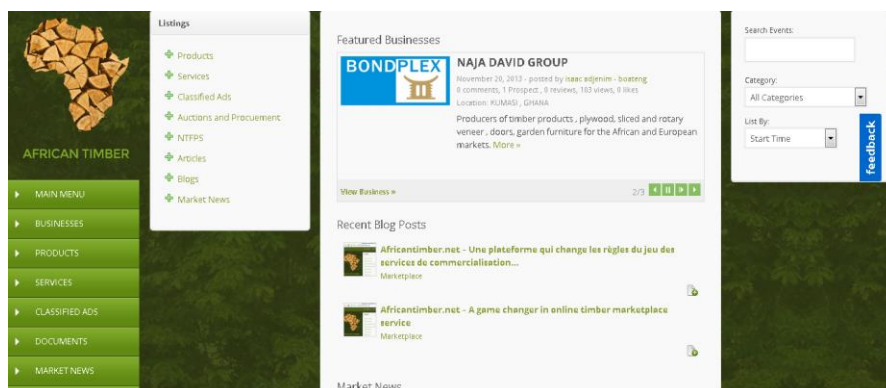




Completion Report

Improving Intra-African Trade and Market Transparency in Timber and Timber Products



Host Government: Ghana

**Executing Agency: Ghana Timber Millers' Organization
(GTMO)**

Project TMT-SPD 012/12 Rev. 1 (M)

Improving Intra-African Trade and Market Transparency in Timber and Timber Products

Project Start date: June 20, 2013

Duration: 24 Months

Project Completion date: June 30, 2015

Project costs (US\$):

ITTO : 111,930.80

GTMO : 38,065.00

TOTAL : 149,995.80

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October 30, 2015

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LIST OF ABBREVIATIONS AND ACRONYMS

| | |
|-------|--|
| BWP | Biennial Work Program |
| CMS | Content Management System |
| FLEGT | Forest Law Enforcement Governance and Trade |
| GDP | Gross Domestic Product |
| GFBC | Wood Chain Group of Cameroon |
| GTMO | Ghana Timber Millers Organization |
| ICT | Information and Communication Technology |
| ITTO | International Tropical Timber Organization |
| LAS | Legality Assurance System |
| NTFP | Non-Timber Forest Products |
| SFITO | Sustainable Forest Industry and Trade Organization |
| SPIB | Syndicate of Wood Industrial Producers |
| SPWP | Secondary Processed Wood Products |
| TIDD | Timber industry Development Division |
| TMT | Trade and Market Transparency |
| TTP | Timber and Timber Products |
| VPA | Voluntary Partnership Agreement |
| WTS | Wood Tracking System |

Executive Summary

- **Project context, origin and main problem addressed**

The total forest area in Africa is 23% of the land area (2964.4 million ha). Deforestation and forest declined from 0.6% in 1990-2000 to 0.5% in 2000-10. In 2008, the continent recorded a consumption of 615.6 million m of wood fuel, industrial roundwood and sawnwood combined. Africa was a net importer of TTPs in the period 2003-07, importing annually around 4 billion USD but only 10% originated from the continent.

The project conforms to Ghana's forest policy of trade development in TTPs through strengthening the capacity of enterprises by improving marketing strategies and skills, and market transparency through provision of reliable data and market information. In Ghana and other ITTO producer member countries, most of the timber companies do not have a web presence. In order to gain access to the European market, Ghana has entered into agreement with the European Union through the signing of the FLEGT-VPA to combat illegal logging and its associated timber trade.

This project stemmed from the background paper's recommendations to ITTO in paragraphs (1) and (4), and Accra Action plan's recommendations to ITTO in recommendations (1), (3) and (6), contained in the ITTO report of 2009 on the promotion of intra African timber trade. The core problem investigated was the inadequacy of intra-African trade in TTPs. The main causes identified include (a) lack of knowledge of regional market, (b) weak capacity in production and marketing planning, and (c) constraints in market access and logistics. The main causes and sub-causes produced socioeconomic, economic and environmental impacts in ITTO producer member countries.

- **Project objectives and (adjusted) implementation strategy**

The development objective was to contribute to the intra-African timber trade development. The project specific objective was to provide market information to traders in the region to bring about an increased intra-African trade in TTPs. In order to achieve the specific objectives, three outputs were realized through implementation of activities for each type of outputs. These outputs include market information system established (output 1), marketing strategies and skills strengthened (Output 2), and logistics and market access established (Output 3).

