



International Tropical  
Timber Organization



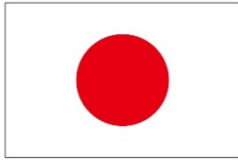
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Peuple japonais

PD 700/13 Rev.1 (I) : DEVELOPMENT OF INTRA-AFRICAN  
TRADE AND FURTHER PROCESSING IN TROPICAL  
TIMBER AND TIMBER PRODUCTS – PHASE I [STAGE 1]

## REPORT ON THE IMPLEMENTATION

A2.1, A2.2, A2.3, and





**de la part du  
Peuple japonais**



## **ITTO Project PD 700/13 Rev.2 (I)**

### **Development of Intra-African Trade and Further Processing in Tropical Timber and Timber Products-Phase I [Stage 1]**

Report on the Implementation of Activities: A2.1, A2.2, A2.3, and A2.4

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## **1. BACKGROUND**

### **1.1 Structure and context of the project**

The general objective of the project PD 700/13 (I) Rev. 2. 'DEVELOPMENT OF INTRA-AFRICAN TRADE AND FURTHER PROCESSING IN TROPICAL TIMBER AND TIMBER PRODUCTS – PHASE I' is *to promote socio-economic development and sustainable management of African forests through value creation by expanded further processing and intra-African trade in tropical timber and timber products*. The Project is a follow-up of the ITTO international conference, held in Accra, Ghana in 2009, which adopted the ITTO Accra Action Plan for the Development of Intra-African Trade in Tropical Timber and Timber Products, including actions for the private sector, governments, ITTO and other international and regional organizations. The core problem to be addressed is weak competitiveness of the producers in the ITTO producing Member countries. Causes for this situation vary between countries and enterprises but based on the various studies, consultations, and the stakeholder surveys carried out, a number of common direct and underlying causes have been identified. This report focused on the implementation of activities linked with national strategies for development of further processing and tropical timber and timber products exports in pilot countries.

In June 2013, the project was included in the priority areas of TICAD V by the government of Japan. In the early 2015, the MOFA had agreed to contribute to launch the implementation of this regional ITTO project for African member countries by granting the amount of US\$ 1,399,989 for Stage 1 of Phase 1 to be implemented within a one year period.

This project started on April 1, 2015 funding from the Japanese Government Ministry of Foreign Affairs. The project is directly implemented by the ITTO Secretariat, supported by its Regional Representative based in Libreville (Gabon).

### **1.2 Objectives**

This project aims to eliminate the main constraints identified that hinder the expansion of the further processing of tropical timber in value added products and the development of trade, particularly in the context of intra-African trade. The specific objective of the project PD 700 is to initiate consolidated efforts with the establishment of key elements in capacity to strengthen competitiveness of ITTO African producers in timber and timber products and markets.

### **1.3 Expected outcomes and beneficiaries**

The overall outcome of the entire project is improved competitiveness of the timber and timber products suppliers in the domestic, intra-regional and international markets. The timber enterprises (including SMEs), trade and industry associations, logging companies, training institutions, regional organizations and international organizations are the Project's beneficiaries. Pilot enterprises, entrepreneurs and trade associations benefit from capacity building and provide necessary information. Other enterprises, including micro and small enterprises in the informal sector, benefit from the Project's training, market information as well as trade facilitation and development activities. The government agencies of the three pilot countries, as well as other ITTO member countries in the African Region benefitted from the capacity building, policy inputs and regional coordination provided by the project outputs and outcomes.

## **2. APPROACH AND METHODOLOGY**

### **2.1 A stakeholder workshop on potentials and constraints of industry and trade development (Activity A2.1)**

The national workshop was the last step of the consultation process with stakeholders who were asked to comment on potentials and constraints of industry and trade development. The discussions during the workshop were based on several papers, including a synthesis drawn up by the Project Manager based on various technical reports from the workshops held during the last ten years in Africa, papers addressing issues on advanced processing technology and wood trade and their potential and constraints, and a paper on strategic policy which based on third parties consultation (technical ministries, professional associations, training institutions, NGOs and civil society).

