

# INTERNATIONAL TROPICAL TIMBER ORGANIZATION (ITTO)

## THEMATIC PROGRAMME ON TRADE AND MARKET TRANSPARENCY (TMT)

### PROJECT DOCUMENT

|                    |   |
|--------------------|---|
| TITLE:             | SUPPORTING SMEs AND IMPORTERS OF TROPICAL TIMBER FOR BETTER UNDERSTANDING OF CITES AND THE NEED TO COMPLY WITH CITES RULES IN CHINA |
| SERIAL NUMBER:     | TMT-SPD 023/15 Rev.1 (M)  |
| SUBMITTED BY:      | GOVERNMENT OF CHINA   |
| ORIGINAL LANGUAGE: | ENGLISH   |

#### SUMMARY:

Legality requirements and timber procurement policies are being introduced in many countries. These requirements and policies are principally aimed at addressing public concerns about the legal and environmental credentials of products. Many purchasers are demanding that products should come from sustainable, or at least legal, sources and that this be verifiable in order to maintain credibility with buyers in the market place.

These requirements and policies have significant implications for tropical timber importers and manufacturers. As developments are occurring at a rapid rate, there is an urgent need for tropical wood product importers and manufacturers to monitor these developments, assess the costs in meeting these requirements and explore the market implications and opportunities presented by these developments.

This proposal aims to raise the capacity of SMEs and importers of tropical timber in Yangtze River Delta to understand and prepare procurement strategies and business plans to take into account the development of CITES Appendices, with a view to improving market transparency and promoting the trade in tropical timber from sustainably managed and legally harvested forests

Corollary to this objective, the main outputs of this small project proposal are:

- A report entitled "Analysis of trends and impact on China's timber trade of commercial timbers included in CITES".
- A mobile web and web-based communication platform for information dissemination and exchange on the updated CITES information.
- Training workshops for 100 representatives from SMEs and importers in the project area.

EXECUTING AGENCY: RESEARCH INSTITUTE OF FORESTRY POLICY AND INFORMATION, CHINESE ACADEMY OF FORESTRY (RIFPI/CAF)

DURATION: 18 MONTHS

PROPOSED BUDGET AND  
OTHER FUNDING SOURCE:

| <u>Source</u> | <u>Contribution (in USD)</u> |
|---------------|------------------------------|
| ITTO          | <u>150,000.00</u>            |
| CAF           | <u>96,800.00</u>             |
| <b>TOTAL</b>  | <b><u>246,860.00</u></b>     |

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## LIST OF ABBREVIATIONS AND ACRONYMS

|           |  |
|-----------|--|
| CITES     | The Convention on International Trade in Endangered Species of Wild Fauna and Flora  |
| COP       | CITES Works Conference of the Parties  |
| EA        | Executing Agency   |
| ESMO      | Endangered Species Management Office   |
| FAO       | Food and Agriculture Organization  |
| FPI       | Forest Products Index Mechanism  |
| GAC       | General Administration of Customs  |
| INBAR     | International Network for Bamboo and Rattan  |
| ITTA      | International Tropical Timber Agreement  |
| ITTO      | International Tropical Timber Organization   |
| TMT       | ITTO Thematic Programme on Trade and Market Transparency                             |
| NDRC      | National Development & Reform  |
| RIFPI/CAF | Research Institute of Forestry Policy and Information of Chinese Academy of Forestry |
| SFA       | State Forestry Administration of China   |
| SME       | Small and medium enterprise  |
| USD       | United States Dollar   |

# PART 1. PROJECT CONTEXT

## 1.1 Origin

It has been nearly 40 years since CITES was established in July 1<sup>st</sup> of 1975. Increased exploitation of wild plants and animals, coupled with an expanded trade in wild species, the destruction of natural habitats and other factors has resulted in declines in populations and even extinction of some species. The aim of CITES is to ensure that international trade in specimens of wild animals and plants does not threaten their survival. As the number of endangered species rises so has the number of forest related species listed in the CITES Appendices.

***There are hundreds of tree species in the various CITES appendices and listing is a dynamic process with species being moved from one appendix to another. Species are continually being listed and at times delisted such that any one time there may be as many as 600 tree species (not all commercial timber species) include in the three appendices.***

China officially joined CITES in 1981. In China, there are three management authorities one each for mainland, Hongkong and Macao respectively. In mainland, the State Forestry Administration (SFA) established an Endangered Species Import and Export Management Office (ESMO) which is responsible for CITES management. The ESMO is also charged with answering questions from enterprises on trade and marketing of species listed under CITES Appendices. For coordination of CITES enforcement, three authorities are involved, namely Division of Law Enforcement and Training of ESMO, No. 2 Division of Detection Anti-smuggling Bureau and Division of Forest Resources Safeguard. All their contacts can be found on the CITES website.

However, neither tropical timber importers nor the small and medium sized timber enterprises (SMEs) in China are familiar with CITES regulations and neither group has the capacity to assess the impact on business from changes in CITES and they fail to adapt sourcing and procurement to take account of additions to CITES. With the continual increase in the number of species being included in the CITES Appendices, especially commercial timber species, importers and wood processing enterprises are not being provided with timely information on these new additions.

Further, the pace of additions of commercial timbers to CITES is becoming of growing economic importance such that it is necessary to carry out systematic research and assessment of the impact on enterprises to avoid CITES becoming a negative influence on China's trade in wood products. An analysis of the impact of changes to CITES will also provide a sound basis for policy decisions at the national level to eliminate the risk to enterprises from inappropriate policy decisions.

There is an urgent need to improve delivery of CITES information and advice and guidance on compliance with CITES to SMEs and importers and to build their capacity to assess the impact of changes to CITES. When this is achieved enterprises will be able to adjust their procurement systems, business plans and marketing arrangements and adapt to the new trading environment to enhance the capacity of enterprises to further protect endangered tropical timber species.

In regard to dissemination of information on CITES an ITTO-CITES Program is being implemented to provide specific assistance to countries at the national level throughout the tropics especially in regard to providing guidelines and case studies for making "Non Detriment Findings" (NDFs) for CITES listed tree species, and to develop and disseminate tools for timber identification. To accomplish its objectives the ITTO-CITES Program conducts specific activities including planning and management, forest management and social economic and institutional activities. However, this ITTO Program does not focus on raising the awareness of private sector enterprise or their capacity to adapt business planning to account for changes in CITES regulations.

As new commercial timbers are added to CITES Appendices the following issues arise:

- There is a lack of information distributed on wood species listed under CITES and there is no professionally managed and efficient information sharing platform where CITES related information and knowledge can be released and disseminated periodically.
- Most SMEs and importers are not aware of the CITES mechanism and thus do not build this into their procurement practices or business and marketing plans. Information on before listed timbers can be utilized is very important for business planning.
- Faced with the constant evolution of CITES importers and SMEs are at a loss as to how they should adjust sourcing and procurement and they have nowhere to look for support.

## 1.2 Relevance

### 1.2.1 Compliance with the objectives and priorities of the ITTO

#### Compliance with ITTA 2006 Objectives

The project proposal is consistent with paragraph (o), in particular and with paragraph (d), and (k), Article 1, Objectives of the International Tropical Timber Agreement, 2006:

- (c) Encouraging information sharing for a better understanding of voluntary mechanisms such as, inter alia, certification, to promote sustainable management of tropical forests and assisting members with their efforts in this area.
- (d) Enhancing the capacity of members to implement strategies for achieving exports of tropical timber and timber products from sustainably managed sources.
- (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.

#### Compliance with the ITTO Strategic Action Plan 2013 – 2018

With its focus on the impact of CITES on SMEs and tropical timber markets this proposal is principally concerned with improving market conditions as well as the transparency of the tropical timber trade.

The project is consistent with the following priorities of the ITTO Strategic Action Plan 2013 – 2018:

- **Strategic Priority 1. Promote good governance and enabling policy frameworks for strengthening SFM and related trade and enhancing SFM financing and investment.** This project will contribute to improving forest law enforcement and governance in both consumer and producer member countries in order to enhance and diversify international trade in tropical timber from sustainably managed forests.
- **Strategic Priority 2. Increase the contribution of tropical forests to national and local economies, including through international trade.** This project will promote understanding of new initiatives related to trade in legal and sustainable timber and enhance capacity to meet CITES requirements.
- **Strategic Priority 5. Improve the quality and availability of information on tropical forests, forest product markets and trade.** This project will contribute to improvement in the quality of information, efficiency of data collection and, especially, adding value through interpretation and analysis as well as the promotion of strengthening of information systems, improvement of market transparency, and facilitation of market access and trade development.
- **Strategic Priority 6. Build and develop human resource capacity to implement SFM and increase trade in forest goods and services from sustainably managed forests.** This project will contribute to generating and disseminating knowledge and assists SMEs to build capacity to address complex CITES-related situation and assisting SMEs in developing efficient competitive industries that can compete successfully in international markets utilizing sustainably managed forest resources.

#### Consistency with the expected outcomes of the TMT/TP Programme

The TMT program focuses on several shortcomings that limit the development of trade and the use of tropical timber. This proposal is directly relevant to the general objective of TMT of (i) promoting the trade in tropical timber, timber products and NTFPs by increasing the capacity of producer member countries in market intelligence and enhancing marketing skills and (ii) improving market transparency through improved data and knowledge. This proposal also relates closely with the three specific objectives of TMT, particularly (b) filling gaps in market transparency of tropical timber and timber products and (c) enhancing market access and trade promotion of tropical timber.

In terms of the scope of TMT, this proposal falls neatly under (i) improvement of market transparency, (ii) facilitation of market access and trade development as well as the cross-cutting themes on capacity-building and strengthening of policy, legal and institutional framework. In the area of facilitating market access, this proposal is directly linked to the strategy of monitoring and assessing the economic, social and environmental impacts of factors affecting tropical timber market, specifically the impact of CITES on tropical timber markets.

## Relevance to ITTO-CITES Programme

This project is consistent with the following priorities of the ITTO-CITES Programme:

- **Overall Objective.** “To ensure that international trade in CITES-listed timber species is consistent with their sustainable management and conservation”. This project will contribute to establish a information platform to enhance the trading transparency of species listed under CITES, eliminating inadvertently using CITES listed timber to make sure the international trade in CITES-listed timber is sustainable.
- **Specific Objective.** “To develop guidance to ensure that utilization is not detrimental to the survival of CITES-listed tropical timber species.” This project will contribute to produce technical guides and training workshops on trade of CITES-listed timber species. This guides and materials will be part of ITTO-CITES Program "tool box" to ensure the timber's utilization is not detrimental to their survival.