- **Most critical differences between planned and realized implementation**

Though two activities were not realized, there was no critical difference between the planned and actual project implementation.

- **Situation prevailing after the project implementation, situation of target beneficiaries and post-project sustainability**

After the project there are online timber and non-timber marketplace and an online tariff database in the region. Industry and trade associations and their members are aware of the existence of the online services, and these associations are urging their members to leverage the online services to improve their marketing effort. However, online marketplace requires time and effort to bring sellers and buyers onto the marketplace. There is a plan to create marketable products and services such as special market report and other services (e.g. web hosting for timber companies) to generate revenues for Africantimber.net.

- **Most relevant outcome of the analysis of the project implementation**

The problem of low share of intra-African import of timber and timber products was identified. The stakeholders were correctly identified. The participation of timber companies in the market survey and marketing workshop was very low. Logistics companies and customs offices did not respond to the surveys. The project objectives (development and specific) were clearly set, and the 3 outputs to deliver were sufficient for attaining the specific objective. Two activities were not implemented because of lack of sufficient information. This, however, did not have a serious impact on the specific objective.

The problem of diminishing raw material in Ghana was not anticipated. This might have preoccupied the companies more than improving marketing strategies. It was assumed that timber and logistics companies, and customs authorities would participate in the surveys. It was also thought that the unwillingness of timber companies could be mitigated by providing incentives such as free membership to the online marketplace. However, it turned out that this incentive was insufficient, evidenced by low participation of companies in survey and training workshop. The project implementation strategy built a collaboration with SFITO. As post-project strategy, GTMO and SFITO, planned to provide marketable products and services to defray the cost of hosting and other expenses.

- **Lessons learned and recommendations**

The low level of participation of primary beneficiaries is a key lesson to be learned for future projects. This project's assumption of future benefits such as free listing in the marketplace and web presence of timber companies were sufficient incentives. A collaboration with subject-matter expert or institution can bring benefits in project identification and implementation. The problem of dearth of raw material in Ghana, which resulted to closure of some companies was not foreseen in this project.

Recommendations:

- GTMO should further study the weak capacity in production and marketing planning in Ghanaian timber industry.
- Monetary (or immediate) incentive for private sector may override future benefits such as free listing in marketplace and web presence. This study recommends adequate incentive for participation in future project design.
- Collaboration with subject-matter institution in project implementation can be beneficial during the project life and post-project life. This study recommends an association of a subject matter expert or institution in the project planning and implementation.
- This project has a potential of replication in other tropical zones for establishing an online timber marketplace.

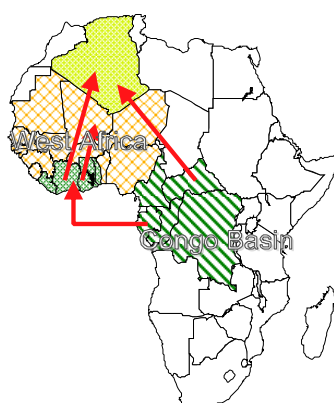
1. Project Identification

1.1. Context

The total forest area in Africa is 23% of the land area (2964.4 million ha). Deforestation and forest degradation are major problems affecting the environment. According to the FAO, annual loss of forests has slightly declined from 0.6% in 1990-2000 to 0.5% in 2000-10. In 2008, the continent consumed 615.6 million m³ of wood fuel, 12.9 million m³ of industrial roundwood and 1.2 million m³ of sawnwood. On the whole, Africa was a net importer of TTPs in the period 2003-07, importing annually around 4 billion USD but only 10% originated from the continent.¹ This represented untapped export opportunities for TTP producers in the region, and the would-be timber revenue from increased intra-African timber trade could play an important role in the development of the timber industry and provide greater employment.

The project's target area was Africa, and its aim was to develop an online timber marketplace and tariff database for the region. (Figure 1).

