

INTERNATIONAL TROPICAL TIMBER ORGANIZATION

ITTO

PROJECT PROPOSAL

TITLE:	SUPPORT TO IMPROVE THE PRODUCTIVITY OF THE PERUVIAN TIMBER INDUSTRY FOR THE PRODUCTION OF HIGHER VALUE-ADDED PRODUCTS
SERIAL NUMBER:	PD 540/09 Rev.2 (I)
COMMITTEE:	FOREST INDUSTRY
SUBMITTED BY:	GOVERNMENT OF PERU
ORIGINAL LANGUAGE:	SPANISH

SUMMARY

The development objective of this proposal is to improve the efficiency and competitiveness of the timber and furniture industries and increase processed timber product exports thus contributing to the socioeconomic development of the local population.

The project is part of a strategic proposal for sustainable forest development in order to ensure the growth of a modern and internationally competitive timber industry.

Specific project outputs are aimed at the improvement of business management and export supply, the upgrading of the timber industry based on value-added product processing, and increased timber product and furniture exports.

The direct beneficiaries of this project will be the primary and secondary processing timber industries. The main project components are technical assistance, training, workshops, seminars, discussion meetings, investment promotion and international trade.

The project will be implemented by the National Forestry Chamber with the active participation of producers, industrial associations, professionals, NGOs, Ministry of Agriculture, DGFFS, MTC, PRODUCE, PROMPEX, institutes of technology and universities.

EXECUTING AGENCY NATIONAL FORESTRY CHAMBER (CNF) in cooperation with the GENERAL FOREST AND WILDLIFE DIRECTORATE (DGFFS – MINAG)

DURATION 27 MONTHS

APPROXIMATE STARTING DATE UPON APPROVAL

BUDGET AND PROPOSED SOURCES OF FINANCE:	<u>Source</u>	<u>Contribution in US\$</u>
	ITTO	448,362
	Government of Peru	425,078
	TOTAL	873,440

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PROJECT BRIEF

The best way to ensure the conservation of tropical forests in the Peruvian Amazon region is through their economic and ecological valuation, integrating their production capacity into the market economy. Thus, this project proposal will effectively contribute to generating adequate incorporation of production forests into the timber industry and markets. It has been widely recognized that the lack of sustainable forest development options leads to negative environmental impacts such as deforestation.

Deforestation is the main environmental problem in the Peruvian Amazon region. An area of 150,000 ha of tropical forest is burned every year mainly through the unplanned expansion of the agricultural frontier and shifting agriculture, which is an inefficient and non-sustainable activity that results in negative environmental impacts. Deforestation is a consequence of rural poverty and the lack of economic value of tropical forests. Therefore, this proposal will contribute to the conservation of permanent production forests and generating a production chain for higher value-added forest products directly integrated into an efficient and internationally competitive industry.

According to official data from the Ministry of Agriculture, there is a total of 46 million hectares with permanent forest production potential in the Peruvian Amazon region. The CNF prepared a strategic proposal to focus timber production on only 12 million hectares of production forests, an initiative that has been welcomed by the General Forest and Wildlife Directorate (DGFFS-MINAG).

This strategic proposal is directly related to the ITTO objective of producing timber on a sustainable basis through forest – industry – market integration and improvement of the industrial and technological capacity of producers, as well as the promotion of investments and international trade for Peruvian timber products with the primary objective of achieving sustainable forest and industrial development based on the manufacturing of higher value-added timber products for the international market.

Despite having large areas of tropical forests with potential for permanent forest production, Peru currently has minimal timber exports of US\$368.5 million per year, which accounts for just 1.18% of Peru's total export value of US\$31,162.5 million reported in 2008 (PROPERU).

The Peruvian Government has carried out a major structural reform and macroeconomic adjustment with excellent results in the stabilization of the economy, reduction of fiscal deficit, reduction of inflation and gross domestic product growth. Furthermore, it has rescheduled its foreign debt payments through agreements with the IMF and the Paris Club. However, in spite of these successful results, there are still significant problems to be addressed, particularly in relation to the balance of trade, generation of wealth and creation of productive employment in the Peruvian Amazon region.

Current timber production is mainly based on low value-added products such as sawnwood, veneer, plywood and parquet, which account for 70% of the current value of Peruvian timber exports. Thus, it is necessary to develop technologies for the production of higher value-added or end products.

Due to the high cost of labour in developed countries and the need to reduce financial costs for dried and dimension timber products, the international market is showing growing interest in products such as dried and 4-side planed timber, moldings, flooring (lamparquet and finger-joint boards), furniture parts and pieces, finger-jointed products and edge-glued panels.

There is also increasing international demand potential for end products such as door frames, doors and unfinished and/or finished furniture products.

It is a proven fact that local communities will participate in tropical forest management and conservation only if they can derive a direct economic benefit from these activities and timber products actually have the greatest potential to generate wealth and improve their quality of life, based on the international demand for these products and the need to improve current levels of technological and production knowledge.

It should be pointed out that from 1991 to 1999, the Government of Peru, with the support of the IDB and the World Bank, made a substantial public investment in the improvement of roads, ports and airports, as well as the privatization of telecommunications and energy sectors, which has led to an improvement in the national infrastructure and hence in competitiveness at the international level.

The Ministry of Transport has implemented a weights and measurements system regulating maximum loads for double-axle trucks and trailers in major roads of Peru, which requires the use of improved technologies in industrial processes, particularly in secondary processing, to reduce waste and increase the competitiveness of products at the major timber production centers located in the Peruvian Rainforest Region for their transport to the main consumption and export centers in the Peruvian Coastal Region.

ITTO Project PD 37/88 "Industrial Utilization of New Forest Species in Peru – Phases I and II" was implemented in 1990 – 1993. This project led to the introduction of 20 lesser-known species into the national market and to the design of a business proposal based on technological and market studies to improve the timber product export supply of Peru. This project represented a significant step forward in the development of products and production economy to achieve international competitiveness for standardized and quality products. It is now necessary to transfer this technological and business management knowledge to small and medium producers and to promote investments and international trade, integrating the production chain from the forest to the expanded market.

With the introduction of new timber species into the market, tropical forest harvesting in Peru is now yielding up to 10 – 12 m³/ha (r), with a national average of 4.3 m³/ha (r), based on the harvesting of 10 – 15 species per forest type. This could be increased to 25 – 30 m³/ha (r) on a sustainable basis, using the new species already researched by ITTO Project 37/88. The achievement of these goals requires improved forest and industrial yield and productivity levels through a technical assistance and training program and promotion of investments in projects aimed at integrating forest management and timber industry and focused mainly on the development of value-added products for the international market. It should be stressed that forest and industrial development should consider the implementation of forest management plans and the voluntary certification of products from managed forests.

ITTO Project PD 37/88 has demonstrated the technological and economic importance of timber drying and the value-added component of production, which is directly related to international market demand and the need to generate permanent productive employment for hundreds of thousands of people in the Peruvian Amazon Region.

Thus, industrial and commercial development at the international level will enable timber concession companies based on long-term forest contracts to access the financial resources required to cover forest management costs. This is because better forest harvesting practices and increased forest and industrial productivity will lead to lower unit production costs and based on better FOB prices for value-added products, it will be possible to obtain better economic returns and secure the financial resources required to comply with the economic, ecological and social commitments associated with sustainable forest management.

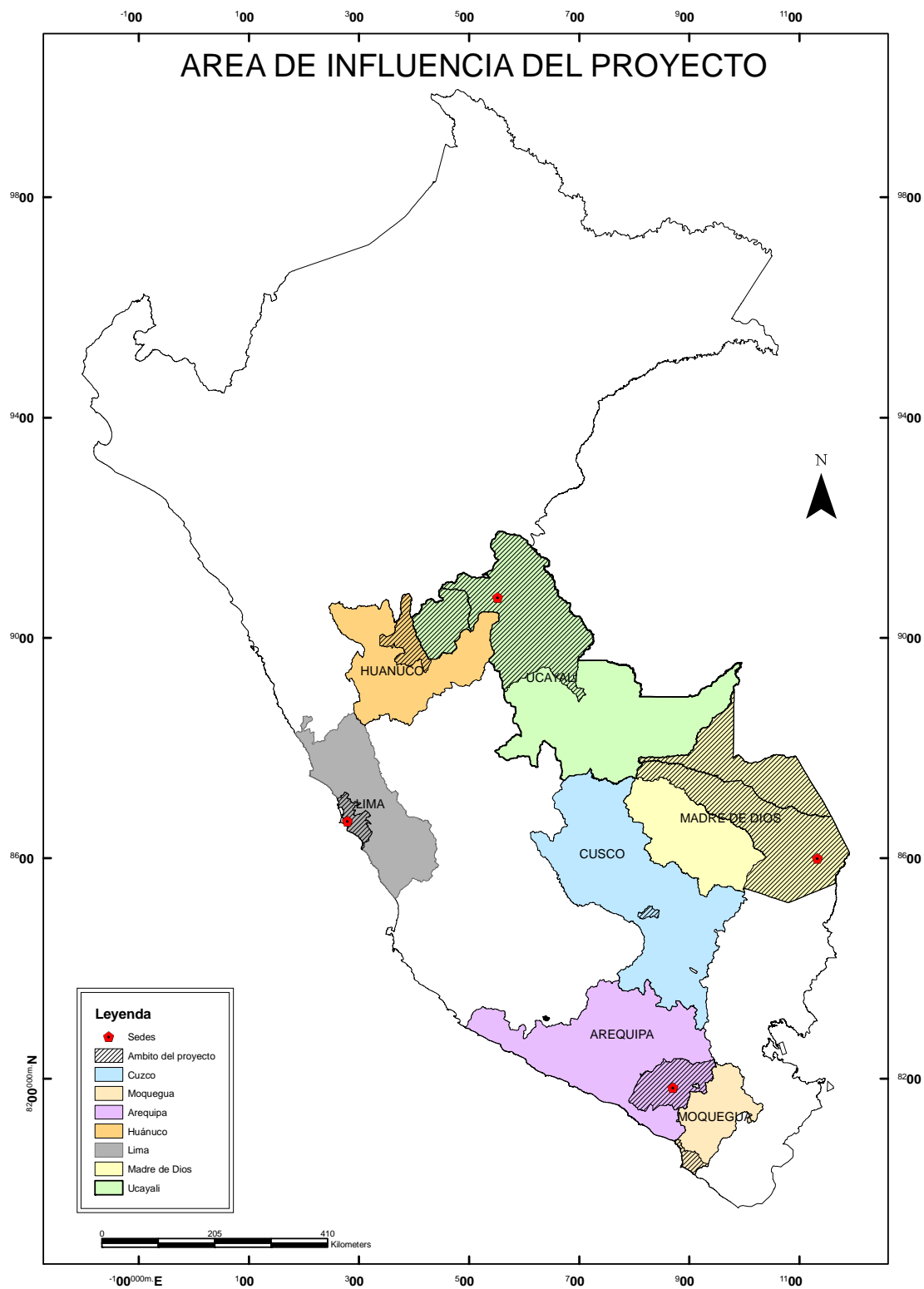
Currently, the primary industry uses only about 35% of the installed industrial capacity. Thus, it is very important to develop adequate products and technologies for the expanded market through the integration of the production chain from the forest to the primary industry, secondary industry and international trade. This integration will be achieved through integrated training systems and strategic partnerships between producers throughout the entire production and marketing chain to achieve a significant cost reduction, improvement of quality and efficiency, and competitiveness at the international level.

This project stems from the growing concern about the current status of the timber industry and its impact on sustainable forest management. Numerous meetings, gatherings, fora and other activities on the current forestry situation have repeatedly expressed concern about "low value-added products" as the main cause of the lack of access to different timber product markets.

