

# INTERNATIONAL TROPICAL TIMBER ORGANIZATION

## ITTO

### PRE-PROJECT PROPOSAL

|                           |  |
|---------------------------|--|
| <b>TITLE:</b>             | VERIFYING THE LEGALITY OF TIMBER FOREST PRODUCTS IN PERU |
| <b>SERIAL NUMBER:</b>     | PPD 138/07 Rev.1 (M)                                     |
| <b>COMMITTEE:</b>         | ECONOMIC INFORMATION AND MARKET INTELLIGENCE             |
| <b>SUBMITTED BY:</b>      | GOVERNMENT OF PERU                                       |
| <b>ORIGINAL LANGUAGE:</b> | SPANISH  |

#### SUMMARY

The aim of this proposal is to contribute to sustainable forest management taking into account market requirements regarding the origin and sustainability of Peruvian timber and the need to strengthen voluntary chain-of-custody networks and generate competitive forest products on the basis of socially, economically and environmentally sound practices.

To this end, it is necessary to carry out an evaluation of the current status of the timber production chain so as to propose validated instruments that will help develop a relationship of trust between producers and consumers with the common objective of ensuring the conservation and sustainable management of tropical forests in Peru.

These socially and environmentally friendly production processes will generate quality employment that will contribute to the alleviation of poverty and extreme poverty and will help reverse, in the long term, the human pressures that are currently causing the degradation of biodiversity.

**EXECUTING AGENCY:** BOSQUES, SOCIEDAD Y DESARROLLO (BSD) – TECHNICAL SECRETARIAT OF THE NATIONAL DIALOGUE AND CONSENSUS ROUNDTABLE

**DURATION:** 9 MONTHS

**APPROXIMATE STARTING DATE:** UPON APPROVAL

| <b>BUDGET AND PROPOSED SOURCES OF FINANCE:</b> | <b>Source</b>            | <b>Contribution in US\$</b>   | <b>Local currency equivalent</b> |
|--|--------------------------|-------------------------------|----------------------------------|
|  | ITTO<br>Executing agency | <b>79,844.00</b><br>23,050.00 | S/.70,994.00*                    |
|  | <b>TOTAL</b>             | <b>102,894.00</b>             |                                  |

\*Exchange rate: S/.3.08 New Soles

## **PART I: CONTEXT**

### **1. Origin**

Since June 2000, the enforcement of forest legislation has become increasingly important for the forest sector in Peru after the establishment of a new national forest regulatory framework defining natural forest areas designated for production and protection, and creating new ways of access to natural forests through concessions, permits and authorisations for the sustainable utilisation of renewable natural resources.

This forest regulatory framework classifies forest lands into native community areas, natural protected areas, protection forests, forest reserves and permanent production forests.

The cornerstone of the new forest regime in Peru is the conservation and sustainable management of forests, which is translated into extensive work for the development of long-term general management plans and yearly plans of operation for forest concessions, native community areas and other forest lands to ensure the ongoing supply of raw materials to the forest industry so as to generate value-added products and thus achieve an efficient and competitive supply for the national and international markets.

Furthermore, various international instruments and the market are requiring greater guarantees of the legality and sustainable management of exported tropical timber products.

In this context, it is imperative to find ways of adjusting to these new trends by promoting ecologically, economically and socially sound production processes through mechanisms that will contribute to the efficiency and competitiveness of forest operations and thus ensure their sustainability.

This project will assess and test traceability models available in the market and supplied by companies and NGO's, among other forest stakeholders.

### **2. Sectoral policies**

This pre-project is included within the framework of the principles defined in the current government policy and in particular the forest policy. This policy is based on the Political Constitution of Peru, which recognises the importance of the sustainable utilisation of natural resources.

Furthermore, the pre-project is based on Forestry and Wildlife Law No. 27308 of 2000, which is aimed at forest management to ensure the preservation and sustainable development of forests through timber producing forest concessions as one of the main enforcement mechanisms currently implemented in this field.

**In addition, the National Forest Strategy and the National Forestry Agreement provide policy guidelines to guide institutional involvement in the forest sector.**

### **3. Programmes and operational activities**

The Asociación Bosques, Sociedad y Desarrollo – BSD (Association for Forests, Society and Development) is a non-government organisation (NGO) established by the members of the former Operational Unit of the FAO Project “Support to the National Strategy for Forest Development”, whose mandate was to develop the National Forest Strategy, which was done before project completion in December 2003.

Since its establishment, BSD has been designated as the Technical Secretariat of the National Forest Dialogue and Consensus Roundtable (MNDCF), a consensus building mechanism that brings together major forest stakeholders in the country to discuss and propose forest development policies at the regional, national and local levels.

The National Forest Strategy of Peru prioritises the optimisation of value networks for forest goods and services, emphasising the social, environmental and economic issues of the communities settled in forested and non-forested areas with forestry as their major land use capacity. The prioritisation of these value networks requires the articulation of production chains in the forest sector, the most important being the tropical timber production chain, mainly through the forest concession system,

which by the end of the year will have facilitated the certification of over 500,000 ha of forests under FSC standards and indicators.

Between 2008 and 2010, BSD will be the implementing unit of three (3) reforestation projects in three districts of the province of Huaylas, Department of Ancash. These projects are included within the framework of District Forest Development Plans (DFD), which in turn are part of the Strategic Plan for Coordinated Development 2007-2015 for the Province of Huaylas, with financial support from the Antamina Mining Fund.