Figure 1. Map of project area



The proposal conforms to Ghana's forest policy of trade development in TTPs through strengthening the capacity of enterprises by improving marketing strategies and skills, and market transparency through provision of reliable data and market information. According to Timber Industry Development Division, there are 222 registered companies involved in trade of TTPs. A substantial number of these companies are involved in export trading. However, only 3 companies have own website. This situation is similar in other African ITTO producer countries. Ghana has entered into agreement with the European Union through the signing of the FLEGT-VPA to combat illegal logging and its associated timber trade.²

1.2. Origin and Problem

This project stemmed from the background paper's recommendations to ITTO in paragraphs (1) and (4), and Accra Action plan's recommendations (1), (3) and (6) to ITTO³. These recommendations called for detailed study on market intelligence, market transparency and the promotion of intra-African trade in TTPs.

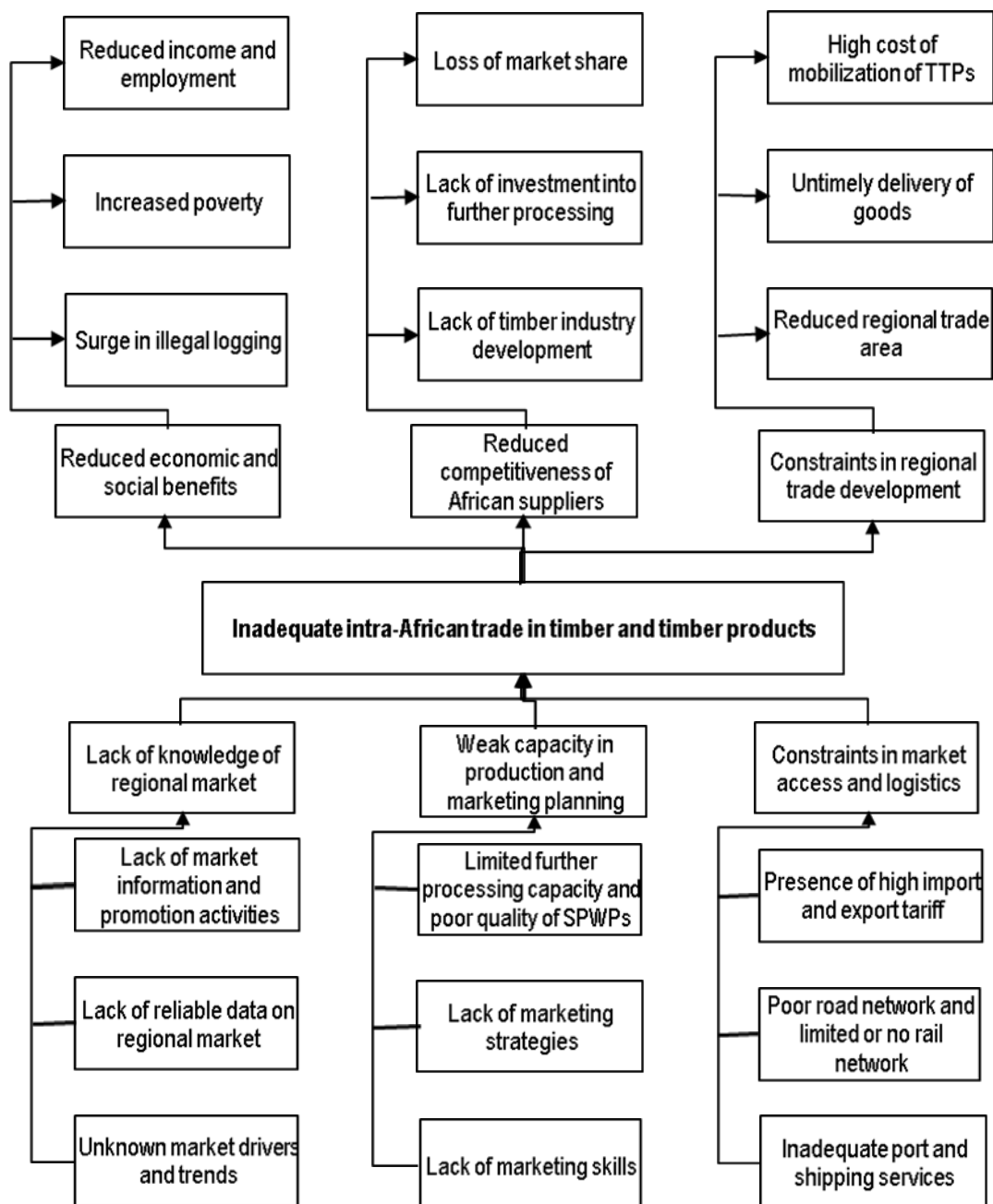
The core problem was the inadequacy of intra-African trade in TTPs (Figure 2). The main causes identified include (a) lack of knowledge of regional market, (b) weak capacity in production and marketing planning, and (c) constraints in market access and logistics. The main causes and sub-causes produced manifold impacts on society, environment and national economies in ITTO African producer member countries.

