

INTERNATIONAL TROPICAL TIMBER ORGANIZATION

ITTO

PRE-PROJECT DOCUMENT

TITLE:	FORMULATION OF A PROJECT PROPOSAL TO SUPPORT THE SUSTAINABLE DEVELOPMENT OF SMALL FOREST INDUSTRIES
SERIAL NUMBER:	PPD 6/00 Rev.1 (I)
COMMITTEE:	FOREST INDUSTRY
SUBMITTED BY:	GOVERNMENT OF PERU
ORIGINAL LANGUAGE:	SPANISH

SUMMARY

This pre-project is aimed at compiling supplementary information regarding portable sawmills, particularly in relation to the institutional planning of forest areas allocated for long-term concessions and for small-scale timber extraction, the associated land tenure issues for both categories of areas, the experience gained through the operation of portable sawmills, and the technical characteristics of portable sawmills and the timber resources involved.

EXECUTING AGENCY: NATIONAL INSTITUTE FOR NATURAL RESOURCES - INRENA

COOPERATING GOVERNMENTS: --

DURATION: 6 MONTHS

APPROXIMATE STARTING DATE: UPON APPROVAL

BUDGET AND PROPOSED SOURCES OF FINANCE:	Source	Contribution in US\$
	ITTO	57,323
	Gov't of Peru	16,300
	TOTAL	73,623

PART I: CONTEXT

1. ORIGIN

This pre-project proposal stems from the recommendations made by ITTO's Nineteenth Expert Panel regarding project PD 16/00 (I): "Support for the Sustainable Development of Small Forest Industrialists", submitted by the Government of Peru. The final recommendation of the Expert Panel was to develop a pre-project proposal to compile the information needed for the formulation of a full project proposal aimed at promoting the use of portable sawmills in longitudinal sawing. This will require more information on the institutional planning of forest areas allocated for long-term concessions and for small-scale timber extraction, the associated land tenure issues for both categories of areas, the experience gained through the operation of portable sawmills, and the technical characteristics of portable sawmills and the timber resources involved. This initiative is based on the premise that the use of chainsaws in longitudinal sawing leads to high resource waste levels. In addition, the transport of timber to the sawmills is difficult because of the need to use forest tractors due to the large size of logs.

Furthermore, there is a large number of illegal loggers who use chainsaws to illegally cut and saw the timber on site, making it difficult to assess the origin of the timber produced or whether it has been cut under relevant permits or contracts.

In addition, Supreme Decree No. 039-99-AG of 16 October 1999, in its Article 10 bans the use of chainsaws in longitudinal sawing so as to reduce timber waste and optimise the use of natural resources and avoid their degradation.

One of the alternatives to the use of chainsaws in longitudinal sawing is the use of portable sawmills, which, given their manageability and low cost, represent a viable option for the sustainable development of the forest sector.

Thus, this pre-project seeks to collect as much information as possible in the field so as to develop a project proposal aimed at replacing the use of chainsaws with portable sawmills in the Peruvian Amazon Region ensuring their proper use and maintenance.

2. SECTORAL POLICIES

This pre-project is consistent with the principles of the current government policy and the forest policy in particular.

Political Constitution of Peru.

It ratifies the significance of sustainable natural resource utilisation.

It is mainly related to the following legislation:

Act No. 26821 – Constitutional Law for the Sustainable Harvesting of Natural Resources.

The establishment of mobile sawmills in the main logging areas of the country will contribute to the sustainable harvesting of forest resources as improved sawmilling efficiency will be ensured.

Act No. 27037 – Law for the Promotion of Investments in the Amazon Region.

Portable sawmills are a way of promoting investment in timber logging areas.

Supreme Decree No. 039-99-AG, Article 10, which states that "The use of chainsaws for longitudinal sawing and forest burning shall be banned throughout the national territory"

Portable sawmills are the perfect alternative to chainsaws for timber longitudinal sawing in the country.

The project is consistent with the aims and programs of the General Forest Directorate as the implementation of mobile sawmills will contribute to sustainable forest resource utilisation through increased roundwood quantity and quality (improved sawmilling yield levels).

Constitutional Law of the Ministry of Agriculture.

It establishes that the aim of the Ministry of Agriculture is to promote the sustained development of the agrarian sector and stipulates its mandate as being the formulation, coordination and evaluation of national policies affecting the agrarian sector with regard to preservation and conservation of natural resources.

Thus, the forest sub-sector policy is aimed at promoting the sustainable development of forests and related resources as a key component of rural development, incorporating them into the national production system and enhancing their contribution to the economy so as to meet the domestic market demand, increase export earnings, and improve product quality and productivity, while considering the potential and limitations of forest resources and the environment.

