

INTERNATIONAL TROPICAL TIMBER ORGANIZATION

ITTO

PROJECT PROPOSAL

TITLE:	STRENGTHENING OF THE PRODUCTION CHAIN FOR TIMBER FROM FOREST CONCESSIONS AND OTHER FORESTS UNDER MANAGEMENT
SERIAL NUMBER:	PD 421/06 Rev.2 (F)
COMMITTEE:	REFORESTATION AND FOREST MANAGEMENT
SUBMITTED BY:	GOVERNMENT OF PERU
ORIGINAL LANGUAGE:	SPANISH

SUMMARY

The development objective of this project proposal is to contribute to the strengthening of the forest production-industry-consumer chain to consolidate a formal and transparent production system that will encourage sustainable forest management and will benefit forest sector related communities and the national economy. The Project specific objectives are to promote the articulation of the legal production of timber from forest concessions and other forests under sustainable management with industry, trade and end-consumers and to support the implementation of a national forest production monitoring system with the participation of the public and private sectors.

Expected outputs are a managed forest-industry-market articulation system; a national agreement for responsible purchasing of timber products; implementation of forest business plans for timber producing watershed areas; development of an on-line information system on forest production from managed forests; and finally the strengthening of the capacity of the Forest Concessions Supervisory Office (OSINFOR) to enable it to function as appropriate.

The Project will be implemented by the National Forestry Chamber (CNF) with the active participation of forest concessionaires, as well as forest producers and managers, industrialists, traders, and other timber production chain stakeholders, as well as private and public organisations related to the forest sector such as trade associations, professionals, NGO's, the Ministry of Agriculture, INRENA, OSINFOR, the Ministry of Production (PRODUCE), the National Tax Administration Department (SUNAT), and the Multisectoral Commission Against Illegal Logging (CMLTI).

EXECUTING AGENCY: NATIONAL FORESTRY CHAMBER (CNF) in cooperation with the NATIONAL INSTITUTE FOR NATURAL RESOURCES (INRENA)

COOPERATING GOVERNMENTS: ---

DURATION: 30 MONTHS

APPROXIMATE STARTING DATE: UPON APPROVAL

BUDGET AND PROPOSED SOURCES OF FINANCE:	Source	Contribution in US\$
	ITTO	567,094
	CNF	405,693
	TOTAL	972,787

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PART I: CONTEXT

1. Origin

The National Forestry Chamber (Cámara Nacional Forestal – CNF), with the financial support of the International Tropical Timber Organization (ITTO), is currently completing the implementation of Project PD 23/00 Rev.4 (F): “Promotion and Transfer of Knowledge on Sustainable Forest Management Models to Timber Producers” in the areas of Madre de Dios and Selva Central. During its implementation, the project transferred knowledge to forest concessionaires and other forest producers with a view to improving their technical capacity for sustainable forest management. In addition, the project disseminated forest management issues and ITTO principles and guidelines to a wide-based group of social stakeholders.

During this period, the CNF carried out an analysis on the progress made in the implementation of the new forest legislation as from the year 2000. In order to address the issues that encourage or discourage forest management in the country, including illegal timber logging and trade, in 2004 the CNF, in cooperation with the Association for Integrated Research and Development (Asociación para la Investigación y el Desarrollo Integral – AIDER) and the Faculty of Forestry Science of the National Agrarian University of La Molina (UNALM), organised and coordinated regional fora on illegal logging and trade in the cities of Puerto Maldonado, Pucallpa, Iquitos, Tarapoto and Tingo María.

Based on the conclusions and recommendations reached in the above events and the experience gained in the aforementioned project, the CNF has decided to develop a project proposal to be submitted to ITTO. The aim of the proposal should be to promote the consumption of legal timber and discourage the marketing of timber products of unknown or unreliable origin as a strategy to contribute to curb illegal timber logging and trade. Furthermore, the Peruvian Government has declared the National Strategy Against Illegal Logging as a matter of national interest in order to “arrest the illegal logging of timber and other forest products and improve the national capacity for the implementation of sustainable forest management”.

In this context, this project proposal is aimed at strengthening the forest-industry-consumer production chain as a means to consolidate a formal and transparent production system in support of sustainable forest management and for the benefit of forest sector related communities and the national economy, where both the private and public sectors are actively involved. This will promote the objective of ensuring a sustained supply of timber to the domestic and export markets from managed forests including forest concessions, native community forests and other legally harvested forests.

The National Forestry Chamber (CNF) groups major forest producers and consumers such as the Peruvian Construction Chamber (Cámara Peruana de la Construcción – CAPECO), as well as industrialists, professionals and environmental organisations. Together with other institutions, the CNF is responsible for promoting and disseminating sustainable forest management concepts as well as promoting their implementation in close coordination with the National Institute for Natural Resources (INRENA).

2. Sectoral policies

Since the year 2000, the new forest legislation – defined through Forestry and Wildlife Law No. 27308, its regulations and other legal provisions – has been implemented in Peru in order to standardise, regulate and supervise the sustainable use and conservation of the country’s forest and wildlife resources. One of the objectives of this legislation is to harmonise the utilisation of forest and wildlife resources with the progressive valuation of the environmental services of forests in consonance with the social, economic and environmental interests of the Nation as established in Articles 66 and 67 of the Political Constitution of Peru, Legislative Decree No. 613, the Environmental and Natural Resources Code, Act No. 26821, the Organic Law for the Sustainable Harvesting of Natural Resources, and International Agreements signed by Peru. The Forestry and Wildlife Law (Act No. 27308) seeks to establish access and regulatory mechanisms to eradicate informal and illegal forest logging and trade.

Forest concessions are the modality established for the private sector’s access to forests for production and commercial purposes. The government has designated a significant area in the Amazon Region as permanent production forests for both timber and non-timber production (over 24 million hectares). There are 584 concession holders at the national level with 1,182 harvesting units covering 7.3 million hectares of forest allocated mainly for timber production, and the forest allocation process is still ongoing. In addition to these concessions, there are forest lands designated as reforestation areas, local forests, and native and rural community forests.

The Forestry Law also established the Timber Forest Resources Supervisory Agency (Organismo Supervisor de los Recursos Forestales Maderables – OSINFOR), attached to the Presidency of the Council of Ministers. This Agency has operational, technical and administrative autonomy and is responsible for supervising and monitoring compliance with forest concession contracts every five years through specialised legal entities; applying sanctions as appropriate in accordance with current regulations; and keeping a registry of accredited legal bodies to conduct supervisory and/or voluntary certification activities. This Agency, through Supreme Decree No. 004-2005-AG (13 January 2005), was incorporated into the organic structure of the National Institute for Natural Resources (INRENA) as the Timber Forest Concessions Supervisory Office (OSINFOR).

INRENA, as the national forest authority, is responsible for enforcing Peru's forest policy as well as ensuring the monitoring and evaluation of the sustainable utilisation of forest and wildlife resources. In this respect, it is supported by the National Police of Peru, particularly with regard to prevention, investigation and reporting of breaches to the law such as illegal logging activities. Given the complex and cross-sectoral nature of the problem of illegal logging, the Multisectoral Commission Against Illegal Logging was established in October 2002. This Commission was responsible for the design and implementation of a strategy against illegal logging activities for the removal of illegal loggers from reserved areas, forest concessions and native community territories. In addition, the Commission has proposed legal reforms to sanction illegal logging activities. The work of the Multisectoral Commission Against Illegal Logging has resulted in the development of a National Strategy Against Illegal Logging, which was approved through Supreme Decree No. 019-2004-AG. This strategy is aimed at arresting the illegal logging of timber and other forest products and at improving the national capacity for the implementation of sustainable forest management practices.

The coordination of actions for the implementation of this strategy is under the responsibility of the Multisectoral Commission Against Illegal Logging (Comisión Multisectoral de Lucha contra la Tala Ilegal – CMLTI), which is made up of a representative of the Presidency of the Council of Ministers, representatives of the ministries of Agriculture, Justice, Interior and Defence, the National Institute for the Development of Andean, Amazon and Afro-Peruvian Peoples (Instituto Nacional de Desarrollo de los Pueblos Andinos, Amazónicos y Afro-Peruanos – INDEPA), the National Tax Administration Department (Superintendencia Nacional de Administración Tributaria – SUNAT) and the Office of Public Prosecutions (Ministerio Público). A number of international cooperation organisations and other national bodies have been cooperating with this initiative. INRENA is responsible for promoting the necessary actions for the utilisation and conservation of natural resources. To this end, the Institute has designed a plan aimed at creating the conditions required for the curbing of illegal logging in Peru. This plan envisages awareness campaigns on sustainable forest management addressed to major forest sector stakeholders, multisectoral agencies and the general public. Its main objectives are: design, coordinate, agree on and implement public sector actions with the participation of the civil society with the aim of combating illegal logging activities; plan, coordinate and supervise the implementation of the National Multisectoral Strategy Against Illegal Logging; generate and organise an effective forest information and warning system on illegal logging activities and disseminate the available information at the national level; promote sustainable forest management, watershed areas free from illegal logging activities, and forest certification; implement dissemination actions to raise awareness on the problem and extent of illegal logging in Peru and throughout the world; propose to the relevant sectors the approval of standards and mechanisms to facilitate the prevention and control of illegal logging and the marketing of illegal forest products in the national and international markets, etc.

3. Programmes and operational activities

The administration of forest resources in the country is under the responsibility of the Ministry of Agriculture, through the National Institute for Natural Resources (INRENA), which is directly responsible for forest regulation and management.

The Peruvian Government has granted, through public tender in compliance with the new forest legislation, 7,589,205 ha of forests under concession, concluding a total of 584 contracts with forest concession holders for harvesting units ranging from 5,000 ha to 10,000 ha each. The following table contains detailed information by region:

Region	No. of Harvesting Units	Area (ha)	No. of contracts
Ucayali	446	2 914 602	175
Loreto	411	2 576 731	242
Madre de Dios	198	1 311 705	85
San Martín	79	497 793	34
Huánuco	48	288 374	48
Total	1 182	7 589 205	584

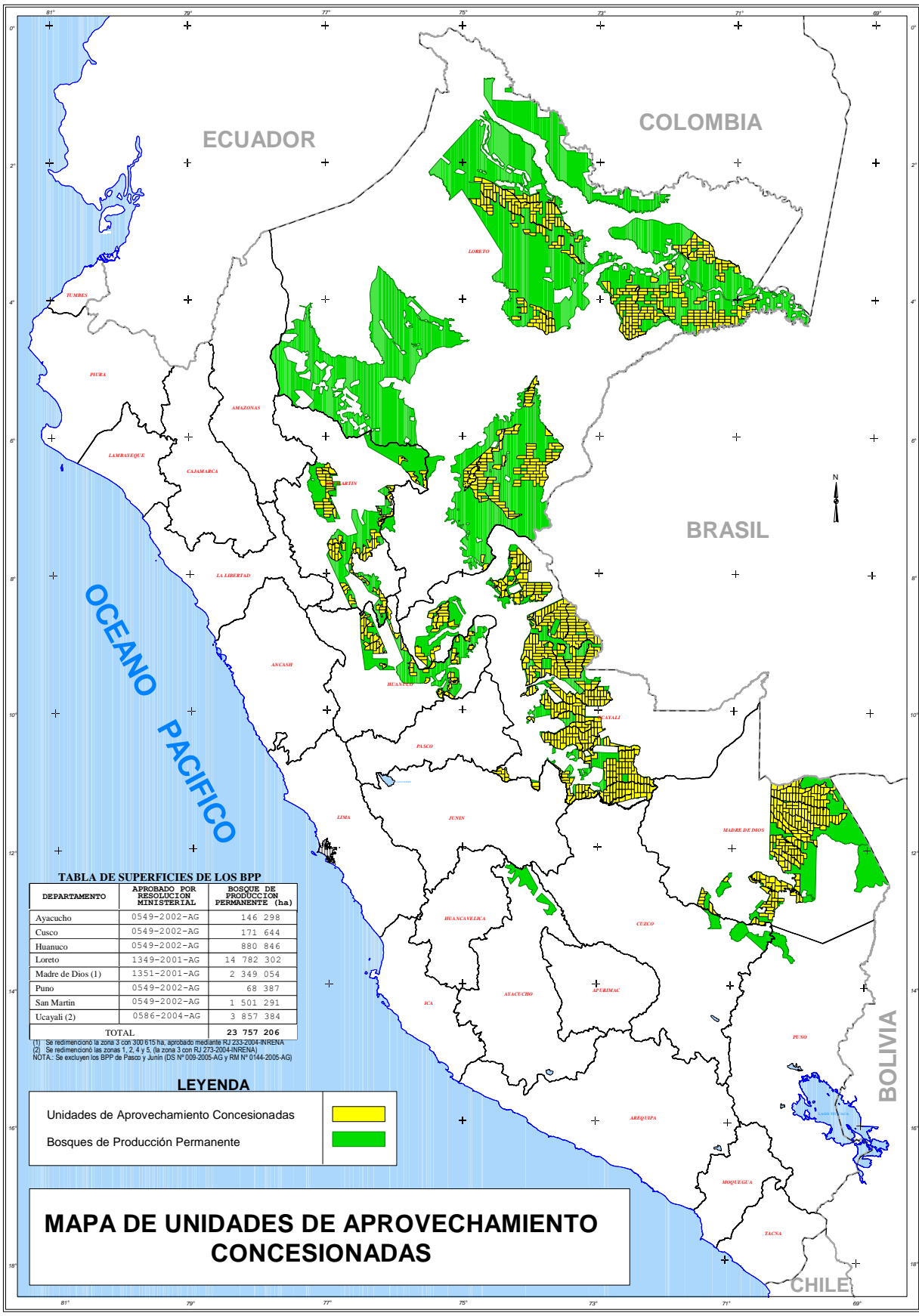
The forest concession units map below shows the area allocated for permanent production forests and forest harvesting units at the national level.

This project is submitted as a private sector initiative within the above framework of forest programs and objectives. It can be very useful to forest concessionaires and forest users in general in the aforementioned areas as it will provide support for the articulated integration of production chains and for the reduction of unfair competition from illegal timber logging and trade operations by providing knowledge, information, technical assistance and support to consolidate users' organisations, thus contributing to the enforcement of forest policies by the relevant public institutions.

Major forest projects implemented in the country include:

- A project recently completed by EDMAR with ITTO support on "Sustainable Use and Reforestation of Amazon Forests by Indigenous Communities (Peru)". The objective of this project was the sustainable utilisation of trees for timber and non-timber production purposes in order to arrest and reverse the degradation of tropical forests in the indigenous community territories of the Amazon Region.
- A soon-to-be-completed project implemented by the CNF with ITTO support and with the participation of forest concession holders on "Promotion and Transfer of Knowledge on Sustainable Forest Management Models to Timber Producers". The objective of this project was to contribute to the sustainable production of environmental goods and services from Amazon Forests in Peru.
- An ongoing project being implemented by INRENA with ITTO support on "Integrated Evaluation and Strategy for the Sustainable Management of Secondary Forests in the Central Forest Region of Peru". The objective of this project is to curb deforestation through the successful implementation of sustainable forest management strategies.
- A project implemented by the Peruvian Amazon Research Institute (Instituto de Investigaciones de la Amazonia Peruana – IIAP) with ITTO support on "Information and Training Programme for Sustainable Forest Management in the Peruvian Amazon Region". The objective of this project was to promote tropical forest management on a sustainable basis with the support of competent personnel.
- A project being implemented by FONDEBOSQUE with ITTO support on "Application of Intermediate Technologies for Sustainable Forest Harvesting". The objective of this project is to contribute to technological and environmental development in the country in order to improve forest production through the introduction of appropriate intermediate technologies for forest harvesting.
- A project being implemented by the National Agrarian University of La Molina (UNALM) in cooperation with WWF and with ITTO support on "Evaluation of Commercial Stocks and Strategy for the Sustainable Management of Mahogany (*Swietenia macrophylla*) in Peru". The objective of this project is to provide integrated, comprehensive, detailed, updated and highly reliable information on mahogany stocks in the forests of the Peruvian Amazon Region so as to assess the allowable cut at the national, regional and local levels and thus establish an annual or regular harvesting quota. In addition, this project is aimed at the development of a national strategy and its integration into sustainable management plans to support biodiversity conservation and the sustainable management of forest resources.

The Ministry of Production (PRODUCE) has been promoting and supporting the establishment of a timber and furniture production chain by providing technical assistance to the industries concerned.



MAP OF HARVESTING UNITS UNDER CONCESSION
Source: INRENA

PART II: THE PROJECT

1. Project objectives

1.1 Development objective

The development objective of this project is to contribute to the strengthening of the forest production-industry-consumer chain to consolidate a formal and transparent production system that will encourage sustainable forest management and will benefit forest sector related communities and the national economy.

1.2 Specific objectives

The Project seeks to achieve two specific objectives:

- a) Promote the articulation of the legal production of timber from forest concessions and other forests under sustainable management with industry, trade and end-consumers.
- b) Support the implementation of a national forest production monitoring system with the participation of the public and private sectors.

2. Justification

2.1 Problem to be addressed

The policy applied to forest activities from the 1970s onwards was to reserve the best forests for State enterprises and large cooperatives, and to grant harvesting contracts and licenses over the remaining forests to small-scale operators who supposedly had to directly harvest (without intermediaries) the forest resource. Furthermore, these harvesting rights were only granted over small areas (up to 1,000 ha) for short periods of time (2 to 10 years) and without requiring forest management plans to ensure the sustainable management of the forest. This led to the irrational harvesting of forests which made the situation much worse, as the forest tracks and trails opened by timber harvesters were then used by shifting farmers who devastated the forest through the use of slash-and-burn practices for the establishment of crops or pasture lands for cattle raising activities. The system also favoured illegal timber harvesting operations outside the area under harvesting contract, i.e. in areas under contract to other operators, in unauthorized areas, lands belonging to native communities, land reserves belonging to ethnic groups under voluntary isolation or protected natural areas (Carlos Andaluz 2005. "Legal and Institutional Mechanisms for the Control of Illegal Timber Harvesting and Trade").

These illegal activities still persist today despite major changes to the forest policy that were implemented from 2002 onwards under the new Forestry and Wildlife Law (Law 27308). The new law is based on a system of granting harvesting rights through public tendering systems over areas and periods of time that will allow for appropriate corporate management of these areas (for a minimum of 5,000 ha and a period of 40 years) using sustainable management instruments that are based on land-use management practices and forest management plans, thus moving the concept of forest harvesting towards integrated forest utilization (including environmental services and non-timber forest products).

