

INTERNATIONAL TROPICAL TIMBER ORGANIZATION

DRAFT PROJECT DOCUMENT

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GOVERNMENT OF PANAMA

Duration

Field of Activity

FOREST INDUSTRY

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- NATIONAL INSTITUTE
FOR RENEWABLE NATURAL
RESOURCES (INRENARE)
- TROPICAL FOREST
ACTION PLAN FOR
CENTRAL AMERICA
(TFAP-CA)

Estimated Starting Date

SECOND SEMESTER 1992

Estimated Project Cost

\$ 30,000.00

Financing Sources and Amount

- ITTO Contribution

\$ 30,000.00

- Government of Panama

Signed

On behalf of ITTO-----
Date-----
On behalf of Government of Panama-----
Date

REPUBLIC OF PANAMA

NATIONAL INSTITUTE FOR RENEWABLE NATURAL RESOURCES (INRENARE)

PROJECT: FIRST TIMBER INDUSTRIALISTS MEETING IN CENTRAL AMERICA

(REQUEST FOR FINANCING)

IMPLEMENTING AGENCY:

The Coordinating Unit of the Tropical Forest Action Plan for Panama (TFAP - PAN), INRENARE, in cooperation with the Tropical Forest Action Plan for Central America (TFAP - CA).

BACKGROUND:

The Central American Region has over 13 million hectares of production forests, 21% of which are coniferous forests and the remainder are mixed broadleaved tropical forests. Industrial development based on these forests is particularly important from an economic and financial point of view.

The forest industry is based on utilization of available resources without taking into account the sustained yield of raw material producing forests, and a high percentage of industrial production is geared for export.

Total production of processed timber products in the region is 1.3 million cubic metres. However, 85% of all harvested timber is extracted for home use (e.g. fuelwood) and only 15% for industrial use. This situation has worsened in recent years. Industrial use has decreased by 38% and, on the other hand, the deforestation rate has increased to 400,000 hectares per year.

The forest industry in Central America mainly produces sawnwood (over 90%), followed by the production of wood-based panels. Costa Rica is the only country that produces processed pulp and paper locally (less than 4000t), mainly based on imported pulp and recycled fibre. Although these are the most significant timber products, there are other products which are very important for certain countries as is the case in Honduras where the extraction of resins (40,000 barrels /year), Liquidambar (167 barrels) and unbarked mangrove (128 t/year) generates net income and provides employment for more than 4000 rural families per year.

According to studies carried out in Costa Rica in 1984, the forest industry generates a value added of 67% of the Gross Product, and if this is extended to the forest industry of Central America as a whole, it represents a significant input for the Region.

Another forest sector survey has shown that each cubic meter of sawnwood generates 4 man/days of direct employment, while each cubic meter of timber boards generates 6 man/days. Assuming this trend remained constant throughout the region, the primary processing industry in Central America would have generated over 21,000 direct employment opportunities in 1984.

The secondary timber processing industry has important economic indicators in the region, particularly in Honduras, Costa Rica (furniture, carpentry and crafts) and Panama (furniture). In Honduras, the small-scale secondary processing industry generates over 1300 direct employment opportunities (63% family manpower) and a value added of 70% of total production value.

Despite these facts, Central America has not yet developed sustainable forest industries. Most of the existing industries have been located in major urban centres and have focused on commercial interests rather than resource management. With minimum investment, very little value has been added to the logs which are rescued from the massive deforestation of land as a result of slash-and-burn practices for farming.

In the last decade, the governments of the region have taken important initiatives in economic terms for the development of plantations and the promotion of individual plantations at the private level. However, the lack of a well managed market, erroneous policies, excessive regulation, badly organised environmental awareness campaigns, lack of sustained forest management models, low quality of products, and dwindling industrial activity have contributed to this incipient downward trend with the subsequent disappearance of forest industries and production forests.

On the other hand, action should be taken to improve the cash flow between forest landowners and intermediaries. Similarly, timber extraction from these plantations should be regulated and access to other markets for different species, sizes and qualities should be improved.