The workshop discussed four themes: 1) institutional governance, organizational partnerships and finance; 2) wood resources; 3) education, research, innovation, and human capital; and 4) professional associations, processing and trade in timber and timber products.

### **2.2 Analytical work to support elaboration of draft national strategies (Activity A2.2)**

Six consultants were hired to carry out analytical works on national strategies for development of further processing and tropical timber and timber products exports. They worked on the following areas: 1) wastes and residues management; 2) the use of appropriate technology; 3) information on African markets; 4) constraints to intra-African market; 5) access to innovative financing; and 6) improvement on taxation policy. Each of the consultants had developed ideas on how to improve the efficiency of further processing and intra-African trade of timber and timber products. The conclusions and recommendations of the consultants' work had been used to feed the draft national strategies.

### **2.3 Validation workshop of the strategic conclusions and recommendations (Activity A2.3)**

The formulation of the national strategies for development of further processing and tropical timber and timber products exports by the six national consultants was supervised by an international consultant. The proposed methodology for the formulation of the national strategies was validated in the first workshop held in Abidjan from 30 to 31 July 2015. The

workshop also produced a roadmap for industry and trade development and architecture of the national strategies.

#### **2.4 Advisory service to implementation of policy proposals in the pilot countries (including regulations, enforcement, incentives, public procurement policies (Activity A2.4))**

This activity was carried out by the Project Manager of PD700 Phase I [Stage 1] in the three pilot countries (Cote d'Ivoire, Democratic Republic of Congo, Cameroon) and Gabon. The implementation of the activity was organized in two phases. The first phase was focused on drawing up an inventory of the existing national forest policies on further processing and trade of timber and timber products. At the later phase, a synthesis of the existing policies was discussed with officials in the relevant ministries/authorities of the above mentioned countries. The synthesis of the policies encompassed issues on policy improvement, law enforcement, incentive mechanism, public procurement, etc.

### **3. RESULTS**

#### **3.1 A stakeholder workshop on potentials and constraints of industry and trade development (Activity A2.1)**

The national workshop held at Hotel Residence Koriet, Abidjan (Cote d'Ivoire) successfully discussed: 1) creation of a platform for stakeholders' view exchange; 2) the necessary processes on formulating the national strategies for industry and trade development; and 3) strengthening the capacity of professional associations of industry and trade of Côte d'Ivoire. There were 41 participants of the workshop representing all forestry sector stakeholders in Cote d'Ivoire plus a representative from ECOWAS.

##### **3.1.1 Potentials and constraints of industry and trade development**

The weaknesses/ limitations in the current situation of industry and trade of timber and timber products were identified during the workshop, namely: lack of material and financial resources, ineffective control system, inefficient administrative process in the government agencies, limited access to bank credits, insufficient wood supply, ineffective regulations, lack of community involvement, and tax burdens. There were also threats identified, i.e. forest degradation and uncontrolled exploitation of forest resources, and increasing utilization of substitute materials such as aluminum and plastic (PVC).

The strengths in the current situation were also acknowledge, in term of the existence of skills and expertise in wood sector, big scale wood-based industries with advance technologies, operable import regulatory mechanism, skillful officers in forestry administration, and potential intra-African market. There were opportunities as well, such as FLEGT VPA process to improve forest governance and REDD + initiatives.

### **3.1.2 Recommendations of the working groups**

The discussions in the working groups were enriched with concerns on the need to strengthen forestry research institutions, including their research topics relevance to existing problem encountered; a platform for effective coordination between ministries/authorities, the use of advance technology in forest monitoring; and improved forest management regime.

Recommendations were made in each of the established committees:

#### Committee 1

Conduct a study for the creation of an integrated wood center to facilitate wood trading and monitoring timber and timber products movement.