In order to have access to these forests, some small-scale forest operators with sufficient money, goods or marketing skills, organised themselves by establishing cooperatives and companies and were then granted forest concession contracts. However, the great majority of forest operators did not participate in this process and were left outside the framework of this new legislation model. Habit and need drove them to continue with the same timber-harvesting practices that they were accustomed to in the past but that are illegal under the new legislation.

Within this framework, the Project has prepared a Problem Tree that identifies the forest production system as the main problem to be addressed, as it is dominated by informal and illegal practices all the way from the timber harvesting to the timber marketing stages. The main causes of this include: the lack of cohesion between legal timber production originating from forest concessions and other authorised forests and the industry, trade and end consumers; the weak national forest production monitoring system; and, finally, the lack of knowledge and indifference of consumers who are unaware that most of the timber being traded does not originate from secure supply sources.

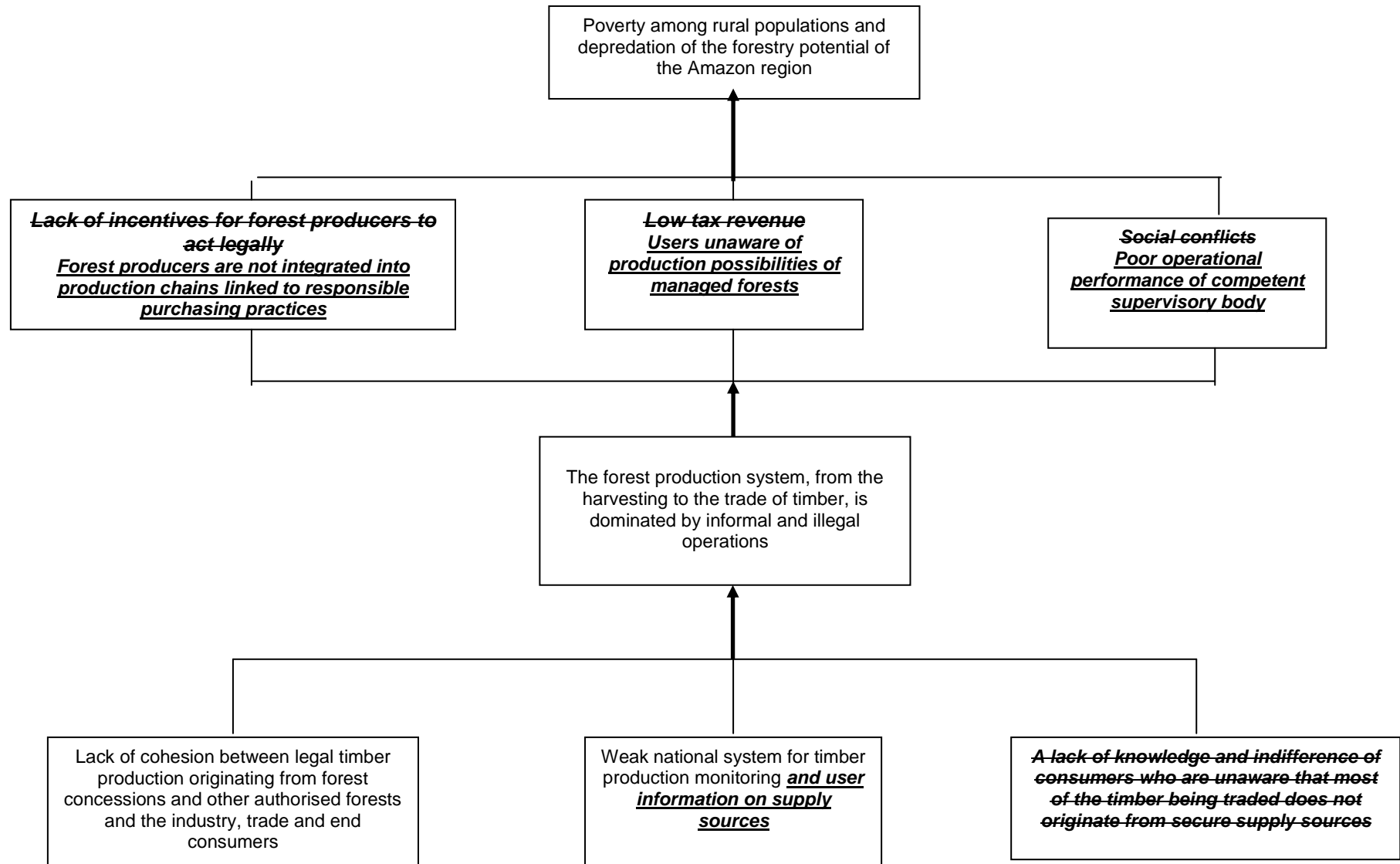
This situation is discouraging forest producers to act legally and is resulting in low levels of tax revenue and creating social conflicts, the consequences of which are poverty among rural populations and the depredation of the forestry potential of the Amazon region.

The aforementioned Problem Tree appears below.

Furthermore, the following factors are also contributing to the illegal harvesting and trade of timber:

- The migration of the population from the mountain ranges to the tropical forest regions so as to convert forest lands into agricultural or cattle raising lands, due to a lack of work opportunities.
- The lack of investment incentives for economic activities related to forest resources.
- Limited incentives for the reforestation of lands suitable for forestry and no possibility of acquiring ownership title over these lands.
- There are State administered forests which the forestry administration has no capacity to adequately monitor, thus facilitating the task of many illegal forest operators.
- The implementation of and adherence to land use management instruments and legislation is limited or non existing, as is the case with migrants who establish agricultural or cattle raising concerns on protection lands, forest production lands or in natural protected areas, which are all non-prescribed land use changes (or in some cases they forge documents as their lands do not technically qualify for the use stated or for other inappropriate land uses).
- It is common practice for regional governments to promote agricultural occupation policies, generally through road construction projects that go into lands classified as protection or production forests and even into forest harvesting units, natural protected areas, reserves and native community lands.
- The forest legislation is not systematized and changes to the regulations of the forestry law have not been sufficiently disseminated.
- Concentration and centralization of the functions of the forest authority.
- A lack of mechanisms to establish timber origin (certificates of origin) and the registration of logs.
- Development of an informal market due to the lack of action or coordination of public authorities, creating illegal competitive advantages with regard to legal timber traders, which leads to a "parallel" tax regulation system through forged documents and the sale and "hacking" of timber transport waybills.
- Owners or holders of agricultural lands and/or native communities, who are involved in the trafficking of forest harvesting permits.
- A substantial reduction in INRENA's budget for monitoring and control activities.
- Administrative and work instability among INRENA personnel.
- Weak monitoring and control of illegal logging in natural protected areas.
- The National Police and Armed Forces are not committed to control activities aimed at stopping the illegal logging and trade of timber.
- The criminal and civil courts and public prosecutors do not have sufficient training and logistic and human resources.
- Some concession holders sell timber transport waybills so as to "legalise" illegally sourced timber.
- Incompetent forest professionals are used to formulate forest management plans that are not suitable for the actual conditions of the forest.
- An important sector of society does not consider illegal logging to be a reprehensible activity and believes that the concession system has excluded the poorest stakeholders.
- There is inadequate coordination among the different authorities involved.
- There is limited implementation of the instruments used to promote forest policies.

PROBLEM TREE



On the other hand, some of the aspects that contribute to the fight against illegal timber logging and trade include:

- There is an increased interest in reforestation activities in the private sector, both for timber production and for the benefits of carbon sequestration within the framework of the Kyoto Protocol, which will provide job opportunities for a substantial part of the available manpower.
- Establishment and implementation of FONDEBOSQUE as a private-public organization that will promote forest management and reforestation activities.
- Cooperation agencies and institutions interested in supporting the implementation of the new forest policy.
- There has been substantial progress in the recognition and granting of land titles to native communities and in the granting of forest harvesting unit permits.
- The perception of society and the media about the importance of problems related to illegal timber logging and trade is improving.
- The rights contained in concession contracts with regard to the Forest Management Units have recently begun to be registered in the National Public Registry System. Two concessions have already been duly registered and others are in the process of being registered.

The main consequences of illegal logging are:

- It takes undue advantage of the prevailing poverty conditions and there is a lack of stable and quality job opportunities for the communities of the Peruvian Amazon Region.
- Destabilization of forest management.
- Deforestation and depredation of forests affecting the whole forest ecosystem.
- It encourages corruption.
- It results in a loss of revenue for the State.

Forests are the most important resources in the districts of Ucayali, Selva Central (tropical forest areas of Huanuco, Pasco and Junin) and Madre de Dios. These resources, however, are not being adequately utilised, despite the fact that substantial efforts are being made to overcome this problem, including the promulgation and application of a new forestry law in the year 2000, which promotes sustainable forest management in all permanent production forests granted as forest concessions through a process of public tender, and the implementation of a series of projects aimed at sustainable forest management. However, there are currently a number of problems that are limiting the effectiveness of these initiatives, such as the existence of a parallel market that promotes illegal timber logging and trade, which is creating unjust and unfair competition for the formal timber sector or for the sector that is in the process of being formalised. This discourages many forest producers from acting within the law, and causes degradation and loss of forest potential in the Peruvian Amazon Region.

Illegal activities destabilise forest management efforts, cause entire ecosystem degradation, promote corruption and result in economic losses to the State. The loss of fiscal revenue alone means that illegal timber logging and trade activities have major economic and social impacts. Peru loses 8.5 million dollars every year in lost tax revenue. It is estimated that more than 221,000 m³ of illegal timber is harvested each year, which represents 15% of the national production, or the equivalent of 44.5 million dollars, thus causing market distortions.

Illegal timber logging, which can be defined as the unauthorised logging of commercial timber, is one of the most serious forestry problems facing the country. If these illegal activities were to continue, our forests, which benefit thousands of families by providing them with wealth, food and environmental services, could well disappear. Illegal logging not only affects forest production areas, but also natural protected areas and national reserves granted to indigenous and native communities. Evidence has shown that some traders, taking advantage of the extreme poverty affecting forest communities, are acting as intermediaries to trade illegally logged timber, thus contributing to the degradation of the forest and generating social conflict. In Peru, the magnitude of the illegal timber logging and trade issue is considered to be on a par with drug trafficking and smuggling.

In view of this, the State has recognised that illegal logging is a serious problem that affects all of Peruvian society and has established policies aimed at resolving this problem. However, the State has inherent institutional weaknesses caused mainly by the limited availability of resources, and operational limitations as a result of a lack of human resources and poor qualifications and/or training of existing resources, etc.

Furthermore, consumers are not aware of the fact that a substantial volume of the timber that is being traded originates from dubious supply sources, which not only cause damages to forest resources, but also to the populations concerned, as the mafias that control illegal logging subject local residents to forced labour, thus affecting their integrity and citizen rights.

The level of unawareness and disinformation makes it very difficult for timber producers to understand forest management proposals and the need to these activities and comply with certain indicators that have been formulated out of concern for forest conservation. Furthermore, the timber value chain or production chain lacks articulation, thus creating favourable conditions for the trafficking and trade of illegal timber.

The areas selected for the implementation of the project are two major economic, road-transport corridors of the country, both for their timber production potential and for their processing, marketing and consumption potential. They are the Central and South economic corridors, which are described below.

a) Central Corridor. It includes the regions of Ucayali, Huanuco, Pasco, Junin and Lima, with the Central Highway (Carretera Central) as its major road axis.

The native communities of Ucayali are members of the Regional Organization of AIDSESEP Ucayali (Organizacion Regional de AIDSESEP Ucayali – ORAU). Five of these communities have certified forests, with AIDER as their qualified forest operator (Manager). The Timber Logging and Reforestation Association of the Ucayali Region (AEMRU) is an active timber marketing body; ORAU, AIDER and AEMRU are all members of CNF. CNF has been working for many years with forest concessionaires in Selva Central and Madre de Dios, and there is a great deal of interest in these districts in legal timber trade practices. The main economic corridor of the country is the Pucallpa (Ucayali),Tingo Maria (Selva Central) and Lima corridor.

The central coastal region of Peru, and in particular Lima, is the largest timber market where the most important timber consumers are located, including the Peruvian Construction Chamber (CAPECO) and the Small and Medium Forest Producers and Industrialists Association of Peru (AFORPYME). The National Agrarian University of La Molina (UNALM), which is the main generator of timber technology in the country, is also located in this region. The headquarters of INRENA, the national forest administration authority, is also located in Lima.

The regions of the Central Corridor include:

- **Ucayali.** Situated in the eastern rainforest area of the country, it has a population of approximately 450,000 and a warm and humid climate. There are many conflicts in the region related to illegal timber logging and trade. The capital of this region is the city of Pucallpa, located at 154 m.a.s.l. and 842 km from Lima. The city is located on the east bank of the Ucayali river. The region has 4,089,926 ha of permanent production forests. Forest authorities have granted permits for 446 harvesting units and 175 contracts for timber forest concessions, over an area of 2,914,602 ha. There are 3 recognised Forest Management Committees in the region: Aguaytia River, San Alejandro River Basin and Cohengua River.
- **Huanuco.** Situated in the eastern central region of Peru, with a population of nearly 800,000. It contains both mountain and tropical forest areas. The capital city has the same name as the region.

Another important city is Tingo Maria situated in the basin area of the High Rainforest area. There are many problems related to the legal marketing of timber in this area. It has 880,846 ha of permanent production forests, 288,374 ha of which have been granted as forest concessions through 48 contracts. These concessions are located in the provinces of Leoncio Prado, Marañón and Pto. Inca, situated between 300 and 1,000 m.a.s.l., with an average temperature of 25°C and an annual rainfall of approximately 2,500 mm. There is one Forest Management Committee in this area for the Alto Huallaga Basin.

- **Pasco.** Situated in the central area of the country, the region contains both highlands and high tropical forest areas. It has a population of approximately 250,000. Cerro de Pasco is the capital city of this region. Other important cities are located in the tropical forest area, including Oxapampa and Villa Rica. It has the Alto Huallaga Forest Management Committee.
- **Junin.** Situated in the central area of the Peruvian Andes, the region contains both highlands and high tropical forest areas. It has a population of more than 1.1 million. Huancayo is the

capital city of this region. Other important cities are Satipo, La Merced and San Ramon. It has the Satipo Forest Management Committee.

- **Lima.** The department of Lima is situated in the central and western regions of Peru, extending over inter-Andean and coastal areas, including both coastal and highland regions. Its capital is the city of Lima, which is also the capital of Peru. It has an estimated population of 8 million.

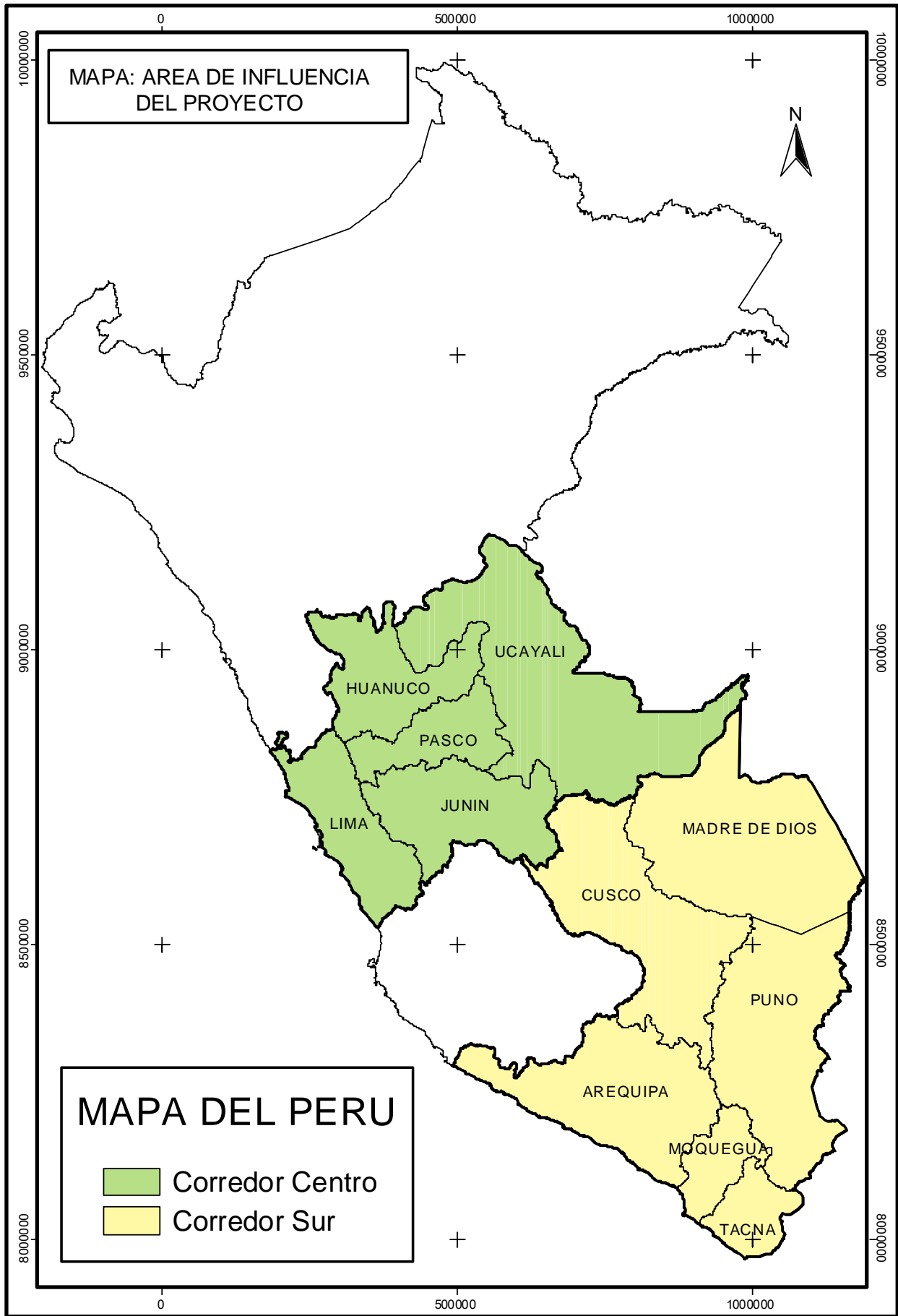
b) South Corridor. It includes the regions of Madre de Dios, Cuzco, Puno, Arequipa, Moquegua and Tacna, with the main road axis being the Inter-Ocean Highway (Carretera Interoceánica). Arequipa is the most important timber-consuming region in the south of Peru. In this corridor, the CNF has carried out business-plan studies required to strengthen the sector.