### 1.2.2 Relevance to target countries' policies

#### Compliance with China's ratification of CITES

In 2016 China will celebrate its 35th anniversary of joining CITES after it became the 63rd Party to do so, in 1981. At the 30<sup>th</sup> anniversary the CITES Secretary-General, said: “Our common goal is to save species at risk of imminent extinction by making them subject to particularly strict regulation, and to ensure that international trade in biodiversity remains legal, sustainable and traceable. To this end China's CITES authorities were praised for their substantial ongoing efforts to address these universal goals, particularly in the fields of national legislation, law enforcement, scientific research, capacity building and public awareness.”

The rapid economic development experienced by China in recent years has created new challenges and opportunities for the conservation and sustainable use of wild animals and plants and China has taken significant domestic measures to meet those challenges and the resources it devotes to the implementation of CITES trade regulations are significant.

Its 130 full-time staff and 22 branch offices in mainland China, in addition to the offices in the Special Administrative Regions, makes China's CITES Authority one of the largest in the world.

#### Compliance with the State Forest Administration policies and measures in “The Tenth Five Plan in Forestry (2001~2005) and the 2010 Long-term Planning”:

- 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 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.

#### Compliance with a series of actions of the Chinese government for SMEs

- 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.

Although the above objectives and plans are highlighted for small and medium-sized industrial enterprises at national level, there is still no such specific objectives and plans for SMEs. It is exactly one goal of this project to develop a series of policy recommendations for the consideration of the relevant decision-making government agencies.

### **1.3 Target Area**

To address the problem faced by the SMEs and importers this project will be implemented in Shanghai, Zhejiang province, Jiangsu Province, all located within Yangtze River Delta area. The project area is home to one of the largest tropical timber and timber products trading centers in China and is the hub of economic activity in the country.

Zhangjiagang city in Jiangsu province (the largest port of entry for tropical timber in the region) handles approx. 45% of the total tropical timber imports into China.

Flooring manufactures in Huzhou City in Zhejiang province produce the highest volume of wood flooring in the country and Jiashan in Zhejiang province, once one of the top four largest plywood production bases, is now the capital of laminated wood flooring production in China.

Shanghai is the centre for semi-manufactured products for both domestic consumption and export. Large volumes of tropical timber are consumed by manufacturers in this area. Of the tropical timber imported by China more than 60% is processed in the Jiangsu, Zhejiang and Shanghai area (lingfengmin, 2009).

#### **Social, cultural and economic aspects**

The total project area covers approx. 206 thousand sq. km. or around 2% of the country but is home to a population of 136.5million or around 10% of the total for China. The latest available figures show that in 2008 the contribution to national GDP was some RMB6500 billion (US\$952 billion) or around 20% of the total GDP of the country.

Besides being an important economic area in China the Yangtze River Delta area is also a very important tropical timber processing area. The main concentration of wood processing is in Nanxun district of Huzhou City which has earned the name as the Capital of Chinese Wood Flooring Production, This district of 716 sq. km, and a population of 514 thousand population generates a GDP of around 16 billion Yuan annually, About 1/3 of all Chinese manufactured solid wood flooring is made in this area and more than 80% of the semi-wood flooring products are manufactured here.

Beside of this, Zhangjiagang city in Jiangsu province is the biggest port for import tropical timber with around 30% of all the tropical logs being imported through this port every year.

Shanghai city, is both a major manufacturing and consuming center in China. Of the tropical timber imported into China more than 60% is via Jiangsu, Zhejiang, Shanghai and Shandong province (lingfengmin, 2008). 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 .

The SMEs and importers in the area chosen for this project are familiar with ITTO through the project "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, 2011-2014). The SMEs and importers in the target area are receptive to new ideas and concepts and have expressed a willingness to actively participate in the project being proposed.

#### **Environmental aspects**

There are no negative environmental aspects foreseen from either implementation of this project or the continuation by the SMEs and importers of activities promoted by this project. There are positive environmental benefits expected from this project at the level of the enterprises, at a national level and ultimately at an international level.

### Enterprise level

At the enterprise level, advice and guidance on procurement and utilization of CITES listed timbers and through capacity building and training for SMFEs (activity 3.1-3.3 ) will result in improved awareness of international protocols and will facilitate the aim of the Chinese government to enforce CITES regulations

Since 2008, small and medium sized enterprises, especially forestry enterprises, have lived in an environment with dramatic changes: for example the effect of the global financial crisis spread to the Chinese domestic 'real' economy there was a significant reduction in international demand, there were structural changes in domestic and international material supply, raw material price changes and rises in labor costs. China's small companies are today facing unprecedented challenges. Meanwhile, more and more timbers are listed in CITES Appendices but these enterprises are not aware and not well informed of these changes

At a national level the Chinese government joined CITES in 1981. They established a special organization to implement CITES regulations with little effect as this organization is not well equipped to reach out to SMFEs. This project will, through activity 1.1 – 1.4, provide direct support to enterprises as well as recommendations to government in the areas where the SMFEs would benefit from support and where the government could focus its efforts to achieve its goals in respect of the enforcement of CITES regulations

In addition, the implementation of this project will help improve SMFEs' awareness of the importance of sustainable forest management. It will also facilitate better forest law execution and policy implementation and increase SMFEs' use of timber from legal and sustainably managed forest. As SMFEs progressively resist the entry of illegally harvested timber into the domestic market, the world's tropical forest resources will benefit and will be better protected.

### National level

At the national level the project outcomes of this project will contribute to the on-going efforts of government to address environmental sustainability of the timber sector and the development of forestry sector.

This directional change in China's forestry and wood processing sector policies can be tracked through six key national projects, covering the period 2001 to 2015, these are:

The Natural Forest Protection Project;

The "Green for Grain" Project;

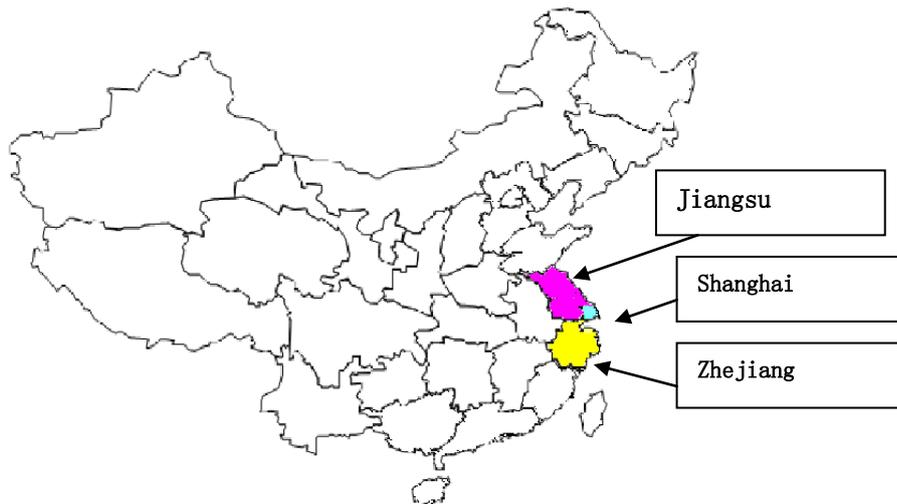
Anti- and Treating Desertification Project Surrounding Beijing and Tianjin;

The "Three Norths" and Protection Forest Building Project in Middle and Lower Reaches of Yangtze River;

The Wildlife Conservation and Natural Reserve Construction;

The Forestry Industrial Base Construction Project in Fast-Growing-Timber-Based Areas.

A map of the proposed project area is provided below.



#### 1.4 Outcomes at project completion

The main outcome of this project will be a strengthening of the capacity of SMEs and importers to access and understand the implications of CITES regulations and adapt business practices to meet the challenge from additions of commercial timbers to CITES Appendices.

The beneficiaries of this project include:

- SMEs and importers in the project area in the first instance and, through replication, throughout China: The project will provide information, knowledge, analysis and recommendations for a better understanding and improved capacity on the part of stakeholders in meeting the requirements of CITES.
- ITTO member countries and CITES: The proposal will provide an analysis of the impact in the project area of commercial timbers included in CITES.
- Timber trade associations: The proposal will enhance the appreciation and understanding of the requirements of CITES and how best such associations can support their members.
- Chinese government: The proposal will provide a baseline assessment of the impact of changes to CITES and through this provide a sound basis for policy decisions in support of CITES implementation.

The benefits to be generated by this proposal include:

- Enhanced understanding of the significance and requirements for CITES-listed tropical timber species and improved SMEs and importers' capacity to meet the requirements of CITES.
- Improved transparency on the trade in CITES-listed tropical timbers.
- Efficient dissemination of information related to CITES and promotion of the trade in tropical timber and timber products from sustainably managed and legally harvested forests.
- Strengthened capacity for informed policy decisions by government.

## PART 2. PROJECT RATIONALE AND OBJECTIVES

### 2.1 Stakeholder analysis

This proposal is based on an analysis of different stakeholders' problems, needs and interests. As a result of more than 10 years' experience of working with industry groups and conducting analysis and investigations along with consultations with industry experts, academics and government forestry and trade officials, the present situation of the SMFEs has been assessed and this led to the construction of this project.

