

INTERNATIONAL TROPICAL TIMBER ORGANIZATION

PROJECT AGREEMENT

PD 319/04 Rev.2 (F)

**“MODULAR SYSTEM OF FOREST MANAGEMENT IN
THE BRAZILIAN AMAZON”**

between

THE INTERNATIONAL TROPICAL TIMBER ORGANIZATION (ITTO)

and

THE GOVERNMENT OF BRAZIL

and

THE AMAZON INSTITUTE OF PEOPLE AND ENVIRONMENT (IMAZON)

PROJECT AGREEMENT

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THE INTERNATIONAL TROPICAL TIMBER ORGANIZATION (ITTO)

and

THE GOVERNMENT OF BRAZIL

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THE AMAZON INSTITUTE OF PEOPLE AND ENVIRONMENT (IMAZON)

ON THE IMPLEMENTATION OF PROJECT PD 319/04 Rev.2 (F)

**"MODULAR SYSTEM OF FOREST MANAGEMENT IN
THE BRAZILIAN AMAZON"**

WHEREAS:

- A. the International Tropical Timber Council (hereafter referred to as "ITTC") has approved the Project PD 319/04 Rev.2 (F) "Modular System of Forest Management in The Brazilian Amazon", (hereinafter referred to as "the Project"), and the International Tropical Timber Organization (hereinafter referred to as "ITTO") wishes to make available to the Government of Brazil funds not exceeding a total of US\$ 277,560.00 (United States dollars two hundred seventy-seven thousand five hundred sixty only), for the purpose of implementing the afore-mentioned Project as provided for in this Agreement;
- B. the Government of Brazil through the Brazilian Agency for Cooperation – ABC (hereinafter referred to as "the Government") has indicated its willingness to facilitate the implementation of the Project within its territory;
- C. it has been agreed that The Amazon Institute of People and Environment (IMAZON) (hereinafter referred to as the "Executing Agency") shall implement the Project; and
- D. it has been agreed that the Executing Agency shall contribute to the Project a total of US\$ 128,200.00 (United States dollars one hundred twenty eight thousand two hundred only) in kind.

NOW THEREFORE the parties hereby agree as follows:

TITLE I

Definition of the Project

Article 1º: The Project Document PD 319/04 Rev.2 (F) "Modular System of Forest Management in The Brazilian Amazon", (hereinafter referred to as "the Project Document") attached hereto as the Appendix, shall be read as part of this Agreement, and shall govern the scope and details of the Project, subject to any subsequent clarifications and supplementary arrangements which may be agreed between the Parties.



TITLE II

Execution of the Project

Article 2: The Executing Agency shall be responsible for implementing the Project in accordance with the Project Document, a detailed work plan approved by ITTO and with any supplementary arrangements which may be agreed between the Parties.

Article 3: The Executing Agency shall implement the Project in a manner consistent with the ITTO "Rules and Procedures Applying to ITTO Projects" (1999), the "Manual for Project Monitoring, Review and Evaluation" (Second Edition, May 1999), the "ITTO Financial Rules and Rules Relating to Projects" (1997) and the "ITTO Guidelines on the Selection and Employment of Consultants and the Guidelines for the Procurement and Payment of Goods and Services Financed from the Special Account" (1993).

Article 4: The Executing Agency may, in accordance with the Project Document, the "ITTO Guidelines on the Selection and Employment of Consultants and the Guidelines for the Procurement and Payment of Goods and Services Financed from the Special Account" (1993), and with the prior approval of ITTO, delegate or sub-contract specific tasks and functions in connection with the Project to any other consultant[s], legal entities or institutions which are not under its daily supervision and control. However, such delegation or sub-contracting shall not free the Executing Agency from its responsibility and obligation for the Project as defined by the Project Document and this Agreement.

Article 5: ITTO shall not be liable for any claims arising as a result of implementation of the Project or due to the use of any Project equipment.

Article 6: The Executing Agency shall do its utmost to ensure that the Project is implemented on schedule, within the agreed budget, and in such a way as to achieve its objectives.

Article 7: A Project Technical Committee shall be established. The composition of the Project Technical Committee shall include one representative of the ITTO, at least one representative of the Executing Agency, at least one representative of the Government and optionally a representative of the government(s) providing funds for implementation of the Project. The Project Technical Committee will meet at least once a year to review progress in Project implementation.

TITLE III

Finance

Article 8: The respective contributions of the Executing Agency and ITTO contributing in cash or in kind to the Project shall be as set out in the budget and operating expenses sections in the Project Document.

Article 9: ITTO undertakes, as provided for in this Agreement, to contribute an amount not exceeding US\$ 277,560.00 (United States dollars two hundred seventy-seven thousand five hundred sixty only) for the purpose of implementing the Project.

Article 10: ITTO will make payments in United States dollars related to its contribution to a separate bank account to be opened for the Project, with a bank of commonly high reputation, to be determined by the Executing Agency, as follows:

- (a) ITTO will cause the first payment of US\$ 20,700.00 (United States twenty thousand seven hundred dollars only) to be deposited, upon signature of this Agreement, and after the Executing Agency provides the Executive Director of ITTO with a detailed Work Plan for the duration of the Project, a first Yearly Plan of Operation for the implementation of the Project and a notification that implementation of the Project is about to commence;
- (b) The second installment of US\$ 20,700.00 (United States twenty thousand seven dollars only) after receipt by ITTO of the first bi-annual Project progress report from the Executing Agency in accordance with the procedures of ITTO, and a justified request for the payment in terms of the timing, amount and estimated costs foreseen in the Yearly Plan of Operation, in light of implementation thus far, for the period to which funds will relate;
- (c) The third installment of US\$ 57,960.00 (United States fifty seven thousand nine hundred sixty dollars only) after receipt by ITTO of the second bi-annual Project progress report from the Executing Agency made in accordance with the procedures of ITTO, and a justified request for the payment in terms of the timing, amount and estimated costs foreseen in the Yearly Plan of Operation, in light of implementation thus far, for the period to which funds will relate;
- (d) The fourth installment of US\$ 24,840.00 (United States twenty four thousand eight hundred forty dollars only) after receipt by ITTO of the third bi-annual Project progress report from the Executing Agency made in accordance with the procedures of ITTO, and a justified request for the payment in terms of the timing, amount and estimated costs foreseen in the Yearly Plan of Operation, in light of implementation thus far, for the period to which funds will relate;
- (e) The fifth installment of US\$ 57,960.00 (United States fifty seven thousand nine hundred sixty dollars only) after receipt by ITTO of the fourth bi-annual Project progress report from the Executing Agency made in accordance with the procedures of ITTO, and a justified request for the payment in terms of the timing, amount and estimated costs foreseen in the Yearly Plan of Operation, in light of implementation thus far, for the period to which funds will relate;
- (f) The sixth and final installment of US\$ 24,840.00 (United States twenty four thousand eight hundred forty dollars only) after receipt by ITTO of the fifth bi-annual Project progress report from the Executing Agency made in accordance with the procedures of ITTO, and a justified request for the payment in terms of the timing, amount and estimated costs foreseen in the Yearly Plan of Operation, in light of implementation thus far, in order to successfully complete the Project.

Article 11: The total amount of US\$ 70,560.00 (United States dollars seventy thousand five hundred sixty only) will be retained by ITTO from the total ITTO contribution to meet ITTO and other costs as follows:

- (a) an amount of US\$ 30,000.00 (United States dollars thirty thousand only) to meet ITTO's monitoring, review and evaluation costs; and
- (b) an amount of US\$ 20,000.00 (United States dollars twenty thousand only) to meet the cost of the ex-post evaluation of the project; and
- (c) an amount of US\$ 20,560.00 (United States dollars twenty thousand five hundred sixty only) to meet ITTO's programme support costs.

Article 12: The Executing Agency shall provide its contribution of US\$ 128,200.00 (United States dollars one hundred twenty eight thousand two hundred only) to the Project promptly in accordance with the agreed budget contained in the Project Document and any agreed amendments thereto. The Executing Agency shall report immediately to ITTO any circumstances which threaten significantly its ability to make its contributions in full or on time.

Article 13: The contribution of the Executing Agency shall include the provision of office facilities and appropriate office accommodation for all Project activities including any monitoring, review and evaluation meetings at no cost to the ITTO contribution to the Project budget.

Article 14: Notwithstanding any provision of any Section in this Article, the ITTO shall not be liable to disburse any funds to the Executing Agency which exceed the sum credited to its Special Account and/or the Bali Partnership Fund as contributions earmarked for this Project.

TITLE IV

Use of Funds

Article 15: The funds provided by ITTO under this Agreement shall be used solely to meet those direct Project costs assigned to ITTO, which are itemized in the agreed budget of the Project Document. Funds allocated to one budget heading or subheading item shall not be transferred to another without the express prior approval of ITTO. All materials, equipment, supplies and services purchased or rented using ITTO resources shall be used exclusively for the implementation of the Project.

Article 16: Funds which have not yet been made available by ITTO to the Executing Agency shall not be committed by the latter, without specific previous authorization from ITTO.

Article 17: All goods and services for which funds are provided by ITTO shall be procured in accordance with the "ITTO Guidelines on the Selection and Employment of Consultants and the Guidelines for the Procurement and Payment of Goods and Services Financed from the Special Account". The Executing Agency shall consult ITTO in advance on the selection and appointment of any sub-contractors or individual consultants used for any aspect of work associated with the implementation of the Project, as well as the appointment of professional Project staff and selection of participants in Project activities such as seminars and workshops.

Article 18: ITTO shall recover from the Executing Agency any amounts spent from funds provided by ITTO for purposes, items or activities, or in ways, not authorized under this Agreement. Such amounts may be deducted from any installment not already released to the Executing Agency under Article 10 of this Agreement.

TITLE V

Accounts, Records and Reports

Article 19: The Executing Agency shall keep strict budgetary control over the funds allocated to it by the ITTO for the purpose of implementing the Project, and shall keep such funds, until the time of their actual disbursement, in a separate bank account with a bank of commonly recognized high reputation.

§ 1º: The Executing Agency shall take every precaution against any unauthorized use of the funds provided to it by ITTO, and shall at all times keep up-to-date and full accounts of the expenditures incurred by the Project. ITTO may at any time request a financial statement from the Executing Agency, accompanied by certified balances of the Project's bank accounts, and such a request shall be promptly complied with.