¹ ITTO 2010. Good Neighbour: Promoting intra-African markets for timber and timber products, Technical Series 35.

² Ghana Gazette, No. 45, Jan-Jun, 2009

³ ITTO 2010. Good Neighbours: Promoting intra-African markets for timber and timber products.

Figure 2. Study problem tree



2. Project Objective and Implementation Strategy

2.1. Project rationale, development objective and specific objective

The intra-African share of total imports of TTPs is low (about 10%). This indicates huge export potential for ITTO African producers. However, to increase intra-African imports requires removing economic and market constraints.

The development objective was to contribute to the promotion of intra-African trade in TTPs. This is highly correlated with ITTO's mandate and objectives and the development goals of ITTO African producers. The project specific objective was to provide market information to traders in the region to bring about an increased intra-African trade in TTPs.

2.2. Implementation strategy

The implementation strategy consisted of the delivery of these outputs:

Output 1

- Online market services established and market information has been published. This included the development of an online marketplace for timber and non-timber products.

Output 2

- Marketing plan developed and implemented at the enterprise level. This included a marketing training workshop.

Output 3

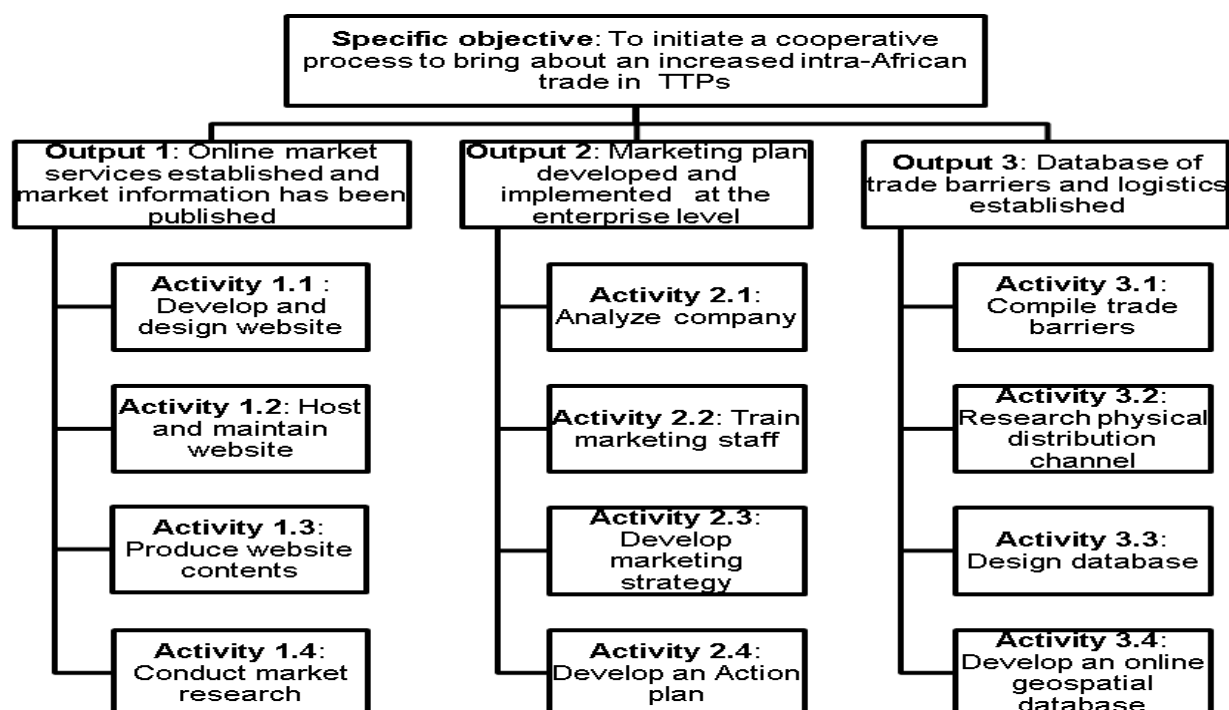
- Database of trade barriers and logistics established. This included a tariff database development.