| Stakeholder group             | <u>Characteristics</u>   | Problems, needs, interests   | Benefits   |
|-------------------------------|--|--|--|
| <u>Primary stakeholders</u>   |  |  |  |
| <b>SMEs</b>                   | <p>Not all SMEs aware of the trade principal and the impact of CITES</p> <p>Not aware that the government of China is a signatory to CITES and is obliged to enforce CITES regulations</p> | <p>SMEs risk inadvertently using CITES listed timber</p> <p>Majority of SMEs anxious to secure assistance on CITES - listed tree species and sustainable procurement and production. Others will need convincing</p> | <p>Better understanding the significance and requirements for trade in CITES-listed tropical timber species; improved capacity to meet the requirements of CITES</p>   |
| <b>Timber importers</b>       | <p>Source tropical timber from producer countries and sell on to traders and manufacturers in China</p>  | <p>Importers risk inadvertently sourcing CITES listed timber without appropriate documentation</p>   | <p>Better understanding the significance and requirements for trade in CITES-listed tropical timber species; improved capacity to meet the requirements of CITES</p> <p>Through sourcing policies can exert pressure on manufacturers to ensure wood products are from sustainably managed and legal sources</p> |
| <u>Secondary stakeholders</u> |  |  |  |
| <b>SFA</b>                    | <p>Responsible for implementing Government policies on sustainable tropical timber procurement</p>   | <p>Lack basic information on SMEs and importers sourcing, utilisation and trade of CITES-listed timber species</p>   | <p>Well founded policy decisions can support tropical timber import and processing sector development</p>  |

|  |  |  |  |
|--|--|--|--|
| <b>General Customs Administration</b>  | Responsible for implementing CITES regulations as they apply to imported tree species  | Customs Officers not provided with adequate documentation to assess if importers comply with CITES   | Importers, when well informed of CITES, can support Customs in efficiently clearing imported tropical timbers  |
| <b>Associations<br/>(Zhejiang Forestry Industry Association, Zhejiang Forestry Industry Association)</b> | Most have heard of CITES but are unaware of the implications of the listing of tropical timber species and how this should influence procurement policies of their members<br><br>Not aware that the government of China is a signatory to CITES and is obliged to enforce CITES regulations | Associations lack the capacity to adequately communicate sustainability issues to industry   | Enhancing the capacity of associations to spread information about CITES to the industry will contribute to the building of strong support base with enterprises   |
| <b>ITTO producers and consumers</b>  | China is a major buyer of tropical timber and a major exporter of tropical wood products and is a signatory to CITES and has policies to eliminate illegal timber from trade<br><br>China's trading partners Require products manufactured from legal and sustainable sources                | Requires all trading partners to appreciate issues of trade in sustainable and legal timber.<br><br>Consumers driving demand for socially responsible purchasing | Transparency in the trade and marketing of CITES-listed tropical timber markets will provide a foundation for policy decisions that contribute to ensuring international trade does not threaten the survival of tropical timber species or undermine the contribution to the economy by SMEs<br><br>Can exert pressure on the timber trade to ensure wood products are from sustainably managed and legal sources |

**CAF/RIFPI is a unit engaged in the domestic and international research. CAF/RIFPI undertakes research with the Research Center for International Trade in Forest Products of the State Forestry Administration and provides policy suggestions for the Secretary for Foreign Economic of SFA. From this perspective, CAF has a close understanding of the timber trade and wood product manufacturing sectors. The CAF places great emphasis on the effect of trade policies on enterprises in recent years and has conducted projects trade and industry related projects.**

**In the current project SMEs and importers are the primary stakeholders and engagement with these groups will be through the sector associations and directly through the CAF/Industry FPI activity.**

**Four associations will be directly involved in the targeted area. They are Shanghai Timber Trade Association, Zhangjiagang Timber Association, China Timber Trade Association and the Beijing Wood Industry Chamber of Commerce.**

The Shanghai Timber Trade Association and Zhangjiagang Timber Association are located in the targeted area and they have a strong influence over its members (both the manufacturing and trade enterprise) and the enthusiastic support from the Association for the development of this project has been advantageous and we can anticipate their support during implementation. Although the China Timber Trade Association and Beijing Wood Industry Chamber of Commerce are not located in the targeted area they have a large number of members in the redwood import business and this association is an active participant in the FPI activity which serves as the 'home' for the CITES activities.

## 2.2 Problem analysis

In order to protect endangered species more and more commercial tree species are being added to CITES Appendixes and this will continue as resource rich countries harness the CITES mechanism as an additional tool to protect natural tropical forests.

Additions of commercial tree species to CITES will impact procurement, manufacturing and marketing. However, neither importers and small and medium sized enterprises fully understand the limits on trade in CITES listed timbers nor have the information and capacity to understand how CITES regulations will impact their business performance.

In China there has been no analysis of how changes in CITES regulations impact domestic enterprises that utilize and trade products manufactured from tropical timbers. This stems from a lack of appreciation of the economic and financial impacts and effects of CITES on SMEs and importers. Yuan Jiming(2003) points out that "China's CITES authority doesn't function efficiently as it hasn't been designed with appropriate mandates or mechanism for coordination".<sup>1</sup>

This weakness is compounded by the absence of updated information on developments of CITES being delivered to enterprises in a form that can be readily understood. At present the trade associations are equally as uninformed on CITES as the SMEs and importers and as a result cannot offer adequate advice and support to members. Because of this SMEs and importers have not developed procurement and marketing strategies to allow compliance to changes in CITES.

The key problem of the project is that tropical timber SMEs and importers have weak capacity in understanding CITES regulations and the implications from failing to comply.

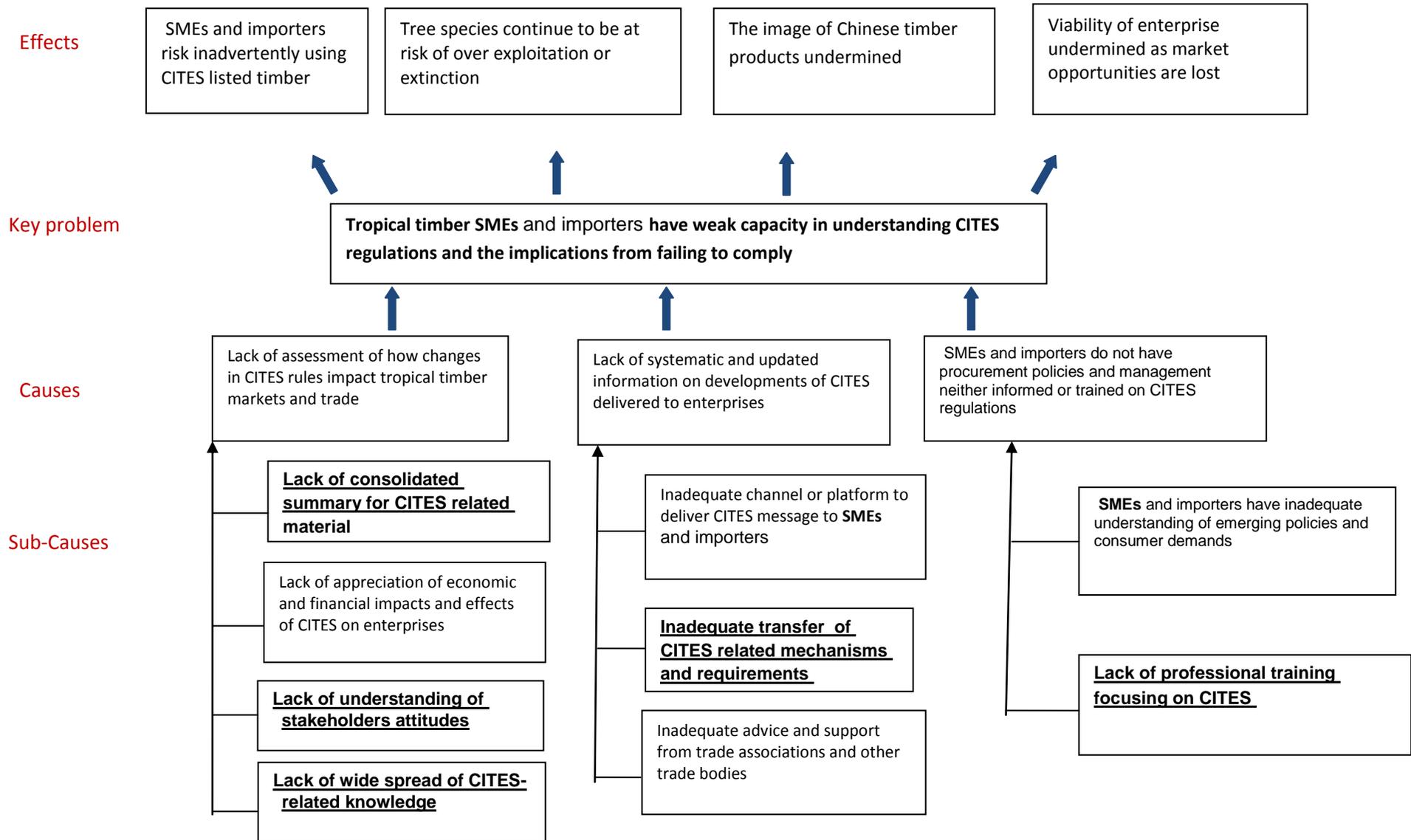
The net result of this problem is that enterprises risk inadvertently using CITES listed timbers which undermines efforts to ensure species are not over exploited. A failure to comply with CITES and the marketing of listed timbers for which the CITES documentation has not been secured undermines the image of Chinese timber products and ultimately the viability of the enterprise as market opportunities are lost.

The key problem of the project, its causes and effects are shown in the problem tree below (seen next page).

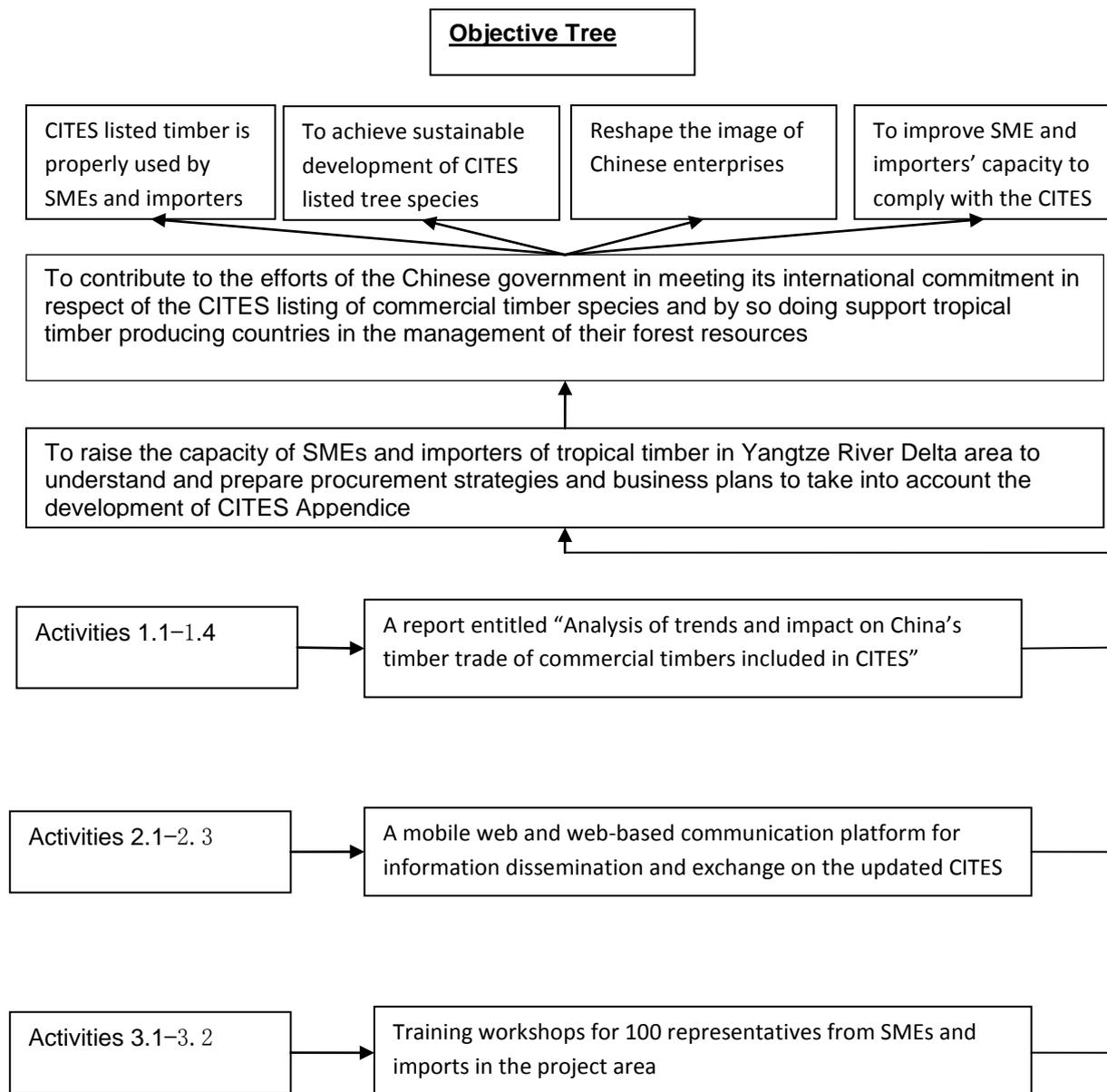
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**1 Yuan Jiming. Management of international trade in wildlife and implementation of CITES in China [D]. Beijing Forestry University.2003.**