LIST OF ACRONYMS AND ABBREVIATIONS

ADEX	Asociación de exportadores (<i>Exporters Association</i>)
AEMRU	Asociación de Extractores Madereros y Reforestadores de la Región de Ucayali (<i>Timber Logging and Reforestation Association of the Ucayali Region</i>)
AFORPYME	Asociación Forestal de Pequeños y Medianos Productores y Empresarios del Perú (<i>Small and Medium Forest Producers and Industrialists Association of Peru</i>)
AIDER	Asociación para la Investigación y el Desarrollo Integral (<i>Association for Integrated Research and Development</i>)
AIDSESP	Asociación Interétnica de Desarrollo de la Selva Peruana (<i>Inter-Ethnic Association for Development in the Peruvian Rainforest Region</i>)
AMDU	Asociación de Madereros del Departamento de Ucayali (<i>Timber Producers Association of the Department of Ucayali</i>)
APIF	Asociación Peruana de Ingenieros Forestales (<i>Peruvian Association of Forest Engineers</i>)
CAMBIUM	Centro Latinoamericano de Promoción y Desarrollo de la Madera (<i>Latin American Center for Timber Promotion and Development</i>)
CAPECO	Cámara Peruana de la Construcción (<i>Peruvian Construction Chamber</i>)
CETICOS ILO	Centro de Exportación, Transformación, Industria, Comercialización y Servicios Ilo (<i>Ilo Center for Export, Processing, Industry, Marketing and Services</i>)
CIP	Colegio de Ingenieros del Perú, Capítulo de Ingeniería Forestal (<i>Peruvian Society of Engineers, Forest Engineering Chapter</i>)
CNF	Cámara Nacional Forestal (<i>National Forestry Chamber</i>)
COMEX PERU	Sociedad de Comercio Exterior del Perú (<i>Foreign Trade Society of Peru</i>)
CONAMYPE	Confederación Nacional de Gremios de la Micro y Pequeña Empresa en el Perú (<i>National Confederation of Micro and Small Enterprise Associations</i>)
DGFFS	Dirección General Forestal y de Fauna Silvestre (<i>General Forest and Wildlife Directorate</i>)
FORESTAS	Asociación Civil para el Desarrollo Forestal (<i>Civil Association for Forest Development</i>)
GDP	Gross Domestic Product
IMF	International Monetary Fund
ITTA	International Tropical Timber Agreement
ITTO	International Tropical Timber Organization
m.a.s.l.	Meters above sea level
MINAG	Ministerio de Agricultura (<i>Ministry of Agriculture</i>)
MTC	Ministerio de Transportes y Comunicaciones (<i>Ministry of Transport and Communications</i>)
NGO	Non-governmental organization
ORAU	Organización Regional AIDSESP Ucayali (<i>AIDSESP Regional Organization - Ucayali</i>)
OSINFOR	Oficina de Supervisión de Recursos Forestales Maderables (<i>Timber Forest Resources Supervisory Agency</i>)
PRODUCE	Ministerio de la Producción (<i>Ministry of Production</i>)
PROMPERÚ	Comisión de promoción del Perú para la exportación y el turismo (<i>Export and Tourism Promotion Commission of Peru</i>)
RAP	Red Ambiental Peruana (<i>Peruvian Environmental Network</i>)
SUNAT	Superintendencia Nacional de Administración Tributaria (<i>National Tax Administration Department</i>)
UNALM	Universidad Nacional Agraria La Molina (<i>National Agrarian University of La Molina</i>)
UNU	Universidad Nacional de Ucayali (<i>National University of Ucayali</i>)
UPC	Universidad del Pacífico (<i>University of the Pacific</i>)
US\$	US dollars

MAP OF THE PROJECT AREA



PART 1. PROJECT CONTEXT

1.1 Origin

The development objective of this proposal is to improve the competitiveness of the timber and furniture industries, increase the export of sustainably produced high-value added timber products and contribute to the socioeconomic development of the local population.

This proposal is part of a strategic initiative aimed at ensuring that exports of Peruvian timber will originate from sustainably managed forests and will be based on the selection of leading products, by improving business management capacity, applying value added technologies and using species that can be competitive in each production line in the international level.

The strategic forest development proposal for the Peruvian timber industry takes into consideration the following major mega trends:

- Globalization of markets and hyper-competitiveness.
- Growing preference for natural and ecological products.
- More demanding and complex consumers.
- Fast rate of technological change.
- Emergence of economic blocks.

The National Forestry Chamber (CNF) executed ITTO Project PD 37/88 "Industrial Utilization of New Species in Peru" during 1990-1993, and identified 20 timber species showing the greatest potential for sustainable production for international markets. This important project was implemented in private industrial plants with the scientific and technological support of research centers specialized in forestry measurement, wood technologies and use recommendations.

It should also be pointed out that ITTO, through a proposal designed by CNF, provided assistance to the Government of Peru and DGFFS-MINAG for the implementation of ITTO Project PD 95/90 "Forest Management in the Alexander von Humboldt National Forest", which led to the validation of a forest management model to be implemented by Peruvian timber industrialists through the application of adequate ecological, economic and social criteria and their integration to the production capacities of the timber industry taking into account the demand of the national and international markets.

This project proposal also takes into consideration the technical document on "Competitiveness of the Peruvian Timber Industry and Exports in the International Market", generated by ITTO Pre-Project PPD 5/98 Rev.1 (I,M).

1.2 Relevance

1.2.1 Conformity with ITTO's objectives and priorities

This project proposal is consistent with the two overall objectives of ITTO (as set out in Article 1 of the ITTA 2006) i.e. to promote the expansion and diversification of international trade and to promote the sustainable management of tropical timber producing forests, as described below:

- The proposal will promote strategies for achieving exports of tropical timber products from sustainably managed sources (*Objective d*). Furthermore, the project will promote improved understanding of the structural conditions in international markets (*Objective e*).
- The project will encourage increased and further processing to promote industrialization and generate more employment opportunities and export earnings (*Objective i*).
- The project will improve marketing and distribution of timber exports (*Objective k*).

Moreover, this project is consistent with the priorities established in the ITTO Action Plan 2008-2011. The main aspects considered in the proposal are:

- It will promote further processing of timber products.
- It will support increased efficiency in the processing and utilization of tropical timber.
- It will promote improved trade information and competitiveness in international markets.
- It will promote increased supplies of tropical timber from managed forests.

- It will develop awareness on market requirements; will help improve the competitiveness of tropical timber; and will develop proposals to help overcome trade barriers and shortcomings in forest law enforcement.

1.2.2 Relevance to submitting country's policies

Forestry Law

The Forestry Law promotes better timber utilization through integrated industries and generation of higher value added based on criteria and indicators for sustainable management (Art. 9). The State will promote the development of the forest industry with the active participation of the public and private sectors to ensure increased economic returns and social benefits and promote domestic and export timber marketing (Art. 30).

The Ministry of Production – PRODUCE

- Promotes timber processing investment, production and productivity.
- Promotes the establishment and expansion of infrastructure as required for the development of secondary timber processing industries in the Rainforest Region (Selva).
- Promotes processed timber product exports.
- Promotes the development, transfer and dissemination of appropriate technology for the development and increased efficiency of the timber industry.

PROMPERU – Export and Tourism Promotion Commission of Peru

- Promotes the export of timber and timber products to international markets.
- Designs and coordinates promotion strategies based on market research.
- Supports the development of partnerships as a strategic element to promote exports.
- Provides guidance in the implementation of domestic promotion activities to foster industry capacity building so as to promote regional exports.
- Prioritizes the development of a diversified and high value-added export supply.

CETICOS ILO – ILO CENTER FOR EXPORTS, PROCESSING, INDUSTRY, MARKETING AND SERVICES

- Promotes national and international private investment aimed at establishing production activities to increase export levels.
- Promotes the strengthening of the logistic chain to boost foreign trade and establish a logistic services platform.
- Promotes integration and coordination in the Moquegua Region and the Macro Southern Region with CETICOS ILO. It has a timber flooring export project which capitalizes on the forestry potential of Madre de Dios.
- Promotes the installation of micro and small timber enterprises in CETICOS.

1.3 Target area

1.3.1 Geographic location

The Project will be based in the city of Lima, the main national timber product market and most important shipping point for the international market, as it has the main port facility in the country, which is Callao.

Lima is connected to the main tropical timber producing centers of the country through a national road network. The areas selected for the implementation of the project are two of the main timber processing centers in the country, with great timber producing, processing, marketing and consumption potentials. These are the Central and Southern corridors of the Peruvian Amazon, which are described below:

- Central zone: It includes the departments of Ucayali, Huanuco and Lima, connected by the Central Highway (Carretera Central).

DEPARTMENT	DESCRIPTION
Ucayali	Situated in the eastern rainforest area of the country. It has a total area of 110,831 km ² and its geographical coordinates are 08°22' latitude south and 74°34' longitude west. The capital of this region is the city of Pucallpa, situated at 154 meters above sea level and 842 km from Lima, on the east bank of the Ucayali River. It has a warm and humid climate and a population of approximately 450,000.
Huánuco	Situated in the eastern central region of Peru. The capital city has the same name as the region, Huánuco. It has a population of nearly 762,223. It contains both mountains and tropical forest areas. Leoncio, Prado and Marañon are the only provinces from this department that are located in the project area.
Lima	Situated in the central and western regions of Peru, extending over inter-Andean and coastal areas. It has an estimated population of 8,445, 211.

- Southern zone: It includes the departments of Madre de Dios, Cuzco, Arequipa and Moquegua, and is connected by the Interoceanic Highway (Carretera Interoceanica).

DEPARTMENT	DESCRIPTION
Madre de Dios	Situated in the south-eastern region of Peru, between geographical coordinates 09°57' and 13°20' latitude south, 68°39' and 73°31' longitude west. The department covers a total area of 85,183 km ² , which accounts for 6.6% of the total national territory and 15.3% of the Rainforest Region (Selva). The capital city of this region is Puerto Maldonado, situated at 139 meters above sea level and at 2,024 km from the city of Lima. It has a tropical warm and humid climate and a population of 109,555.
Cusco	Situated in the central-south region of the Andes. It has a population of 1,171,403. The capital city, which has the same name as the region, Cusco, is situated at 3,360 m.a.s.l.
Arequipa	The region is situated in the south-west of Peru, at an altitude of 2,335 m.a.s.l. and between geographical coordinates 14°26' and 17°16' latitude south, 70°50' and 75°05' longitude west. It has a total area of 63,343.9 km ² and a population of 1,152,303. It is the most important timber consuming region in the south of Peru.
Moquegua	The region is situated in the south-west of the country. It has a population of 161, 533. The capital city has the same name as the region, Moquegua.

1.3.2 Economic, environmental and social aspects

Economic aspects

The project's economic benefits matrix, as a necessary tool and condition for development and sustainable forest management, will be reflected in the strengthening of the private forest industries, as they will be able to increase their production capacity for higher value-added timber products in the country, thus enabling them to reduce the forest product trade deficit.

This new situation will also ensure compliance with the ITTO objective that stipulates that member countries are committed to ensuring that all tropical timber entering the international market must only originate from forests under sustainable management.

The project is based on the design of a proposal aimed at improving the efficiency and productivity of the timber industry, thus improving its international competitiveness. The project budget is mainly geared to

cover personnel costs, training, technical assistance, official travel and inputs for the preparation and publication of technical documents related to the timber industry.

Environmental aspects

The project will not generate negative environmental impacts because it will be focused on technical assistance, training, promotion and transfer of knowledge. On the contrary, because of its very nature, the project will minimize 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 higher value-added timber products.

There is great interest among timber industrialists in implementing sustainable forest and industrial projects, because of the comparative advantage that the new opportunities of international trade of timber sourced from managed forests represent and because of the fact that the project will promote the strategic development of international trade.

Illegal forest activities currently generate a significant negative environmental impact. The project aims to reduce this effect by applying sustainable forest management practices, which will be beneficial to both forests and the environment.

Social aspects

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

Timber logging activities in our forests are generated by persons from outside the area who become loggers-managers and supply the local timber market. Project beneficiaries (industrialists, exporters) will have fully aware of the need to care for the environment, knowing that by upgrading their technology they can increase their productivity and thereby process higher value-added products.

1.4 Expected outcomes at project completion

After project completion knowledge will have been transferred to producers in the primary and secondary forest industries on the following areas:

- Business management, production economics, costs and planning.
- Product development, quality control and industrial productivity.
- Timber utilization and commercial opportunities.

Beneficiary companies will have made additional investments of at least US\$ 2.5 million in production infrastructure linked to sustainable forest management and the new markets.

Timber industries will have increased their sales by at least US\$ 10 million in primary and secondary processed timber products.

At least 20% additional new jobs will have been generated in the timber industries as a result of the better utilization of their installed capacity and new forest and industrial investments.

After project completion, 4 new higher value-added timber products will have been introduced into the national and international markets.

Two policy proposals aimed at improving service-providing system for the development of the timber industry will have been submitted.

Government administrative personnel will have been trained in aspects related to the solution of problems that could affect the marketing and market access of timber products.

PART 2. PROJECT RATIONALE AND OBJECTIVES

2.1 Rationale

2.1.1 Institutional set-up and organizational issues

The new economic model approved by the Government stipulates regulatory, promotion and monitoring roles for the public sector, leaving the management of production, employment generation and the creation and distribution of wealth to the private sector.

