import tariffs are imposed on primary products while in other African regions stipulate tariff escalation, which means, higher tariffs for further-processed products. There are preferential sub-regional tariffs for the Economic and Monetary Community of Central Africa (CEMAC), the Economic Community of West African States (ECOWAS) and the Southern African Development Community (SADC). General import tariffs are higher in CEMAC and ECOWAS countries than in SADC countries.

Export taxes have been greatly reduced but are still being imposed together with trade regulations particularly in respect of logs.

Emerging markets

Africa's total imports of TTPs in 2007 were totaled US\$4.4 billion, of which only US\$394 million originated from the continent itself. As a result Africa was a net importer of TTPs despite its vast forest resources and huge plantation potential. There is also great potential for the expansion of intra-African trade:

- The most significant immediate opportunities for export expansion are in Northern Africa and Southern Africa.
- Among Central African and Western African countries, many have over-exploited their forest resources but their sawing, veneer-peeling and slicing units are still existent.
- For Central African countries and those African countries that have only a limited resource base (Northern Africa, Chad, Niger, and Egypt), trade relations have been initiated with prospects for expansion.
- Producers could also target to substitute Meranti and Balau, which are currently imported from Malaysia and Indonesia.
- The trade in further-processed products is still weak in Africa and this works to the advantage of primary traders.

Asia and China, India and Vietnam in particular, will maintain their demand for raw material and first-stage processed products for a long period of time.

There is existing potential to develop and commercialize new forms of refined biomass energy such as liquid biofuels. The raw material supply for biofuel is not competing with the TTPs but is more likely seen as a co-product and value adding business area for the traditional forestry sector. The social aspects have to be carefully evaluated when there are plans to increase

biomass production. At present, the biomass as a primary energy source for the households is very important and sensitive area.

3.2 Tropical Timber sector problems, issues and opportunities in the Congo Basin

Policy:

To promote and develop the industrialization and further timber processing in the Congo Basin, different instruments have been established with varying measures of success – total or partial ban on log exports, minimum quotas for locally-processing timber, allocation of large-scale timber concessions, tax incentives to promote industrial investment (including, inter alia the creation of Industrial Free Zones), establishment of specialist institutions.

Most provisions relate to the utilization of forest resources as an incentive for industrial investment. The results achieved are variable. For example, the total log export ban imposed in Cameroon has led to a significant increase in primary timber-processing capacity for first stage processing (sawing, veneer peeling and slicing). In Gabon a ban export of round logs was recently enforced after a long deliberation period.

Although policy measures have been taken to promote the further processing of timber at local level, there has often been a lack of a consistent strategy that would be developed in mutual consultation with all stakeholders. The development of a craft sector has had a major impact on further timber processing industries, particularly its capacity to supply domestic markets and create local employment, but has seldom been integrated in the programmes developed by national governments.

Policies and schemes aimed at promoting the further processing of timber in Central African are often executed by non-forest sectors or ministerial departments. In particular, Governmental departments in charge of industrial and commercial development or land management and development activities are often also in charge of the further timber processing industry. The forest administration, which manages the upstream part of the sector, may not be coordinating actions having a direct impact on downstream timber processing. In this regard, the development of inter-sectoral coordination and cooperation is essential to facilitate the development for further-processing industries.

Population growth

The development process of urban centers, to which a vast proportion of the rural population has been migrating, is associated with new needs (foodstuff, raw materials for the housing industry, etc.). Although the purchasing power of a large segment of this population is relatively low, it still has needs for food and housing. Timber is therefore used to meet the needs of the construction industry including joinery materials and furniture.

The population of the five countries; Cameroon, Congo, Gabon, CAR, DRC is estimated to grow from 83 million in 2005 to reach 123 million in 2020, an increase of over 40 million in just 15 years. In addition, some countries in West and North Africa, importing timber from the Central Africa, also have strong population growth rates: the population in West Africa is estimated to grow from 234 million in 2000 to 344 million by the year 2020 and North African population from 170 million in 2000 to 239 million in 2020.

Global economy

The global financial crisis has affected the formal economies of African countries, although the impact has been somewhat delayed in comparison with the developed world.

According to ADB and the IMF, the medium and long-term economic prospects for Africa are positive and there will be strong growth in regional demand for tropical timber products. A recent FAO study projected positive growth for industrial roundwood production and sawnwood consumption in Africa.

Forest Law Enforcement Governance and Trade (FLEGT) and Voluntary Partnership Agreements (VPAs):

Policy and legislation on environmental issues are increasingly influencing international markets. Consumers want to have assurance that purchasing and consumption are not contributing to illegal logging and this is becoming an international trend. There is an increased demand for FLEGT (Forest Law Enforcement, Governance and Trade) certified timber. In this regard, many countries are signing VPAs (Voluntary Partnership Agreements) with the EU in order to strengthen national capacities to enforce the rule of law in the forestry sector, promoting legal production in the source country and in-transit countries, provide more informed decision making and promote new trade partnerships.

The negotiation process includes different stakeholders but the lack of effective organization of stakeholders is a constraint in many African countries.

The FLEGT VPA negotiation process is completed in Cameroon but the date for launch is not yet defined. In the meanwhile, Cameroon has started implementation preparations by commissioning a timber traceability system.

On 1-2 March 2010, the second VPA negotiation session between the EU and the Central African Republic made progress in several thematic areas, including the VPA Legality Definition for production and management permits and the national wood traceability system.

The Democratic Republic of Congo recently requested formal VPA negotiations to begin. The European Commission and the Government of DRC are currently deliberating on next steps.

The launching of formal VPA negotiations between Gabon and the EU has been delayed due to the national debate about the log export ban.

Certification

In June 2009, 4.7 million hectares of forests had been certified in Africa, setting Africa in the lead of certified forests in the tropical zones. In general, the certification of sustainable forest management is not required in intra-African tropical timber markets. However some market segments are beginning to gain advantage by trading certified products.

The certification of some forest concessions in Cameroon (about 900,000 hectares) has improved the competitiveness of Cameroon's TTPs exports in environmentally sensitive markets such as the EU. Improvement is also expected after the recent signing of the VPA with the EU.

There are also signs of growing interest for product-quality certification. Global importing markets have differing quality standards and grading rules, which pose a challenge for exporting countries to meet the standards. Certified TTPs are facing increasing competition from other materials setting also stricter requirements on TTPs' quality and sustainability. CE marking is an example of such a new requirement.

In the future, the growing interest for green labeling and environmental certification is going to face the fact that there are only few existing sources for certified TTPs. It is important for the

local forest industry and trade associations to engage with forest certification and CITES to obtain market advantage in environmentally sensitive market segments.

Timber Procurement Policies:

Timber procurement policies are being developed by both the public and private sector with the aim of addressing public and consumer concerns over the environmental credentials of timber and timber products. Purchasers are increasingly demanding that these products are derived from sustainable or at least legal sources through a process which is verifiable in order to ensure credibility in the eyes of the public. Countries that have developed public procurement policies are Belgium, Denmark, France, Germany, the Netherlands and the United Kingdom (UK) China, Japan, Mexico, Norway, New Zealand and Switzerland.

Public-sector timber procurement policies are relatively new instruments and their implementation is at an early stage. In general, Public-sector Timber Procurement Policies provide three main options for providing evidence that a product complies with their requirements: (i) certificate issued under a recognized certification system; (ii) audit statements issued by an independent body; and (iii) other documentary evidence.

At the regional level, timber procurement policies in consumer countries will have the strongest direct impact on Africa due to the high dependence of producers in that continent on exports to the EU (53% of total export value).

CITES:

As for CITES there are two commercially important species listed in Appendix II which requires countries to certify that any exports of those species are sustainable, a so-called "non-detriment finding". These are *Pericopsis elata* (afromosia, for timber) and *Prunus africana* (African cherry, for its medicinal bark). The countries that account for the bulk of exports of both of these species are Cameroon, DRC and Congo. There is a moratorium currently in place on exports of *Prunus* while the countries work to improve management through the NDFs in compliance with CITES rules. ITTO is working with all three countries to strengthen the management of *Pericopsis*.

Current situation of Supportive Systems in Central Africa:

There is little information on current supportive systems for timber processing in Central Africa, mainly because there are few institutions of this kind in the target countries, and in most of the cases forestry is not the only focus of their activities. Also these institutions lack of use of available technology to promote their services and disseminate their expertise.

ITTO has worked in Africa for over 20 years and has good expertise and contacts at both government and private sector, this can be show in the two latest ITTO publications on further processing and trade of timber in African countries ("Promoting intra-African markets for timber and timber products", 2010 & "Promoting the further processing of Tropical Timber in Africa" 2004), where one can note that very few stakeholders' associations or supportive system exist.

ITTO has been working with IFIA (Interfrican Forest Industries Association) for many years, in activities promoting trade relations in the timber sector, including RACEWOOD. IFIA has representation through several members in the target countries and it has already been contacted to assists in the socializing and implementation of the project.

The relevant supportive systems in each of the target countries are described below and the detailed list of stakeholders of this kind consulted by ITTO is include in Annex "A"

Central African Republic:

In CAR, there are a few companies already involved in timber processing, particularly in first stage processing. These companies have received the support of the Central African

Development Bank (based in Brazzaville) in terms of credits for acquisition of capital equipment.

There is one private institution that promotes trade and provides general assistance to establish trade contacts, and technical information on trade regulations to all kinds of sectors, such as:

- The Chamber of Trade, Industries, Mines and Art of Cameroon, based in Bangui

Gabon:

In Gabon there are several institutions with a broad mandate to provide support for further processing activities:

- Gabonese Development Bank,
- Agency for the Promotion of Private Investments (under the Ministry of Commerce),
- Economic Expansion Funds (FODEX),
- The Union of Industrial Timber Producers of Gabon, known as UFIGA for its initials in French www.ufiga.com which also belongs to the Interafrican Forest Industries Association (IFIA) based in Paris, France.
- There are a few institutions that promote trade and provide general assistance to establish trade contacts, and technical information on trade regulations to all kinds of sectors, such as:
 - The Chamber of Trade, Agriculture, Industry and Mines of Gabon, based in Libreville;
 - The National Agency for Promotion of SMEs/SMIs (PROMOGABON), based in Libreville.

Cameroon:

- Cameroon has established the Wood Promotion Centre, which provides training in timber processing and lesser used timber species not only to Cameroonians but also to nationals of other countries in the region.
- The Wood Chain Cluster of Cameroon (**-GFBC- Groupement de la Filière de Bois du Cameroun**), is based in Yaounde, and belongs to the Interafrican Forest Industries Association (IFIA) based in Paris, France. ***This cluster is the largest one in the country as its members represent 65% of the domestic timber production and it has strong and constructive ties with different Unions of other productive sectors.***
- The Union of Industrial Operators and Exporters of Special Products / ***'STIEPFS' - Syndicat des Exploitants – Transformateurs – Industriels – Exportateurs des Produits Forestiers Spéciaux du Cameroun***, based in Douala, also belongs to IFIA. ***This union groups collectors of special products and due to its nature it has established relations with other unions in order to organize the permits for the collection of these products, and one special characteristic is that its members most hold the same kind of permit as forest loggers.***
- ***The Union of National Forest Companies du Cameroun or 'SEFNA' -Syndicat des Exploitants Forestiers Nationaux du Cameroun-***, this union represents 23 different timber companies of all sizes, and has an active participation in government and international donors meetings and consultations.
- ***The National Association of Industries, Negotiators and Processors of Timber of Cameroon: -Association Nationale des Exploitants Négociants et transformateurs de Bois du Cameroun-***, based in Douala, which comprises 17 members, among them a few first stage timber processing companies.
- There are a few institutions that promote trade and provide general assistance to establish trade contacts, and technical information on trade regulations to all kinds of sectors, such as:
 - Union Camerounaise de l'Artisanat et des PME (UCAPME), which is based under the Trade Promotion Direction in Yaoundé,
 - Centre de Business International, also based in Yaoundé,

- Centre National de Promotions des Echanges, which belongs to the Division of Cooperation, also based in Yaounde,
- The Chamber of Trade, Industries, Mines and Art of Cameroon, based in Douala

Republic of Congo:

In the Republic of Congo, there are a few institutions with a broad mandate supporting further processing activities in the forestry sector, these are:

- Programme Intégré de Relance Industriel (PIRI-CONGO), which belongs to UNIDO ;
- L'Union Patronale et Interprofessionnelle du Congo (UNICONGO), which basically assist in business development and negotiation of collective business agreements. UNICONGO works by committees, having a total of 11 Committees, being Agroforestry, one of them;
- The Federation of Forest Industries;
- The Chamber of Commerce and Industries of Congo, which promotes economic relations between the enterprises in Congo with counterparts in France. The Chamber of Commerce focuses on 11 different economic sectors, being the Forestry sector one of them.

DRC:

- In the case of DRC there is a Federation of Wood Industries, based in Kinshasa, which also belongs to the Interafrican Forest Industries Association (IFIA).
- There are a few institutions that promote trade and provide general assistance to establish trade contacts, and technical information on trade regulations to all kinds of sectors, such as:
 - The Confederation of SMEs of the DRC (COPEMECO), based in Kinshasa;
 - The Enterprise Federation of Congo (FEC), also based in Kinshasa;
 - The Section of Emerging Entrepreneurs of the Chamber of Commerce, based in Kinshasa.

No formally established organization provides information about African TTP markets. Some timber enterprises are informed by their company headquarters based in Europe, or by intermediaries or interested traders in potential African markets. Foreign-owned groups have little interest in and limited resources for obtaining detailed market information on export possibilities in other African countries. The African small and medium-sized enterprise sector is even less prepared to develop markets in other African countries.

3.3 Relevance of the proposed project to existing commodity development strategies

Compliance with CFC

The Project is consistent with the CFC Action Plan 2008-2012, and with CFC objectives for projects funded from the Second Account under Article 18.3(a) of the Agreement Establishing the Common Fund, which states that projects to be funded from the second account, shall focus on:

- Expand processing and move producers up in the value addition;
- Demand driven projects;
- Attention to LDC countries and small producers; and
- Have potential for replication.

The Programme Goal of the project is to achieve a 5% increase in value and volume of further processed wood products within 5 years after follow completion. The main output is an operational supportive system to scale-up the artisans, SMEs/SMI of the timber sector in the value addition chain by creating a favorable environment for the further processing of timber,

thus enhancing employment generation and increase in income to the small-scale stakeholders, which will have potential for replication on Congo and DRC.

Compliance with the Objectives of ITTA, 2006

The Project, its outputs and actions are consistent with the ITTA objectives (the letter before each paragraph refers to the list of objectives in Article One of ITTA), in particular with:

- c) Contributing to sustainable development and to poverty alleviation.
- i) Promoting increased and further processing of tropical timber from sustainable sources in producer member countries, with a view to promoting their industrialization and thereby increasing their employment opportunities and export earnings.