#### Committee 2

- Apply rigorous regulatory in forestry sector
- Strengthen the capacity of wood-based industry stakeholders
- Provide incentives for the purchase of efficient processing tools

#### Committee 3

- Create a platform for exchanging views among actors in wood-based industry sector
- Establish robust cooperation with qualified and potential business partners to enable importing new technologies for further processing

#### Committee 4

- Incorporate the issue of further processing development and marketing of non-timber forest products in the national strategy
- Strengthen the organizational, technical and managerial capacities of stakeholders in the development timber industry and trade
- Undertake inventory on existing small-medium enterprises (SMEs) in timber industry and non-timber forest products sector

## **3.2 Analytical work to support elaboration of draft national strategy (Activity A2.2)**

### **3.2.1 Important aspects for national strategies**

#### **(1) Recycling of wastes and residues**

An analysis on current situation of wastes and residues from wood-based industry operation in Cote d'Ivoire revealed necessities to have action plans, promotion of an efficient recovery system for wastes and residues, capacity building programs, prioritization of product types and further processing, evaluation and projection of program costs for short (1-3 years), medium (4-7 years) and long (8-10 years) terms, and identification of structures involved in the coordination of this activity.

## **(2) The use of appropriate technology**

An optimal configuration of appropriate technology at the lowest cost in the context of promoting efficient techniques of wood resource was proposed on the basis of a brief analysis on current use of techniques and an evaluation on the impact of yields. Possible integration of the existing technologies with more advanced technology was also discussed. Evaluation and projection of needed costs for short (1-3 years), medium (4-7 years) and long (8-10 years) terms, and identification of structures involved in the coordination of this activity were also carried out.

## **(3) Information on African markets**

Information requirements on potential market, mechanisms for better information flow of African markets, and information exchange platform were proposed on the basis of a brief analysis of timber market supply-demand, procedures for the establishment of a multi-stakeholder platform, action plans for developing domestic and regional African timber market, and guidance on the role of the state in supporting operators to enter intra-African trade. Evaluation and projection of needed costs for short (1-3 years), medium (4-7 years) and long (8-10 years) terms, and identification of structures involved in the coordination of this activity were also carried out.

## **(4) Constraints to intra-African market**

Actions to remove constraints in the intra-African timber for smooth facilitation regional cooperation development were proposed on the basis of a brief review of the constraints identified during the workshop of stakeholders, SWOT analysis, and action plans. Evaluation and projection of needed costs for short (1-3 years), medium (4-7 years) and long (8-10 years) terms, and identification of structures involved in the coordination of this activity were also carried out.

## **(5) Access to innovative financing**

Actions to support investments on further processing of timber products and the development of intra-African trade were proposed on the basis of adequate financing mechanism and policy analysis for SMEs the industry, and mechanisms to facilitate access to information on innovative funding for further processing. Evaluation and projection of needed costs for short (1-3 years), medium (4-7 years) and long (8-10 years) terms, and identification of structures involved in the coordination of this activity were also carried out.

## **(6) Improvement on taxation policy**

Actions on establishment of temporary and partially tax exemptions for further processing and trade of timber and timber products were proposed on the basis of a brief analysis on existing taxation policy in Côte d'Ivoire, and the impacts on tax reform.



### **3.2.2 Draft of national strategies**

The draft national strategy for further processing and trade of timber and timber products was formulated in four chapters.

Chapter 1 (Existing situation) characterized the Ivorian wood sector through the following elements: i) dynamics of the Ivorian forest and the evolution of forest sector; ii) forest resources depletion; iii) timber production chain constraints; iv) major challenges of Ivorian wood sector; v) the importance and prospect of further processing; and vi) SWOT analysis.

Chapters 2 (Major directions) and Chapter 3 (Action Plan) presented respectively the strategic axes and activities, associated with i) promotion of efficient technologies; ii) added values on using wood materials; iii) forest resource restoration; iv) the availability of appropriate technologies at the lowest cost; v) the production of wood products and derivatives based on market demand; vi) information dissemination on African markets, vii) the consolidation of the producing entities and market exploration, viii) the establishment and operation of a multi-stakeholder information and exchange platform, ix) investment support facilities; x) removing existing constraints and establishment rules and procedures of intra-African timber market; xi) credit access and tax reduction.

Chapter 4 (Framework, conditions, institutions and mechanisms) sets out frameworks, conditions, institutions and mechanisms required to appropriately implement the formulated strategies. These include: 1) a five-year action plan with its associated budget; ii) framework to translate the strategies into legislation/regulation; iii) adaptive institutions to market needs; iv) promoting good governance of the sector; v) training needs for priority actors; vi) 5 yearly evaluation of the national strategies.

