

PROJECT COMPLETION REPORT

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

ITTO TFL-PD 017/09 Rev.2

**HOST GOVERNMENT:
The People's Republic of China**

**EXECUTING AGENCY:
Research Institute of Forestry Information and Policy, CAF**



INTERNATIONAL TROPICAL TIMBER ORGANIZATION

ITTO PROJECT

Title	EQUIPPING SMALL AND MEDIUM SIZED FORESTRY ENTERPRISES IN CHINA FOR PROCUREMENT OF TROPICAL TIMBER FROM LEGAL AND SUSTAINABLY MANAGED FOREST	
Serial Number	TFL-PD 017/09 Rev.2	
Committee	ECONOMIC INFORMATION AND MARKET INTELLIGENCE	
Submitted By	GOVERNMENT OF P.R.CHINA	
Original Language	ENGLISH	
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Duration	36 months	
Starting Date		
Proposed budget and other funding sources	Source	Contribution (in US\$)
	ITTO	322,056
	Government of P.R. China	112,820
	Industry association	70,160
	Total	505,036

Acronyms and abbreviations

CoC	Chain of Custody Certification
EA	executive Agency
EU	European Union
EUTR	European Union Timber Regulation
FAO	Food and Agriculture Organization
FPI	China Forest Products Indicators ?? Mechanism
ITTO	International Tropical Timber Organization
NGO	Non-Government Organization
R&D	Research and development
SMFEs	Small and Medium-scale Forestry Enterprises
SFA	Chinese State Forest Administration
US	United States

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Executive Summary

Re draft

http://www.chinafpi.org/cn/Enterprise.aspx?MC_ContentID=864

Dear Michael,

The data is gathered from our

website:http://www.chinafpi.org/cn/Entry.aspx?MP_ID=24,the member enterprises submitted every month 22nd-24th, we statistic it. after 33 month of the FPI index, fund it has certain regularity, we've made it into a report and based on it we have already a 2014 FPI report.

compare each years FPI index we can find some interesting thing and a story of the timber industry.

But I am afraid these are too detailed to be involved into the completion report. in March 23rd we will launch a FPI Wood Door index cooperate with Door Association in Guangdong.

If ever

1. Project identification

1.1 Context

i) Social, economic and environmental context

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

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

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

The Yangtze River Delta area was the pioneer of private economic development at the beginning of China's "Opening and Reformation" and remains the most active economic

area in China. Manufacturers in this area are opinion leaders in China and have a high level of manufacturing competitiveness in the domestic market .

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

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

ii) Project location and relevant national policies

This project was mainly implement in Shanghai , Huzhou City and Jiashan county, Zhejiang province and Zhangjiagang city, Jiangsu Province in China. China is in a critical transitional period and in the for forest sector it is experiencing a historic shift from a focus on timber production to ecological improvement. Forestry must now meet not only the diversified demand of social for timber and other wood products but also the need for ecological improvement and safeguarding national ecological security in China. Ecological demand has become a priority of society from forestry in China.

According to the State Forest Administration policies and measures in “The Tenth Five Plan in Forestry (2001~2005) and the 2010 Long-term Planning indicates that:

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

Compliance with a series of Actions of the Chinese government

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

a series of Actions of the Chinese government for SMEs is as following:

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

1.2 Origin and Problem

i) Origin

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

This proposal derived from the convergence of opinions of three entities; The Chinese Academy of Forestry (CAF), the Chinese State Forest Administration (SFA) and the Shanghai Timber Trade Association (STTA) and members. It also relied, in part, on the output of a survey of small and medium sized forest industries conducted by the CAF and FAO in 2008 and 2009 which revealed some interesting features:

- The government, through policy formulation, knowingly and unknowingly is impacting SMFEs but there is little information exchange between government agencies and departments and SMFEs ;
- The majority of the domestic SMFEs are not aware of and therefore do not appreciate issues on the sustainability of forest management and procurement of timber from legal and sustainably managed forest. Companies that had heard about forest certification did not know its significance. Some SMFEs who have developed international markets realized their need for certification but could not obtain certified raw materials.
- SMFEs' low level of management and technology, the low level of worker skill and a lack of staff training opportunities means that they are not well equipped to meet the challenges of procurement of timber from legal and sustainably managed forest.

- There is an absence of dedicated services for SMFEs to help them understand the importance of procurement of timber from legal and sustainably managed forest and understand the related policies and regulations. There are no institutions offering technical, advisory and training services with the aim of increasing the capacity and sustainability of the SMFEs.