The Project on "Institutional Strengthening and Development of Agro-forestry Production Processes in the Province of Tahuamanu" (2007-2009) is being carried out in the Department of Madre de Dios. This initiative is being implemented by BSD with financing from CARE Bolivia and under the management of the WWF Program – Peru. The main objective of the project is to set up and strengthen Forest Management Committees (FMC) – as provided for by the Forestry Law through its Regulations – in the region, as private agencies with legal capacity to be responsible for coordinating and planning the management of forest and wildlife resources in the area under their jurisdiction with the active participation of government institutions and civil society, in areas related to sustainable natural forest management and land-use management. The second objective of the project is to make use of agroforestry efforts by local farmers in FMC areas within each watershed in the province of Tahuamanu so as to promote "multi-purpose farms" that will be favourable to biodiversity and will not cause degradation over time, thus contributing to the development of production units and production diversification to meet market requirements. This objective is consistent with the Regional Agroforestry Plan for Madre de Dios, which has been promoted and approved by the Regional Government of Madre de Dios (2007). Finally, the project is aimed at the development of small enterprises (SMEs), with the incorporation of small producers and farmers under business development conditions that will improve their quality of life and contribute to the development of the province as a whole.

## **PART II: THE PRE-PROJECT**

ISO 8402 defines traceability as the ability to trace the history, application or location of an entity by recorded identification. In other words, traceability is the technical capacity to identify a product from its origin to the end of the marketing chain. ISO 9000, on the other hand, defines traceability as the ability to trace the history, application or location of that which is under consideration.

Traceability is a system through which it is possible to trace a product, in this case timber, from the field to the primary processing plants (sawmilling and drying) and then track the products and by-products to the end consumer.

The desired forest traceability<sup>1</sup> is a set of actions, measures and technical procedures to identify and trace every product from its origin in the forest to the end of the (national or international) marketing chain. Traceability is the ability to trace the production chain and enables producers to introduce competitive products into specific - and often more valuable - markets which require the certainty of legality through the various stages of the forest production process as well as the verifiable origin from sustainably managed forests.

The production sustainability and efficiency required in the General Sustainable Forest Management Plans (GSFMPs) and Yearly Plans of Operation (YPOs)<sup>2</sup>, which is ensured through government monitoring and supervision, makes it imperative to trace the entire production process to improve competitiveness. Modern production requires the knowledge of duly verifiable details of products, resulting in reliable real-time information for decision making. In this context, a good forest traceability system is an essential element of any sound forest management system.

The implementation of an appropriate traceability system for national tropical forests and the specific characteristics of the forest production chain will require the cooperation of public and private forest stakeholders in a totally transparent, credible and voluntary process.

The proposed pilot program is based on the use of radio frequency and bar code identification technology to trace Peruvian timber. Forest products, in particular timber, are traced from the harvest area to the end consumer, providing the information required on each stage of the production chain. The cooperation between participating companies will facilitate the analysis of alternatives offered by this technology for forest products. Through this exercise, it will be possible to identify non-conformities or errors that will be rectified so as to improve the pilot program for the future development of a general-access forest traceability system.

Thus, this pre-project will test a set of compatible traceability options that will include the use of radio-frequency chips, intelligent labels and bar codes, as appropriate. In addition, the pre-project will test suitable software to ensure compatibility between databases and software from different forest stakeholders and the proposed additional software so as to guarantee real-time tracking and decision-making on the forest-end consumer process.

### **1. Pre-project objectives**

#### **1.1 Development objective**

Contribute to the consolidation of the system of forest concessions for timber production purposes in Peru by establishing favourable conditions to ensure that the Peruvian products that reach the international market can demonstrate their legal origin from sustainably managed forests.

#### **1.2 Specific objective**

**Design and test a pilot system for the traceability of Peruvian export timber, while assessing the status of the export chain and identifying the requirements for the implementation of the traceability system as well as institutional and budgetary requirements for the voluntary implementation of the system by national companies, to be reflected in a project proposal.**

---

<sup>1</sup> See Annex C – General Traceability Concepts.

<sup>2</sup> GSFMPs and YPOs are official, legal planning instruments for companies in charge of forest concessions.

## **2. Justification**

### **2.1 Problem to be addressed**

One of the major problems faced by Peru in the marketing of forest products is the high level of informality of some forest production and commercial operations. Even the authorities of the sector have estimated that more than 50% of marketed timber comes from dubious sources and there is a real and constant risk that the main markets for these products, such as the North American and European markets, will close their doors to Peruvian products.

**Furthermore, a forest-related agenda has been signed in relation to the Free Trade Agreement with the USA. This forestry agenda addresses traceability requirements in addition to FLEGT requirements established by the European Union in the same area.**

Therefore, the possibility of verifying the legal origin and the critical processing route of Peruvian forest products, as required by the timber market, will help to overcome the uncertainty which is currently faced. The objective is to secure market niches for producers (timber industrialists) who are promoting and implementing environmentally and socially responsible sustainable forest management practices.

### **2.2 Reasons for the pre-project**

The limited experience available in Peru about traceability systems for forest products justifies the undertaking of efforts to achieve this goal, so that products from reliable sources and processing routes can be supplied to the market.

### **2.3 Target beneficiaries**

#### **Direct beneficiaries**

- a. Forest concession holders, traders, industrialists, exporters, investors and consumers.
- b. Suppliers and workers.
- c. Traders and buyers.