3. PROGRAMMES AND OPERATIONAL ACTIVITIES

The General Forest Directorate is a line agency of INRENA with the main objective of proposing policies, plans and regulations on the sustainable use of forest resources, as well as supervising and monitoring their enforcement, controlling and promoting the rational use, conservation and preservation of forest resources, and promoting and coordinating the Forestry Action Plan.

The Plan specifically takes into account the political-administrative regionalization process in the country through three "Regional Fora on Forestry Action Priorities" held in 1991 with the participation of 241 representatives from universities, NGO's, Producers Association, rural and native communities, and forest-related projects. These fora discussed the problems and potential of forest resources, as well as high priority actions and strategies identifying project proposals. These initiatives are being adjusted to the Framework De-centralisation Law, passed by the Government in 1999.

This project is consistent with the aims and programs of the General Forest Directorate as the implementation of mobile sawmills will contribute to sustainable forest resource utilisation through increased roundwood quantity and quality (improved sawmilling yield levels).

Furthermore, Peru has received ITTO support for the implementation of projects, and the following ITTO-funded projects are currently under implementation:

- Management and Utilisation of Paca (*Guadua sarcocarpa*);
- Participatory Forest Development in the Alto Mayo Region for the Sustainable Management of Moist Tropical Forests - Phase II;
- Continuation of the Publication of the Journal "Bosques y Desarrollo" and Organisation of a Communication and Information Service;
- Establishment and Operation of a Forest Strategic Information Centre - CIEF;
- Demonstration Community Forest Management in the Natural Cloud Forests of the Urumba Basin, San Ignacio;
- Support for the Development of a Forestry and Wildlife Law.

PART II: THE PRE-PROJECT

1. PRE-PROJECT OBJECTIVES

1.1 Development objective

Contribute to technological development and environmental conservation in the country by improving forest production through the mechanical processing of timber as an important element to ensure the adequate use and sustainable development of tropical forests throughout the national territory.

1.2 Specific objective

Develop a project proposal aimed at the installation of small timber processing units in major permanent production forest estates, using portable sawmills operated by small scale industrialists instead of chainsaws for longitudinal sawing.

2. JUSTIFICATION

2.1 Problems to be addressed

Supreme Decree No. 039-99-AG, Article 10, banned the use of chainsaws for longitudinal sawing, which should result in lower timber waste levels produced during the process and in greater efficiency in the utilisation of our natural timber resources.

However, this could create serious social and production problems as there is a major part of the population, especially in the Peruvian Amazon region, that is involved in this process and that, in general, does not have the economic resources to establish a conventional sawmill or cannot transport the logs to areas where they can be processed into sawnwood.

Thus, a solution must be found to this problem. A viable alternative would be the installation of portable sawmills in different production points, where chainsaws are commonly used, and the implementation of land management systems at the production unit level.

Furthermore, portable sawmills would not only produce better quality sawnwood, but could also be easily transported to areas of very difficult access where, quite often, logs from timber species can only be transported out of the area by using forest tractors or by river transport, which adds substantially to the cost of producing the timber.

Portable sawmills are therefore a viable alternative for the development of the Amazon region. Given their low cost and their easy manoeuvrability, they are the ideal substitute for chainsaws, with the advantages that they can offer for the production and conservation of our natural resources.

2.2 Reasons for the implementation of the pre-project

The additional information to be collected in order to develop a full project proposal includes:

- information on the institutional planning of forest areas allocated for long-term concessions and for small-scale timber extraction, as well as the associated land tenure issues for both categories of areas;
- the experience gained through the operation of portable sawmills, and the technical characteristics of portable sawmills;
- the timber resources related to the project;
- the number of sawmills to be installed;
- the specific forest areas where the sawmills will be installed;
- the characteristics of logs to be processed, in particular their size, sawmilling properties and transport facilities;
- feasible and efficient options for funding the purchase of portable sawmills and the management of loans;
- compilation of the information needed for the formulation of a viable integrated strategy for the promotion of portable sawmills in Peru in replacement of chainsaws.

2.3 Selected beneficiaries

The expected project outputs will benefit small-scale forest industrialists (communities/timber loggers) who are currently using chainsaws for longitudinal sawing of logs extracted from the forests. Given the requirement imposed by the enforcement of Supreme Decree 039-99-AG of finding an alternative to the current use of chainsaws for the longitudinal sawing of timber, portable sawmills represent a viable option for small timber loggers.

The target beneficiaries are very interested in this project and they have made inquiries at the General Forest Directorate about the requirements of S.D. 039-99-AG, as their problem is that they cannot take out of the forests the timber sawn into boards with chainsaws. The loggers have stated that the transport of roundwood from the forests is a very costly exercise and they would have great difficulty in doing this given their difficult economic situation.