§ 2º: The Executing Agency shall submit to ITTO in the Project progress reports and at the conclusion of the Project, and as otherwise requested by ITTO in accordance with Article 19 § 1 above, statements of account and use of the funds of the Project under the headings listed in the budget in the Project Document. The Project accounts shall be audited by duly recognized independent auditors appointed by the Executing Agency in consultation with ITTO, or by federal governmental auditing institutions. Unless provided for in the ITTO part of the Project budget, ITTO funds shall not be used to pay for auditing work. The final audit statement shall be submitted within four months of the completion of the Project. Additionally, the Executing Agency shall submit an annual financial audit to ITTO within three months after the end of the financial year. For the purpose of the Project, the financial year of the Project shall be from 1 January to 31 December of each year.

§ 3º: The Executing Agency shall collaborate so as to ensure that the official federal governmental auditing institutions may have full access to all documents and account data related to Project PD 319/04 Rev. 2 (F).

Article 20: If the actual costs of the Project which are to be borne by ITTO are less than is provided for in the Project budget under this Agreement, the balance remaining unspent on completion of the Project, including bank interest earned, shall be returned to the ITTO.

Article 21: The Executing Agency shall establish and maintain records and procedures adequate to record and monitor the physical, technical and financial progress of the Project, including its costs, interests on capital and other benefits, and to identify the goods and services financed by ITTO.

Article 22: Representatives of ITTO shall be entitled to visit any facilities and sites included in the Project and to examine the accounts and records, and the goods and services provided under the Project.

Article 23: The Executing Agency shall, upon request, make available to ITTO any information relevant to the implementation, financing or follow-up of the Project. The Executing Agency shall provide Project progress and technical reports, as well as a completion report in the form, detail and time-frame required by ITTO, for the monitoring, review and evaluation of the Project. The Executing Agency shall promptly provide ITTO with information on any delay, event or obstacle that might significantly endanger the success of the Project.

Sole paragraph: The Executing Agency shall submit to ITTO on an annual basis, Yearly Plans of Operation, and bi-annual progress reports not later than 28 February and 31 August in each year during the implementation of the Project. The Executing Agency shall submit to ITTO a completion report not later than three months after Project completion. The progress and technical reports, as well as the Yearly Plans of Operation shall be prepared following the model reports established in the "ITTO Manual for Project Monitoring, Review and Evaluation".

Article 24: Monitoring and review meetings and steering committee meetings will be convened at the request of ITTO with the participation of representatives of the Executing Agency, ITTO and the Government. ITTO shall bear the costs of its participation; and other representatives shall bear their own costs. Representatives of donors providing funds to the Project may also attend the monitoring and

review meetings at their own expense.

TITLE VI

Publications and Technical Reports

Article 25: All publications and technical reports resulting from work financed by the Project shall give appropriate recognition to ITTO's role and carry statements disclosing that they are part of the documentation produced in an ITTO approved Project. Unless otherwise agreed by ITTO, cover pages of any of these publications shall bear the names of the Parties and display their logos.

Article 26: The Executing Agency will provide ITTO with a minimum of 100 copies of each publication from the Project free of charge, unless otherwise agreed.

Article 27: The Executing Agency shall prepare, in liaison with the ITTO Secretariat, a brief article for possible inclusion in the ITTO Tropical Forest Update, reporting on the Project progress and outcome, Project publications and lessons learned.

TITLE VII

Disposal of Capital Goods

Article 28: Prior to completion of the Project, the Executing Agency shall propose, and the ITTO will decide, what arrangements are to be made for the continued use or disposal of any equipment or other supplies purchased with ITTO Project funds. Written notice to accept the arrangements, modify them or implement alternative arrangements will be given by ITTO to the Executing Agency.

TITLE VIII

Responsibilities of the Government

Article 29: The Government shall ensure that the Executing Agency's ability to carry out its obligations under this Agreement, especially those prescribed by Titles II, III, IV and V, is not adversely compromised.

Sole paragraph: The Government shall take all necessary action in order to ensure:

- (a) prompt clearance of experts and other persons performing services financed by ITTO under the Project; and
- (b) prompt release from customs of any imported equipment, or other kinds of supplies required by the Project with import duties and associated fees applicable to such material either waived or entered in the Project accounts as part of the Government's contribution to the Project.

Article 30: The Government agrees that ITTO shall not be responsible for any customs charges and taxes that may be imposed for the import of equipment, materials and supplies for the Project. Project funds shall not be authorized for payment of such charges and taxes.

TITLE IX

Suspension

Article 31: Notwithstanding the provisions of Article 10 of this Agreement, where any violations of this Agreement becomes apparent, or where it appears that the conditions surrounding the Project have changed to such an extent that, in the opinion of the Executive Director, the successful completion of the Project is unlikely, ITTO may, by written notice, suspend all further disbursements of funds pending a review.

Sole paragraph: If ITTO funding of the Project is suspended the Executing Agency shall not incur any further expenditures on activities, goods or services financed by such funds unless and until such funding is resumed, except with the previous written approval of ITTO. The Executing Agency shall keep all assets and values previously funded by ITTO for the Project in safe custody, and shall give notice immediately to any sub-contractor whose services are being paid for from ITTO's funds to suspend its activities as soon as possible, so as to minimize the cost to the Project.

TITLE X

Termination

Article 32: In accordance with Rule 31 of the "ITTO Financial Rules and Rules Relating to Projects", the ITTC may, by written notice, terminate its approval and funding of the Project, in particular in cases where it is satisfied that:

- (a) the financial resources provided for the Project are being misapplied to an extent which compromises the fulfillment of the objectives of the Project; or
- (b) the technical means and/or personnel being used for the implementation of the Project are being misapplied to an extent which compromises the fulfillment of the objectives of the Project; or
- (c) its continued approval and funding no longer serve the objectives of the Project.

Sole paragraph: In case of a decision to terminate ITTC approval and funding, the provisions of Article 31 above shall be applied; and the unused part of the resources contributed by ITTO to the Project shall be returned to the ITTO together with a final audited statement within three months after the date of termination.

TITLE XI

Settlement of Disputes

Article 33: Any dispute arising out of the interpretation or implementation of this Agreement or any breach thereof shall be settled amicably by consultation or negotiation between the Executing Agency and ITTO within the framework of UNCITRAL (United Nations Commission for International Trade Law) arbitration rules.



TITLE XII


Modification of the Agreement

Article 34: This Agreement may be modified by written mutual consent between the Parties, each of which shall give full and sympathetic consideration to any proposal for its amendment.

TITLE XIII

Entry into Force


Article 35: IN WITNESS WHEREOF the undersigned, duly appointed representatives of the International Tropical Timber Organization, the Government of the Brazil and The Amazon Institute of People and Environment (IMAZON), have signed on behalf of the respective Parties this Project Agreement in three originals on the dates indicated below. This Agreement shall enter into force upon signature by all the contracting Parties and shall remain in force for a period of 36 months unless the Parties to this Agreement decide to extend the project duration.


Lauro Barbosa da Silva Moreira

Ambassador

Director of ABC/MRE

On behalf of the Government of Brazil


Manoel Sobral Filho

Executive Director

On behalf of the International Tropical
Timber Organization (ITTO)

Dated: 25/08/2005

Dated: 31/08/2005

Place: Brasília, DF, Brasil

Place: Brasília, DF, Brasil


Carlos Souza

Executive Secretary

Amazon Institute of People and Environment (IMAZON)

Dated: 22/08/05

Place: Belém, PA, Brasil

INTERNATIONAL TROPICAL TIMBER ORGANIZATION

ITTO

PROJECT DOCUMENT

TITLE	MODULAR SYSTEM OF FOREST MANAGEMENT IN THE BRAZILIAN AMAZON
SERIAL NUMBER	PD 319/04 Rev.2 (F)
COMMITTEE	REFORESTATION AND FOREST MANAGEMENT
SUBMITTED BY	GOVERNMENT OF BRAZIL
ORIGINAL LANGUAGE	ENGLISH

SUMMARY

The objective of the project is to evaluate and adapt of the 'Modular System for Implementation to Forest Management' to conditions in the Brazilian Amazon. The project will have duration of three years and will involve 20 small and medium sized timber companies in the Centre-East of Pará, the principal logging region in the Amazon.

Currently there is a growing number of timber companies in the region interested in adopting forest management; however, for these companies high quality management is a very distant goal, since they are still in the initial stages of management. Within this context, the adoption of a gradual mechanism of management with independent verification is the most recommended solution for expanding the managed area among the less capitalized companies in the Centre-East of Pará.

The project will adopt three strategies for broadening the managed area in the Centre-East of Pará: (i) assessment of the potential of the private timber sector for adopting the modular system of forest management, referred to in this proposal only as MIV (Modular Implementation Verification) and test its implementation in 20 companies; (ii) broadening channels of dialogue and partnership with the public forestry sector; (iii) act in partnership with the timber buying companies, to include timber coming from MIV (of legal and managed origin, but not yet certified) in the purchasing goals of the members of the Certified Timber buyers of Brazil as well as in the Global Forest and Trade Network - GFTN.

EXECUTING AGENCY	INSTITUTO DO HOMEM E MEIO AMBIENTE DA AMAZÔNIA (AMAZON INSTITUTE OF PEOPLE AND ENVIRONMENT - IMAZON)
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COOPERATING GOVERNMENTS	---
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DURATION	36 MONTHS
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APPROXIMATE STARTING DATE	TO BE DETERMINED
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BUDGET AND PROPOSED SOURCES OF FINANCE	Source	Contribution in US\$	Local Currency Equivalent
	ITTO	277,560	
	Imazon	128,200	
	TOTAL	405,760	

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1. Origin

The project 'Modular Management System in the Brazilian Amazon region' is part of an Imazon program for supporting the adoption of forest management in the Amazon region. Thus far, Imazon has carried out forestry research (ecology and forest management), public policy analysis, economic analyze and partnerships with the private sector and communities to test technical and institutional mechanisms with a view to broadening the adoption of forest management in the region.

More specifically, this project is embedded in a wider initiative by Imazon (in partnership with Friends of the Earth) to expand the supply of managed timber in the Amazon region. In the first phase (January 2003 - December 2004) the emphasis was on support for forest certification, which resulted in the establishment and consolidation of the Amazon Certified Forest Producers Group (Grupo de Produtores Florestais Certificados na Amazônia - PFCA). In July 2004, the PFCA had 12 members, both companies and traditional communities that were certified or undergoing the certification process, representing an area of some 1 million hectares. In this phase we had the support of the AVINA Foundation, GTZ (German Technical Co-operation Agency) and the WWF (World Wildlife Fund). During the second phase 2005 - December 2007) the emphasis will be on evaluating and testing of the modular management system (MIV), in small and medium-size timber companies, support for which is being requested from ITTO with counterpart resources from Imazon.