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ii) Main problems addressed

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

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

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

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

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

All these issue result in the SMFEs having a poor understanding of procurement of timber from legal and sustainably managed forest issues or the risks to their markets from use of unsustainably harvested tropical timber.

In general, the main problems addressed by this project were as follows:

- Poor communications mechanism between government agencies and SMFEs
- Lack of sound policies related to improving SMFEs' contribution to sustainable forest management
- No effective mechanism for conveying Information and regulations about sustainable management of tropical forest to SMFEs
- Lack of reliable data on SMFEs Complexity of SMFEs leads to difficulty in analyzing SMFEs and weak policy suggestions
- Information and regulations on sustainable management of tropical forest have not been conveyed to SMFEs
- Lack of training opportunities on tropical timber procurement and trade issues
- Limited access to domestic and international market and technological information

2. Project Objectives and Implementation Strategy

i) Project objectives

The development objective of this project was to contribute to China's procurement, production and trade in legal and sustainably harvested tropical timber products in support of global sustainable tropical forest management

The specific objective of this project was to accomplish adoption of sustainable procurement and production of tropical timber products by SMFEs in the Shanghia, Huhou and Jiashan,Zhejiang province, and Zhangjiagang, Jiangsu area

ii) Implementation strategy

This project was aided by cooperation from the Shanghai Timber Trade Association, which represents one of the largest timber product production and distribution centres in China.

In order to get baseline information on the situation regarding procurement of tropical wood raw materials by the SMFEs in the survey area and an assessment of the status of management project, the first activity was a survey to provide baseline information on the situation regarding procurement of tropical wood raw materials by the SMFEs in the survey area and an assessment of the status of management capacity and production efficiency.

In order to acquire sufficient materials related to the situation of SMFEs with regards to the EU and US procurement policy, the project team closely collaborate with relevant industrial associations (such as China National Wood products Industry Association, China National Wood products Trading Association, Chinese Association of Timber Circulation, Chinese Association of Furniture) and General Administration of Customs (GAC, the major source of import and export statistical data). In addition, contacts and cooperation was established with the agencies of major producer and exporting countries represented in China (including embassies and trade promotion agencies) and with the industrial associations in China and overseas.

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

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

In all activities of the project a participatory and consultative approach was adopted with stakeholders to ensure generation of more practical and feasible outputs to meet the objectives.

iii) Assumptions and risks

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

During the discussions on the design of this project a solid relationship was established with the Shanghai Timber Trade Association which was enthusiastic about this project and agreed

to cooperate during project implementation. The Association has basic data on SMFEs in the project area and membership data facilitated sampling. However, since the number of SMFEs was high and time and money are both limited it was necessary to objectively decide on the participants so as to get the best results

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

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

3. Project Performance

On completion of this project, the following has been achieved in relation to the specific objective, planned outputs and related activities. No adjustment was made during the implementation of project activities and all outputs and activities were satisfactorily completed.

The results of the planned activities and outputs of the project were very effective in satisfying the specific objective as set in the project document, and also successful in being able to create awareness on the critical importance of procuring timber from legal and sustainably managed sources

The accomplishments in relation to planned elements of the project are:

(a) Specific objective

Specific objective	Performance
To accomplish adoption of sustainable procurement and production of tropical timber products by SMFEs in the Shanghai, Huzhou and JiaShan, Zhejiang province and Zhangjiagang,	Training provided to pilot enterprises Information related to procurement policy and sustainable forest management is being transferred to SMFEs periodically

Jiangsu area.	A platform for communication between SMFEs government, Association and research institute is operational
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(b) Outputs and related activities

Output 1.1 Publish and disseminate a report entitled ‘China’s tropical timber processing SMFEs’ and their opportunities for procurement of timber from legal and sustainably managed forest”

Activity	Planned	Implemented
1.1	Collect and review relevant materials.	Completed.
1.2	conduct mail or telephone survey to category SMFES and visits and investigate the main tropical processing enterprise in the project area	Completed. 133 SMFEs were surveyed in the Yangzi River Delta (Jiangsu, Zhejiang, Shanghai) to collect information on their situation regarding procurement of tropical timber from legal and sustainably managed forest.
1.3	Data analysis	Completed.
1.4	Composing report	Completed. The research report "China's tropical timber processing SMFEs' and their opportunities for procurement of timber from legal and sustainably managed forest" has been completed and disseminated.
1.5	Translation of Research Report	Completed.
1.6	Print and publish study report	Completed. The research report " China's tropical timber processing SMFEs' and their opportunities for procurement of timber from legal and sustainably managed forest" (published in Chinese and English)

Output 1.2 Output 2 Publish and disseminate a report entitled "Policy suggestions for promoting procurement of timber from legal and sustainably managed forest in SMFEs".