Compliance with the ITTO Action Plan

The Project is consistent with the cross-cutting strategies defined in ITTO Action Plan as follows:

* Encourage and increase involvement of non-government stakeholders, including industry and trade associations, environmental organizations and indigenous groups, in the activities of the Organization, with a view to promoting transparency, dialogue and cooperation in furthering objectives of ITTO;

The project will be conducted in close collaboration and with the participation of private industry and trade associations of the timber sector (crafts, SMEs/SMIs, industries), and private sector operators who will be the direct beneficiaries of the actions to be conducted by the support units.

* Support the sharing of information, knowledge and technology to improve sustainable forest management, product processing, utilization and understanding of the market place as related to ITTO's priorities;

One chief purpose of the timber industry monitoring body to be established under the project we'll be to share intelligence on the regional timber sector, including information relating to the operational procedures followed by the players within the industry, timber and timber products flows and markets.

* Explore and encourage investment and joint ventures in the forestry sector, including the re-investment of forestry generated revenues;

The main objective of the Project will be to provide support to the players and stakeholders in the industry, both economy and commercial, including support to corporate development, decision-making processes relating to the selection of investments and partnerships between operators to share resources and gain new market access.

4. INSTITUTIONS INVOLVED AND RESPONSIBILITIES

Supervisory Body:

The Supervisory Body for the Project is the International Tropical Timber Organization (ITTO), an intergovernmental organization promoting the conservation and sustainable management, use and trade of tropical forest resources. Its members represent about 80% of the world's tropical forests and 90% of the global tropical timber trade. Contact details are as follows:

International Tropical Timber Organization (ITTO)
International Organizations Center, 5th floor
Pacifico Yokohama, 1-1-1 Minato-Mirai
Nishi-Ku, Yokohama 220-0012
Japan
Ph.: ++81 45 223 1110
Fax ++81 45 223 1111
e-mail: itto@itto.int
www.itto.int

Project Executing Agency:

The Economic Community of States of Central African States (ECCAS) will function as the Project Executing Agency (PEA), *instead of the African Timber Organization (ATO) as originally proposed, as ATO has been facing financial constraints due to the arrears of its members, and therefore could not longer commit to the execution of the proposal. ECCAS has expressed its willingness to participate in the execution of the project, has provided inputs for its reformulation and has been able to increase the counterpart contribution (with in-kind and cash components) in order to address the recommendations of the 45th CFC Consultative Committee.*

The mandate of ECCAS includes among others:

- harmonization of national policies in the fields of industry, natural resources, transport and communications, energy, agriculture, trade, monetary and finance, human resources, tourism, education and culture, science and technology;
- the elimination between Member States, of customs duties and other taxes having equivalent effect to import and export of goods.

ECCAS was founded in 1983 by the Heads of State and Governments of Central Africa and its aims is to promote and enhance harmonious cooperation and a sustainable and balanced development in all matters relating to economic, social and environmental activities.

ECCAS main areas of activities are industry, transport and communications, agriculture, natural resources, trade, customs, monetary and financial issues, human resources, tourism, education, training, culture, science and technology and migration.

Regarding the environment sector, ECCAS adopted a new environmental and resource management policy for Central Africa during its 13th Ordinary Session of Heads of State and Government held in Brazzaville in October 2007. The policy consists of twelve strategic thrusts which include sustainable forest resources management. During the same meeting, Decision No. 031 was adopted, granting the Commission of Central African Forests (COMIFAC) the status of a specialized body of ECCAS.

ECCAS membership currently comprises ten member States, namely Angola, Burundi, Cameroon, Congo, Gabon, Equatorial Guinea, Central African Republic, Democratic Republic of the Congo, Sao Tome and Principe and Tchad.

The Secretariat of ECCAS has a division specialized in Forestry, which will be the main focal point for the execution of the project. *Through its Forestry division, ECCAS has taken part of mayor forestry conferences, meetings, workshops at international and regional level, such as:*

- Meetings of the Regional Economic Communities of Africa and the European Union for the Paternariat Strategic Plan 2011-2013, held in June 2010.
- 1st Meeting of the Ad Hoc Committee for the Creation of an Expert Group on Climate Change for Central Africa, held in Libreville, Gabon 19-20 May 2010.
- The fifteen Conference of the Parties (COP 15) of the United Nations Framework Convention on Climate Change (UNFCCC), held in Copenhagen, Denmark, 7-19 December 2009.
- The preparatory meeting for a common African position for the negotiations of UNFCCC-COP 15, held in Addis Abeba, September 2009.

ECCAS has also signed relevant partnership agreements in the Forestry Sector, which include:

- The School of Fauna of Garou (EFG) on 22 May 2010.
- The Center for International Forestry Research (CIFOR) on 22 May 2010.
- The Support Programme for the Conservation of the Ecosystems of the Congo Basin (PACEBCo), cofinanced by ECCAS and the African Development Bank (ADB).
- The Regional Postgraduate School in Integrated Development of Tropical Forests / l'Ecole Régionale Post Universitaire en Aménagement Intégré des Forêts Tropicales (ERAIFT), based in Kinshasa.

During the year 2009, ECCAS financial capacity was budgeted at FCFA 8'903,883,128 or US\$17'000,000 approximately.

The structure of ECCAS is included in Annex "B"

Contact details are as follows:

Economic Community of States of Central African States (ECCAS)

Mairie de Haut de Gué Gué

BP 2112

Libreville

Gabon

Ph.: +241-44 47 31

Fax: +241-44 47 32

Contact Person : Mr. Roger Mr. TCHOUNGUI, Director of Agriculture, Rural Development and Environmet.

Mr. Rémy MUKONGO SHABANTU, Expert of Sustainable Forest Management and Forest Economy (and former staff of ATO)

e-mail: tchoungui@hotmail.fr remymuk@yahoo.fr

www.ceeac-eccas.org

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Forest Director, Ministry of Forestry and Fauna

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Cameroon

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e-mail: mlavy78@yahoo.fr

Focal Point for Gabon:

Mr. Raymond NDOMBA NGOYE.

Chief of Water and Forest, Permanent Secretary of Debt Conversion Funds, National Coordination of COMIFAC

B.P. 7405

Libreville

Gabon

Ph.: +241 07 41 40 25

Fax: +241 06 41 35 27

e-mail: ndombangoye@yahoo.fr

Focal Point for the CAR:
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Central African Republic
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e-mail: nambairubens@yahoo.fr

Focal Point for the Republic of Congo:
Mr. Donatien NZALA
General Director of the Forest Economy
Ministry of the Forest Economy
BP 98
Brazzaville
Republic of Congo
Ph.: +242 81 41 34
Fax: +242 81 41 37
e-mail : nzaladon@yahoo.fr

Focal Point for DRC:
Mr. Germain ZASY NGISAKO
Forestry Technical Advisor
Ministry of Environment, Nature Conservation, and Tourism
B P 12348
Kinshasa / Gombe
Democratic Republic of Congo
Ph.: +243 81 50 36 309
Fax: +243 12 33 549
e-mail: zasygermain@gmail.com

Partners involved in Project Implementation:

For each country the Ministries involved in trade, industry, SMEs/SMLs, agriculture and forestry will play a key role in facilitating project executing, along with the private institutions identified in section 3.2 as a stakeholders, conduct consultations, and participation in project activities.

5. OBJECTIVES AND RATIONALE

5.1 Introduction

The project overall goal is to increase in at least 5% the exports (in volume and value) of processed timber products from the Congo Basin within 5 years after its completion, through the establishment of effective support systems.

The countries of the Congo Basin (Central African Republic, Cameroon, Gabon, Congo, and DRC) in spite of being a net exporter timber in the form of logs, are a net importer of TTPs, nonetheless, these countries certainly have the potential for achieving a reasonable increase in exports of TTPs through domestic value addition, thus benefiting their economy through revenue increase and employment generation if the proper measures are taken.

- In recent years changes in legislation in these countries have encouraged domestic value-addition of timber, resulting in the installation and up-grading of processing plants focused mainly on first stage processing, with a relatively still small proportion of FPT units. Therefore creating a favorable environment for the FTP is a must that can be best achieved through the establishment of functional and light supportive systems that facilitate the interaction and cooperation of the various stakeholders involved in the timber processing at both national and regional levels, therefore, artisans, SMEs/SMIs could seek support from the structures in order to develop or improve their processing operations.

In addition at the end of the project the countries will count with:

- a baseline study on timber processing in the craft, semi-industrial and industrial sectors, and
- an action plan to address the needs of the SME/SMI and artisans for adding value to timber and timber products.

Initial activities to establish the support system will take place in Cameroon, Gabon and Central African Republic. Follow-up activities to disseminate outputs and set up pilot support systems will take place in the Republic of Congo and the Democratic Republic of Congo.

5.2 Project Rationale

Further processing of timber leading into value added products such as moldings, furniture, joinery, flooring, and profiled timber products among others is an important potential vehicle to increase income and revenue as it generates several successive processing stages, which also create employment in rural and urban centers. In addition, these products have demand in the domestic and export markets.

The implementation of this project will enhance the capability of the artisan, and SMEs/SMIs in Cameroon, Central African Republic, Gabon, Congo and DRC in adding value to their production, increase income, and generate employment. A good benchmark is Western Africa, (countries such as Ghana and Cote d'Ivoire) which manufactures SPWPs (strips and friezes for flooring, shaped wood, builders' joinery, cellular wood panels, wooden tools, etc.) where prices from logs to other SPWPs moving towards the end of the value chain can increase up to 550%, as detailed in the table below:

	Central/West African Log	Central/West African Sawnwood	Wood for parquet	Bulders' joinery and carpentry	Wood for tools
Sapele	321	570 (78%)			
Sipo	367	645 (76%)	1567 (559%)	1508 (537%)	1250 (445%)
Iroko	333	584 (75%)			
Wawa	258	407 (58%)			
Khaya	123a	516 (320%)			

Table 1 presents a sample of hardwood log and sawnwood prices in West Africa. The prices for Secondary Processed Wood Products (SPWPs) are average export prices in the project area converted from tones using the coefficient (1.37) for non-coniferous tropical hardwood.

Central/West African April 2010 average prices for logs and sawnwood and for the SPWP exports all as FOB prices and presented in US\$/m³. The value-added in comparison to the log prices showed as a percentage (a.- price in Ghana).

This project proposes to tackle the lack of market share in most markets for secondary wood products of producers from the Congo Basin, by establishing a supportive mechanism for the stakeholders, that will use the artisanal sector as a mean to develop the further processing of timber (as they supply domestic and regional markets, employ a relatively large work force, and lack of advice and technical support), while at the same the supportive system will coordinate efforts at regional level. The areas of support could come in different forms, including but not limited to:

- promoting the regularization of the informal sector of further processing of timber,
- support for business and managerial training,
- technological support, advice and training,
- provide advice in retooling and value addition processes,
- promote the use of LUS for primary and secondary wood processed products,
- harmonize and simplify nomenclature of African timber species, particularly for trade purposes,
- support research into and the publication of the physical and aesthetic properties of African TTPs,
- dissemination of intelligence on national, regional and international markets,
- technology transfers,
- support to the research and development, design and creation of new products,
- support the opening up of new markets.
- promotion of accessible financing options for the SME and SMI, including assistance to the formulation and submission of credit applications,
- linkages and promotional activities among potential buyers-suppliers of primary and secondary timber processed products at sub-regional and regional level,
- collect and disseminate statistics of trade of SPWPs to ITTO, UN-Comtrade and others,
- conduct feasibility studies that can not be supported by the private sector alone, coordination between the Government and the Private Sector on policy making for the further processing of timber.

5.3 Project Objectives

5.3.1 Project Goal

The project has the overall goal to increase income earning of artisans and SMEs/SMIs in the timber sector through the promotion and development of further processing of timber in the countries of the Congo Basin.

Overall the project will help to increase the export earnings of the forestry sector in the participant countries by 5% in volume and value due to a wider range of further processed timber products available to the regional and international markets, thus up-scaling the position of artisans, SMEs/SMIs in the value chain, who will be able to add more value to timber.

5.3.2 Project Purpose

The purpose of the project is the implementation and operation of a stakeholder's support system for the further processing of tropical timber in Cameroon, Central African Republic, Gabon, Congo, and the Democratic Republic of Congo.

By the end of the project the supportive system will be fully operational and sufficiently self-sustainable in three target countries (Cameroon, Central African Republic, and Gabon).

While in the other two countries (Republic of Congo and Democratic Republic of Congo) piloting activities will have been conducted for establishing supportive systems.

5.3.3 Objectives

Objective 1. Support system for stakeholders of the timber processing industry established and operational.

Through the activities of the project under component one, a light and functional structure will be set up in Cameroon, Central African Republic, and Gabon, as a support system for the stakeholders of the timber processed industry. The structures will be in charge of enhancing the country's capacity to engage in Secondary Processed Wood Products (SPWPs), by matching the supply of first stage processing timber, with the demand for second and third stage processing and by providing sound marketing advice.

During the course of the project these structures will prove themselves to be useful and relevant to the various stakeholders in the value chain, in order to conduct the arrangements that will guarantee their long-term sustainability.

Piloting the setting-up of similar structures will be conducted in Congo and DRC to extension activities and dissemination.

Objective 2. Baseline study on timber processing in the craft, semi-industrial and industrial sectors.

A baseline study compiling the socio-economics of the stakeholders in the craft, semi-industrial and industrial sectors, their resources, capabilities, product flows, interactions and accessibility of timber for second stage processing will be conducted.

The study will be used understand and better develop the interactions of the successive stages of further processing of timber among the artisans, the SMEs/SMLs and large industry for further vertical integration and up-scaling of the value chain.

The final step of the baseline study includes a SWOT analysis that provides recommendations for immediate action by the supportive systems.

The baseline study will be further used to track the benefit of the project in the long term and to establish the appropriate linkages of the timber processing sector with other industries and trade bodies.

Objective 3. Action Plan to address the needs of timber processing stakeholders identified along with the capacities and resources required to meet them.

A study identifying the technical and capacity building needs of the artisans and the SMEs/SMLs will be conducted and new lines of further processed timber products with market potential will be identified and recommendation for immediate action by the stakeholders and the supportive systems.

5.4 Project Implementation Strategy

The project will focus on three countries (Cameroon, Central African Republic and Gabon), to set up the appropriate operational support system for stakeholders involved in the further processing of timber. Whereas Congo and DRC, will benefit from the experience gained, the results of the studies, piloting and extension for the establishment of operational support systems.

The timber processing industries of the five countries show various stages of development. In spite of these different situations, the Project relies on similar approaches. The originality and the strength of this project is in its use of the craft sector and SMEs/SMIs as a tool to develop the further processing of timber by taking advantage of the fact that they supply domestic and in some cases regional markets, employ a considerable work force, and have received little professional and technical support. According to an ITTO/ITC Report, 2002, three key elements are necessary for an export-oriented FPT to succeed: a significant presence on export markets, a well-developed domestic market and a robust primary-stage processing sector.

The project aims to establish and to make operational coaching and supporting structures for the stakeholders of the further timber processing in the various corporate aspects composing the backbone of each industry: technological, economic, commercial, legal, training, etc.