The South Corridor has a substantial market, which just as in the Central Corridor region, is being supplied from two sources of raw materials: illegal timber, which is “*laundered*” during the transport and marketing phases, and timber originating from agricultural plots and/or holdings. In both cases producers pay negligible and unrealistic taxes on the timber traded. This works against formal timber traders, who are forced to buy the timber to be able to compete, but who later have problems related to the payment of taxes to SUNAT. The following regions are part of this corridor:

- **Madre de Dios.** Situated in the south-eastern region of the country, it has both high and low rainforest areas with a tropical hot and humid climate, an average temperature of 25⁰C and an annual rainfall level of 2,800 mm. The population barely reaches 90,000 inhabitants. The capital city of this region is Puerto Maldonado.

The forest concession system started in this region, which has 2,522,141 ha of permanent production forests. It is the main mahogany producing region of the country and has serious problems related to illegal timber logging and trade. The main rivers flowing through this region are the Madre de Dios, Las Piedras, Tambopata, Inambari and Acre rivers, which are situated between 200 and 500 m.a.s.l. A total of 937 timber and non-timber producing concessions have been granted in the region over an area of 2,176,765 ha. The concessions granted include timber concessions (85 contracts over 1,303,870 ha), chestnut concessions (743 contracts over 619,469 ha.), ecotourism concessions (98 contracts over 62,133 ha.), conservation concessions (2 contracts over 158,514 ha.) and reforestation concessions (98 contracts over 62,133 ha.). The Forest Management Committees in this area include the Acre, Tahuamanu, Manuripe and Las Piedras river basin committees.

- **Cusco.** Situated in the central-south region of the Andes, it has both rainforest and mountain areas. It has a population of more than 1,200,000. The capital city, which has the same name as the region, is situated at 3,360 m.a.s.l.
- **Puno.** Situated in the south-east area of Peru, it has a rugged topography, with most of the major cities located in the high areas of the mountain range. It has a population of approximately 1,200,000. Puno, the capital city of this region, is located along the shores of Lake Titicaca at a height of 3,827 m.a.s.l.
- **Arequipa.** The region is situated in the south of Peru. Due to its strategic geographic location, Arequipa has influence over the whole Macro Southern Region (Apurimac, Arequipa, Cusco, Madre de Dios, Moquegua, Puno and Tacna). It has an estimated population of approximately 1,000,000. The city of Arequipa, the capital of the department, is located in the mountain ranges at an altitude of 2,335 m.a.s.l.
- **Moquegua.** The region is situated in the south-west of the country. It covers both coastal and highland areas, with a dry and warm climate along the coastal areas and high morning and cold evening temperatures in the highlands. It has a small population of not more than 150,000 inhabitants. The capital city has the same name as the region, Moquegua.
- **Tacna.** Situated in the southern tip of the country, it is located between the coastal and highland regions of this area. It has an estimated population of nearly 300,000. Its capital city, Tacna, is located at 552 m.a.s.l. and at 1,293 kilometres from the city of Lima.



MAP: PROJECT AREA OF INFLUENCE

2.2 Intended situation after project completion

The intended situation after project completion is as follows:

- Timber production chains (forest-industry-consumer) of the Central and South economic road-transport corridors will have been strengthened, resulting in a significant improvement of the formal production and marketing system and benefiting sustainable forest management activities and forest sector related communities.
- Commercial operations in the timber sector will be implemented with a greater level of formality and legality, and the forest industry will be more competitive.
- Tropical timber importing countries will have a greater interest in purchasing Peruvian timber.
- The civil society will have been organised, and will coordinate and participate in joint activities with the public sector to promote formal markets for timber sourced from forests under sustainable management.
- The communities of the timber producing watershed areas will have been organised through the Forest Management Committees and will be protecting their resources and will have discontinued illegal forest logging activities. At the same time, forest producers will have been organised and will have formalised all forest production and marketing processes.
- Formal agreements between producers, traders and industrialists will have been established for the purchase of legally sourced timber.
- The relevant legal instruments will have been promulgated to ensure that all timber products purchased by the State are only obtained from known legal sources.
- An electronic information system, which allows users to have access to updated information on production, transport and stocks of timber sourced from managed forests, will have been established, thus facilitating timber trade dynamics in the formal market.
- Concessions with forests under sustainable management will be supervised by OSINFOR and will comply with management plan guidelines.
- Illegal timber trade will have been significantly reduced and fiscal revenues will have increased as a result of this.
- There will be greater knowledge and awareness among various stakeholders about the negative impacts of illegal timber logging and trade and about the benefits of good forest management practices.

2.3 Project strategy

The Project will be implemented by the CNF (National Forestry Chamber), through a steering committee, which will include representatives from the Government, the private sector and the organised civil society. The project will seek to ensure the participation of various forest sector organizations, including production and public sector agencies, NGOs, forest management committees, etc. Work and consensus building meetings among interested parties will be held, with the aim of consolidating the Amazon forest resource management process and promote the integrated formalisation of forest production activities.

Strategic partnerships will be forged with different institutions to promote the formalisation of forest activities and prevent illegal activities, especially with the National Tax Administration Department (SUNAT). SUNAT is the government agency responsible for the administration, control and collection of taxes for the National Government. It is also has the responsibility of administering and supervising the international transport of goods within the national customs area, facilitating economic activities for the export sector, and inspecting the international flow of people and transport services, among others. SUNAT is one of the most recognised public institutions with an excellent track record. It is envisaged that the project will work with this institution so that SUNAT will monitor and control underinvoicing from timber suppliers, an action which is detrimental to legal activities and creates unfair competition in the forest concessions system.

The forest-industry-consumer production chain mentioned in this proposal refers to the inter-related group of activities that add value to timber products, which goes from the logging of timber in managed forests, to the processing industry and finally to the end products either used by national consumers or targeted for export. This requires the participation of several companies, each of which becomes a link in this chain. The corporate relationship among these companies is such that all participating companies benefit from this process, or in other words, the process benefits both providers and clients.

The production activities implemented by forest managers will be coordinated with the different economic agents that directly participate in the production, processing and transport of forest products to the market, through production chains that will be operational and that will benefit all stakeholders involved. This will be translated into activities such as the implementation of economies of scale; the bulk purchase of inputs; reduced production costs; better bargaining power for producers; improved access to credit facilities; implementation of coordinated actions between the public and private sectors; the sustainable production of goods and services; the consolidation of companies; and more efficient utilization of forest resources, among others. Furthermore, the staff of participating companies will acquire better skills and abilities in the production and marketing of these products.

The coordination with the market will be aimed at promoting production activities through production chains that will be organised in accordance with the forest products required by the market, as the companies will promote the production and marketing of timber products demanded by consumers, taking into consideration forest potential or possibilities as outlined in the respective management plans of the participating forest concessions in terms of timber products, species, quality, production volumes, time periods and competitive prices.

The timber processing industries will reorient themselves to satisfy the demands of both the national and export markets and this will, in turn, provide more job opportunities and better working conditions to rural communities and reduce the incidence of illegal timber logging. Furthermore, this will enhance human resource capacities, resources, knowledge and experience to facilitate negotiations among companies.

Thus, the project will also strengthen the timber production chain, from the forest through the industry to the end consumer, by providing technical assistance and training to all parties. Strategic partnerships will be established with the Ministry of Production (PRODUCE), while universities and technical training institutions will provide technical assistance. The main organised production watershed areas will be prioritised through their management committees, with which the project will also establish partnerships, promoting and supporting the organisation of producers in the target watershed areas and regions in order to formalise the timber production and marketing system and include other stakeholders such as local governments, native communities, farmers, service providers, etc. These watershed areas should have a "guarantee of origin" status.

The chain of custody will include the physical identification and marking of timber products, from their source of origin (the forest), documentation and control records, information processing and maintenance system, product identification and personnel training.

In order to demonstrate the authenticity of the timber, the chain of custody system will be applied taking into account identification factors such as original status, harvesting conditions, preservation, packaging and transport as well as place and date of storage and changes throughout the production chain.

To this end, a traceability system will be designed involving a method to identify the origin of the timber at all stages. The number of document records and responsibilities will be determined in accordance with the number of participants in the different links of the chain. The chain of custody will begin with the population of harvestable standing trees that have been duly marked in the forest and reported in the forest survey of the annual coupe as well as in the corresponding yearly operational forest management plan (YOP). The documentation will also include the report of felled trees prepared by the concessionaires, forest transport waybills, invoices, timber purchase/sale orders, certificates and other timber transport and/or processing documentation providing a guarantee that the timber originates from known sources.

Furthermore, timber loggers, traders and other people involved in one way or another in illegal activities will be incorporated as key project stakeholders, including:

- Groups of small-scale loggers who are extracting timber from unauthorised areas and transporting them to the main ports and stocking centres.

- Service or credit providers or middlemen who provide money or supplies and equipment to small-scale illegal loggers or who purchase illegally sourced timber.
- Exporting companies who provide economic resources to middlemen so that they can secure the required volume of timber for export.
- Certain public servants who turn a blind eye to the fraudulent issue of timber transport waybills (Guias de Transporte Forestal – GTF) and the multiple use of these waybills (“hacking or merry-go-round”).
- Certain forest professionals that participate in different ways in illegal timber logging and trade activities.
- Concession holders or owners of agricultural lands and native community leaders who allow the illegal harvesting of timber.

The State will actively participate in project activities through various government institutions, such as SUNAT, PRODUCE, INRENA, the Multisectoral Commission Against Illegal Logging (Comisión Multisectorial de Lucha contra la Tala Ilegal – CMLTI) and OSINFOR.

Because of its functions and experience, PRODUCE will participate in activities aimed at organising and strengthening timber production chains.

INRENA will provide information on the situation in each forest concession, including timber volumes extracted, transported and marketed; it will provide support for the events and campaigns organized by the project; and it will actively participate in project decision-making processes as a member of the steering and consultative committees of the project.

The project will coordinate and implement actions with the CMLTI aimed at promoting the fight against illegal timber logging and trade at the national and regional levels. Furthermore, they will also promote sustainable forest management, the designation of watershed areas free of illegal logging and trade, and forest certification activities.

The incentive mechanisms to be developed by the Project to mitigate and curb illegal timber logging and trade in tropical forest concessions and other areas, will be aimed at providing expert advice and guidance to concession holders and other timber producers on the management of forest resources. The Project will also promote and facilitate the registration of forest concession contracts in the National Public Registry System (Sistema Nacional de Registros Públicos – SUNARP) which will provide legal security regarding ownership/tenure rights. Furthermore, the Project will promote Voluntary Forest Certification and Chain of Custody systems. It will also encourage the incorporation of illegal loggers into mainstream legal activities by providing them with support to organize and gain legal access to forests, for example in local forests. The Project also envisages the provision of technical assistance and support for the operationalization of forest management committees.

Given that illegal logging activities are mainly concentrated on high commercial value species such as mahogany and cedar, the Project will promote the utilization of other timber species, thus increasing the volume of harvestable timber in the forest, through the dissemination of information about the qualities of these timber species and the provision of training for potential users.

Together with OSINFOR, the project will participate in the regular monitoring of compliance with forest management plans in timber forest concessions at the national level. The project will coordinate actions with OSINFOR in order to obtain information on levels of compliance and the support to be provided to some concessions to improve these levels so that they can then become models for other concessions.

Links or formal agreements will be established between producers, traders and industrialists, so as to ensure the conclusion of responsible timber purchasing commitments. Furthermore, the project will encourage the Government to issue regulations or establish timber purchasing monitoring systems so as to ensure that all timber purchased by the Government originates from legal sources, such as watershed areas free of illegal timber production.

The project will implement actions aimed at developing the capacity of producers, consumers and public officials in the use of tools that can contribute to responsible forest management and in techniques for the tracking of legally logged timber and the independent supervision and control of operations from the forest to the end consumer.

Control systems and programs will be designed in a participatory manner to ensure transparency in the production, transport and marketing of timber stocks originating from forests under sustainable management.

Furthermore, the project is aware that the NGO Bosques, Sociedad y Desarrollo – BSD (Forests, Society and Development) has also submitted a proposal to the ITTO. The project has held coordination meetings with this organization and agreements have been reached to jointly carry out a number of activities during the implementation of the project, such as the strengthening of forest production chains. The BSD proposal has a broader nation-wide approach in contrast to the present proposal, which is limited to the North and South economic corridors, thus allowing for a complementary approach by both projects. Another important issue is that of training where both projects will share experiences and information and will organise joint training events, thus ensuring a better impact on the target beneficiaries of these training courses. BSD has been included in the Project's Consultative Committee and the project will also participate in meetings organised by BSD for the development of their project, thus facilitating communication and coordination between both projects.

2.4 Target beneficiaries

The target beneficiaries of this project are forest producers in general, as they will be able to improve the volume and profitability of their timber supply as a result of formalising the timber production and marketing system and curbing the supply of illegal forest products. The State will also benefit from the project by ensuring improved revenue collection and transparency in the production system of the sector, industrialists and end consumers.

a) Direct beneficiaries:

- Authorised forest concessionaires, native communities with managed forests and authorised reforestation concession holders.
- Forest industry owners from the Central and South economic corridors of the country, as they will have a secured supply of timber, which in turn can improve their competitiveness in the national and international markets as they will be able to offer and consume products sourced from reliable and non-controversial sources.
- Public officials, industrialists, executives from the institutions/companies involved in the forest sector, ASPEC (Peruvian Consumers Association), INRENA, etc.

b) Indirect beneficiaries:

- Workers from companies producing legal timber. The population at large, through a greater stability in the development of forest production and processing industries and the State, through a substantial improvement in fiscal revenues and transparency.

The project will work directly with forest concession holders of timber producing watershed areas in Ucayali, Selva Central and Madre de Dios, with native communities and other forest access groups that are implementing forest management activities in these areas, are duly authorised by INRENA and are complying with the requirements of their forest management plans, and with industrialists and traders of the South and Central corridors interested in joining the timber production chains. The project will provide all of them with training, information and technical assistance. Support will also be provided to the representatives of forest management committees, so that they can organise themselves to combat illegal logging in their forests, turn their operations into secure sources of legally sourced timber, and obtain due recognition for their efforts. The representatives of these organizations have been duly consulted and their recommendations have been incorporated into this project proposal.

The local communities will be properly informed about the benefits of sustainable forest management and will be better organised at the industrial level. Thus, they will be able to better understand the benefits of formal and legal activities compared to informal and illegal operations. Furthermore, forest concessionaires will have greater awareness of the importance of caring for the environment to protect and promote the quality of life of present-day communities and future generations.

The very nature of the project ensures that there are no activities that could adversely affect third parties. On the contrary, the project will bring together the civil society as a whole, including timber producers, the education community (universities, institutes and education centres), local leaders and local authorities, professionals and professional associations, grassroots organizations, the media, etc.

2.5 Technical and scientific aspects

The experience gained over the past 30 years on tropical forest management and research activities has been mainly acquired through research and development projects, implemented with international technical cooperation. Less than five years ago, with the promulgation of the new forestry legislation, the private sector started to participate directly in the management of forest resources through forest concessions awarded by the Government, and thus it also started gaining its own experience, in some cases, working jointly with institutions that provided the sector with technical assistance and/or training, as has been the case with the CNF, which is also involved in capacity building and information gathering activities.

However, this support has proven to be insufficient; therefore, it is necessary to strengthen the companies participating in the production chain so as to prevent illegal timber trade and logging practices. To this end, it is essential to create awareness among these groups, as well as among government authorities and public officials in general. It is therefore necessary to ensure the transfer of knowledge to these groups and provide them with the information required to enhance their awareness about the problems faced and the benefits that can be derived from soundly managed forests, eliminating unfair competition and having formally established companies that carry out legal activities.

The techniques to be used for the strengthening of the forest-industry-consumer production chains will firstly involve the identification of and awareness-raising among the companies to be integrated into the production chains. The project will then provide technical assistance to the administrators of the participating companies in the economic corridors of the central and northern areas of the country. The following topics will be included in the business administration area: organizational culture, business management, strategic planning, the influence of the surrounding environment and the political, legal and macroeconomic factors affecting business activity, cost benefit analysis, total quality, management leadership, team work, rights and obligations of employers and employees, etc., as well as other topics related to forest management, timber processing and marketing and trade of forest products.

An important activity that provided the CNF with invaluable experience was the organisation and implementation, in conjunction with the Integrated Research and Development Association (AIDER) and the Faculty of Forestry Science of the National Agrarian University of La Molina (UNALM), of several regional fora on illegal timber logging and trade in the Loreto, San Martin, Ucayali, Huanuco and Madre de Dios regions, during July-October 2004.

These regional fora arrived at the following conclusions:

- The fora helped increase knowledge on the subject and importantly, helped gain better understanding of the problems involved in illegal and informal forest activities. The fora also identified the importance of carrying out forest harvesting activities under Forest Management Plans, as well as the need to develop the capacities of local stakeholders in forest related activities in order to overcome illegality and informality.
- In view of the importance of the issues addressed in the Fora in relation to illegal timber activities, both the authorities and the various stakeholders involved in the forest sector of Selva Central have shown a great deal of interest and have requested that a forum be held on "Illegal Timber Logging and Trade" in the city of Satipo.
- The causes of persistent illegal forest activities are related to prevailing market conditions, regulations, institutional capacities and governance practices.
- The main illegal logging mechanisms are seen in Natural Protected Areas: logging to change land use, logging in agricultural plots, and logging with domestic permits exceeding approved quotas.
- Some of the most important factors that contribute to illegal logging practices include: lack of good governance; excessive and complicated procedures for the review of management plans; high government taxes for forest activities; forest laws and regulations that favour the offenders; land tenure and land title issues; weak institutional capacity for regulation and monitoring of forest resources; confusion about forest authority roles between INRENA and the Forest Police; and institutionalised corruption.
- Illegal logging is not only a problem affecting forest activities, but it is rather a consequence of inefficient government policies, which have not resolved the problem of unemployment in the country, particularly in rural areas.
- The proliferation of these illegal forest-harvesting practices is strongly related to the lack of government presence (through the forest authority) at the forest level.