In order to realize the above outputs, the activities in Figure 3 were carried out. Activities 1.1-1.3 facilitated market intelligence. Activities 1.4 was a key recommendation from the background study and the International Conference for the Promotion of Intra-African Trade in TTPs. Activities 2.1 – 2.4 strengthened marketing strategies and skills of selected enterprises in Ghana. Activities 3.1-3.2 provided information on market access, road and rail networks, and shipping services in the study region. The tariff information was used to build an online tariff database.

2.3. Assumption and risk

The assumptions of the project are valid, which are priorities that the public and private sector are addressing in the regions. Thus, the risk of the project was very small. There was no political instability in the project host country. Perceived unwillingness of enterprises to actively participate in the implementation of the project was mitigated by providing incentives to companies such as free membership at Africantimber.net and a free web page for every member company.

Figure 3. Project outputs and activities



3. Project Performance

3.1. Specific objective

The specific objective remained unchanged. The realized performance of outputs and activities are provided in Table 1.

3.2. Outputs and activities

Table 1. Planned and realized performance of outputs and activities

| Output/Activity | Percentage executed | Adjustments made |
|---|---------------------|------------------|
| Output 1. Online market services established and market information has been published | 100 | Same as planned |
| Activity 1.1.1 Selection of CMS | 100 | Same as planned |
| Activity 1.1.2 Web development | 100 | Same as planned |
| Activity 1.1.3 Web design | 100 | Same as planned |
| Activity 1.1.4 Web promotion | 100 | Same as planned |
| Activity 1.2.1 Web hosting | 100 | Same as planned |
| Activity 1.2.2 Web maintenance | 100 | Same as planned |
| Activity 1.3.1 Creation of English content for the site | 100 | Same as planned |
| Activity 1.3.2 Creation of contents for the site in French | 100 | Same as planned |
| Activity 1.3.3 Designing of an HTML newsletter of Africantimber.net | 100 | Same as planned |
| Activity 1.4 Conduct Market research | 0 | Not realized |
| Output 2. Marketing plan developed and implemented at the enterprise level | 100 | Same as planned |
| Activity 2.1.1 Company survey | 100 | Same as planned |
| Activity 2.1.2 Data analysis and reporting | 100 | Same as planned |
| Activity 2.2.1 Preparation of training materials | 100 | Same as planned |
| Activity 2.2.2. Training workshop | 100 | Same as planned |

| | | |
|---|-----|-----------------|
| Activity 2.3.1. Interview with marketing staff | 0 | Not realized |
| Output 3. Database of trade barriers and logistics established | 100 | Same as planned |
| Activity 3.1.1. Survey with customs offices and web search | 100 | Same as planned |
| Activity 3.1.1. Survey with customs offices and web search | 100 | Same as planned |
| Activity 3.1.2. Synthesis | 100 | Same as planned |
| Activity 3.2.1 Company survey | 100 | Same as planned |
| Activity 3.2.2. Data analysis and reporting | 100 | Same as planned |
| Activity 3.3.1. Identify database architecture | 100 | Same as planned |
| Activity 3.3.2. Identify entities | 100 | Same as planned |
| Activity 3.3.3. Determine hosting and maintenance requirements | 100 | Same as planned |
| Activity 3.4.1. Implement database design | 100 | Same as planned |
| Activity 3.4.2. Web design and hosting | 100 | Same as planned |

3.3. Schedule

The project started on June 20, 2013 and ended on June 30, 2015. There was no change in the project schedule.

3.4. Expenditure and Input analysis

Table 2. Use of ITTO Fund as of June 2013

| Item | Amount |
|------|--------|
| | |
| | |
| | |
| | |

As regards manpower, 3 persons were employed. These included project coordinator, Project Assistant and Project Secretary. Upon the departure of the project assistant, freelancers were hired to do tasks that could be outsourced. Two international consultants were hired, one to conduct a marketing workshop and other to develop a tariff database.

4. Project Outcome and Target Beneficiaries' Involvement

4.1. Achievement of specific objective

The achievement of specific objective is described in Table 3. An online timber marketplace was developed to allow exchanges among timber traders in the region and to provide market information. Marketing training was carried out to improve marketing skills of timber enterprises in Ghana.