#### **Indirect beneficiaries**

- a. Social organisations, communities and trade associations.
- b. Regional roundtables and Forest Management Committees.
- c. Local communities of forest regions.
- d. Regional and local governments, INRENA and other public and private institutions.
- e. The national and international communities.

## **3. Outputs**

Output 1.1 Design of pilot system and **traceability** options to track and verify the legality and sustainable forest management origin of timber products reaching end-consumers.

Output 1.2 Project proposal containing guidelines and conditions for the development of viable traceability options for Peruvian timber.

## **4. Activities**

### Output 1.1

- Activity 1.1.1 Identification and evaluation of stakeholders involved in pilot traceability system.
  - **Evaluation of the current situation of public and private forest sector stakeholders and traceability of products at the global market with the participation of at least one forest company representing the forest timber export chain.**

- **Activity 1.1.2** Identification and evaluation of the adequacy of traceability options available in the **global market. Establishment of benchmark costs and viability of chain of custody options.**
- **Activity 1.1.3** Design of **individual and group consultation procedures**, tools, instruments and mechanisms to be used, **with the participation of production chain stakeholders (particularly those with voluntary forest certification and chain of custody systems), experts and forest authorities at different levels.** The following will be used as reference: ITTO criteria and indicators for SFM; FSC certification criteria; Peruvian legislation standards; and information requirements for product traceability in the international market (included in ITTO's 2006 report on auditing of traceability systems for tropical forest industries).
- **Activity 1.1.4** Testing of traceability model.
- **Activity 1.1.5** Model adjustment and validation.
- **Activity 1.1.6 Development of sectoral policies to promote forest product traceability.**
- **Activity 1.1.7** Recording and systematisation of results.

**Output 1.2**

- **Activity 1.2.1** Dissemination and formalities for official adoption of results.
- **Activity 1.2.2** Analysis of (economic, social and environmental) benefits and strengths of tested system.
- **Activity 1.2.3** Development of policy guidelines, **sectoral policy** and baseline for the formulation of a phased project aimed at the implementation of a traceability system at the national level.
- **Activity 1.2.4** Formulation and processing of project proposal.

## **5. Work plan**

| OUTPUTS & ACTIVITIES  | Responsible Party | SCHEDULE OF ACTIVITIES (in months) |   |   |   |   |   |   |   |   |
|---|-------------------|------------------------------------|---|---|---|---|---|---|---|---|
|   |                   | 1                                  | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 |
| Act.1.1.1 Identification and evaluation of stakeholders involved in pilot traceability system.  |                   |                                    |   |   |   |   |   |   |   |   |
| Act. 1.1.2 Identification and evaluation of the adequacy of traceability options available in the market.   |                   |                                    |   |   |   |   |   |   |   |   |
| Act. 1.1.3 Participatory design of procedures, tools, instruments and mechanisms to be used.  |                   |                                    |   |   |   |   |   |   |   |   |
| Act. 1.1.4 Testing of traceability model.   |                   |                                    |   |   |   |   |   |   |   |   |
| Act. 1.1.5 Model adjustment and validation.   |                   |                                    |   |   |   |   |   |   |   |   |
| Act. 1.1.6 Development of sectoral policies to promote forest product traceability.   |                   |                                    |   |   |   |   |   |   |   |   |
| Act. 1.1.7 Recording and systematisation of results.  |                   |                                    |   |   |   |   |   |   |   |   |
| Act. 1.2.1 Dissemination and formalities for official adoption of results.  |                   |                                    |   |   |   |   |   |   |   |   |
| Act. 1.2.2 Analysis of (economic, social and environmental) benefits and strengths of tested system.  |                   |                                    |   |   |   |   |   |   |   |   |
| Act. 1.2.3 Development of policy guidelines, <b>sectoral policy</b> and baseline for the formulation of a phased project for the implementation of a traceability system at the national level. |                   |                                    |   |   |   |   |   |   |   |   |
| Act. 1.2.4 Formulation and processing of project proposal.  |                   |                                    |   |   |   |   |   |   |   |   |

## **6. BUDGET**

|    |  |  |               |
|----|--|--|---------------|
| 10 | Project Personnel                              |  | 40,500        |
| 20 | Sub-contracts                                  |  | 10,000        |
| 30 | Duty Travel                                    |  | 7,500         |
| 40 | Capital Items                                  |  | 7,500         |
| 50 | Consumable Items                               |  | 1,800         |
| 60 | Miscellaneous                                  |  | 2,000         |
| 80 | ITTO Administration, Monitoring and Evaluation |  | 10,544        |
|    | <b>TOTAL</b>                                   |  | <b>79,844</b> |