**Figure 1: Problem Tree**



## 2.3 Objectives



### 2.3.1 Development objective and impact indicators

The development objective of this proposal is:

To contribute to the efforts of the Chinese government in meeting its international commitment in respect of the CITES listing of commercial timber species and by so doing support tropical timber producing countries in the management of their forest resources.

The expected impact indicators are:

- i) Long-term growth in China's consumption of tropical timber from sustainable and legal sources.
- ii) Improved international market access for tropical timber products from verified legal and sustainable sources.
- iii) Strengthened enforcement of CITES regulations in support of the management of tropical forests.
- iv) Transparency and information sharing as the basis for policy decisions in relation to the verification of timber legality and timber procurement.

### 2.3.2 Specific objective and outcome indicators

Specific Objective

To raise the capacity of SMEs and importers of tropical timber in Yangtze River Delta area to understand and prepare procurement strategies and business plans to take into account the development of CITES Appendices, with a view to improving market transparency and promoting the trade in tropical timber from sustainably managed and legally harvested forests.

The outcome indicators are:

- One report entitled "Analysis of trends and impact on China's timber trade of commercial timbers included in CITES" published and disseminated.
- A mobile web and web-based communication platform for information dissemination and exchange on the updated CITES information to **SMEs** and importers.\*
- 30 issues (twice a month) of CITES updates and information disseminated to 1000 subscribers to mobile webpage, a Wechat public account, and website.
- Training workshops for 100 representatives from SMEs and importers in the project area.

**The mobile web and web-based communication platform be different from the CITES.org website and will operate as described below:**

**First, the platform to be generated by this project will supply comprehensive knowledge of CITES-listed timber species and procedures required for trade in contrast to CITES.org website which focuses on the latest news and CITES.org website and covers not only timber but also all other plants and animals. There is no CITES related web which only focuses on TIMBER species.**

**Secondly, the project platform will deliver 'show-how' not just know-how" on trading in CITES listed timbers and will become an integral part of the training effort for enterprises. Enterprise will, through this interactive mechanism become familiar with the CITES mechanisms rather than just following regulations.**

**Last but not the least, the platform developed by this project will be an interactive learning mechanism. The platform will release information to subscribers and provide for an interchange of views and experiences between enterprises. It will also provide for the intervention of experts and other enterprises to improve the flow of accurate information. This is quite different form the passive CITES website.**

## **PART 3. DESCRIPTION OF PROJECT INTERVENTIONS**

### **3.1 Outputs**

**Output 1 A report entitled “Analysis of trends and impact on China’s timber trade of commercial timbers included in CITES”**

#### **Indicators**

- Trade data provided by China Customs and input from SMEs and importers.
- Identification of commercial timbers included in CITES Appendices which are imported and utilised by SMEs.
- Survey of SMEs and importers, to determine extent of knowledge and appreciation of impact of CITES regulation on business practices and plans.
- Survey of SMEs and importers, for their situation of commercial timbers included in CITES Appendices including the Dalbergias which are imported and utilised.
- Convene a workshop for discussion on the report and related trends and impact on China’s timber trade in relation to CITES.
- 500 copies of the report both in Chinese and English have been published.

**Output 2 A mobile web and web-based communication platform for information dissemination and exchange on the updated CITES information**

#### **Indicators**

- Established mobile webpage and web-based platform providing updated information on CITES knowledge and providing a capacity for dialogue between SMEs and imports and experts on CITES.

30 issues news items provided on, but not limited to,

- The background, development process, ecological function and significance of CITES;
- Impacts of CITES on tropical timber markets;
- Introduction of wood species listed under CITES Appendixes, explaining its characteristic and protection purposes;
- Introduction of Dalbergias explaining its characteristic and protection purposes;
- CITES-related trade standards and regulations;
- Procurement policy developments and Corporate Social Responsibility;
- Analysis of Q and A interactions;

A CITES webpage linked to the State Forestry Administration (SFA) cites website.

**Output 3 Training workshops for 100 representatives from SMEs and imports in the project area**  
**Indicator**

- 100 representatives from SMEs and importers trained on the services offered by the new online CITES information and advisory capacity.
- 100 representatives from SMEs and importers with an appreciation of procurement and other relevant policies.
- 100 representatives from SMEs and importers with an appreciation of export/import procedures.
- 100 representatives from SMEs and importers with an appreciation of procurement policies and CSR.

## 3.2 Activities and inputs

### Output 1:

- Activity 1.1** Collect and review related materials and analyze custom and industry data, including the trade flow and development of CITES listings, including the imports of Dalbergias.
- Activity 1.2** Interview and survey a representative sample of primary stakeholders to assess the overall situation on CITES implementation and trade procedures in China.
- Interview and survey key SMEs and imports of tropical timber, Chinese Customs, Endangered Species Management Office, SFA, Timber Import and Export Inspection and Quarantine Bureau of Zhangjiagang and related timber associations to assess the current views of traders and enterprise on CITES and related rules.
- Activity 1.3** Draft and finalize the report of “Analysis of trends and impact on China’s timber trade of commercial timbers included in CITES”.
- Activity 1.4** Convene a workshop for discussion on the report and related trends and impact on China’s timber trade in relation to CITES. **After the workshop, translate, print and publish study report of the trends and impact (both in Chinese and English).**

### Output 2:

- Activity 2.1** Establish a CITES webpage linked to the CAF Forest Products Index (FPI) web and establish a CITES activity Wechat mobile webpage linked to FPI Wechat mobile web.
- Activity 2.2** Prepare updates bimonthly on CITES related information, including 5 special issues focusing on Dalbergias.
- Activity 2.3** Publish 30 issues of CITES updates and information and disseminate to 1000 subscribers through the CITES-FPI Wechat mobile web and website, and provide advice and guidance based on Q and A from SMEs and importers.

### Output 3:

- Activity 3.1** Set up training group, confirm training plan.
- Activity 3.2** Conduct two training workshops for 100 representatives of SMEs and importers.

## 3.3 Strategic approach and methods

The communication platform will be integrated into the existing (Forest Products Index Mechanism, (FPI) which was established through a previous ITTO project (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).

The FPI has an extensive network of SMEs and importers totaling over 1000 and a large number of these are in the project area and are the target SMEs and importers for the current project.

A communications platform for dialogue between SMEs and importers will be established and this will link those SMEs and importers requiring information, advice and guidance with an experts and consultants.

### **Other strategic activities to ensure the smooth operation of project activities will be:**

- **Building upon existing communication mechanisms with domestic tropical timber production enterprises, merchants and large tropical timber importers.**
- **Building upon existing communication mechanisms with government agencies in charge of the forestry industry and some major public associations, such as Shanghai Timber Trade Association, Zhangjiagang Timber Association, China Timber Trade Association and Beijing Wood Industry Chamber of Commerce,** and some regional associations, In the project area the project will cooperate closely with the Shanghai Timber Trade Association.
- **Promoting recognition of the role of SMFES to central government agencies such as the State Forestry Administration, Endangered Species Management Office.**

- **Involving the association and members in the planning and implementation of CITES-listed species trade analysis through joint enterprise field survey.**
- **Involving stakeholders(including the associations) through meetings and forum concerning the design and implementation of training. Trade Compliance and sustainability of CITES-listed species will be facilitated through the training.**

The experts/consultants will from the Chinese Customs, China's Endangered Species Management Office, SFA, Timber Import and Export Inspection and Quarantine Bureau of Zhangjiagang, Beijing Wood Industry Chamber of Commerce, **Shanghai Timber Trade Association, Zhangjiagang Timber Association and China Timber Trade Association** and other stakeholders. One consultant from Chinese Customs and one consultant from the timber association will assist the executing agency implement the project. One unique aspect of the project will be its implementation conducted in close consultation and collaboration with all stakeholders, including private sector importers and operators of tropical timber forest industries as well as from individual enterprises and CITES-related government officers.

There will be two new channels of involvement and consultation for the stakeholders of this project:

1. Communication will be based on the methodology refined in implementing the FPI project to effect information exchange and shared experiences amongst existing enterprises. Currently, over 100 enterprises are FPI members. These are distributed in 33 cities/counties around China. The Wechat users of FPI have reached 1000. Because a vast SMEs and importers network already exists it is feasible to conduct the investigation survey for the SMEs and importers based on the existing FPI network.
2. Through the FPI platform domestic experts and consultants, the Chinese Customs, the Endangered Species Office and the SFA have agreed to cooperate to provide information, advice and guidance regarding CITES requirements and trading policies.

All stakeholders will be consulted during the various stages of the project to achieve a **dual feedback** i.e., from the consultants themselves and from the enterprises involved. During the entire period of project implementation, the Executing Agency will be fully responsive making available feedback and comments from all stakeholders.

Regarding methodology to be adopted for the impact survey, this project will adopt a combination of sampling and structured surveys. Enterprise will be selected according to product type and enterprise size in the project area. Interviews and questionnaires will be used to assess enterprises' basic knowledge and perceptions of CITES and the market impact of changes in CITES. The economic analysis will also be prepared in consultation with the Beijing Wood Industry Chamber of Commerce, the Shanghai Timber Trade Association, the Chinese Timber Distribution Association, the Chinese Forestry Industry Association.