MIV (Modular Implementation Verification) is an instrument for gradually applying high quality standards of forest management, based on the ITTO norms that serve as an important role in the evolving process in pursuit of the sustainable management of tropical forests and the FSC standards. **MIV offers a practical solution for implementing forest management, through a set of modules that encompass legal, technical, environmental and social aspects. The adoption of these aspects, stage by stage, under girds a gradual approach to implementing forest management standards. MIV provides aid at all stages, from planning and execution of management practice implementation to progress verification and communication of the outputs achieved.** MIV was launched in 2003, by ProForest, a British institution that works with natural resource management, with support from WWF International and IKEA Group. It is inserted into activities of the GFTN (Global Forest and Trade Network).

2. Sectorial policies

The Brazilian government's forest policy for the Amazon region is expressed in the National Forest Program (PNF) launched in February 2004 by the Ministry of the Environment. The program goals for the Amazon include the following: (i) expand

forest management to 15 million hectares so as to meet 30% of the industrial demand for forest products; (ii) assure that one third of production has its origin in social forests, with family, community or extractive production; (iii) capacitate technicians and workers involved in forest management; (iv) expand the offer of credit for forest management through constitutional funds (for example, FNO Floresta); (v) expand the public forests and at the same time define the legal framework for their management; and (vi) implement the monitoring and control system for timber harvesting.

The State Governments in the Amazon region (especially, Acre, Amazonas and Pará) each have their own forest policies, which generically coincide with those of the federal level, but which specify and prioritize other aspects of forest policy. In the case of the State of Pará, where this project will be implemented, the state government has prioritized industrial policy for adding value in the timber sector productive chain; creation of State Forests and mechanisms for forest concessions and support for private forest management.

3. Programs and operational activities

The National Forest Program is divided into sub-programs, with specific goals, activities and budgets. Specifically, in the area of interest of this project, the Brazilian government has the goal of establishing the legal mechanisms for encouraging the adoption of management in the Amazon region. Therefore, this initiative may decisively influence the establishment of bases for supporting modular forest management (whose goals are reached gradually through independent verification).

The modular forest management (MFM) consists of a strategy to implement responsible forest techniques that will support the low impact logging activities and will provide substantial improvements in the forest sector.

ITTO has collaborated significantly with efforts by the Brazilian government to expand private and community forest management in the Amazon region, as well as in the forest industry sector. In the area of professional capacity-building, ITTO has supported the Tropical Forest Foundation (FFT) in establishing the bases for a broad program of forestry training, which was recently adopted as part of the National Forest Program strategy. In the area of public forests, this collaboration ranges from support for the project "Integrated Development of the Antimari State Forest phase II in the State of Acre", to project PD 68/89 Rev. 1 (F) Tapajós National Forest, and more recently, project PD 142 Rev. 2 (F) - 'Sustainable Production in National Forests under the Forest Concession System', carried out by the Ministry of the Environment.

Other technical co-operation projects are currently being supported by ITTO.

In the area of forest management:

- PD 140/02 Rev.02 (F) Development of certification in sustainable management of primary Amazon forest
Carried out by the ABIMCI, INMETRO, MMA.
- PD 206/03 Rev 1 (F) Development of Human Resources for Sustained Forest Management and Reduction of Logging Impact in the Amazon Region.
Carried out by the Tropical Forest Foundation - FFT.
- PD 57/99 rev 2 (F) Sustainable Management of Productive Forests on a Commercial Scale in the Brazilian Amazon region
Carried out by the Centre for International Forestry Research – CIFOR and EMBRAPA
- PD 62/99 rev.3 (F) Pilot Project for Reforestation for Recovery of Degraded Areas in the Middle Rio Doce Region - MG
Carried out by the Institute for Forestry Studies - IEF
- PD/142/02 Rev.02 (F) Sustainable Production in National Forests Forest Concession Sub-system
Carried out by the Ministry of the Environment - MMA.
- PPD 7/97 Rev. 1(F) Forest Inventory for Sustained Production of Mahogany.
Carried out by IBAMA

In the area of Forest Industry:

- PD 31/99 rev. 3 (I) Non-timber Production and Sustainable Development in the Amazon region
Carried out by the University of Brasília - UNB
- PD 37/94 (I) Strengthening the IBAMA Forest Products Laboratory
Carried out by IBAMA
- PD 46/97 Rev.3 (I) Community Processing of Forest Products in the Porto Dias Extractive Reserve (ACRE)
Carried out by the Centre for Amazonian Workers - CTA
- PD 61/99 rev.4 (I) Increase in Efficiency in Conversion of Tropical Timber and Utilization of Residues from Sustainable Sources.
Carried out by FUNPAR
- PD 94/90 Rev.3 (I) Integrated Development of the ANTIMARI State Forest - Phase II
Carried out by FUNTAC

Part II: PROJECT

1. Objective of the project

1.1 Development Objective

Promote the increase of the area under sustainable forest management in the Brazilian Amazon region through the modular system of implementation and verification (MIV).

1.2 Specific objectives

- 1.2.1 Test and fine-tune the modular forest management implementation system for conditions in the Brazilian Amazon.
- 1.2.2 Assess the technical, management and legal viability for implementing the modular forest management system in the Brazilian Amazon region.

2. Justification

2.1 Problem approached and methodology

Despite important advances over the last five years, forest management occupies a smaller fraction in the total of forest operations in the Amazon region. In fact, there is a gradient in logging practices in the Amazon region. Forestry operations with the certified green label represent only 5% of the total area undergoing log harvesting, while non-certified forest management (at different stages of adoption) totals another 10% of logging areas and the remainder (85%) represent areas where management practices are minimal or nonexistent.

A large-scale solution implies a significant expansion in forest management to areas that are currently under a precarious management regime or in more extreme cases of predatory logging. The low level of adoption of management is caused by a set of interrelated factors, among which one may note the high cost of transaction (in elaborating, analyzing and approving management plans), scarcity of technical guidance for perfecting management practices and insecure land tenure. Additionally, there are no incentives for the gradual adoption of management by the companies.

Currently there is a growing number of timber companies in the Amazon region who have expressed interest in adopting forest management. The majority of these timber companies interested in implementation forest management recognize economic benefits since demand and pressure from the market for purchasing timber from a managed and legal origin are growing.

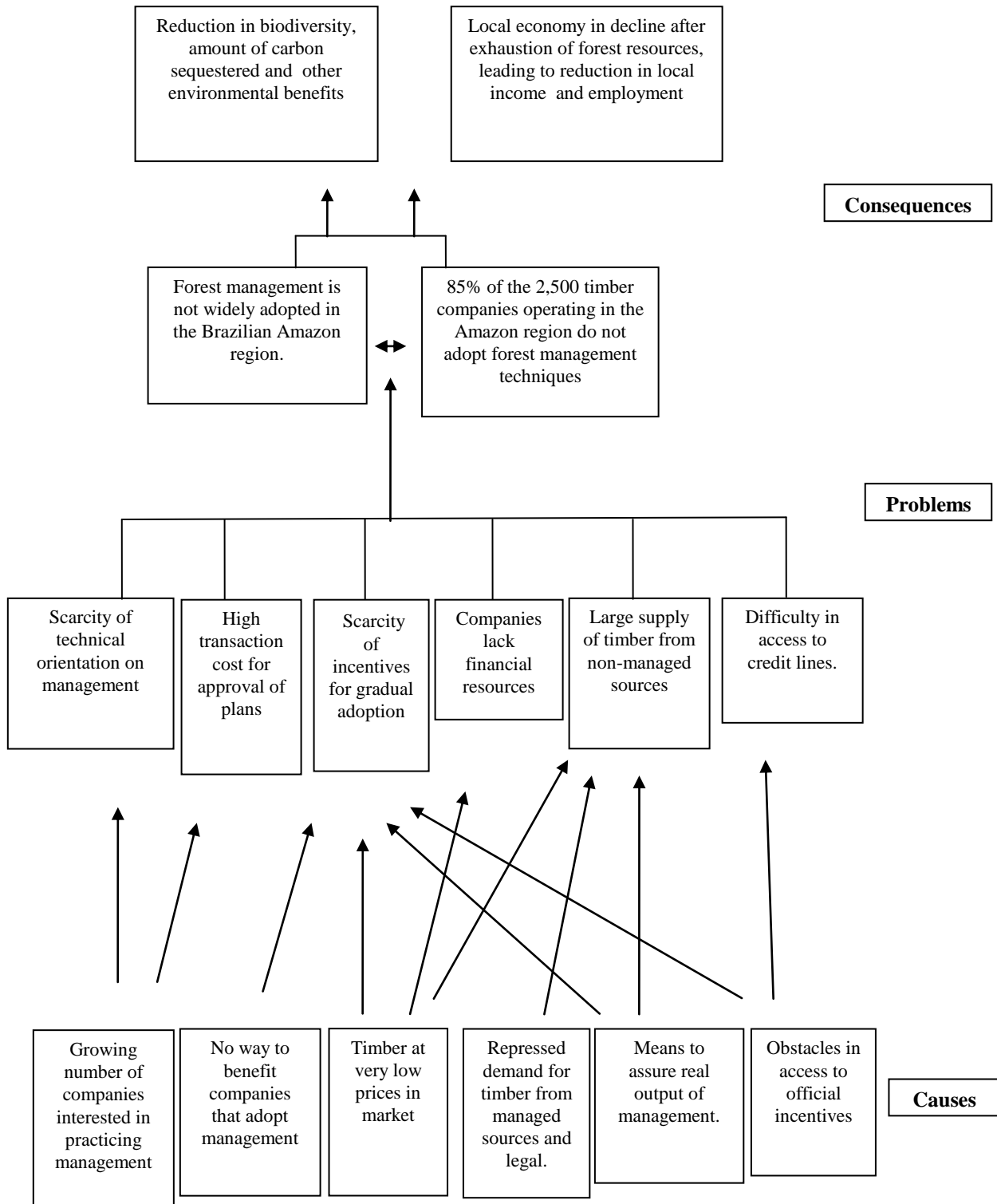
In meetings held with leaders of the Union of Forestry Entities of the State of Pará – UNIFLOR (which represents 550 small and medium sized timber companies in the Pará), Imazon identified three major barriers to the advance of forest management in this segment: (i) access and use of public forest resources; (ii) incentives such as credit and technical assistance; and (iii) mechanism for gradual adoption (modular) of forest management.

For these companies, fulfilling all the stages of forest management is a very distant goal, since they are still in the initial stages of management and do not have financial resources for a rapid upgrade of their management practices. Therefore, a mechanism for gradually adopting management with independent verification is the most recommended solution for expanding the managed area among the less capitalized companies in the Amazon region.

