

## THEMATIC PROGRAMME ON INDUSTRY DEVELOPMENT AND EFFICIENCY

### Programme Profile

#### **RATIONALE**

Tropical forest industries create value from the use of forest resources and can contribute to their sustainable management. The potential for revenue and employment can be increased by, for example, expanding production and exports of further-processed products. At the same time, where local processing capacities exceed the sustainable timber production potential of forests, unsustainable and illegal activities can occur. National legal and policy frameworks must consider the need for long-term sustainable industrial development.

Examples of problems in forest industries include structural deficiencies and managerial weaknesses. The latter is particularly common in small and medium-sized forest enterprises (SMFEs). Management systems in SMFEs may be inadequate for the effective planning and control of operations, posing difficulties for effective supply-chain management and product tracking. These enterprises may not have sufficient capacity to apply modern technology and management methods, which may be a barrier to integration with established supply chains. Access to financing (particularly for SMFEs) is often identified as an important constraint to sustainable tropical forest industry development. The situation is characterized as a vicious circle in which low profitability results in a lack of sufficient funds for the renewal of capital equipment, which further inhibits the profitability of the enterprise.

There are several underutilized opportunities for tropical forest resource-based industrial development, including growing product demand in emerging markets, new markets for secondary processed wood products, the expanded use of lesser-used species, new product and process innovations, and the commercialization of forest-based services. Many tropical countries need external support in order to make use of these opportunities with a view to increasing employment and revenue generation, thereby contributing to poverty reduction.

#### **GENERAL OBJECTIVE**

The general objective of this Thematic Programme would be to strengthen the capacity of tropical timber-producing countries to: (i) increase the production, further processing and trade of tropical timber and other forest products and services from sustainably managed and legally harvested forests; and (ii) improve efficiency in the processing and utilization of tropical timber and timber products and non-timber forest products (NTFPs).

#### **PROGRAMME STRATEGY**

The Thematic Programme would operate at three levels with the aim of enhancing sustainable forest industry development in ITTO producer member countries, with a particular emphasis on SMFEs.

At the enterprise level, the Programme would demonstrate and disseminate innovative approaches and technologies, support business development, and strengthen management and technical skills along the whole value chain in order to improve efficiency and value adding.

At the country level, the Programme would support the mainstreaming of innovations, improving policy and legal frameworks, the promotion of investment, and the strengthening of those institutions that serve industrial development.

At the regional/international level, the Programme would support the sharing of experiences, technology transfer and partnership-building.

Activities could be implemented through research and development, technology transfer and international cooperation. These could include:

support for industrial planning, investment promotion, business development and risk management; improved concession management;

development of efficient harvesting and processing technologies; the utilization of wood residues and wood wastes; the development of sustainable wood-based bioenergy production; the organization of commercial supply chains and producer networks and the strengthening of relevant stakeholder associations; and the improvement of managerial and technical skills in SMFEs through capacity-building, institutional strengthening, training and networking.

#### **ANTICIPATED OUTPUTS/OUTCOMES**

The intended outcomes of the Thematic Programme would be: (i) the increased supply and trade of forest industry products and services with higher value added; (ii) improved efficiency in the harvesting and processing of timber and NTFPs; (iii) reduced emissions from industrial operations; (iv) improved policies to promote investment, facilitate the development and transfer of technology; and (v) improved management capacity, particularly in SMFEs.

#### **POTENTIAL PARTNERS/COLLABORATING AGENCIES**

The Programme would be implemented in close cooperation with the ITTO Trade Advisory Group and Civil Society Advisory Group, relevant international and regional bodies, and national industry and trade associations.

#### **INDICATIVE BUDGET AND TIMEFRAME**

An indicative three-year budget for the Thematic Programme that would result in significant improvements in the three tropical regions is US\$10 million, most of which would be for pilot projects and other country-level activities, supported by relevant regional and international-level activities.

#### **POTENTIAL DONORS**