### **3.3 Validation workshop of the strategic conclusions and recommendations (Activity A2.3)**

The second national workshop within the framework of the development of the national strategy of timber industry and trade in Cote d'Ivoire was held from 9 to 10 December 2015, in Abidjan. The main objective of the workshop was to review and validate initial draft of national strategies. The workshop brought together 45 participants from technical government agencies, timber industry, banking, training and research institutions, and development partners. The workshop identified the following concerns:

- i. Forests and their timber resources declined significantly.
- ii. Priority areas in the development of industry and trade:
  - Promoting efficient techniques, wise utilization of raw materials in timber industry and forest restoration to ensure sustainably timber supply;
  - Disseminating required information on African markets and creation of a multi-stakeholder platform; and
  - Creating appropriate climate investment to support further processing and trade of tropical timber and timber products (removing constraints to intra-African timber market, simplify rules and procedures, easy access to credit scheme and tax reform).

- iii. Acceleration of the formulation of Action Plans to implement the national strategies. The Action Plans must include key activities for each of strategy directions, time frame, source of funds, indicators for monitoring and evaluation, and responsible parties. related to the above strategic directions has been proposed with deadlines, sources of funding, monitoring and evaluation indicators and officials by activity.
- iv. Proposed conditions, institutions and mechanisms framework:
  - Develop a five-year budget plan;
  - Translate strategy into legislations and regulations;
  - Institutionalize market monitoring;
  - Ensure good governance practice in forestry sector;
  - Prioritize training programs for main stakeholders of forest industry and trade; and
  - Commit to evaluate this strategy within a period of 5 years.

Concerning the trade issues, the participants made the following observations:

- Informal sector is an important player in the timber industry at the national level;
- The establishment of a multi-stakeholders platform is necessary to ensure fair trade practice;
- Wood-based industry is still export-oriented business-like;
- The VPA/FLEGT process is an opportunity to gain premium prices of timber and timber products;
- Governance is a cross cutting issue that should not be limited to timber industry only;
- The need to improve communication with national banks in order to promote private investment in forestry sector;
- The need to allocate government budget to support the development of timber industry and trade;
- The need to grow innovation in the production chain of timber and timber products;
- The need to develop and sustain forest resource;
- Tax incentive (decreasing export taxes from primary to secondary wood products, zero taxes for tertiary wood products, and prolong duties payment for processing equipment over five years period).

### **3.4 Advisory service to implementation of policy proposals in the pilot countries (including regulations, enforcement, incentives, public procurement policies - Activity A2.4)**

#### **3.4.1 Synthesis of further processing and trade of timber policies from the content analysis of forest codes**

Existing forest codes of Cote d'Ivoire, Cameroon and Gabon were analyzed. Various aspects were discussed, namely: i) general (definitions, scope, principles); ii) obligations of state and other actors in the development and implementation of national forest policies; iii) protecting nature and biodiversity; iv) permanent and non-permanent forests, v) forest ownership (state, community, private; vi) customary/community rights; vii) forest inventory; viii) forest exploitation; ix) management of forests and wildlife; x) promotion and marketing of timber and forest products; xi) forest economics and policy; and xii) law enforcement.

The forest codes of DRC put more emphasis on the exploitation of forest resources by local and surrounding communities. In its current practice, the principal of Sustainable Forest Management has been integrated in their codes. The forestry law of DRC (Law No. 11/2002, 29 August 2002), which aimed at establishing rules relating to management of forest resources, unfortunately does not provide guidance on development of the further processing and trade in timber and timber products.

Regarding the aspect of further processing and trade of timber products, Cote d'Ivoire forestry law (Law No. 2014- 427, 14 July 2014) aimed at setting rules for the sustainable management of forests and biodiversity and developing and promoting forest products (Articles 88 to 94) and forest products marketing (Articles 95 to 101).

Cameroon forestry law (Law No. 94, 20 January 2001) aimed at setting rules for forest management, wildlife and fisheries and promoting the marketing of timber and timber products (Articles 71-74). Regarding the forestry law of Gabon (Law No. 16/01, 31 December 2001), which aimed at setting rules for sustainable management methods to increase contributions of wood-based industry sector to national economic, social, cultural and scientific (Articles 220 to 232) and marketing and promoting of forest products (Article 233-243).