Table 3. Outcome indicators and impacts of specific objective

| Outcome indicators | Extent of achievement |
|--|---|
| By the end of 1 st year, timber traders are aware of regional timber market and are actively doing business at the online marketplace (www.africantimber.net). | The marketplace (Africantimber.net) was launched on November 13, 2013 through a launch event held in Kumasi, Ghana. A press release on the launch was sent out to newspaper and ITTO. |
| At the completion of the project, reliable information is available on demand and supply of TTPs in the region. | There is reliable information on African timber concerning leads but not information on buying and selling offers. |
| By the end of the project, marketing strategies and skills have been improved in selected enterprises. | The marketing workshop was held and attended by few companies. The low participation and the lack of responses from the companies after the workshop could not permit an elaboration of strategies. However, a great deal of information was provided during the training workshop (see the proceedings of the workshop). |

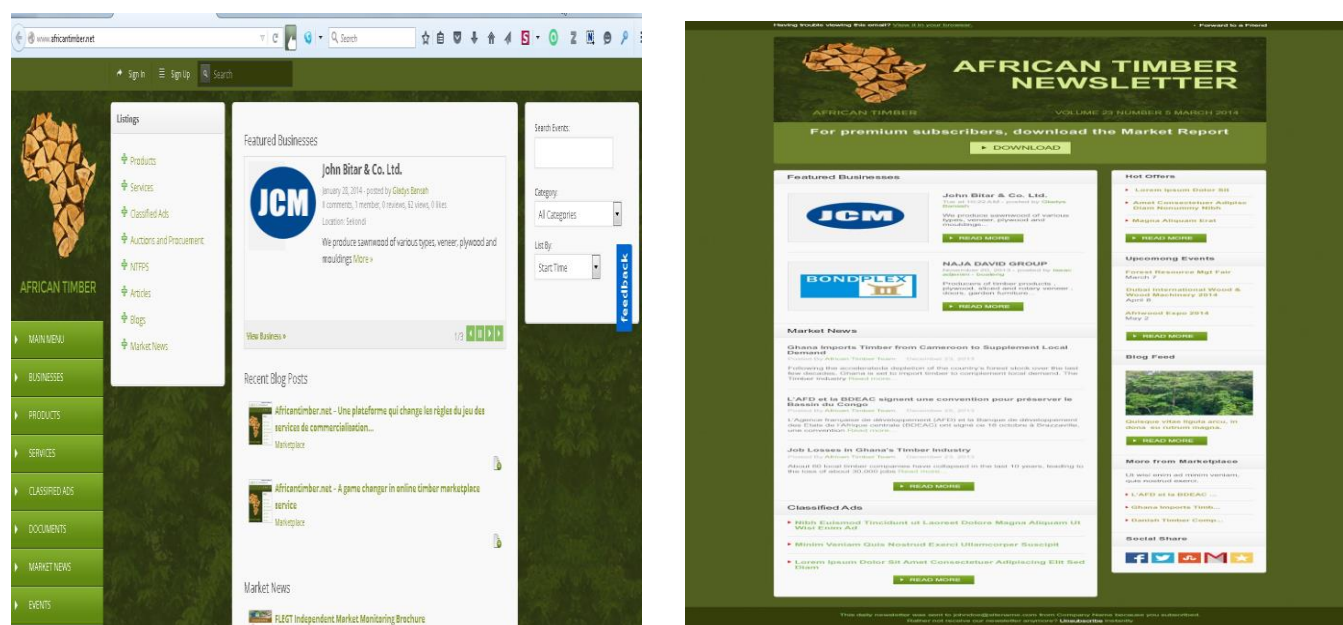
4.2. Pre- and post-project situation

The region has now an online timber and non-timber marketplace (www.africantimber.net) and an online tariff database. For the dissemination of information from the marketplace, a newsletter called “African Timber” Newsletter was prepared. For insights into the timber market, a professional magazine called “African Forest & Timber” was also prepared. The timber marketing workshop - first of its kind in the host country – provided useful information to the participants. The proceedings of the workshop was prepared.