Taking into account the profile of this project, the institutional set-up for its implementation will be made up of public and private institutions of the timber and export sectors as described below:

National Forestry Chamber – CNF

The CNF was established in 1989 and it was officially recognized by the Ministry of Agriculture through Ministerial Resolution No. 00321-89-AG of 20 September 1989, as a private organisation representing the timber sector before public institutions and agencies of the agricultural, industrial and export sectors. Its membership includes: the National Confederation of Micro and Small Enterprise Associations (Confederación Nacional de Gremios de la Micro y Pequeña Empresa – CONAMYPE); Small and Medium Forest Producers and Industrialists Association of Peru (Asociación Forestal de Pequeños y Medianos Productores y Empresarios del Perú – AFORPYME); 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); Peruvian Environmental Network (Red Ambiental Peruana – RAP); Association for Integrated Research and Development (Asociación para la Investigación y el Desarrollo Integral – AIDER); Peruvian Foundation for the Conservation of Nature (Fundación Peruana para la Conservación de la Naturaleza – PRO NATURALEZA); Peruvian Society of Engineers, Forest Engineering Chapter (Colegio de Ingenieros del Perú – CIP, Capítulo de Ingeniería Forestal); Peruvian Association of Forest Engineers (Asociación Peruana de Ingenieros Forestales – APIF); National Agrarian University of La Molina (Universidad Nacional Agraria La Molina – UNALM); Civil Association for Forest Development (Asociación Civil para el Desarrollo Forestal – FORESTAS); and AIDSEP Regional Organization, Ucayali – ORAU.

The National Forestry Chamber will be the executing agency of this project. The CNF represents the private sector and serves as a platform for the interaction of its members and representative organizations of timber producers in the main regions of the project's area of action. The role of the CNF, as a non-profit civil association, is consistent with its institutional objective of promoting the sustainable development of the forest sector, harmonizing conservation principles with scientific, technological and socioeconomic development.

The objectives of the CNF are:

- Promoting the sustainable use of forest resources, harmonizing 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;
- 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;
- Providing feedback/making statements on issues of national interest;
- Designing and implementing research, training and development projects related to forestry.

General Forest and Wildlife Directorate (DGFFS)

The General Forest and Wildlife Directorate is responsible for proposing policies, strategies, regulations, plans, programs and national projects related to the sustainable harvesting of forest and wildlife resources and associated genetic resources in consonance with the National Environmental Policy and environmental regulations. Its functions include the development of proposals for policies, regulations, plans, programs, strategies and projects for the management, control, administration and promotion of the conservation and

sustainable harvesting of forest and wildlife resources, as well as taking actions for the implementation of national and international agreements and commitments signed by Peru in the field of wild fauna and flora conservation and sustainable utilization in coordination with the foreign trade sector.

Export and Tourism Promotion Commission of Peru – PROMPERU

The strategic role of PROMPERU is to design and implement the Commercial Promotion Plan in coordination with relevant public and private sector institutions based on the following policy guidelines: Identify market requirements and trends to harmonize them with the actual and potential export supply; Generate and disseminate strategic and specialized information on products and markets, empowering the Foreign Trade Network and strengthening the technological platform; Implement the commercial promotion strategy prioritizing a diversified export supply based on higher value added, quality and volume; Prioritize markets and products in market niches in coordination with public and private institutions; Assess and categorize enterprises based on their capacity and market needs; Provide relevant information to exporters for the development of their products; Promote the competitive development of export companies through the provision of technical assistance, training, support to partnership schemes and strengthening of facilitation network; Play an active role with the business sector, providing it with trade information and assistance in building the capacity required to achieve greater competitiveness in international markets.

2.1.2 Stakeholder analysis

Stakeholder groups	Characteristics	Problems, needs, interests	Potential	Involvement in the project
Primary stakeholders				
Primary timber processing industrialists	Have sawmilling and drying facilities	Low-level sawmilling and drying technology. Poorly trained personnel.	Willing to receive assistance and have trust in the institution	Primary beneficiary/stakeholder
Secondary timber processing industrialists	Have infrastructure to produce flooring and other products	Low-level technology for cutting timber for flooring; lack of investment capital; lack of knowledge about international market demand and poorly trained personnel.	Willing to receive assistance and have trust in the institutions	Primary beneficiary/stakeholder
Timber exporters	Involved in export trade.	Insufficient supply of timber products with the quality demanded by the international markets.	Trust in the institutions	Primary beneficiary/stakeholder
Secondary stakeholders				
Education and research institutions	Carry out education and research activities	Lack the means to finance support actions	Experience in training activities	Can participate in the implementation of certain activities
Forest concessionaires	Have managed forests	Interest in continuing the sustainable management of their forests	Trust in the institutions	Secondary beneficiary/stakeholder
Regional governments	Responsible for the planning and implementation of development plans	Require technical support to implement regional forest development policies	Authority with resources to promote development	Implementation of joint actions with the project
Public organizations (DGFFS-MINAG)	Lack the required conditions to provide support	Insufficient financial and technical resources to implement their annual plans	Authority with influence in the timber industry	Direct participation in project activities

Stakeholder groups	Characteristics	Problems, needs, interests	Potential	Involvement in the project
Development NGOs	Actively participate in the implementation of development plans	Lack micro-planning capacities	Experience in development work and financial management	Sub-contracted for the implementation of development project activities
Tertiary stakeholders				
Public organizations	Lack the required conditions to provide support	Lack of support for timber industrialists	Authority with influence in society	Could cooperate with project objectives
Financial institutions	Sources of financing for local development	Lack the means to finance cooperation actions	Experience with loans for local development	Could participate by providing credit facilities for local development

2.1.3 Problem analysis

The timber products market of Peru is mainly concentrated on the marketing of sawnwood and timber strips for flooring without much further processing, which are not end products and therefore do not have a high value-added component. These are low quality products that are processed with a low productivity level and high overhead costs in both the production and marketing stages. This situation results in the production of products that are not very competitive at both the national and international markets.

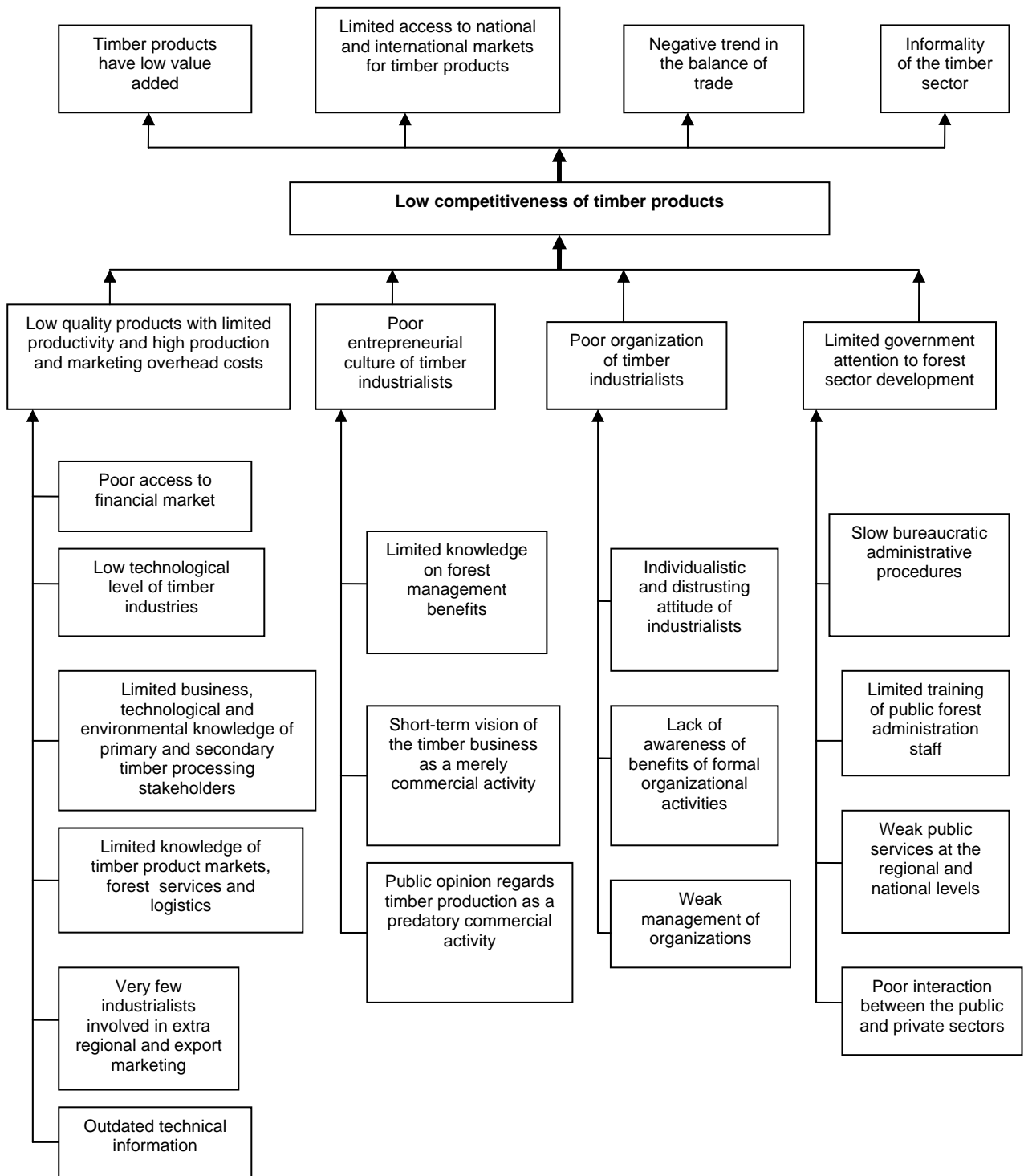
It is not unusual to find timber companies working with obsolete technologies and machinery on primary processing activities only, and being run by businessmen with short-term business vision, who were used to working with high commercial value timber species such as mahogany, cedar, ishingono and others, which provided good profits for their companies. This situation, however, has now changed. Today, these species are very scarce and the timber found in the market, which is mainly sourced from both certified and non-certified forest concessions, is usually from species of medium and low commercial value, whose prices have increased in recent years in line with the degree of further processing they have been subject to. In other words, the timber undergoes secondary processing before being exported. Furthermore, new technologies have been developed, particularly logging technologies, which are facilitating the availability of hardwood species for the market, especially the export market. However, these practices are not widespread and therefore the volumes being harvested, both at the unit area level and throughout the whole concession, are well below the production capacity of forest concessions. In addition, there is another group of forest species that currently have no specific value but are classified as "potential species" on account of their abundance in the forest and their suitable timber properties, which should also be gradually incorporated into production and consequently into the market.

In addition to this type of companies, there are others that have more modern machinery and equipment, but in general they all have serious weaknesses, particularly in relation to their administration. This is reflected in the limitations they face to participate in the financial market, a lack of interest in being informed about the behavior of goods and services markets in their field, lack of training of their personnel at different levels, faulty products that do not comply with the standards required by the market, deficiencies in the layout of their processing plants, poor timber cutting quality, low production and productivity levels, low raw material yields, unsuitable machinery and equipment, high production costs, and lack of commitment in maintaining a production in accordance with market requirements in regards to quality, quantity, timeliness, consistency and warranty.

Moreover, the public forest administration and the relevant agencies responsible for promoting forest product export and investment have very slow decision-making processes, and this affects the production and commercial activities of companies, burdening them with unnecessary financial costs and causing delays in their dealings with customers.

Furthermore, there is a very weak organizational structure in the sector. Each company acts individually and is not aware of or cannot see the advantages of joining forces with others to improve their opportunities of participating in the market in a sustainable manner, particularly in the export market. The interaction and inter-relation of these companies with the public sector is minimal, which prevents them from capitalizing on the opportunities offered by the State for the export of products, especially value-added products. On the contrary, many timber companies operate informally, particularly those located in the Amazon region.