Functional and light structures will be set-up in Cameroon, Central African Republic, and Gabon from the beginning of the project. These structures will operate with a Director in charge of making the linkages between private and public sector in order to ensure that appropriate policies for the Further Processing of Timber (FPT) are in place; a Specialist in 1st and FPT, who will be in charge of matching the supply of primary processed wood (raw material for FPT) with the demand for second and third stage processing, and make the appropriate linkages among the stakeholders involved in coordination with the Specialist in Market Development, who will be responsible for providing technical advice to the industries in order to set up the adequate productions lines that have demand in domestic, regional and/or international markets.

Regional coordination will be conducted by ECCAS who through its focal points in each country will advise on the level of FPT in the region in order to develop additional production lines at regional level, based on the capabilities, supply-demand of primary and SWPP in each country. The regional coordination will be also responsible in oversee adequate levels of funding for the national supportive structures as well as its long-term self-sustainability. The regional coordination will facilitate and encourage information exchanges and experience transfers between the national Supporting Systems.

The SWOT analysis of the baseline study and the will provide a clear overview of the stakeholders, their specific needs of support, the opportunity areas to increase the production of further processed timber products in each country, and the window for regional collaboration.

A participatory approach will be followed in all project activities from the surveys through the establishment of the structures and validation of the baseline and the action plan with all the relevant stakeholders and their existing associations. As far as possible, efficient and operational Support Units will be established by capitalizing on existing structures identified in section 3.2.

Dissemination, extension, and piloting activities will be conducted in Congo and DRC in a participatory approach in order to create the conditions for the creation of similar supportive units at a later stage, based on the experience gained by the implementation of the current proposal.

Alternative options to develop a strategy for this project were analyzed; however the different conditions and stage of processing in the countries showed that these options were not suitable. These options included the following:

- to develop a project aiming to support specific training in the various trades and professions involved in further timber processing activities; the development of training is a requirement but it does not constitute the sole factor leading to successful FPT development;
- to establish a regional FPT development Centre for SMEs/SMIs; the specificity of conditions found in each of these large countries are such that this type of structure would not have been appropriate.

5.4.1 Exit Strategy:

An exit strategy is foreseen in order to strengthen, perpetuate and make sustainable the supporting structures and their medium/long-term financing. It is expected that the supportive units will be self-financing in the long run by generating income from providing specific services for the SME, SMI and Governments, such as managerial, business and technological training, product research, market studies, marketing and trade-promotional activities, networking, etc.

It is expected that funding will come from a mix of private and public funds. Funding may come from contribution from private companies involved, base on a fix amount of money per cubic meter exported, with a counterpart contribution from the national Government. One portion of the funding (approximately 66%) will be used for paying the basic operation of the supportive unit (staff, office supplies, consumables, etc.), while the other portion (approximately 34%) will be kept in a reserve fund. The reserve fund will increase each year until it reaches an adequate level in a way that only interest may be used to support the basic operation of the structures and make them self-sufficient.

Nonetheless, since early stage in the project, agreements and commitments for financing from the private sector, and national governments will be sought in order to guarantee its long-term sustainability and allow operation of the supportive units, while its growth will be determined by their capacity to provide specialized services to a wide range of users.

Three categories of sources of financing can be considered: (i) Forest companies/industry, (ii) Governments of the countries, and (iii) International donors. The following financing sharing out is usually considered as sustainable:

- (a) Private companies: 50% (self-financing of the structure)
- (b) Governments: 30%
- (c) International donors: 20%

Taking into account this sharing out, a business plan will be established by each supportive structure in close collaboration with all the stakeholders and with the support of ECCAS at regional level. Self-financing must be secured at the levels established for private sector and governments, before approaching international donors.

In order to force financial sustainability of the supportive system, the project budget has been progressively reduced for CFC funds for years 3 and 4 of the project.

6. RELATED PROJECTS AND PREVIOUS WORK

The projects and initiatives supported by these donors have taken different forms but their final objective has remained the development of timber processing in Central Africa:

□ **A study aiming to define a sectoral policy for value-added timber processing in Cameroon** has been conducted in 2002 by ONF international, ERE Développement and CERNA for the Ministry of Environment and Forestry (SFM financing). This study had three components:

a) An analysis of the adequacy between the Cameroonian production forests and the capacity of processing plants.

b) An analysis of economic, operational (forestry), environmental and social performances of processing plants.

c) Proposals to improve the adequacy between resources/processing and the performances of processing plants.

□ As part of the preparation of the **forest-environment sectoral program (PSFE)**, a study on the “craft sawing industry” in Cameroon was requested by the Ministry of Environment and Forests and conducted by AGRECO. Early estimates on the significance of this sector have shown that the annual production of craft sawing using chainsaws or mobile saws would account for one quarter or one third of industrial sawn woods production.

□ An identification **study on second stage timber processing in Yaoundé** was conducted in 2005 by request of the Ministry of forests and wildlife of Cameroon after it received its funding from the Service de Coopération et d'Action Culturelle of the French Embassy. This was a follow-up study to the previous CERNA - ONFI - ERE Développement (2002) Study undertaken as part of the continuous effort to industrialize the timber industry, while the follow-up study was more specifically focused on second stage timber processing activities in the City of Yaoundé. The objective was to provide the Cameroonian Government with indicators to contribute to the identification and implementation of an industry-wide policy designed to develop solutions to improve the performance of the sector through a better knowledge of the sector's performance in major consumer markets.

□ In 2006, a study jointly financed by the PSFE (Programme Sectoriel Forêt Environnement), the Ministry of Forests and Wildlife of Cameroon was undertaken on the **tracking of timber and timber products harvested in and exported from Cameroon**.

□ **ITTO Pre-project PPD 16/01 "Timber Enhancement through Mechanical Processing"** was implemented in 2001 by the Ministry of the Forest Economy of the Republic of Congo. The objective of this Pre-project was to contribute to improving the rates of recovery in both logging and timber processing operations as a leverage measure to improve the competitiveness of industries and the timber sector as a whole, and to increase the rational use of raw timber material harvested from production forests.

□ Considering the very high development potential for Okoumé use in the Congo Basin, especially in Gabon, and the use to better process second grade timber of this species, the CDE commissioned a study from CIRAD on the **development of Okoumé timber processing and use in the form of solid wood**.

□ On request of the government to the **Central African Republic**, a **diagnosis mission** (7-20 April 2002) was dispatched in CAR by ITTO (in pursuance of ITTC Decision 2 (XXIX) of November 2000, Yokohama); the terms of reference of this mission was to undertake a diagnosis to identify the factors which most severely impeded progress towards Objective 2000 and the implementation of sustainable forest management, and to recommend a series of measures aimed to overcome the obstacles thus identified.

Subsequent to this mission, the Preparatory Work for a general conference on water and forest management in CAR was convened by the National Transition Government in 2003; the government's objective at that time was to consolidate all Central African industrial

sectors including timber industries. After the offshore opening of the preparatory work and adoption of terms of reference, for technical commissions were established including the sub-sectoral Forest commission in charge of preparing a diagnosis of the timber industry. In this respect, the General Conference identified its main objective as to develop a **diagnosis analysis of the current situation and to propose alternatives for a revival of the industry in the best interest of the national economy and the people.**

□ An analysis of the conditions required for an economic revival of the forest sector in the Democratic Republic of the Congo was conducted in 2003 in response to a request of the World Bank. This study place the emphasis on the constraints to be lifted in priority in order to secure a turnaround for the industry: to ensure the security of river navigation and shipping as well as the activity of the sector upcountry, to improve port facilities and infrastructure and to rehabilitate the rail link and services between Kinshasa and Matadi, to implement the zoning plan of forest areas in order to identify priority land uses, to give priority to taxation policies based on production outputs for starter industries, to improve information and training in the communities and to introduce regulated scope of work for this purpose, to scrap any parafiscal charges not justified as compensation for services effectively supplied, to enforce the investment code over the entire national territory of the Democratic Republic of Congo and to scrap all FPI levies and excises on the importation of industrial input equipment and materials.

□ In 2006, the Cooperation and Cultural Action Services of the French Embassy in DRC commissioned a study on **DRC's fiscal regime for the forest sector**. Under the study, the economic measures aimed at reviving the timber industry and sustainable forest management have been assessed.

□ The European Union provides recurrent funding for a wider range of actions aimed at industries, especially via the Centre for the Development of Enterprise (CDE) which provides its support in various forms: (i) support to the creation and development of companies, (ii) supporter to training, technological guidance, transfer of innovative technologies (especially involving SMLs and SMEs), (iii) support to intermediary institutions such as trade and/or sectoral organizations in complementarity with other bodies and programs and various European and bilateral arrangements, (iv) support to consultants firms. The CDE also provides partial funding and grants subsidies to SMEs/SMLs to finance the provision of external corporate guidance and consultant's services (diagnosis, feasibility studies, etc) whether before, during or after the process of investment.

□ Through the financial support provided by the European Union, IFIA and IFIA organized in 2004 (in Libreville) and in 2006 (in Accra) and 2010 (in Douala) the African-European Cooperation Meetings on tropical timber economy (**RACEWOOD 2004** followed by **RACEWOOD 2006**, and **RACEWOOD 2010**) – Support projects for the development of the forest sector through the establishment of Africa-Europe cross-cutting relations. Each of the two editions of RACEWOOD were financed by PROINVEST and they enabled some 100 European and African companies of the tropical timber sector to meet, exchange experiences and knowledge, and establish business relations.

□ **Analysis on the origin of timber used in public procurement contracts for nine western African and central African countries.** This exercise involved inter alia the five and African ITTO member countries. This study was commissioned by the World Bank and implemented in 2004-2005 by FRR Ltd (Great Britain) in association with CIRAD, and its objective included to qualify and quantify the volumes of tropical timber marketed for public construction projects in the countries concerned and to identify their origins (whether legal or illegal) in relation to the analysis of governmental procurement procedures.

□ **Outlook study of the forest sector in Africa (FOSA), integrating a central African complement (Cameroon, Congo, Gabon, DRC),** and financially supported by the African development bank, the European commission and FAO. The study provides a general outlook on the current status and is likely trends in guiding the development of the sector until 2020 in central Africa.

□ ITTO took the decision (ITTC XXVII/21) to undertake a pre-project study, entitled **Review of the status of tropical timber further processing in producer countries**. The following activities have been implemented:

a) The preparation of a report on the current situation and future trends of further processing of tropical timber in producer countries.

b) Assessing the 21st century prospects for a selection of products derived from the further processing of tropical timber by providing, inter alia, an outlook of products and markets where producer countries would be likely to be or remain competitive.

□ The African Timber Organization (ATO) **Action Plan on the Further Processing of Tropical Timber in Africa** is at the origin of this Project Proposal on the development of further processing of timber in Central Africa. The Action Plan proposed by the ministerial conference of the African Timber Organization was developed under ITTO pre-project PPD 15/98 Rev.2 entitled "Joint ATO/ITTO Conference on Further Processing of African Tropical Timber", approved and financed by the International Tropical Timber Council. The Action Plan for Further Processing of Tropical Timber in Africa constituted the main output of these two conferences and ITTO pre-project.

□ ITTO hosted an **International Conference on Promotion of Intra-African Trade in Timber and Timber Products** in Accra, Ghana in June-July 2009, where main constraints faced by African suppliers in the regional markets were identified in the legal and policy framework, and the capacity of the private sector. The former includes high tariff barriers in processed products, bureaucratic customs and inspection procedures and associated high transaction costs, corruption, inappropriate taxation and inadequate incentives, lack of sub-regional harmonization of the national regulatory frameworks, competition from illegal harvesting and trade, and deficient statistical information on production and trade. In the private sector the main constraints include lack of market information, weak marketing capability, high transaction costs of legal operations and competition from the illegal operations, multiplicity of documentation requirements in exporting and importing countries, limited access to trade finance; limited secondary processing capacity, low quality and design competitiveness of further processed products, and intense competition from outside the region.

The major output of this Conference is the "Accra Action Plan" where opportunities for Intra-African trade were identified along with concrete actions from the relevant stakeholders. This project proposal fits the recommendations of the "Accra Action Plan" as the supportive units will strengthen the capacity of private sector associations on policy-making, trade facilitation, transfer of technology and knowledge sharing.

ITTO will host a meeting Towards a strategy to promote the forest industry development in the Congo Basin, from 21-22 September 2010 in Yaoundé, Cameroon in collaboration with IFIA and FAO National Forest Programme Facility, which will prepare the ground for early execution of this project proposal.

7. COMPONENTS

7.1 Component 1. Support system for stakeholders of the timber processing industry established and operational.

7.1.1 Objective

Establishment of an operational support system for the stakeholders of the timber processed industry will entry in operation in Cameroon, Central African Republic and Gabon.

7.1.2 Outputs

A support system for timber processing stakeholders established and operation in each country with material, human resources and infrastructure for its operation in place.

Pilot support systems fro the timber processing in the two countries selected for dissemination activities.