- The lack of resolve in the enforcement of forest legislation as a whole has resulted in a loss of authority credibility.
- There are no illegal loggers as such, but rather a chain of illegality, with the weakest link being the forest loggers, who are in fact the most persecuted. It is ineffective to gear action exclusively against the loggers.
- When illegal forest loggers realise they are being exploited by the “economic middle men” and the timber yard owner, they become aware of the disadvantages of the “system”, but they also realise that under the current Forestry Law they do not have the possibility of formalising their activities.
- Centralising forest management in Lima is not the best way to deal with this problem; there is a need to involve regional governments and local authorities in solving this issue. To this end, INRENA must have a clear policy and regain the credibility it has now lost.
- Job insecurity for professionals, especially those dealing with monitoring activities, is not a policy that motivates them to carry out their duties with due diligence.
- The limited legal and institutional support offered to those who fight against illegal logging actually facilitates the continuity of these activities.
- Unresolved issues of forest tenure and overlapping rights have created uncertainty, thus encouraging actions that have not been controlled promptly by INRENA.
- Punitive forest legislation is confusing, thus complicating the enforcement of relevant sanctions.
- It is clear that there is a great lack of coordination among government bodies whose function is to fight against illegal practices.
- International cooperation is a very important factor, both at the national and international levels, to help reach the goal of eradicating illegal timber logging and trade, where possible.
- The lack of valuation of forests by the State and society contributes to increased illegal timber logging and trade.
- Illegal timber logging and trade have the following negative impacts: they prevent the implementation of forest management plans, prevent the generation of stable jobs, lead to the migration of young people towards urban areas, do not generate legal tax revenue, and generate corruption.

The participants made the following recommendations:

- Support institutional strengthening of local stakeholders in order to implement a strategy to eradicate illegal logging and trade.
- Encourage the establishment of forest management committees to have a local organisation that can ensure sound forest utilisation.
- Establish and implement mechanisms for cooperation and the exchange of information between government institutions in this field (INRENA, Office of Public Prosecutions, Ministry of the Interior, SUNAT, regional governments, local governments, etc.).
- Provide technical and legal training to authorities in charge of forest law enforcement.
- Establish a more stable industrial system that acknowledges and rewards good performance of forest administration employees.
- Decentralise INRENA's roles, so that monitoring becomes a more regional responsibility, but at the same time establish strong supervision.
- Establish a forest monitoring and surveillance system that manages geographic controls and legal and administrative mechanisms in a holistic manner to ensure the legal origin of timber.
- Promote the development of State policies aimed at eradicating illegal timber logging and trade in the country, and complement them with policies promoting Sustainable Forest Management and the protection of forests in Peru.
- Encourage the strengthening of forest trade associations since they are the natural allies of forest protection and sound forest utilisation.
- Increase coordination with international cooperation agencies to maximise activities counteracting illegal timber logging and trade.

2.6 Economic aspects

The framework of economic benefits of the project as a necessary tool for sustainable forest management will be reflected in the feasibility of actions through private sector forest companies that will help increase the production of legal roundwood in the country, thus also helping reduce the country's trade deficit in forest products.

This new situation would also mean compliance with ITTO's objective, i.e. the member countries' undertaking to ensure that all timber in international trade must come only from sustainably managed forests.

This is a promotion and development project as well as a project for the transfer of knowledge and information. In view of the nature of the project, the budget will be used mainly for personnel costs, duty travel and inputs for the preparation and publication of technical material to disseminate management, processing and production chain techniques, as well as social and business organisation methods.

The outputs of the project will remain for the National Forestry Chamber and/or any other institution to use in dissemination, which will in turn benefit forest industrialists.

2.7 Environmental aspects

The project will not generate negative environmental impacts because it will be focused on technical assistance, promotion and transfer of knowledge. On the contrary, because of its very nature, the project will minimise the environmental impact of timber logging in all the areas where it will be implemented, as it will promote sustainable forest management as well as production and marketing of forest products in accordance with Peruvian legislation.

Illegal forest activity generates an enormously negative environmental impact; the project aims to reduce this effect by applying sustainable forest management which is beneficial for both the forest and the environment.

All forest concessions where management plans are implemented have their own Environmental Management Plan as an integrated aspect of forest management.

2.8 Social aspects

By its very nature, the project does not affect local communities; on the contrary, it provides them with knowledge and alerts them on the rational way to use natural resources, so that these resources are not plundered illegally by third parties.

Timber logging activities in our forests are generated by persons from outside the area who become the loggers-managers and supply the local timber market.

The indigenous population organised in native communities is gaining official recognition as legal entities. Inasmuch as they relate to the market and value money as a means of exchange of goods and services, these communities become a part of this economic activity and start managing their forests with the support of organisations implementing development projects. The project supports this initiative so that native communities are not marginalized from decision-making, and to prevent the illegal logging of their resources by third parties. The implementation of this project is also a call to these communities and to other organisations that are legal forest owners and have been working in the forests (reforestation concessions, local forests), to become an integral part of what is collectively known as "the timber producers", since they control important areas of natural tropical forests which are currently subject to illegal harvesting; however, local communities have the advantage of having a better knowledge of their forest resources.

Project beneficiaries (concession holders, local residents, community members, industrialists, traders, etc.), will have developed a full awareness of the care of the environment and identified their level of dependence, knowing that legal timber utilisation and trade can generate jobs and contribute to the improvement of their living conditions.

The project's final formulation resulted from consultations with various stakeholders concerned with the project, who have contributed their suggestions for the successful implementation of project activities and have given their undertaking to support such activities. However, the same stakeholders will also be involved in monitoring and evaluation, because they will set up and participate in the Consultative Council of each area of the project, and they will also be called to participate in the various activities organised by the project.

2.9 Risks

The main risks in the implementation of this project relate to the commitment of the Government to provide strong encouragement to sustainable forest management as provided for in the country's current forest legislation. It would be very difficult for government policy and legislation to change and remove sustainable forest management encouragements, since there are clear indicators in support of natural forest management.

CNF involvement in the Forest Consensus Roundtable, which was established and recognised by the Ministry of Agriculture, ensures that technical opinions will be taken into consideration; furthermore, the awareness of civil society with respect to forest activity significantly reduces the risks for the project.

The project is an important support tool in the fight against illegal timber logging and trade established by the Government, which surely will be strengthened by the new government administration as well as the new forest order established.

There is a risk that part of the private forest industry sector may refuse to join formal businesses in legal logging and trade activities based on sustainable forest management and under new legal instruments and accept them as fundamental pillars of forest conservation. However, they have increased their participation in the implementation and improvement processes of the Forestry and Wildlife Law. The project will help industrialists gain a better understanding of sustainable forest management, its advantages and in particular, the negative medium and long term impacts of illegal timber logging and trade for the environment, the economy and society, as seen in large areas of the Peruvian Amazon Region.

The main risks that could affect the implementation of this project include:

- a. For the development objective, the greatest risk would be political and social problems, since in the Central Forest Region (Selva Central) this was one of the foundations for action of the subversive movement and drug trafficking. For Madre de Dios these problems do not exist. In general, the social upheaval that affected the country has been overcome and subversive movements are now retreating.

Should this arise in a project area, the option would be to reduce activities in that area and increase them where these problems do not exist. However, these areas would still be in the project's area of influence, where possible.

Given that these problems have not occurred in the southern region of the country and that there are currently no indicators of their existence, the project will be implemented in the country's south corridor, which is gaining momentum after the construction of the Inter-Ocean Highway which integrates this area linking Madre de Dios-Cusco-Puno-Arequipa-Tacna.

Another possible risk could be a loss of government interest in fighting against illegal timber logging and trade. In order to counteract this risk, the CNF is actively engaged in different civil society fora, exerting political pressure and urging the legislators currently in power to become aware of and take action against illegal activities. The Forest Dialogue and Consensus Roundtable is a very important channel through which society informs the authorities about the problems of the forest sector, highlighting the occurrence of illegal timber logging and trade incidents.

- b. For Specific Objective 1, the most important risk would be if the new government were to make political decisions affecting forest activities. To date, there is a government decision to grant long-term forest concessions in a market economy, to fight illegal timber logging and trade, and to promote the timber production chain. All of these are advantageous to the project. At present, the Ministry of Agriculture and INRENA are implementing the new forestry law, and the political decision is for forest management to remain as the backbone for forest conservation, while the decision of the Ministry of Production is to promote and support the timber production chain.

The new Peruvian Government came to power in July of this year and its mandate will end in July 2016. In order to ensure that this government will not promulgate conflicting policies that could affect the implementation of this project, it has been decided that from the very beginning of the project there will be close coordination with the relevant regional and local public organizations so that they can actively participate in project activities.

- c. For Specific Objective 2, the most important risk would be if the new government were to change its policy with negative impacts for the forest sector or if it decided not to include forests among its priorities and not to open the door to the private production sector so that it may participate in forest monitoring, or there might not be the will to maintain the sector duly informed.

However, if this were to be the case, the project would need to be reformulated in accordance with the new policies implemented by the Government.

3. **Outputs**

3.1 **Specific objective 1:** Promote the articulation of the legal production of timber from forest concessions and other forests under sustainable management with industry, trade and end-consumers.

- **Output 1.1: Design of managed forest-industry-market articulation system**

The objectively verifiable indicators related to this output are:

- 5 production chains organised and doing forest-related business in the Central Corridor area.
- 5 production chains organised and doing forest-related business in the South Corridor area.
- 15 training courses/workshops implemented.
- Technical assistance provided to 30 timber companies.

- **Output 1.2: Development of Code of Conduct for the private sector and CNF members**

The objectively verifiable indicators related to this output are:

- 1 Code of Conduct document signed by the private sector and CNF members.
- 8 regional agreements signed by professional associations representing producers and traders.
- 5 awareness campaigns implemented.
- 30 information events implemented.

- **Output 1.3: Forest business plans for production watershed areas**

The objectively verifiable indicators related to this output are:

- 10 forest business plans developed in the first year.
- 10 business plans implemented by the end of project implementation.

3.2 **Specific objective 2:** Support the implementation of a national forest production monitoring system with the participation of the public and private sectors.

- **Output 2.1: On-line information system on forest production from managed forests**

The objectively verifiable indicators related to this output are:

- 1 database designed and implemented during the first year.
- 1 user's manual developed during the first year.
- 1 web page containing information on supply and production of timber from managed forests developed during the first year.

- **Output 2.2: OSINFOR strengthened**

The objectively verifiable indicators related to this output are:

- At least 90% of forest concessions have been supervised by OSINFOR by the end of the project.
- A proposal for new Rules of Procedure for OSINFOR has been submitted to the relevant authority.
- Forest conflict resolution proposal developed as a guarantee of professional practice.

4. Activities

4.1 Output 1.1: Design of managed forest-industry-market articulation system

ACTIVITIES	INPUTS
Activity 1.1.1 Carry out a technical-legal situational analysis of the forest access process in accordance with the current forest legislation.	1 Subcontract – technical-legal situational analysis 2 tickets – air travel 2 tickets – land travel 12 days – DSA Miscellaneous – office supplies
Activity 1.1.2 Carry out a diagnostic study on the demand for timber products in the Central and South Corridor areas	1 Subcontract – demand diagnosis study 2 Tickets – air travel 2 Tickets - land travel 12 Days – DSA Miscellaneous - office supplies
Activity 1.1.3 Develop a directory and database of timber producers (concession holders, native communities, etc.), transport companies, traders, industrialists, financial institutions and other components of timber production chains	4 M/M – IT Expert 1 Computer equipment Miscellaneous - office supplies (ink, CD, DVD, paper) Miscellaneous - furniture Miscellaneous – technical services 1 laser printer Miscellaneous - software Miscellaneous – spares and accessories 5 information collection services 5 data input services
Activity 1.1.4 Promote and organise the establishment of production chains	5 M/M – Consultant specialised in production chains 6 Tickets – air travel 6 Tickets - land travel 60 Days – DSA Miscellaneous - office supplies Miscellaneous - local transport
Activity 1.1.5 Provide technical assistance to production chains	8 M/M – specialised technicians 24 Tickets - land travel 72 Days – DSA Miscellaneous - office supplies Miscellaneous - local transport
Activity 1.1.6 Implement training courses/workshops to promote legal timber demand	5 Tickets – air travel 5 Tickets - land travel 40 Days – DSA 1,200 servings – snacks/light refreshments 1 overall material - office supplies Miscellaneous – logistic services Miscellaneous – social communications 300 Folders (folders, paper, pens) Miscellaneous - local transport Miscellaneous (posters, paper boards, markers, ink, etc.) 20 M/M – event participants 4 M/M – training course/workshop facilitators

<p>Activity 1.1.7 Carry out field visits for the exchange of knowledge and experiences between producers and consumers</p>	<p>15 Tickets – air travel 15 Tickets - land travel 120 Days – DSA Miscellaneous - logistic services 60 Folders (folders, paper, pens) Miscellaneous - local transport 6 M/M – Concession holders, industrialists, executives, other</p>
<p>Activity 1.1.8 Develop and apply a traceability system for timber from managed forests</p>	<p>5 Tickets – air travel 5 Tickets - land travel 80 Days – DSA Miscellaneous- local transport Miscellaneous - office supplies (paper, ink, photocop., etc.) 5 M/M –Consultant in Traceability 20 M/M – technicians</p>

4.2 Output 1.2 Development of Code of Conduct for the private sector and CNF members

ACTIVITIES	INPUTS
<p>Activity 1.2.1 Carry out awareness campaigns on the benefits of sustainable forest management, consumption of legal timber, and negative effects of illegal timber logging and trade.</p>	<p>5 Tickets – air travel 5 Tickets - land travel 40 Days – DSA 5 Subcontracts – video recording, editing and reproduction Miscellaneous - filming and reproduction materials 5 Subcontract – newsletter editing and printing Miscellaneous materials (paper, ink, batteries, CDs) Miscellaneous - editing and printing of brochures 3 Subcontract – editing and printing of leaflets 1 Subcontract – preparation of miscellaneous brochures 5 Subcontract - banners, ads, shirts, caps, etc. 1 Digital camera, 1 Video camera</p>
<p>Activity 1.2.2 Promote and organise meetings between authorities and timber industrialists at the national and regional levels for the signing of agreements for the purchasing of timber of known origin.</p>	<p>20 Tickets – air travel 20 Tickets - land travel 160 Days – DSA Miscellaneous – local transport Miscellaneous – office supplies (paper, ink, photocop., etc.) 4 M/M – Concession holders, industrialists, executives and others 400 servings – snacks /light refreshments 1 Data Show, 1 Screen, 1 Laptop</p>
<p>Activity 1.2.3 Organize information events on forest activities.</p>	<p>15 Tickets – air travel 15 Tickets - land travel 120 Days – DSA Miscellaneous – local transport Miscellaneous – office supplies (paper, ink, CDs, etc.) 1 Laptop, 1 Data Show 8 M/M - Concession holders, industrialists, executives and others 5 M/M - technicians 900 servings – snacks /light refreshments</p>

Activity 1.2.4 Develop a Code of Conduct for the private sector and CNF members.	8 Tickets – air travel 8 Tickets - land travel 64 Days – DSA Miscellaneous – office supplies (paper, ink, CDs, etc.) Miscellaneous – logistic services Miscellaneous– local transport 4 M/M – Legal adviser 8 M/M – Committee representatives 4 M/M – Technicians
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4.3 Output 1.3 : Forest business plans for production watershed areas

ACTIVITIES	INPUTS
Activity 1.3.1 Develop business plans for forest companies involved in the production chain.	6 Tickets – air travel 6 Tickets - land travel 48 Days – DSA Miscellaneous office supplies (paper, ink, CDs, photocop., etc.) Miscellaneous – local transport 5 M/M – Consultant in Business Plans 2 M/M - Concession holders, industrialists, executives and others
Activity 1.3.2 Organise business rounds.	24 Tickets – air travel 24 Tickets - land travel 192 Days – DSA Miscellaneous office supplies (paper, ink, CDs, photocop., etc.) Miscellaneous – local transport 2.7 M/M - Concession holders, industrialists, executives and others
Activity 1.3.3 Provide technical assistance during the implementation of business plans.	5 Tickets – air travel 5 Tickets - land travel 40 Days – DSA Miscellaneous office supplies (paper, ink, CDs, photocop., etc.) Miscellaneous - local transport 10 M/M – specialised technicians Miscellaneous expenses

4.4 Output 2.1 : On-line information system on forest production from managed forests

ACTIVITIES	INPUTS
Activity 2.1.1 Design managed forest production database and keep it updated and operational.	8 M/M - IT Expert 3 Computer equipment 5 Tickets – air travel 5 Tickets - land travel 30 Days – DSA Miscellaneous office supplies (ink, CDs, DVD, paper) 1 overall - furniture Miscellaneous technical services 1 Laser printer Miscellaneous spares and accessories Miscellaneous information collection services Miscellaneous data input service 4 M/M – technicians

<p>Activity 2.1.2 Design and regularly update a web page with national supply and demand data for timber products by forest sector companies.</p>	<p>8 M/M - IT Expert 3 Tickets – air travel 3 Tickets - land travel 18 Days – DSA Miscellaneous office supplies (ink, CDs, DVD, paper) Miscellaneous technical services Miscellaneous spares and accessories Miscellaneous information collection services Miscellaneous data input service 4 M/M – Technicians</p>
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4.5 Output 2.2: OSINFOR strengthened

ACTIVITIES	INPUTS
<p>Activity 2.2.1 Provide institutional support to OSINFOR for the monitoring of forest concessions.</p>	<p>40 Tickets – air travel 40 Tickets - land travel 240 Days - DSA Miscellaneous - office supplies (paper, ink, CDs, photocop., etc.) Miscellaneous local transport Miscellaneous expenses</p>
<p>Activity 2.2.2 In cooperation with OSINFOR, develop a proposal for new rules of procedure.</p>	<p>4 M/M – Legal Adviser 2 Tickets – air travel 2 Tickets - land travel 24 Days – DSA Miscellaneous - office supplies (paper, ink, CDs, photocop., etc.) Miscellaneous local transport Miscellaneous expenses</p>
<p>Activity 2.2.3 Develop a proposal for forest conflict resolution.</p>	<p>4 M/M – Social Science Consultant 2 Tickets – air travel 2 Tickets - land travel 24 Days – DSA Miscellaneous office supplies office supplies (paper, ink, CDs, etc.) Miscellaneous local transport Miscellaneous expenses</p>

5. Logical Framework Worksheets

Project Elements	Indicators	Means of verification	Assumptions
<p>Development objective: Strengthening of the forest production-industry-consumer chain to consolidate a formal and transparent production system that will encourage sustainable forest management and will benefit forest sector related communities and the national economy.</p>	<ul style="list-style-type: none"> • Illegal timber trade reduced by 20% in central and southern economic corridor areas by the end of the project. • 20% increase in turnover and tax revenues • At least 30 public and private companies are using timber with certificate of origin • Formal employment increased by 20% • Official harvested timber volume increased by 30% • National forest production monitoring system with the participation of the public and private sectors 	<ul style="list-style-type: none"> • Reports from public institutions: INRENA, OSINFOR, SUNAT, PRODUCE, Ministry of Labour • Project reports • Certificates of forest origin • Surveys 	<ul style="list-style-type: none"> • The country's peace process is maintained. • The government's forest policies are maintained. • The government maintains and strengthens policies aimed at curbing illegal timber logging and trade.
<p>Specific objective 1: Promote the articulation of the legal production of timber from forest concessions and other forests under sustainable management with industry, trade and end-consumers.</p>	<ul style="list-style-type: none"> • 10 producers in Ucayali – Selva Central (concession holders, native communities and other forest producers) incorporated into production chains by the first year of project implementation • 20 producers in Ucayali – Selva Central (concession holders, native communities and other forest producers) incorporated into production chains by the end of the project • 08 producers in Madre de Dios (concession holders, native communities and other forest producers) incorporated into production chains by the first year of project implementation • 15 producers in Madre de Dios (concession holders, native communities and other forest producers) incorporated into production chains by the end of the project 	<ul style="list-style-type: none"> • Management plans approved and authorised by INRENA • Project field reports • Transport waybills • Producer trademarks • Forest certificates • Production records • Project reports 	<ul style="list-style-type: none"> • Political decisions and legislation favour forest harvesting, processing and marketing activities. • Companies willing to be incorporated into production chains. • Clearly established standards for gaining access to production areas.