## **CONSOLIDATED BUDGET**

| <b>Budget Components</b> |  | <b>ITTO</b>      | <b>BSD</b>       |
|--------------------------|--|------------------|------------------|
| 10                       | Project Personnel                            |                  |                  |
|                          | 11. National Experts (1)                     | 9 m/m            | 22,500.00        |
|                          | 12. National Consultants                     | 18 m/m           | 18,000.00        |
|                          | 13. Other labour                             |                  |                  |
|                          | 13.4 Office staff (1)                        | 9 m/m            | 2,250.00         |
|                          | <b>19. Component Total</b>                   | <b>40,500.00</b> | <b>20,250.00</b> |
| 20                       | Sub-contracts                                |                  |                  |
|                          | 20.1 Sub-contract a                          |                  | 10,000.00        |
|                          | <b>20. Component Total</b>                   | <b>10,000.00</b> |                  |
| 30                       | Duty Travel                                  |                  |                  |
|                          | 31. DSA                                      |                  | 4,500.00         |
|                          | 33. Transport costs                          |                  | 3,000.00         |
|                          | <b>39.Component Total</b>                    | <b>7,500.00</b>  |                  |
| 40                       | Capital Items                                |                  |                  |
|                          | 41. Premises                                 |                  | 1,800.00         |
|                          | 44-. Capital equipment                       |                  | 7,500.00         |
|                          | <b>49.Component Total</b>                    | <b>7,500.00</b>  | <b>1,800.00</b>  |
| 50                       | Consumable Items                             |                  |                  |
|                          | 54. Office supplies                          |                  | 1,800.00         |
|                          | <b>59.Component Total</b>                    | <b>1,800.00</b>  | <b>1,000.00</b>  |
| 60                       | Miscellaneous                                |                  |                  |
|                          | 61. Sundry                                   |                  | 1,500.00         |
|                          | 63. Contingencies                            |                  | 500.00           |
|                          | <b>69.Component Total</b>                    | <b>2,000.00</b>  | -                |
| <b>Sub-Total 1</b>       |  | <b>69,300.00</b> | <b>23,050.00</b> |
| 80                       | ITTO Administration, Monitoring & Evaluation |                  |                  |
|                          | 81. Monitoring and review                    |                  | 5,000.00         |
|                          | 83. Programme support costs                  |                  | 5,544.00         |
|                          | <b>89. Component Total</b>                   | <b>10,544.00</b> | -                |
| 100                      | <b>GRAND TOTAL</b>                           | <b>79,844.00</b> | <b>23,050.00</b> |

Budget by Activity – PPD 138-07 (See Excel Spreadsheet)

### **PART III – THE TROPICAL TIMBER FRAMEWORK**

**This pre-project is consistent with the following objectives of the International Tropical Timber Agreement (ITTA, 1994):**

All actions proposed in the pre-project are envisaged in the National Forest Strategy of Peru, which prioritises the optimisation of value networks for forest goods and services, emphasising the social, environmental and economic issues of the communities settled in forested and non-forested areas with forestry as their major land use capacity.

- a. *To provide an effective framework for consultation, international cooperation and policy development among all members with regard to all relevant aspects of the world timber economy.* In this context, it is advisable to establish a legal framework and relevant mechanisms for the effective operation of a system for the accreditation of products from managed forests.
- b. *To contribute to the process of sustainable development.*
- d. *To enhance the capacity of members to implement a strategy for achieving exports of tropical timber and timber products from sustainably managed sources by the year 2000.* Peru still lacks safe mechanisms to ensure the legality of products.
- h. *To improve market intelligence with a view to ensuring greater transparency in the international tropical timber market, including the gathering, compilation, and dissemination of trade related data, including data related to species being traded.*
- n) *To encourage information-sharing on the international timber market.*

Furthermore, the pre-project is consistent with the following Council decisions:

1. DECISION 5(XXXIII) on civil society/private sector partnerships for sustainable forest management (2002):

Commit to catalyse, facilitate and support partnerships among civil society organizations and tropical timber producers with a view to promoting progress towards sustainable forest management and certification. Particular emphasis will be given to partnerships involving small-scale enterprises and community-based forest managers, civil society organizations at the local and national level and forest owners.
2. DECISION 2(XXXIX) on ITTO Work Programme for 2006-2007:
  - (xii) Promote trade in sustainably produced timber by supporting provision of data and information to assist consumers to procure legally/sustainably produced and legally traded timber.

*[ITTO Yokohama Action Plan, Section 3.1, Goal 1, Action 3]  
[ITTC Decision 10(XXXIV)]*

Upon request, assist countries to develop systems to demonstrate the legality of timber exports.
  - (xvi) Consider further work on forest law enforcement and illegal trade in timber and timber products.

*[ITTC Decision 6(XXXI)]*

Work with the private sector in producer countries to study the feasibility of adopting timber tracking systems, including provision of support for five pilot schemes.

## **2. Compliance with ITTO Action Plan and priorities**

The proposed project is closely related to the priorities established by ITTO in the goals of its Action Plan as follows:

### **Economic Information and Market Intelligence**

Goal 1: Improve transparency of the international timber market

In the context of providing assistance, as appropriate, to develop and improve national data gathering, reporting and disseminating mechanisms, and cooperate with relevant organizations, including the private sector, NGOs and others in gathering data.

Goal 2: Promote tropical timber from sustainably managed sources

In the context of promoting public awareness of progress made in implementing sustainable forest management and in the increased availability of tropical timber from sustainably managed sources.

## **ANNEX A – PROFILE OF THE EXECUTING AGENCY**

### **3.1 Expertise of the executing agency**

From April 2000 to December 2003, the international technical cooperation project FAO GCP/PER/035/NET “Support to the National Strategy for Forest Development (ENDF)” was implemented in Peru based on a tripartite agreement between the Government of Peru (Ministry of Agriculture), the Organisation of the United Nations for Food and Agriculture (FAO) and the Government of the Netherlands. To this end, a technical team was established and charged with the formulation and initial implementation of the National Forest Strategy (NFS) on the basis of a democratic and participatory approach. This project was successfully completed and has been favourably evaluated not only by two official evaluation missions but also by various agencies, institutions and other forest stakeholders at the national level.

