

# PD 421/06 Rev.2 (F) Strengthening of the Production Chain for Timber from Forest Concessions and Other Forests under Management (Peru)

## I. Introduction

The Council approved the project during its Forty-second Session in May 2007 and full financing for its implementation was pledged at that same session. The final agreement regulating the implementation of the project was duly signed in October 2007. Upon the submission of the first Yearly Plan of Operations, a request for the no-objection of the project's key personnel and a notification that implementation was about to begin, the first installment of funds was transferred in November 2007.

## II. Project Objective

This project aimed to contribute to the strengthening of the forest production-industry-consumer chain to consolidate a formal, transparent and legal production system that was to encourage sustainable forest management and further benefit forest sector related communities and the national economy. Specifically, the project sought to promote the articulation of the legal production of timber from forest concessions and other forests under sustainable management with industry, trade and end-consumers and to support the implementation of a national forest production monitoring system with the participation of the public and private sectors.

## III. Project Achievements and Outputs

The Project was reported as completed in June 2011. In accordance with the project document, planned activities were carried out during the project's lifespan and its achievements can be summarized by major outputs as follows:

### **Output 1: Design of managed forest-industry-market articulation system**

- 10 identified and organized sustainably-sourced timber supply chains, 6 in the Central Peruvian Economic Corridor, which provide wood flooring, plywood and lumber for the domestic market, and blanks, wooden pallets, and planed dimensional lumber for the international markets, and all originating from the Alto Huallaga region, and 4 in the Southern Economic Corridor, providing both certified and non-certified lumber and wood flooring for export;
- On-the-spot technical assistance was provided to 50 forest industries, and these received a total of 149 visits to their processing centers and/or forests. As a result, 17 companies improved their wood processing facilities, 12 companies benefited from discounts on forest rights and royalty payments, 8 companies reinforced the management of their forests, 8 companies were advised on machinery and equipment selection, 6 companies were advised on marketing and business development, 5 companies were involved in pilot timber tracking systems, and 20 companies were given advice on how to register their forest concessions with the Public Registry, 6 of which managed to completely formalize their forest concessions with the Public Registry;

- The National Forestry Chamber entered into two cooperation agreements with local universities, one with the National Intercultural University of the Amazon (Ucayali) and another with the Amazon National University of Madre de Dios. Moreover, both agreements transcend the life of the project and will continue to provide capacity building to the Peruvian forestry sector;
- A publication entitled "Manual of the main current and potential commercial tree species of the Upper Huallaga Region" has been written and its digital version has been widely disseminated throughout the Central Peruvian Economic Corridor;
- 21 workshops and courses were organized to train a total of 671 people, including forest concessionaires, timber industrialists, businessmen, and professionals, officials, administrators and technicians from both the private and public sectors related to forestry. Main topics included sustainable forest management and silviculture, identification of forest species, forest inventories, diagnostic sampling, forest roads, forest certification, anatomical identification of woods, technical standards for packaging and pallets, industrial safety, band saws, and chain of custody, among other;
- 4 field visits that allowed forest concessionaires, timber producers, forest industrialists and forestry related businessmen in different regions of the country to relate to and get to know and understand the complete value chain of wood, starting at the forest (timber production sites) to primary and secondary processing plants to end at both the domestic and export markets; and
- A pilot timber tracking system - SISOMAD – established in Peru.

#### **Output 2: Development of Code of Conduct for the private sector and CNF members**

- Five awareness campaigns on the benefits of sustainable forest management, consumption of legal timber, and negative effects of illegal timber logging and trade were organized - One in each of the following major cities: Tingo Maria, Pucallpa, Puerto Maldonado, Arequipa and Lima, with the slogan "contribute towards the sustainable management of our forest by using timber of legal origin". Video spots, radio bulletins, posters and pamphlets were also produced;
- 33 information events have been organized to the benefit of authorities and timber industrialists on topics such as sustainable forest management, the use of legal timber, the mitigation of illegal logging and trade, timber production control systems, social conflicts management and resolution, and the analysis of current forest concession processes in Peru;
- 8 representative regional associations of timber producers and traders, encompassing more than 300 members, have endorsed agreements committing themselves towards responsible timber purchases; and
- A Code of Conduct has been developed for the CNF industry members, which embraces 12 organizations representing more than 2,000 individuals.