Activity	Planned	Implemented
2.1	Collect and review relevant materials.	Completed.
2.2	Survey both SMFEs and stakeholders	Completed. In order to collect information from stakeholders related to procurement policy.

2.3	Composing report	Completed.
2.4	Translation of Research Report 2	Completed.
2.5	Print and publish final report 2.(in both English and Chinese)	Completed.

Output 3 Publish and disseminate a journal “Market information, procurement of timber from legal and sustainably managed forest and technology for China’s SMFEs”

Activity	Planned	Implemented
3.1	Collect materials and arrange for papers	Completed.
3.2	Invite 8 special correspondents, with an employment term of <u>24</u> months.	Completed. Input provided by 8 industry expert from Chinese Forestry Industry Association,Guangdong Timber Association,Shanghai Timber Association,Suifenhe Forest Bureau,Zhejiang Flooring Association, Hu Zhou City Nanxun Timber Quality and Technical Bureau,China General Administration of Customs,
3.3	Edit and Translation	Completed.
3.4	Print, publish and distribute <u>3000 copies each issue.</u>	Completed. The magazine <i>China Timber published</i> by Shanghai Timber Association, issued every two month for 3000 copies has a Special Column for this project’s Output information since June. 2012

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

Activity	Planned	Implemented
4.1	Establish training group,	Completed.

	confirm training plan	
4.2	One-to-one Certification Coaching for 2 SMFEs(including Consultation and Training on CoC)	Completed. Two Flooring SMFEs have been coached by consultants and trained on CoC
4.3	Training courses for representatives of SMFEs	Completed..tTo training courses each for 40 representatives of SMFEs were conducted.

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

Activity	Planned	Implemented
5.1	Conference Preparation	Completed.
5.2	Invitation of International Representatives	Completed. 4 experts one each fromGhana, Malaysia, EU, andJapan were invited to speak at the workshop.
5.3	Invite Chinese participants	Completed. More than 120 participants attended the workshop
5.4	Hold a workshop	Completed. The international workshop was held in Shanghai on October 23-24 of 2013
5.5	Publish and disseminate workshop proceedings	Completed. The proceedings have been printed and disseminated.

Output 6 “SMFEs-Government stakeholder sustainable procurement and production forum”

Activity	Planned	Implemented
6.1	Internet message invite contributions from stakeholders	Completed.
6.2	Collect and analyse information on legal and sustainable procurement and FLEGT.	Completed.
6.3	Information exchange and forum for communications	Completed. a government-enterprises information exchange 'platform' based on monthly data and information exchange which named as FPI was established in March 2012.since then,33 months of FPI index report were exchanged. Two government-enterprises dialogues were held.
6.4	Establish, maintain and update web site	Completed.
6.5	Equipment purchase	Completed. A Laptop a server and two voice recorders were purchased

Output 7 Increase operational capacity of the executing agency in SMFEs researching and servicing

Activity	Planned	Implemented
7.1	Establish means for coordination of the project	Completed.
7.2	International Consultant	Completed. An international consultant came to China 4 times to guide project implementation

(c) Schedule

Starting date: May 1st, 2011

Duration: 44 months (from May 2011 to December 2014, the last eight months are the added time)

(d) Total amount of expenditure

The total expenditure was US\$ 322,056 from the ITTO contribution. Overall project budget was spent as planned.

4. Project Outcome, Target Beneficiaries Involvement

i) The extent to which the project specific objective was achieved

The satisfactory achievement of the specific objective through the outputs and activities of this project have contributed significantly to the realization of the development objective.

The specific objective of this project was to accomplish adoption of sustainable procurement and production of tropical timber products by SMFEs in the Shanghai, Huhou and Jiashan, Zhejiang province, and Zhangjiagang, Jiangsu area.

The immediate beneficiaries of this project were:

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

Following an extensive survey of stakeholders a project research report analyzed the situation of SMFEs processing tropical timber in China with a focus on their understanding of issues related procurement of tropical timber from legal and sustainable sources. This report provided the foundation for follow-up activities including training, advice and information delivery to the SMFEs.

The research report is organized as follows:

Chapter 1 presents SUMMARY NEEDED

Chapter 2 etc.

In order to complete the research report, major project activities and outputs included data collection, survey SMFEs in project area ,analysis and preparation of interim reports,

This ITTO project has attracted considerable domestic and international attention. The Chinese and American governments invited project personnel to deliver presentations during the U.S.–China Strategic and Economic Dialogue held in 2014 in Beijing.

A significant output of this project is the establishment of the communication platform and the development of a Forest Products Index Mechanism (FPI). These elements of the project continue to be financially supported by the SFA.