Project Elements	Indicators	Means of verification	Assumptions
<p>Specific objective 2: Support the implementation of a national forest production monitoring system with the participation of the public and private sectors.</p>	<ul style="list-style-type: none"> Public and private acquisitions plan stipulates that timber should come from managed forests. Pilot forest production information system proposed by the first year of project implementation. Pilot forest production information system operational by the end of the project. Pilot timber transport monitoring system proposed by the first year of project implementation. Pilot timber transport monitoring system operational by the first year of project implementation. 	<ul style="list-style-type: none"> Public acquisition standards Private sector agreements on responsible timber purchasing Reports on timber production and transport monitoring INRENA reports 	<ul style="list-style-type: none"> INRENA is willing to share statistical information Government policy favours the formalisation of the sector INRENA is willing to adopt and implement the changes proposed
Outputs related to objective 1			
<p>Output 1.1 Design of managed forest-industry-market articulation system</p>	<ul style="list-style-type: none"> 5 production chains organised and doing business in the Central Corridor. 5 production chains organised and doing business in the Southern Corridor. 30 timber companies receiving technical assistance. 15 training courses/workshops implemented. 	<ul style="list-style-type: none"> Project monitoring and follow-up report Surveys Project evaluation report 	<ul style="list-style-type: none"> Industrialists' continued willingness to be incorporated into production chains Forest industrialists are convinced that sustainable forest management is the best option for forest development The forest concessions policy continues to be supported by the government
<p>Output 1.2 Development of Code of Conduct for the private sector and CNF members</p>	<ul style="list-style-type: none"> Code of Conduct document signed by the private sector Code of Conduct document signed by CNF members 8 regional agreements signed by producers and traders representative associations 5 dissemination campaigns carried out 30 information events carried out 	<ul style="list-style-type: none"> National and regional agreement documents Campaign reports Record of participants Material disseminated Photographic and video testimonials Press publications, radio and television programs Leaflets, brochures and posters distributed Proceedings and reports of events 	<ul style="list-style-type: none"> Representatives of private institutions willing to sign formal agreements
<p>Output 1.3 Forest business plans for production watershed areas</p>	<ul style="list-style-type: none"> 10 forest business plans developed during the first year of project implementation 10 business plans implemented by the end of the project 	<ul style="list-style-type: none"> Business plan documents Company monitoring and follow-up reports 	<ul style="list-style-type: none"> Companies willing to share information Financial capacity of companies Profitability of operations

Project Elements	Indicators	Means of verification	Assumptions
Outputs related to objective 2			
Output 2.1 On-line information system on forest production from managed forests	<ul style="list-style-type: none"> • 1 database designed and implemented during the first year of project implementation • 1 user's manual prepared during the first year of project implementation • 1 web page containing information on supply and production of timber from managed forests developed during the first year of project implementation 	<ul style="list-style-type: none"> • User's manual published • Users survey 	<ul style="list-style-type: none"> • Companies and public institutions willing to share information
Output 2.2 OSINFOR strengthened	<ul style="list-style-type: none"> • At least 90% of forest concessions have been supervised by OSINFOR by the end of the project • Proposal for new Rules of Procedure for OSINFOR submitted to the relevant authorities • Forest conflict resolution proposal developed as a guarantee of professional practice 	<ul style="list-style-type: none"> • OSINFOR and INRENA reports • Document of proposal for new rules of procedure • Conflict resolution proposal document 	<ul style="list-style-type: none"> • Ongoing willingness of OSINFOR and INRENA to undertake joint actions

6. Work plan

OUTPUT/ACTIVITIES	Responsible Party	SCHEDULE (in months)																												
		1	2	3	4	5	6	7	8	9	10	11	12	1	2	3	4	5	6	7	8	9	10	11	12	1	2	3	4	5
O. 1.1: Design of managed forest- industry –market articulation system																														
1.1.1 Carry out technical-legal situational analysis...	Sub-contract																													
1.1.2 Carry out diagnostic study on demand...	Consultant Economist																													
1.1.3 Develop directory and database...	IT Expert																													
1.1.4 Promote and organise estab. of production chains..	Consultant in Production Chains																													
1.1.5 Provide technical assistance to production chains	Officer in charge of area																													
1.1.6 Organise training courses–workshops...	Officer in charge of area																													
1.1.7 Carry out field visits...	Officer in charge of area																													
1.1.8 Develop and apply a traceability system...	Forest Consultant																													
O. 1.2: National agreement for responsible timber product purchasing																														
1.2.1 Organise awareness campaigns...	Officer in charge of area																													
1.2.2 Promote and organise meetings...	Director																													
1.2.3 Organise information events on forest act...	Officer in charge of area																													
1.2.4 Develop Code of Conduct	Officer in charge of area																													

OUTPUT/ACTIVITIES	Responsible Party	SCHEDULE (in months)																												
		1	2	3	4	5	6	7	8	9	10	11	12	1	2	3	4	5	6	7	8	9	10	11	12	1	2	3	4	5
O. 1.3: Forest business plans for production watershed areas																														
1.3.1 Develop business plans...	Consultant Economist																													
1.3.2 Organise business rounds...	Consultant Economist																													
1.3.3 Provide technical assistance during implementation....	Director																													
O. 2.1: Online information system on forest production from managed forests																														
2.1.1 Design and update forest production database...	IT expert																													
2.1.2 Design and update website...	IT expert																													
O. 2.2: OSINFOR strengthened																														
2.3.1 Provide institutional support to OSINFOR...	Director																													
2.3.2 In cooperation with OSINFOR, develop proposal for new rules of procedure	Consultant																													
2.3.3 Prepare proposal for conflict resolution...	Social Science Consultant																													

7. Budget

7.1 Project budget by component

The total project cost is US\$ 972,787, which will be covered by a national counterpart contribution of US\$ 405,693 and a non-refundable ITTO contribution of US\$ 567,094. The attached tables show the consolidated total and yearly project budget by component and the consolidated total and yearly project budget by source in US dollars.

CONSOLIDATED OVERALL AND YEARLY PROJECT BUDGET

Budget Components (in US\$)		TOTAL	YEAR 1	YEAR 2	YEAR 3
10.	Project personnel				
11.	National Experts				
	11.1 Project Director	82,500	33,000	33,000	16,500
	11.2 Project Coordinator	45,000	18,000	18,000	9,000
	11.3 Officer in charge of Area	76,800	30,720	30,720	15,360
	11.4 Information Technology (IT) Expert	14,000	7,000	5,600	1,400
12.	National consultants				
	12.1 Forest Engineer				
	12.2 Social Science Expert	10,000	0	10,000	
	12.3 Legal Expert	20,000	11,250	8,750	
	12.4 Business Plan Expert	12,500	12,500	0	
	12.5 Traceability Expert	12,500	10,000	2,500	
	12.6 Production Chains Expert	12,500	12,500	0	
	12.7 Facilitators for training courses/workshops	10,800	8,640	2,160	
	12.8 Specialised Technicians	39,000	19,500	19,500	
	12.9 Project Evaluation Expert	6,000	2,400	2,400	1,200
13.	Other labour				
	13.1 Technical Assistant	24,000	9,600	9,600	4,800
	13.2 Committee Representatives	2,400	1,500	900	
	13.3 Concession holders, industrialists, exec. & others	40,800	18,720	13,840	8,240
	13.4 Technicians	18,500	6,600	8,100	3,800
	13.5 Event Participants	6,000	4,800	1,200	
19.	Component Total	433,300	206,730	166,270	60,300
20.	Sub-contracts				
21.	Sub-contract. - technical & legal situational analysis	6,000	6,000		
22.	Sub-contract. - demand diagnosis	6,000	6,000		
23.	Sub-contract. – prep. of banners, posters, etc.	5,000	2,000	2,000	1,000
24.	Sub-contract - editing and printing of leaflets	2,400	960	960	480
25.	Sub-contract - editing and printing of newsletters	6,000	2,400	2,400	1,200
26.	Sub-contract - editing and printing of brochures	2,400	960	960	480
27.	Sub-contract. - video recording, editing & reproduction	10,000	4,000	4,000	2,000
28.	Sub-contract - Preparation of miscellaneous brochures	1,000	400	400	200
29.	Component Total	38,800	22,720	10,720	5,360
30.	Duty Travel				
31.	DSA	55,840	28,840	19,640	7,360
33.	Transport costs	51,940	26,865	17,820	7,255
39.	Component Total	107,780	55,705	37,460	14,615
40.	Capital Items				
41.	Premises	60,000	24,000	24,000	12,000
44.	Capital equipment	19,350	19,350		
49.	Component Total	79,350	43,350	24,000	14,000
50.	Consumable Items				
52.	Spares	2,950	1,480	980	490
53.	Fuel and utilities	39,700	16,000	15,800	7,900
54.	Office supplies	17,770	8,470	6,823	2,477
59.	Component Total	60,420	25,950	23,603	10,867
60.	Miscellaneous				
61.	Sundry	65,970	33,486	25,809	6,675
62.	Auditing	2,400	960	960	480
69.	Component Total	68,370	34,446	26,769	7,155
70.	Executing Agency Management Cost				
79.	Component Total	118,203	58,335	43,323	16,544
	SUB-TOTAL	906,223	447,236	332,146	126,841
80.	ITTO administration, monitoring and evaluation				
81.	Monitoring and review costs	25,000			
82.	Evaluation costs	12,000			
83.	Programme support costs	29,564			
89.	Component Total	66,564			
100.	GRAND TOTAL	972,787			

OVERALL PROJECT BUDGET BY ACTIVITY

OUTPUT/ACTIVITIES + Non-activity based expenses	BUDGET COMPONENTS							GRAND TOTAL
	10. Project personnel	20. Sub-Contracts	30. Duty Travel	40. Capital Items	50. Consumable Items	60. Miscellaneous	Quarter /Year	
Output 1.1 Design of managed forest- industry –market articulation system								
Activity 1.1.1 Carry out technical-legal situational analysis of forest access...		6,000 (I)	1,080 (I)		100 (I)		Q1-Y1	7,180 (I)
Activity 1.1.2 Carry out diagnostic study on demand for timber products...		6,000 (I)	1,080 (I)		100 (I)		Q1-Y1	7,180 (I)
Activity 1.1.3 Develop directory and database with timber producers (concession holders...)	2,800 (I)			2,250 (I) 4,500 (E)	850 (I) 350 (E)	300 (I) 1,250 (E)	Q1+Q2-Y1	6,200 (I) 6,100 (E)
Activity 1.1.4 Promote and organise estab. of production chains..	12,500 (I)		4,200 (I)		50 (I)	100 (I)	Q1+Q2+Q3-Y1	16,850 (I)
Activity 1.1.5 Provide technical assistance to production chains	12,000 (I) 12,000 (E)		4,080 (I)		100 (I)	2,000 (I)	Q3+Q4-Y1, Q1+Q2-Y2	18,180 (I) 12,000 (E)
Activity 1.1.6 Organise training courses–workshops to promote...	5,400 (I) 11,400 (E)		3,000 (I)		500 (I)	6,700 (I) 1,700 (E)	Y1, Q1-Y2	15,600 (I) 13,100 (E)
Activity 1.1.7 Carry out field visits for exchange of experiences...	10,800 (E)		9,300 (I)			1,680 (I) 1,500 (E)	Q2+Q4-Y1, Q1+Q3-Y2, Y3	10,980 (I) 12,300 (E)
Activity 1.1.8 Develop and apply a traceability system for timber...	12,500 (I) 10,000 (E)		3,100 (I) 1,600 (E)		500 (I) 500 (E)	1,000 (I) 1,000 (E)	Q2+Q3+Q4-Y1, Y2, Y3	17,100 (I) 13,100 (E)
Sub-total 1.1	45,200 (I) 44,200 (E)	12,000 (I)	25,840 (I) 1,600 (E)	2,250 (I) 4,500 (E)	2,200 (I) 850 (E)	11,780 (I) 5,450 (E)		99,270 (I) 56,600 (E)
Output 1.2 National agreement for responsible timber product purchasing								
Activity 1.2.1 Organise awareness campaigns on sustainable forest management benefits...		26,800 (I)	3,100 (I)	1,300 (E)	500 (I) 500 (E)	1,000 (I)	Q1+Q3-Y1, Q1+Q3-Y2, Q1-Y3	31,400 (I) 1,800 (E)
Activity 1.2.2 Promote and organise meetings between authorities and timber industrialists...	7,200 (E)		10,800 (I) 1,600 (E)	2,850 (E)	1,000 (I) 1,000 (E)	900 (I) 100 (E)	Y1, Y2, Y3	12,700 (I) 12,750 (E)
Activity 1.2.3 Organise information events on forest activities...	16,900 (E)		8,100 (I) 1,200 (E)	2,700 (I)	1,500 (I) 1,500 (E)	1,950 (I) 150 (E)	Q2+Q3+Q4-Y1, Y2, Y3	14,250 (I) 19,750 (E)

OUTPUT/ACTIVITIES + Non-activity based expenses	BUDGET COMPONENTS							
	10. Project personnel	20. Sub-Contracts	30. Duty Travel	40. Capital Items	50. Consumable Items	60. Miscellaneous	Quarter /Year	GRAND TOTAL
Activity 1.2.4 Develop code of conduct for the private sector and CNF members	10,000 (I) 4,400 (E)		4,800 (I)		1,920 (I)	6000 (I) 6000 (E)	Q2+Q3+Q4-Y1, Q1+Q2-Y2	22,720 (I) 10,400 (E)
Sub-total 1.2	10,000 (I) 28,500 (E)	26,800 (I)	26,800 (I) 2,800 (E)	2,700 (I) 4,150 (E)	4,920 (I) 3,000 (E)	9,850 (I) 6,250		81,070 (I) 44,700 (E)
Output 1.3 Forest business plans for production watershed areas								
Activity 1.3.1 Develop business plans for forest companies in production chains (10)	12,500 (I) 3,600 (E)		3,720 (I)		500 (I)	200 (I) 200 (E)	Q2+Q3-Y1	16,920 (I) 3,800 (E)
Activity 1.3.2 Organise business rounds...	4,800 (E)		7,440 (I) 7,440 (E)		500 (I) 500 (E)	100 (I) 100 (E)	Q2+Q3+Q4-Y1, Q1-Y2	8,040 (I) 12,840 (E)
Activity 1.3.3 Provide technical assistance during business plan implementation	15,000 (I)		3,100 (I)		200 (I) 200 (E)	3,500 (I) 3,500 (E)	Q3+Q4-Y1, Q1+Q2-Y2	21,800 (I) 3,700 (E)
Sub-total 1.3	27,500 (I) 8,400 (E)		14,260 (I) 7,440 (E)		1,200 (I) 700 (E)	3,800 (I) 3,800 (E)		46,760 (I) 20,340 (E)
Output 2.1 Online information system on forest production from managed forests								
Activity 2.1.1 Design forest production database for managed forests...	5,600 (I) 2,000 (E)		2,700 (I)	1,000 (I) 4,750 (E)	2,700 (I) 1,600 (E)	8,500 (I)	Y1, Y2	20,500 (I) 8,350 (E)
Activity 2.1.2 Design and maintain website updated with national supply and consumption data...	5,600 (I) 2,000 (E)		1,620 (I)		2,950 (I) 1,600 (E)	5,740 (I)	Q2+Q3+Q4-Y1, Y2, Y3	15,910 (I) 3,600 (E)
Sub-total 2.1	11,200 (I) 4,000 (E)		4,320 (I)	1,000 (I) 4,750 (E)	5,650 (I) 3,200 (E)	14,240 (I)		36,410 (I) 11,950 (E)
Output 2.3 OSINFOR strengthened								
Activity 2.3.1 Provide institutional support to OSINFOR for the monitoring of forest concessions...			21,600 (I)		200 (I) 200 (E)	3,500 (I) 3,500 (E)	Y1, Y2, Y3	25,300 (I) 3,700 (E)
Activity 2.3.2 Jointly with OSINFOR develop a proposal for new rules of procedure	10,000 (I)		1,560 (I)		200 (I) 200 (E)	1,000 (I) 1,000 (E)	Q4-Y1, Q1-Y2	12,760 (I) 1,200 (E)
Activity 2.3.3 Develop a proposal for forest conflict resolution	10,000 (I)		1,560 (I)		200 (I) 200 (E)	900 (I) 900 (E)	Q1+Q2-Y2	12,660 (I) 1,100 (E)