PROBLEM TREE



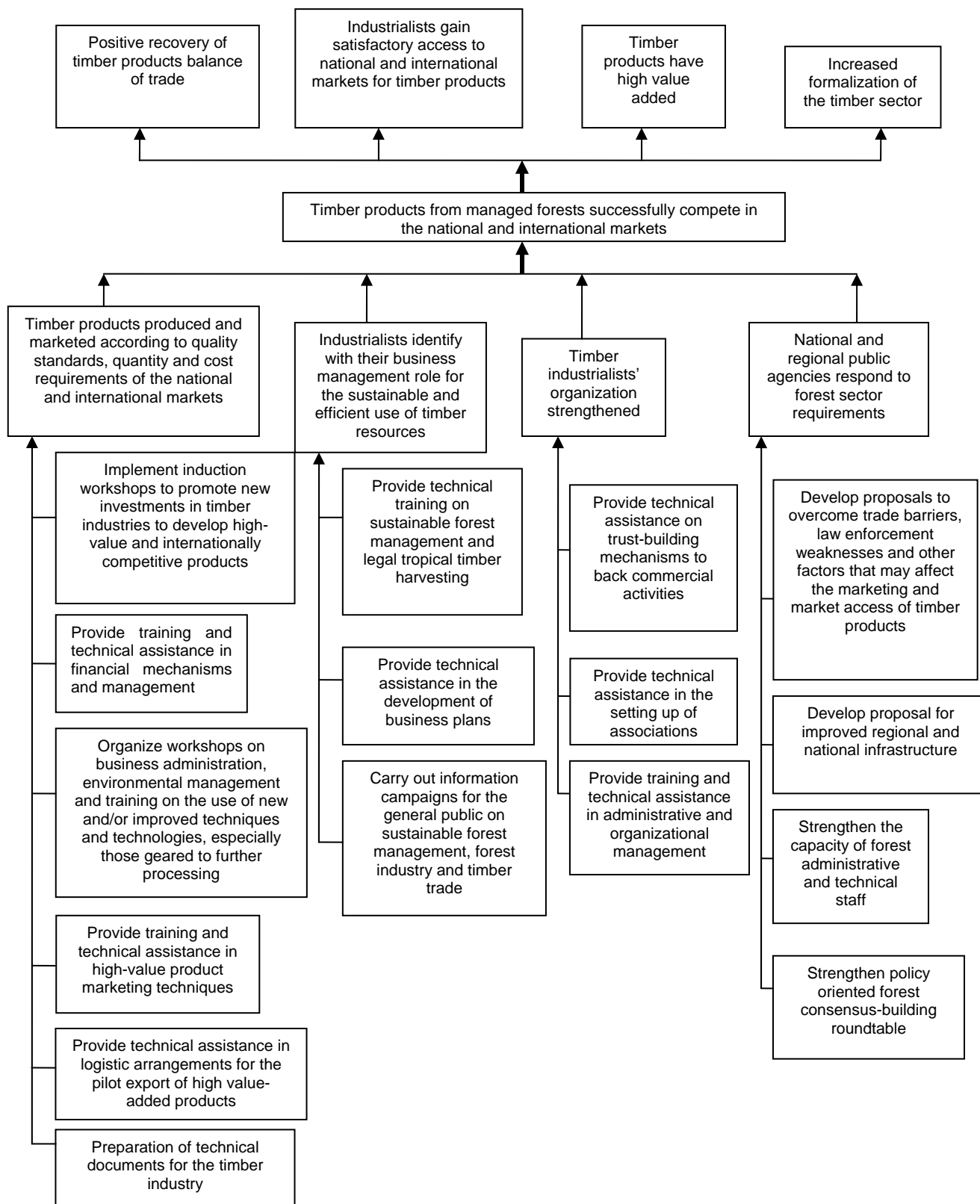
2.1.4 Logical Framework Matrix

Intervention Strategy	Measurable Indicators	Means of Verification	Key Assumptions
<p><u>Development objective</u> Contribute to the socioeconomic development of the central and southern areas of the Peruvian Amazon Region through the introduction of timber products from managed forests into national and international markets.</p>	<ul style="list-style-type: none"> • Sustainable production from natural forests by the end of the project. • <u>Roundwood production from sustainably managed forests increased by 7,000 m³ for the processing of timber products</u> • Increased investments, sales and employment in the forest industry during project implementation. • <u>Sales of primary and secondary processed timber products increased by at least US\$10 million</u> 	<ul style="list-style-type: none"> • Technical report and recommendations • <u>Reports from forest companies</u> • <u>Statistical information from public agencies (forest administration, SUNAT)</u> 	<ul style="list-style-type: none"> • Relevant stakeholders support the project. • Industrialists are willing to increase productivity.
<p><u>Specific objective</u> Increase the competitiveness of timber products from the central and southern areas of the Amazon Region through the development of higher value added products to gain access to the national and international markets.</p>	<ul style="list-style-type: none"> • Increased value added of timber products produced by the project's primary stakeholders • <u>30 timber companies are able to process higher value added timber products</u> 	<ul style="list-style-type: none"> • Technical report and recommendations • <u>Reports from forest companies</u> • <u>Project monitoring reports</u> • <u>Surveys</u> 	<ul style="list-style-type: none"> • Industrialists are willing to increase efficiency levels and competitiveness of timber products
<p><u>Output 1</u> Industrialists identify with their business management role for the sustainable and efficient use of timber resources</p>	<ul style="list-style-type: none"> • 30 timber companies make new investments in timber processing infrastructure • 30 timber companies increase their timber product sales • 30 timber industrialists are trained and have received technical assistance by the end of the project • 300 people have received technical training • 16 technical documents on timber industry 	<ul style="list-style-type: none"> • Monthly reports on investments, sales and employment • <u>Published technical documents</u> • <u>Project monitoring reports</u> • <u>Surveys</u> 	<ul style="list-style-type: none"> • Positive attitude of industrialists in their business management role • Availability of industrialists' investments • Industrialists' interest in producing higher value added products • Commercial banks are willing to finance industrial projects
<p><u>Output 2</u> Timber industrialists' organization strengthened</p>	<ul style="list-style-type: none"> • 30 industrialists receive technical training in forest management and harvesting <u>and become aware of the benefits of using reduced impact logging techniques and implementing chain-of-custody systems</u> • Development of 15 business plans <u>developed</u> by the middle of the Project 	<ul style="list-style-type: none"> • Evaluation and surveys to assess beneficiaries' degree of satisfaction 	<ul style="list-style-type: none"> • Active participation of timber industrialists • Industrialists' interest in organizational issues

Intervention Strategy	Measurable Indicators	Means of Verification	Key Assumptions
	implementation period <ul style="list-style-type: none"> • 15 business plans implemented by the end of the Project • 5 information campaigns 		
<u>Output 3</u> Timber products produced and marketed according to quality standards, quantity and cost requirements of the national and international markets.	<ul style="list-style-type: none"> • 30 timber industrialists receive assistance in the use of trust-building mechanisms • 5 timber industrialists' associations receive assistance in organization set-ups • 100 people trained in administration and organizational issues 	<ul style="list-style-type: none"> • Monthly sales reports 	<ul style="list-style-type: none"> • Availability of markets for higher value added timber products • Industrialists are interested in receiving organized information on trade opportunities
<u>Output 4</u> National and regional public agencies respond to forest sector requirements	<ul style="list-style-type: none"> • Policy proposal to help overcome weaknesses in forest law enforcement and other factors that may be affecting the marketing and market access of timber products. • Proposal to improve regional and national infrastructure. • 30 public officers trained. • Two forest consensus-building roundtables strengthened. 	<ul style="list-style-type: none"> • Documents prepared • Evaluation and surveys to assess participants' degree of satisfaction 	<ul style="list-style-type: none"> • Government officers are willing to collaborate with the project

2.2 Objectives

SOLUTIONS TREE



2.2.1 Development objective and impact indicators

Contribute to the socioeconomic development of the central and southern areas of the Peruvian Amazon Region through the introduction of timber products from managed forests into national and international markets.

Indicators:

- ~~Sustainable production from natural forests by the end of the project.~~
- **Roundwood production from sustainably managed forests increased by 7,000 m³ for the processing of timber products.**
- ~~Increased investments, sales and employment in the forest industry during project implementation.~~
- **Sales of primary and secondary processed timber products increased by at least US\$10 million.**

2.2.2 Specific objective and outcome indicators

Increase the competitiveness of timber products from the central and southern areas of the Amazon Region through the development of higher value-added products to gain access to the national and international markets.

Indicator:

- Increased value added of timber products produced by the project's primary stakeholders
- **30 timber companies are able to process higher value added timber products**

PART 3. DESCRIPTION OF PROJECT INTERVENTIONS

3.1 Outputs and Activities

3.1.1 Outputs

Output 1: Timber products produced and marketed in accordance with quality standards, quantity and cost requirements of the national and international markets.

Indicators:

- 10 timber companies make new investments in timber processing infrastructure by the middle of the project implementation period (15 months)
- 30 timber companies make new investments in timber processing infrastructure by the end of the project
- 10 timber companies increase their timber product sales by the middle of the project implementation period (15 months)
- 30 timber companies increase their timber product sales by the end of the project
- 10 timber industrialists are trained and have received technical assistance by the middle of the project implementation period
- 30 timber industrialists are trained and have received technical assistance by the end of the project
- 300 people have received technical training by the end of the project
- 16 technical documents on timber industry prepared by the end of the project

Output 2: Industrialists identify with their business management role for the sustainable and efficient use of timber resources

Indicators:

- 30 industrialists receive technical training in forest management and harvesting **and become aware of the benefits of using reduced impact logging techniques and implementing chain-of-custody systems.**
- ~~Development~~ of 15 business plans **developed** by the middle of the project implementation period
- 15 business plans implemented by the end of the project
- 5 information campaigns carried out during the project implementation period

Output 3: Timber industrialists' organization strengthened

Indicators:

- 30 timber industrialists have received assistance in the use of trust-building mechanisms by the end of the project
- 5 timber industrialists associations have received assistance in setting up private organization
- 100 people trained in administration and organizational issues

Output 4: National and regional public agencies respond to forest sector requirements

Indicators:

- Policy proposal to help overcome weaknesses in forest law enforcement and other factors that may be affecting the marketing and market access of timber products during the first year of project implementation
- Proposal to improve regional and national infrastructure during the first year of project implementation
- 30 public officers trained by the end of the project
- Two forest consensus-building roundtables strengthened by the end of the project

3.1.2 Activities

ACTIVITIES	INPUTS
Activity 1.1 Implement induction workshops to promote new investments in timber industries to develop high-value and internationally competitive products	2 M/M – Specialized professional; 6 workshops – office supplies; 6 fares – air travel; 4 fares - land travel; DSA - 45 days; snacks/refreshments - 360 servings; 6 workshops – local transport; 180 kits/folders – workshop materials; 6 workshops – dissemination services; 6 workshops – logistic services; 30 D/M – workshop participants
Activity 1.2 Provide training and technical assistance in financial mechanisms and management	6 M/M – Professionals specialized in finance; 60 D/M – professionals specialized in forest valuation; 4 courses – office supplies; 6 fares – air travel; 3 fares - land travel; DSA - 60 days; snacks/refreshments – 180 servings; 6 months – local transport; 30 kits/folders – course materials; 3 courses – dissemination services; 3 courses – logistic services; 90 D/M – workshop participants; 1 overall – technical services
Activity 1.3 Organize workshops on business administration, environmental management and training on the use of new and/or improved techniques and technologies, especially those geared to further processing	36 18 fares – air travel; 20 10 fares – land travel; 2850 2000 kits/folders – workshop materials; 150 days – DSA; 4250 2000 servings – snacks/refreshments; 39 30 workshops – office supplies; 9 months – local transport; 39 30 workshops – dissemination services; 39 30 workshops – logistic services, 450 D/M – administrative assistants; 2400 D/M – technical assistants; 1 overall – fuel and lubricants; 1 M/M – professional specialized in business management; 10 M/M – professional specialized in monitoring; 1 M/M – professional specialized in information technology and systems; 1 M/M – professional specialized in international markets; 9 M/M – professional specialized in forest industry; 1 unit – digital photographic camera; 1 unit – laptop; 1 unit – multimedia projector
Activity 1.4 Provide training and technical assistance in high-value product marketing techniques <u>Carry out an industry diagnosis in the central and southern areas of the Peruvian Amazon region.</u>	3 M/M – foreign trade specialist; 6 courses – office supplies; 3 fares – air travel; 2 fares – land travel; 45 days – DSA; 540 servings – snacks/refreshments; 9 months – local transport; 180 kits/folders – course materials; 6 courses – dissemination services; 6 courses – logistic services; 180 D/M – course participants; 1 overall – office supplies
Activity 1.5 Provide technical assistance in <u>foreign trade and</u> logistic arrangements for the pilot export of high value- <u>added</u> products	6 M/M – foreign trade consultant; 6 fares – air travel; 4 fares – land travel; 90 40 days – DSA; 9 months – local transport; 1 overall – office supplies, <u>60 servings – snacks/refreshments; 60 kits/folders – course materials; 3 courses – dissemination services; 3 courses – logistic services; 60 D/M – course participants, 3 months – local transport.</u>
Activity 1.6 Preparation of technical documents for the timber industry	6 M/M – forest industry consultant; 1 subcontract – printing of technical documents (16); 1 unit – laptop; 1 unit – multifunctional equipment; 3 months – information gathering services; 3 months – data entry services; 6 fares – air travel; 3 fares – land travel; 63 days – DSA; 6 months – local transport; 1 overall – office supplies
Activity 2.1 Provide technical training on sustainable forest management <u>and the benefits of enterprise development</u> legal-tropical timber harvesting	6 M/M 6 D/M – forester specialized in chain of custody; 6 courses – office supplies; 6 fares – air travel; 2 fares – land travel; 6 days – DSA; 180 servings – snacks/refreshments; 6 courses – local transport; 30 kits/folders – course materials; 6 courses – dissemination services; 6 courses – logistic services; 30 90 D/M – course participants
Activity 2.2 Provide technical assistance in the development of business plans <u>and chain-of-custody training</u>	7 5 M/M – Consultant in business plans; 7 fares – air travel; 9 fares – land travel; 49 days – DSA; 7 months – local transport; 1 overall – office supplies; 3 reports – auditing; 1 consultant – project evaluation