Three key industry and trade associations in the region, GTMO, SPIB and GFBC are aware of the usefulness of Africantimber.net and are encouraging its members to use the site for trade, as well as a discussion forum and private group on Africantimber.net. National agencies responsible for timber industry and trade, as well as inter-governmental organizations (FAO and ITTO have private discussion groups on Africantimber.net.

There is a growing awareness of the usefulness of the marketplace among traders in the region. However, high cost of internet service and lack of reliable internet connectivity is a major problem.

Figure 4. Main project outputs



4.3. Participation of target beneficiaries

Representatives from timber companies, woodworking and furniture associations of Kumasi, Kwame Nkrumah University of Technology and TIDD attended the launch program of African timber on November 13, 2013. During the program, a survey was conducted to find out the need for a magazine to provide professional information on the timber sector. All the respondents expressed their delight for the magazine.

A survey on marketing strategies was conducted with timber companies. However, only 3 completed surveys were received. This was insufficient to describe the overall marketing strategies of Ghanaian timber companies. Another survey was conducted with freight companies in the region in order to learn about logistics problem in the region. Unfortunately, no response was received from the companies. Customs offices with email addresses in ITTO African producer countries were surveyed, but no response was received. The Executive Director of TIDD was a keynote speaker both at the launching program and at the Marketing training workshop. TIDD has already a private group on Africantimber.net.

Figure 5. Selected photos from the launch program of African timber.net

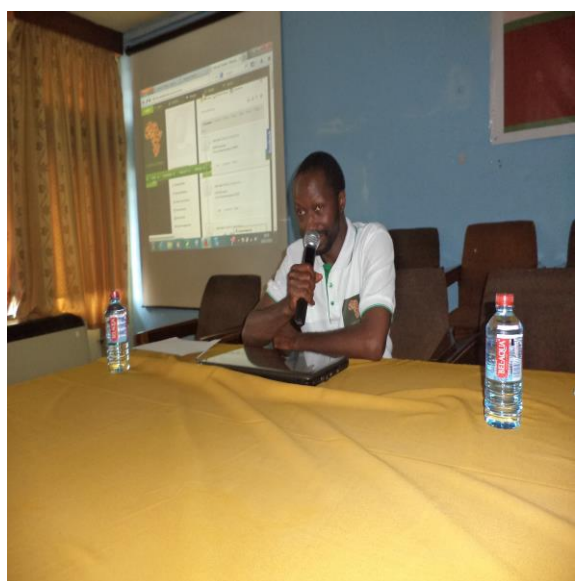


Figure 6. Selected photo from marketing workshop



4.4. Project sustainability

The project sustainability at the end of the project completion is expected based on the awareness of the benefits of the project outputs. However, building an online timber marketplace requires a great deal of time to bring sellers and buyers onto the marketplace. Africantimber.net is running; its maintenance for the next 2 years has been settled. The executing agency of this project, GTMO, is an industry and trade association in Ghana whose members are committed to supporting its activities. The cooperation between GTMO and SFITO will continue to ensure the project sustainability. There is a plan to create marketable products and services such as special market report and other services (e.g. web hosting for timber companies) to generate revenues for Africantimber.net.

5. Assessment and Analysis

5.1. Project rationale and project identification process

The low level of intra-African trade in TTPs has been (and still) a growing concern in the region, as it implies untapped market opportunities in the region. The stakeholders in private sector (companies and their associations) and public sector (national agencies for timber industry) were correctly identified. The private sector stakeholders were primary beneficiaries. The participation of timber companies in the market survey and marketing workshop was very low. Logistics companies and customs offices did not respond to the surveys.

5.2. Problem, project objectives and implementation strategy

Section 1.2 outlines the key problem and its causes. The problem was modest intra-African trade in TTPs. Three main causes were identified, including the lack of knowledge of regional market, weak capacity in production and marketing planning, and constraints in market access and logistics. The problem and causes were clearly defined. The project objectives (development and specific) were clearly set, and the 3 outputs were to be delivered: (a) market services have been established and market information has been published, (b) marketing plan developed and implemented at enterprise level, and (c) database of trade barriers and logistics established. For each output sufficient number of activities were defined. For the first output the activity of market research in selected markets was not realized since the survey was planned to be conducted on Africantimber.net, which does not yet have a sufficient number of companies from the selected market areas. Regarding the second output, the activity of company analysis, only 3 completed surveys were received. Because of this, the activities of developing marketing strategies and action plan were not realized. For the last output, the activity of compiling trade barriers was partially realized. Tariff data was collected but customs office did not respond to the survey. The survey on logistics was not realized because freight companies did not respond to the survey.