7.1.3 Activities

- 1.1: Validation of the organizational model & preparation of the ground for its set-up;
- 1.2: Entry in operation of the support system;
- 1.3: The support system proves itself among the stakeholders as a useful mean for the FTP;
- 1.4 Long-term self sustainability of the supportive structure established.
- 1.5 Piloting the establishment of appropriate operational support system in DRC and Congo

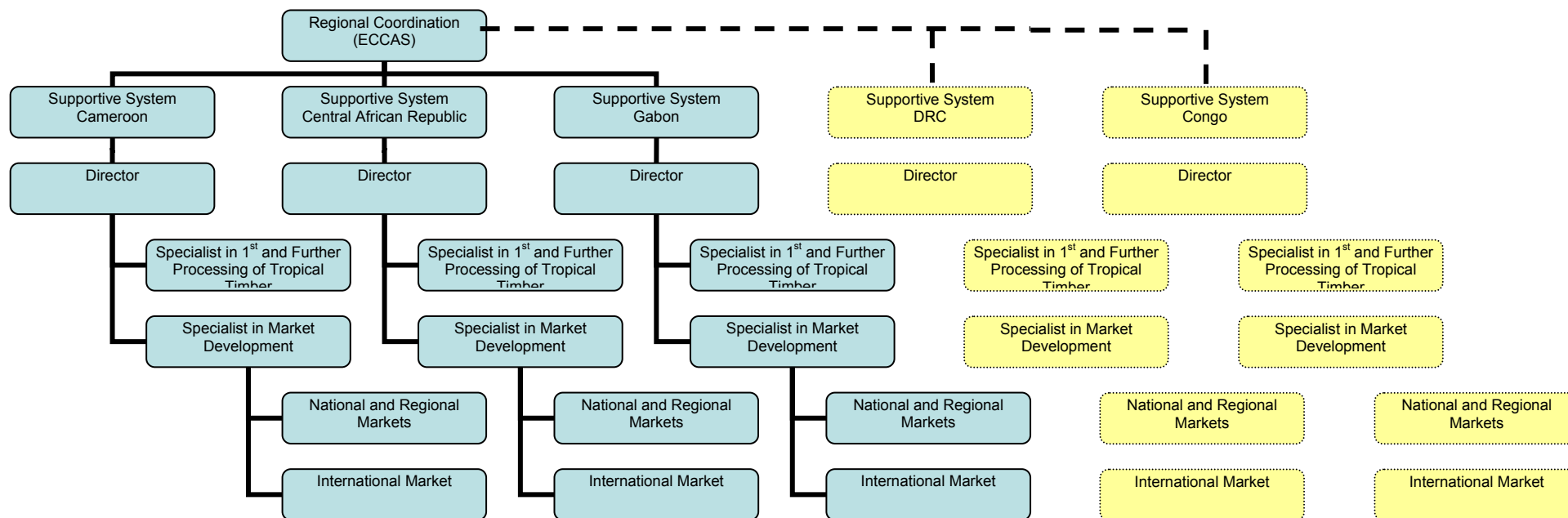
7.1.4 Timing

Activities	Year 1				Year 2				Year 3				Year 4			
	Q-1	Q-2	Q-3	Q-4	Q-5	Q-6	Q-7	Q-8	Q-9	Q-10	Q-11	Q-12	Q-13	Q-14	Q-15	Q-16
1.1 Validation of the organizational model (...)																
1.2 Entry in operation of the support system																
1.3 The support system proves itself (...)																
1.4 Long term sustainability of the Support System																
1.5 Piloting of Supportive System in Congo & DRC																

7.1.5 Costs: US\$884,870.00

CFC contribution for component 1:	US\$645,445.00
Counterpart contribution for component 1:	US\$239,425.00

7.1.6 Intended Supportive Structure



- It is envisaged that in each country a supportive structure will exist in charge of enhancing the country's capacity to engage in Secondary Processed Wood Products (SPWPs). Each national supportive system, will have a simple and light structure composed of:
 - A Director, who in addition to coordinate and oversee the operations of the supportive unit, will be in charge of making the linkages between private and public sector in order to ensure that appropriate policies for the Further Processing of Timber (FPT) are in place, as well as to manage the finances and administration of the Supportive Structure;
 - A Specialist in 1st and FPT, who will be in charge of matching the supply of 1st processed wood (raw material for FPT) with the demand for second and third stage processing, and make the appropriate linkages among the stakeholders involved in coordination with the Specialist in Market Development. The Specialist will be also responsible for providing technical advise to the industries in order to set up the adequate productions lines;
 - A Specialist in Market Development, who will be in charge on analyzing the national, regional and international markets and match the capabilities of the existing industry of FPT for the development of SWPP that have demand at national, regional or international level. The Specialist will be also responsible for providing technical advice to the industries in order to market and sell their production.

- The regional coordination will be established at the level of ECCAS and their respective focal points in each country. The aim of the regional coordination is to provide information and advise on the level of FPT in the region in order to develop additional production lines at regional level, based on the capabilities, supply-demand of primary and SWPP in each country. The regional coordination will be also responsible in oversee adequate levels of funding for the national supportive structures. The regional coordination will facilitate and encourage information exchanges and experience transfers between the national Supporting Systems
- It is expected that funding will come from a mix of private and public funds. Funding may come from contribution from private companies involved, base on a fix amount of money per cubic meter exported, with a counterpart contribution from the national Government. One portion of the funding (approximately 66%) will be used for paying the basic operation of the supportive unit (staff, office supplies, consumables, etc.), while the other portion (approximately 34%) will be kept in a reserve fund. The reserve fund will increase each year until it reaches an adequate level in a way that only interest may be used to support the basic operation of the structures and make them self-sufficient.
- The establishment of a Supportive Structure is relevant to each one of the countries involve, as they regard FPT as a mean for development through value addition and rural and urban job creation. The five countries involve are rich in forest resources; however their capacity to create wealth from it is far behind. These five countries are already moving towards processing of timber (at least to the 1st stage) as this can be observed through the recent policies that ban export of logs. The population in the region is also growing at an important rate with increasing demand for timber and timber products which can be satisfied if FPT is encouraged and developed, thus creating internal markets.

7.2 Component 2. Baseline study on timber processing in the craft, semi-industrial and industrial sectors.

7.2.1 Objective

A baseline study compiling the stakeholders in the craft, semi-industrial and industrial sectors, their resources, capabilities, product flows, interactions and accessibility of timber for second stage processing will be conducted. The baseline study will be further used to track the benefit of the project in the long term and to establish the appropriate linkages of the timber processing sector with other industries and trade bodies.

7.2.2 Outputs

A socio-economical assessment of the stakeholders through the timber value chain; the identification of its trade links; and a SWOT analysis of per country and per activity sector with recommendations for immediate implementation by the supportive systems.

7.2.3 Activities

- 2.1: Identification of stakeholders in the craft, semi-industrial and industrial sectors, their resources, capabilities, job profiles and product flows;
- 2.2: Assessment of trade organizations and bodies and their interaction with the timber sector;
- 2.3: Assessment of the qualitative and quantitative availability of timber for second-stage processing;
- 2.4: Analysis of institutional, legal and fiscal frameworks for the FPT;
- 2.5: SWOT analysis per country and activity sector and recommendations for relevant actions by the supportive structures.

7.2.4 Timing

Activities	Year 1				Year 2				Year 3				Year 4			
	Q-1	Q-2	Q-3	Q-4	Q-5	Q-6	Q-7	Q-8	Q-9	Q-10	Q-11	Q-12	Q-13	Q-14	Q-15	Q-16
2.1 Identification of stakeholders (...) products flow																
2.2 Assessment of trade organizations and (...)																
2.3 Assessment of quantitative and qualitative (...)																
2.4 Analysis of institutional, legal and fiscal (...)																
2.5 SWOT Analysis per country (...)																

7.2.5 Costs: US\$422,410.00

CFC contribution for component 2:	US\$265,685.00
Counterpart contribution for component 2:	US\$156,725.00

7.3 Component 3. Action Plan to address the needs of timber processing stakeholders identified along with the capabilities and resources required to meet them.

7.3.1 Objective

To identify the technical and capacity building needs of the artisans and the SMEs/SMIs along with new lines of further processed timber products with market potential and provide practical recommendations for immediate action.

7.3.2 Outputs

An Action Plan containing the following elements:

- Technical needs of the industry identified.
- Capacity building needs identified.
- New product lines with market potential identified and recommendation for immediate action.

7.3.3 Activities

3.1: Identification of the various actual and planned types of value-added processing operations;

3.2: Identification of training needs among the various operators involved in the timber sector and analysis of the adequacy between supply and demand;

3.3: Analysis of the needs related to inputs, human resources, funding, equipment, marketing and management.

7.3.4 Timing

Activities	Year 1				Year 2				Year 3				Year 4			
	Q-1	Q-2	Q-3	Q-4	Q-5	Q-6	Q-7	Q-8	Q-9	Q-10	Q-11	Q-12	Q-13	Q-14	Q-15	Q-16
3.1 Identification of the various actual and planned (...)																
3.2 Identification of training needs among (...)																
3.3 Analysis of needs related to inputs, human (...)																

7.3.5 Costs: US\$230,850.00

CFC contribution for component 3:	US\$147,375.00
Counterpart contribution for component 3:	US\$ 83,475.00

7.4 Component 4. Project Management

7.4.1 Objective

Effective project management to assure timely and effective execution of activities to achieve the project objectives.

7.4.2 Outputs

Inception report;
 Yearly Plan of Operation approved by CFC and ITTO;
 Non-Objection Letters for appointment of consultants, personnel and capital equipment;
 Biannual Progress Reports approved by CFC and ITTO;
 Annual Financial Audit Reports;
 Minutes of PSC Meetings;
 Mid-term Evaluation Report;
 Completion Report;
 Ex-Post Evaluation Report.

7.4.3 Activities

4.1: Selection of appropriate consultants and personnel;
 4.2: Inception meeting;
 4.3: Prepare annual work plan with its associated budget;
 4.4: Follow procurement procedures for capital items;
 4.5: Establish internal Project Technical Committee and organize quarterly meetings;
 4.6: Prepare bi-annual progress reports;
 4.7: Establish Project Steering Committee and organize its annual meetings;
 4.8: Organize mid-term review;
 4.9: Organize final evaluation;
 4.10: Organize annual external audit report;
 4.11: Prepare Project Completion Report and financial and audit report;
 4.12: External supervision by CFC and ITTO.

7.4.4 Timing

Activities	Year 1				Year 2				Year 3				Year 4			
	Q-1	Q-2	Q-3	Q-4	Q-5	Q-6	Q-7	Q-8	Q-9	Q-10	Q-11	Q-12	Q-13	Q-14	Q-15	Q-16
4.1 Selection of (...) consultants and personnel																
4.2 Inception meeting																
4.3 Prepare annual work plans and budgets																
4.4 Follow procurement procedures for capital (...)																
4.5 Establish project internal technical committee (...)																
4.6 Prepare biannual progress reports																
4.7 Establish PSC and annual meetings																
4.8 Organize mid-term review																
4.9 Organize final evaluation																
4.10 Organize Annual External Audit																
4.11 Prepare project completion report and (...)																
4.12 External supervision by CFC & ITTO																

7.4.5 Costs: US\$321,584.00

CFC contribution for component 4:	US\$166,840.00
Counterpart contribution for component 4:	US\$154,744.00

8. BENEFITS AND BENEFICIARIES

This project is of interest for the different groups of stakeholders involved in timber processing, especially further timber processing:

- The artisans, a significant group of stakeholders representing a large workforce,
- SMEs/SMIs whose methods of operations are intermediary between those of artisans and the industrial sector,
- Industrialists involved in the value-added processing of timber in the form of sawn wood and veneer, who bring strong added-value to processed raw materials.

The project will indirectly benefit:

- The workers employed in the informal sector by its formalization more employed can be generated and social security benefits provided;
- Forest managers; the further processing of timber contributes to the rational management of the resource base through a better value-added processing in quantitative and qualitative terms. The range of species is to be expanded and the pressure on other species will tend to decline;
- Local populations who get benefit from employment enhancement linked to further processing of timber development;
- Those stakeholders who are trade partners of the crafts, SMEs/SMIs, and industrialists (suppliers of consumables, glue, varnish material, equipment and tooling, etc.);
- Member states; the sector of further timber processing will develop to respond to the various market demands (domestic, regional and international markets), which will generate additional revenue to governments and play a beneficial role in the trade balances of respective countries;
- Decision-makers who will have relevant indicators made available to them for guiding the development of the industrial and craft segments of the sector;
- Consumers within each country and the region as a whole who will have a broader range of products derived from locally-processed timber offered to them, and international consumers who will have access to new products manufactured from African timber.

The FPT sectors of the countries in the Congo Basin, will have in operation support units. Therefore, the players and stakeholders of the further processing of timber could seek support from the structures in order to develop their activities; the areas of support could come in different forms, including:

- promoting the regularization of the informal sector of further processing of timber,
- support for business and managerial training,
- technological support, advice and training,
- provide advice in retooling and value addition processes,
- promote the use of LUS for primary and secondary wood processed products,
- harmonize and simplify nomenclature of African timber species, particularly for trade purposes,
- support research into and the publication of the physical and aesthetic properties of African TTPs,
- dissemination of intelligence on national, regional and international markets,
- technology transfers,
- support to the research and development, design and creation of new products,
- support the opening up of new markets.
- promotion of accessible financing options for the SME and SMI, including assistance to the formulation and submission of credit applications,
- linkages and promotional activities among potential buyers-suppliers of primary and secondary timber processed products at sub-regional and regional level,
- conduct feasibility studies that can not be supported by the private sector alone, coordination between the Government and the Private Sector on policy making for the further processing of timber.

The implementation of this project will enhance the capability of the artisan, and SMEs/SMLs in Cameroon, Central African Republic, Gabon, Congo and DRC in adding value to their production, increase income, and generate employment. If these countries are benchmarked with some Western African countries, the benefit in terms of increase of revenue from processing logs to SPWPs can be as much as 550%, as explained in section 5.2.

In terms of employment generation in rural and urban areas, if the countries are benchmarking with Western Africa, additional 37,000 jobs can be created as estimated in the table below:

		Current total export value	Economic profit (increase in jobs)
Cameroon	Parquet and shaped wood	9,231,494	4,466
Gabon		382,433	4,845
Dem. Rep. of the Congo		8,674,291	
Congo		4,882,704	3,168
Central African Rep.		73,254	20,201
Ghana		10,576,289	
Cameroon	Builders' joinery and carpentry	713,501	3,012
Gabon		431,243	1,345
Dem. Rep. of the Congo		614,629	1,874
Congo		1,766,736	763
Central African Rep.			
Ghana		3,030,487	
Cameroon	Manufactured articles of wood	1,656,904	395
Gabon		20,817	720
Central African Rep.		1,079	2,804
Congo		706,580	473
Dem. Rep. of the Congo		82,544	2,820
Ghana		1,560,459	

The total export values of three different SPWPs in 2007 and economic profit indicator showing rough estimates for job increase in condition that benchmark country's (Ghana) SPWP production levels are met.

The economic profit indicator shows good potential for Gabon and Central African Republic to increase their SPWP production of Parquet and shaped wood. Cameroon shows potential to increase its production for Builders' joinery and carpentry of wood.

9. ENVIRONMENTAL ASPECTS

No adverse environmental aspects are expected from the project, on the contrary its implementation, along with the establishment of the associated FPT stakeholders support structures, will generate indirect positive environmental impacts can be expected at two levels:

- A better recovery rate of the forest resources being used and a reduction of wood wastes: in general terms, recovery rates increase when more raw material is processed locally;
- An expansion of the range of species traditionally processed by the first stage processing operators: in addition to the timber species traditionally destined for export markets, the range and volumes of timber species adapted to local markets and meeting the needs of FPT operators are to be increased; indirectly, the quantities of harvested timber per hectare significantly increased and the pressure on major commercial species is reduced.

10. INTELLECTUAL PROPERTY RIGHTS, PUBLICATIONS

ECCAS actively advocates free access to information on its endeavors. As such all publications and knowledge generated are by principle freely accessible to the public. ECCAS and ITTO will actively share the knowledge gained through this project on its website, and in the form of a specific publication on project lessons, duly acknowledging the contribution of the project partners as well as the financing by CFC, and co-financing by the project partners.

It is not expected that any Intellectual Property Rights issues would arise from this project. Should there be any Intellectual Property Rights derived from the project, CFC will be the owner of these property rights and have the right to make it publicly available.