The project will also use SPSS (Statistical Package for Social Science) to study China's SMEs' and importers production, trading management, market situation and identify major factors which limit the capacity of SMEs' and importers to comply with CITES requirements .

The methods and approaches tested and refined in the project area will be capable of replication in other areas thus supporting the aims of CITES and the Chinese government to ensure that international trade in tropical timber species is sustainable and does not threaten their survival.

#### **Expertise required and expected competency**

The proposal will engage qualified consultants with extensive experience and in-depth knowledge of the markets for CITES-listed commercial timbers, the global tropical wood products trade and trends in the utilization of CITES as another tool for eliminating the trade in illegal tropical timber.

#### **Data collection procedures:**

This proposal will employ extensive literature search to review available information as described in activities 1.1-1.3, 2.1 and 3.1. A survey instrument will be developed for primary data from tropical timber traders and processing enterprises and information from consultations involving key stake holders and will involve contributions from China Customs and the Endangered Species Management Office of the SFA.

The methodology will ensure that the project addresses specific information gaps and minimizes duplication of previous work by ensuring use of extensive related work already undertaken by the Endangered Species Management Office of the SFA and the ITTO-CITES Programme.

### 3.4 Work plan

Table 1 Tentative Schedule

| Work plan  | Responsible                       | Schedule |   |   |   |   |   |   |   |   |    |    |    |   |   |   |   |   |   |  |
|--|-----------------------------------|----------|---|---|---|---|---|---|---|---|----|----|----|---|---|---|---|---|---|--|
|  | Party                             | Months   |   |   |   |   |   |   |   |   |    |    |    |   |   |   |   |   |   |  |
|  |                                   | 1        | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 | 1 | 2 | 3 | 4 | 5 | 6 |  |
| <b>Output 1</b><br><b>A report entitled “Analysis of trends and impact on China’s timber trade of commercial timbers included in CITES”</b>  |                                   |          |   |   |   |   |   |   |   |   |    |    |    |   |   |   |   |   |   |  |
| Activity 1.1<br>Collect and review related materials ,analyze the data ,including the trade flow and changing trends of CITES App new commercial timbers   | Consultants and EA                |          |   |   |   |   |   |   |   |   |    |    |    |   |   |   |   |   |   |  |
| Activity 1.2<br>Interview and survey a representative sample of primary stakeholders to assess the overall situation on CITES implementation and trade procedures in China   |                                   |          |   |   |   |   |   |   |   |   |    |    |    |   |   |   |   |   |   |  |
| Activity 1.3<br>Draft and finalize the report of “Analysis of trends and impact on China’s timber trade of commercial timbers included in CITES”   |                                   |          |   |   |   |   |   |   |   |   |    |    |    |   |   |   |   |   |   |  |
| Activity 1.4<br>Convene a workshop for discussion on the report and related trends and impact on China’s timber trade in relation to CITES.  |                                   |          |   |   |   |   |   |   |   |   |    |    |    |   |   |   |   |   |   |  |
| Activity 1.5<br>Translate, print and publish study report (both in Chinese and English) Translation of Research Report   |                                   |          |   |   |   |   |   |   |   |   |    |    |    |   |   |   |   |   |   |  |
| <b>Output2</b><br><b>A mobile web and web-based communication platform for information dissemination and exchange on the updated CITES information</b>   |                                   |          |   |   |   |   |   |   |   |   |    |    |    |   |   |   |   |   |   |  |
| Activity 2.1<br>Establish a CITES webpage linked to the CAF Forest Products Index (FPI) web and establish a CITES activity Wechat mobile webpage linked to FPI Wechat mobile web,  | Project Members and Counter parts |          |   |   |   |   |   |   |   |   |    |    |    |   |   |   |   |   |   |  |
| Activity 2.2<br>Prepare updates bimonthly on CITES related information,including 5 special issue focusing on Dalbergias.   |                                   |          |   |   |   |   |   |   |   |   |    |    |    |   |   |   |   |   |   |  |
| Activity 2.3<br>Publish 30 issues of CITES updates and information and disseminate to 1000 subscribers through the CITES-FPI Wechat mobile web and website, and provide advice and guidance based on Q and A from SMEs and importers |                                   |          |   |   |   |   |   |   |   |   |    |    |    |   |   |   |   |   |   |  |
| <b>Out put 3</b><br><b>Training workshops for 100 representatives from SMEs and imports in the project area</b>  |                                   |          |   |   |   |   |   |   |   |   |    |    |    |   |   |   |   |   |   |  |
| Activity 3.1<br>set up training group, confirm training plan   | Project Members and Counter parts |          |   |   |   |   |   |   |   |   |    |    |    |   |   |   |   |   |   |  |
| Activity 3.<br>prepare material for the training workshop  |                                   |          |   |   |   |   |   |   |   |   |    |    |    |   |   |   |   |   |   |  |
| Activity 3.3<br>Conduct two training workshops for 100 representatives of SMEs and importers   |                                   |          |   |   |   |   |   |   |   |   |    |    |    |   |   |   |   |   |   |  |

| <b>3.5 Budget</b>  |   |              |                   |                  |                  |                   |
|--|---|--------------|-------------------|------------------|------------------|-------------------|
| <b>3.5.1 Yearly Project Budget – Consolidated (US\$)(with inputs and unit costs)</b> |   |              |                   |                  |                  |                   |
| <b>Budget components</b>   |   | <b>Input</b> | <b>Unit Costs</b> | <b>TOTAL</b>     | <b>Year 1</b>    | <b>Year 2</b>     |
| <b>10</b>  | <b>Project personnel</b>  |              |                   |                  |                  |                   |
|  | 11. Consultant for survey, analysis and report drafting   | 55           | 300               | 16500            | 16500            | 0                 |
|  | 12. Specialist for CITES Q and A and 30 issue CITES updates and information                                   | 65           | 300               | 19500            | 14625            | 4875              |
|  | 13. Project assistants  | 36mths       | 1500              | 54000            | 36000            | 18000             |
|  | <b>19. Component total</b>  |              |                   | <b>90,000.00</b> | <b>67,125.00</b> | <b>22,875 .00</b> |
| <b>20</b>  | <b>Sub-contracting</b>  |              |                   |                  |                  |                   |
|  | 21. Sub-contracting to a CITES webpage establishment and a CITES Activity Wechat mobile webpage establishment | 1            |                   | 15,000.00        | 15,000.00        |                   |
|  | 22. Sub-contracting to translation  | 1            | 5,000.00          | 5,000.00         |                  | 5,000.00          |
|  | 23. sub-contracting to printing   | 1            |                   | 5,500.00         |                  | 5,500.00          |
|  | <b>29. Component total</b>  | <b>4</b>     |                   | <b>25,500.00</b> | <b>15,000.00</b> | <b>10,500.00</b>  |
| <b>30</b>  | <b>Duty travels</b>   |              |                   |                  |                  |                   |
|  | 31. Daily Subsistence Allowance   |              |                   |                  |                  |                   |
|  | 31.1. Consultant for survey, analysis and report drafting   | 10           | 200.00            | 2,000.00         | 1,600.00         | 400.00            |
|  | 31.2. Experts for report workshop   | 6            | 245.00            | 1,470.00         | 1,470.00         |                   |
|  | 31.3 SMFEs workshop   | 30           | 150.00            | 4,500.00         | 4,500.00         | 0.00              |
|  | 31.4. Assitant survey   | 10           | 150.00            | 1,500.00         | 1,200.00         | 300.00            |
|  | 32. Air Travel  |              |                   |                  |                  |                   |
|  | 32.1 . Consultant for survey, analysis and report drafting  | 3            | 600.00            | 1,800.00         | 1,440.00         | 360.00            |
|  | 32.2 Experts for report workshop  | 3            | 600.00            | 1,800.00         | 1,800.00         |                   |
|  | 32.3. assitants survey  | 3            | 600.00            | 1,800.00         | 1,440.00         | 360.00            |
|  | 33. Local transport costs   | 10           | 100.00            | 1,000.00         | 700.00           | 300.00            |
|  | <b>39. Component total</b>  |              |                   | <b>15,870.00</b> | <b>14,150.00</b> | <b>1,720.00</b>   |

| Budget components |  | Input    | Unit Costs | TOTAL                    | Year 1                   | Year 2                  |
|-------------------|--|----------|------------|--------------------------|--------------------------|-------------------------|
| <b>40</b>         | <b>Capital Goods</b>   |          |            |                          |                          |                         |
|                   | 41 Computers   |          |            |                          | <u>2,000.00</u>          |                         |
|                   | 42 Office in Beijing   |          |            |                          | <u>15,000.00</u>         | <u>7000.00</u>          |
|                   | <b>49. Component total</b>                                     | <b>-</b> |            | <b><u>24,000.00</u></b>  | <b><u>17,000.00</u></b>  | <b><u>7,000.00</u></b>  |
| <b>50</b>         | <b>Consumables</b>   |          |            |                          |                          |                         |
|                   | 51. Office Supplies  | 1        | 2,000.00   | 2,000.00                 | 2,000                    |                         |
|                   | 52. Purchase of documents and data                             | 1        | 5,000.00   | 5,000.00                 | 5,000.00                 |                         |
|                   | <b>59. Component total</b>                                     | <b>2</b> |            | <b>7,000.00</b>          | <b>7,000.00</b>          |                         |
| <b>60</b>         | <b>Miscellaneous</b>   |          |            |                          |                          |                         |
|                   | 61. Report Workshop  |          |            | 5,000.00                 |                          | 5,000.00                |
|                   | 62. Training workshops for SMEs and importers                  |          |            | 40,000.00                | 40,000.00                |                         |
|                   | 63. Project results dissemination                              |          |            | 1,000.00                 |                          | 1,000.00                |
|                   | 64. <u>PSC meeting</u>   |          |            | <u>6,000</u>             | <u>3,000</u>             | <u>3,000</u>            |
|                   | 65. <u>Audit report</u>  |          |            | <u>5,000</u>             |                          | <u>5,000</u>            |
|                   | 66. Contingency budget   | 1        |            | 1,500.00                 |                          | 1,500.00                |
|                   | <b>69. Component total</b>                                     | <b>1</b> |            | <b><u>58,500.00</u></b>  | <b><u>43,000.00</u></b>  | <b><u>15,500.00</u></b> |
| <b>70</b>         | <b>Local management costs</b>                                  |          |            |                          |                          |                         |
|                   | <b>79. Component total</b>                                     |          |            | <b>\$ -</b>              | <b>\$ -</b>              | <b>\$ -</b>             |
|                   | <b>Sub-total</b>   |          |            | <b><u>220,870.00</u></b> | <b><u>163,275.00</u></b> | <b><u>57,595.00</u></b> |
| <b>80</b>         | <b>Project monitoring and administration</b>                   |          |            |                          |                          |                         |
|                   | 81. ITTO Monitoring and review                                 |          |            | <u>10,000</u>            |                          |                         |
|                   | 82. ITTO mid-term, final and ex-post evaluation costs          |          |            | <u>\$ -</u>              |                          |                         |
|                   | 83. ITTO Programme Support Costs (12% of items 10 to 82 above) |          |            | <u>16,088</u>            | <u>16,088</u>            |                         |
|                   | <b>89. Component total</b>                                     |          |            | <b><u>26,088</u></b>     |                          |                         |
| <b>90</b>         | Pre-project costs refund (Pre-project budget)                  |          |            |                          |                          |                         |
| <b>100</b>        | <b>OVERALL TOTAL</b>   |          |            | <b><u>246,958.00</u></b> |                          |                         |