ACTIVITIES	INPUTS
Activity 2.3 Carry out information campaigns for project beneficiaries for the general public on sustainable forest management, forest industries and timber trade	24 M/M – forest expert; 5 fares – air travel; 75 30 days – DSA; 5 months – local transport; 1 overall – office supplies; 3 2 subcontracts – audio-video recording, editing and reproduction; 1 subcontract – editing and printing of leaflets; 1 subcontract – poster/banner, T-shirts, caps, etc.; 1 subcontract – preparation of brochures; 36 D/M – forest expert ; 1 overall – technical services
Activity 3.1 Provide technical assistance on trust-building mechanisms to back commercial activities	3 M/M – specialized professionals; 3 fares – air travel; 2 fares – land travel; 45 days – DSA; 3 months – local transport; 1 overall – office supplies
Activity 3.2 Provide technical assistance in the setting up and formalization of business associations	3 M/M – specialized professionals; 6 fares – air travel; 3 fares – land travel; 45 days – DSA; 3 months – local transport; 1 overall – office supplies
Activity 3.3 Provide training and technical assistance in business administration and organization	3 M/M – professional specialized in administrative management; 3 courses – office supplies; 6 3 fares – air travel; 3 fares – land travel; 42 days – DSA; 180 servings – snacks/refreshments; 3 months – local transport; 30 90 kits/folders – course materials; 3 courses – dissemination services; 3 courses – logistic services; 180 D/M – course participants; 1 overall – office supplies
Activity 3.4 Establish and maintain project coordination	4 computer units, 29 M/M – professional assistant, 30 M/M – project coordinator, 81 M/M – regional coordinators (3), 30 M/M – project director, 54 M/M – regional extension officers (2), 29 M/M – IT expert, 30 months – offices (4), 60 months – utilities.
Activity 4.1 Develop proposals to overcome trade barriers, law enforcement weaknesses and other factors that may affect the marketing and market access of timber products	1 M/M – professional specialized in forest legislation; 3 months – local transport; 1 overall – office supplies; 30 M/M – project director; 30 M/M – project coordinator; 28 M/M – professional assistant; 84 M/M – regional coordinators (3); 84 M/M – regional extension officers (3); 28 M/M – IT expert; 30 months – offices (4); 30 months – utilities; 6 equipment units – computers; 3 meetings – steering committee; 16 20 meetings – consultative committee; 5 meetings – coordination and monitoring; 1 overall – furniture; 100 50 D/M – meeting participants; 90 100 D/M – consultative committee participants; 15 13 fares – air travel; 9 fares – land travel; 63 21 days – DSA; 3 overall – meals
Activity 4.2 Develop proposal for improved public services to contribute to forest industry development regional and national infrastructure	3 M/M – specialized professional; 3 months – local transport; 1 overall – office supplies; 3 fares – air travel; 2 fares – land travel; 21 days – DSA; 60 D/M – meeting participants; 1 overall – meals
Activity 4.3 Strengthen Provide technical training to strengthen the capacity of forest administrative and technical staff in the public sector	3 M/M – professional specialized in administration; 6 courses – office supplies; 6 fares – air travel; 4 fares – land travel; 30 days – DSA; 360 servings – snacks/refreshments; 3 months – local transport; 300 kits/folders – course materials; 6 courses – dissemination services; 6 courses – logistic services; 360 D/M – course participants
Activity 4.4 Strengthen policy oriented forest consensus-building roundtable for sustainable forest development	60 meetings – dialogue roundtables; 80 600 D/M – meeting participants; 1 overall – meals; 1 overall – office supplies; 60 meetings – local transport

3.2 Implementation approaches and methods

The project will work in cooperation with stakeholders directly or indirectly interested in higher value-added timber products from the central and southern Amazon areas of Peru. The implementation of the project will be based on a participatory approach that will allow interested groups to participate in the development of an agreed vision to increase the level of competitiveness of products while ensuring the sustainable utilization of forest resources in the region. A step-by-step approach will be used in the training of beneficiaries, which will help raise awareness, change perceptions, analyze problems, and identify investment priorities to generate socioeconomic development. The following measures will be taken to implement this participatory development approach:

Informative assessment of current status: Participatory workshops will be convened in each province and/or district to assess the status of the utilization of forest resources in the industry and develop a common vision to address current weaknesses in the forest industry, its potential and the solutions that will contribute to the competitive production of higher value-added timber products.

Strengthening of forest organizations: The project will support forest industrialists and existing associations as well as efforts aimed at creating a consultation forum for interested groups on industrialization, sustainable forest management, and national and international markets.

Forest business plans: In addition to meeting the industrial need to stay in the market, the development of a pilot and demonstration system will encourage timber industrialists to plan investments in technology and skilled manpower.

3.3 Work plan

Activities	Responsible Party	Year 1 Quarters				Year 2 Quarters				Year 3 Quarters	
		1	2	3	4	1	2	3	4	1	2
Output 1											
Activity 1.1 Implement induction workshops to promote new investments in timber industries to develop high-value and internationally competitive products	Area Coordinator										
Activity 1.2 Provide training and technical assistance in financial mechanisms and management	Forest Consultant										
Activity 1.3 Organize workshops on business administration, environmental management and training on the use of new and/or improved techniques and technologies, especially those geared to further processing	Regional extension officer										
Activity 1.4 <u>Carry out an industry diagnosis in the central and southern areas of the Peruvian Amazon region</u>	Consultant										
Activity 1.5 Provide technical assistance in <u>foreign trade and</u> logistic arrangements for the pilot export of high value- <u>added</u> products	Regional Coordinator										
Activity 1.6 Preparation of technical documents for the timber industry	Regional Coordinator										
Output 2											
Activity 2.1 Provide technical training on sustainable forest management <u>and the benefits of enterprise development</u>	Regional Extension Officer										
Activity 2.2 Provide technical assistance in the development of business plans <u>and chain-of-custody training</u>	Forest Consultant										
Activity 2.3 Carry out information campaigns <u>for project beneficiaries</u> on sustainable forest management, forest industries and timber trade	Director										
Output 3											
Activity 3.1 Provide technical assistance on trust-building mechanisms to back commercial activities	Subcontract										
Activity 3.2 Provide technical assistance in the setting up <u>and formalization</u> of <u>business</u> associations	Regional Coordinator										
Activity 3.3 Provide training and technical assistance in <u>business</u> administration and organization	Subcontract										
Activity 3.4 <u>Establish and maintain project coordination</u>	Regional Coordinator										
Output 4											
Activity 4.1 Develop proposals to overcome trade barriers, law enforcement weaknesses and other factors that may affect the marketing and market access of timber products	Director										
Activity 4.2 Develop proposal for improved <u>public services to contribute to forest industry development</u>	Regional Coordinator										
Activity 4.3 <u>Provide technical training to strengthen</u> the capacity of forest administrative and technical staff <u>in the public sector</u>	Director										
Activity 4.4 Strengthen policy oriented forest consensus-building roundtable <u>for sustainable forest development</u>	Regional Coordinator										

3.4 Budget

3.4.1 Consolidated budget by component

Budget Components		Input	Unit Costs	TOTAL	YEAR 1	YEAR 2	YEAR 3
10	Project personnel						
	11 National experts	123	1,388	170,700	72,750	80,400	17,550
	11.1 Project coordinator	27	1,400	27,800	16,800	16,800	4,200
	11.2 Project director	27	2,750	74,250	33,000	33,000	8,250
	11.3 Regional coordinator	69	850	58,650	22,950	30,600	5,100
	12 Other personnel	2,593	90	232,400	85,200	121,900	25,300
	12.1 Professional assistant	26	900	23,400	9,900	10,800	2,700
	12.2 Participants	2,480	50	124,000	48,000	69,500	6,500
	12.3 IT expert	24	850	20,400	8,500	10,200	1,700
	12.4 Regional technical assistant	46	600	27,600	10,800	14,400	2,400
	12.5 Field forest engineers	1	5,000	5,000	-	5,000	-
	12.6 Regional technicians	6	2,000	12,000	-	12,000	-
	12.7 Workers	6	2,000	12,000	-	-	12,000
	12.8 Technicians	4	2,000	8,000	8,000	-	-
	13 National consultants	105	731	76,800	38,300	36,500	2,000
	13.1 Specialized professional	9	2,000	18,000	10,000	8,000	-
	13.2 Forest industry specialist	8	2,000	16,000	8,000	8,000	-
	13.3 Finance specialist	3	2,000	6,000	6,000	-	-
	13.4 Business management specialist	2	2,000	4,000	-	4,000	-
	13.5 Foreign trade specialist	3	2,000	6,000	-	6,000	-
	13.6 Forest legislation specialist	3	2,000	6,000	2,000	2,000	2,000
	13.7 Administration management specialist	2	2,000	4,000	-	4,000	-
	13.8 Forest valuation specialist	60	120	7,200	7,200	-	-
	13.9 Chain of custody specialist	5	120	600	600	-	-
	13.11 Monitoring specialist	10	900	9,000	4,500	4,500	-
	19 Component Total	2,821	170	479,900	196,250	238,800	44,850
20	Sub-contracts						
	21 Subcontract – printing of technical docs	1	2,400	2,400	-	-	2,400
	22 Subcontract – audio-video recording, editing and reprod.	2	2,400	4,800	2,400	2,400	-
	23 Subcontract – leaflet editing/printing	1	2,400	2,400	2,400	-	-
	24 Subcontract - poster, T-shirts, caps, etc	1	2,500	2,500	2,500	-	-
	25 Subcontract- production of brochures	1	2,400	2,400	-	2,400	-
	29 Component Total	6	2,417	14,500	7,300	4,800	2,400
30	Travel						
	31 DSA	618	40	24,720	10,360	11,360	3,000
	31.1 Experts /consultants	618	40	24,720	10,360	11,360	3,000
	33.1 Experts /consultants	145	131	18,950	8,680	8,220	2,050
	33.3 Courses /local transport	128	32	4,150	1,800	2,200	150
	39 Component Total	891	54	47,820	20,840	21,780	5,200
40	Capital items						
	41 Premises	27	2,000	54,000	24,000	24,000	6,000
	44.1 Computer equipment	9	1,056	9,500	7,200	-	2,300
	44.3 Other (office furniture)	1	1,000	1,000	1,000	-	-
	49 Component Total	37	1,743	64,500	32,200	24,000	8,300
50	Consumable items						
	52 Spares	2	1,000	2,000	1,000	1,000	-
	53 Utilities	54	600	32,400	14,400	14,400	3,600
	54 Office materials/supplies	2,762	7	18,930	10,540	7,390	1,000
	59 Component Total	2,818	19	53,330	25,940	22,790	4,600
60	Miscellaneous						
	61 Sundry	3,049	11	32,200	14,830	12,520	4,850
	62 Auditing	3	1,200	3,600	-	3,600	-
	69 Component Total	3,052	12	35,800	14,830	16,120	4,850
70	National management costs /Executing Agency management costs						
	71 Costs			69,585	29,736	32,829	7,020
	72 Contact point monitoring			34,793	14,868	16,415	3,510
	79 Component Total			104,378	44,604	49,244	10,530
	SUB-TOTAL			800,228	341,964	377,534	80,730
80	Project monitoring & administration						
	81 ITTO monitoring and review			25,000	10,000	10,000	5,000
	82 ITTO mid-term eval., ITTO ex-post evaluation			15,000	-	7,500	7,500
	83 ITTO programme support costs (8% of items 10 - 82 above)			33,212	14,193	6,696	12,323
	89 Component Total			73,212	24,193	24,196	24,823
90	Refund of pre-project costs (pre-project budget)						
100	GRAND TOTAL			873,440			