OUTPUT/ACTIVITIES + Non-activity based expenses	BUDGET COMPONENTS							
	10. Project personnel	20. Sub-Contracts	30. Duty Travel	40. Capital Items	50. Consumable Items	60. Miscellaneous	Quarter /Year	GRAND TOTAL
Sub-total 2.3	20,000 (I)		24,720 (I)		600 (I) 600 (E)	5,400 (I) 5,400 (E)		50,720 (I) 6,000 (E)
<u>NON-ACTIVITY BASED EXPENSES</u>								
M/M - PROJECT DIRECTOR	82,500 (I)							82,500 (I)
M/M - Coordinator CNF	45,000 (E)							45,000 (E)
M/M - Technical Assistant	24,000 (E)							24,000 (E)
Months – office space				60,000 (E)				60,000 (E)
Overall - Fuel and lubricants					3,000 (I) 1,500 (E)			3,000 (I) 1,500 (E)
Months - utilities					18,000 (I) 15,000 (E)			18,000 (I) 15,000 (E)
Auditing						2,400 (E)		2,400 (E)
Consultant in project evaluation	6,000 (I)							6,000 (I)
M/M - Officer in Charge of Areas	76,800 (I)							76,800 (I)
Subtotal 3	165,300 (I) 69,000 (E)			60,000 (E)	21,000 (I) 16,500 (E)	2,400 (E)		186,300 (I) 147,900 (E)
Sub- Total (I)	279,200	38,800	95,940	5,950	35,570	45,070		500,530
Sub- Total (E)	154,100		11,840	73,400	24,850	23,300		287,490
TOTAL	433,300	38,800	107,780	79,350	60,420	68,370		788,020

(I) - ITTO Contribution

(E) – National counterpart contribution

7.2 Project budget by year and by source

ITTO

Annual disbursements	TOTAL US\$	YEAR 1	YEAR 2	YEAR 3
Budget Component				
10. Project personnel	279,200	137,190	107,550	34,460
20. Sub-contracts	38,800	22,720	10,720	5,360
30. Duty Travel	95,940	48,305	33,980	13,655
40. Capital Items	5,950	5,950	0	0
50. Consumable Items	35,570	15,815	13,627	6,128
60. Miscellaneous	45,070	22,356	17,543	5,171
Sub Total 1	500,530	252,336	183,419	64,775
80. ITTO administration, monitoring and evaluation				
81 Monitoring and review costs	25,000			
82 Evaluation costs	12,000			
Sub Total 2	537,530			
83 Programme support costs (5.5% of Subtotal 2)	29,564			
90. Refund of pre project costs				
ITTO TOTAL	567,094			

CNF

Annual disbursements	TOTAL US\$	YEAR 1	YEAR 2	YEAR 3
Budget Component				
10. Project personnel	154,100	69,540	58,720	25,840
20. Sub-contracts				
30. Duty Travel	11,840	7,400	3,480	960
40. Capital Items	73,400	37,400	24,000	12,000
50. Consumable Items	24,850	10,135	9,977	4,738
60. Miscellaneous	23,300	12,090	9,227	1,983
70. Executing Agency Management Cost (15% of total project budget by activity)	118,203	58,335	43,323	16,544
EXECUTING AGENCY CNF TOTAL	405,693	194,900	148,727	62,066

CONSOLIDATED YEARLY PROJECT BUDGET – ITTO

Budget components		TOTAL	YEAR 1	AÑO2	YEAR 3
10.	Project personnel				
11.	National Experts				
	11.1 Project Director	82,500	33,000	33,000	16,500
	11.2 Project Coordinator				
	11.3 Officer in charge of Area	76,800	30,720	30,720	15,360
	11.4 Information Technology (IT) Expert	14,000	7,000	5,600	1,400
12.	National consultants				
	12.1 Forest Engineer				
	12.2 Social Science Expert	10,000		10,000	
	12.3 Legal Expert	20,000	11,250	8,750	
	12.4 Business Plan Expert	12,500	12,500		
	12.5 Traceability Expert	12,500	10,000	2,500	
	12.6 Production Chains Expert	12,500	12,500		
	12.7 Facilitators for training courses/workshops	5,400	4,320	1,080	
	12.8 Specialised Technicians	27,000	13,500	13,500	
	12.9 Project Evaluation Expert	6,000	2,400	2,400	1,200
13.	Other labour				
	13.1 Technical Assistant				
	13.2 Committee Representatives				
	13.3 Concession holders, industrialists, exec. & others				
	13.4 Technicians				
	13.5 Event Participants				
19.	Component Total	279,200	137,190	107,550	34,460
20.	Sub-contracts				
21.	Sub-contract. - technical & legal situational analysis	6,000	6,000		
22.	Sub-contract. - demand diagnosis	6,000	6,000		
23.	Sub-contract. – prep. of banners, posters, etc.	5,000	2,000	2,000	1,000
24.	Sub-contract - editing and printing of leaflets	2,400	960	960	480
25.	Sub-contract - editing and printing of newsletters	6,000	2,400	2,400	1,200
26.	Sub-contract - editing and printing of brochures	2,400	960	960	480
27.	Sub-contract. - video recording, editing & reproduction	10,000	4,000	4,000	2,000
28.	Sub-contract - Preparation of miscellaneous brochures	1,000	400	400	200
29.	Component Total	38,800	22,720	10,720	5,360
30.	Duty Travel				
31.	DSA	47,600	24,320	16,880	6,400
33.	Transport	48,340	23,985	17,100	7,255
39.	Component Total	95,940	48,305	33,980	13,655
40.	Capital Items				
41.	Premises				
44.	Capital equipment	5,950	5,950		
49.	Component Total	5,950	3,550	1,600	800
50.	Consumable Items				
52.	Spares	2,950	1,480	980	490
53.	Fuel and utilities	22,100	8,900	8,800	4,400
54.	Office supplies	10,520	5,435	3,847	1,238
59.	Component Total	35,570	15,815	13,627	6,128
60.	Miscellaneous				
61.	Sundry	45,070	22,356	17,543	5,171
62.	Auditing				
69.	Component Total	45,070	22,356	17,543	5,171
70.	Executing Agency Management Cost				
79.	Component Total				
	SUB-TOTAL	500,530	252,336	183,419	64,775
80.	ITTO Admin., monitoring and evaluation				
81.	Monitoring and review costs	25,000			
82.	Evaluation costs (ex-post)	12,000			
83.	Programme support costs	29,564			
89.	Component Total	66,564			
100.	GRAND TOTAL	567,094			

CONSOLIDATED YEARLY PROJECT BUDGET – CNF

Budget components		TOTAL	YEAR 1	YEAR 2	YEAR 3
10.	Project personnel				
	11. National Experts				
	11.1 Project Director				
	11.2 Project Coordinator	45,000	18,000	18,000	9,000
	11.3 Officer in charge of Area				
	11.4 Information Technology (IT) Expert				
	12. National consultants				
	12.1 Forest Engineer				
	12.2 Social Science Expert				
	12.3 Legal Expert				
	12.4 Business Plan Expert				
	12.5 Traceability Expert				
	12.6 Production Chains Expert				
	12.7 Facilitators for training courses/workshops	5,400	4,320	1,080	
	12.8 Specialised Technicians	12,000	6,000	6,000	
	12.9 Project Evaluation Expert				
	13. Other labour				
	13.1 Technical Assistant	24,000	9,600	9,600	4,800
	13.2 Committee Representatives	2,400	1,500	900	
	13.3 Concession holders, industrialists, exec. & others	40,800	18,720	13,840	8,240
	13.4 Technicians	18,500	6,600	8,100	3,800
	13.5 Event Participants	6,000	4,800	1,200	
	19. Component Total	154,100	69,540	58,720	25,840
20.	Sub-contracts				
	21. Sub-contract. - technical & legal situational analysis				
	22. Sub-contract. - demand diagnosis				
	23. Sub-contract. – prep. of banners, posters, etc.				
	24. Sub-contract - editing and printing of leaflets				
	25. Sub-contract - editing and printing of newsletters				
	26. Sub-contract - editing and printing of brochures				
	27. Sub-contract. - video recording, editing & reproduction				
	28. Sub-contract - Preparation of miscellaneous brochures				
	29. Component Total	0	0	0	0
30.	Duty Travel				
	31. DSA	8,240	4,520	2,760	960
	33. Transport	3,600	2,880	720	
	39. Component Total	11,840	7,400	3,480	960
40.	Capital Items				
	41. Premises	60,000	24,000	24,000	12,000
	44. Capital equipment	13,400	13,400		
	49. Component Total	73,400	37,400	24,000	12,000
50.	Consumable Items				
	52. Spares				
	53. Fuel and utilities	17,600	7,100	7,000	3,500
	54. Office supplies	7,450	3,035	2,977	1,238
	59. Component Total	24,850	10,135	9,977	4,738
60.	Miscellaneous				
	61. Sundry	20,900	11,130	8,267	1,503
	62. Auditing	2,400	960	960	480
	69. Component Total	23,300	12,090	9,227	1,983
70.	Executing Agency Management Cost				
	79. Component Total	118,203	58,335	43,323	16,544
	SUB-TOTAL	118,203	58,335	43,323	16,544
80.	ITTO Admin., monitoring and evaluation				
	81. Monitoring and review costs				
	82. Evaluation costs (ex-post)				
	83. Programme support costs				
	89. Component Total	0	0	0	0
100.	GRAND TOTAL	405,693	194,900	148,727	62,066

PART III: OPERATIONAL ARRANGEMENTS

1. Management structure

A Steering Committee will be established at the highest level of the project organisational structure. This Committee will be made up of a representative of each of the following institutions: National Forestry Chamber (CNF) as chairperson, International Tropical Timber Organization (ITTO), National Institute for Natural Resources (INRENA) and the Ministry of Production (PRODUCE). The Project Director will act only as the Secretary of this Committee.

The project will be implemented in two geographic areas – the Central and Southern economic-road corridors. The former covers the regions of Ucayali, Huánuco, Pasco, Junín and Lima, while the latter comprises Madre de Dios, Cuzco, Puno, Arequipa, Moquegua and Tacna. Thus, administrative offices will be established in the cities of Pucallpa (Ucayali), Tingo María (Huánuco), Puerto Maldonado (Madre de Dios), Arequipa and Lima, where the project's head office will be located in the headquarters of the CNF. The Project Director will make regular visits to the regional offices and the CNF Coordinator, based in Lima, will provide administrative, accounting and technical support to the regional offices.

Each regional office will be under the responsibility of the Officer-in-Charge of the respective area. The officer in charge of the Lima office will be the Project Director, who will be supported by the CNF Coordinator.

The Project will also be supported by consultative committees, which will include a national committee located in Lima and four local committees in each of the regional areas.

The National Consultative Council will be made up of the following institutions: CNF, INRENA, PRODUCE, National Tax Administration Department (SUNAT), OSINFOR, Exporters' Association (ADEX), Peruvian Construction Chamber (CAPECO), Timber Companies Association of Villa El Salvador, PRONATURALEZA, FONDEBOSQUE, CONVEAGRO, National Agrarian University of La Molina (UNALM), Society of Engineers of Peru (Colegio de Ingenieros del Perú – CIP), PROTERRA, Conservation International, University of the Pacific, Commission Against Illegal Timber Logging and Trade, **Bosques, Sociedad y Desarrollo – BSD**, and other representative associations.

The local consultative councils will be made up of representatives from timber producers associations, native communities, the public sector, the media, the Departmental Council of the Society of Engineers of Peru, local universities and other public and private organisations interested in participating. The officer in charge of the respective region will be the secretary of the local council.

The project executing agency will be the National Forestry Chamber – CNF, which in its Board of Directors has representatives of the following organisations:

- Peruvian Association of Forest Engineers (Asociación Peruana de Ingenieros Forestales – APIF)
- Civil Association for Forest Development (Asociación Civil para el Desarrollo Forestal – FORESTAS)
- Peruvian Society of Engineers, Forest Engineering Chapter (Colegio de Ingenieros del Perú – CIP, Capítulo de Ingeniería Forestal)
- Peruvian Environmental Network (Red Ambiental Peruana – RAP)
- Peruvian Construction Chamber (Cámara Peruana de la Construcción – CAPECO)
- Foreign Trade Society of Peru (Sociedad de Comercio Exterior del Perú – COMEX PERU)
- Peruvian Foundation for the Conservation of Nature (Fundación Peruana para la Conservación de la Naturaleza – PRO NATURALEZA)
- National Agrarian University of La Molina (Universidad Nacional Agraria La Molina – UNALM)
- Small and Medium Forest Producers and Industrialists Association of Peru (Asociación Forestal de Pequeños y Medianos Productores y Empresarios del Perú – AFORPYME)
- National Confederation of Micro and Small Industry Associations (Confederación Nacional de Gremios de la Micro y Pequeña Empresa – CONAMYPE)
- Timber Producers Association of the Department of Ucayali (Asociación de Madereros del Departamento de Ucayali – AMDU)
- Timber Logging and Reforestation Association of the Ucayali Region (Asociación de Extractores Madereros y Reforestadores de la Región de Ucayali – AEMRU)
- AIDSEP Regional Organization, Ucayali – ORAU
- Association for Integrated Research and Development (Asociación para la Investigación y el Desarrollo Integral – AIDER)

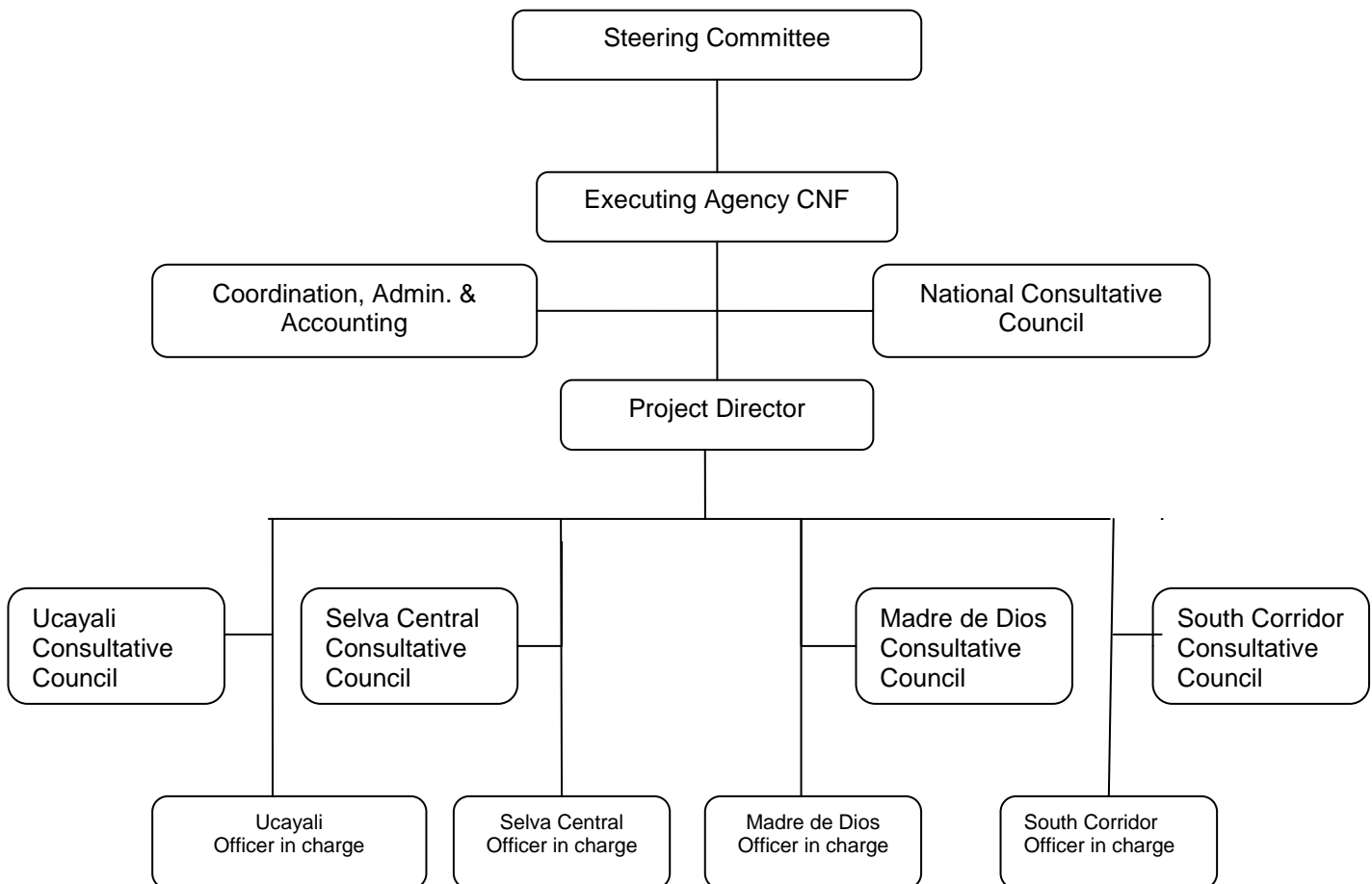
Project administration

The administrative aspects of project implementation will be organised as follows:

- A central office in Lima, at CNF Headquarters, adequately equipped for ongoing communications via Internet, and administrative offices in Pucallpa, Tingo María, Puerto Maldonado and Arequipa.
- The CNF Coordinator will assess the accounting and administrative needs of each of these offices and will ensure the necessary support from professionals in the areas of accounting and administration.

The project organisational chart is given below.

ORGANISATIONAL CHART



2. MONITORING, REPORTING AND EVALUATION

This project proposal covers all monitoring, reporting and evaluation aspects as well as commitments with the financing institution – the International Tropical Timber Organization (ITTO) – and the executing agency – the National Forestry Chamber (CNF).

a) Steering Committee's visits for monitoring and review

The project will be subject to monitoring and review visits by ITTO representatives at the end of the first half of the project implementation period and upon project completion. The dates of these visits will be jointly agreed on.

b) Reports

Six-monthly progress reports, two technical reports – by the end of the first year and upon project completion – will be submitted to ITTO. Each of these documents will include indicators monitoring reports.

The six-monthly reports will be submitted within a month of completion of the relevant project period. These reports will include information on the work plan, specific objective indicators and outputs obtained. The first six-monthly report will include baseline information derived from the said indicators. The reports will follow the format suggested by ITTO in the ITTO Manual for Project Formulation.

Most of the information required to verify indicators compliance will be collected by the Project team.

Quarterly technical meetings will be held by the Project technical team to collect the information required for the preparation of reports and the systematisation of experiences and lessons learned.

c) Evaluation

The project will be subject to any evaluations required by ITTO. The date of the project evaluation will be agreed between ITTO and the project management, and its terms of reference will be jointly formulated by the monitoring mission and the project staff.