11. COST AND FINANCING

Summary Cost Table by Component (000 USD)

CFC/ITTO/81

Operational supportive system for promoting the further processing of timber in five countries of the Congo Basin

Project Component	Total Cost	CFC Contribution
Component 1	885	645
Component 2	422	266
Component 3	231	147
Component 4	321	167
Total	1,859	1,225

Note: Contingencies at US\$28,000.00 are not included in this table

Summary Cost Table by Component by Year in USD

CFC/ITTO/81

Operational supportive system for promoting the further processing of timber in five countries of the Congo Basin

Component	PY 1	PY 2	PY 3	PY 4	Total Cost
Component 1	416,100	67,800	68,300	332,670	884,870
Component 2	-	355,080	67,330	-	422,410
Component 3	-	-	230,850	-	230,850
Component 4	75,080	92,662	70,921	82,921	321,584
<i>Sub-total</i>	<i>491,180</i>	<i>515,542</i>	<i>437,401</i>	<i>415,591</i>	<i>1,859,714</i>
Contingency	7,000	7,000	7,000	7,000	28,000
Total	498,180	522,542	444,401	422,591	1,887,714

Summary Project Cost by Category of Expenditure in USD

CFC/ITTO/81

Operational supportive system for promoting the further processing of timber in five countries of the Congo Basin

Category	Total Cost	CFC Contribution
I. Vehicles, machinery and equipment	252,000	108,000
II. Civil works	-	-
III. Materials and supplies	182,500	55,500
IV. Personnel	906,750	662,625
V. Technical assistance and consultancy	-	-
VI. Duty travel	151,380	115,380
VII. Dissemination and training	117,000	117,000
VIII. Operational cost	187,584	104,840
<i>PEA Sub-total</i>	<i>1,797,214</i>	<i>1,163,345</i>
IX. Supervision, monitoring and evaluation	62,000	62,000
X. Contingencies	28,000	28,000
Grand Total	1,887,714	1,253,345

Detailed Cost Table by Category and Item of Expenditure
CFC/ITTO/81

Operational supportive system for promoting the further processing of timber in five countries
of the Congo Basin

Category	Sub-category of expenditure	USD YEAR 1	USD YEAR 2	USD YEAR 3	USD YEAR 4	TOTAL COST	FINANCER
Vehicles, machinery and equipment		144,000	36,000	36,000	36,000	252,000	
	41. Vehicle	72,000	0	0	0	72,000	CFC
	42. Capital equipment	36,000	0	0	0	36,000	
	45. Office Space	36,000	36,000	36,000	36,000	144,000	ECCAS
Materials and supplies		48,000	54,000	45,000	36,000	183,000	CFC
	52. Fuels and lubricants	15,000	18,000	13,500	9,000	55,500	
	51. Office supplies	15,000	18,000	13,500	9,000	55,500	ECCAS
	53. Utilities	18,000	18,000	18,000	18,000	72,000	
Personnel		204,000	270,000	234,000	198,750	906,750	
	11. Regional Coordinator	36,000	36,000	27,000	18,000	117,000	
	12. National Coordinators	60,000	72,000	54,000	84,000	270,000	CFC
	13. National Experts						
	13.1 Expert in Further Processing	27,000	54,000	54,000	30,375	165,375	
	13.2 Expert in Marketing	18,000	36,000	36,000	20,250	110,250	
	13.2 Expert in Marketing	9,000	18,000	18,000	10,125	55,125	
	14. Secretary	36,000	36,000	27,000	18,000	117,000	ECCAS
Duty travel		38,100	41,880	39,480	31,920	151,380	
	31. Regional Travel	4,800	4,800	3,600	3,600	16,800	
	32. Regional DSA	4,800	4,800	4,800	4,800	19,200	CFC
	33. National transport costs	4,500	5,400	5,400	3,600	18,900	
	34. National DSA	14,400	17,280	17,280	11,520	60,480	
	31. Regional Travel	4,800	4,800	3,600	3,600	16,800	
	32. Regional DSA	4,800	4,800	4,800	4,800	19,200	ECCAS
Dissemination and training		0	39,000	30,000	40,000	117,000	
	21. Sub-contracting	0	39,000	30,000	40,000	109,000	CFC
	16. Fellowships and training	0	0	0	0	8,000	
Operational cost		49,080	51,662	44,921	41,920	187,584	
	61. Audit	3,000	3,000	3,000	3,000	12,000	CFC
	83. ITTO Programme Support Costs	24,840	25,622	21,086	21,292	92,840	
	71. Executing Agency Management Cost	21,240	23,040	20,835	17,629	82,744	ECCAS
PEA SUB-TOTAL		483,180	492,542	429,401	384,590	1,797,714	CFC
Supervision, monitoring, and evaluation		8,000	23,000	8,000	23,000	62,000	
	81. Monitoring and Review Costs	8,000	8,000	8,000	8,000	32,000	CFC
	82. Evaluation costs		15,000		15,000	30,000	
Contingencies		7,000	7,000	7,000	7,000	28,000	
	63. Contingencies	7,000	7,000	7,000	7,000	28,000	CFC
TOTAL		498,180	522,542	444,401	414,590	1,887,714	

Summary of Financing Plan by Component and Source
CFC/ITTO/81

Operational supportive system for promoting the further processing of timber in five countries
of the Congo Basin

Component	CFC	Counterpart Contribution	Total Cost
Component 1	645,445	239,425	884,870
Component 2	265,685	156,725	422,410
Component 3	147,375	83,475	230,850
Component 4	166,840	154,744	321,584
Total Financed	1,225,345	634,369	1,859,714
% financed	65.89%	34.11%	

Note: Contingencies at US\$28,000.00 are not included in this table

Detailed List of Inputs by Category of Expenditure and Financer
CFC/ITTO/81

Operational supportive system for promoting the further processing of timber in five countries of the Congo Basin

Component 1: Support system for stake-holders of the timber processing (...)							Year 1		Year 2		Year 3		Year 4		
	code	Oty	Section	nb	unit	Unit cost	Sub-total	CFC	Counterpart	CFC	Counterpart	CFC	Counterpart	CFC	Counterpart
activity 1.1 (validation of organizational set-up)	11	1	regional consultant / project coordinator	5	month	3,000	15,000	15,000							
activity 1.1 (validation of organizational set-up)	12	3	national consultants / project coordinator	4	month	2,000	24,000	24,000							
activity 1.1 (validation of organizational set-up)	14	3	secretary	3	month	1,000	9,000		9,000						
activity 1.1 (validation of organizational set-up)	31	3	regional travel	2	unit	400	2,400	1,200	1,200						
activity 1.1 (validation of organizational set-up)	32	6	regional DSA	4	day	100	2,400	1,200	1,200						
activity 1.1 (validation of organizational set-up)	33	1	national transport	3	unit	100	300	300							
activity 1.1 (validation of organizational set-up)	34	3	national DSA	4	day	80	960	960							
activity 1.1 (validation of organizational set-up)	45	3	office space	3	month	1,000	9,000		9,000						
activity 1.1 (validation of organizational set-up)	51	3	office supplies	1	month	500	1,500	1,500							
activity 1.1 (validation of organizational set-up)	52	3	fuel and lubricants	1	month	500	1,500	1,500							
activity 1.1 (validation of organizational set-up)	53	3	utilities	3	month	500	4,500		4,500						
Sub-total							70,560	44,160	26,400						
activity 1.2 (entry in operation of the support s)	11	1	regional consultant / project coordinator	7	month	3,000	21,000	21,000							
activity 1.2 (entry in operation of the support s)	12	3	national consultants / project coordinator	6	month	2,000	36,000	36,000							
activity 1.2 (entry in operation of the support s)	13	6	national experts (FTP and market)	6	month	1,500	54,000	45,000	9,000						
activity 1.2 (entry in operation of the support s)	14	3	secretary	9	month	1,000	27,000		27,000						
activity 1.2 (entry in operation of the support s)	31	9	regional travel	2	unit	400	7,200	3,600	3,600						
activity 1.2 (entry in operation of the support s)	32	18	regional DSA	4	day	100	7,200	3,600	3,600						
activity 1.2 (entry in operation of the support s)	33	14	national transport	3	unit	100	4,200	4,200							
activity 1.2 (entry in operation of the support s)	34	42	national DSA	4	day	80	13,440	13,440							
activity 1.2 (entry in operation of the support s)	41	3	vehicle	1	unit	24,000	72,000	72,000							
activity 1.2 (entry in operation of the support s)	42	3	capital equipment (computers, fax, printers, copy machines)	1	unit	12,000	36,000	36,000							
activity 1.2 (entry in operation of the support s)	45	3	office space	9	month	1,000	27,000		27,000						
activity 1.2 (entry in operation of the support s)	51	3	office supplies	9	month	500	13,500		13,500						
activity 1.2 (entry in operation of the support s)	52	3	fuel and lubricants	9	month	500	13,500	13,500							
activity 1.2 (entry in operation of the support s)	53	3	utilities	9	month	500	13,500		13,500						
Sub-total							345,540	248,340	97,200						
activity 1.3 (support system proves itself)	11	1	regional consultant / project coordinator	5	month	3,000	15,000					4,500		4,500	
activity 1.3 (support system proves itself)	12	3	national consultants / project coordinator	5	month	2,000	30,000					9,000		9,000	
activity 1.3 (support system proves itself)	13	6	national experts (FTP and market)	5	month	1,500	45,000			15,000			3,000	16,875	3,375
activity 1.3 (support system proves itself)	14	3	secretary	4	month	1,000	12,000								6,000
activity 1.3 (support system proves itself)	31	4	regional travel	2	unit	400	3,200					600	600	600	600
activity 1.3 (support system proves itself)	32	8	regional DSA	4	day	100	3,200					800	800	800	800
activity 1.3 (support system proves itself)	45	3	office space	4	month	1,000	12,000								12,000
activity 1.3 (support system proves itself)	51	3	office supplies	4	month	500	6,000								3,000
activity 1.3 (support system proves itself)	52	3	fuel and lubricants	4	month	500	6,000							3,000	
activity 1.3 (support system proves itself)	53	3	utilities	4	month	500	6,000								6,000
Sub-total							138,400	0	0	0	0	29,900	4,400	34,775	31,775
activity 1.4 (long term sustainability of the SS)	11	1	regional consultant / project coordinator	11	month	3,000	33,000			18,000		4,500		4,500	
activity 1.4 (long term sustainability of the SS)	12	3	national consultants / project coordinator	11	month	2,000	66,000			18,000		9,000		18,000	
activity 1.4 (long term sustainability of the SS)	13	6	national experts (FTP and market)	7	month	1,500	63,000			22,500	4,500	7,500	1,500	16,875	3,375
activity 1.4 (long term sustainability of the SS)	14	3	secretary	4	month	1,000	12,000								6,000
activity 1.4 (long term sustainability of the SS)	31	7	regional travel	2	unit	400	5,600			1,200	1,200	600	600	600	600
activity 1.4 (long term sustainability of the SS)	32	14	regional DSA	4	days	100	5,600			1,200	1,200	800	800	800	800
activity 1.4 (long term sustainability of the SS)	33	2	national transport	9	unit	100	1,800							1,800	
activity 1.4 (long term sustainability of the SS)	34	18	national DSA	4	days	80	5,760							5,760	
activity 1.4 (long term sustainability of the SS)	45	3	office space	4	month	1,000	12,000								12,000
activity 1.4 (long term sustainability of the SS)	51	3	office supplies	4	month	500	6,000								3,000
activity 1.4 (long term sustainability of the SS)	52	3	fuel and lubricants	4	month	500	6,000							3,000	
activity 1.4 (long term sustainability of the SS)	53	3	utilities	4	month	500	6,000								6,000
Sub-total							222,760	0	0	60,900	6,900	22,400	2,900	51,335	31,775
activity 1.5 (piloting the SS in Congo & DRC)	11	1	regional consultant / project coordinator	8	month	3,000	24,000					4,500		9,000	
activity 1.5 (piloting the SS in Congo & DRC)	12	5	national consultants / project coordinator	12	month	2,000	66,000							57,000	
activity 1.5 (piloting the SS in Congo & DRC)	13	6	national experts (FTP and market)	3	month	1,500	27,000							16,875	3,375
activity 1.5 (piloting the SS in Congo & DRC)	14	3	secretary	4	month	1,000	12,000								6,000
activity 1.5 (piloting the SS in Congo & DRC)	16	2	fellowships and training	1	unit	8,000	8,000							8,000	
activity 1.5 (piloting the SS in Congo & DRC)	21	4	subcontract	1	unit	10,000	40,000								
activity 1.5 (piloting the SS in Congo & DRC)	31	11	regional travel	2	unit	400	8,800					900	900	2,400	2,400
activity 1.5 (piloting the SS in Congo & DRC)	32	22	regional DSA	4	days	100	8,800			1,200	1,200			3,200	3,200
activity 1.5 (piloting the SS in Congo & DRC)	33	2	national travel	9	unit	100	1,800							1,800	
activity 1.5 (piloting the SS in Congo & DRC)	34	18	national DSA	4	days	80	5,760							5,760	
activity 1.5 (piloting the SS in Congo & DRC)	45	3	office space	4	month	1,000	12,000								12,000
activity 1.5 (piloting the SS in Congo & DRC)	51	3	office supplies	4	month	500	6,000								3,000
activity 1.5 (piloting the SS in Congo & DRC)	52	3	fuel and lubricants	4	month	500	6,000							3,000	
activity 1.5 (piloting the SS in Congo & DRC)	53	3	utilities	4	month	500	6,000								6,000
Sub-total							232,160	0	0	0	0	6,600	2,100	147,035	35,975
Total Component 1							884,869	292,500	123,600	60,900	6,900	58,900	9,400	233,145	99,525
							Total CFC	645,445							
							Total Counterpart	239,425							