3.4.2 ITTO budget by component

Annual disbursements	Total	Year 1	Year 2	Year 3
Budget components/				
10. Project personnel	\$ 255,500	\$ 97,350	\$ 132,000	\$ 26,150
20. Sub-contracts	\$ 12,000	\$ 4,800	\$ 4,800	\$ 2,400
30. Travel	\$ 33,220	\$ 14,460	\$ 14,350	\$ 4,410
40. Capital items	\$ 4,500	\$ 4,000	\$ -	\$ 500
50. Consumable items	\$ 38,870	\$ 20,430	\$ 15,040	\$ 3,400
60. Miscellaneous	\$ 31,060	\$ 13,300	\$ 13,360	\$ 4,400
Sub-total 1	\$ 375,150	\$ 154,340	\$ 179,550	\$ 41,260
80. Project monitoring and administration	\$ -			
81. ITTO monitoring and review	\$ 25,000			
82. ITTO mid-term evaluation, ITTO ex-post evaluation	\$ 15,000			
Sub-total 2	\$ 415,150			
83. ITTO programme support costs (8% of items 10 - 82 above)	\$ 33,212			
90. Refund of pre-project costs				
TOTAL ITTO	\$ 448,362			

3.4.3 Executing agency budget by component

Annual disbursements	Total	Year 1	Year 2	Year 3
Budget components/				
10. Project personnel	\$ 224,400	\$ 98,900	\$ 106,800	\$ 8,700
20. Sub-contracts	\$ 2,500	\$ 2,500	\$ -	\$ -
30. Travel	\$ 14,600	\$ 6,380	\$ 7,430	\$ 790
40. Capital items	\$ 60,000	\$ 28,200	\$ 24,000	\$ 7,800
50. Consumable items	\$ 14,460	\$ 5,510	\$ 7,750	\$ 1,200
60. Miscellaneous	\$ 4,740	\$ 1,530	\$ 2,760	\$ 450
70. National management costs /Executing agency management costs	\$ 104,378	\$ 44,604	\$ 49,244	\$ 10,530
Executing Agency/Host Gov't TOTAL	\$ 425,078	\$ 187,624	\$ 197,984	\$ 39,470

3.4.4 Overall project budget by activity and component (in US\$)

OUTPUTS / + ACTIVITIES + Non-activity based expenses	BUDGET COMPONENTS								Year	GRAND TOTAL				
	10. Project personnel	20. Sub-contracts	30. Travel	40. Capital Items	50. Consumable Items	60. Miscellaneous	Year	GRAND TOTAL						
Output 1 Timber products produced and marketed in accordance with quality standards, quantity and cost requirements of the national and international markets														
Act 1.1 Implement induction workshops to promote...	5,250	(E)	0	3,180	(IE)	0	660	(IE)	1,300	(IE)	1	10,390		
Act 1.2 Provide training and technical assistance...	17,700	(IE)	0	3,690	(IE)	0	260	(IE)	1,830	(IE)	1	23,480		
Act 1.3 Organize workshops on business admin...	75,000	(E)	0	8,530	(IE)	3,200	(IE)	7,500	(IE)	7,400	(IE)	1,2	101,630	
Act 1.4 Provide training and technical assistance...	15,000	(IE)	0	2,890	(IE)	0	980	(IE)	1,160	(IE)	2	20,030		
Act 1.5 Provide technical assistance in logistic...	12,000	(IE)	0	3,330	(IE)	0	1,000	(I)	0	0	2	16,330		
Act 1.6 Preparation of technical documents for...	12,000	(IE)	2,400	(I)	3,780	(IE)	2,300	(IE)	1,000	(I)	1,350	(IE)	3	22,830
Subtotal 1	136,950		2,400	25,400		5,500		11,400		13,040			194,690	
Output 2 Industrialists identify with their business management role for the sustainable and efficient use of timber resources														
Act 2.1 Provide technical training on sust. mgm...	1,850	(IE)	0	1,780	(IE)	0	420	(IE)	1,000	(IE)	1	5,050		
Act 2.2 Provide technical assistance in the dev....	13,000	(I)	0	3,510	(IE)	0	1,000	(I)	3,600	(I)	1,2	21,110		
Act 2.3 Carry out information campaigns for....	0		12,100	(IE)	2,190	(I)	0	1,000	(I)	1,000	(I)	1,2,3	16,290	
Subtotal 2	14,850		12,100	7,480		-		2,420		5,600			42,450	
Output 3 Timber industrialists' organization strengthened														
Act 3.1 Provide technical assistance on trust-building...	4,000	(I)	0	2,390	(IE)	0	1,000	(E)	0	0	2	7,390		
Act 3.2 Provide technical assistance in the setting up...	4,000	(I)	0	2,440	(IE)	0	1,000	(I)	0	0	2	7,440		
Act 3.3 Provide training and technical assistance in...	11,500	(IE)	0	2,280	(IE)	0	1,210	(IE)	720	(IE)	2	15,710		
Act 3.4 Establish and maintain project coordination	242,100	(IE)	0	0	58,000	(IE)	32,400	(IE)	0	0	3	332,500		
Subtotal 3	19,500		-	7,110		-		3,210		720			30,540	
Output 4 National and regional public agencies respond to forest sector requirements														
Act 4.1 Develop proposals to overcome	13,500	(E)	0	3,730	(IE)	1,000	(E)	1,000	(I)	8,000	(I)	1,2,3	27,230	
Act 4.2 Develop proposal for improved ...	9,000	(E)	0	1,390	(IE)	0	1,000	(I)	500	(I)	1	11,890		
Act 4.3 Strengthen the capacity of technical staff..	19,000	(IE)	0	2,460	(IE)	0	900	(IE)	1,440	(IE)	2	23,800		
Act 4.4 Strengthen forest consensus roundtable...	25,000	(E)	0	250	(I)	0	1,000	(I)	6,500	(I)	1,2,3	32,750		
Subtotal 4	66,500		-	7,830		1,000		3,900		16,440			95,670	
Subtotal (ITTO)	255,500		12,000	33,220		4,500		38,870		31,060			375,150	
Subtotal (Executing Agency)	224,400		2,500	14,600		60,000		14,460		4,740			320,700	
Subtotal (Other sources)													-	
TOTAL	479,900		14,500	47,820		64,500		53,330		35,800			695,950	

(I) – ITTO Contribution

(E) – Executing Agency/Host Gov't Contribution

(O) – Contribution of other sources

3.5 Assumptions, risks and sustainability

The main assumptions for the implementation of the project relate particularly to the commitment of the Government to provide strong encouragement to the development of the forest industry through 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 the incentives provided for forest industrialists, when there are clear indicators of the competitiveness of high value-added timber products and a clear commitment to the sustainable management of forests. **Furthermore, the Peruvian financial system is very solid and has sufficient liquidity, thus allowing it to face up to the international financial crisis with better expectations. The Banking system is stable and is maintaining adequate levels of solvency and liquidity. In addition, the strength of public finances is good and the government does not need to rely on the international financial markets to secure funds, which is a good indication that investments will continue to develop without any major impediment. The Peruvian financial system is made up of 81 financial intermediaries, including 33 Banks and Finance companies; 9 Leasing companies; 13 Municipal Banks; 15 Rural Banks; 7 EDPYMES (Small and Medium Enterprise Development Agencies) and 4 Cooperatives. The products and services that they offer are aimed at promoting the capitalization of the country's industrial sector, designed to provide for infrastructure investment, the acquisition of machinery and equipment, storage systems and operational capital that will strengthen both the production and competitiveness of the sector.**

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

- For the development objective, the greatest risk would be the breakdown of the commercial stability of timber products that the country is experiencing, despite the world crisis that originated in the United States (USA) and which is expected to be soon overcome. If the crisis were to continue in the USA, the option would be to reduce activities in that country and increase our share in other national and international markets.
- For the project specific objective, the greatest risk would be that the Peruvian Government would make policy decisions that could affect the activities of the industry and sustainable forest management. Currently there is a system of forest concessions, a few of which have attained FSC certification, others are in the process of being certified and the rest do not have the technical information required for certification. **Only a few forest industries** are currently in the process of implementing chain-of-custody schemes, **but the number of companies joining these schemes will increase as the international market is increasingly demanding this type of systems.** All of these activities are aimed at sustainable forest management. However, if the risk were to eventuate, the project would need to be reformulated in accordance with the new policies implemented by the Government.
- For timber products, the main risks would be that the methodologies and techniques for the promotion and transfer of information on the competitiveness of high value-added timber products, national and international market access and ITTO guidelines, do not take into consideration the socio-economic and cultural characteristics of timber industrialists and do not manage to impact them in a positive manner and thus change their attitudes. Other possible risks could arise from changing legislation, legal instability and indifference. If the project were not to impact the target population with the techniques used, corrective measures would be taken in the problem areas identified. In the case of possible legislation changes, the project would have to be adapted to conform to these changes. **An important risk is the poor credit culture that exists in the country and the limited access to credit facilities for the beneficiaries, as well as the seasonal nature of the operations, which can lead to untimely financing and to the inappropriate use of funds. In view of this risk, the project will provide the relevant technical assistance and training in order to improve the administrative, technical and financial capacities of stakeholders so that they can efficiently implement the operations for which they are requesting financing.**

3.5.2 Sustainability

There are timber industrialists' associations in the project area that are interested in developing the project objective. The activities related to knowledge transfer and dissemination and promotion of ITTO principles and guidelines on the sustainable development of forest industries will enable the project to create awareness, both among forest producers and the civil society in general, on the need to develop high value-added products and ensure that the timber industry is not considered to be forest plundering activity. This will enable the forest industry to make important contributions to the GDP, as Peru is one of the most important tropical forest countries in the world (7th in the world and 2nd in Latin America).

The methodology designed for the transfer of knowledge on "pilot exports", where the CNF will provide technical assistance, will ensure the practical implementation of the knowledge acquired through training programs, workshops and the technical assistance provided to timber industry stakeholders. Thus, the project will ensure that timber industrialists will be highly trained to achieve sustainability over time and will have the competitive edge and independence required to manage their commercial operations.

If any timber industrialists were to show signs of a lack of commitment or responsibility in complying with the requirements of a business opportunity, they will be considered as a special case so as to ensure that they undertake a commitment to adopt the recommendations of the project. To this end, they will be provided special assistance, particularly in the development of a business vision, mission and values, as well as in other areas such as awareness of the advantages and benefits that can be derived from investments and increased sales.

The participation of the CNF in the Forest Consensus-Building Roundtable, established and recognized by the Ministry of Agriculture and the Ucayali Regional Government, will ensure that all technical options will be duly taken into account.