The communication platform provides the opportunity and means for timber SMFEs and relevant government departments to communicate on policy and market developments. Currently there are over 1000 users who can access the site to obtain a wide range of market, trade and policy information.

The project initiated and continues to maintain a Forest Products Index Mechanism (FPI). Currently this focuses on the wood flooring sector but is being expanded to include plywood and furniture manufacturers. This index is built up from monthly inputs from a core of enterprises and allows for the establishment of an PMI index which reflects trends in production and trade. A core of 100 enterprises completes a monthly survey which provides sufficient data for the PMI index to be built up. This FPI is now utilized by government agencies to gauge trends in the sector.

ii) The existing situation

The situation after project completion is described below:

A research report entitled *China's tropical timber processing SMFEs' challenges and opportunities for procurement of timber from legal and sustainably managed forest* has been disseminated. This has been helpful for Chinese and foreign authorities, relevant industrial associations and groups and enterprises utilising tropical timber to have a better understanding of the salient issues and has helped the SMFEs understand the governments' intentions and efforts to support the trade in legally harvested and sustainably managed tropical forests

Through the conduct of the domestic investigations and the holding of stakeholder consultations, meetings, seminars and the international workshop the communication platform (FPI) has become well established and is generating an extensive exchange network of international forest product information.

The publishing of reference materials (analysis and investigation report as well as a newsletter) on the FPI website the project is enhancing stakeholders' understanding of the production, demand and trade situation in the markets for Chinese made tropical wood products and is generating new opportunities. This project has created a better understanding for achieving

the balance between supply and demand and sustainable cooperation between China and producing and consuming countries in respect of tropical timber. At the same time this project is also helpful for domestic tropical forest product producers and traders when they come to choose business partners and prepare marketing strategies.

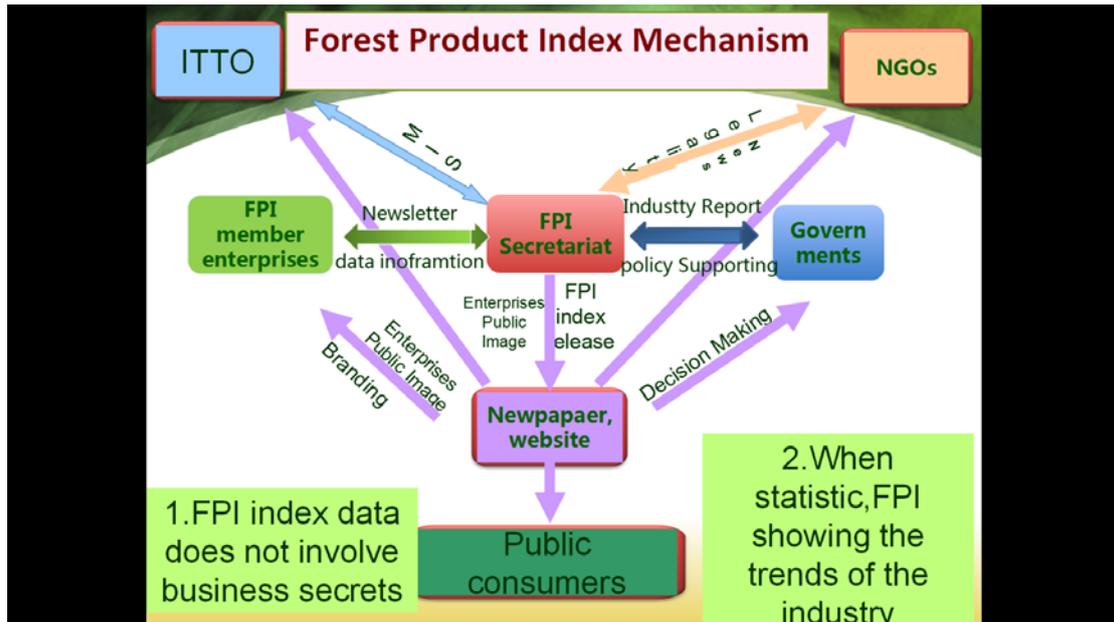
The continuation of activities started by the project is enhancing the resource and information base and the links between the wood products sector in China and in producer countries . Chinese manufacturers and traders at home and abroad now have a better understanding of the market situation for tropical wood products from the information delivered via the daily updated FPI public Wechat Account .

In addition, the EA established a close relationship with government agencies such as State Forestry Administration, Ministry of Commerce and the General Administration of Customs during implementing the project.