| <b>3.5.2 Yearly Project Budget by Source - ITTO(with inputs and unit costs)</b> |   |               |                   |                  |                  |                  |
|---|---|---------------|-------------------|------------------|------------------|------------------|
| <b>Budget components</b>  |   | <b>In put</b> | <b>Unit Costs</b> | <b>TOTAL</b>     | <b>Year 1</b>    | <b>Year 2</b>    |
| <b>10</b>   | <b>Project personnel</b>  |               |                   |                  |                  |                  |
|   | 11. Consultant for analysis survey and report draft   | 55            | 300               | 16500            | 16500            | 0                |
|   | 12. Specialist for CITES Q and A and 30 issue CITES updates and information                                   | 65            | 300               | 19500            | 14625            | 4875             |
|   | <b>19. Component total</b>  | <b>120</b>    | <b>300.00</b>     | <b>36,000.00</b> | <b>31,125.00</b> | <b>4,875.00</b>  |
| <b>20</b>   | <b>Sub-contracting</b>  |               |                   |                  |                  |                  |
|   | 21. Sub-contracting to a CITES webpage establishment and a CITES Activity Wechat mobile webpage establishment | 1             |                   | 15,000.00        | 15,000.00        |                  |
|   | 22. Sub-contracting to translation  | 1             | 5,000.00          | 5,000.00         |                  | 5,000.00         |
|   | 23 sub-contracting to printer   | 1             |                   | 5,500.00         |                  | 5,500.00         |
|   | <b>29. Component total</b>  | <b>3</b>      |                   | <b>25,500.00</b> | <b>15,000.00</b> | <b>10,500.00</b> |
| <b>30</b>   | <b>Duty travels</b>   |               |                   |                  |                  |                  |
|   | 31. Daily Subsistence Allowance   |               |                   |                  |                  |                  |
|   | 31.1. Consultant for survey, analysis and report drafting   | 10            | 200.00            | 2,000.00         | 1,600.00         | 400.00           |
|   | 31.2. Experts for report workshop   | 6             | 245.00            | 1,470.00         | 1,470.00         |                  |
|   | 32. Air Travel  |               |                   |                  |                  |                  |
|   | 32.1. Consultant for survey, analysis and report drafting   | 3             | 600.00            | 1,800.00         | 1,440.00         | 360.00           |
|   | 32.2. Experts for report workshop   | 3             | 600.00            | 1,800.00         | 1,800.00         |                  |
|   | 33. Local transport costs   | 10            | 100.00            | 1,000.00         | 700.00           | 300.00           |
|   | <b>39. Component total</b>  | <b>19</b>     |                   | <b>8,070.00</b>  | <b>7,010.00</b>  | <b>1,060.00</b>  |
| <b>40</b>   | <b>Capital Goods</b>  |               |                   |                  |                  |                  |
|   | <b>49. Component total</b>  | <b>-</b>      |                   |                  |                  |                  |
| <b>50</b>   | <b>Consumables</b>  |               |                   |                  |                  |                  |
|   | 51. Office Supplies   | 1             | 2,000.00          | 2,000.00         | 2,000.00         |                  |
|   | 52. Purchase of documents and data  | 1             | 5,000.00          | 5,000.00         | 5,000.00         |                  |
|   | <b>59. Component total</b>  | <b>2</b>      |                   | <b>7,000.00</b>  | <b>7,000.00</b>  |                  |
| <b>60</b>   | <b>Miscellaneous</b>  |               |                   |                  |                  |                  |
|   | 61. Report Workshop   |               |                   | 5,000.00         |                  | 5,000.00         |

|            |  |          |                  |                   |                   |                  |
|------------|--|----------|------------------|-------------------|-------------------|------------------|
| 62.        | Tranning workshops for SMEs and importers                  |          |                  | 40,000.00         | 40,000.00         |                  |
| 63.        | Project results dissemination                              |          |                  | 1,000.00          |                   | 1,000.00         |
| 64.        | Contingency budget   | 1        |                  | 1,500.00          |                   | 1,500.00         |
| 69.        | <b>Component total</b>                                     | <b>1</b> | <b>47,500.00</b> | <b>47,500.00</b>  | <b>40,000.00</b>  | <b>7,500.00</b>  |
| <b>70</b>  | <b>Local management costs</b>                              |          |                  |                   |                   |                  |
| 79.        | <b>Component total</b>                                     |          |                  | <b>\$ -</b>       | <b>\$ -</b>       | <b>\$ -</b>      |
|            | <b>Sub-total</b>   |          |                  | <b>124,070.00</b> | <b>100,135.00</b> | <b>23,935.00</b> |
| <b>80</b>  | <b>Project monitoring and administration</b>               |          |                  |                   |                   |                  |
| 81.        | ITTO Monitoring and review                                 |          |                  | <u>9,859.00</u>   |                   |                  |
| 82.        | ITTO mid-term, final and ex-post evaluation costs          |          |                  | \$ -              |                   |                  |
| 83.        | ITTO Programme Support Costs (12% of items 10 to 82 above) |          |                  | <u>16,071.00</u>  | <u>16,071.00</u>  |                  |
| 89.        | <b>Component total</b>                                     |          |                  | <u>25,930.00</u>  |                   |                  |
| <b>100</b> | <b>OVERALL TOTAL</b>                                       |          |                  | <u>150,000.00</u> |                   |                  |

| <b>3.5.3 Yearly Project Budget by source – Executing Agency:CAF/RIFPI</b> |                  |                  |                  |
|---|------------------|------------------|------------------|
| <b>Annual Disbursements</b>   |                  |                  |                  |
|   | <b>Total</b>     | <b>Year 1</b>    | <b>Year 2</b>    |
| <b>Budget components</b>  |                  |                  |                  |
| 10. Project personnel   |                  |                  |                  |
| 11. <u>Project assistants</u>   | <u>54,000.00</u> | <u>36,000.00</u> | <u>18,000.00</u> |
| 30. Duty travels  | <u>7,800.00</u>  | <u>7,140.00</u>  | <u>660.00</u>    |
| 40. Capital Goods   | <u>24,000.00</u> | <u>17,000.00</u> | <u>7,000.00</u>  |
| 50. Consumables   | \$ -             | \$ -             | \$ -             |
| 60. Miscellaneous   | <u>11,000.00</u> | <u>3,000.00</u>  | <u>8,000.00</u>  |
| 70. EA's Management Costs   | \$ -             | \$ -             | \$ -             |
| <b>EA Total CAF</b>   | <u>96,800.00</u> | <u>63,140.00</u> | <u>33,660.00</u> |

### 3.5.4 Overall Project Budget by activity and component (in US dollars), except Programme Support Costs (12%)

| OUTPUTS / ACTIVITIES +<br>Expenses not associated to any one activity  | Budget components     |    |                     |             |                  |   |                   |   |                 |      | Yr | OVERALL           |       |       |
|--|-----------------------|----|---------------------|-------------|------------------|---|-------------------|---|-----------------|------|----|-------------------|-------|-------|
|  | 10. Project personnel |    | 20. Sub-contracting |             | 30. Duty travels |   | 40. Capital Goods |   | 50. Consumables |      |    | 60. Miscellaneous |       | TOTAL |
|  |                       |    |                     |             |                  |   |                   |   |                 |      |    |                   |       |       |
| <b>Output 1</b><br><b>A report entitled “Analysis of trends and impact on China’s timber trade of commercial timbers included in CITES”</b>                                |                       |    |                     |             |                  |   |                   |   |                 |      |    |                   |       |       |
| Activity 1.1<br>Collect and review related materials ,analyze the data ,including the trade flow and changing trends of CITES App new commercial timbers                   | <u>9000</u>           | E  | -                   | -           | -                | - | 7000              | I | -               | -    | -  | Y1                | 16000 |       |
| Activity 1.2<br>Interview and survey a representative sample of primary stakeholders to assess the overall situation on CITES implementation and trade procedures in China | <u>4000</u>           | I  |                     | <u>8100</u> | I/E              | - | -                 | - | -               | -    | -  | Y1                | 7800  |       |
| Activity 1.3<br>Draft and finalize the report of “Analysis of trends and impact on China’s timber trade of commercial timbers included in CITES”                           | <u>21500</u>          | IE |                     |             | I                | - | -                 |   |                 | I    |    | Y2                | 22500 |       |
| Activity 1.4<br>Convene a workshop for discussion on the report and related trends and impact on China’s timber trade in relation to CITES.                                | -                     |    |                     | I           | 3270             | - | -                 |   |                 | 7500 |    | Y2                | 10770 |       |
| Activity 1.5<br>Translate, print and publish study report (both in Chinese and English) Translation of Research Repor  |                       |    |                     |             |                  |   |                   |   |                 |      |    |                   | 10500 |       |
| <b>Output2</b><br><b>A mobile web and web-based communication platformfor information dissemination and exchange on the updated CITES information</b>                      |                       |    |                     |             |                  |   |                   |   |                 |      |    |                   |       |       |
| Activity 2.1<br>Establish a CITES webpage linked to the CAF Forest Products Index (FPI) web and establish a CITES Activity mobile webpage linked to FPI Wechat mobile web  | 9000                  | I  |                     |             | -                | - | -                 |   |                 | -    |    | Y1                | 9000  |       |