The system for gradual implementation of forest management (MIV) may aid the companies (i) in planning adoption of the desired standards: (ii) in carrying out all the management practices, in the field; (iii) in verifying progress, identifying possible flaws and points that need improvement; and (iv) in communicating outputs to the interested audiences (enforcement agencies, buyers and civil society).

Regarding the methodological setting, a combination of qualitative and quantitative data will be applied in this investigation. Personal interviews with forest owners, managers, forest workers and key persons will be made using questionnaires as the main tools used in this research.

Problem tree



2.2 Intended situation after Project completion

Implantation of MIV for forest management may result in the following benefits (i) establishment of the technical bases for the adoption of this system; (ii) definition of mechanisms for independent verification outside of the system of forest certification; (iii) increase in the area managed under MIV in the Amazon region; (iv) broadening the number of loggers with social-environmental responsibility and who obey the law; (v) example of partnership among the private, public and non-governmental sectors in solving complex questions of natural resources management.

2.3 Project strategy

The project will adopt three different strategies for reaching the objectives:

(i) Work in partnership with the demand side (for example, Brazilian Certified Timber Buyers Group) to include timber that is not certified, but is of legal and managed origin, in the purchase goals. In fact, the timber buyers have shown a great interest in this approach. These companies have established ambitious goals for acquiring certified timber (green label), but since the supply of certified timber is still very limited, the buyers have expressed interest in a broader acquisition policy, which includes both certified timber (whenever there is a supply) and non-certified management timber. On the other hand, these buyers would definitively exclude any volume of predatory timber.

(ii) Selection of the participating companies: small and medium sized companies, as partners of the project. These companies bring together the following characteristics (a) hybrid market – they sell to both the internal and external market; (b) vision – the leaders demonstrate interest in implementing management; (c) abundance and scarcity of forests – the companies located in a wide geographical area with different situations of scarcity and abundance of forests.

(iii) Finally, a dialogue and partnership with the public sector. Brazilian Government intend to include MIV as part of a set of incentives to promote forest management in the Amazon..

The MIV provides a practical solution though a set of predetermined modules (Figure 01).

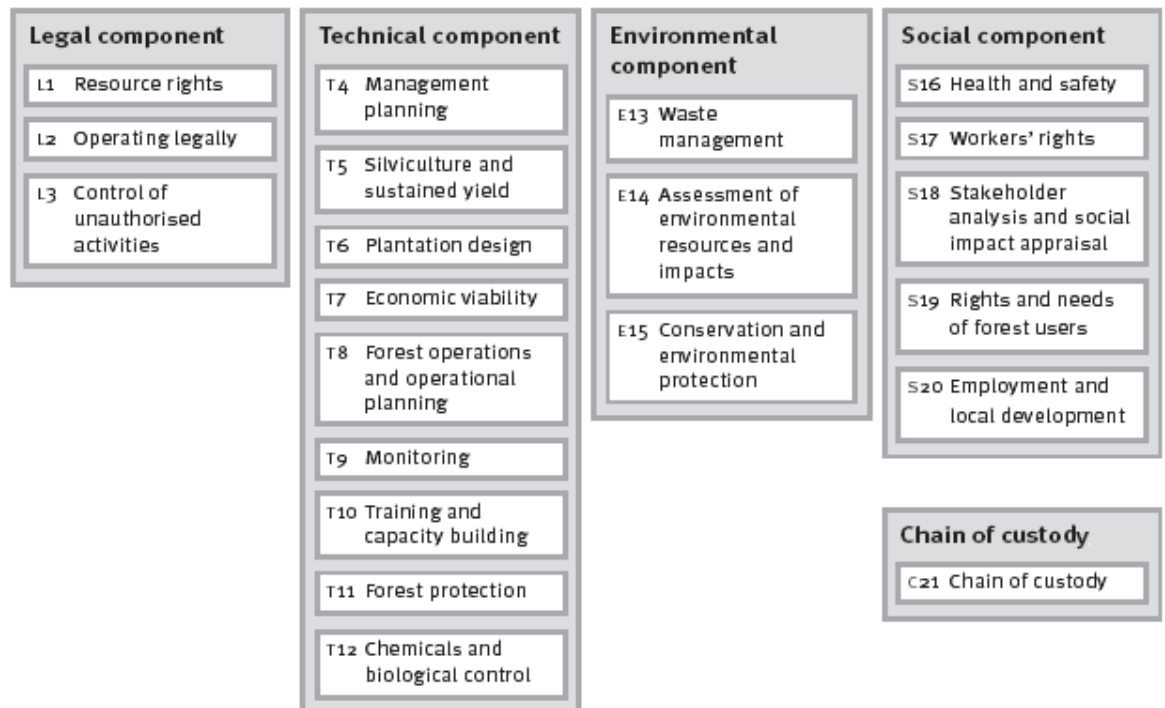


Figure 01: The modular implementation and Verification (MIV) approach, shown schematically

Through these modules the MIV toolkit provides the basis for a consistent phased approach:

- Each module can be addressed separately, allowing a phased approach to both implementation and verification.
- The requirements of each module are defined, thereby providing a standardized progression.

Therefore, in the case of the Brazilian Amazon, the MIV requires a three-pronged approach: market incentives, partnership with private sector and NGOs, and public policies.

Regarding the strategy to implementing the MIV, it is very important to have a mechanism for regular review of progress and planning of any changes which need to be made (see figures 02).

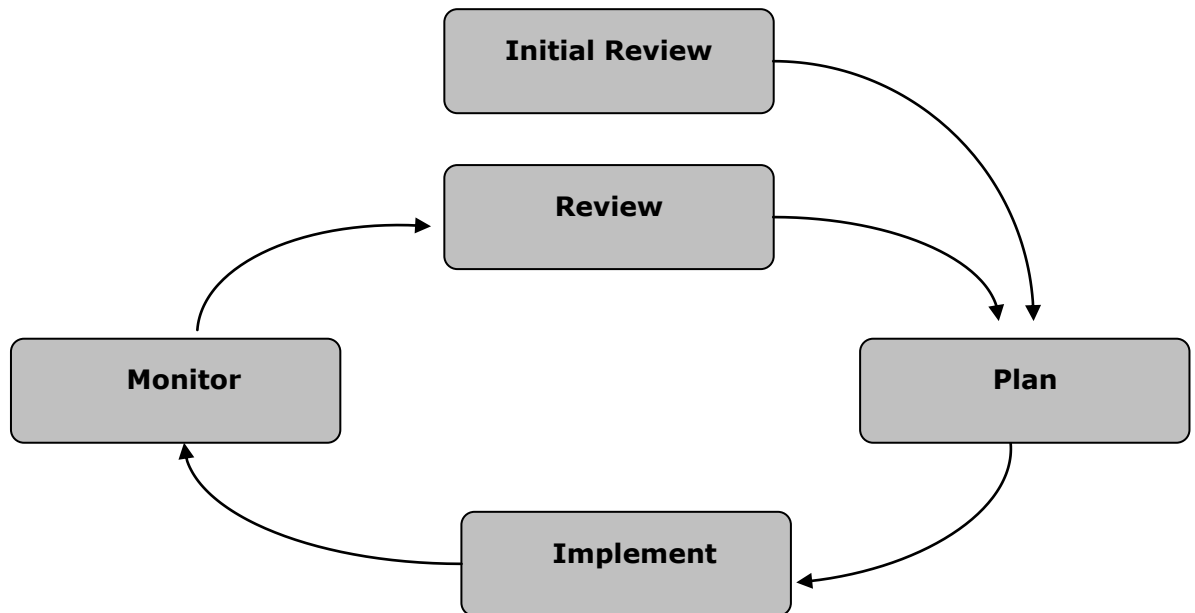


Figure 02: Strategy for implementing the MIV action plan cycle

The action plan cycle will be designed to ensure that each element of the action plan will be checked regularly. The frequency with which monitoring of each element will be carried out will be specifically determined and justified. **The action plan must contain detail for the subsequent years, this will need to be added on an annual basis. Annual revision should also include any changes needed as a result of failure to meet plans for the current year.**

For execution of this project we need:

- 1 research coordinator, dedicating 20% of his/her time to carry out the activities.
- 1 specialist researcher in MIV, full time, with 50% of his/her time paid for by this project.
- 1 assistant researcher, with knowledge in forest management, full time, with 100% of his/her time paid for by this project.
- 2 consultants who are specialists in forest management techniques.
- 1 consultant specialist in audits of forest management.
- 1 trainee, in the area of Forest sciences, with his/her time paid for by this project.

The services of a local printing company will be subcontracted in publication of the Management Guide. Additionally, the auditors also will be subcontracted.

2.4 Target Beneficiaries

We identified small and medium sized timber companies as the main audience. They represent 85% of the companies operating in the Amazon region. In general, they are economically competitive companies, but may

have less capacity for investment in management and hold title to few areas.

Other stakeholders involved include (i) IBAMA, since the MIV might operate as an alternative independent verification mechanism; (ii) buyers of tropical timber, who have preference for managed timber; (iii) Federal Government, since the increase in the managed area is essential to its forest policy; and (iv) researchers and organized civil society, who have supported the forest management approach in the Amazon.

2.5 Technical and scientific aspects

According to ITTO and FSC standard forest management plans must adopt management techniques¹. However, in practice the loggers do not know or are not convinced of the benefits of all the recommended techniques. Additionally, the scarcity qualified technical assistance for implementing the projects makes the adoption of all the techniques difficult. Finally, there is a lack of a more precise definition of the acceptable technical parameters for management so as to avoid subjectivity in analysis and approval of plans. This set of factors requires the adoption of a system for adopting forest management in stages, which can guarantee a medium range (5 to 10 years) fulfillment of forest management requirements. For example, in the first stage there would be adoption of minimal management techniques: (i) 100% inventory, (ii) logging planning with delimitation of Annual Production Units (UPAs), (iii) directed felling and skidding techniques and (iv) respect for the cutting cycle. In other words, these are almost the same requirements requested by these standards. The difference is that in MIV implementation these techniques are put in place gradually – with improvements in performance over time.

2.6 Economic aspects

We hypothesize that in the case of adoption of forest management in stages, the cost-benefit relation would be more advantageous for the forest when compared to predatory practices. These benefits would result from an increase in work productivity and reduction in wasted wood. Besides, one may predict a reduction in work accidents and of the stock of valuable trees in the remaining forest. To test

¹ Forest management consists of selective cutting of mature trees that have been previously selected through an inventory. Damage is drastically reduced because of adequate techniques for felling the trees and planning of logging roads in the forest. Management also stimulates regeneration of remaining mature species and protection of permanent preservation areas. Additionally, it guarantees forest cover for the area, retains the greater part of biodiversity and assures environmental services (water cycles, carbon retention, protection against fires, etc).

the hypothesis we will interview timber companies interested in testing and adopting MIV (in a pilot nature) to measure the costs and benefits of each practice adopted.

