

1. General Description:

1.1 Project Title:

Incentivizing legality and sustainability in China's rosewood industry and supply chain

1.2 Submitting Country/ies:

China

1.3 Specific Location & Country/ies/regions/areas benefitting from the project:

China

1.4 Endorsement from ITTO Focal Point:

Letter of Endorsement by MOFCOM.pdf

1.5 Intended Project Duration (in months):

24

1.6 Indicative Budget (in US\$):

ITTO	150000
Counterpart	15000
Total	165000

1.7 Programme Line Focus (select 1):

Legal and Sustainable Supply Chains (LSSC)

1.8 Project Type (select up to 3):

Capacity Building/Training, Pilot/demonstration project, Innovation

1.9 Proposal Summary:

The demand for rosewood in China is driving ongoing declines in threatened populations. This project will embed practical guidelines and information specifically for rosewood importers, into innovative processes and tools, which TRAFFIC and industry partners are developing for the timber sector more broadly in China. This approach, particularly targeted to importers, will strengthen the business case for sustainability, provide skills and tools for due diligence, and build momentum for Chinese companies to use legal, traceable and sustainably sourced rosewood. TRAFFIC will leverage partnerships with timber industry associations and public sector bodies that regulate this trade, as the foundation for this project. The work will be informed by existing research into consumer behavior and interest in sustainable rosewood. We will: Enhance implementation of existing Codes of Conduct for timber of two major industry bodies, by providing specific, practical guidelines tailored to trade in rosewood species, and incorporate into training materials. Modify a smart phone app and Wood ID macroscopic anatomy tool (under development for public sector bodies such as customs officials) so that these can be used by private companies to strengthen their own understanding of legality frameworks across the supply chain and verify their timber. Leverage partnerships with industry associations, 'champion' companies, and TRAFFIC's pioneering behavior change expertise, to ensure uptake of the guidelines, app and Wood ID tool. Integrate auditing best-practice specifically for rosewood into a major industry push for improved auditing of timber companies. Strengthen TRAFFIC's upcoming training program for auditors of public procurement of timber, by adding modules tailored to rosewood purchasing. As a result, timber companies will not only be aware of the importance of sustainable purchasing, but have the practical tools and increased motivation to improve their procedures

2. Proponent Information:

2.1 Executing Agency Information:

Name of Agency/Organization/Institution:

TRAFFIC International

Name of main Contact Person:

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2.2 Type of Organization:

International Organization

2.3 Collaborating Agency/ies:**Name of Agency/Organization/Institution:**

China Timber & Wood Products Distribution Association, Research Institute of Wood Industry, Chinese Academy of Forestry

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2.4 Relevant experience of EA:

TRAFFIC's work on forest governance and timber trade, in China and globally, tackles legality and sustainability challenges in the supply chain through engagement and resources for industry and public agencies (e.g. training, manuals, codes of

conduct). Previous major timber projects include partnerships with ITTO, DFID, WCO and EU. TRAFFIC also draws on cross-cutting expertise in behavior change, data analysis, and tackling financial crime. TRAFFIC has operated in China for over 15 years.

3. Relevance:

3.1 Conformity with ITTO objectives (ITTA, 2006) and priorities (current SAP):

The project's work on better understanding among rosewood traders of the business case for sustainability (including consumer interest in sustainably sourced, traceable products), combined with practical means to increase sustainability and traceability (including technical guidelines to support legality, the Wood ID tool, app and auditing support), support the following ITTO objectives: (e) Promoting improved understanding of the structural conditions in international markets, including long-term trends in consumption and production, factors affecting market access, consumer preferences and prices, and conditions leading to prices which reflect the costs of sustainable forest management; (f) Promoting and supporting research and development with a view to improving forest management and efficiency of wood utilization and the competitiveness of wood products relative to other materials, as well as increasing the capacity to conserve and enhance other forest values in timber producing tropical forests; (k) Improving marketing and distribution of tropical timber and timber product exports from sustainably managed and legally harvested sources and which are legally traded, including promoting consumer awareness; The project contributes to the current SAP by promoting the understanding, role and implementation of corporate social responsibilities related to international trade in legal and sustainable rosewood timber for non-CITES and CITES provisions, in particular: Strategic Priority 2. Increase the contribution of tropical forests to national and local economies, including through international trade;