In late 2003, the Government of the Netherlands decided to withdraw its technical cooperation from Peru. Therefore, the eventual second phase of the ENDF Project, which had already been agreed on, was cut short. Faced with imminent dissolution, the technical team decided to set up a non-profit non-governmental organization, which is now known as “Bosques, Sociedad y Desarrollo (BSD)”, in order to continue and build up on the progress already made with the NFS.

BSD has started its activities with the development of an institutional vision for 2021 as follows: THE BOSQUES, SOCIEDAD Y DESARROLLO (BSD) ASSOCIATION IS A RECOGNISED INSTITUTION WITH LEADERSHIP CAPACITY IN THE AREA OF DECENTRALISED SUSTAINABLE DEVELOPMENT IN PERU ON THE BASIS OF LAND USE MANAGEMENT TO SUPPORT GOVERNANCE AND DEMOCRACY”.

Its **mission** is geared to contributing to the participatory and horizontal implementation of the NFS as a guarantee to continuously attend to the priorities of the population involved in forest activities in their various forms and modalities, incorporating them into regional development policies through the participatory formulation of strategic plans for the benefit of the local communities as a whole.

Consensus-building was considered to be a priority during the process of formulation of the National Forest Development Strategy and therefore the National Forest Dialogue and Consensus Roundtable (MNDCF) was established with the participation of different forest stakeholders. Its operation was successfully managed by the team of the former ENDF Project, as after prolonged meetings it was possible to agree on concerted positions which were initially antagonistic but through dialogue and discussion a consensus was eventually reached. As a result, a number of legal and administrative measures were proposed with a view to overcoming various problems particularly in the area of concessions.

The Roundtable, reaffirming its confidence in the team, decided to appoint BSD as the Technical Secretariat of the MNDCF, a role that the Association is still playing.

BSD has diversified its activities over time to implement actions at the national level without losing its focus on its institutional mission.

A list of projects implemented by BSD is given below:

| Institution   | Contact person / Address   | Objective   |
|---|--|---|
| Fondo de Promoción del Desarrollo Forestal – Fondebosque                                  | Ing. Enrique Toledo. Las Tordillas 195, San Isidro. Tel. 222-3703  | Maintain the forest dialogue and consensus building process for the achievement of national forest development objectives, and strengthen communication and information mechanisms between institutions and stakeholders, operating on a sustained and timely basis.  |
| Embassy of the Netherlands  | Mr. Kees Konstapel. Av. Principal 190, Piso 4. Urb Sta Catalina. Lima 13. Tel. 415-0660                      | Maintain the National Forest Dialogue and Consensus Roundtable as a discussion forum generating proposals for the achievement of national forest development objectives, and coordinate with regional and local institutions, both from the government and civil society sectors, contributing to the implementation of agreed initiatives within the framework of the ENF. |
| International Resources Group - IRG   | Stephen Smith. Francisco de Paula Ugarriza 813. Of. 401. San Antonio. Miraflores. Lima 18. Tel. 446-1661.    | Organise and coordinate the I National Forum on Illegal Logging and Trade in Peru. Systematise and publish the results of this Forum.   |
| German Cooperation for Development - GTZ  | Ms. Karin Finke Eikenberg. Prolongación Arenales Nº 801. Lima 18. RUC 20507816747.                           | Establish the basis for a transboundary conservation policy and sustainable forest management in the Amazon Region through the exchange of experiences, the strengthening of relevant organisations and the implementation of participatory coordination mechanisms at the supra-national level.  |
| German Cooperation for Development – GTZ. DED   | Mr. Gunter Simon and Mr. Luis Román. Av. Los Incas 172. 6º Piso. El Olivar. San Isidro. Lima. Tel. 221-2936. | Study on the MAP (Madre de Dios- Acre-Pando) Process for transboundary integration between Peru, Brazil and Bolivia, in order to identify relevant projects for the GTZ Amazon Project and the DED Amazon Programme.  |
| Proyecto de Manejo de Bosques Altoandinos – PROBONA – Intercooperation – IC.              | Mr. Philippe de Rham. El Vengador N 37 – 69. El Zuriago. Quito – Ecuador. Tel. 593-226-3308; 227-2935.       | Study for the identification and analysis of relevant issues and local processes related to the sustainable management of natural resources in the Andean Region of Peru.   |
| Grupo Promotor del Plan Nacional de Reforestación: Inrena, Pronamachcs, Fondebosque & BSD | Mr. Luis Ma Wong - INRENA. Calle 17 Nº355. San Isidro. Tel. 224-7729.  | Promote a participatory process for the collective development of a National Reforestation Plan for the country.  |
| PROFONAMPE – INRENA – BSD   | Mr. Alberto Paniagua V. Prolongación Arenales 722. Miraflores. 212-1010.                                     | Strengthening of CITES-PERU Scientific and Management Authorities for the implementation of the listing of mahogany in CITES Appendix II.   |
| PROFONAMPE – INRENA – BSD   | Mr. Alberto Paniagua V. Prolongación Arenales 722. Miraflores. 212-1010                                      | Control of illegal logging in the south-east sector of the Alto Purús National Park.  |
| ITTO, Ministry of Agriculture, INRENA, BSD  | Mr. Alvaro Quijandría. Dr. Manoel Sobral Filho. Mr. Leoncio Álvarez.   | Development of a project proposal in support of the implementation of the National Forest Strategy  |