PART 4. IMPLEMENTATION ARRANGEMENTS

4.1 Organization structure and stakeholder involvement mechanisms

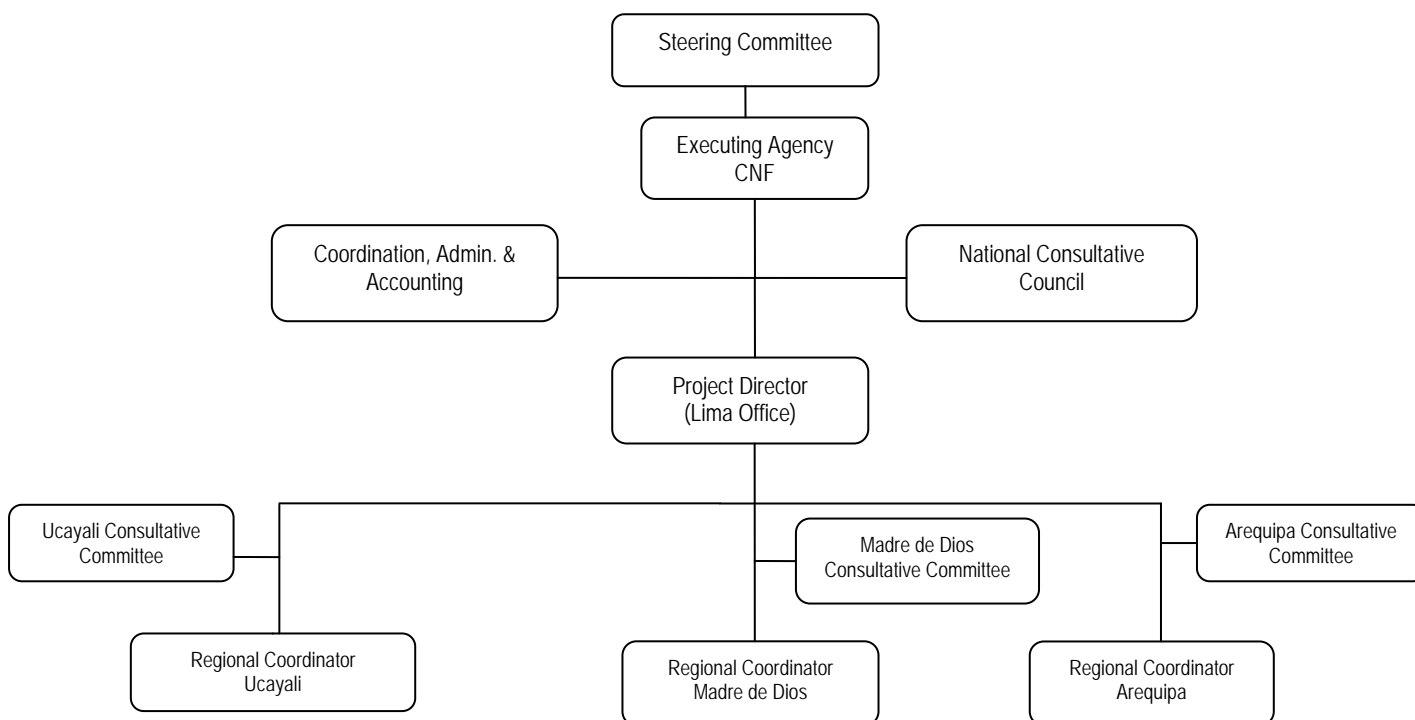
4.1.1 Executing agency and partners

The National Forestry Chamber (*Cámara Nacional Forestal – CNF*) will be responsible for the implementation of the project through a steering committee made up of representatives of the government, the private sector and the organized civil society. To this end, the participation of various forest-related organizations will be ensured, including public agencies, NGOs, and forest industry management committees, among others. All interested parties will be involved in work meetings, training, investment promotion, technical assistance, and national and international trade promotion, with a view to improving the productivity of the timber industry for the production of higher value-added products.

The main objectives of the National Forestry Chamber are to promote the sustainable use of forest resources, harmonizing the principles of conservation with technology and economic and social development, and to achieve efficient and sound forest policies to encourage forest management, industry, trade and the promotion of exports. The CNF has been working with forest stakeholders that depend on forest activities for their subsistence. Past experiences of the CNF include ITTO Project PD 421/06 (F) “Strengthening of the Production Chain for Timber from Forest Concessions and Other Forests under Management”, which has been strengthening the articulation of forest production chains (forest-industry-consumer) thus promoting legal timber trade.

4.1.2 Project management team

The project management team will be set up by the executing agency and will include a project director, a project coordinator, a project assistant, an IT technician, three regional coordinators, three regional extension officers and administrative staff. In addition, administrative offices will be set up (regional offices) in the following locations: Department of Ucayali (Pucallpa), Department of Madre de Dios (Puerto Maldonado), Department of Arequipa (Arequipa) and Department of Lima (Lima), as the project headquarters, which will be based in CNF’s headquarters. The Project Director will regularly travel to the regional offices and the CNF Coordinator, based in Lima, will provide administrative, accounting and technical support to each of the project offices. The project organizational chart is shown below:



4.1.3 Project steering committee

A Steering Committee will be established at the highest level of the project organizational structure. This Committee will be responsible for supervising the project, reviewing and approving budget expenditures, and reviewing the implementation of activities. The 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), General Forest and Wildlife Directorate (DGFFS-MINAG) and the Timber Logging and Reforestation Association of the Ucayali Region (*Asociación de Extractores Madereros y Reforestadores de la Región de Ucayali* – AEMRU). The Project Director will act only as the Secretary of this Committee.

4.1.4 Stakeholder involvement mechanisms

Local Consultative Committees will be established as a consultation platform to guide project actions. These committees will be made up of representatives of public and private timber producer associations and communication media in each work area. The consultative committees will be responsible for convening these stakeholders. The primary stakeholders will be primary timber processing industrialists, secondary timber processing industrialists and timber exporters, who will enhance the competitiveness of their timber products through increased value added so as to gain access to the national and international markets. The secondary stakeholders will be research and education institutions that will benefit from the transfer of knowledge; public agencies (DGFFS and MINAG) through academic updating; forest concessionaires, that will benefit from the sustainability of their forests managed with the support of the industry; and development NGOs, through the promotion of forest development. Tertiary stakeholders will be public organizations (MTC and SUNAT) and financial institutions, through proposals aimed at the timber industry sector for generating sustainable socioeconomic development.

4.2 Reporting, review, monitoring and evaluation

The following reports will be submitted:

- Inception report (upon project approval)
- Yearly plan of operation (together with the inception report)
- Progress report (by 28 February and 31 August of each year and/or 4 weeks before the date of a review mission)
- Technical report (every six months during project implementation)
- Financial reports (on an annual basis and upon project completion)
- Project completion reports (upon project completion)

Reports will be presented with the aid of audio-visual materials (optional).

A progress report will be delivered at least four weeks before the date of a scheduled ITTO review mission.

A basic monitoring system will be applied that will include internal and external monitoring procedures as described below.

Internal monitoring: The system will ensure the successful implementation of the Project including adjustments of the work plan and/or YPO and the implementation of defined corrective actions. Internal monitoring will include the following subjects:

- Follow up commitments resulting from the agreement between ITTO and the Executing Agency;
- Progress and proper execution of work;
- Timely delivery and quality of outputs;
- The extent to which the specific objective has been achieved;
- Social, economic and environmental impact and the effect of mitigating measures.

External monitoring: the external monitoring of the project will be undertaken by ITTO, in cooperation with donors as appropriate, to supervise project implementation. The purposes of this process will be as follows:

- assess whether the project is proceeding according to the agreed work schedules, so that the necessary ITTO actions (e.g. payments to the Executing Agency) may be taken;

- propose and participate in any necessary reviews of the Project as a result of these assessments; and
- report to the Committees and the Council on the situation and completion prospects for the project.

The evaluation of the project will be based on the systematic and objective collection of information, on the spot assessment and analysis of the validity, design, appropriateness, performance and the impact of the project.

The project mid-term evaluation will include the systematic and objective collection of information, on the spot assessment and analysis of the validity, design, appropriateness, performance and the impact of the project during its implementation stage. Mid-term evaluations will be carried out in circumstances when:

- there are problems in project implementation, upon request from the ITTO secretariat, donors or the Project Steering Committee, as appropriate;
- the need for mid-term evaluation was foreseen at the early stage of project development or implementation.

The ex-post evaluation will include the systematic and objective collection of information, on the spot assessment and analysis of the validity, design, appropriateness, performance and the impact of the Project after its completion, with the aim to establish the extent to which it achieved its objective, its degree of effectiveness and efficiency, as well as its sustainability.

4.3 Dissemination and mainstreaming of project learning

4.3.1 Dissemination of project results

Project results will be disseminated through seminars, workshops, conferences, manuals, production guides and brochures. They will also be posted on two existing electronic platforms: CNF and DGFFS-MINAG websites, so as to ensure widespread dissemination at the national and international levels. In addition, the project's professional staff will be available to users, both in person and through the internet, for additional enquiries and consultations.

4.3.2 Mainstreaming of project learning

This project is part of a long-term strategic vision based on market demand to achieve the economic and ecological revaluation and conservation of tropical forests in Peru, through the implementation of efficient forest management and industrial processing technologies. Thus, it will contribute to sustainable forest development in Peru, creating investment opportunities based on forest management, the regulatory framework for permanent production forests, long-term forest concession rights and the development of the timber industry as one of the pillars of sustainable development in the Peruvian Amazon Region.

The project will promote timber production through the use of high value-added production technologies that will facilitate the development of leading market products, the adequate use of forest species and the improvement of quality and productivity levels.

The project will be implemented with the active participation of primary and secondary industry producers and exporters. There is a high degree of interest in timber products that warrants the provision of technical assistance and training as required for the development of leading products for expanded markets, enhancing negotiation capacities at the international level and incorporating new technologies for the manufacturing of products of high demand in the market. Thus, the project stems from the need of many producers to improve their entrepreneurial skills and promote new investments to achieve a timber industry that better utilizes forest resources, undertaking a commitment for sustainability in compliance with forest management plans and generating wealth and employment for sustainable social and economic development.

ANNEX 1. PROFILES OF THE EXECUTING AND COLLABORATING AGENCIES

NATIONAL FORESTRY CHAMBER – CNF

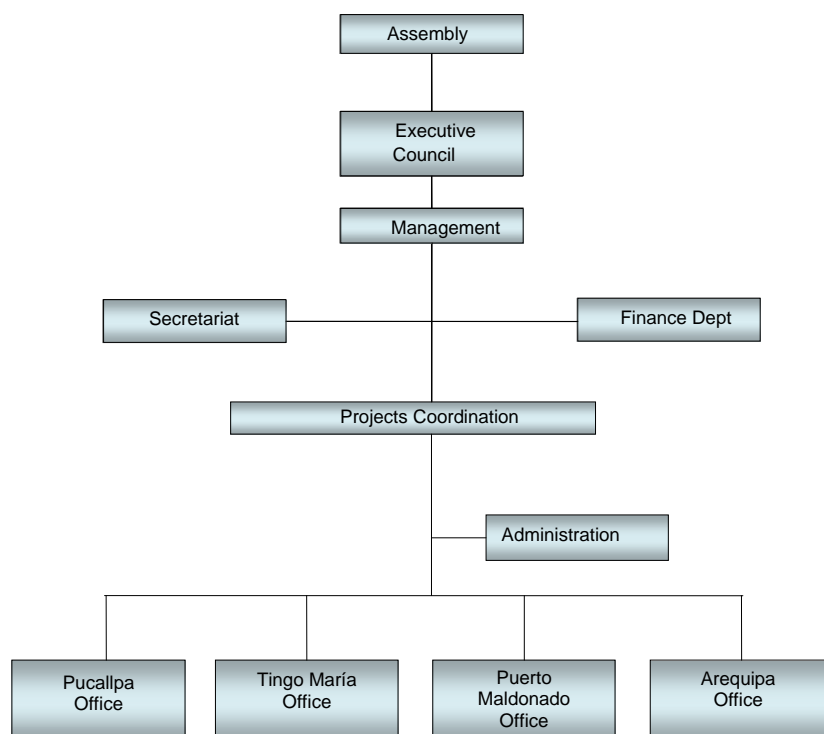
Address: Ramón Dagnino No. 369, Jesús María - Lima 11, PERU
Telephone: (511) 6516197
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E-mail: cnf@cnf.org.pe
Website: cnf.org.pe

The National Forestry Chamber (Cámara Nacional Forestal – CNF) is a non-profit civil association established on 16 August 1989 after a consensus-building 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, harmonizing 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;
- Providing feedback/making statements on issues of national interest;
- Designing and implementing research, training and development projects related to forestry.

Organizational chart



The National Forestry Chamber is headquartered in the city of Lima, where it has an office that is conveniently equipped for ongoing communication via the internet and mobile telephones with its administrative offices in Pucallpa, Tingo Maria, Puerto Maldonado and Arequipa.

List of projects under implementation and completed over the last three years

Date	Project Title	Financing Source	Contribution	
			National	International
			US\$	US\$
PROJECTS UNDER IMPLEMENTATION				
Dec. 2007 – May 2010	PD 421/06 Rev.2 (F): “Strengthening of the production chain for timber from forest concessions and other forests under management”	International Tropical Timber Organization – ITTO	405,693	580,532
			ECUs	ECUs
Feb. 2008 – 2009	“Sustainable management of a Shiringa (<i>Hevea brasiliensis</i>) community forest as an alternative to deforestation and forest degradation in the Peruvian Amazon Region”	Flemish Fund for Tropical Forests	19,659.37	34,950
COMPLETED PROJECTS				
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

ANNEX 2. TASKS AND RESPONSIBILITIES OF KEY EXPERTS PROVIDED BY THE EXECUTING AGENCY

TERMS OF REFERENCE FOR THE PROJECT COORDINATOR

Qualifications

- Registered Forest Engineer
- Preferably with an advanced academic degree
- A minimum of 10 years experience in timber production activities and/or international cooperation projects related to sustainable timber industry research and development
- Leadership skills for the coordination of international cooperation projects

Duties

- Coordinating the technical aspects of the project and the implementation of activities
- Coordinating the technical team of professionals and consultants for project implementation
- Participating in the identification and selection of leading market products
- Preparing project reports and proposing plans of operation for the project in accordance with the provisions of the ITTO Project Manual
- Promoting and organizing 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

Work base

Lima + availability for relatively frequent trips to the work area and throughout the country.