2.7 Environmental aspects

Forest management guarantees forest cover in the area, retains most of the original plant diversity, minimizes impacts on wildlife and assures natural forest regeneration. Furthermore, adoption of management guarantees timber production continuously and requires half of the time necessary in predatory logging (Amaral *et al.* 1998). Canopy opening is less under forest management (around 20%) if compared to predatory logging (40% a 60%) (Amaral *et al.* 1998). Finally, the risk of forest fire is greatly reduced in the managed areas.

2.8 Social aspects

The adoption of forest management brings the following direct social benefits: (i) professional improvement; (ii) better remuneration for employees of the companies; (iii) more stable employment; (iv) capacitate employees; and (v) significant reduction in work accidents. In a broader fashion, timber companies that adopt forest management practices tend towards greater stability, increase in the production value (more value added) and better relation with the public sector.

2.9 Risks

There is a risk that some companies trying to use MIV for 'cleaning up their image' with public opinion and clients. To avoid this risk, we will propose the establishment of a code of conduct, rules for admission and a system for supervision and monitoring by external observers (NGOs).

It is possible that the interest in forest management is less than what we imagine. To avoid this risk, we can broaden the approach by conducting initial visits to the forest areas and greater dialogue with local leaders.

There is the apparent risk to one's reputation because of the option for using Amazon forest resources. However, it is important to mention that there is broad support among environmental leaders and organizations (for example, Greenpeace, WWF, Friends of the Earth, etc.) for the essential role for sustained forest production (backed up by forestry legislation) as part of a wider strategy for maintaining the forest cover, biodiversity and environmental services of tropical forests.

Despite the points above, Imazon identified another relevant risk, that may affect the project if it is realized. It involves the fluctuating and uncertain currency exchange between the dollar and Brazilian real (R\$). The exchange rate has hovered around R\$2,57 to the dollar in recent months. If, however, the exchange rate drops (or in case if next year a new government enter in Brazil) below the rate used in budget calculations (2,57 to 1), the budget may be insufficient to meet actual project costs. The only practical way to guard against this risk is to include a line for contingency. No such line item was included, however, to keep the overall budget as low as possible.

3. Outputs

Specific objective 1. Test and fine tune the modular forest management implementation system for conditions in the Brazilian Amazon.

- MIV methodology adapted to forest management rules in Brazilian legislation.
- Partner companies identified for implementing MIV in the state of Pará.
- Legal, technical and management obstacles to implementation of forest management practices identified.
- Field guide about forest management techniques and the rules for MIV published and disseminated among companies.
- MIV methodology tested and adapted to the conditions of the Brazilian Amazon.

Specific objective 2. Assess the technical, management and institutional mechanism for implementing MIV in the Brazilian Amazon region.

- Institutional proposal for the MIV, with definition of the verification system defined and tested.

4. Activities

Output 1 MIV methodology adapted to the rules for forest management of Brazilian legislation.

- Identify forest management practices required by Brazilian legislation.
- Correlate the MIV modules with the management practices required by law.
- Adapt the MIV modules based on Brazilian forest

Output 2 Partner companies identified for implementation of modular management in the state of Pará.

- Identify and characterize the potential companies for implementing MIV.
- Elaborate the prerequisites for selection of companies who may participate in the MIV tests.
- Select the companies for testing MIV.

Output 3 Legal, technical and management obstacles to the implementation of forest management identified.

- Diagnose the different levels of adoption of forest management practiced by the companies selected as participants of the project (N=20).
- Diagnose what are the main legal, technical and management bottlenecks for the companies to implementation of forest management practices required by current legislation.
- Propose the use of techniques, utilizing MIV, for overcoming the barriers encountered.

Output 4 Proposal for changes to legal framework and institutional proposal for MIV elaborated.

- Elaborate and propose to governmental agencies alternatives for the legal recognition of MIV.
- Evaluate the best institutional mechanism for the MIV.
- Define means of independent verification and public / private verification.
- Propose mechanisms for voluntary signing on to the MIV.

Output 5 Implementation methodology for MIV tested.

- Elaborate the general rules for adopting MIV
- Test the methodology adapted for MIV in up to 20 selected companies in the UNIFLOR action area.
- Test the means of verification during the different implementation phases of the modular management methodology (MIV).
- Propose and test methods for internal and external verification for each specific phase of MIV implementation.

Output 6 Field guide about forest management techniques and the modular system rules published and disseminated to the companies.

- Survey and systematize technical information of forest management and publish a Field Guide, with differentiated language for the target audience of this project (owners and employees of the timber companies).
- Publish the rules of the modular implementation system (implementation and verification) adapted to the Amazon region.
- Disseminate the Field Guide through direct mail, meetings with loggers and field visits in the logging areas in the action area of the project (Centre-East of Pará)

5. Logical framework of the project

COMPONENTS OF THE PROJECT	INDICATORS	MEANS OF VERIFICATION	ASSUMPTIONS
GENERAL OBJECTIVE * Promote the increase in the area of sustainable forest management in the Brazilian Amazon region through the modular system of forest management (MIV)	* 5% increase in the effectively managed area in the Amazon region; * 5% increase in the supply of wood from sustainable sources. * 1 Tool for implementation of sustainable forest management (MIV) adapted to the Amazonian reality.	* Technical report of the project; * Ibama report on situation of the PMFS; * Implementation tool of modular management developed and adopted by 20 companies.	* There is interest among business leaders in adopting techniques for sustainable forest management; * The companies need a minimum period (3 years) for adopting all the management practices; * The companies need a tool that will aid in the implementation of the management practices; * Demand for timber from sustainable sources is greater than the supply.
SPECIFIC OBJECTIVES <ul style="list-style-type: none"> Adapt and test the forest modular management implementation system for conditions in the Brazilian Amazon. 	- Obstacles to the adoption of management practices identified; - 1 System MIV adapted; - System MIV tested in 20 companies.	- Report on the level of management currently adopted, available on the internet; - Methodology tested in 20 companies. - Methodology of 'modular management' adapted, published and disseminated; - Report on independent verification of the 20 companies, made available.	- There is a variation in the level of adoption of effectively implemented the management practices; - Management is not widely adopted due to technical and management obstacles; - There is a need for creating a method for adopting the management practices. - Through the modular management method there will be an increase in the level of adoption of practices in the field.

<ul style="list-style-type: none"> Assess the technical, management and legal viability for implementing the modular forest management system. 	<ul style="list-style-type: none"> - 20 companies implementing the MIV; - 20 companies overcoming their technical and management difficulties. 	<ul style="list-style-type: none"> - Report on technical and financial obstacles; - Means of independent verification tested and adapted; - Legal recognition of the modular management system (MIV); - Annual report on verification made available. 	<ul style="list-style-type: none"> - There are obstacles of a technical and management nature; - Legal recognition is necessary for MIV to be widely adopted in the Amazon region.
<p>OUTPUTS</p> <ul style="list-style-type: none"> 1 Modular implementation methodology within the rules for forest management of Brazilian legislation adapted. 	<ul style="list-style-type: none"> - 1 Modular management system adapted. - 5 Technical meetings with business people for validation of the system. - Adaptation of modules to Brazilian reality, according to legislation in effect. 	<ul style="list-style-type: none"> - 20 companies implementing the MIV; - Minutes of meetings with business people; - Report on correlated forest management techniques. 	<ul style="list-style-type: none"> - The forest management practices may be implemented in stages or modules. - There are businesses interested in adoption of the management practices. - There are technical obstacles to the adoption of forest management in the Amazon.
<p>2 Partner companies identified for implementation of modular management in the state of Pará.</p>	<ul style="list-style-type: none"> - 1 Implementation methodology defined. - 1 List of partner companies. 	<ul style="list-style-type: none"> - List of companies selected for testing the modular system. - List of prerequisites for signing on elaborated. 	<ul style="list-style-type: none"> - There are companies with potential for implementing forest management.
<p>3 Rapid diagnosis of the level of management adoption in the companies selected (N=20). Diagnosis of the technical and management bottlenecks. Technical and management obstacles to implementation of forest management practices required by current legislation identified.</p>	<ul style="list-style-type: none"> - 1 questionnaire directed towards technicians and managers to evaluate the obstacles, applied in 20 companies. - 1 diagnosis for surveying the different types and levels of adoption of forest management in 20 companies. 	<ul style="list-style-type: none"> - Questionnaires applied in the companies selected. - Report on the technical and management obstacles. - Report on the alternatives for overcoming obstacles. - Diagnosis available on the internet. 	<ul style="list-style-type: none"> - Management is not adopted due to technical and management obstacles

4 Technical meetings and evaluate the institutional solution for functioning the modular system. Test and definition of the means of verification. Institutional proposal for implementation of the modular management system, with definition of the verification system defined and tested.	<ul style="list-style-type: none"> - Strategy for changing the legal framework elaborated and discussed with civil society and government. - 1 proposal for changing the legal framework elaborated and presented to Ibama. - 5 workshops with Ibama, private sector, academy and NGOs. - 2 Meetings with Group of Buyers. Development of the independent verification system. 	<ul style="list-style-type: none"> - Modular management system legally recognized. - Ibama testing MIV in field inspections. - Proposal for institutional format defined - Proposals for means of verification in the different phases of implementation. - Minutes of the meetings 	<ul style="list-style-type: none"> - MIV needs to be recognized to as to have validity for government agencies and private sector - There is a need for institutionalizing MIV in Brazil
5 Modular implementation methodology tested.	<ul style="list-style-type: none"> - 20 companies testing the system of modular implementation. - General rules about modular implementation elaborated. - Means of verification adapted. 	<ul style="list-style-type: none"> - Test held in 20 companies. - Means of verification tested - General rules for implementation made available on the internet. 	<ul style="list-style-type: none"> - We will only be able to adapt the methodology through testing.
<ul style="list-style-type: none"> 6 Editing and publication of a Field Guide about forest management techniques and the modular system rules edited and published. 	<ul style="list-style-type: none"> - Diagnosis elaborated of the level of management adoption by the companies selected; - Field guide published at the end of the project. 	<ul style="list-style-type: none"> - Report containing the list of selected companies. - Individual technical reports on the pre-evaluations in the 20 businesses. - Field Guide published and disseminated. 	<ul style="list-style-type: none"> - Information still lacking on management. - Lack of material directed towards implementation of the management practices through the modular system.