Central America has a unique mixture of coniferous and hardwood species which grow in a relatively moderate topography, near shipping centres. Investors have recognised the advantages of this proximity to major markets and the good conditions for tree growth, notably in the case of species such as teak, gmelina, and pine among others.

Despite the lack of a favourable policy environment for forest production, Costa Rica and Guatemala have attracted foreign investment, and in recent years, these countries have established a third of all private plantations in Central America.

Other important aspects that must be given special attention to ensure the future survival of forest resources and forest industries in Central America are the possibilities, opportunities and limitations of tropical forest management. This management must be considered in a wider context so as to include objectives, management types, and most importantly, different utilization alternatives. Forest management has traditionally been regarded as a process of total protection without any human or other intervention, resulting in the conservation of biodiversity, but providing no direct benefits for the social groups relying on the forest, which in turn leads to the conversion of forests for farming or industrial plantations, thus degrading forest biodiversity and affecting various social sectors.

As far as tropical timber marketing is concerned, barriers, bans and restrictions are all important factors in the development and management of natural resources and sustainable industrial activities in the region. These factors should not be overlooked in view of their significance for our region and the need to take action in this regard.

All the above issues, among others, justify the need to hold a timber industrialists meeting in Central America, so as to facilitate an exchange of opinions and contribute to the sustainable development of our regional resources.

DESCRIPTION OF THE MEETING

One of the priorities of the Tropical Forest Action Plan for Central America, through the individual National Tropical Forest Action Plans in each country, is to promote regional interaction between private sector timber industrialists in order to significantly contribute to the sustained development of tropical forests.

It is proposed that a meeting be held with five (5) participants from each country in the region, representing the primary industry, the secondary industry, the cellulose industry, the forest utilization sector and the government sector.

This meeting will be organised by INRENARE through the Coordination Unit of the Tropical Forest Action Plan for Panama, with the technical and logistic assistance of the Tropical Forest Action Plan for Central America (TFAP-CA) office.

This meeting would be a significant follow-up action to the regional effort carried out by TFAP-CA, which was tabled and discussed at the International Round Table held in September 1991 in Honduras. Furthermore, it will contribute to a more effective integration of the Panamanian forest industrial sector into the national and regional strategies to safeguard tropical forests.

GENERAL OBJECTIVE OF THE MEETING

1. To integrate timber industries in Central America so as to establish a Central American Timber Industrialists Network that will facilitate a horizontal exchange of experiences between the different countries in the fields of management, industrial technology, harvesting and other aspects related to productive forest activities.

SPECIFIC OBJECTIVES

- a) To develop a combined approach by Central American industrialists towards tropical timber trade, boycotts, barriers, bans and restrictions.
- b) To develop a combined approach towards international tropical timber markets.

- c) To consider an agreement aimed at improving access of regional forest products to Central American markets.
- d) To identify the professional expertise required by forest industries in Central America.
- e) To discuss the possibilities, opportunities and limitations of tropical forests.
- f) To report on the activities of the International Tropical Timber Organization.
- g) To review the projects proposed by TFAP-CA in the area of industrial development for the region and to analyse the inclusion of some feasible regional projects.

COVERAGE, VENUE AND DURATION

This event will have regional coverage and will attract the participation of representatives from Belize, Costa Rica, Guatemala, El Salvador, Nicaragua, Honduras and Panama.

The meeting will be held in Panama City under the coordination of INRENARE with the technical and logistic support of TFAP-CA.

The meeting will last for three days, including plenary sessions and workshops. It has been scheduled for the second semester of 1992.

REQUESTED BUDGET

DESCRIPTION	US\$
Air tickets (30 participants)	10,500
DSA for 3 days (meals, accommodation)	9,000
Cost of meeting facilities, hiring of equipment	5,000
Publication of documents (proceedings of the meeting)	4,000
Contingencies	1,500
TOTAL	30,000