ANNEX 3. TERMS OF REFERENCE OF PERSONNEL, CONSULTANTS AND SUBCONTRACTS FUNDED BY ITTO

TERMS OF REFERENCE FOR THE PROJECT DIRECTOR

Qualifications

- Registered Forest Engineer
- Preferably with an advanced academic degree
- A minimum of 15 years experience in timber production activities and/or international cooperation projects related to sustainable timber industry research and development
- Leadership skills for the coordination of international cooperation projects

Duties

- Managing the technical aspects of the project and the implementation of activities
- Managing the technical team of professionals and consultants for project implementation
- Participating in the identification and selection of leading market products
- Preparing project reports and proposing plans of operation for the project in accordance with the provisions of the ITTO Project Manual
- Promoting and organizing meetings between authorities and timber industrialists at the national and regional levels for the signing of agreements
- Managing the technical assistance required for the development of business plans

Work base

Lima + availability for relatively frequent trips to the work area and throughout the country.

TERMS OF REFERENCE FOR REGIONAL COORDINATORS

Qualifications

- Registered and accredited forest engineer
- A minimum of 5 years experience in sustainable forest resource management and/or active interaction with timber producers
- Knowledge of the socio-cultural context of communities involved in forest activities
- Ability to use and manage communication and training techniques
- Ability to relate to production sector stakeholders and officers as well as engaging ability
- Ability to work in a team

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 and other timber sector stakeholders in their respective areas
- Designing participatory mechanisms for forest stakeholders involved
- Participating in the design of the training and technology transfer programme for timber industrialists
- Coordinating the provision of technical assistance to forest industry stakeholders in their respective areas
- Organizing training courses/workshops to promote the production of value-added timber products
- Organizing field visits for the exchange of knowledge and experiences between timber producers and consumers
- Organizing 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
- Organizing information events on forest activities in their respective areas
- Supporting the organization and operation of forest management committees in their respective areas
- Other project-related duties as required

Work base for each Regional Coordinator

- Pucallpa
- Puerto Maldonado
- Arequipa

Availability for relatively frequent trips to the work area and throughout the country.

TERMS OF REFERENCE FOR REGIONAL EXTENSION OFFICERS

Qualifications

- Forest engineer
- A minimum of 2 years experience in sustainable forest resource management and/or active interaction with timber producers
- Knowledge of the socio-cultural context of communities involved in forest activities
- Ability to use and manage communication and training techniques
- Ability to relate to production sector stakeholders and officers as well as engaging ability
- Ability to work in a team

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 and other timber sector stakeholders in their respective areas
- Designing participatory mechanisms for forest stakeholders involved
- Participating in the design of the training and technology transfer programme for timber industrialists
- Coordinating the provision of technical assistance to forest industry stakeholders in their respective areas
- Organizing training courses/workshops to promote the production of value-added timber products
- Organizing field visits for the exchange of knowledge and experiences between timber producers and consumers
- Organizing 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
- Organizing information events on forest activities in their respective areas
- Supporting the organization and operation of forest management committees in their respective areas
- Other project-related duties as required

Work base for each Regional Extension Officer

- Pucallpa
- Puerto Maldonado
- Arequipa

TERMS OF REFERENCE FOR CONSULTANTS

EXPERT IN TIMBER DRYING, DURABILITY AND PRESERVATION

Qualifications

- Registered Forest Engineer
- A minimum of 10 years experience in forest industries and research on timber drying
- Verbal and written communication skills

Duties

- Participating in timber drying studies
- Coordinating project activities under his/her responsibility in close cooperation with UNU and UNALM faculties
- Participating in information processing, development of database and assessment of timber use potential
- Participating in meetings organized by the project
- Submitting and supporting the report of the study on timber durability, drying and preservation
- Participating in the preparation of a technical document

Availability for relatively frequent trips to the work area and throughout the country.

EXPERT IN SAWMILLING

Qualifications

- Registered Forest Engineer
- A minimum of 10 years experience in forest industries and research on sawmilling
- Verbal and written communication skills

Duties

- Participating in sawmilling studies
- Coordinating project activities under his/her responsibility in close cooperation with UNU and UNALM faculties
- Participating in information processing and development of database
- Participating in meetings organized by the project
- Submitting and supporting the report of the sawmilling study
- Participating in the preparation of a technical document

Availability for relatively frequent trips to the work area and throughout the country.

EXPERT IN WOOD TECHNOLOGY

Qualifications

- Registered Forest Engineer
- A minimum of 10 years experience in wood technology
- Verbal and written communication skills

Duties

- Participating in wood technology and anatomy studies
- Coordinating project activities under his/her responsibility in close cooperation with UNU and UNALM faculties
- Participating in meetings organized by the project
- Participating in information processing, development of database and assessment of timber use potential

- Participating in the identification of appropriate wood technologies
- Submitting and supporting the report of the wood technology study
- Participating in the preparation of a technical document

Availability for relatively frequent trips to the work area and throughout the country.

EXPERT IN VALUE-ADDED TIMBER PRODUCTS

Qualifications

- Registered Forest Engineer
- A minimum of 10 years experience in mechanical timber processing, timber workability and furniture design
- Verbal and written communication skills

Duties

- Participating in mechanical timber processing, timber workability and furniture design studies
- Coordinating project activities under his/her responsibility in close cooperation with UNU and UNALM faculties
- Participating in meetings organized by the project
- Participating in a primary and secondary processing industry diagnosis
- Participating in the identification of new wood technologies
- Submitting and supporting the report of the wood technology study
- Participating in the preparation of a technical document

Availability for relatively frequent trips to the work area and throughout the country.

EXPERT IN FOREIGN TRADE

Qualifications

- Degree in foreign trade
- A minimum of 5 years experience in timber product exports
- Verbal and written communication skills

Duties

- Participating in the provision of training and technical assistance in foreign trade in timber products
- Participating in meetings organized by the project
- Submitting and supporting the report of the study on foreign trade potential of timber products

Availability for relatively frequent trips to the work area and throughout the country.

EXPERT IN BUSINESS MANAGEMENT

Qualifications

- Degree in business management
- A minimum of 5 years experience in business management, preferably in relation to timber products
- Verbal and written communication skills

Duties

- Participating in the provision of training and technical assistance in timber product business management
- Participating in meetings organized by the project
- Submitting and supporting a technical report

Availability for relatively frequent trips to the work area and throughout the country.

EXPERT IN INDUSTRIAL SAFETY

Qualifications

- Degree in industrial safety
- A minimum of 5 years experience in industrial safety, preferably in relation to the timber industry
- Verbal and written communication skills

Duties

- Participating in the provision of training and technical assistance in industrial safety
- Participating in meetings organized by the project
- Submitting and supporting a technical report

Availability for relatively frequent trips to the work area and throughout the country.

SAW DOCTORING EXPERT

Qualifications

- Mechanical or forest engineer specialized in saw sharpening and equipment maintenance
- A minimum of 5 years experience in saw doctoring
- Verbal and written communication skills

Duties

- Organizing and implementing training activities as planned by the project
- Participating in the preparation of technical documents

Availability for relatively frequent trips to the work area and throughout the country.

IT EXPERT

Qualifications

- IT engineer or technician
- A minimum of 5 years experience in the field
- Verbal and written communication skills

Duties

- Participating in information processing, development of database and assessment of timber use potential
- Participating in meetings organized by the project

Availability for relatively frequent trips to the work area and throughout the country.

QUALITY CONTROL EXPERT

Qualifications

- Forest engineer specialized in timber product quality control
- A minimum of 5 years experience in quality control procedures
- Verbal and written communication skills

Duties

- Organizing and implementing training activities as planned by the project
- Participating in the preparation of technical documents

Availability for relatively frequent trips to the work area and throughout the country.

CHAIN OF CUSTODY EXPERT

Qualifications

- Forest engineer specialized in chain of custody systems
- Preferably with an advanced academic degree
- A minimum of 5 years experience in chain of custody systems
- Verbal and written communication skills

Duties

- Organizing and implementing training activities as planned by the project
- Participating in the preparation of technical documents

Availability for relatively frequent trips to the work area and throughout the country.

PROJECT EVALUATION CONSULTANT

Qualifications

- Forest engineer with experience in participatory evaluation procedures
- Professional experience in conducting relevant events
- Knowledge of the socio-cultural context of communities involved in forest activities
- Ability to use and manage communication and training techniques
- A minimum of 5 years experience in participatory evaluation procedures

Duties

- Facilitating the participatory project evaluation process, assessing the level and quality of results obtained in accordance with the indicators established by the project
- Presenting recommendations for better project impact and management

TERMS OF REFERENCE FOR SUBCONTRACTS

Subcontract 1

Technical editing of technical documents, brochures and leaflets

Requirements:

- Individual or company
- Knowledge of and experience in the forestry field
- Experience in editing technical documents and material
- Good spelling and writing skills

Subcontract 2

Technical editing of written and audio-visual material

Requirements:

- Individual or company
- Knowledge of and experience in the forestry field
- Experience in editing technical documents and material
- Good spelling and writing skills

ANNEX 4. RECOMMENDATIONS OF ITTO EXPERT PANEL

PD 540/09 (I) Support to Improve the Productivity of the Peruvian Timber Industry for the Production of Higher Value-added Products (Peru)

Assessment by the Thirty-eighth Panel

A) Overall Assessment

The Panel noted that the proposal aims at improving the levels of efficiency in the wood and furniture industries in order to increase the volume and value of its exports, and that outputs from ITTO Project PD 37/87 Rev.3 “Industrial Utilization of New Forest Species in Peru” will be disseminated to small primary manufactures in order to address the problem of low competitiveness of processed wood products.

The Panel was concerned about the feasibility of Output 4 “National and regional public agencies respond to forest sector requirements”, due to recent events and political situation in Peru related to National Forest Law. Further analysis and up-date in this respect will be required.

The Panel felt that a more detailed description of the involvement and interest of the private sector in the execution of the proposal is needed, as well as, to the contribution of the proposal in promoting legality in the business operation of the forest sector.

B) Specific Recommendations

The proposal should be revised taking into account overall assessment **and** the following:

1. Elaborate measurable and achievable indicators for the Development Objective;
2. Develop a clear and logical linkage of the outputs and their respective activities;
3. Elaborate and describe the country’s situation regarding the availability of capital and sources of funding and the risk and mitigation measures involved in attaining the objectives of the proposal;
4. Revise and adjust the ITTO budget allocated for Personnel and Duty travel, as they are too high. In particular revise the personnel budget allocation for Activities 1.6 and explain the US\$428,330.00 expenditure under Activity 4.1 and reduce substantially the amount allocated for personnel;
5. Adjust the ITTO budget for Ex-Post Evaluation to US\$15,000.00;

DESCRIPTION OF MODIFICATIONS

The recommendations have been addressed and incorporated into the project document. The modifications have been highlighted throughout the text of the proposal (in **bold and underlined**).

More precise quantitative indicators as well as means of verification have been included in the logical framework matrix.

A clear and logical linkage has been developed between project outputs and their respective activities.

The country’s situation regarding the availability of capital and sources of funding has been elaborated on and described in item 3.5.1 (Assumptions and risks). Mitigation measures to ensure the achievement of project objectives are described in item 3.5.2 (Sustainability).

The budget allocated for personnel and travel costs in activities 1.6 and 4.1 has been revised and adjusted.

ITTO budget for ex-post evaluation has been adjusted to US\$ 15,000.

<p>6. Include letters of commitment of the collaborative institutions (DGFFS-MINAG);</p> <p>7. Identify mitigation measures for risk of lack of engagement on the part of “timber industrialists”, since this is identified as fundamental risk;</p> <p>8. Describe whether RIL and certification will be a component in the workshops related to forest Management; and</p> <p>9. Provide an annex which shows the recommendations of the 38th Expert Panel and the respective modifications in a tabular form. Highlight modifications (<u>bold and underline</u>) in the text.</p>	<p><u>A letter of commitment of the collaborating agency (DGFFS-MINAG) has been included.</u></p> <p><u>Mitigation measures for the risk of the lack of engagement on the part of “timber industrialists” have been identified in item 3.5.2 (Sustainability).</u></p> <p><u>Activities 2.1, 2.2 y 2.3 include the implementation of workshops on reduced impact logging and certification as components of sustainable forest management.</u></p> <p><u>This annex has been included as requested.</u></p>
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