| Institution                         | Contact person / Address   | Objective   |
|-------------------------------------|--|---|
| International Resources Group – IRG | Stephen Smith.<br>Francisco de Paula Ugarriza 813. Of. 401. San Antonio. Miraflores. Lima 18. Tel. 446-1661. | Technical assistance for the strengthening and consolidation of processes for the establishment of local forests                        |
| PROFONAMPE – BSD                    | Mr Alberto Paniagua V.<br>Prolongación Arenales 722, Miraflores 212-1010                                     | Strengthening of CITES Management Authority in Peru   |
| ITTO, Ministry of Agriculture, BSD  | Mr Manuel Manrique,<br>Mr Manoel Sobral Filho  | MNDCF's short-term action plan to promote sustainable forest management   |
| INRENA                              | Mr Leoncio Alvarez   | Executive Resolution No. 089-2006-INRENA, establishing the Special Commission for the Implementation of the National Reforestation Plan |

### 3.2 Infrastructure of the executing agency

BSD has an office which is adequately furnished and equipped with 8 computers. It has a regional office in Madre de Dios, which is adequately staffed and equipped.

### 3.3 Budget

#### BUDGETS EXECUTED BY BSD

|                                      |             |                |
|--------------------------------------|-------------|----------------|
| 1. The Netherlands                   | 2004        | \$ 63,220.18   |
| 2. ITTO                              | 2006        | \$ 93,614.12   |
| 3. ACBT –PROFONANPE                  | 2005 – 2008 | \$ 453,649.17  |
| 4. WWF (Miscellaneous)               | 2006 - 2008 | \$ 121,611.42  |
| 5. WWF (Tri-National Amazon Program) | 2007 – 2009 | \$ 214, 974.00 |
| 6. ANTAMINA                          | 2008 – 2009 | \$ 478,350.32  |

### 3.4 Personnel

- 6 professionals with postgraduate degrees
- 2 professionals
- 1 mid-level technician
- 2 administrative assistants
- 8 professionals in forest sector related areas

## ANNEX B – CURRICULA VITAE OF THE KEY STAFF

**1. Name: José Dancé Caballero**

- a. Date and place of birth and nationality: 26 March 1947, Peruvian.
- b. Field and institution of graduation: Forest Engineering, National Agrarian University of La Molina.
- c. Field and institution of post-graduation: Master's Degree in Agriculture and Forestry, Laudatur in Forest Inventories and Management. University of Helsinki, Finland. Post-graduate degree in economics, banking and finance. University of San Martín de Porres.
- d. Brief description of relevant work undertaken:
  - Bosques, Sociedad y Desarrollo. Executive Director. January 2004 – to date
  - National Forest Dialogue and Consensus Roundtable (Mesa Nacional de Diálogo y Concertación Forestal – MNDCF). Technical Secretariat. September 2001 – to date
  - FAO GCP/PER/035/NET Project: "Support to the National Strategy for Forest Development" Senior Technical Adviser - STA. September 2001 - December 2003.
  - Senior Professor, Faculty of Forestry Science, National Agrarian University of La Molina - UNALM, April 1973 - August 2001.
  - National Agrarian University of La Molina. Former Dean of the Faculty of Forestry Science. May 1999 –2001.
  - Sustainable Development Consortium of Ucayali (Consorcio para el Desarrollo Sostenible de Ucayali – CODESU). Director for Forest Management and Utilisation. August 1995 – to date
  - University of San Martín de Porres - USMP. Contract professor, Faculty of Economics. Part-time professor in charge of courses in environmental economics and thesis seminars. Author of various dissemination articles for the journal of the Faculty's Research Institute: *Ecocifras (Cifras Económicas)*. March 1997 - August 2001
  - FAO GCP/PER/035/NET Project. Consultant. Formulation of a proposal for Sustainable Management Plan Guidelines for Timber Production Forests. March – April 2001.
  - National Forestry Chamber – Peruvian Society of Forest Engineers. Event Moderator: "Forestry options in Peru, national and international experience, and technical government platforms". March 2001.
  - World Wildlife Fund, Inc. - WWF Peru. Consultant. Member of the technical team for the development of timber standards and their submission to FSC for approval. February – April 2001.
  - Peruvian Environmental Law Society (Sociedad Peruana de Derecho Ambiental – SPDA). Consultant. Final Project Evaluation: "Forest enrichment on alluvial soils in the Peruvian Amazon Region", implemented by the Association of Rural Women of Ucayali - AMUCAU. November 2000.
  - Intermediate Technology Development Group - ITDG-Peru. Consultant. Project Evaluation: "Conservation and Community Management of Tropical Forests in Alto Mayo". October 2000.