3.2 Relevance to the ITTO Programme Lines:

TRAFFIC's project focuses on ensuring sustainable supply chains for rosewood species. Major industry associations for China's timber industry are key partners, and the project draws on TRAFFIC's expertise in behavior change, to incentivize uptake of the proposed guidelines and tools, including Wood ID tool and app for improved traceability. All this helps maximize reach and impact, while securing excellent value for money. Our objectives particularly reflect and deliver on the two ITTO objectives

below, under ITTO Program line 1: Legal and Sustainable Supply Chains: Promote and strengthen networks and collaboration amongst consumers, producers, trade associations, traders, and civil society to help build legal and sustainable supply chains; and expand and diversify markets for tropical timber sourced from sustainably managed forests Identify and promote incentives throughout the tropical timber demand and supply chain to increase efforts to address sustainability, legality and traceability TRAFFIC will achieve this through existing relationships with timber associations in China, to strengthen and promote the use of codes of conduct, tools and incentives for them and their members, and develop initiatives rooted in behavior change theory to change practice at this crucial point of the supply chain. In addition, by providing rosewood trade information, and incentivizing sustainability, the project supports the following objectives (also ITTO Program Line 1): Improve market intelligence and information sharing on the international timber market and trade aimed at achieving greater transparency on market information and trends, including on the development of forest legality requirements in countries Raise awareness of critical role that sustainably managed tropical forests play in contributing to the three pillars of sustainability (economic, social and environmental), including the achievement of the SDGs and global forest related goals and commitments

3.3 Relevance to the Sustainable Development Goals (SDGs) and the Global Forest Goals (GFGs) and other forest related global agenda:

SDG 12. Responsible consumption and production. This project promotes sustainable use of rosewood products in China and raises technical capacity for this through training for legal and sustainable purchasing and auditing (12.2). This is mirrored by TRAFFIC's complementary work on disrupting and preventing illegal timber flows, and encouraging sustainable production in two major timber producers, Cameroon and Republic of Congo (12.1). Partnerships with industry associations with a total of 8,000+ members, and work on Codes of Conduct for timber trade, will encourage member companies to adopt sustainable practices and integrate sustainability information into reporting (12.6). UNSPF Global Forest Goals: GFG 2: Enhance forest-based economic, social and environmental benefits, including by improving the livelihoods of forest-dependent people; the project emphasizes sustainable purchasing, which will reinforce complementary work (through an upcoming five-year TRAFFIC project on timber supply chains) which directly supports the equitable, sustainable involvement of forest-dependent people in timber supply. GFG 3: Increase significantly the area of protected areas worldwide and other areas of sustainably managed forests, as well as the proportion of forest products from sustainably managed forests; seeks to increase the proportion of forest products from sustainably managed forests in supply chains. by incentivizing

due diligence and purchase of legal and sustainably managed forest products. GFG 6: Enhance cooperation, coordination, coherence and synergies on forest-related issues at all levels, including within the UN System and across Collaborative Partnership on Forests member organizations, as well as across sectors and relevant stakeholders; this project bridges the public and private sectors and increases traceability along the supply chain, for example the app will give the private sector ready access to information on legality across their supply chain.

3.4 Relevance to submitting country's policies:

In the 1980s and 1990s China became Party to CITES, the CBD, and ITTO, and joined IUCN. Its related national policies include the Regulations of the People's Republic of China on Wild Plants Protection (1996), the Regulations of the People's Republic of China on the Administration of Import and Export of Endangered Wild Animals and Plants (2006), its National Biodiversity Strategy and Action Plan (NBSAP) Chinese Strategy for Plant Conservation 2021–2030, and the List of China National Key Protected Wild Plants. The Forest Law of the People's Republic of China is the law with the most direct relevance to timber logging (second amendment promulgated 28th December 2019). This clarifies how different forest types can be used and stipulates requirements for legal harvesting, and strictly limits disturbance to nationally listed species. For imported rosewood, however, only the Regulations of the People's Republic of China on the Origin of Import and Export Goods (Origin Good Regulation) apply in addition to CITES. The Chinese Academy of Forestry developed the National Hongmu Standard in 2000 (revised in 2017) for national industry stakeholders. Also, a key policy of the NFGA and Ministry of Commerce in preventing illegal timber imports, is the voluntary Overseas Forest Sustainable Management and Utilization Guideline for Chinese Enterprises (2009): this was produced for Chinese businesses operating overseas and also impacts rosewood trade. For the domestic timber and wood market, public procurement plays key roles, including for green labelling guidance and certification schemes in China. On 29 December 2017, an updated public procurement policy included enhancing sustainable forest management and supply chain of custody requirements such as acquiring forest certifications – these strengthened requirements were influenced by TRAFFIC's work under the FGMC project (see 3.5), particularly the development of Green Public Procurement Auditing Guidelines.