#### **Output 3: Forest business plans for production watershed areas**

- Forest business plans were developed for 10 specific timber enterprises;
- 4 business roundtables have been organized, 2 in the Central Region (Lima and Pucallpa) and 2 in the southern Region (Arequipa and Cuzco); and
- Technical assistance was provided on the implementation of previously developed business plans for 17 timber enterprises, and covered issues such as forest management, business advice and financing.

#### **Output 4: On-line information system on forest production from managed forests**

- An institutional web page has been designed and includes national supply and demand data for timber products by forest sector companies and other relevant information gleaned from the project. In addition, it lists the quarterly prices of forest products and services, and also provides diverse information on actions and publications of the CNF. It can be accessed at [www.cnf.org.pe](http://www.cnf.org.pe); and
- A bulletin with detailed prices of forest products and services is disseminated quarterly.

#### **Output 5: OSINFOR strengthened**

- During project formulation and start-up, OSINFOR was a supervisory body of the ex National Institute of Natural Resources (INRENA). Nowadays it has far more authority and is currently attached to the Presidency of the Council of Ministers and constitutes itself as the Agency for the Supervision of Forest Resources and Wildlife;
- OSINFOR nowadays counts with a new set of procedural regulations for its organization and functions;
- The Ucayali Region Roundtable for Sustainable Forestry Development has been strengthened and assistance was provided to put together 2 forestry development proposals, one focusing on a Regional Strategic Forestry Plan for the Ucayali Region, and the other on forestry financing;
- 7 dissemination and training events have been carried out to the benefit of OSINFOR and its regional technical administrations for the monitoring of forest concessions;
- The CNF and OSINFOR have entered into a cooperation agreement to jointly develop and implement training courses and workshops for the Peruvian forestry sector;
- A corporate strategy has been established for the generation of legislative initiatives that will contribute towards the development of forestry regulations;
- A proposal for resolving forest conflicts has been developed;
- A Cycle of Forestry Conversations was successfully carried out at the Congress of the Republic of Peru with the active participation and commitment of a congresswoman, as well as leading institutions such as the National Agrarian University La Molina, the Peruvian Forestry Faculties Coordination Unit (COFAFOPE), the NGO AIDER, and the National Forestry Chamber.
- 12 open-ended meetings were held to discuss issues such as forest plantations, forest management, land management, logging and timber trade law, education, research, forest law enforcement and non-timber forest products among policy makers, national and regional authorities and public officials, forest entrepreneurs, professionals, farmers, representatives of indigenous and peasant communities, productive organizations and the general public. These conversations were broadcast live and/or retransmitted nationally on the television channel of Congress. Moreover, this Cycle of Forestry Conversations further contributed to develop a forest culture throughout the country.

#### **IV. Outcomes and Impacts**

Overall, the project was highly successful and has strengthened the sustainably-sourced timber supply chains in the Peruvian Central and Southern Economic Corridors, and has integrated forest producers into production and value chains associated with responsible timber sourcing, therefore supporting sustainable forest management in the country and directly benefiting the populations involved in forestry activities. Awareness was raised among direct and indirect users of the forest resources about the benefits of sustainable forestry management and legal logging and timber trade and, at the time, the actions of the forest supervisory authority (OSINFOR) increased substantially. In addition, 50 forest

enterprises currently contributing to these chains, either by managing forests, processing timber or both, have improved their overall production systems and have become more orderly, formal and efficient. Moreover, several unions of timber producers and other associations linked to forest production activities agreed in writing that all their members would only use legally sourced timber in their productive activities, and further promote actions to ensure that the timber supply comes from forests and industries properly regulated by the competent authority, be it from forest concessions or other forests under-management, among others. Last but not least, a pilot timber tracking system has been established and it is expected that several forest concessions and industries will shortly begin utilizing it.