The Planning and Financial Departments of the SFA now pay attention to developments in the tropical wood product market and on related trade issues and have initiated further work through some new projects focusing on tropical timber trade. Some of this work has been allocated to the EA. In addition many industry and trade .Associations around China want to cooperate with the EA to tap into the information services arising from this project.

iii) The participation of target beneficiaries

Through this project the EA has, through the FPI, established an innovation network for consultation and dialogue on market trends as well as policy The information sharing network model illustrated below shows the flow of information



To begin the project the EA established a close relationship with and secured cooperation from several Chinese timber Associations. Following this 33 large enterprises were approached and their cooperation secured with the help of the Associations. Amongst this group are 5 public companies.

These enterprises committed themselves to social responsibility and these enterprises regularly submit PMI data to the FPI secretariat so an FPI index can be generated.

This index is sent back to the FPI enterprise and submitted to the SFA and Mofcom and made available on the internet with the names of these 33 enterprises. Currently, there are around 100 enterprises, more than 5 Associations and more than 3 research institute and universities participating in the information sharing system. And the FPI daily Wechat mobile Web has a registered readership of more than 1000 professionals.

During implementing the project, target beneficiaries and their participation was as follows:

- Government authorities, including State Forestry Administration, Ministry of Commerce and Customs etc., participated in activity 1.3, 1.6, 2.1, 2.2, 3.4, 4.3, 5.3, 5.4, 5.5 and 6.3.
- Related associations, including Chinese Forest Industry Association, National Timber Distribution Association etc., Shanghai Timber Trade Association, Zhejiang Flooring Association participated in activity 1.3, 1.6, 2.1, 2.2, 2.5, 3.2, 3.4, 4.3, 5.3, 5.4, 5.5 and 6.2, 6.3
- Tropical wood products SMFEs and enterprises participated in activity 1.2, 1.3, 1.6, 2.2, 2.5, 3.4, 4.3, 4.3, 5.3, 5.4, 5.5 and 6.3

- Tropical wood products traders, including domestic traders and some multinational corporations who are eager to access Chinese market participated in activity 3.4 and 6.3
- Large domestic forest products markets which play an important role in tropical wood products distribution participated in activity 3.4 and 6.3
- End consumers of tropical wood products participated in activity 6.3

iv) Project sustainability

The most exciting and important output of this project, Output 6, the SMFEs-Government stakeholder forum, is now being continued by the Research Institute of Forestry Policy and Information (RIFPI), of the Chinese academy of Forestry and the Center for International Forest Product Trade within the SFA. The SFA has allocated funds to the RIFPI which ensures the sustainability of the forum and its web based industry service.

The project team has close relationships with both domestic timber related associations and overseas timber related agencies as well as domestic enterprises and SMFEs. At the same time, the project team continues maintain the information exchange with stakeholders through the platform FPI wechat account so as to distribute updated international timber market information to domestic stakeholders, and gather SMFEs feedback and to communication between the SFA and related administrator.

In addition, the capacity of the ITTO supported Tropical Forest Product Information and Consultation Center of China has been further enhanced. Through the FPI platform the project has translated the ITTO Market Information Service Reports since the end of 2012 every month. This translated version is distributed to SMFEs in China every day through FPI wechat account. With this platform, project team's links with stakeholders becomes closer and closer. All these efforts have laid a good foundation for future follow- up research on market of tropical wood products in China.

5.Assessment and analysis

i) Project rationale and project identification process

When preparing the Project proposal the EA went through a very through process of literature search and surveys to gain insight into the important and relevant issues. At the same time the EA consulted different stakeholders to solicit their contributions to the proposal, including Forest Products Statistic Division of State Forestry Administration, Customs, National Timber Distribution Association, National Forest Industry Association, and

many enterprises. The rationale was well researched and project activities formulated with inputs from stakeholders. Some international organizations, such as FAO and TNC also contributed to the process.

ii) The results of the identification process

The conceptual foundation of the project was well thought out and found to be adequate for addressing the project rationale, perception of both internal and external influences and risks which were identified during the project formulation stage and appropriately documented in the logical framework matrix.

The roles and responsibilities of the executing agency, technical committee, consultants and other stakeholders were adequately and appropriately defined and this lent to the smooth execution of the project.