3.5 Linkages to previous/ongoing ITTO and other projects/activities (if any):

This builds on TRAFFIC's EU-funded Champions of Change project in China 2018–2021 on the rosewood industry, supply chain and consumer behavior. TRAFFIC's

market and consumer research identified opportunities to encourage sustainable consumption and incentivize the industry to provide legal, sustainable products. It also identified potential messaging, tools to improve practice, and policy recommendations, e.g. for public procurement. The reports China's Rosewood Market Survey and Assessment Report, Policies on Rosewood in China and Rosewood Products and Consumption in China will be published shortly (available shortly). TRAFFIC's DFID-funded FGMC (Forest Governance, Market and Climate) project (2019–2021) on legality and sustainability of the timber supply chain from Central Africa to China and Vietnam provided resources such as a series of country-based handbooks for the Overseas Forest Sustainable Management and Utilization Guideline for Chinese Enterprises (in collaboration with CAF and African partners); industry training; timber auditing improvements; to promote legality. These two projects engaged CTWPDA in developing a Code of Practice, and a procurement code for sustainable timber imports which generated commitments from 13 leading companies. The proposed ITTO project builds on these achievements and initial improvement in awareness within industry, but focuses on securing improved industry practice, targeting behavior change activities and tools for traceability and sustainability specific to the rosewood industry. It will complement upcoming five-year secured funding to strengthen timber supply chains from Cameroon and Republic of Congo to China and Vietnam, bringing an enhanced focus on rosewood species traded to China, whether CITES-listed or non-CITES. We will adapt and promote a secured-funded Wood ID tool and app, tailoring this for rosewood and private sector, and integrate rosewood into secured-funded public sector procurement training.

4. Project synopsis:

4.1 Objectives (reflecting reference to elements within all ITTO Guidelines as applicable):

The following two project objectives closely reflect ITTO objectives under ITTO Program line 1: Legal and Sustainable Supply Chains. 1. Identify and promote incentives including using code of conduct, corporate social responsibility and behavior change science to support the efforts of China's rosewood industry to address sustainability, legality and traceability of rosewood supply chain. 2. Promote and strengthen the legal and sustainable rosewood supply chain networks and collaboration amongst China's rosewood industry businesses.

4.2 Key problem(s) to be addressed:

CITES Parties acknowledge that “rosewood timber species” is a common commercial name encompassing hundreds of species from around nine genera. In China, some rosewood species are used for traditional furnishing and carving, and included in China’s National Hongmu Standard, which refers to 29 species in five genera, with the required density, structure and color; some of these species are listed under CITES. China’s rosewood industry has developed rapidly since 2000: CTWPDA estimated its overall value to be CNY 176 billion (USD 24.6 billion) in 2020, compared to global tropical timber trade estimated at USD 66.9 billion. This has a detrimental effect on global rosewood populations. TRAFFIC’s research (see 3.5) found limited concern or planning for traceability, legality and sustainability across the supply chain. Lack of traceability and species identification disincentivize legality and open the door to fakes. Although awareness of the challenges has grown, companies are at a loss to know where to buy legal, sustainably sourced rosewood, especially species in demand. Many are ignorant of legality and traceability requirements along the supply chain, including national, regional and international policies, as well as voluntary verification schemes. There are challenges of enforcement against illegal rosewood imports. China Customs and the CITES Management Authority can only act on trade violations relating to CITES-listed species. Until national legislation is changed, the industry will need help to conduct due diligence and understand the business case for legality and sustainability of rosewood. TRAFFIC research in China showed that although 80% of rosewood consumers are aware that some products are from smuggled timber, 12% would remain “die-hard” buyers regardless of legal and environmental risks. However, over 60% would choose products with traceable and identified species quality control – providing a chance to incentivize improvements in the industry.

4.3 Main stakeholders and beneficiaries:

China Timber & Wood Products Distribution Association (CTWPDA) has 3,000 company members covering the entire supply chain, including rosewood companies. CTWPDA’s Hardwood Committee has over 60 leading tropical timber importers, providing an opportunity for direct, targeted influence. CTWPDA will influence members’ behavior by endorsing the ‘Code of practice on legality and sustainability for rosewood sourcing’ (which supports CTWPDA existing, high-level Code of Conduct for timber). This Code (hereafter Code of Practice for Rosewood) was developed with TRAFFIC but lacks technical guidelines for due diligence on legality and sustainability. Member companies will benefit from opportunities to enhance their CSR; mitigate legal and regulatory risks; and verify the legality of rosewood, through the adoption and implementation of guidelines, Wood ID tool and app. China