ACTIVITIES	
Elaborate a list of all the forest management practices required by Brazilian legislation.	Co-ordinator, technical team and outside consultants.
Connect the MIV modules with the practices required by law.	Technical team.
Adapt the modules based on FSC principles and criteria and on Brazilian legislation in force related to forest management.	Technical team and consultants.
Edit and publish the rules of the modular implementation system (implementation and verification).	Co-ordinator and technical team.
Survey with UNIFLOR, for qualitative identification of potential companies for implementation of the modular system.	Technical team
Elaboration of prerequisites for entry into modular system.	Technical team, with collaboration from UNIFLOR
Selection of the companies for testing methodology.	Technical team, with collaboration from UNIFLOR
Elaborate the general rules for the adoption of modular forest management (gradual)	Co-ordinator, technical team and outside consultants.
Test implementation of the rules for modular management in 20 selected companies in the UNIFLOR action area (Centre-East of Pará).	Co-ordinator and technical team.
Test the means of verification during the different implementation phases of the modular management methodology.	Technical team and outside consultants who are specialists in forest certification.
Test and propose methods for internal and external verification for each specific phase of implementation.	Outside consultants who are specialists in certification
Diagnose the different types and levels of adoption of forest management practiced by the small and medium sized companies selected in the UNIFLOR action area (N=20).	Co-ordinator and technical team.
Diagnose the main technical and management bottlenecks to implementation of forest management practices required by legislation.	Co-ordinator and technical team.
Propose alternatives, utilizing the modular system, for overcoming technical and management bottlenecks in the forest enterprise.	Co-ordinator, technical team and outside consultants.
Dialogue and propose to governmental agencies alternatives legally recognizing the system of modular implementation.	Co-ordinator.
Assessment of the best institutional mechanism for the system of modular forest management.	Co-ordinator and technical team.
Study and define means of independent verification (similar to the FSC) and public / private verification (participation of Ibama, external consultants and NGOs)	Technical team and outside consultants.

Propose mechanisms for voluntary signing on to the system of modular implementation.	Technical team and outside consultants.
Gather technical information about forest management and publish in a Field Guide (Forests Forever model, Imazon).	Technical team and consultants.

6. Work plan (Timetable)

Components	Timetable (by quarter)											
	1	2	3	4	5	6	7	8	9	10	11	12
Output 1 Preliminary version of the modular management system. Modular implementation methodology within the rules for forest management of Brazilian legislation adapted. <ul style="list-style-type: none"> Elaborate a list of all the forest management practices required by Brazilian legislation. Connect the MIV modules with the practices required by law. Adapt the modules based on FSC principles and criteria and on Brazilian legislation in force related to forest management. 												
Output 2 Identification of the potential companies. Partner companies identified for implementation of modular management in the state of Pará. <ul style="list-style-type: none"> Survey with UNIFLOR, for qualitative identification of potential companies for implementation of the modular system. Elaboration of prerequisites for entry into modular system. Selection of the companies for testing methodology. 												
Output 3 Rapid diagnosis of the level of management adoption in the companies selected (N=20). Documentation of the costs and benefits of the modular system. Diagnosis of the technical and management bottlenecks. Technical and management obstacles to implementation of forest management practices required by current legislation identified. <ul style="list-style-type: none"> Diagnose the different types and levels of adoption of forest management practiced by the small and medium sized companies selected in the UNIFLOR action area (N=20). Diagnose the main technical and management bottlenecks to implementation of forest management practices required by legislation. Propose alternatives, utilizing the modular system, for overcoming technical and management bottlenecks in the forest enterprise. 												
Output 4 Evaluate institutional solution for functioning of the modular system. Test and definition of the means of verification. Institutional proposal for implementation of the modular management system, with definition of the verification system defined and tested. <ul style="list-style-type: none"> Dialogue and propose to governmental agencies alternatives legally recognizing the system of modular implementation. Assessment of the best institutional mechanism for the system of modular forest 												

7. Budgets

7.1 Consolidated total and annual budget for the project

		Total	ITTO	Imazon	Year 1	Year 2	Year 3
10.	Personnel						
	11. Researcher (20%)	25200		25200	8400	8400	8400
	12. Researcher (100%)	90000	45000	45000	30000	30000	30000
	13. Research assistant	48000		48000	16000	16000	16000
	14. National consultants	27000	27000		9000	9000	9000
	15. Trainee	27000	27000		9000	9000	9000
	16. Total component	217200	99000	118200	72400	72400	72400
20.	Subcontracts						
	21. Publication	7000	7000			7000	
	23. Total of the component	7000	7000			7000	
30.	Travel						
	31. Airfare	12000	12000		4000	4000	4000
	32. Land transport	21000	21000		7000	7000	7000
	33. Per diems	15000	15000		5000	5000	5000
	34. Total component	48000	48000		16000	16000	16000
40.	Equipments						
	41. Equipment	17000	7000	10000	17000		
	42. Total component	17000	7000	10000	17000		
50.	Miscellaneous						
	51. Office supplies	15000	15000		5000	5000	5000
	53. Fuel	15000	15000		5000	5000	5000
	54. Communications	6000	6000		2000	2000	2000
	55. Field materials	2000	2000		2000		
	56. ABC / MRE Monitoring	5000	5000		1667	1667	1667
	57. Total component	43000	43000		15667	13667	13667
60.	Variable costs						
	61. Audits	3000	3000		1000	1000	1000
	62. Total component	3000	3000		1000	1000	1000
	SUB-TOTAL GENERAL (Components 10+20+30+40+50)	335200	207000	128200	122067	110067	103067
80	Administration, monitoring and review						
	81. ITTO Monitoring	30000	30000		10000	10000	10000
	82. Support for the program	3120020560	20,560		20560		
	83. Midterm review	5000	5000			5000	
	84. Ex-post evaluation	15000	15000		5000	5000	5000
	85. Total of the component	70560	70560		35560	20000	15000
100.	TOTAL OVERALL	405,760	277,560	128,200	157,627	130,067	118,067

7.2 Detailed Budget (US\$)

COMPONENTS	Personnel	Subcontracts	Travel	Equipments	Miscellaneous	SUB-TOTAL GENERAL
Output 1 Modular implementation methodology within the rules for forest management of Brazilian legislation adapted.						
Elaborate a list of all the forest management practices required by Brazilian legislation.	2000,00				500,00	2500,00
Connect the MIV modules with the practices required by law.	2000,00				500,00	2500,00
Adapt the modules based on FSC principles and criteria and ITTO guidelines on Brazilian legislation in force related to forest management.	2000,00				500,00	2500,00
Sub-total	6000,00				1500,00	7500,00
Output 2 Partner companies identified for implementation of modular management in the state of Pará.						
Survey with UNIFLOR members, for qualitative identification of potential companies for MIV	4000,00				500,00	4500,00
Elaboration of prerequisites for entry into MIV.	4000,00				500,00	4500,00
Selection of the companies for testing methodology.	4000,00				500,00	4500,00
Sub-total	12000,00				1500,00	13500,00

COMPONENTS	Personnel	Subcontracts	Travel	Equipments	Miscellaneous	SUB-TOTAL GENERAL
Output 3 Rapid diagnosis of the level of management adoption in the companies selected (N=20). Diagnosis of the technical and management bottlenecks. Technical and management obstacles to implementation of forest management practices required by current legislation identified.						
Diagnose the different types and levels of adoption of forest management practiced by the small and medium sized companies selected in the UNIFLOR action area (N=20).	20000,00		3000,00	17000,00	3000,00	43000,00
Diagnose the main technical and management bottlenecks to implementation of forest management practices required by legislation.	20000,00		3000,00		3000,00	26000,00
Propose alternatives, utilizing the modular system, for overcoming technical and management bottlenecks in the forest enterprise.	2000,00				500,00	2500,00
Sub-total	42000,00		6000,00	17000,00	6500,00	71500,00
Output 4 Technical meetings and evaluate the institutional solution for functioning the modular system. Test and definition of the means of verification. Institutional proposal for implementation of the modular management system, with definition of the verification system defined and tested.						
Dialogue and propose to governmental agencies alternatives legally recognizing the system of modular implementation	9000,00		5000,00		500,00	14500,00

COMPONENTS	Personnel	Subcontracts	Travel	Equipments	Miscellaneous	SUB-TOTAL GENERAL
Assessment of the best institutional mechanism for the system of modular forest management.	9000,00				500,00	9500,00
Study and define means of independent verification (similar to the FSC) and public / private verification (participation of Ibama, external consultants and NGOs)	9000,00		5000,00		500,00	14500,00
Propose mechanisms for voluntary signing on to the system of modular implementation.	9000,00				500,00	9500,00
Sub-total	36000,00		10000,00		2000,00	48000,00
Output 5 1st test of the modular system in companies selected and test the means of verification. 2nd test of the modular system in companies selected. Modular implementation methodology tested.						
Elaborate the general rules for the adoption of modular forest management (gradual)	2000,00				1000,00	3000,00
Test implementation of the rules for modular management in 20 selected companies in the UNIFLOR action area (Centre-East of Pará).	35000,00		12000,00		10000,00	57000,00
Test the means of verification during the different implementation phases of the modular management methodology.	35000,00		12000,00		10000,00	57000,00
Test and propose methods for internal and external verification for each specific phase of implementation.	34000,00		8000,00		5000,00	47000,00
Sub-total	106000,00		32000,00		26000,00	164000,00

COMPONENTS	Personnel	Subcontracts	Travel	Equipments	Miscellaneous	SUB-TOTAL GENERAL
Output 6 Editing and publication of a Field Guide about modular management. Field Guide about forest management techniques and the modular system rules edited and published.						
Gather technical information about forest management and publish in a Field Guide (Forests Forever model, Imazon).	15200,00	10000,00			500,00	25700,00
Sub-total	15200,00	10000,00			500,00	25700,00
Total	217200,00	10000,00	48000,00	17000,00	38000,00	330200,00

COMPONENTS	Personnel	Subcontracts	Travel	Equipments	Miscellaneous
Output 3 Rapid diagnosis of the level of management adoption in the companies selected (N=20). Diagnosis of the technical and management bottlenecks. Technical and management obstacles to implementation of forest management practices required by current legislation identified.					
Diagnose the different types and levels of adoption of forest management practiced by the small and medium sized companies selected in the UNIFLOR action area (N=20).	20000.00		3000.00	17000.00	3000.00
Diagnose the main technical and management bottlenecks to implementation of forest management practices required by legislation.	20000.00		3000.00		3000.00
Propose alternatives, utilizing the modular system, for overcoming technical and management bottlenecks in the forest enterprise.	2000.00				500.00
Sub-total	42000.00		6000.00	17000.00	6500.00
Output 4 Technical meetings and evaluate the institutional solution for functioning the modular system. Test and definition of the means of verification. Institutional proposal for implementation of the modular management system, with definition of the verification system defined and tested.					
Dialogue and propose to governmental agencies alternatives legally recognizing the system of modular implementation	9000.00		5000.00		500.00