Given the nature of this project, aimed at strengthening the forest-industry-consumer production chain to consolidate a formal and transparent production system, the services of specialised consultants will be hired for the mid-term and final project evaluations based on a participatory approach.

3. FUTURE OPERATION AND MAINTENANCE

Upon project completion, the National Forestry Chamber and its partner organisations will continue following up the agreements established for legal timber trade.

The agreements signed with participating institutions will be fully in force. Thus, the implementation of activities will continue with interested institutions to provide support for the formalisation of companies within the sector, strengthening of the timber production chain starting with forest concessions, and the flow of information on forest production and timber transport as well as other actions such as illegal timber logging and trade.

The CNF will continue coordinating with INRENA and OSINFOR and, in general, with the Forest Dialogue and Consensus Roundtable, to assess the status of forest concessions and other areas under forest management.

A national private institution, either the CNF or another recognised or accredited institution, will continue supporting the production chain and providing information on products marketed under the responsible purchasing scheme from legal sources (forests under sustainable management).

After project completion, the CNF will continue providing training services to forest concessionaires, industrialists, professionals, technicians and any other individuals or institutions that may require training. Furthermore, partnerships or agreements will be established with the private and public sectors for the provision of training services, which will generate income after the completion of the project.

The timber production chain based on sustainability principles will be an industrial mechanism for the promotion of timber exports supporting small and medium producers' efforts to increase the export supply of Peruvian timber to international markets.

PART IV: THE TROPICAL TIMBER FRAMEWORK

1. Compliance with ITTO objectives

This project is fully consistent with the objectives of the International Tropical Timber Agreement (ITTA), 1994, in particular the following:

- Objectives "c" and "d": The project will contribute to the sustainable development process and will increase the capacity of production forest managers to produce timber from managed forests in compliance with the current legislation and through the implementation of forest management plans.
- Objective "g": This project will contribute to the dissemination of knowledge on sustainable forest management generated in the country and overseas and will encourage forest concession holders to apply forest management practices.
- Objectives "i" and "k": The project will contribute to promote increased value added for forest products through the articulation of the forest-industry-consumer production chain, increased employment opportunities, improved efficiency in forest operations, promotion of legal activities throughout the production chain, and improved income levels through better marketing opportunities including exports.
- Objective "l": This project will contribute to the implementation of national policies aimed at the sustainable use of forests, maintaining the ecological balance and the conservation of genetic resources in target areas.

This project proposal is also consistent with the ITTO Yokohama Action Plan 2002-2006 as it will identify and address existing limitations for the implementation of sustainable forest management as well as the sustainable development of the forest industry, which requires a continuous supply from safe sources. Furthermore, public relations, education and dissemination activities will be enhanced thus raising awareness, particularly on the negative aspects of illegal timber logging and trade, the activities of the Organization and the benefits of sustainable forest management (d). In addition, the project will contribute to the development of human resources and the strengthening of national institutions (e).

2. Compliance with ITTO Action Plan

This project is related to the area of work of the Reforestation and Forest Management Committee.

According to the ITTO Yokohama Action Plan 2002-2006, this proposal is framed within the area of reforestation and forest management. It will support activities to secure the tropical timber resource base, which is directly related to Goal 1, by promoting the enforcement of forest laws and regulations that secure the forest resource base and by identifying and preventing irregular forest activities such as illegal logging and trade (action 7), and promoting the harvesting, processing and marketing of timber of known origin in compliance with forest regulations. Furthermore, the project is consistent with action 4 related to the promotion of the conservation and sustainable management of forests.

The project will also include activities aimed at contributing to the development of technical, financial and human capabilities to improve the use of managed forests, which is related to Goal 3, by promoting the transfer of technology, improving forest harvesting, and supporting industries for the training of their personnel, particularly at the executive level, thus facilitating their incorporation into production chains.

Finally, in accordance with the primary ITTO objective of bringing all production forest areas under sustainable management systems, the project will establish the basis to enable forest concessionaires and other forest producers to market their sustainably produced products in domestic and foreign markets.

Furthermore, project objectives and outputs are consistent with the main recommendations made by ITTO's Technical Mission to Peru as follows:

- Efforts to improve the capacity and performance of concession holders will be intensified in order to ensure that the concession system will operate in a socially responsible, ecologically sustainable and economically viable manner.
- The active participation of local forest management committees is envisaged.
- OSINFOR will be strengthened.
- The registration of forest concession contracts in the National Public Registry System will be promoted.

ANNEX A

PROFILE OF THE EXECUTING AGENCY

Name: NATIONAL FORESTRY CHAMBER

Address: Ramón Dagnino No. 369
Jesús María - Lima 11
PERU

Telephone: (511) 423-6726

Fax: (511) 330-4872

E-mail: cnf@cnf.org.pe

Website: cnf.org.pe

The National Forestry Chamber (Cámara Nacional Forestal – CNF) is a non-profit civil association established on 16 August 1989 after a coordination process between the most representative institutions at the national level in the fields of forest production and conservation as well as forest and conservation professionals.

The objectives of the CNF are as follows:

- Promoting the sustainable use of forest resources, harmonising the principles of conservation with technology and economic and social development;
- Coordinating national forest activities, and acting as the main interlocutor of the private forest sector before public and private institutions and agencies;
- Proposing and achieving efficient and sound forest policies to encourage forest management, industry, trade and the promotion of exports;
- Protecting the national forest production;
- Building up and disseminating an adequate image of the forest activity at the national level consistent with the magnitude of the resource and its territorial significance;
- Making statements on issues of national interest;
- Designing and implementing research, training and development projects related to forestry.

Active members of the Chamber include:

- Peruvian Association of Forest Engineers (Asociación Peruana de Ingenieros Forestales – APIF)
- Civil Association for Forest Development (Asociación Civil para el Desarrollo Forestal – FORESTAS)
- Peruvian Society of Engineers, Forest Engineering Chapter (Colegio de Ingenieros del Perú – CIP, Capítulo de Ingeniería Forestal)
- Peruvian Environmental Network (Red Ambiental Peruana – RAP)
- Peruvian Construction Chamber (Cámara Peruana de la Construcción – CAPECO)
- Foreign Trade Society of Peru (Sociedad de Comercio Exterior del Perú – COMEX PERU)
- Peruvian Foundation for the Conservation of Nature (Fundación Peruana para la Conservación de la Naturaleza – PRO NATURALEZA)
- National Agrarian University of La Molina (Universidad Nacional Agraria La Molina – UNALM)
- Small and Medium Forest Producers and Industrialists Association of Peru (Asociación Forestal de Pequeños y Medianos Productores y Empresarios del Perú – AFORPYME)
- National Confederation of Micro and Small Industry Associations (Confederación Nacional de Gremios de la Micro y Pequeña Empresa – CONAMYPE)
- Timber Producers Association of the Department of Ucayali (Asociación de Madereros del Departamento de Ucayali – AMDU)
- Timber Logging and Reforestation Association of the Ucayali Region (Asociación de Extractores Madereros y Reforestadores de la Región de Ucayali – AEMRU)
- AIDSEP Regional Organization, Ucayali – ORAU
- Association for Integrated Research and Development (Asociación para la Investigación y el Desarrollo Integral – AIDER)

The CNF has been officially recognised by virtue of Ministerial Resolution No. 00321-89-AG as a private organisation representing the private sector before public institutions and agencies of the agricultural sector.

The management of the CNF is under the responsibility of a Board of Directors, which from 2005 to 2007 will be comprised as follows:

- Chairman : Wilfredo Ojeda O.
- Vice-Chairman : Mario Suito S.
- Officers : Juan Sarmiento Soto
José Reyes Salinas
Jaime Nalvarte Armas
- Members : Gilberto Domínguez Torrejón
Jorge Ugaz Gómez
Luis Miguel Aparicio Alcázar
José Leiton Ramón
Eustaquio Cacyalla Cahuana
Moisés Cupe Flores
Enrique Gonzáles Mora
Cesar Barriga Ruiz
Víctor Barrena Arroyo
Leonidas Miguel Castro
Juan Amprimo Laing
Enrique Elías Obando
Carlos Rincón La Torre
Segundo Valencia Jave
Robert Guimaraes Vásquez
Juan Chávez Muñoz
Sofía Piqué Cebrecos
Rómulo Coronado Calderón
César Guerrero Saavedra
Juan Urcia Olavaria
Mario Palomares De Los Santos

ACTIVITIES OF THE NATIONAL FORESTRY CHAMBER

- Coordinate with institutions representing producers, forest professionals, science, technology and other organisations involved in environmental conservation and policy and legislation development for sustainable forest management.
- Act as the top level representative of the private sector before the public forest sector.
- Develop and implement demonstration projects for sustainable forest development with the support of international cooperation.
- Carry out social, economic and environmental impact assessments and analyses for development proposals and activities.
- Promote local trade and timber exports through training and quality control programmes, strategic partnerships and shared-risk investments.

LIST OF PROJECTS

a. Projects under implementation

Date	Project Title	Financing Source	Contribution	
			National	International
			US\$	US\$
PROJECTS UNDER IMPLEMENTATION				
Oct. 2004 – Dec. 2006	PD 23/00 Rev.4 (F): “Promotion and Transfer of Knowledge on Sustainable Forest Management Models to Timber Producers”	International Tropical Timber Organization – ITTO	392,565	420,212
COMPLETED PROJECTS				
Jul. 1997 – Jun. 2002	CNF-HOLANDA PE-011902 “Demonstration Management of Secondary Forests in the Peruvian Amazon for Commercial Purposes”	Embassy of the Netherlands	1,055,000.00	3,576,300.00
Apr. 2000 – Mar. 2002	Project on “Improvement of SMEs Competitiveness in the Timber Industry”	Inter-American Development Bank - IDB	135,000.00	250,000.00
Aug. 1989 – Dec. 1990	“Forest Management Strategies for Integrated Development in the Rainforest Region”	CIDA Canada		32,000.00
Apr. 1990 – Mar. 1992	ITTO Project PD 37/88 “Industrial Utilisation of New Forest Species in Peru”	International Tropical Timber Organization - ITTO	380,500.00	448,750.00
Mar. 1992 – Nov. 1993	ITTO Project PD 37/88 “Industrial Utilisation of New Forest Species in Peru”	International Tropical Timber Organization - ITTO	380,500.00	461,250.00
Feb. 1993 – Abr. 1995	ITTO Project PD 150/91 “Identification and Nomenclature of Tropical Timber Species from the Andean Sub-Region”	International Tropical Timber Organization - ITTO	507,000.00	550,000.00
Feb. 1993 – Apr. 1995	ITTO Project PD 152/91 “Harmonisation and Promotion of Technical Standards for Tropical Timber Species in the Andean Sub-Region”	International Tropical Timber Organization - ITTO	162,000.00	316,000.00
May. 1993 – Apr. 1996	ITTO Project PD 95/90 “Demonstration Forest Management in the Alexander von Humboldt National Forest”	International Tropical Timber Organization - ITTO	400,400.00	496,000.00
Mar. 1994 – Feb. 1996	“Timber Product Exports Promotion Programme in Peru”	Andean Development Corporation - CAF	25,000.00	20,000.00
Oct. 1995 – Sept. 1996	CNF - HOLANDA Project PE011901 “Pre-Operational Stage of the Secondary Forest Management Demonstration Project in the Peruvian Amazon”	Embassy of the Netherlands	15,952.10	72,027.90
Apr. 1996 – Dec. 1997	“Pre-Operational Stage of the Technological Restructuring and Upgrading Programme for the Timber Industry”	Andean Development Corporation - CAF	41,400.00	39,000.00
Feb. 1999 – Jul. 1999	ITTO Pre-Project PPD 2/98 (F) Rev. 1 “Promotion and Transfer of Knowledge on Sustainable Forest Management Models to Timber Producers”	International Tropical Timber Organization - ITTO	21,600.00	46,971.00
May. 1999 – Oct. 1999	ITTO Pre-Project PPD 5/98 (F) Rev. 1 “Technical and industrial assistance and development of international markets for manufactured timber products in Peru”	International Tropical Timber Organization - ITTO	18,000.00	49,725.00
			ECUs	ECUs
Apr. 1996 – Dec. 1997	Project on “Identification of Projects and Partners in the Timber Industry in Peru and Italy”	European Commission – ECIP	104,900.00	96,300.00

ANNEX B

CURRICULA VITAE OF KEY STAFF

The terms of reference for project key staff are given below:

TERMS OF REFERENCE FOR THE PROJECT DIRECTOR

A. Qualifications

- Registered Forest Engineer
- Preferably with an advanced academic degree
- A minimum of 15 years experience in the formulation and implementation of sustainable forest management, research and development, and/or participatory planning projects, preferably with the participation of timber producers in tropical forests
- Leadership skills and experience in the coordination of international cooperation projects

B. Duties

- Coordinating the technical aspects of the project and the implementation of activities
- Coordinating the technical team of consultants for project implementation
- Preparing project reports and proposing plans of operation for the project in accordance with the provisions of the ITTO Project Manual.
- Promoting and organising meetings between authorities and timber industrialists at the national and regional levels for the signing of agreements.
- Coordinating the technical assistance required for the development of business plans.
- Providing support to OSINFOR for the monitoring of forest concessions.

TERMS OF REFERENCE FOR OFFICERS IN CHARGE OF AREAS

Four forest professionals will be recruited as officers in charge of each of the work areas as follows: Ucayali, Selva Central (Huánuco, Pasco and Junín), Madre de Dios and Southern Corridor (Cusco, Puno, Arequipa, Moquegua and Tacna).

The officers in charge should have the following qualifications and should perform the following duties.

A. Qualifications

- Registered Forest Engineer
- A minimum of 5 years experience in rural development, sustainable forest resource management, and/or active participation of timber producers and local communities

B. Duties

- Coordinating, in conjunction with the Project Director, the work methodology for the implementation of project activities in their respective areas
- Managing project activities in their respective areas
- Proposing and applying participatory mechanisms for the involvement of timber producers in their respective areas
- Designing participatory mechanisms for local communities
- Participating in the design of the training and technology transfer programme for timber industrialists
- Coordinating the provision of technical assistance to production chain stakeholders in their respective areas
- Organising training courses/workshops to promote the demand for legal timber
- Organising field visits for the exchange of knowledge and experiences between timber producers and consumers
- Organising awareness campaigns on the benefits of sustainable forest management, use of legal timber, and negative effects of illegal timber logging and trade in their respective areas
- Organising information events on forest activities in their respective areas
- Supporting the organisation and operation of forest management committees in their respective areas

ANNEX C

INPUT REQUIREMENTS, COSTS AND IMPLEMENTATION TIME BY ACTIVITY (US\$)

Outputs/ Activities	Inputs		Unit Cost	Quarter /Year	Budget Comp.	Total quantity
	Description & Unit	No.				
Activity 1.1.1 Carry out a technical-legal situational analysis of the forest access process in accordance with the current forest legislation.	(1) Sub-contract. - technical & legal situational analysis	1	6,000	Q1-Y1	21	6,000
	(2) tickets – Air travel	2	250	Q1-Y1	33	500
	(3) tickets - land travel	2	50	Q1-Y1	33	100
	(4) Days – DSA	12	40	Q1-Y1	31	480
	(5) Overall - Office supplies	1	100	Q1-Y1	54	100
Activity 1.1.2 Carry out a diagnostic study on the demand for timber products in the Central and South Corridor areas	(1) Sub-contract. - demand diagnosis study	1	6,000	Q1-Y1	22	6,000
	(2) tickets – air travel	2	250	Q1-Y1	33	500
	(3) tickets - land travel	2	50	Q1-Y1	33	100
	(4) Days – DSA	12	40	Q1-Y1	31	480
	(5) Overall - Office supplies	1	100	Q1-Y1	54	100
Activity 1.1.3 Develop a directory and database of timber producers (concession holders, native communities, etc.), transport companies, traders, industrialists, financial institutions and other components of timber production chains	(1) M/M - IT expert	4	700	Q1+Q2-Y1	11.4	2,800
	(2) Computer hardware	2	1,000	Q1+Q2-Y1	44	2,000
	(3) Overall - Office supplies (ink, etc.)	1	500	Q1+Q2-Y1	54	500
	(4) Overall - furniture	1	2,000	Q1+Q2-Y1	44	2,000
	(5) Overall - Technical services	1	200	Q1+Q2-Y1	53	200
	(6) laser printer	1	250	Q1+Q2-Y1	44	250
	(7) Overall - software	1	2,500	Q1+Q2-Y1	44	2,500
	(8) Overall - Spares and accessories	1	500	Q1+Q2-Y1	52	500
	(9) Services - information collection	5	250	Q1+Q2-Y1	61	1,250
	(10) Services – data input	5	60	Q1+Q2-Y1	61	300
Activity 1.1.4 Promote and organise the establishment of production chains	(1) M/M - Consultant specialising in Production chains	5	2,500	Q1+Q2+Q3-Y1	12.6	12,500
	(2) tickets – Air travel	6	250	Q1+Q2+Q3-Y1	33	1,500
	(3) tickets - land travel	6	50	Q1+Q2+Q3-Y1	33	300
	(4) Days – DSA	60	40	Q1+Q2+Q3-Y1	31	2,400
	(5) Overall - Office supplies	1	50	Q1+Q2+Q3-Y1	54	50
	(6) Overall - Local transport	1	100	Q1+Q2+Q3-Y1	61	100
Activity 1.1.5 Provide technical assistance to production chains	(1) M/M – specialised technicians	16	1,500	Q3+Q4-Y1, Q1+Q2-Y2	12.8	24,000
	(2) tickets - land travel	24	50	Q3+Q4-Y1, Q1+Q2-Y2	33	1,200
	(3) Days – DSA	72	40	Q3+Q4-Y1, Q1+Q2-Y2	31	2,880
	(4) Overall - Office supplies	1	100	Q3+Q4-Y1, Q1+Q2-Y2	54	100
	(5) Overall - Local transport	1	2,000	Q3+Q4-Y1, Q1+Q2-Y2	61	2,000
Activity 1.1.6 Implement training courses/workshops to promote legal timber demand	(1) tickets – Air travel	5	250	Y1, Q1-Y2	33	1,250
	(2) tickets - land travel	5	30	Y1, Q1-Y2	33	150
	(3) Days – DSA	40	40	Y1, Q1-Y2	31	1,600
	(4) Servings – Snacks /light refreshments	1200	2	Y1, Q1-Y2	61	2,400
	(5) Overall - Office supplies	1	500	Y1, Q1-Y2	54	500
	(6) Services - logistics	15	100	Y1, Q1-Y2	61	1,500
	(7) Services - social communications	15	100	Y1, Q1-Y2	61	1,500
	(8) Folders (folders, paper, pens)	300	1.0	Y1, Q1-Y2	61	300
	(9) Overall - Local transport	1	1,500	Y1, Q1-Y2	61	1,500
	(10) Overall - miscellaneous (posters, etc.)	12	100	Y1, Q1-Y2	61	1,200
	(11) M/M - participants in events	20	300	Y1, Q1-Y2	13.5	6,000
(12) M/M – Facilitators for training courses-wkshps	4	2,700	Y1, Q1-Y2	12.7	10,800	