Component 2: Baseline Study on the timber processing in the craft, semi-industrial (...)							Year 1		Year 2		Year 3		Year 4		
	code	Oty	Section	nb	unit	Unit cost	Sub-total	CFC	Counterpart	CFC	Counterpart	CFC	Counterpart	CFC	Counterpart
activity 2.1 (identification of stakeholders)	11	1	regional consultant / project coordinator	2	month	3,000	6,000			6,000					
activity 2.1 (identification of stakeholders)	12	3	national consultants / project coordinator	2	month	2,000	12,000			12,000					
activity 2.1 (identification of stakeholders)	13	6	national experts (FTP and market)	2	month	1,500	18,000			15,000	3,000				
activity 2.1 (identification of stakeholders)	14	3	secretary	3	month	1,000	9,000				9,000				
activity 2.1 (identification of stakeholders)	21	3	subcontract	1	unit	13,000	39,000			39,000					
activity 2.1 (identification of stakeholders)	31	2	regional travel	2	units	400	1,600			800	800				
activity 2.1 (identification of stakeholders)	32	4	regional DSA	4	days	100	1,600			800	800				
activity 2.1 (identification of stakeholders)	33	2	national travel	9	units	100	1,800			1,800					
activity 2.1 (identification of stakeholders)	34	18	national DSA	4	days	80	5,760			5,760					
activity 2.1 (identification of stakeholders)	45	3	office space	3	month	1,000	9,000				9,000				
activity 2.1 (identification of stakeholders)	51	3	office supplies	3	month	500	4,500				4,500				
activity 2.1 (identification of stakeholders)	52	3	fuel and lubricants	3	month	500	4,500			4,500					
activity 2.1 (identification of stakeholders)	53	3	utilities	3	month	500	4,500				4,500				
Sub-total							117,260	0	0	85,660	31,600	0	0	0	0
activity 2.2 (assessment of trade organizations)	11	1	regional consultant / project coordinator	1	month	3,000	3,000			3,000					
activity 2.2 (assessment of trade organizations)	12	3	national consultants / project coordinator	2	month	2,000	12,000			12,000					
activity 2.2 (assessment of trade organizations)	13	6	national experts (FTP and market)	2	month	1,500	18,000			15,000	3,000				
activity 2.2 (assessment of trade organizations)	14	3	secretary	3	month	1,000	9,000				9,000				
activity 2.2 (assessment of trade organizations)	31	2	regional travel	2	units	400	1,600			800	800				
activity 2.2 (assessment of trade organizations)	32	4	regional DSA	4	days	100	1,600			800	800				
activity 2.2 (assessment of trade organizations)	33	1	national travel	9	units	100	900			900					
activity 2.2 (assessment of trade organizations)	34	9	national DSA	4	days	80	2,880			2,880					
activity 2.2 (assessment of trade organizations)	45	3	office space	3	month	1,000	9,000				9,000				
activity 2.2 (assessment of trade organizations)	51	3	office supplies	3	month	500	4,500				4,500				
activity 2.2 (assessment of trade organizations)	52	3	fuel and lubricants	3	month	500	4,500			4,500					
activity 2.2 (assessment of trade organizations)	53	3	utilities	3	month	500	4,500				4,500				
Sub-total							71,480	0	0	39,880	31,600	0	0	0	0
activity 2.3 (assessment of availability of timber)	11	1	regional consultant / project coordinator	1	month	3,000	3,000			3,000					
activity 2.3 (assessment of availability of timber)	12	3	national consultants / project coordinator	3	month	2,000	18,000			18,000					
activity 2.3 (assessment of availability of timber)	13	6	national experts (FTP and market)	3	month	1,500	27,000			22,500	4,500				
activity 2.3 (assessment of availability of timber)	14	3	secretary	3	month	1,000	9,000				9,000				
activity 2.3 (assessment of availability of timber)	31	2	regional travel	2	units	400	1,600			800	800				
activity 2.3 (assessment of availability of timber)	32	4	regional DSA	4	days	100	1,600			800	800				
activity 2.3 (assessment of availability of timber)	33	2	national travel	9	units	100	1,800			1,800					
activity 2.3 (assessment of availability of timber)	34	18	national DSA	4	days	80	5,760			5,760					
activity 2.3 (assessment of availability of timber)	45	3	office space	3	month	1,000	9,000				9,000				
activity 2.3 (assessment of availability of timber)	51	3	office supplies	3	month	500	4,500				4,500				
activity 2.3 (assessment of availability of timber)	52	3	fuel and lubricants	3	month	500	4,500			4,500					
activity 2.3 (assessment of availability of timber)	53	3	utilities	3	month	500	4,500				4,500				
Sub-total							90,260	0	0	57,160	33,100	0	0	0	0
activity 2.4 (analysis of institutional, legal,...)	11	1	regional consultant / project coordinator	2	month	3,000	6,000			6,000					
activity 2.4 (analysis of institutional, legal,...)	12	3	national consultants / project coordinator	2	month	2,000	12,000			12,000					
activity 2.4 (analysis of institutional, legal,...)	13	6	national experts (FTP and market)	2	month	1,500	18,000			15,000	3,000				
activity 2.4 (analysis of institutional, legal,...)	14	3	secretary	3	month	1,000	9,000				9,000				
activity 2.4 (analysis of institutional, legal,...)	31	3	regional travel	2	units	400	2,400			1,200	1,200				
activity 2.4 (analysis of institutional, legal,...)	32	6	regional DSA	4	days	100	2,400			1,200	1,200				
activity 2.4 (analysis of institutional, legal,...)	33	1	national travel	9	units	100	900			900					
activity 2.4 (analysis of institutional, legal,...)	34	9	national DSA	4	days	80	2,880			2,880					
activity 2.4 (analysis of institutional, legal,...)	45	3	office space	3	month	1,000	9,000				9,000				
activity 2.4 (analysis of institutional, legal,...)	51	3	office supplies	3	month	500	4,500				4,500				
activity 2.4 (analysis of institutional, legal,...)	52	3	fuel and lubricants	3	month	500	4,500			4,500					
activity 2.4 (analysis of institutional, legal,...)	53	3	utilities	3	month	500	4,500				4,500				
Sub-total							76,080	0	0	43,680	32,400	0	0	0	0
activity 2.5 (SWOT analysis per country)	11	1	regional consultant / project coordinator	3	month	3,000	9,000				6,750				
activity 2.5 (SWOT analysis per country)	12	3	national consultants / project coordinator	2	month	2,000	12,000				9,000				
activity 2.5 (SWOT analysis per country)	13	6	national experts (FTP and market)	2	month	1,500	18,000				15,000	3,000			
activity 2.5 (SWOT analysis per country)	14	3	secretary	3	month	1,000	9,000					6,750			
activity 2.5 (SWOT analysis per country)	31	2	regional travel	2	units	400	1,600				600	600			
activity 2.5 (SWOT analysis per country)	32	4	regional DSA	4	days	100	1,600				800	800			
activity 2.5 (SWOT analysis per country)	33	1	national travel	9	units	100	900				900				
activity 2.5 (SWOT analysis per country)	34	9	national DSA	4	days	80	2,880				2,880				
activity 2.5 (SWOT analysis per country)	45	3	office space	3	month	1,000	9,000					9,000			
activity 2.5 (SWOT analysis per country)	51	3	office supplies	3	month	500	4,500					3,375			
activity 2.5 (SWOT analysis per country)	52	3	fuel and lubricants	3	month	500	4,500					3,375			
activity 2.5 (SWOT analysis per country)	53	3	utilities	3	month	500	4,500					4,500			
Sub-total							77,480	0	0	0	0	39,305	28,025	0	0
Total Component 2							422,410	0	0	226,380	128,700	39,305	28,025	0	0
Total CFC							265,685								
Total Counterpart							156,725								

Component 3: Action Plan to address the needs of the timber processing (...)								Year 1		Year 2		Year 3		Year 4	
	code	Qty	Section	nb	unit	Unit cost	Sub-total	CFC	Counterpart	CFC	Counterpart	CFC	Counterpart	CFC	Counterpart
activity 3.1 (identification of actual and planned)	11	1	regional consultant / project coordinator	1	month	3,000	3,000					2,250			
activity 3.1 (identification of actual and planned)	12	3	national consultants / project coordinator	1	month	2,000	6,000					4,500			
activity 3.1 (identification of actual and planned)	13	6	national experts (FTP and market)	3	month	1,500	27,000					22,500	4,500		
activity 3.1 (identification of actual and planned)	14	3	secretary	3	month	1,000	9,000						6,750		
activity 3.1 (identification of actual and planned)	31	2	regional travel	2	units	400	1,600					600	600		
activity 3.1 (identification of actual and planned)	32	4	regional DSA	4	days	100	1,600					800	800		
activity 3.1 (identification of actual and planned)	33	2	national travel	9	units	100	1,800					1,800			
activity 3.1 (identification of actual and planned)	34	18	national DSA	4	days	80	5,760					5,760			
activity 3.1 (identification of actual and planned)	45	3	office space	3	month	1,000	9,000						9,000		
activity 3.1 (identification of actual and planned)	51	3	office supplies	3	month	500	4,500						3,375		
activity 3.1 (identification of actual and planned)	52	3	fuel and lubricants	3	month	500	4,500					3,375			
activity 3.1 (identification of actual and planned)	53	3	utilities	3	month	500	4,500						4,500		
Sub-total							78,260	0	0	0	0	41,585	29,525	0	0
activity 3.2 (identification of training needs)	11	1	regional consultant / project coordinator	1	month	3,000	3,000					2,250			
activity 3.2 (identification of training needs)	12	3	national consultants / project coordinator	2	month	2,000	12,000					9,000			
activity 3.2 (identification of training needs)	13	6	national experts (FTP and market)	2	month	1,500	18,000					15,000	3,000		
activity 3.2 (identification of training needs)	14	3	secretary	3	month	1,000	9,000						6,750		
activity 3.2 (identification of training needs)	31	1	regional travel	2	units	400	800					300	300		
activity 3.2 (identification of training needs)	32	2	regional DSA	4	days	100	800					400	400		
activity 3.2 (identification of training needs)	33	2	national travel	9	units	100	1,800					1,800			
activity 3.2 (identification of training needs)	34	18	national DSA	4	days	80	5,760					5,760			
activity 3.2 (identification of training needs)	45	3	office space	3	month	1,000	9,000						9,000		
activity 3.2 (identification of training needs)	51	3	office supplies	3	month	500	4,500						3,375		
activity 3.2 (identification of training needs)	52	3	fuel and lubricants	3	month	500	4,500					3,375			
activity 3.2 (identification of training needs)	53	3	utilities	3	month	500	4,500						4,500		
Sub-total							73,660	0	0	0	0	37,885	27,325	0	0
activity 3.3 (analysis of the needs related to)	11	1	regional consultant / project coordinator	1	month	3,000	3,000					2,250			
activity 3.3 (analysis of the needs related to)	12	3	national consultants / project coordinator	3	month	2,000	18,000					13,500			
activity 3.3 (analysis of the needs related to)	13	6	national experts (FTP and market)	2	month	1,500	18,000					15,000	3,000		
activity 3.3 (analysis of the needs related to)	14	3	secretary	3	month	1,000	9,000						6,750		
activity 3.3 (analysis of the needs related to)	21	3	subcontract	1	unit	10,000	30,000					30,000			
activity 3.3 (analysis of the needs related to)	33	1	national travel	9	units	100	900					900			
activity 3.3 (analysis of the needs related to)	34	9	national DSA	4	days	80	2,880					2,880			
activity 3.3 (analysis of the needs related to)	45	3	office space	3	month	1,000	9,000						9,000		
activity 3.3 (analysis of the needs related to)	51	3	office supplies	3	month	500	4,500						3,375		
activity 3.3 (analysis of the needs related to)	52	3	fuel and lubricants	3	month	500	4,500					3,375			
activity 3.3 (analysis of the needs related to)	53	3	utilities	3	month	500	4,500						4,500		
Sub-total							104,280	0	0	0	0	67,905	26,625	0	0
Total Component 3							230,850	0	0	0	0	147,375	83,475	0	0
							Total CFC	147,375							
							Total Counterpart	83,475							

Component 4: Action Project Management	code	Qty	Section	nb	unit	Unit cost	Sub-total	Year 1		Year 2		Year 3		Year 4	
								CFC	Counterpart	CFC	Counterpart	CFC	Counterpart	CFC	Counterpart
project management	61	4	audit	1	report	3,000	12,000	3,000		3,000		3,000		3,000	
project management	81	4	monitoring and review cost	1	events	8,000	32,000	8,000		8,000		8,000		8,000	
project management	82	2	evaluation cost	1	events	15,000	30,000			15,000				15,000	
project management	83	4	programme support	1	units	n/a	92,840	24,840		25,622		21,086		21,292	
project management	15	3	accountant	48	month	500	72,000		18,000		18,000		18,000		18,000
project management	79	4	executing agency management cost	1	units	n/a	82,744		21,240		23,040		20,835		17,629
Sub-total							321,584	35,840	39,240	51,622	41,040	32,086	38,835	47,292	35,629
Total Component 4							321,584	35,840	39,240	51,622	41,040	32,086	38,835	47,292	35,629
							Total CFC	166,840							
							Total Counterpart	154,744							

12. WORK PLAN

Component 1. Support system for stakeholders of the timber processing industry established and operational.

Activities	Year 1				Year 2				Year 3				Year 4			
	Q-1	Q-2	Q-3	Q-4	Q-5	Q-6	Q-7	Q-8	Q-9	Q-10	Q-11	Q-12	Q-13	Q-14	Q-15	Q-16
1.1 Validation of the organizational model (...)																
1.2 Entry in operation of the support system																
1.3 The support system proves itself (...)																
1.4 Long term sustainability of the Support System																
1.6 Piloting of Supportive System in Congo & DRC																

Component 2. Action Plan to address the needs of timber processing stakeholders identified along with the capabilities and resources required to meet them

Activities	Year 1				Year 2				Year 3				Year 4			
	Q-1	Q-2	Q-3	Q-4	Q-5	Q-6	Q-7	Q-8	Q-9	Q-10	Q-11	Q-12	Q-13	Q-14	Q-15	Q-16
2.1 Identification of stakeholders (...) products flow																
2.2 Assessment of trade organizations and (...)																
2.3 Assessment of quantitative and qualitative (...)																
2.4 Analysis of institutional, legal and fiscal (...)																
2.5 SWOT Analysis per country (...)																

Component 3. Baseline study on timber processing in the craft, semi-industrial and industrial sectors.

Activities	Year 1				Year 2				Year 3				Year 4			
	Q-1	Q-2	Q-3	Q-4	Q-5	Q-6	Q-7	Q-8	Q-9	Q-10	Q-11	Q-12	Q-13	Q-14	Q-15	Q-16
3.1 Identification of the various actual and planned (...)																
3.2 Identification of training needs among (...)																
3.3 Analysis of needs related to inputs, human (...)																