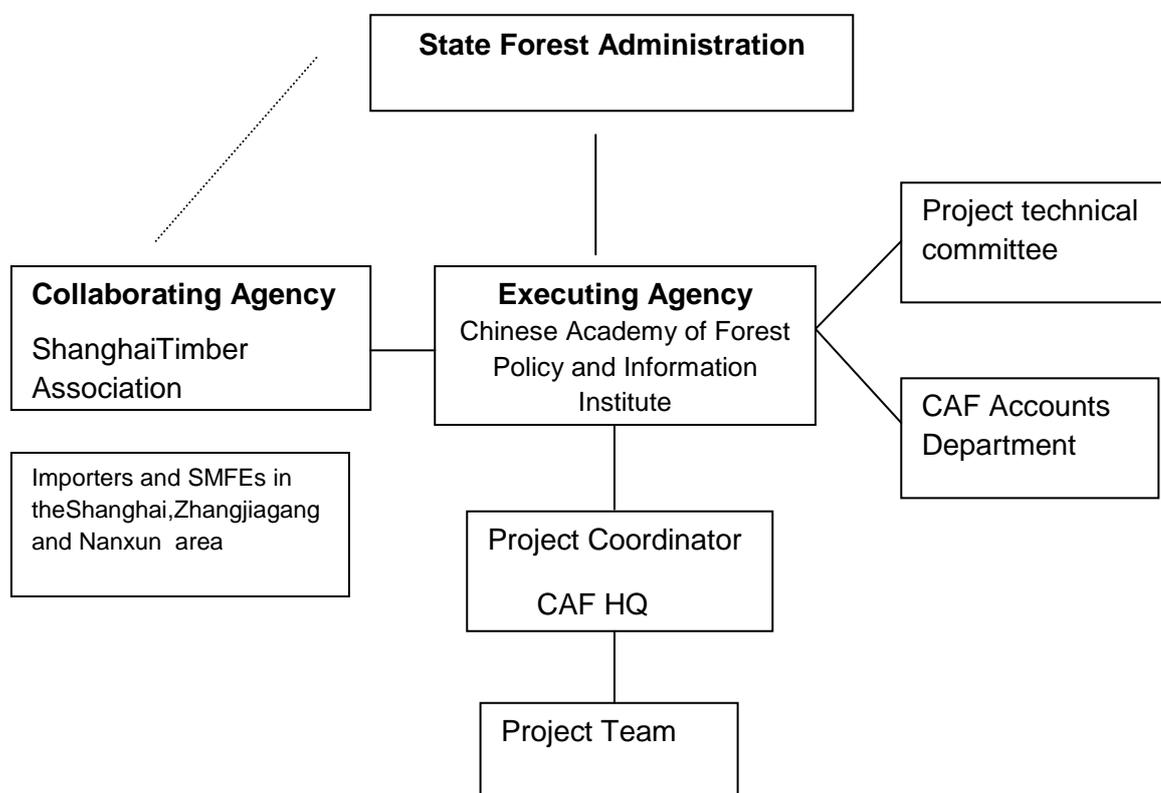
|   |              |   |       |   |              |              |      |              |   |          |               |
|---|--------------|---|-------|---|--------------|--------------|------|--------------|---|----------|---------------|
| <b>Activity 2.2</b><br>Prepare updates bimonthly on CITES related information, including 5 special issue focusing on Dalbergias   | -            |   | 15000 | I | -            | -            | -    | -            | - | Y1       | 15000         |
| <b>Activity 2.3</b><br>Publish 30 issues of CITES updates and information and disseminate to 1000 subscribers through the CITES-FPI Wechat mobile web and website, and provide advice and guidance based on Q and A from SMEs and importers | <u>28500</u> | E | -     |   | I            | -            | -    |              |   | Y1,<br>2 | 22500         |
| <b>Out put 3</b><br>Training workshops for 100 representatives from SMEs and imports in the project area  |              |   |       |   |              |              |      |              |   |          |               |
| Activity 3.1<br>set up training group, confirm training plan  | <u>9000</u>  | E |       |   |              |              |      |              |   |          | 9000          |
| Activity 3.2<br>prepare the training materials  | <u>9000</u>  | E |       |   |              |              |      |              |   |          | 9000          |
| Activity 3.3<br>Conduct two training workshops for 100 representatives of SMEs  |              |   |       | I |              |              |      |              |   |          | 40000         |
| <u>Computers</u>  |              |   |       |   |              | <u>2000</u>  | E    |              |   |          |               |
| <u>office in Beijing</u>  |              |   |       |   |              | <u>17000</u> | E    |              |   |          |               |
| <u>PSC Meetings</u>   |              |   |       |   |              |              |      | <u>6000</u>  |   |          |               |
| <u>Audit report</u>   |              |   |       |   |              |              |      | <u>5000</u>  |   |          |               |
| <b>Sub-total 1</b>  | <u>90000</u> |   | 25500 | I | <u>15870</u> | <u>24000</u> | 7000 | <u>58500</u> |   |          | <u>220870</u> |
| <b>Sub-total (OIBT)</b>   | 36000        |   | 25500 |   | 8070         |              | 7000 | 47500        |   |          | 124070        |
| <b>Sub-total (Executing Agency CAF)</b>   | <u>54000</u> |   |       |   | <u>7800</u>  | <u>24000</u> |      | <u>11000</u> |   |          | <u>96800</u>  |

I = ITTO ; E = Executing Agency

## PART 4. IMPLEMENTATION ARRANGEMENTS

### 4.1 Executing Agency and organizational set-up

Under the guidance of SFA, the project will be implemented by the Research Institute of Forestry Policy and Information/Chinese Academy of Forestry (CAF/RIFPI). The collaborating agency is the Shanghai Timber Trade Association which, while operating as an independent industry association, has strong links to the CAF and SFA and the enterprises (especially the importers). The project organizational structure is shown below.



The CAF/RIFPI is responsible for the research of policy, development planning and information in the national forestry sector. It is also a unit engaging in the research of international forestry, and is a key institution to provide information and consulting services to domestic and foreign relevant organizations as well as companies and enterprises. Over the years, domestic and world forest product industry development and its dynamic have been one of the institute's key research directions. The key members of the project have participated in the formulation of the state forestry medium and long-term development plans (including Eighth Five-year, Ninth Five-year and Tenth Five-year forestry plans and 2001-2010 forestry plan as well as the formulation of major forestry policies (including industrial policy and science and technology one). In addition, the project's key members have collaborated with ITTO, FAO and other international organizations a number of times, and have well accomplished their assignments.

## **4.2 Project management**

As Executing Agency, RIFPI/CAF will set up a management team to manage project implementation: A experienced and professional project coordinator for day-to-day project management and additional professional, administrative and financial staff will complete the project management team. The project coordinator is a full-time RIFPI/CAF staff member; the names and curricula vitae of the project management team are provided in Annex I .The project will also recruit consultants as specified in the proposal. The terms of reference for the consultants is in Annex III.

A project technical committee (PTC) will be established to oversee project implementation, approve (and modify where necessary) the Work Plan and approve budget expenditure. The PTC will monitor the overall strategic management of the project.

The PTC will comprise representatives from the following:

Ministry of Commerce of China, State Forestry Administration of China,The General Customs Administration of China,CAF,ITTO,and the Project Coordinator.

This CITES project will be implemented through the FPI platform. The FPI platform is a well established industry supported communication mechanism which has more than 1200 subscribers from enterprises (including both trade and manufacturing enterprises). Through the ongoing FPI activity, this CITES project will be an activity in which Chinese manufacturers and traders as well as the SFA have an intimate interaction and input.

## **4.3 Monitoring and reporting**

In general, the proposal will be monitored and evaluated in accordance with ITTO operational manuals, guidelines and regulations. All activities will be carried out on the basis of the objectives, outputs, activities/ indicators and work plan contained in the proposal.

In addition to the formal report, the project coordinator will keep ITTO regularly informed of project progress by focusing on the strict compliance with the schedule of project implementation.

## ANNEX I. EXECUTING AGENCY PROFILE

The executing agency will be the Research Institute of Forestry Policy and Information (**RIFPI**) of Chinese Academy of Forestry (RIFPI/CAF).

The EA has considerable experience and considerable advantage in terms of timber product trading policy, global market information dissemination and enterprises training.

Between 2011-2014, the Chinese Academy of Forestry Research Institute of Forestry Policy and Information (RIFPI/CAF) successfully implemented an ITTO funded project “Equipping Small and Medium Sized Forestry Enterprises in China For Procurement of Tropical Timber from Legal and Sustainably Managed Forest” TFL-PD 017/09 Rev.2(M). The major output and outcome of this project is establishment of a Forest Products Index Mechanism (FPI) platform which has been financially supported by the SFA since the completion of this ITTO project. This platform provides the opportunity and mechanism for timber SMEs, traders and relevant government departments to communicate on policy and market developments. Currently there are over 1000 users and around the index is built on input from a core of around 100 enterprises. FPI platform not only provides market and policy information, but also publishes FPI index reports reflecting the trend of timber products market.

**RIFPI** is one of the most important research institutes for policy and information in addition to being an important consultant agency for the State Forestry Administration, People’s Republic of China. In May 2009, the Research Center of SFA for China’s Forest Products International Trade was established based in the **RIFPI**, its main function is to conduct policy research related to trade on international forest products. **RIFPI** is also the main window for the exchange of information between China and a variety of international organizations, the governing bodies of forestry and forest product industries in different countries, as well as the main manufacturing and trading companies (enterprises). Over years, **RIFPI** has undertaken several national forestry policies (including industrial policy, scientific and technological policy, etc.), the long-term developing plan (including scientific and technological plans), development strategies and many other research tasks on soft science, and it has completed a large number of major projects cooperated with various international organizations such as ITTO, FAO, WB, INBAR, and so on, as well as non-governmental organizations such as NASDA, IDRC, WWF, Ford Foundation, and so on.

Currently there are 120 employees, of which 40 are senior research fellows, and a lot of which are proficient and familiar with English, Japanese, Russian, French, German and other languages. The RIFPI is equipped with not only departments of research, journals, computer rooms, and business units of printing and forestry company, but also the biggest library of forestry in China. This library is a national center for documentation and literature on forestry science and technology, with a collection of 400,000 books, and 1000 kinds of domestic and international periodicals, of which 700 are foreign journals.

## **Annex II. TASKS AND RESPONSIBILITIES OF KEY PROJECT STAFF PROVIDED BY THE EXECUTING AGENCY**

### **Project Coordinator:**

**Luo, xinjian, 45, Female,**

Ms. Luo is an associate research fellow on Forestry Economics and Management of Chinese Academy of Forestry.

She received a Bachelor of Forest in Beijing Forestry University, MBA of Tsinghua University, Beijing. now a candidate for Ph.D of Forestry Economics and Management, specialization in forest products market and trade.