**2. Name: Amelia Torres**

- a. Place of birth and nationality: Lima; Peruvian.
- b. Field and institution of graduation: Lawyer and Communicator. Studies undertaken in Peru (Pontifical Catholic University), Mexico and France.
- c. Brief description of relevant work undertaken:
  - Positions held:
    - I. Director of Conservation Policies and Industrial Relations – Pro Naturaleza (1988-2003)
    - II. M3M Manager – Forestry Consultant (2003-2006)
    - III. Vice-Chairperson, Intergovernmental Forum on Forests (United Nations)
    - IV. Co-Chairperson, International Expert Group on Forest Biological Diversity, Convention on Biological Diversity
    - V. Member of the National Commission on Biological Diversity, Climate Change, Desertification and GEF Affairs
    - VI. Member of the National Group on Forests
    - VII. Former Chairperson of the National Environmental Society
    - VIII. Peruvian delegate to the Conference of the Parties of the Convention on Biological Diversity and the Intergovernmental Panel on Forests (1990-2000)
    - IX. Active member of the National Forest Dialogue and Consensus Roundtable from its establishment in 2000. Coordinator of the Commission for Forest Law Enforcement and Forest Concessions (2001-2003), among other working commissions
    - X. Chairperson of the Forestry Committee of the Exporters Association – ADEX.
  - Professional experience:
    - I. Coordination of institutional strategic action and planning projects
    - II. Coordination of alternative development projects for native communities in Selva Central
    - III. Design of environmental policies, legislation and strategies at the regional and national levels
    - IV. Design and supervision of integrated conservation and development projects in the field (Coastal, Highlands and Amazon Regions)
    - V. Design and coordination of environmental education and public awareness programs
    - VI. Management of forest programmes and projects
    - VII. Management of sustainable forest services company
  - Additional professional activities:
    - I. Facilitator at strategic planning workshops, conciliation meetings and resolution of environmental conflicts
    - II. Design and conduction of training workshops on environmental issues
    - III. Design and conduction of environmental journalism workshops
    - IV. Design of audiovisual tools – radio, TV, printed press
    - V. Design of communication strategies and logical frameworks for projects and institutions
    - VI. Consultancy on monitoring and evaluation design for integrated conservation and sustainable development projects and processes
    - VII. Design of non production projects with grassroots communities – sustainable forest management and eco-tourism
    - VIII. Lecturer on environmental and sustainable development issues
    - IX. Consultancy on negotiation of forest and market access and financing contracts

## ANNEX C – GENERAL TRACEABILITY CONCEPTS

Traceability is considered to be a tool and not an end in itself. Therefore, it must be used for attaining well-defined and clear objectives. It may be used to capture new markets or to strengthen sustainable forest management, improve the efficiency and competitiveness of the forest industry, etc. It should be noted that the implementation of a national or regional timber and timber products registration and identification system can only be achieved on the basis of two determining factors: the will and economic interest of producers and the demands of consumers.

Over the past few years, traceability has become an essential requirement in the international trade of several products. Exporters must clearly demonstrate the basic characteristics of their products, which must be accompanied by reliable certification and traceability guarantees that include data not only on the origin and source of the products, but also on the extraction and industrial processing procedures. Perhaps in future stages of this process, forest plantations should also include data on silvicultural aspects.

Traceability, which is in full development at the moment, can be a very useful tool in reassuring consumers about the consistent quality of products, as it identifies responsibilities throughout the whole value network, tracking the product from the production universe to consumers universe. Furthermore, the environmental protection it guarantees and the equitable conditions it creates for producers and trade throughout the supply chain, should increase the value of the product. It is an important tool for strengthening product quality control and standardisation systems.

A greater transparency and quality guarantee throughout the supply and processing chains will highlight the full economic potential of the resource.

Traceability is a generic term that covers different concepts: security, transparency in regards to product origin, loyalty in commercial transactions and quality in general. ISO 8402 defines traceability as “the ability to trace the history, application or location of an entity by recorded identification”. To achieve this goal, information is included in labels that are attached to the products.

This information is registered and entered into databases that are managed by independent technical bodies playing the role of **trustworthy third parties**. Recorded information includes data on both production lots and individual units, and it is assumed that the lots have been produced, manufactured or reconditioned under identical circumstances. The existence of these registers facilitates the allocation of responsibilities in case of errors or product faults.

Traceability is an instrument that provides security in the management of products and is also a management and rationalisation tool in the value network. Under the new ISO 9000-2000 regulation, traceability is viewed from two perspectives: logistic activities (descending traceability) and activities related to product quality management problems (ascending traceability).

Descending traceability refers to the activities of the logistical service providers who forward the information to the databases.

Ascending traceability is based on the qualitative follow-up and control of products. The product itself can be used to determine its origin and characteristics at any point on the production chain. The objective is to be able to determine at any given time of the production-marketing process, the origin and characteristics of a product based on one or several given criteria.

Products are classified by lots/batches, finished products or products in process, and have characteristics that should be able to be identified through data such as lot/batch number, series number or other. This information is registered in an independent database that complies with the principle of confidentiality of the correspondence sent via telecommunication means.

Descending traceability involves the management of product flows and the information associated to the products (through the use of bar codes) and ascending traceability relates to quality management issues. It is for this reason that traceability is considered to be a variable of quality certification.

There are, therefore, organizational benefits derived from the use of traceability, and by making the different production and marketing practices more transparent, these processes are optimised and there is a subsequent reduction of costs.

Needless to say, all of this must be accompanied by quality control strategies as traceability alone will not change the nature of the product being traced. The only value traceability adds to the product is the guarantee that it is precisely what it is supposed to be.

Both traceability aspects are inseparable. The implementation of traceability is an innovation associated to the development of the Internet that becomes even more efficient by the fact that it is being developed in association with technological third parties who contribute to the management of these products, something that is not common in forestry.