There was effective participation and inclusion of beneficiaries in the project implementation and this led to the success of the project and also facilitated more trust within the stakeholders group lending to greater understanding and agreement with the expectation of more support in the implementation of established national policies and practices

From the realized project performance and outcome, it can be seen that the Project was adequately designed through correct definition of problems, the accurate identification of project objectives, and the viable choice of implementation strategy. At the same time, the identification process was closely linked to different stakeholders, this ensured the project was able to create impacts to the right target beneficiaries.

iii) Critical differences

In the original work plan the implementation of this project was to have been completed in April 2014. While most of the project activities had been completed on time and successfully carried out there were some unexpected factors which affected implementation of activities related to Output 6 "Establish the SMFEs-Government stakeholder forum and structure the website with latest information" this caused a delay in completion of the project for 8 months hence the actual project duration was 44 months due to the following reasons:

Activity 6.1-6.4 of Output 6 aimed at establishing an internet message board with contributions from stakeholders, promoting information exchange and communications through forum, and collecting and updating information on sustainability and legality of timber. The success of this project was largely based on the implementation of this output as well as those activities. It was also closely relate to the issue of sustainability of this project after its completion;

During the implementation of this output, the information mechanism FPI was set up and the related website was established and periodically maintained and updated. However, the trend towards using mobile internet has infiltrated into commercial life and changed the communication pattern in China, particularly since the end of 2013;

The project team tried to incorporate the mobile internet into the activities into the project in order to maximize the coverage and impacts of the project output and enhance and insure the sustainability after the finish of the project. The extra work could be managed within the budget for these activities without any additional cost;

In April 2014, the FPI Wechat public account was launched in the mobile internet and was networked to the FPI website. Through the public account on the mobile internet, FPI data and information have been timely exchanged and widely spread and the impact is obviously increasing;

With a view to consolidating these achievements and maximize the project impact, there was a strong need for the project team to continue the implementation of these activities for a certain period of time within the existing budget and prepare the institutional and personnel arrangements for the sustainability after the completion of the project.

At the beginning the registered readership was just 20, but now there are more than 1000 registered professional readers of FPI mobile readers.

iv) Time and project inputs

The duration of this project there was extended at no cost to ITTO for 8 months. During the project implementation, executive agency gave great support on personnel and equipment, financial resources, data resource etc. Project team members were actively responsible in their roles and stakeholders actively contributed support to the project when necessary. The ITTO Project Manager and the international consultant also provided valuable comments and ideas during project implementation.

v) External influences, assumptions and risks

Because there are a large number of SMFEs in the proposed project area and because they are widely dispersed th the EA was required to secure cooperation from many manufacturing enterprises, the regional trade association and regional government officers. The Shanghai industry association, the SFA and the MOC were fully supportive of this project and their influence with the industry was invaluable in overcoming both minor technical and administrative hurdles faced during implementation.

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

There was little external influence that had impacted on the successful completion of this project except for the delay. The executive agency through projects in this field have established good working relationships with government organs (such as the Ministry of Commerce) and its commercial institutions abroad, the SFA, GAC and National Bureau of Statistics in order to collect materials.

In addition, Center for International Forest Product Trade of SFA which affiliated to the executive agency provides a broad platform for further cooperation with different stakeholders. All these can mitigate the risks of failure in collaboration with many domestic and international institutions.

Risk and mitigation

vi) Project beneficiaries

The following two tables show the main benefits which the project provided to direct and indirect beneficiaries.

The project's direct beneficiaries	Benefits from the project
China's policy making forestry and international authorities	Get references for making wood products market policies to achieve the balance between demand and supply
Domestic companies, enterprises and trading markets engaging in tropical forest product trade and operation	Get market information for making sound marketing strategies Select the right international partners and expand trade in wood products from sustainably managed sources
Domestic companies and enterprises engaging in tropical forest product production and processing	
International companies and enterprises engaging in tropical forest product trade	

with China	
International companies and enterprises engaging in tropical forest product production and processing	

The project's indirect beneficiaries	Benefits from the project
Domestic organizations of government and industry in charge of forest product production, trade, supply and circulation	
Consumers of tropical wood products	
Domestic research and teaching institutions	
Government agencies and industrial and trade organizations in China (eg. representative office) for ITTO member countries who engage in the trade of wood products with China	
Relevant international organizations such as ITTO, FAO, UNECE, WWF and WB	

vii) Project sustainability

On completion of project activities all stakeholders were of the opinion that the activities initiated should be continued. Several government authorities had express their interest in participating in the following activities since China plays an increasing important role in the global processing and trading chain of tropical wood products.

With the new trends of international trade of forest products, such as Lacey Act and EU timber regulation, Chinese forest industry faces severe challenges from export market. It is necessary to continue the research on forest products market to understand its changes and future trends. Considering that China has become the international center of manufacture, consumption and trade of wood products in the world, the in depth studies on Chinese SMEFs has contributed to the sustainable development of the global wood products market.

6. Lessons Learned

a) Project identification and design matters

This project was the first time the EA undertook such a meticulous investigation involving SMFEs and associated stakeholders to analyze the applicability of procurement policies and legality verification from the perspective of enterprises.