Consultations with these target beneficiaries will be carried out through inter-institutional meetings between INRENA and the associations of timber loggers as well as with private individuals who may be interested in acquiring the equipment.

After the first three years of ITTO project support, and after the first 30 portable sawmills have been acquired and operationalized by the timber loggers associations and other private users, the project will continue with other interested loggers. The objective of the project is to install and operationalize 380 portable sawmills in the following seven years through a revolving fund.

Another group of target beneficiaries will be the future users/consumers who will use the sawnwood products produced by the portable band-saw or circular-saw mills.

On the basis of the Ministerial Resolutions issued up to 1998, 221 forest harvesting permits, 27 forest harvesting contracts for areas of more than 1,000 hectares and 1,091 contracts for areas of less than 1,000 hectares have been granted. It is expected that the main project beneficiaries will be those who carry out logging activities through contracts of less than 1,000 hectares and through forest harvesting permits. Therefore, it is estimated that the total number of beneficiaries at the national level will be 1,312 loggers, and if these employ an average of five workers each, a total of 6,560 people will directly benefit from the project.

During the implementation of this pre-project, the participation of target beneficiaries will be ensured both for the collection of basic information and in the consultation processes, as their active participation is considered to be essential in all relevant project aspects as stipulated in the ITTO Manual for Project Formulation.

3. OUTPUTS

PRE-PROJECT OUTPUTS

3.1 Specific objective 1

Develop a project proposal aimed at the installation of small timber processing units in major permanent production forest estates, using portable sawmills operated by small scale industrialists instead of chainsaws for longitudinal sawing.

Output 1.1

Report on the situation of forest areas allocated for long-term concessions and for small-scale timber extraction, as well as their land tenure status.

Output 1.2

Review of the experience gained through the operation of portable sawmills.

Output 1.3

Identification of areas where the sawmills will be installed.

Output 1.4

Project proposal developed and submitted to ITTO.

4. PRE-PROJECT ACTIVITIES

Output 1.1

Report on the situation of forest areas allocated for long-term concessions and for small-scale timber extraction, as well as their land tenure status.

Activity 1.1.1: Identify, in coordination with the General Forest Directorate, the areas allocated for long-term concessions and for small-scale timber extraction.

Activity 1.1.2: Collect information on land tenure status.

Activity 1.1.3: Prepare report.

Output 1.2

Review of the experience gained through the operation of portable sawmills.

Activity 1.2.1: Field visits for the collection of information and surveys of portable sawmill operators and owners.

Activity 1.2.2: Preparation of report.

Output 1.3

Identification of areas where the sawmills will be installed.

Activity 1.3.1: Mapping of forests to assess forest resources involved.

Activity 1.3.2: Field visits to co-ordinate with local concessionaires for the installation of portable sawmills.

Activity 1.3.3: Co-ordination with concessionaires for the final location of portable sawmills.

Output 1.4

Project proposal developed and submitted to ITTO.

Activity 1.4.1: Preparation of Pre-Project Completion Report.

Activity 1.4.2: Development of project proposal to be submitted to ITTO.

PRE-PROJECT WORK PLAN

OUTPUTS / ACTIVITIES	RESPONSIBLE PARTY	SCHEDULE (in months)					
		1	2	3	4	5	6
Output 1.1 Report on the situation of forest areas allocated for long-term concessions and for small-scale timber extraction, as well as their land tenure status.							
Activity 1.1.1: Identify, in coordination with the General Forest Directorate, the areas allocated for long-term concessions and for small-scale timber extraction.		■	■				
Activity 1.1.2: Collect information on land tenure status.			■	■			
Activity 1.1.3: Prepare report.					■		
Output 1.2 Review of the experience gained through the operation of portable sawmills.							
Activity 1.2.1: Field visits for the collection of information and surveys of portable sawmill operators and owners.			■	■			
Activity 1.2.2: Preparation of report.					■		
Output 1.3 Identification of areas where the sawmills will be installed.							
Activity 1.3.1: Mapping of forests to assess forest resources involved.			■				
Activity 1.3.2: Field visits to co-ordinate with local concessionaires for the installation of portable sawmills.				■	■		
Activity 1.3.3: Co-ordination with concessionaires for the final location of portable sawmills.							
Output 1.4 Project proposal developed and submitted to ITTO.							
Activity 1.4.1: Preparation of Pre-Project Completion Report.						■	
Activity 1.4.2: Development of project proposal to be submitted to ITTO.							■

PART III: THE TROPICAL TIMBER FRAMEWORK

1. COMPLIANCE WITH ITTA, 1994 OBJECTIVES

This Pre-Project is consistent with the following objectives of the International Tropical Timber Agreement (ITTA, 1994):