COMPONENTS	Personnel	Subcontracts	Travel	Equipments	Miscellaneous
Assessment of the best institutional mechanism for the system of modular forest management.	9000.00				500.00
Study and define means of independent verification (similar to the FSC) and public / private verification (participation of Ibama, external consultants and NGOs)	9000.00		5000.00		500.00
Propose mechanisms for voluntary signing on to the system of modular implementation.	9000.00				500.00
Sub-total	36000.00		10000.00		2000.00
Output 5 1st test of the modular system in companies selected and test the means of verification. 2nd test of the modular system in companies selected. Modular implementation methodology tested.					
Elaborate the general rules for the adoption of modular forest management (gradual)	2000.00				1000.00
Test implementation of the rules for modular management in 20 selected companies in the UNIFLOR action area (Centre-East of Pará).	35000.00		12000.00		10000.00
Test the means of verification during the different implementation phases of the modular management methodology.	35000.00		12000.00		10000.00
Test and propose methods for internal and external verification for each specific phase of implementation.	34000.00		8000.00		5000.00
Sub-total	106000.00		32000.00		26000.00

COMPONENTS	Personnel	Subcontracts	Travel	Equipments	Miscellaneous
Output 6 Editing and publication of a Field Guide about modular management. Field Guide about forest management techniques and the modular system rules edited and published.					
Gather technical information about forest management and publish in a Field Guide (Forests Forever model, Imazon).	15200.00	10000.00			500.00
Sub-total	15200.00	10000.00			500.00
GENERAL TOTAL	217200.00	10000.00	48000.00	17000.00	38000.00

Part III: OPERATIONAL QUESTIONS

1. Administrative structure

Execution of the project will be the sole responsibility of Imazon. However, we will work in partnership with the timber companies that adopt the MIV system. These companies are members of UNIFLOR.

Specialists in independent auditing will be subcontracted, and will be responsible for proposing the means of verification to be utilized for the MIV.

2. Control, accounts rendering and evaluation activities.

(a) Progress reports

1st Progress report: June 2005.

2nd Progress report: February 2006

3rd Progress report: June 2006.

4th Progress report: February 2007.

5th Progress report: June 2007.

(b) Final report

Final report: February 2008.

(c) Financial reports

1st Financial report: January 2006.

2nd Financial report: January 2007.

3rd Financial report: January 2008.

(d) Meeting of advisory committee

We propose meetings per year.

(e) Meeting of the steering committee for control and evaluation

We propose annual visits:

1st Meeting of the steering committee: 12 months after beginning of the project

2nd Meeting of the steering committee: 24 months after beginning of the project

3rd Meeting of the steering committee: 36 months after beginning of the project

3. Future operation and maintenance

The project will deal with tests and adaptation of the system of modular implementation of forest management, a mechanism for voluntary signing on and independent verification. Once the system is adopted, all the companies need to maintenance through a cooperative effort (payments for its operation and verification).

Part IV. The Tropical Timber Framework

1. Compliance with ITTO Objectives

This project proposal is consistent with the following ITTO objectives:

- To help research & development which will improve forest management and timber use
- To encourage tropical timber reforestation and forest management
- To encourage national policies which aim at sustainable use and conservation of tropical forests and their genetic resources, and at maintaining the ecological balance in the regions concerned

The project also complies with ITTO criteria established by the Committee on Reforestation and Forest Management and is principally related to the following area:

- Natural Forest Management

The project also with each of the following objectives established by this committee:

- relation to production and use of industrial tropical timber
- benefits to the tropical timber economy and relevance to producing and consuming nations
- relation to maintenance and expansion of the international tropical timber trade
- prospects for positive economic returns
- use of existing research institutions and relationship to other efforts supported by ITTO

2. Compliance with ITTO Action Plan

This project proposal is consistent with the ITTO Action Plan and it relates to the priorities established by the Committee on Reforestation and Forest Management in the areas classified within Demonstration as follows:

- Develop of innovative mechanisms and relevant legislative frameworks

- Promote of new national guidelines and regulations for forest utilization which ensure local stakeholders rights and secure conservation
- Demonstrate the economic viability and promote long-term investments in sustainable forest management

It also relates to the following priority established by the Forest Industry Committee:

- Promotion of human resources development on all levels.

Finally, it is worth noting that this proposal is consistent with the recommendations ITTO 2004-2007 Program Framework for Cooperation in Brazil recently developed by the Brazilian Cooperation Agency and the Ministry of Environment through the National Forest Program. The framework defines a systemic approach for planning and approval process of technical cooperation projects sent by the Brazilian government to the ITTO. This approach includes: (i) the harmonization of the goals of the three working areas of the ITTO with the priorities of the national forest program and (ii) a public bidding process to receive proposals; (iii) the establishment of common and impartial judgment process including independent experts committee and a commission involving members of the National Forest Program Board.

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Nepstad, D.: Moreira, A.: Veríssimo, A. et al. **1998**. Forest fire: Prediction and prevention in the Brazilian Amazon. ***Conservation Biology*** (12) 951-953.

Lentini, M.; Veríssimo, A. & Sobral, L. **2003**. *Fatos Florestais da Amazônia*. Belém, Imazon . 110p.

Sobral, L.: Veríssimo, A.: Lima, A.: Azevedo, T & Smeraldi, R. **2002**. *Acertando o Alvo 2: consumo de madeira amazônica e certificação florestal no Estado de São Paulo*. Belém, Imazon. 72 p.

Grogan, J.: Barreto, P & Veríssimo, A. **2002**. *Mogno in the Brazilian Amazon Region: Ecologia e perspectivas de manejo*. Belém, Imazon. 64 p.

Veríssimo, A. & Souza Jr. C. **2000**. *Identificação de Áreas com Potencial para a Criação of Florestas Nacionais na Amazônia Legal* Brasília, Ministério do Meio Ambiente.,56 p.

Amaral, P.: Veríssimo, A.: Barreto, P. & Vidal, And. **2000**. *Bosque para Siempre: Manual para la produccion de madera in la Amazonía*. Santiago de Cali, Colômbia, Imazon, WWF-Colômbia and USAID..168 p..

Amaral, P.: Veríssimo, A.: Barreto, P. & Vidal, And. **1998**. *Floresta para Sempre: Um manual para a produção de madeira na Amazônia*. Belém: Imazon, WWF & USAID. 156 p.

APPENDIX A. Profile of the executing agency.

1. Experience of the executing agency

The Amazon Institute of People and the Environment (IMAZON) is a research institution whose mission is to generate and disseminate strategic knowledge about the sustainable use of natural resources in the Amazon. The Institute was founded in 1990 and is located in the Belém metropolitan area (Pará). In 14 years of existence, Imazon has published more than 180 scientific articles and books, of which approximately one third are directed towards the area of forest management and ecology.

Imazon activities include (i) applied research on the question of natural resource use; (ii) preparation of professionals with an empirical, multidisciplinary and analytical approach; (iii) widespread dissemination of the information generated by the research and (iv) analysis of public policies.

The Imazon approach involves interdisciplinarity, the search for solutions and empirical approach. In some cases, the search for solutions implies testing the hypotheses studied in demonstration projects. In others, it is necessary to support the economic actors (community members, business people, and small producers) in market development for products coming from forest management. In all the fields in which Imazon is active, primary data collection is quite important, because it requires constant verification of the real conditions of Amazon natural resource use.

Imazon was described by the World Bank 2003 report as one of the five world centers for 'strategic thinking and action' (Think and Do Tanks). Some examples of the outputs of Imazon's work:

- Support for the conception of the National Forest policy of the Federal Government.
- A forest management system developed by Imazon in 1994 is being replicated in another 1.5 million hectares, of which more than a third is certified by the FSC (Forest Stewardship Council).
- A manual on forest management (Forests Forever) is a text book in forest science universities in Latin America (the book is available in Portuguese and Spanish).
- Studies on mahogany ecology and management have guided the elaboration of specific public policies for that species – including its inclusion in appendix II of CITES.

- A new system for detection of logwood transport developed and being tested by IBAMA for locating predatory timber logging in the Amazon region.
- Studies in the area of forest economics have helped to increase the flow of public credit for forest management from less than 1% in 2001 to around 15% in 2004.

2. Infrastructure of the executing agency

- GeoProcessing laboratory
- Approximately 600 square meters of office equipped with furniture, computers and broadband internet
- 210 hectare area in Paragominas (Pará) ceded by a timber company for carrying out the Pilot Project in Forest Management

3. Budget

Budget for the last three years.

Components	2001 (R\$)	2002 (R\$)	2003 (R\$)
Personnel	576,149.00	753,871.00	1,451,393.00
Research support	344,321.00	650,009.00	579,212.00
Administrative costs	215,081.00	295,171.00	311,584.00
Equipment	80,080.00	219,645.00	355,932.00
Training	15,547.00	67,304.00	65,146.00
Total	1,231,178.00	1,986,000.00	2,763,267.00

4. Personnel

- (a) specialists with graduate degrees: 8
- (b) specialists with undergraduate degrees: 10
- (c) technicians with university-level training: 1
- (d) administrative personnel: 8
- (e) trainees at university level: 4
- (f) total number of persons related to the forest area: 23

APPENDIX B. Terms of reference and Curriculum Vitae.

B.1 – Terms of Reference

Function: Research Co-ordinator

Title: Forestry Engineer or Agronomist

Qualifications:

- Masters in Environmental Sciences
- Brazilian nationality
- Fluency in English and Spanish
- Minimum of 10 years in experience in forest activity in the Amazon region, forest harvesting, silviculture and forest policy.
- Knowledge of the national and international markets for tropical timber
- Experience in forest certification
- Experience in conducting seminars and workshops
- Communicative and with experience in training teams.
- Team management skills.

Responsibilities:

- Co-ordinate and direct all the activities of the project
- Co-ordinate collection of information in the field
- Provide orientation in MIV methods
- Participate in the development of material on forest management
- Organize and facilitate debates on MIV with all the actors involved
- Supervise all the activities and personnel of the project

Function: Researcher

Title: Forestry Engineer or Agronomist

Qualifications:

- Brazilian nationality
- Fluency in Spanish and desirable in English
- Minimum of 3 years experience in development of work in the Amazon region, linked to sustainable forest management
- Knowledge of national and international markets for tropical timber
- Experience in forest certification
- Communicative

Responsibilities:

- Co-ordinate and participate in all the activities of the project
- Co-ordinate and participate in collecting information
- Study MIV methods
- Organize and facilitate debates on MIV with all actors involved
- Adapt MIV to Amazonian conditions
- Assist work of the team and supervise activities
- Substitute the co-ordinator in his absence.