the adoption and implementation of guidelines, wood ID tool and app. China National Forest Products Industry Association (CNFPIA) is a national association,

backed by the NFGA, representing as many as 1200 members from timber production and processing. CNFPIA is one of the sponsors to develop/revise the National Hongmu Standard together with CAF. Based on studies and recommendations from the FGMC project, the proposed ITTO project could extend the impact and improve the industry's behavior codes especially on rosewood company practices in trade legality and sustainability. Chinese Academy of Forestry (CAF): Wood ID tool and app stakeholder, benefits from reference wood collections, wood identification devices / system, and capacity. China CITES Management Authority (CITES MA): benefits from increase in the number of rosewood trade companies that follow CITES regulations for CITES listed rosewood species. China General Customs Administration: benefits from risk analysis of trade routes and improved practice of importer companies. National Forest and Grassland Administration: benefits from advice on China's national regulations and standards.

4.4 Key activities:

1. Develop detailed technical guidelines for legality and sustainability for rosewood that are essential to support implementation of the current, CTWPDA 'Code of practice for rosewood' (developed under Champions of Change), and to incorporate CITES-level provisions and nationally relevant protection status for non-CITES rosewood species. Adapt these for training tools to assist industry in implementation.
2. Identify potential lead partners as 'champions' among rosewood actors in the supply chain in China in collaboration with CTWPDA, especially among the key importers.
3. Adapt the Wood ID timber species macroscopic anatomy identification tool and its associated smart phone app to private sector users in the rosewood industry in China (Wood ID uses state of the art deep learning; this and the app will be funded by TRAFFIC's upcoming project, but only for development and use by enforcement agencies and without targeting rosewood). Pilot and test this among champion companies.
4. Increase the number of Chinese rosewood importers who actively adopt and use the technical guidelines and Wood ID tool and app to mitigate their legal and regulatory risks, and trade in only legal and sustainable rosewood. TRAFFIC will design and run an initiative building on behavioral science to promote the guidelines, tool and app. TRAFFIC will develop the right messaging, communications materials and means of engagement, and will deliver the initiative through Champion companies; through CTWPDA to its members; and with CAF to CNFPIA and its members.
5. Support CTWPDA training events and online platforms to expand the use of CTWPDA legality and sustainability verification auditing framework to its rosewood industry members. This will drive robust, verifiable improved practices. in line with the CTWPDA Code of Conduct. and as one pathway

towards meeting the national-level green public procurement certification requirements.

4.5 Expected outcomes and impacts, including innovation/transformation:

1. Ten champion companies are using the technical guidelines and Wood ID tool and app and taking part in actively promoting these alongside major industry bodies, as requested/relevant. 2. The innovative Wood ID tool and app are available to private sector companies, with modified functionality to meet their needs, and promoted by stakeholders (CAF and associations) for ongoing use and sustainability beyond the grant period. (Baseline: the Wood ID and app will be developed for public sector users, without a specific rosewood focus.) The priority is for top 10 CITES listed rosewood species, followed by the top 10 non-CITES traded rosewood species. 3. Fifty private sector rosewood companies in China use the guidelines, app and tool to support their due diligence, timber verification and compliance with best practice codes and legislative frameworks, when purchasing imported rosewood timber of the priority species. Targeting importers will help create a critical mass of companies within the market influence to drive transformational change. (Baseline for 2020 is approx. 100 companies across the CTWDPA hardwood committee showing interest in adopting a Code of Practice for Rosewood Sourcing, but need practical guidelines to do so.) 4. Ten Chinese rosewood industry companies are being audited against the rosewood specific technical guidelines, to verify their compliance with the Code of Conduct for legal and sustainable business, and contributing to progress towards implementation of the national-level green public procurement certification requirements, for long-term transformation of the sector (baseline for 2020: 3 tropical hardwood companies are verified by the legality and sustainability verification auditing scheme for the CTWPDA Code of Conduct).

4.6 Existing funding for (related) initiative(s)/established contacts to potential donors:

TRAFFIC is currently finalizing a five-year funding agreement which will complement this ITTO proposal. The upcoming project will focus on: Outcome 1: Indigenous Peoples and Local Communities in a regional network, wood-based industry, and Chinese operators, increasingly place legal timber in the supply chain in Cameroon and Republic of Congo; Outcome 2: Private and public sector buyers in China and Vietnam increasingly comply with legislative frameworks for purchasing imported timber from Cameroon and Republic of Congo; and Outcome 3: Strengthened transparency and knowledge along the timber value chain, including for enforcement