Dr. Luo proficient in English and is experienced with participation in researches in national forestry policies and development strategies, and has been involved in a large number of international projects. In particular, Dr. Luo conducted the project of "Diagnostic Study on Small and medium-sized Forest Enterprises in China", cooperated with FAO in 2008 and 2009. Based on the survey and study undertaken in Anji of Zhejiang province and Yong'an of Fujian province on SMEs of bamboo and domestic timber processing, the paper, "Diagnostic Study on Small and medium-sized Forest Enterprises in China" was finished; in 2007 Dr. Luo was engaged in the World Bank funded project of "China: Collective Forest Tenure Reform" and responsible for the investigation and analysis on the value chain of processing enterprises and farmers in forest areas. Now, Dr. Luo is one of the core staff in the Research Center of SFA for China's Forest Products International Trade, Which is a main policy research organization for SFA based in RIFPI, Chinese Academy of Forestry. Ms. Luo is in charge of Chinese forest products international trade analysis, enterprise surveying and industry policy research. Dr. Luo will be the project team leader of this project and will take overall responsibility for project implementation.

### **Project Assistants:**

**Ms.Meng, Qian, 27, Female**

Ms. Meng received a master of international trade in Beijing Chemical Industry University,now she is a Ph.D of Central University of Finance and Economics (CUFE), Ms. Meng is the assistant research fellow on Forestry Economics and Management of Chinese Academy of Forestry. She is mainly engaged in the study on forest product and proficient with English.

**Ms. Liu, Ying, 26, Male**

Ms. Liu is the assistant research fellow on Forestry Economics and Management of Chinese Academy of Forestry. She is mainly engaged in the study on forest product and proficient with English. She received a Master Degree of Forestry Economics and Management from Beijing Forestry University.

**Wang, Jian, 34, Male,**

Mr. Wang received a bachelor of Management from Shanghai Business School, who is from Shanghai Timber Trade Association, Mr. Wang is engaged in connecting with timber processing companies of tropical forest, and is familiar with the status of companies in tropical timber trade and processing, plywood and wood-flooring production, while maintaining a good relationship with SMEs and timber traders.

**DongChunpeng, 30, Male**

Mr. Dong received a bachelor of Management from School of Economic and Management, Beijing Forest University, who is from Beijing Wood Industry Chamber of Commerce, Mr. Dong is engaged in connecting with timber trade companies of tropical timber, and is familiar with the status of companies in tropical timber traders, while maintaining a good relationship with enterprises.

**Ms.Wu,hong, 49, Female,**

Ms. Wu is engaged in research project management coordination and monitor in RIFPI and she has been focus on project management for more than 10 years, She received a Bachelor Degree of Forest economics and management.

| Name           |             | Gender | Age | Agency                                    | the title of a technical position | Function in the project  | The number of work months |
|----------------|-------------|--------|-----|---|-----------------------------------|--|---------------------------|
| Team leader    | Luoxin jian | Female | 45  | Chinese Academy of Forestry               | Associate research fellow         | In charge of the whole project implementation,<br>Outputs 1 to 3                         | 18                        |
| Meng,Qian      |             | Male   | 27  | Chinese Academy of Forestry               | Assistant research fellow         | Output 1, A1.2, A1.<br>Output 2,A2.2,A2.3<br>Output 3,                                   | 6                         |
| Liu Ying       |             | Female | 26  | Chinese Academy of Forestry               | Assistant research fellow         | Output 1, A1.1, A1.2,A1.3<br>Output 2<br>A2.1,A2.2<br>Output 3,A6.2                      | 6                         |
| Wang jian      |             | Male   | 34  | Shanghai Timber Trade Association         | Manager                           | Output 1,A1.2,<br>Output ,A5.1,  | 1                         |
| Dong Chunpent, |             | Female | 30  | Beijing Wood Industry Chamber of Commerce | Manager                           | Output 1, A1.2,A1.3, Output 2, A2.3  | 1                         |
| Wu,Hong        |             | Female | 49  | Chinese Academy of Forestry               | Assistant research fellow         | Output1,A1.1, A2.1,<br>Output 3, A3.1<br>Output 4,A4.1<br>Output 5,A5.1<br>Output 7 A7.1 | 4                         |

## **Annex III. TERMS OF REFERENCE OF PERSONNEL AND CONSULTANTS AND SUB-CONTRACTS FUNDED BY ITTO**

### **The TOR for consultant for analysis survey and draft report**

To shed light on the impact of CITES listing of timber species on Chinese SMEs and importers the Consultant will:

- Design and seek approval from the project coordinator for sampling SMEs and importers
- Design a survey that will deliver data on the perceptions and appreciation of the principles of CITES and the mechanisms involved to comply in respect of listed timbers
- Conduct on-site interviews with representative enterprises and importers to determine what CITES information sources are currently used and what is the most desirable means for delivery of information advice and guidance on compliance with CITES
- Assess the trade flow and patterns of imports and utilization of timbers included in CITES
- Assess the level of support provided to members by timber associations in the project area and determine how such support could be strengthened.

The consultants will produce a report entitled “Analysis of trends and impact on China’s timber trade of commercial timbers included in CITES”.

This consultancy requires a 10 day field survey of enterprises and importers and provides for 45 for drafting the report and presentation of the report at a workshop to be arranged by the Executing Agency.

### **The TOR for Specialist for CITES Q and A and 30 issues CITES updates and information**

The consultants are required to meet the objective of the project in delivering information, advice and guidance to SMEs and importers.

65 man days distributed over the duration of the project, the main response of the Consultant will:

- Compile and deliver in clear language text which can be delivered to SMEs and importers on:
  - The background to CITES and its workings
  - The Chinese government commitment to enforcing CITES and the mechanisms in place
  - The role of CITES in tropical timber supply countries
- In addition the consultant will deliver to the project coordinator all changes and regulations announced by CITES and accepted by the Chinese government in regard to trade in timber species.
- Provide the project coordinator with a minimum of 30 updates and commentary over the duration of the project on developments in CITES around the world and how this could impact China’s SMEs and importers. The scheduling of delivery of updates will be as mutually agreed between the consultant and the project coordinator.
- For the full duration of the project be available to provide advice and guidance on compliance with CITES to SMEs and importers in the project area.
- Design promotional material in support of the advice and guidance service being provided by the project and in cooperation with the project coordinator enlist the mass media to promote the service being offered.
- In cooperation with the project team compile and analyse the two way flow of dialogue (SMEs/importers and consultant) to determine patterns of misunderstanding of CITES and any weaknesses/ misconceptions on the part of SMEs and importers.

## **The TOR for a mobile and web-based communication platform for information exchange on CITES**

To satisfy the need for a communication platform the Swill:

- Examine the existing FPI website and determine how best a new web page can be integrated.
- In close cooperation with the project coordinator and project team submit proposals on the design and structure of the new webpage within the FPI site that provides for efficient delivery of CITES updates and also provides for a two way communication from SMFEs and importers to CITES experts.
- Suggest options for integrating the new site into the CAF Forest Products Index (FPI) official web: [www.chinafpi.org](http://www.chinafpi.org)
- Suggest options for the design, structure and function of a FPI Wechatmobile web in linked to FPI Wechat mobile web.
- The consultant will bear in mind that the new communication platform should be easy to navigate, should operate efficiently and should be easy to manage and maintain at minimal cost.

## ANNEX IV. Responses to reviewer comments/recommendations

| Reviewer Comments/Recommendations*  | Amendment(s) made**   | Page #***                          |
|---|---|------------------------------------|
| <u>Some references are incorrect, please revise. There are more than 600 tree species listed in the CITES Appendices, of which, more than 400 are timber species. Only the species of the genus Diospyros from Madagascar has around 240 species, this is only one taxon listed in Appendix II so the total exceeds by far the 231 recorded in this document. Contact information seems to mismatch - is this correct? The contact details of the responsible focal point on enforcement for CITES is on the CITES website as:.....</u> | <u>We have searched and consulted with related experts, it's hard to get the exact number. The main reason is that listing is dynamic. So we revised this part. Contact information doesn't mismatch, in previous edition, we only describe the management authority in mainland. Now details about the management authority and enforcement authorities are both included, see page 3.</u> | Page 1                             |
| <u>Please try to elaborate a bit more on environmental aspects of the target area, please add information</u>   | <u>Environmental aspects of the target area were included in the description of target area</u>   | Page 5                             |
| <u>There are a number of assumptions made. Are they based on research of stakeholders or particular consultations? CAF does not have a trade role. Please explain.</u>  | <u>Details about the assumptions included in the first paragraph of 2.1 Stakeholder analysis. CAF has some trade role, see page10 for the explanation.</u>  | Page 7<br>Page 8-9                 |
| <u>The Objective Tree is missing, please provide (See ITTO Manual). Please make sure that number of causes and sub causes corresponds with number of Outputs and Activities. Also, please ensure that causes and effects of the core problem correspond with activities and outputs. Please also try to include a reference on the 'appetite' of the trade for this project.</u>  | <u>Missing objective Tree was added. Meanwhile, we adjust the causes and subcauses in problem tree, now the output corresponds the activities better. And the reference is included, see the footnotes in page12.</u>   | Page 9 to<br>page 14<br>Page17     |
| <u>How will the mobile web and web-based communication platform be different from the CITES.org website?</u>  | <u>The difference was included in the description of specific objectives.</u>   | Page 15                            |
| <u>The project partners not well set out. To ensure 'impact, it is crucial to have the trade properly involved. Which trade association(s) are involved, targeted, their relevance in the trade of CITES spp?</u>   | <u>We revised the "Executing Agency and organizational set-up", set up a framework for the project partners. As for the association's role, we included the detailed description in many places, like Stakeholder analysis, Strategic approach and methods</u>  | Page 26-27<br><br>Page 8<br>Page18 |
| <u>Please improve the budget arrangement. Indicate the Master Budget. Please increase the budget for ITTO monitoring and review to US\$10,000 (without exceeding an ITTO total of US\$150K). Do trade associations benefit from the budget?....</u>   | <u>The budget for ITTO monitoring and review has been increased to US\$10,000 (without exceeding an ITTO total of US\$150K).</u>  | Page 23                            |
| <u>Is there an trade involvement in the project management. Proper involvement of the trade can be crucial to ensure 'buy in' of the trade.</u>   | <u>Yes, there is a trade involvement. This CITES activity will become part of the ongoing FPI activity in which Chines manufacturers and traders as well as the SFA have an intimate interaction and input.</u>   | Page 27                            |

*Please expand table as needed*

\* *In this column please paste the individual reviewer comments*

\*\* *In this column please briefly describe which change(s) have been made (see examples)*

\*\*\* *In this column please insert the page number where responding changes have been made*