- 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. The project is consistent with the forest development policy of the Peruvian Government regarding the establishment of permanent forest production areas.
- b) To contribute to the process of sustainable development. The use of portable sawmills will lead to better timber resource utilisation resulting from a reduction in timber waste levels associated with the use of chainsaws in longitudinal sawing.
- c) 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. The Peruvian Government, through INRENA, is implementing strict controls on forest logging contracts and related forest management plans.
- d) To promote and support research and development with a view to improving forest management and efficiency of wood utilisation as well as increasing the capacity to conserve and enhance other forest values in timber producing tropical forests. The Project will contribute to research into the use of portable sawmills and will help to improve forest utilisation. In addition, since the timber will be sawn at the stump, harvesting operations will have a low impact on the forest as forest tractors will no longer be necessary.
- e) To develop and contribute towards mechanisms for the provision of new and additional financial resources and expertise needed to enhance the capacity of producing members to attain the objectives of this Agreement. New harvesting mechanisms based on improved technology will be introduced with the installation of portable sawmills as proposed.
- f) To promote increased and further processing of tropical timber from sustainable sources in producing member countries with a view to promoting their industrialisation and thereby increasing their employment opportunities and export earnings. The use of portable sawmills for the production of sawnwood will increase the value added to the extracted timber.
- g) To encourage members to develop national policies aimed at sustainable utilisation and conservation of timber producing forests and their genetic resources and at maintaining the ecological balance in the regions concerned, in the context of tropical timber trade. The Project, in its second phase, will seek to implement up to 380 portable sawmilling units, which will lead to a reduction in timber waste levels as compared to the waste levels associated with the use of chainsaws in longitudinal sawing.
- h) To promote the access to, and transfer of, technologies and technical cooperation to implement the objectives of this Agreement, including on concessional and preferential terms and conditions, as mutually agreed. The project will facilitate the transfer of new technologies to Peruvian timber loggers.

2. COMPLIANCE WITH ITTO ACTION PLAN AND PRIORITIES

This project is consistent with the priorities established by the Committee on Reforestation and Forest Management, particularly the following: identification of field demonstration projects where sustainable production of timber and non-timber products may be combined; specification, with FAO, of training requirements for forest management and administration; and study of the effect of different levels of timber harvesting on forest sustainability. The proposal is also consistent with the priorities established by the Committee on Forest Industry, particularly the following: projects in selected strategic locations to promote the integrated development of sustainable forest management and industrial use; support for industrial trials, pilot production and marketing of new species; specific research and extension on sawing difficult species, among other aspects; the evaluation of training needs and formulation of strategies; support for training in planning and management of forest industries and in marketing of forest products; technical level programs on sawmilling and veneer and plywood manufacture (at the regional level); support for regional technical and

vocational training centres for wood industries; study tours (including to appropriate machinery shows and trade fairs) and on the job skill training; regional training workshops/seminars to improve project preparation and appraisal capacity; support for existing training institutes, including curriculum improvement; and preparing and disseminating technical training materials; and help for the development of industrial infrastructure, information, research and appropriate standards.

OVERALL PRE-PROJECT BUDGET

	BUDGET COMPONENTS		ITTO	INRENA
10	PERSONNEL			
	11. National Experts (1)	6 m/m	12,000.00	
	13. Other labour			
	13.1 Forest Industry Expert	6 m/m	9,000.00	
	13.2 Survey taker (1)	2 m/m	900.00	
	13.3 Assistant (1)	6 m/m		1,800.00
	13.4 Office staff (1)	6 m/m	3,000.00	
	19. Component Total		24,900.00	1,800.00
30	DUTY TRAVEL (11 trips)			
	31. DSA		4,500.00	
	33. Transport costs		4,500.00	
	39. Component Total		9,000.00	
40	CAPITAL ITEMS			
	41. Premises			500.00
	43. Vehicles			12,000.00
	44. Capital equipment (computer + printer)		2,000.00	
	49. Component Total		2,000.00	12,500.00
50	CONSUMABLE ITEMS			
	51. Raw materials			2,000.00
	52. Spares		1,000.00	
	53. Services/fuel		4,000.00	
	54. Office supplies		2,000.00	
	59. Component Total		7,000.00	2,000.00
60	MISCELLANEOUS			
	61. Sundry		4,290.00	
	63. Contingencies		2,145.00	
	69. Component Total		6,435.00	
70	ITTO MONITORING, EVALUATION AND ADMINISTRATION			
	71. Monitoring and Evaluation		5,000.00	
	72. Administrative Costs (5.5%)		2,988.00	
	73. Component Total		7,988.00	
	SUB-TOTAL		57,323.00	16,300.00
100	GRAND TOTAL			73,623.00