agencies and through increased suspicious transaction reporting by financial institutions to law enforcement. This funding will develop the Wood ID tool, using timber species macroscopic anatomy identification, leveraging on state-of-the-art deep learning to be able to identify timber species in the field, and an app to link this to practical information on legality along the supply chain. However, the project will develop these tools for public sector users (e.g. customs, forest agencies, public procurement auditors), and lacks a specific focus on rosewood. The ITTO funding will create a vital opportunity to complement and build upon all the rosewood expertise and analysis from the Champions of Change project. As described in 3.5, this ITTO-funded work will also build on TRAFFIC's DFID-funded FGMC project to strengthen the legal supply chain for timber products from Congo basin to China, Vietnam and the EU, for example drawing on a Handbook for verifying timber legality for frontline customs, training modules for private sector, NGOs, forest-dependent communities on forest and timber legality along the supply chain, and outputs listed in b. below. Through these and other projects, TRAFFIC has a comprehensive understanding of the timber industry in China.

4.7 Any other information deemed necessary/important:

TRAFFIC brings leading expertise in behavior change. 'Behavior Change for Conservation' online course has been accessed >8,000 people and recommended by enforcement officials and those working on sustainable consumption/ production. TRAFFIC brings expertise in using behavioral science to combat corruption, shared via a webinar. TRAFFIC's analysis of Chinese rosewood consumers as part of Champions of Change (see 3.5) revealed that many are interested and open to guidance on how to identify legal and sustainably sourced rosewood. Among rosewood buyers about 88% are persuadable, hence a social and behavior change approach can be applied. Deterrents to purchasing rosewood products include concerns about fake products (21%), 87% of persuadable buyers claim to be influenced by legal risks, and 72% report they might reduce purchasing because of ecological concerns (Yang and Watson, in prep.). TRAFFIC already conducted a consumer behavior change campaign with WWF China to reduce consumer demand for rosewood products, however, the industry needs to be aware of the gap between their mode of practice and changing consumer expectations. Champions of Change developed the high-level Code of Practice for Rosewood Sourcing, a key input to the ITTO proposal. Key project inputs from the DFID FGMC work on timber trade more broadly (see 3.5) include: Legality training materials for customs in Cameroon, Republic of Congo, Vietnam and China to verify timber legality of exports and imports Collaboration with CTWPDA to develop a high-level Code of Conduct for legal timber imports An industry-level framework legal verification scheme to support auditing for CTWPDA. to meet their own standard set out in its Code of Conduct

Initial guidelines, piloted with auditors of the Ministry of Ecology and Environment-

China Environmental United Certification Center (MEE-CEC) in 2018, to implement the 'Verification Manual of China Environmental Labelling Certification on Wood Forest Products.

4.8 Risk mitigation measures:

Internal Project stakeholders do not engage proactively. TRAFFIC has already reached out and gained support for this and complementary projects, and will continue to work with influential bodies (the Government, and timber associations) for a common understanding of objectives, and troubleshoot issues as they arise. The project deliverables (guidelines, tools, etc.) will have limited use by the Chinese forestry sector. TRAFFIC has worked with CAF and industry stakeholders to ensure the project meets their needs. We will use innovative behavioral science to develop the right messaging and messengers to facilitate understanding and motivate adoption and implementation. Promoting legal trade risks may increase pressure on the species, and/or laundering of illegal rosewood. TRAFFIC is working on cracking down on illegal trade through other funded work. For example, to ensure that governments along the supply chain take enforcement actions against illegal harvesting and timber trade, TRAFFIC works closely with customs on capacity building and cross-border information sharing. TRAFFIC and China Customs co-developed a practical Customs Guideline highlighting timber and other endangered species, to be used as a textbook for frontline officers. TRAFFIC also works with major private sector stakeholders to tackle illegal trade; for example, helping courier/transportation companies to identify illegal products transported through their services, increasing the likelihood of interception. External COVID affects project communications and engagement. If necessary, TRAFFIC will increase use of virtual networking, discussions and tools, for project management (adaptive management, M&E) and implementation. COVID affects economies, business priorities (of survival over new and improved practice) and national enforcement capacity. The project can emphasize information sharing and networking during difficult periods, and will create tools and guidelines with ongoing value.

5. Indicative Budget (in US\$):

Indicative Budget (in US\$):

Description	ITTO	Counterpart	Total
Personnel	70468	0	70468
Sub-contracts	40000	10000	50000
Travel and DSA	17000	5000	22000
Capital Items	0	0	0
Consumables	0	0	0
Publication / Dissemination	6000	0	6000
Miscellaneous	16532	0	16532
Total	150000	15000	165000