5.3. Difference between planned and actual project implementation

There was no critical difference between the planned and actual project implementation (Table 1 in Section 3). However, it must be noted that 2 activities were not realized: market survey in selected markets in Western and Northern Africa, and interview with company staff. The activity of market research in selected markets was over-ambitious.

5.4. Time and project inputs

The duration of 24 months was sufficient for the project implementation. Three persons (Project Coordinator, Project Assistant and Project Secretary) were involved with the project in addition to the EA. Two sets of computer and a printer were purchased for the project team. Regarding financial resources, some input such as auditing was not included due to oversight.

5.5. External influences

The problem of diminishing raw material in Ghana was not anticipated. This might have preoccupied the companies more than improving marketing strategies. It was assumed that timber and logistics companies, and customs authorities would participate in the surveys. It was also thought that the unwillingness of timber companies could be mitigated by providing incentives such as free membership to the online marketplace. However, it turned out that this incentive was insufficient.

5.6. Project beneficiaries

It was anticipated that timber companies will actively respond to the marketing survey and register at the marketplace (Africantimber.net) after launch. Their actual participation was low. Those that participated in the marketing workshop have benefited from the marketing training and those that were absent will gain knowledge through the proceedings of the workshop. Africantimber.net is established, both primary and secondary beneficiaries should leverage the services provided by the site. Implied tertiary beneficiaries such as FAO and ITTO can also use the marketplace to interact directly with public and private sectors in the region.

5.7. Sustainability

The correct identification and involvement of stakeholders will ensure the project sustainability. This was done, but the low presence of companies on Africantimber.net should not be construed as not relevant to them. Time and awareness of the timber companies are necessary, and awareness will be done gradually in various fora. The assumption of availability of strong internet connection in the region partially holds but the cost of internet is very expensive compared to similar services in Europe or North America. Internet usage is still metered; there is no unlimited data and monthly internet subscription in the region without a premium price exceeding US\$200. Not to forget that regular and good internet connectivity is a challenge in the region. The project implementation strategy built a collaboration with SFITO. GTMO and SFITO, as post-project strategy, planned to provide marketable products and services to defray the cost of hosting and other expenses.

5.8. Institutions involved

SFITO as collaborator in the project implementation brought some experiences. This avoided the hiring of more consultants on issues relating to information system development. SFITO acted as a subject-matter expert in the development of the marketplace and tariff database.

6. Lessons Learned

6.1. Project identification, design and implementation

The low level of participation of primary beneficiaries is a key lesson to be learned for future projects. Here this situation is not due to irrelevance of the project idea or poor project identification, but to monetary incentive. This project assumed future benefits such as free listing in the marketplace and web presence of timber companies were sufficient incentives.

6.2. Operational matters

An institutional collaboration in the project implementation is very important, as this will ensure a successful project implementation and reduce project costs. Thus, the institutional collaborator can also participate in post-project strategy to ensure the project sustainability. The problem of dearth of raw material in Ghana, which resulted to closure of some companies was not foreseen in this project.

7. Conclusions and Recommendations

7.1. Identification

- This project attempted to address the problem of low-level intra-African trade in TTPs identified in previous ITTO study;
- The problem was thoroughly analyzed to identify 3 main causes, including the lack of knowledge of regional market, weak capacity in production and marketing planning, and constraints in market access and logistics;
- The primary beneficiaries represented by their association (GTMO) provided input into the project identification; and
- GTMO should further study the weak capacity in production and marketing planning in Ghanaian timber industry.

7.2. Design

- Monetary (or immediate) incentive for private sector may override future benefits such as free listing in marketplace and web presence;
- Contingencies or external factors should be factored in the project design; and
- This study recommends adequate incentive for participation in future project design.

7.3. Implementation

- Collaboration with subject-matter institution in project implementation can be beneficial during the project life and post-project life.
- This study recommends an association of a subject matter expert or institution in the project planning and implementation.

7.4. Project replication

This project has a potential of replication in other tropical zones for establishing an online timber marketplace.

Annex 1 Project Financial Statement

Annex 2 Project Cash Flow Statement