It becomes clear at the end of the examination of these four national laws that there were rooms for improvement of the laws to encompass: i) process to facilitate trade and arrangements in operation for timber and timber products exports; ii) national strategies for development of further processing and timber and timber products exports; iii) measures to improve market transparency; iv) training in further processing and trade development; v) development of national industry/trade professional associations; and vi) Technology transfer. These are the scope of work of the ITTO project PD700.

The forestry law of Cote d'Ivoire has recently been updated and for the others three countries (Cameroon, DRC, Gabon), the updating process is in progress. Gabon puts an emphasis on industrialization of timber processing and that the necessary reforms at the institutional level have been already carried out. The others three countries (Cameroon, DRC, Cote d'Ivoire) slightly covered the issue of timber processing industrialization and did not sufficiently covered the issue of timber products trade.

Only Gabon has a recent national multisectoral industrialization strategy (timber and mining) to support its economic diversification. Gabon has made significant financial investments on industrial complex or privileged economic zone (ZERP) located in NKOK area in Libreville, dedicated to the processing of local raw materials.

During the implementation of the PD700's activities, the project team made efforts to ensure that the pilot countries: i) showed their willingness to undertake policy reforms to benefit further processing and trade of timber and timber products; ii) showed their needs to establish an operable support system for stakeholders of the timber processing industry; iii) showed their willingness to actualize baseline studies on timber processing (small-medium and big enterprises); and iv) showed their willingness to developed national industrialization strategies with their associated action plans.

### **3.4.2 Review of proposals policies (including regulations, enforcement, incentives, public procurement policies, etc.)**

To allow that industrialization plays a leverage role in the diversification of the economies of tropical timber producing African countries, major public policies promoting secondary and tertiary wood processing to ensure the development of further processing must be adopted. The implementation of such policies must exist at sub-regional or regional level although expected challenges may be encountered, such as weak regional economic and low capacity of the communities.

The national policies should increase incomes of artisans and small and medium enterprises and industries of the wood industry and thus contribute to the promotion and development of further processing of tropical timber. The proposed policy reforms should include:

- Capacity building of forest administrations and support structures through updating the legal framework, development of a national industrialization strategies, operationalization of support systems of actors involved in the further processing of tropical timber, vocational training, etc.;
- Common policy of all African tropical timber producing countries to prohibit log exports in view to encourage local development of further timber processing;
- Creation of a strategic investment fund and development of national forest funds;
- Development of entrepreneurial skills through training, business incubators, clusters of artisans, support for the installation of young promoters of small and medium enterprises/small and medium industries;
- Strengthening public-private partnerships to facilitate and expedite industrialization in timber and timber products;
- Establishment of one-stop government service for effectiveness administrative arrangement of further processing and trade of timber and timber products;
- Improving investment climate African countries;
- Strengthening the implementation of corporate social responsibility and green public procurement policy; and
- Market promotion of new highly value-added timber products, improving the competitiveness of companies engaged in the use of wood and promoting the use of wood waste and residues;
- Creation of robust policies to ensure sufficient timber supply for wood-based industries;
- Acceleration of timber certification process to help restore the image of tropical timber;
- Tightening illegal logging controls and strengthening law enforcement; and
- Provision of incentives for operators of the timber sector implementing good-practices/code of conducts. This will help improved African tropical timber competitiveness.

### **3.4.3 Supporting mechanisms and incentives**

There were a number of identified mechanisms and incentives, namely

- Obligatory to export dried wood only;
- Establishment industrial compound or area privileged economic plan (ZERP) dedicated to the local processing of raw materials;

- Promoting tax exemption;
- Promotion of lesser-used species for new timber products;
- Strengthening corporate social responsibility program;
- Development of non-timber forest products;
- Strengthening the presence of players on the export markets and conquer new market niches;
- Undertaking research and innovation in marketing of new highly added value products;
- Promoting the use of low carbon emission practices;
- Implementation of social actions aimed at reducing poverty; and
- Implementation of energy performance contracts.