Until the initiation of this project China's SMFEs were continually associated with negative impressions and the difficulties they faced and the contribution they make to the economy was not appreciated. This conclusion was the basis for the project identification.

The design of the project was concluded after exhaustive consultations with stakeholders, especially the SMFEs in the target area. In terms of project design it is considered crucial that the project included a two way flow of benefits (to and from the SMFEs) and the training on timber legitimacy and third-party identification consultation for two pilot enterprises was an important element in this.

The initial survey of the SMFEs formed the basis for deciding the approach to be taken in reaching out to the SMFEs. In the future more time should be spent on questionnaire design and pre-survey test runs.

Furthermore, future investigations should be divided into several stages instead of being accomplished intensively within a short time. A phased approach would allow for the composition of the report and development of new or restructured questions.

It was found that it was necessary to conduct a complementary survey after the completion of the first round of investigations as new questions were identified on the basis of the conclusion of the first stage of investigation.

b) Operational matters

The EA for this project is a top research institute for the development of Chinese forestry policies and information and maintains long term cooperation with the government, enterprises, associations, research facilities, NGOs and identification agencies and has established an excellent reputation. Because of this during the project implementation the EA received good support and cooperation from the related parties and no negative operational issues were encountered.

7. Conclusions and Recommendations

i) Conclusions and recommendations

Identification

The current project continues to provide a new view to identify the difficulties and contributions of SMFEs and thereby open the way to finding solutions to the many problems faced by the sector. The outputs from this project have become a reference point for

government agencies and other stakeholders in their decision making and are considered a significant step forward for SMFEs in China. In light of this it is deemed that the process of project identification was satisfactory.

Design

While the overall project design was maintained there were elements that, on reflection needed more time, notably the SMFE survey. The need to conduct follow-up face-to-face interviews with participating SMFEs added a huge workload on the project staff.

Implementation

Project implementation proceeded smoothly with the contribution of stakeholders, the ITTO Project manager and the international consultant

Organization and management

The management of the project was undertaken by the CAF/XXX. The project steering committee comprised representatives from ZZZZZZZ.

Through the active participation of members of the steering committee and their efforts in relaying progress on the project to their constituent members had project implementation in the field progress smoothly.

ii) Comment on the potential for replication and/or for scaling up

This project is also a reference for the forest products related government agencies as well as various stakeholders in their decision making. It is considered a significant step forward for the SMFEs in China.

The survey for this project mainly focused on flooring and wood based panel enterprises located in Yangzi River Delta and furniture enterprises mainly in Pear River Delta, so this report reflects of the flooring sector situation. For the furniture sector another survey and study would need to be undertaken so as to make pertinent policy suggestions.

For future investigations new sites and additional sectors should be included. China is an intermediate link of the global forest supply chain. The research on the factors influencing Chinese forest products industry cannot be completed without investigation of the upstream and downstream flows. This study did not include investigations into upstream and downstream sectors. Thus no further understanding can be obtained on the upstream timber producing countries and the downstream product consumption countries.

The survey for this project mainly focused on flooring and wood based panel enterprises located in Yangzi River Delta and furniture enterprises mainly in Pear River Delta, so this report reflects of the flooring sector situation. For the furniture and plywood sectors another survey and study should be undertaken.

A huge information gap between the US and EU timber regulation demands and Chinese SMFEs' understanding and capability has been detected within the project participants, mainly on flooring and wood based panel companies.

The furniture enterprises are mainly distributed in the Pearl River Delta of China, and their numbers are much greater and they face a complicated multi-raw material supply chain which is very complicated. The situation of furniture SMFEs needs to be investigated to identify how furniture SMFEs can meet the US and EU timber regulations.

This project are mainly conducted before the EU timber regulation, a even strictly requirements on timber tracking regulation, comes into effect, the impact of the EU timber regulation on Chinese SMFEs was only detected after it come into force. It needs to be investigated to identify how and the effect degree the EU timber regulation influence Chinese SMFEs.

The ability of SMFEs to understand and adopt sustainable operations needs strengthening and would benefit from:

- Public information services on domestic and international forest products market and sustainable operations should be provided to SMFEs via public 'platforms'.
- The combination of production, study, research and application and cooperation between associations and research institutions should be supported. The output of work by institutions on market investigation and policy research should not be limited just providing reports, instead, they should find means to effectively deliver and operationalize such information for the SMFEs.
- A 'platform' for regular exchange of policy information should be permanently established to facilitate a two-way exchange of information between the decision making departments of government and SMFEs.