## V. Lessons Learnt and sustainability


Major lessons learned from this project, among others, are as follows:

- The contacts and closeness that were to be created by the project between the forest concessionaires in the Peruvian Southern Amazon region (Department of Madre de Dios) with the CETICOS (Centers for Export, Transformation, Industry, Marketing and Services) located on the southern coast at the ports of Ilo (Moquegua) and Matarani (Arequipa), and which can provide wood processing facilities, services and infrastructure, and customs and tax benefits, and thus encourage the exports of value-added wood products, as well as the forthcoming completion of the Inter-Oceanic Highway, which will allow better integration of the macro-region south of the country, could not materialize, as the CETICOS are public entities, with very bureaucratic decision-making levels that were not very clear, so it was not possible to design an effective intervention strategy. However, the opportunities presented continue to be interesting and, as such, the National Forestry Chamber will persist in concretizing the actions it has proposed, such as the establishment of a secondary processing facility for timber export purposes.
- The close participation and combined work with local organizations, be they private, public or unions, educational institutions, written and spoken media centers, is imperative so as to be able to impact society in raise awareness on issues such as forest conservation, sustainable forest management and legal logging and forest products marketing. Although the project used this strategy, it should have been far more insistent so as to become a greater unifying agent.
- The enforcement of technical and administrative-legal procedures is a problem that companies face continuously, and some were actually partially attended by the Project. However, experience shows that decision-making employers, managers, executives and other staff show serious deficiencies in the execution of their administrative, organizational, planning, marketing, financial and other responsibilities. These need to be addressed if businesses are to improve their management skills and, consequently, strengthen their sustainable forest management practices.
- The national legislation is very complex, and as such merits greater advocacy from decision makers at national and regional levels. The Cycle of Forestry Conversations successfully carried out at the Congress of the Republic of Peru has allowed to initiate a process to develop a forest culture in Peru, as it has interacted with policy makers at national level (Congress) and regional public authorities and officials, representatives of native communities, forestry companies, production and peasant organizations, professionals and agricultural producers and the general public. These are a positive experience that indicate an increasing willingness at senior political

levels, and further proves that the forestry issue and the relevance of sustainable forest management are gradually becoming more recognized.

- Also, experience shows that training has to be permanent, because the actors need to be updated constantly and the staff turnover in forest enterprises is high.
- Another important aspect of management in forest concessions and indigenous communities, is that it should not be limited to just timber, but should consider the wider choice offered by the forest in other assets, such as non-timber and environmental services it provides, so that forest management can become economically more attractive, and which will make more financial resources available so as to address other management costs, such as silvicultural activities, which is still incipient in Peru.

As regards sustainability, the following aspects should be highlighted:

- The National Forestry Chamber, based on the experiences of the Project and for sustaining it, is working on project proposals whose implementation will consolidate the progress in sustainable forest management in Peru. Focus will be given to increased economic efficiency of management in permanent production forests, improving the productivity of the timber industry to produce products with higher added value, to facilitate the exchange of experiences through the implementation of the V Latin American Forestry Congress, to strengthen governance actions and advocacy nationally, regionally and on the traceability of forest products;
- The use of pilot timber tracking system developed by the project will continue to be promoted among forest concessions and industries in Peru;
- The National Forestry Chamber will continue to provide capacity building to the Peruvian forestry sector in cooperation with local universities;
- The CNF will continue to pursue the establishment of secondary processing facilities for timber export purposes at the CETICOS in Ilo and Matarini on the Peruvian southern coast; and  Moreover, the CNF will continue to promote a managed forest-industry-market articulation system, a code of conduct for the private sector and CNF members, the implementation of business plans for forest concessions and forest industries; and further see to the strengthening of Agency for the Supervision of Forest Resources and Wildlife (OSINFOR).

## VI. Concluding Remarks

The ITTO Secretariat has received the Project Completion Report, Final Technical Report and the Final Financial Audit Report. The Project completion was therefore approved by the respective ITTC Committee in the 47<sup>th</sup> ITTC Session held in Guatemala in November 2011.