Component 4. Project Management

Activities	Year 1				Year 2				Year 3				Year 4			
	Q-1	Q-2	Q-3	Q-4	Q-5	Q-6	Q-7	Q-8	Q-9	Q-10	Q-11	Q-12	Q-13	Q-14	Q-15	Q-16
4.1 Selection of (...) consultants and personnel																
4.2 Inception meeting																
4.3 Prepare annual work plans and budgets																
4.4 Follow procurement procedures for capital (...)																
4.5 Establish project internal technical committee (...)																
4.6 Prepare biannual progress reports																
4.7 Establish PSC and annual meetings																
4.8 Organize mid-term review																
4.9 Organize final evaluation																
4.10 Organize Annual External Audit																
4.11 Prepare project completion report and (...)																
4.12 External supervision by CFC & ITTO																

13. MONITORING, SUPERVISION AND EVALUATION

13.1 Project Management

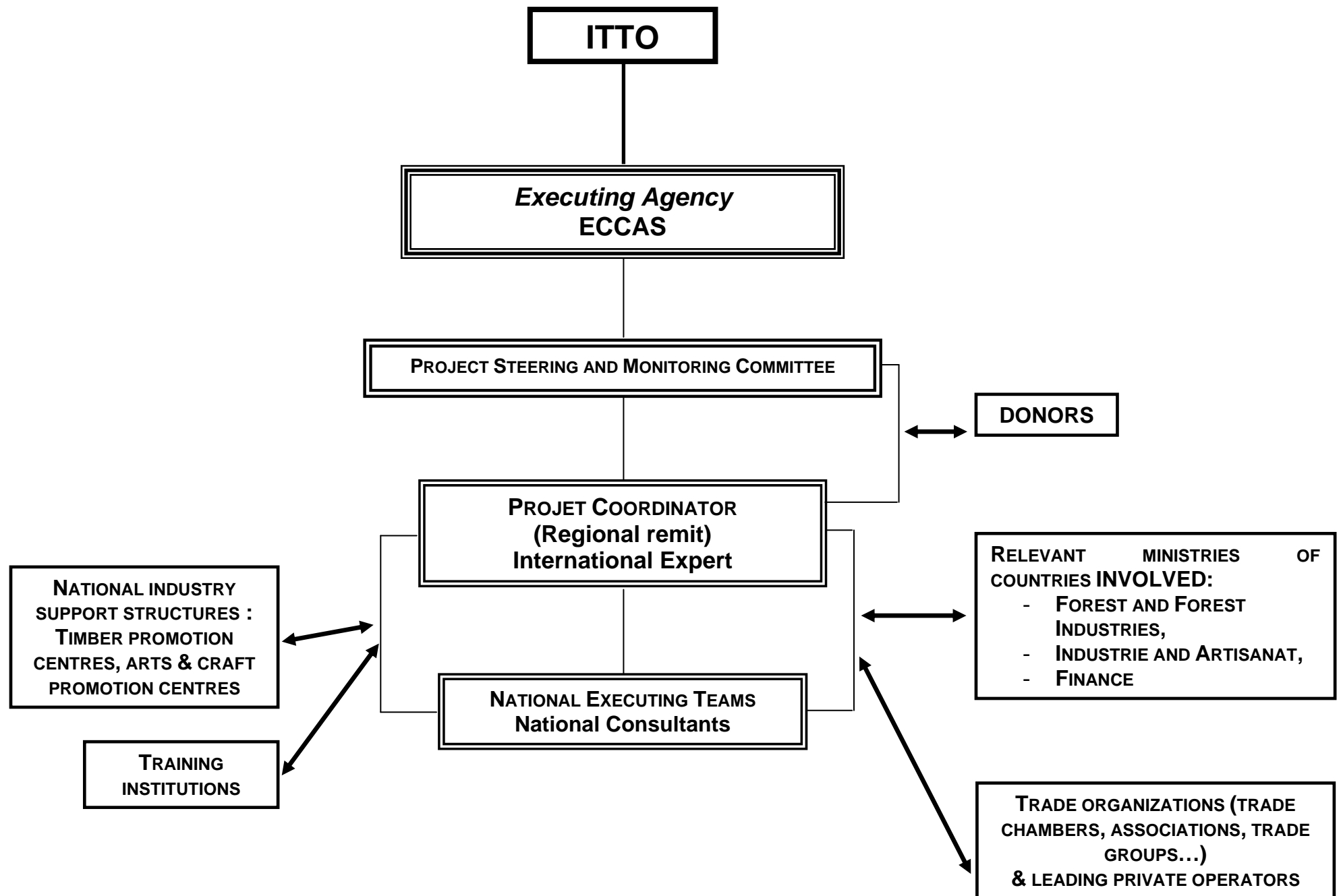
National project management teams will meet regularly, but at least every 3 months, to discuss progress and plan activities and review quarterly country reports. The national project management teams will consist of representatives of all those partners identified during the inception phase as direct project partners, which will at least include representatives of participating farmer organizations, private sector partners, research partners, national executing agency, and regularly, but not always, a representative of the PEA where deemed necessary.

The PEA will nominate a Project Coordinator, who will be responsible for the overall execution of all project activities according to the project document and subsequent work plans and budgets. Furthermore in each country a country coordinator will be assigned within the national executing agencies for day to day project management, seconded by project assistants. Within each participating organization, be it a farmer organization, research organization or private sector partner, a project officer will be assigned as the main responsible person representing the organization in the project, seconded by team members to be nominated by the organizations themselves.

The Project Coordinator will maintain close consultation with the local partners in the counties involved, for dissemination of information on project activities, organizing and implementing regular coordination and planning meetings and workshops and preparation of periodic technical and financial reports. The project coordinator will make regular follow up visits, at least 3 times a year, to each country, to assess the project progress, support the national coordinators and manage partnerships.

The PEA will submit to the Fund and Supervisory Body annual progress reports reflecting the progress made and constraints encountered, as well as a bi-annual financial report. A Mid Term Review of the project will be carried out no later than 27 months after project implementation. At the end of the project, the PEA will submit, to the Fund, through the Supervisory Body, a Project Completion Report (PCR). The PCR should provide a comprehensive account of the activities carried out, the outputs and results achieved, as well as an assessment of the overall impact of the Project with regard to its objectives. An evaluation of the Project will be conducted after project completion.

The Supervisory body will monitor the project in real-time through ITTO's online monitoring system.



13.2 Monitoring and Evaluation System

Project monitoring and evaluation will be organized according to the following procedure:

- a) Project progress reports will be submitted every six months. These reports will be prepared at least 4 weeks before the meetings of the Project Steering Committee and the monitoring visits, and no later than two months before ITTC sessions. The first report will be submitted no later than six month after project start.
- b) The Project completion report must be submitted within the three months following Project completion.
- c) Technical interim reports will be prepared and submitted when relevant technical reports will be available for each of the three outputs and associated activities. The preparation of these reports will comply with the principles set forth in the relevant ITTO Manual.
- d) Monitoring, Evaluation and Steering Committee: Monitoring and Evaluation will be directly coordinated in line with Steering Committee schedule.

A tentative schedule of these events can be proposed:

	<i>From Project Start</i>
1 st Progress Report	: 6th month
First Monitoring Mission / Steering Committee	: 14th month
2 nd and subsequent Progress Reports	: every 6 months
Steering Committee Meetings	: once a year

- e) Annual Audit Reports will be performed by external auditors appointed in consultation with ITTO. Annual Audit Reports will be submitted by 31 March of each calendar year.
- f) Final Audit Report covering the whole period of project execution will be submitted within four months following project completion.
- g) Evaluation: The project will be independently evaluated during the first quarter of 2nd and 4th year. The evaluation to be conducted at the end of Year 4 will focus on the establishment and entry in operation of the support units and will lead to the adjustment of the method of operation, organization and sustainability of these units.

13.3 Procurement, disbursements, accounts and audit

Disbursement against the purchase of equipment, materials, consultancy services, operating expenses costing USD 500 or more will be fully documented. Other expenses and expenditures will be disbursed against certified statements of expenditure (SOE). Documentation for withdrawals under SOE need not be forwarded to the CFC but will be maintained in a central location by the PEA and participating institutions for review during supervision missions and for authentication by the auditors.

Since the PEA and the beneficiaries will not be in a position to pre-finance expenditures eligible for CFC financing, Project Accounts will be opened by the PEA and beneficiaries in a bank approved by the CFC, and in convertible currency. All disbursement requests will be made by the PEA, irrespective of the Project Account. The PEA can request the CFC to transfer directly the required amount to the beneficiaries account. The CFC will make an initial deposit in an aggregate amount of USD 200,000 (initial Authorized Allocation), distributed between the PEA and beneficiaries, equivalent to an estimated six months' worth on initial expenditures eligible for the CFC's financing. The subsequent level of Authorized Allocation will be USD 200,000. The PEA shall submit a financial statement every 6 months seeking

reimbursements. Reimbursement can also be sought when the amount available against the Authorized Allocation falls below 25% of the Authorized Allocation. The Project Accounts will be replenished in accordance with the CFC's procedures for operating a Project Account.

The PEA and the beneficiaries will maintain independent and appropriate financial records and accounts in accordance with internationally acceptable accounting practices. All project accounts, including the Project Account, will be audited annually, unless otherwise agreed by the CFC, by independent auditors approved by ITTO and CFC. The audited accounts and the Auditor's report, including separate opinions on SOE and the utilization of the funds in the Project Account, will be submitted within three months after the end of the related project's fiscal year.

14. RISK ASSESSMENT

A number of risks may constitute as many hurdles for the smooth execution of the Project:

- Reluctance of a number of FPT stakeholders to provide information on their activities when these are informal or even illegal – illegal timber sources, unreported activities;

To address this risk: promote permanent dialogue and exchanges with these stakeholders (crucial role of national consultants whose work on the field are of crucial importance) ; give confidence to the stakeholders by demonstrating the value and desirability of this project, the benefits they could derive from it and the positive impact the project will have on their businesses and activities.

- Lack of commitment to cooperation from the part of existing structures;

To address this risk: as with the stakeholders of further processing, promote a dialogue and permanent exchanges with these structures through field-level work and involvement of national consultants; massively involve these structures in the conduct of project activities relevant to them; have them fully apprehend the reinvigorating perspectives when the project will be completed; show them that the entity to establish will work in total synergy with them. *It is important to notice that several stakeholders have already been consulted in order to favorably engaging them in the project activities, in addition ITTO is hosting a meeting towards a strategy to promote the forest industry development in the Congo Basin, from 21-22 September 2010 in Yaoundé, Cameroon in collaboration with IFIA and FAO National Forest Programme Facility, which will prepare the ground for early execution of this project proposal.*

- A real gap between the ostensible commitment to sustainable development policies consistent with COMIFAC's Convergence Plan ATO's Action Plan and actual practices;

To address this risk: fully involve all decision makers and other stakeholders by demonstrating to them the values and benefits to be generated by the Project in terms of job creation, generated income, wealth, at both local and regional levels; maintain permanent contacts with these decision makers and stakeholders and promote the information sharing process; involve them in the decisions linked to the implementation of the project strategy.

- Political instability of certain States in the Sub-region which had been affected by socio-political turmoil in recent years;

To address this risk – a very difficult one to control: keep monitoring the sociopolitical situation in the sub-region and prepare solutions to transfer or consolidate project facilities in case of brutal upheavals; avoid involving the project in too significantly unstable areas.

- Drift of purpose by the support structures in relation to their original missions.

To address this risk: establish an adequately structured system and governance mechanism wherein all tasks, actions and operations.

Under the Project, a series of measures have been planned to mitigate and control these risks.

ANNEX “A”

CFC/ITTO/81

Operational Supportive System for the Promotion of Further Processing of Timber in 5 Countries of the Congo Basin **List of Stakeholders Consulted**

Central African Republic:

- The Chamber of Trade, Industries, Mines and Art of Cameroon, based in Bangui.
- ITTO Focal Point:
M. Nambaï Rubens
Ministère des Eaux, Forêts, Chasse et Pêche, chargé de L'Environnement
B.P. 830 Bangui

Gabon:

- The Union of Industrial Timber Producers of Gabon, know as UFIGA for its initials in French www.ufiga.com.
- ITTO Focal Point:
S.E. M. Martin Mabala
Ministre de l'Economie Forestière, des Eaux, de la Pêche, chargé de
l'Environnement et de la Protection de la Nature
Ministère de l'Economie Forestière, des Eaux, de la Pêche, chargé de
l'Environnement et de la Protection de la Nature
B.P. 199 Libreville

Cameroon:

- The Wood Promotion Centre, which provides training in timber processing and lesser used timber species.
- The Wood Chain Cluster of Cameroon (Groupement de la Filière de Bois du Cameroon), based in Yaoundé:
President: Jean-Marie ASSENE NKOU
Delegate: Jacques DUPANLOUP
- The Union of National Forest Companies of Cameroon or 'SEFNA' –Syndicat des Exploitants Forestiers Nationaux du Cameroun-:
President: Roger NKODO
General Secretary: Thomas NDOUMOU
- The National Association of Industries, Negotiators and Processors of Timber of Cameroon: -Association Nationale des Exploitants Négociants et transformateurs de Bois du Cameroun-, based in Douala:
President: Zacharie WANDJA.
- The Union of Industrial Operators and Exporters of Special Products / 'S.T.I.E.P.F.S - Syndicat des Exploitants – Transformateurs – Industriels – Exportateurs des Produits Forestiers Spéciaux du Cameroun':
President : Jules NDOUGA
- Union Camerounaise de l'Artisanat et des PME (UCAPME), which is based under the Trade Promotion Direction in Yaoundé (National Artisans Union of Cameroon).
- Other institutions that provide support of the artisans and SME, listed as follows:
 - From the Dutch Cooperation
Director: Eustache AWONO ONANA
 - Italian NGO: 'Demain la Vie'
Directed by: Christian NJILOU NTIECHE

- Ministry of Water and Forest:
Focal Point of CEEAC:
Mr. EBIA NDONGO Samuel; Focal Point of CEEAC (as well Focal Point for the Voluntary Partnership Agreements for FLEGT- Forest Legality, Governance and Trade- with the European Union, and also Focal Point for the UNFF –United Nations Forum on Forest-).
- ITTO Focal Point:
S.E. M. Elvis Ngolle Ngolle
Ministre des forêts et de la Faune
Ministère des forêts et de la Faune
Yaoundé

Republic of Congo:

- L'Union Patronale et Interprofessionnelle du Congo (UNICONGO), which works by committees;
- Ministry of the Forest Economy:
Mr. Donatien NZALA, Focal Point of CEEAC and ITTO (General Director of Forest Economy);

DRC:

- The Federation of Wood Industries, based in Kinshasa.
- ITTO Focal Point:
M. Germain Zasy Ngisako
Conseiller Technique / Forêts
Ministère de l'Environnement, Conservation de la Nature, et Tourisme
B. P. 12348
Kinshasa/Gombe

Others:

- The Congo Basin Forest Fund (CBFF):
Madame Clotilde MOLLO NGOMBA
Coordinator Congo Basin Forest Fund
Agriculture and Agro-Industry Department (OSAN)
African Development Bank
POB 323-1002 Tunis-Belvedere, Tunisia
Tel: (216) 7110 3219
e-mail: C.ngomba@afdb.org
- United Nations Industrial Development Organization (UNIDO):
Mr. Juergen Hierold, J.Hierold@unido.org