The management of information along the many links of the different value chains that the products must go through (from the forest harvesting stage to the end-consumer units) is so complex that it requires the contribution of a “trustworthy third party”, an organization that can assume responsibilities for information management and guarantee its confidentiality throughout the many information exchange interfaces. These “technological third parties” must offer a simpler, more cost-efficient and more secure service than that which could be provided by the companies themselves.

The actual implementation of the system is not so much about technology, which is well known by the users of database management programs, but it is rather about the selection of data that must be “saved” in these databases.

In this regard, the question to be addressed is: “Who will be the authority or economic agent who will decide what type of information should be entered?” In organising the traceability system, special attention should be given to the need to consider the specificity of the different forest production chains so as to ensure that this “trustworthy tool” of consumers does not simply turn into just another marketing instrument in the commercial policy of the companies. In this context, the limits of public intervention in the implementation of traceability procedures should be properly defined according to the different types of production chains involved.

A good traceability system must include the following components:

1. Technological
  - Identification tools
  - Databases
  - Communications system
2. Legal
  - Regulatory framework
  - National and International legislation
3. Operational
  - Production level
  - Industry level
  - Commercial level
4. Documentation system

## ANNEX D

### Modifications made in response to the comments/recommendations of the Expert Panel

| PPD 138/07 (M)   | MODIFICATION MADE   |
|--|---|
| <b>VERIFYING THE LEGALITY OF TIMBER FOREST PRODUCTS IN PERU</b>  | <b>The recommendations have been addressed and marked in the document in bold.</b>  |
| <b>Assessment by the Thirty-fourth Panel</b>   |   |
| <b>A) Overall Assessment</b><br>The Panel noted the proposal's key focus on drafting a full project proposal from pre-project activities, and drew attention to the clarity of the pre-project's outputs. The Panel discussed the importance of the proposal to developing validated instruments on tracking to promote SFM, which would help promote law enforcement.<br><br>The Panel suggested that the discussion on government's sectoral policies should be further elaborated to indicate the government's legal structure supporting chain of custody (CoC) arrangements. They also advised that the economic feasibility of the technology in Peru should be compared with other tracking technologies. | <p><b>In addition to the current legislation (2000), the National Forest Strategy and the National Forestry Agreement provide policy guidelines to guide institutional involvement in the forest sector.</b></p> <p><b>Furthermore, a forest-related agenda has been signed in relation to the Free Trade Agreement with the USA. This forestry agenda addresses traceability requirements in addition to FLEGT requirements established by the European Union in the same area.</b></p>  |
| <b>B) Specific Recommendations</b><br>8. Reformulate Specific Objective 1.2 on page 2 to clarify what is meant by "guidelines and enabling conditions" and how this would fit into a project proposal.<br><br>9. Include a cost and feasibility assessment of alternative CoC options as an output for the pre-project (as part of activity 2.b).  | <p><b>1.2 Design and test a pilot system for the traceability of Peruvian export timber, while assessing the status of the export chain and identifying the requirements for the implementation of the traceability system as well as institutional and budgetary requirements for the voluntary implementation of the system by national companies, to be reflected in a project proposal.</b></p> <ul style="list-style-type: none"> <li>- <b>Activity 1.1.1</b> Identification and evaluation of stakeholders involved in pilot traceability system. <ul style="list-style-type: none"> <li>o <b>Evaluation of the current situation of public and private forest sector stakeholders and traceability of products at the global market with the participation of at least one forest company representing the forest timber export chain.</b></li> </ul> </li> <li>- <b>Activity 1.1.2</b> Identification and evaluation of the adequacy of traceability options available in the global market. Establishment of benchmark costs and viability of chain of custody options.</li> </ul> |

|   |   |
|---|---|
| 10. Describe the intended activities in the “participatory design” of procedures in activity 1c.  | – <b><u>Activity 1.1.3 Design of individual and group consultation procedures</u></b> , tools, instruments and mechanisms to be used, <b>with the participation of production chain stakeholders</b> (particularly those with voluntary forest certification and chain of custody systems), experts and forest authorities at different levels. The following will be used as reference: ITTO criteria and indicators for SFM; FSC certification criteria; Peruvian legislation standards; and information requirements for product traceability in the international market (included in ITTO’s 2006 report on auditing of traceability systems for tropical forest industries). |
| 11. Specify that the pre-project will identify traceability options available in the “international” market.  | – <b><u>Activity 1.1.2 Identification and evaluation of the adequacy of traceability options available in the global market. Establishment of benchmark costs and viability of chain of custody options.</u></b>  |
| 12. Elaborate sectoral policies in the project discussion.  | – <b><u>Activity 1.2.3 Development of policy guidelines, sectoral policy</u></b> and baseline for the formulation of a phased project aimed at the implementation of a traceability system at the national level.   |
| 13. Broaden literature search to include greater information of timber tracking systems, including the 2006 ITTO Report on the Auditing of Existing Tracking Systems in Tropical Forest Industries.   |   |
| 14. Lengthen period of time spent on developing a project proposal from one to two months to allow for redrafting and review of the proposal.   | <b>See Schedule of Activities</b>   |
| 15. Adhere more closely to the ITTO Project Formulation Manual, adding a consolidated budget and budget by activity specifying costs.   | <b>Included in item 3.3.</b>  |
| 16. Provide an Annex which shows the recommendations of the 34th Expert Panel and the respective modifications in tabula form. Modifications should be highlighted (bold and underlined) in the text. | <b>Included in Annex D</b>  |