Outputs/ Activities	Inputs		Unit Cost	Quarter /Year	Budget Comp.	Total quantity
	Description & Unit	No.				
Activity 1.1.7 Carry out field visits for the exchange of knowledge and experiences between producers and consumers	(1) tickets – Air travel	15	250	Q4-Y1, Q1+Q3-Y2, Q1+Q2-Y3	33	3,750
	(2) tickets - land travel	15	50	Q4-Y1, Q1+Q3-Y2, Q1+Q2-Y3	33	750
	(3) Days – DSA	120	40	Q4-Y1, Q1+Q3-Y2, Q1+Q2-Y3	31	4,800
	(4) Services - logistics	10	100	Q4-Y1, Q1+Q3-Y2, Q1+Q2-Y3	61	1,000
	(5) Folders (folders, paper, pens)	60	3	Q4-Y1, Q1+Q3-Y2, Q1+Q2-Y3	61	180
	(6) Overall - Local transport	1	2,000	Q4-Y1, Q1+Q3-Y2, Q1+Q2-Y3	61	2,000
	(7) M/M – Concession holders, industrialists, executives	6	1,800	Q4-Y1, Q1+Q3-Y2, Q1+Q2-Y3	13.3	10,800
Activity 1.1.8 Develop and apply a traceability system for timber from managed forests	(1) tickets – Air travel	5	250	Q3+Q4-Y1,Y2, Y3	33	1,250
	(2) tickets - land travel	5	50	Q3+Q4-Y1,Y2, Y3	33	250
	(3) Days – DSA	80	40	Q3+Q4-Y1,Y2, Y3	31	3,200
	(4) Overall - Local transport	1	2,000	Q3+Q4-Y1,Y2, Y3	61	2,000
	(5) Overall – office supplies (paper, etc.)	1	1,000	Q3+Q4-Y1,Y2, Y3	54	1,000
	(6) M/M - Consultant in traceability	5	2,500	Q3+Q4-Y1,Y2, Y3	12.5	12,500
	(7) M/M - Technicians	20	500	Q3+Q4-Y1,Y2, Y3	13.4	10,000
Activity 1.2.1 Carry out awareness campaigns on the benefits of sustainable forest management, consumption of legal timber, and negative effects of illegal timber logging and trade.	(1) tickets – Air travel	5	250	Q1+Q3-Y1, Q1+Q3-Y2, Q1-Y3	33	1,250
	(2) tickets - land travel	5	50	Q1+Q3-Y1, Q1+Q3-Y2, Q1-Y3	33	250
	(3) Days – DSA	40	40	Q1+Q3-Y1, Q1+Q3-Y2, Q1-Y3	31	1,600
	(4) Sub-contract. – Video recording, editing and reproduction	5	2,000	Q1+Q3-Y1, Q1+Q3-Y2, Q1-Y3	27	10,000
	(5) Overall - film and reproduction material	5	200	Q1+Q3-Y1, Q1+Q3-Y2, Q1-Y3	61	1,000
	(6) Sub-contract - editing and printing newsletters	5	1,200	Q1+Q3-Y1, Q1+Q3-Y2, Q1-Y3	25	6,000
	(6) Overall - materials (paper, ink, batteries, CDs)	1	1,000	Q1+Q3-Y1, Q1+Q3-Y2, Q1-Y3	54	1,000
	(7) Sub-contract - editing and printing brochures	3	800	Q1+Q3-Y1, Q1+Q3-Y2, Q1-Y3	26	2,400
	(8) Sub-contract. - editing and printing leaflets	3	800	Q1+Q3-Y1, Q1+Q3-Y2, Q1-Y3	24	2,400
	(9) Sub-contract - Preparation of miscell. brochures	1	1,000	Q1+Q3-Y1, Q1+Q3-Y2, Q1-Y3	28	1,000
	(10) Sub-contract. – preparation of banners, etc.	5	1,000	Q1+Q3-Y1, Q1+Q3-Y2, Q1-Y3	23	5,000
	(11) Digital camera	1	500	Q1+Q3-Y1	44	500
(12) Film camera	1	800	Q1+Q3-Y1	44	800	
Activity 1.2.2 Promote and organise meetings between authorities and timber industrialists at the national and regional levels for the signing of agreements for the purchasing of timber of known origin.	(1) tickets – Air travel	20	250	Y1, Y2, Y3	33	5,000
	(2) tickets - land travel	20	50	Y1, Y2, Y3	33	1,000
	(3) Days – DSA	160	40	Y1, Y2, Y3	31	6,400
	(4) Overall - Local transport	1	200	Y1, Y2, Y3	61	200
	(5) Overall – office supplies (paper, etc.)	1	2,000	Y1, Y2, Y3	54	2,000
	(6) M/M – Concession holders, industrialists, executives and others	4	1,800	Y1, Y2, Y3	13.3	7,200
	(7) servings – Snacks /light refreshments	400	2	Y1, Y2, Y3	61	800
	(8) Data Show	1	1,200	Y1	44	1,200
	(9) Screen	1	150	Y1	44	150
	(10) Laptop	1	1,500	Y1	44	1,500

Outputs/ Activities	Inputs		Unit Cost	Quarter /Year	Budget Comp.	Total quantity
	Description & Unit	No.				
Activity 1.2.3 Organize information events on forest activities.	(1) tickets – Air travel	15	250	Q3+Q4-Y1,Y2,Y3	33	3,750
	(2) tickets - land travel	15	50	Q3+Q4-Y1,Y2,Y3	33	750
	(3) Days – DSA	120	40	Q3+Q4-Y1,Y2,Y3	31	4,800
	(4) Overall - Local transport	1	300	Q3+Q4-Y1,Y2,Y3	61	300
	(5) Overall – office supplies (paper, etc.)	1	3,000	Q3+Q4-Y1,Y2,Y3	54	3,000
	(7) Laptop	1	1,500	Y1	44	1,500
	(8) Data Show	1	1,200	Y1	44	1,200
	(9) M/M – Concession holders, industrialists, executives, others	8	1,800	Q3+Q4-Y1,Y2,Y3	13.3	14,400
	(10) M/M – Technical experts	5	500	Q3+Q4-Y1,Y2,Y3	13.4	2,500
	(11) servings – Snacks /light refreshments	900	2	Q3+Q4-Y1,Y2,Y3	61	1,800
	Activity 1.2.4 Develop a code of conduct for the private sector and CNF members.	(1) tickets – Air travel	8	230	Q2+Q3+Q4-Y1, Q1+Q2-Y2	33
(2) tickets - land travel		8	50	Q2+Q3+Q4-Y1, Q1+Q2-Y2	33	400
(3) Days – DSA		64	40	Q2+Q3+Q4-Y1, Q1+Q2-Y2	31	2,560
(4) Overall – office supplies (paper, etc.)		1	1,920	Q2+Q3+Q4-Y1, Q1+Q2-Y2	54	1,920
(5) Services - logistics		8	1,000	Q2+Q3+Q4-Y1, Q1+Q2-Y2	61	8,000
(6) Overall - Local transport		1	4,000	Q2+Q3+Q4-Y1, Q1+Q2-Y2	61	4,000
(7) M/M - Legal adviser		4	2,500	Q2+Q3+Q4-Y1, Q1+Q2-Y2	12.3	10,000
(8) M/M - Committee representatives		8	300	Q2+Q3+Q4-Y1, Q1+Q2-Y2	13.2	2,400
(9) M/M - Technicians		4	500	Q2+Q3+Q4-Y1, Q1+Q2-Y2	13.4	2,000
Activity 1.3.1 Develop business plans for forest companies involved in the production chain.	(1) tickets – Air travel	6	250	Q3-Y1	33	1,500
	(2) tickets - land travel	6	50	Q3-Y1	33	300
	(3) Days – DSA	48	40	Q3-Y1	31	1,920
	(4) Overall – office supplies (paper, etc.)	1	500	Q3-Y1	54	500
	(5) Overall - Local mobility	1	400	Q3-Y1	61	400
	(6) M/M - Consultant in business plans	5	2,500	Q3-Y1	12.4	12,500
	(7) M/M – Concession holders, industrialists. executives and others	2	1,800	Q3-Y1	13.3	3,600
Activity 1.3.2 Organise business rounds.	(1) tickets – Air travel	24	250	Q2+Q3+Q4-Y1, Q1-Y2	33	6,000
	(2) tickets - land travel	24	50	Q2+Q3+Q4-Y1, Q1-Y2	33	1,200
	(3) Days – DSA	192	40	Q2+Q3+Q4-Y1, Q1-Y2	31	7,680
	(4) Overall – office supplies (paper, etc.)	1	1,000	Q2+Q3+Q4-Y1, Q1-Y2	54	1,000
	(5) Overall – local mobility	1	200	Q2+Q3+Q4-Y1, Q1-Y2	61	200
	(6) M/M – Concession holders, industrialists., executives and others	3	1,800	Q2+Q3+Q4-Y1, Q1-Y2	13.3	4,800
Activity 1.3.3 Provide technical assistance during the implementation of business plans.	(1) tickets – Air travel	5	250	Q3+Q4-Y1, Q1+Q2-Y2	33	1,250
	(2) tickets - land travel	5	50	Q3+Q4-Y1, Q1+Q2-Y2	33	250
	(3) Days – DSA	40	40	Q3+Q4-Y1, Q1+Q2-Y2	31	1,600
	(4) Overall – office supplies (paper, etc.)	1	400	Q3+Q4-Y1, Q1+Q2-Y2	54	400
	(5) Overall - Local transport	1	2,000	Q3+Q4-Y1, Q1+Q2-Y2	61	2,000
	(6) M/M – specialised technicians	10	1,500	Q3+Q4-Y1, Q1+Q2-Y2	12.8	15,000
	(7) Overall - Miscellaneous	1	5,000	Q3+Q4-Y1, Q1+Q2-Y2	61	5,000
Activity 2.1.1 Design managed forest production database and keep it updated and operational.	(1) M/M – IT expert	8	700	Y1, Y2	11.4	5,600
	(2) Computer hardware	3	1,000	Y1	44	3,000
	(3) tickets – Air travel	5	250	Y1, Y2	33	1,250
	(4) tickets - land travel	5	50	Y1, Y2	33	250
	(5) Days – DSA	30	40	Y1, Y2	31	1,200
	(6) Overall – office supplies (paper, etc.)	1	2,200	Y1, Y2	54	2,200
	(7) Overall – furniture	1	2,500	Y1	44	2,500
	(8) Overall - Technical services	1	1,000	Y1, Y2	53	1,000
	(9) laser printer	1	250	Y1	44	250

Outputs/ Activities	Inputs		Unit Cost	Quarter /Year	Budget Comp.	Total quantity
	Description & Unit	No.				
	(10) Overall - Spares and accessories	1	1,100	Y1, Y2	52	1,100
	(11) Overall – miscell. info collection services	1	4,000	Y1, Y2	61	4,000
	(12) Overall – data input services	1	4,500	Y1, Y2	61	4,500
	(13) M/M - Technicians	4	500	Y1, Y2	13.4	2,000
Activity 2.1.2 Design and regularly update a web page with national supply and demand data for timber products by forest sector companies.	(1) M/M - IT specialist	8	700	Q2+Q3+Q4-Y1,Y2,Y3	11.4	5,600
	(2) tickets – Air travel	3	250	Q2+Q3+Q4-Y1,Y2,Y3	33	750
	(3) tickets - land travel	3	50	Q2+Q3+Q4-Y1,Y2,Y3	33	150
	(4) Days – DSA	18	40	Q2+Q3+Q4-Y1,Y2,Y3	31	720
	(5) Overall – office supplies (paper, etc.)	1	2,200	Q2+Q3+Q4-Y1,Y2,Y3	54	2,200
	(6) Overall - Technical services	1	1,000	Q2+Q3+Q4-Y1,Y2,Y3	53	1,000
	(7) Overall - Spares and accessories	1	1,350	Q2+Q3+Q4-Y1,Y2,Y3	52	1,350
	(8) Overall – Miscell. information collection services	1	2,500	Q2+Q3+Q4-Y1,Y2,Y3	61	2,500
	(9) Overall – data input services	1	3,240	Q2+Q3+Q4-Y1,Y2,Y3	61	3,240
	(10) M/M - Technicians	4	500	Q2+Q3+Q4-Y1,Y2,Y3	13.4	2,000
Activity 2.2.1 Provide institutional support to OSINFOR for the monitoring of forest concessions.	(1) tickets – Air travel	40	250	Y1, Y2, Y3	33	10,000
	(2) tickets - land travel	40	50	Y1, Y2, Y3	33	2,000
	(3) Days – DSA	240	40	Y1, Y2, Y3	31	9,600
	(4) Overall – office supplies (paper, etc.)	1	400	Y1, Y2, Y3	54	400
	(5) Overall - Local transport	1	2,000	Y1, Y2, Y3	61	2,000
	(6) Overall - Sundry	1	5,000	Y1, Y2, Y3	61	5,000
Activity 2.3.2 In cooperation with OSINFOR, develop a proposal for new rules of procedure	(1) M/M – Social Science Consultant	4	2,500	Q4-Y1, Q1-Y2	12.3	10,000
	(2) tickets – Air travel	2	250	Q4-Y1, Q1-Y2	33	500
	(3) tickets - land travel	2	50	Q4-Y1, Q1-Y2	33	100
	(4) Days – DSA	24	40	Q4-Y1, Q1-Y2	31	960
	(5) Overall – office supplies (paper, etc.)	1	400	Q4-Y1, Q1-Y2	54	400
	(6) Overall - Local transport	1	1,000	Q4-Y1, Q1-Y2	61	1,000
	(7) Overall - Miscellaneous	1	1,000	Q4-Y1, Q1-Y2	61	1,000
Activity 2.3.3 Prepare proposal for forest conflict resolution	(1) M/M - Social Science Consultant	4	2,500	Q1+Q2-Y2	12.2	10,000
	(2) tickets – Air travel	2	250	Q1+Q2-Y2	33	500
	(3) tickets - land travel	2	50	Q1+Q2-Y2	33	100
	(4) Days – DSA	24	40	Q1+Q2-Y2	31	960
	(5) Overall – office supplies (paper, etc.)	1	400	Q1+Q2-Y2	54	400
	(6) Overall - Local transport	1	800	Q1+Q2-Y2	61	800
	(7) Overall - Miscellaneous	1	1,000	Q1+Q2-Y2	61	1,000

ANNEX D

TABLE OF MODIFICATIONS MADE IN RESPONSE TO THE EXPERT PANEL'S OBSERVATIONS

EXPORT PANEL FOR THE TECHNICAL APPRAISAL OF PROJECT PROPOSALS THIRTY-THIRD MEETING

<p>PD 421/06 Rev.1 (F) Promotion of Formal Markets for Timber from Forest Concessions and Other Forests under Management (Peru)</p> <p><u>Assessment by the Thirty-third Panel</u></p>	<p>Description of modifications</p>
<p>A) <u>Overall Assessment</u></p> <p>The Panel reiterated the relevance of this proposal to ITTO's core objectives as it envisages strengthening the forest production-industry-consumer chain and consolidating a formal, transparent and legal production system that will encourage sustainable forest management and legal timber trade among the Peruvian private forestry sector and that will benefit forest sector related communities and the national economy. The Panel noted that the proposal was forthcoming, well formulated and insightful, with clear specific objectives, a good description of the strategy, and relevant economic, social and environmental information. However, the Panel observed that the problem tree was not sufficiently clear and needed to be restructured in order to address the key underlying issues. The proposed enforcement mechanisms to mitigate illegal logging and trade should be described in further detail. Last but not least, the title of the project should be modified so as to promote the legal and sustainable production of logs from forest concessions, rather than highlighting the promotion of formal market for timber, as the proposal does not focus on the latter.</p>	<p>All recommendations have been taken into account and addressed in this document. The text incorporated into or deleted from the body of the proposal so as to address the Panel's recommendations has been highlighted (<u>bold and underline</u>) throughout the revised project proposal document.</p>
<p>B) <u>Specific Recommendations</u></p> <p>The proposal should be revised taking into account the overall assessment and the following:</p>	
<p>1. Restructure the Problem Tree in such a manner that the key underlying issues are addressed;</p>	<p><u>1. The Problem Tree in item 2.1, Part II of the proposal has been restructured according to the Expert Panel's recommendation (Page 9)</u></p>
<p>2. Describe in further detail the chain of custody mechanisms to be applied (waybills, certificates, etc.) and the proposed incentive and/or enforcement mechanisms aimed at mitigating illegal logging and trade in Peruvian tropical forests under concession regimes and others;</p>	<p><u>2. Three paragraphs have been added to Item 2.3, Part II of the proposal, describing in more detail the chain of custody mechanisms to be applied (page 15). Two additional paragraphs have been added in the same section to elaborate on the proposed incentive and/or enforcement mechanisms aimed at mitigating illegal logging and trade in forest concessions and other areas (page 16).</u></p>
<p>3. Consider modifying the title of the proposal so as to reflect in a more precise manner the objectives and outputs of the project;</p>	<p><u>3. The title of the proposal has been modified (Page 1).</u></p>

<p>4. Include a reference as to how the objectives and outputs of this proposal address the main recommendations of the ITTO Technical Mission to Peru;</p>	<p><u>4. The requested reference has been added in item 2 of Part IV of the proposal (page 44).</u></p>
<p>5. Include an Annex which shows the recommendations of the 33rd Panel and the respective modifications in tabular form. Text incorporated into or deleted from the body of the proposal so as to address the Panel's recommendations should be highlighted (bold and underline) throughout the revised project proposal document.</p>	<p><u>5. The modifications have been included in this Annex as requested.</u></p>