

SWITCH ASIA PROMOTING SUSTAINABLE CONSUMPTION AND PRODUCTION

Due to unprecedented economic growth and development in India, China and Vietnam (the target countries of this Action), **increased demand for natural resources is placing pressure on valuable and threatened forests** at a pace which far outstrips efforts to ensure sustainability. The costs of unsustainable development and related forest degradation in Asia are high: millions in Asia now face increased flooding, mudslides, and wildfires as a result of forest loss. Despite rapid economic growth, high levels of disparity in social and economic well being are evident in the target countries (ADB Key Indicators, 2007). Continued degradation to the natural resource base on which the poor rely will further marginalise vulnerable groups. In order to ensure sustained economic growth, pressures on finite natural resources such as forests must be reduced.

The EC Regional Programming for Asia Strategy 2007-2013 has highlighted Small to Medium Size enterprises (SMEs) as **“a major source of pollution and unsustainable resource consumption”**. SMEs in the wood processing sector in Asia are proliferating to serve domestic and international demand for paper, furniture and materials for construction. This Action seeks to address the **unsustainable production and consumption practices of SMEs throughout the supply chain**, thereby helping to **secure the future of the world’s forests and contribute to sustainable development**. By doing so, benefits will accrue to forest producers and their employees and families, through productive and sustainable employment. Wider communities will benefit through cross cutting issues related to environmental protection, including rural and downstream communities that rely on forests for their environmental services.

SME’s often buy wood that has been produced unsustainably, possibly illegally, and so propagate the demand for unsustainable and illegal wood. SME wood processors in the target countries may be aware of the need to manage resources more responsibly, but there is an **almost universal lack of capacity** to implement actions to address the problem. **Insufficient incentives** exist in country to encourage SMEs to invest in the sustainable production and consumption (SCP) of wood products. The relative youth of SME industries in the target countries means that enabling conditions often taken for granted in other countries such as environmental awareness, and environmental management support from trade associations, are mainly lacking. This leads to a **general unfamiliarity** of sustainable consumption and production solutions that can be applied throughout the whole supply chain – from the harvesting of the forest resources to the retailer.

Experience gained by **WWF** through working with targeted business networks across a range of wood processing sectors, to create links between producers and buyers, **clearly demonstrates that barriers can be removed and new business management and market practices established.** There are **high levels of demand internationally** for sustainable wood products, but there are currently insufficient products to meet this demand, and inadequate mechanisms to link suppliers and buyers. **WWF’s Global Forest & Trade Network (GFTN)** is an established mechanism which has successfully demonstrated a simple yet comprehensive methodology to **assist companies throughout the supply chain** to utilise products sourced from responsibly managed forests to maximise their access to the market and trade on their responsible business credentials. GFTN participants buy or sell in excess of 194 million m³ of forest products per year; employ over 1.3 million people globally, and manage over 27 million hectares of forests progressing to certification. A 2002 study carried out by UN-ECE and FAO concluded that **WWF GFTN companies have largely driven the market for certified forest products and legal timber.** The focus of this Action will be to build on the existing capacity of GFTN to upscale this proven yet innovative approach in a focal group of at least 45 wood processing SMEs in the target countries, and disseminate this approach to instigate multiplier effects in an additional 600 wood

processing SMEs through trade associations.

The forest product sectors in China, India and Vietnam share similar characteristics, forming a significant percentage of the industrial contribution to GDP; demonstrating unprecedented levels of growth and negative impact on forest resources. **China's privately owned SMEs account for a large proportion of the wood processing industry.** However, this sector is largely unregulated, and it is estimated that up to 30% of manufactured products are from illegally harvested or traded wood. **India is likely to face a severe shortage of timber supply** to meet its requirement from both domestic and international sources in the future. Imports of industrial wood volumes have grown threefold during the last ten years, and **most Indian wood processors currently lack systems that can readily isolate wood from illegal sources.** **Vietnam imports 80% of its timber requirements** and has experienced enormous growth in sectors such as furniture and flooring within the last decade. To address these issues, this Action will support FLEGT initiatives targeting weak policy frameworks in country, and regionally ensuring environmental regulations are promoted which support sustainable consumption and production methodologies, emphasising restrictions on illegally harvested or traded wood. It will compliment the intentions of all three governments in their efforts to promote sustainable forest management and the development of responsible forest products processing industries.

This Action is consistent with regional initiatives and EU policy in the sector. For the Association of South East Asian Nations (**ASEAN**), an important timber-producing region where illegal logging presents a widespread challenge, **the forestry sector has been identified as a priority area for enhanced future co-operation with the EU.** Additionally, the **EU Action Plan for FLEGT** states that efforts must be made to engage other major wood-consuming nations, particularly China, in the expansion of the global FLEGT initiative. The EU FLEGT Action Plan recognises the **importance of measures to encourage private sector initiatives for good practice in the forest sector**, including the use of voluntary codes of conduct to source only legal timber. According to the plan, the private sector has a key role to play in combating illegal logging and can exert a direct and positive influence through a network of business relationships extending from the forest to the marketplace.

This Action will address the **priorities and requirements presented in the Guidelines** through:

- ① Catalyzing a switch to the production and consumption of wood products which are less environmentally damaging;
- ① Employing a multi-stakeholder approach to enhance the uptake of SCP in the SME sector;
- ① Building upon existing networks of the GFTN to disseminate and upscale sustainable and regulated wood processing methodologies and embedding environmental systems throughout the supply chain, thereby reducing illegal trade;
- ① Raising awareness more broadly throughout the wood processing sector in target Asian countries to promote more sustainable consumption and production.
- ① Building the capacity of SMEs to promote the development of a supporting enabling policy environment

Target Groups and Final Beneficiaries:

This action focuses on SME wood processors to build their capacity for effective implementation of responsible sourcing (consumption) and production of forest products. It will link SME wood processors into supply chains with committed buyers and committed forest managers that are component parts of the GFTN across 34 countries. The companies targeted will fall into two tiers. A **first tier** composed of:

- ① **strategically chosen SME companies** recruited to the relevant WWF Forest & Trade Network who have significant potential to improve their footprint on their forest sources through changed practice;
- ① **who have influence in terms of market leadership** for their sector, and
- ① **who have support from their customer base**

And a **second tier**, for wider awareness raising and engagement, composed of:

- ⌚ **all other SME's in key wood processing sectors** where a lower level of engagement is appropriate

This will allow for coherent structuring of business network engagement with SMEs that can operate on a long term basis. The table below gives a summary of the number of SMEs targeted from the total number of SMEs present in each country:

Country	Total SME wood processors	First tier target	Second tier target
Vietnam	1,700 SMEs	15+ SMEs recruited	300 SMEs engaged
India	Estimated 2-5,000 SMEs	15+ SMEs recruited	50 SMEs engaged
China	10,000 SMEs	15+ SMEs recruited	250 SMEs engaged
Total	13,700 – 15,700 SMEs	45+ SMEs recruited	600 SMEs engaged

Government in-direct target groups: **China:** State Forestry Association; **Vietnam:** Ministry of Agriculture and Rural Development, and **India:** Ministry of Environment and Forests, Office of the Handicrafts Development Commissioner, Ministry of Textiles and Department of Commerce, and the Ministry of Commerce and Industry. **Final Beneficiaries:** **15,700 SMEs in the wood processing sector of the target 3 countries; population of poor and marginalised local communities residing in the target areas where SCP processes are applied.**