The difficulties and policy requests of SMFEs should be assessed regularly and policy information should be passed to SMFEs promptly

annex1 : project financeial statement

annex2: project cash flow statement

Person responsible for the report

Name: Luo Xinjian

Position held: Project coordinator

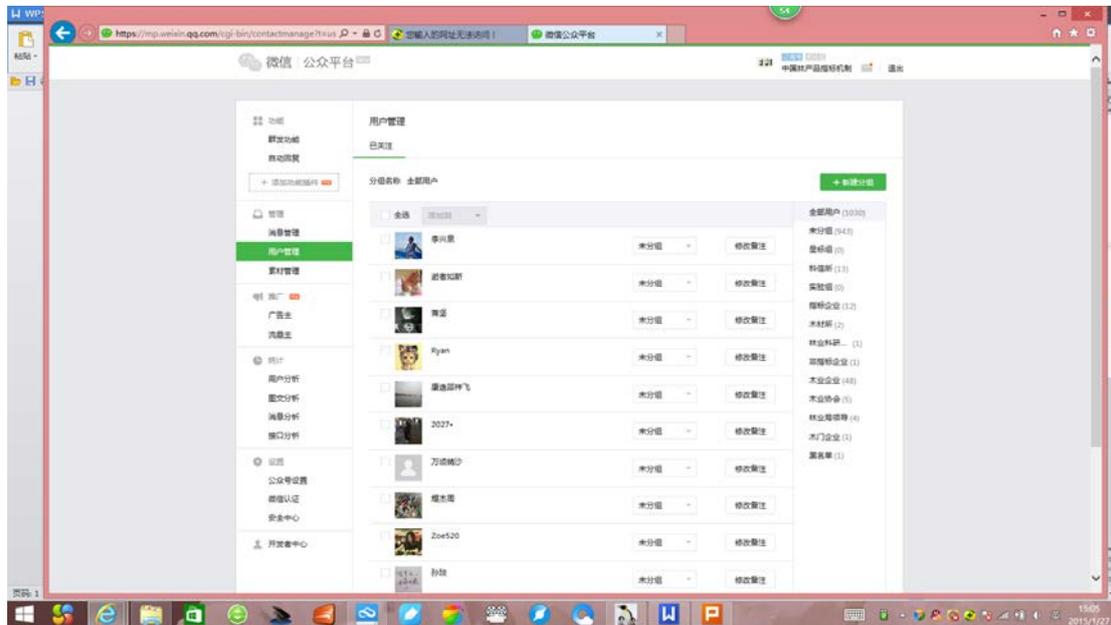
Date: Jan 31, 2015

ANNEX 1: Screenshot of the FPI website

The screenshot displays the FPI website interface. At the top, there is a navigation bar with the FPI logo, the website URL (www.ChinaFPI.org), and a search bar. Below the navigation bar is a main banner with a forest background and text in Chinese and English. The main content area is divided into several sections:

- 进出口TOP10量价走势 | Movements**: A line chart showing price trends for the top 10 import and export products from 2000 to 2012. The chart includes a legend for North America, Asia, and Europe.
- FPI活动公告 | Notice**: A list of recent news items, including "FPI获得国际热带..." and "罗信坚副主任兼秘书长在北林为研".
- FPI综合指数 | Composite Index**: A line chart showing the FPI30 index, FPI地板指数, and FPI地板指数报告 for April 2013. The chart includes a legend for FPI30, 全国PMI, and 美国PMI.
- 进出口企业排行榜 | List**: A list of top import and export companies, including "进口原木" and "出口硬木地板".
- ITTO全球林产品市场动态 | Dynamic**: A list of market dynamics, including "欧洲木材法规 (EUTR) 对欧盟联合板市" and "加蓬收回森林特许地".

ANNEX 2: Screenshot of the FPI Mobile web Wechat Account_Site Admin,the registered readers and the number



Screenshot of the FPI Mobile web Wechat Account_Site Admin. The information that FPI web distributr to the public daily.

WP... https://mp.weixin.qq.com/cgi-bin/appmsg?begin=2016... 微信 公众平台

中国林产品指标机制 退出

功能
群发功能
自动回复
+ 添加功能插件

管理
消息管理
用户管理
素材管理
推广
广告主
流量主
统计
用户分析

素材管理
图文消息 图片库 语音 视频

标题/作者

图文消息列表(共251个)

2014年12月31日
中/西非木材市场供求平衡

2014年12月30日
2014年10月中国林产品贸易分析

ITTO MIS原木最新价格
01月05日

加纳木材出口同比增长9%

2014年10月中国林产品进出口数据

15:30 2015/1/27