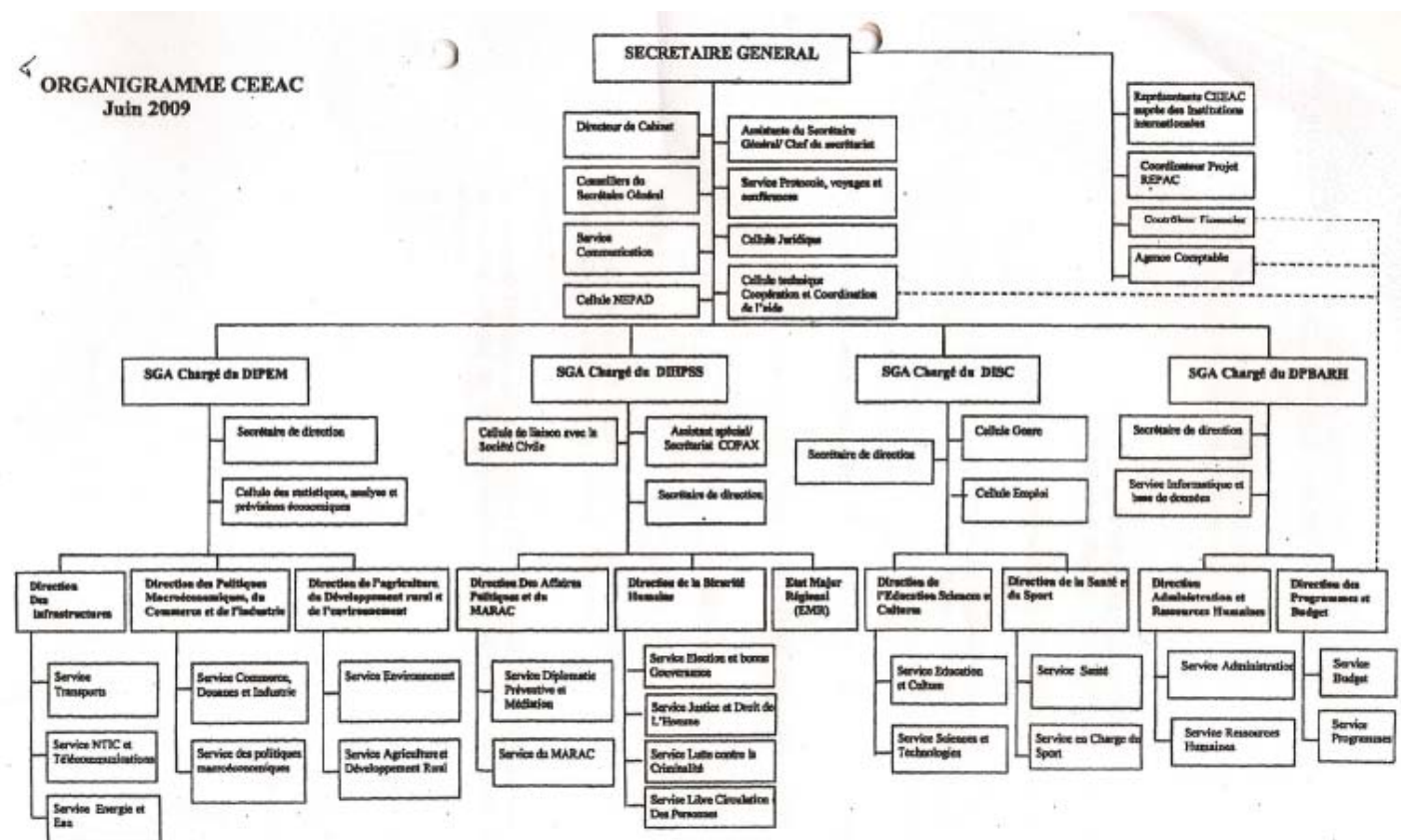
ANNEX “B”

CFC/ITTO/81

Operational Supportive System for the Promotion of Further Processing of Timber in 5 Countries of the Congo

Basin

Structure of the Project Executive Agency ECCAS



ANNEX “C”

CFC/ITTO/81

Operational Supportive System for the Promotion of Further Processing of Timber in 5 Countries of the Congo Basin **Oral Comments Presented by ITTO representative at the 46th meeting of the CFC Consultative Committee**

1.- The project has provided some information on the current situation of the existing supportive systems in the target countries:

- *There is little information, because there are very few supportive systems for the timber sector in the target countries, and in most of the cases forestry is not the only focus of their activities. Also these supportive systems lack use of available technology to promote their services and disseminate their expertise.*
- *ITTO has worked in Africa for over 20 years and has good expertise and contacts at both government and private sector, this can be shown in the two latest ITTO publications on further processing and trade of timber in African countries (“Promoting intra-African markets for timber and timber products”, 2010 & “Promoting the further processing of Tropical Timber in Africa” 2004), where one can note that very few stakeholders’ associations or supportive system exist.*
- *ITTO has been working with IFIA (Inter-African Forest Industries Association) for many years, in activities promoting trade relations in the timber sector, including RACEWOOD. IFIA has representation through several members in the target countries and it has already been contacted to assist in the socializing and implementation of the project.*

2.- The possibility of co-financing from CBFF should be explored:

- *ITTO has been in contact with CBFF in order to establish working partnerships and also in order to request co-financing of this project proposal, however no concrete answer has been received so far.*
- *It is important to note that the main criterion for funding of CBFF is that the projects should have a direct impact in stopping deforestation and stock carbon. This project is focused on further processing of timber, therefore the impact it can have in stopping deforestation can be only indirect, thus not satisfying the criteria of the CBFF, which can be consulted at <http://www.cbf-fund.org/cn/proposals/criteria.php>*
- *A list of the type of projects that have received funding from CBFF is also attached in order to exemplify what it has been explained in the paragraph above, such list can also be downloaded at http://www.cbf-fund.org/site_assets/downloads/pdf/projects_receiving_funding.pdf*

3. Change of proposed PEA from ATO to ECCAS:

- *During the last year ATO has been facing financial constraints due to the arrears of its members, and therefore could not longer commit to the execution of the proposal. In addition ATO, was not able to increase its counterpart contribution in order to address the recommendations of the 45th CC.*
- *ECCAS has expressed its willingness to participate in the execution of the project, has provided inputs for its reformulation and has been able to increase the counterpart contribution in order to address the recommendations of the 45th CC. It is important to notice that the counterpart contribution has components in cash and in kind.*

ANNEX “D”

CFC/ITTO/81

Operational Supportive System for the Promotion of Further Processing of Timber in 5 Countries of the Congo

Basin

Comparative table on how recommendations of the 45th Consultative Committee were addressed

Point #	CC 45 th Recommendations	Response (references to the project document)
a	<p>GENERAL RECOMMENDATION</p> <p>The Committee agreed that, in principle, the introduction of a support system for the stakeholders of timber processing would be a valid approach to contribute to further processing and value addition of timber in the Congo Basin area. However, it was felt that a number of important issues have not been satisfactorily addressed in the project document, namely:</p> <ul style="list-style-type: none"> - little attention had been given to the participation of existing timber sector stakeholders' associations in the proposed support system. Given the traditional importance of such bodies in the region, the project would benefit greatly from involving them in its intended support system. The benefits would include greater effectiveness, social acceptability and sustainability of the support system; - the possibility of cofinancing from CBFF should be explored. From the project document it would appear that the project would be eligible for such cofinancing; however, the project envisioned the CFC as the main financier without a contribution from CBFF. <p>The Committee agreed that the issues identified above would need to be addressed satisfactorily. The Committee recognized the importance of establishing a support system. The project may be reformulated focussing on Component 3. The project should elaborate on the support structure including identification of its stakeholders, the tasks to be performed and the governing structure. The Components 1 and 2 would be integral to the tasks to be performed by the support structures. For reformulation of the project document the resources of the Project Preparation Facility (PPF) could be used. The Committee agreed to consider a reformulated project proposal in one of its future sessions.</p>	<p>GENERAL RESPONSE</p> <p>All comments of the Consultative Committee have been communicated to ITTO and all the issues raised by the Consultative Committee during its 45th session were addressed in the revised version. The project is now being reviewed for the second time during the current 46th session of the Consultative Committee. The project document was revised by ITTO and a more detailed workplan is being prepared by consultants recruited under CFC's Project Preparation Facility as suggested by CC 45. The proposal is a response to the specific African Timber Organization (ATO) Action Plan for further processing of timber in Central Africa and the regional convergence plan of the Central Africa Forests Commission (COMIFAC). The Economic Community of Central African States (ECCAS) is the proposed PEA.</p>
b	<p>Participation of existing timber sector stakeholders' associations in the proposed support system.</p>	<p>1) In CAR, there are a few companies already involved in first stage processing. These companies receive credits of the Central African Development Bank for acquisition of capital equipment. The Chamber of Trade, Industries, Mines and Art, based in Bangui promotes trade and provides general assistance to establish trade contacts.</p> <p>2) In Gabon there are several institutions with a broad mandate to provide support for further value addition processing activities:</p> <ul style="list-style-type: none"> - Gabonese Development Bank, - Agency for the Promotion of Private Investments (under the Ministry of Commerce), - Economic Expansion Funds (FODEX),

		<ul style="list-style-type: none"> - The Union of Industrial Timber Producers of Gabon, known as UFIGA for its initials in French which is also affiliated to the Inter-African Forest Industries Association (AITIBT) based in Paris, - The Chamber of Trade, Agriculture, Industry and Mines of Gabon, based in Libreville, - The National Agency for Promotion of SMEs/SMIs (PROMOGABON), based in Libreville. <p>3) Cameroon has established the Wood Promotion Centre, which provides training in timber processing and lesser used timber species not only to Cameroonians but also to nationals of other countries in the region.</p> <ul style="list-style-type: none"> - The Wood Chain Cluster of Cameroon (Groupement de la Filière de Bois du Cameroun), is based in Yaounde, and is affiliated to AITIBT - The Union of Industrial Operators and Exporters of Special Products, based in Douala, also belongs to AITIBT - There are a few institutions promoting trade such as: <ul style="list-style-type: none"> • Union camerounaise de l'artisanat et des PME (UCAPME), which is based under the Trade Promotion Direction in Yaounde, • Centre de Business International, also based in Yaounde, • Centre National de Promotions des Echanges, which belongs to the Division of Cooperation, also based in Yaounde, • The Chamber of Trade, Industries, Mines and Art of Cameroon, based in Douala. <p>4) In the Republic of Congo, there are a few institutions with a broad mandate supporting further processing activities in the forestry sector, these are:</p> <ul style="list-style-type: none"> - Programme Intégré de Relance Industriel (PIRI-CONGO), which is co-sponsored by UNIDO ; - L'Union Patronale et Interprofessionnelle du Congo (UNICONGO), which basically assists in the negotiation of collective business agreements. UNICONGO works with 11 Committees and Agroforestry is one of them; - The Federation of Forest Industries; - The Chamber of Commerce and Industries of Congo, which promotes economic relations between the enterprises in Congo with counterparts in France. The Chamber focuses on 11 economic sectors including the Forestry sector. <p>5) In the case of DRC there is a Federation of Wood Industries, based in Kinshasa, which also belongs to AITIBT. In addition there are a few institutions that promote trade and provide assistance to establish trade contacts including:</p> <ul style="list-style-type: none"> • The Confederation of SMEs of the DRC (COPEMECO), based in Kinshasa; • The Enterprise Federation of Congo (FEC), also based in Kinshasa; • The Section of Emerging Entrepreneurs of the Chamber of Commerce, based in Kinshasa.
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c	The possibility of co-financing from CBFF should be explored.	<p>CFC and ITTO have been in contact with CBFF in order to establish working partnerships and also in order to request co-financing of this project proposal, however no concrete answer has been received so far. This can be explained by the fact that there has not been a major call for proposals for CBFF funding in 2010. It is important to note that the main criterion for funding of CBFF is that the projects should have a direct impact in stopping deforestation and stocking of carbon. This CFC/ITTO project can contribute to both objectives but it should be mentioned that its main focus is on further processing and value addition for timber. The impact the project has on the stop on deforestation is not immediate. The current practice of exploitation of the forests by logging operations and transportation without any local value addition to the commodity is detrimental to the environment and economically not sustainable. In the 2011 funding submission to CBFF, CFC and ITTO will stress the contribution of value addition and forest industry management to forest conservation. The Secretariat is of the opinion that we have largely complied with the CC requirement to explore the possibility of co-financing from CBFF. The Secretariat also stresses that CBFF co-financing for this project is not a precondition for project approval. This project can be approved on a stand alone basis. CBFF co-financing would be welcome but if this CBFF fund would not be available, the CFC/ITTO project could start on its own.</p>
d	<p>The Committee recognized the importance of establishing a support system. The project may be reformulated focussing on Component 3. The project should elaborate on the support structure including identification of its stakeholders, the tasks to be performed and the governing structure. The Components 1 and 2 would be integral to the tasks to be performed by the support structures. For reformulation of the project document the resources of the Project Preparation Facility (PPF) could be used.</p>	<p>The project has three components and priority has been given to the previous component number 3 which is the setting-up of a functional supportive system. As a result the project has 3 technical components i.e.</p> <ol style="list-style-type: none"> 1. Setting-up of a light functional supportive system 2. Assess the growth potential of processes timber within the value chain (base line study) and 3. Action plan to match the need of the stakeholders with their growth potential <p>The fourth non-technical component refers to project management. The major recommendation of the 45th CC was that the project shall start with the previous activity 3, which has now become component 1: the set-up of a functional supportive system with a light structure that will determine the rest of the project activities and components. As this recommendation has been fully adopted in the revised project document it requires that the light structure is set up at the beginning of the project (resulting in an increase of the CFC budget since this activity initially was to be implemented in Year 4) and the structure will continue until the end of the CFC project and beyond. One may see that the budget earmarked for the supportive structure starts decreasing in the years 3 and 4 of the project. This budget reduction during the last two years of the project is deliberate in order to implement an exit strategy at the end of the project and demonstrate the sustainability of the support structures put in place by the project. A detailed workplan for the project is currently being prepared by two experts from the Interafrican Forest Industries Association (AITIBT). This organization is fully familiar with the existing forestry support structures in place and has a sound vision on the sustainable development potential of Forest industries in the Congo Basin region</p>

e.	The change of PEA	During the last year ATO has been facing financial constraints due to the arrears of its members, and informed ITTO that it was not in a position to execute the project. In addition ATO, was not able to increase its counterpart contribution in order to address some recommendations of the 45 th CC. ECCAS has expressed its willingness to participate in the execution of the project and has provided inputs for its reformulation. In addition ECCAS has been able to increase the counterpart contribution in order to address the recommendations of the 45 th CC. It is important to notice that the counterpart contribution has components in cash and in kind.
f.	Capacity statement of the new PEA	<p>The Economic Community of States of Central African States (ECCAS) will function as the Project Executing Agency (PEA). The mandate of ECCAS includes among others:</p> <ul style="list-style-type: none"> - harmonization of national policies in the fields of industry, natural resources, transport and communications, energy, agriculture, trade, monetary and finance, human resources, tourism, education and culture, science and technology; - the elimination between Member States, of customs duties and other taxes having equivalent effect to import and export of goods. <p>ECCAS main areas of activities are industry, transport and communications, agriculture, natural resources, trade, customs, monetary and financial issues, human resources, tourism, education, training, culture, science and technology and migration.</p> <p>Regarding the environment sector, ECCAS adopted a new environmental and resource management policy for Central Africa in 2007. The policy consists of twelve strategic thrusts which include sustainable forest resources management. ECCAS also set up a ministerial policy body, i.e. the Commission of Central African Forests (COMIFAC) to oversee forestry problems in the ECCAS region. The Secretariat of ECCAS has a unit specialized in Forestry, which will be the main focal point for the execution of the project. Former ATO staff members are currently employed in the ECCAS forestry and environment units.</p>
g.	Budget amendments	The original CC 45 total budget was USD 1,045,000 split in a CFC contribution of USD 929,000 (89%) and a counterpart contribution of USD 116,000 (11%). The revised total budget is USD 1,859,714 split in a CFC contribution of USD 1,225,000 (66%) and USD 634,369 (34%) counterpart contribution. The reasons for the overall increase in the CFC contribution are explained under d) above. The counterpart contributions have also increased as a result of the ECCAS contributions. The counterpart budget includes a cash contribution of USD 163,500 and a contribution in kind of USD 470,869.