Function: Research assistant

Title: Forestry Engineer or Agronomist

Qualifications:

- Brazilian nationality
- Reading knowledge in English and Spanish desirable
- Minimum of 1 year experience in development of work in the Amazon region, linked to sustainable forest management
- Knowledge of practices in sustainable forest management
- General knowledge of forest certification

Responsibilities:

- Participate in all field activities of the project
- Participate in collecting information
- Study MIV methods
- Be in direct contact with partner business people
- Aid in adapting MIV to Amazonian conditions
- Prepare internal project reports
- Aid the verification team in the audits

Function: Specialist in audit in forest management

Title: Forestry Engineer or Agronomist

Qualifications:

- Brazilian nationality
- Experience in forest management in Amazon
- Experience in audits in forest certification

Responsibilities:

- Develop material on means of verification for the MIV
- Propose means of verification that are adequate for the Amazon reality
- Lead verification team in the field
- Prepare individual reports on companies as to progress in MIV

Function: Technician in design, publishing and diagramming

Title: Technician in design

Qualifications:

- Brazilian nationality
- Experience in information technology (graphic design software, Corel Draw and Power Point)
- Experience in developing and diagramming technical materials

Responsibilities:

- Develop graphics and illustrations for the Field Guide
- Responsible for diagramming of the Guide.
- Technical support and visual development of the material

B.2 – Curriculum Vitae

Adalberto Veríssimo

Date of birth: 03/02/1965

Nationality: Brazilian

Study area: Forest management, Forest Ecology, Agronomy, Public Policies

Most recent work developed:

Senior Researcher at Imazon. Supervision of research activities, elaboration of research proposals; academic orientation, institutional representation, writing and editing of scientific articles. 1996-Present

National Forests. Co-ordination of strategic studies on the institutional, economic and biogeographical aspects of the policy for creating and implementing a network of National Forests in the Brazilian Amazon region. 1998-Present.

Acre Forest Policy. Support for elaborating a forest development policy for the state of Acre: incentives for forest management, state forests for production, timber sector zoning. 1999-2003.

German Technical Co-operation Agency (GTZ). Analysis of the credit system of the Bank of Amazônia (BASA) for forest management. September 2003 – March 2004.

Ministry of the Environment (MMA). Technical Co-ordination for the Working Group for implementation of mahogany (*Swietenia macrophylla* King) in appendix II of CITES. March 2003 - July 2003.

World Bank. Revision of the World Bank forest policy – a case study for Brazil. 2000.

SCIENTIFIC PUBLICATIONS (SELECTED)

Veríssimo, A. & Cochrane, M. **2003.** A risky forest policy in the Amazon? **Science** (299) 1843.

Veríssimo, A.; Cochrane, M. & Souza Jr. C. **2002.** National Forest in the Amazon. **Science** (297) 1478.

Nepstad, D.: Veríssimo, A. et al. **1999.** Large-Scale Impoverishment of Amazonian forest by logging and fire, **Nature** (398) 505-508.

Wandreia Natalina Machado dos Santos

Date of birth: 12/25/1973

Nationality: Brazilian

Academic degree:

Doctor rerum silvaticarum, Technische Universität Dresden-Germany, Institute of International Forestry and Forest Products. 2000-2004

M. Sc. Tropical Forestry, Technische Universität Dresden-Germany, Institute of International Forestry and Forest Products. 1997-1999

Forestry Engineer, graduate at the Faculdade de Ciência Agrária do Pará, Belém. 1992-1997

SCIENTIFIC PUBLICATIONS

PRETZSCH, J.; UIBRIG, H.; FRATTINI, M.; **SANTOS, W.N.M. dos**; SOUSA, R. 2004. Vergleichende Analyse von Waldnutzungssystemen in Amazonien: Waldnutzende Haushalte, konventionelle Holzbetriebe und zertifizierte Holzunternehmen. Deutsche Gesellschaft für Technische Zusammenarbeit (GTZ). Tropenökologisches Begleitprogramm (TÖB). Eschborn. 120 p.

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ILKIUBORGES, A.L.; SILVA, A.S.; LISBOA, P.L.; LISBOA, R.C.L.; COSTA, D.C.; SANTOS, W.N.M. dos; ROSÁRIO, C. da; 2002. diversidade florística e estrutura de mata de terra firme. *In*: LISBOA, Pedro Luiz Braga. (Org.). Caixuanã: populaces tradicionais, meio físico e diversidade biológica. Belém, Museu Paraense Emílio Goeldi, p.235-287.

PRETZSCH, J.; UIBRIG, H. FRATTINI, M.; SOUSA, R.; SANTOS, W.N.M. dos. 2001. Möglichkeiten und Grenzen der Bewirtschaftung tropischer Naturwälder in Amazonien. *In* der "Wissenschaftlichen Zeitschrift der Technische Universität Dresden 50 Heft 4". P. 95-101. www.tu-dresden.de/presse/wz/archiv/401.htm

SANTOS, W.N.M.dos; UIBRIG, H. 2001. Analysis of the use of the Forest resources by households: a case study of two villages in the Municipality of Melgaço Pará State, Brazil. *In*. BIOFORUM, Berlin – DAAD, p. 167-171.

National Consultants

1. Andre Giacini de Freitas – Instituto de Manejo Florestal e Certificação Florestal e Agrícola - IMAFLORA

Personal Data

Date and Place of Birth: May 26, 1974, Blacksburg, Virginia, USA
Legal Status: single, dual citizenship – Brazil and US
Passport: CP 026147 (Brazil) and Z 777 0131 (US)
Permanent Address: Rua Barajuba 153, São Paulo, SP, BRAZIL, CEP 05463-040
Permanent tel/fax: +55 11 3819 4313
Current tel/fax: +55 19 3414 4015 / 9606 4416

Areas of Interest

Forest Management, Forest Certification, Sustainable Development and Economy

Formal Education

B.S. in Forestry, Escola Superior de Agricultura “Luiz de Queiroz” - ESALQ – University of São Paulo, Brazil, 1993-97.

Work Experience

Jan-April, 1998: cooperation work with the International Union of Forestry Research Organizations (IUFRO) in Vienna, Austria. Duties: development of an initial draft for the Portuguese section of IUFRO’s Forest Management Terminology Project – SYLVAVOC; assistance in database administration.

May 1998 to October 1999: Regional Forestry Coordinator for Latin America, Global Forestry Program of the International Federation of Building and Wood Workers IFBWW, at the Regional Office for Latin America, Panama. Activities: representation of workers interests in forestry discussions, provide technical support for forest and wood unions in the region, elaboration of education materials and organization of discussion activities.

November 1999 to March 2000: Forestry Consultant for the Global Forestry Program of the International Federation of Building and Woodworkers – IFBWW and the International Labor Organization - ILO.

March 2000 to December 2001: Certification officer of IMAFLORA – Institute for Forest and Agriculture Management and Certification. Activities: forest assessment

and audits in natural forests and plantations, development of regional standards (natural forests, ntfps and plantations), scoping and assessment of non-timber forest products, participation in FSC fora.

January 2002 to present: Executive Director of IMAFLORA. Activities: coordination of the organization, institutional development, public policies and forest certification activities.

Language abilities

Fluent in English, Portuguese and Spanish; rudiments of German.

Referees

Richard Z. Donovan
Chief of Forestry / SmartWood Director
Rainforest Alliance

Peter Poschen
Forest Industry Specialist
International Labor Organization – ILO

2. Rodrigo Antônio Pereira Junior - **Instituto Natureza Amazônia – INAM**

Profession: Forester

Function: Manager / Coordinator of Forest Management Model Project and FM/RIH Courses

Birth date: 07 - 16 - 1970

CIC: 373 774 502 - 15

Identification number: 3504802 Segup/Pa

Schooling: Graduate Forestry Engineering School (B.Sc.) - Faculty of Agrarian Sciences of Pará

Federal Technical School of Pará

Nationality: Brazilian

Native: Pará

PROFESSIONAL EXPERIENCE:

1995 - F.F.T., Belém - PA

- Manager / Coordinator of FFT projects in forest management, training and extension
- Coordinator of courses and training of forest management activities and reduced impact harvesting (RIH)
- Supervisor on operational activities of forest management and RIH (forest inventory, vine cutting, mapping, forest equipment, planning and construction of skid trail, skidding, silvicultural treatment, forest monitoring and forest protection)
- Coordination and supervision of management research and RIH
- Presentation in seminars on environmental education, sustainable forest management and harvesting

COURSES:

1997 & 1998, Site visits to Specific Forest Management visitations, Acre, Amazonas, and Mato Grosso.

1997, Proyecto de manejo Forestal Sostenible - BOLFOR Santa Cruz-Bolivia
Center for International Forest Research - CIFOR
Food and Agricultural Organization - FAO

- International Seminar / Training course related to research of Reduced Impact harvesting in natural forests

1997 Government Fire and Rescue Organization, Paragominas - PA

- Training of first aid on forest activities

1995 Universidade Federal do Pará - UFPA Belém - Pará
Museu Paraense Emílio Goeldi - MPEG Belém - Pará

- Specialized course in botany and tree identification

1995 SOTREQ - Caterpillar Paragominas - PA

- Training course on heavy equipment operations in forest management

1993 - 1995 Faculty of Agrarian Sciences of Pará - FCAP Belém - Pará

- Monitoring on fisiology of plants

1992 - 1995 Museu Paraense Emílio Goeldi - MPEG Belém - Pará

- Participation in research projects in wood anatomy, floristic composition, environmental education, ethno-botany and anatomy of plants

1990 Computer Systems SA - SISCO

- Maintenance on computers
- Program of computer systems

Carlos Souza Jr.
Executive Director, Imazon

Adalberto Veríssimo
Co-ordinator of the project

Assessment by the Twenty-eighth Panel

A) Overall Assessment

The Panel noted the importance of this project for promoting sustainable forest management practices amongst the small and medium forest landowners and timber companies in the State of Para that currently lack the technical skills and financial prowess to implement sustainable forest management (SFM). However, the panel observed that the proposal lacked a description of the concept of Modular Forest Management (MFM) and of the Modular Implementation Verification (MIV) scheme the project wishes to apply in the forest. Moreover, the Panel was also unclear as regards the relationship the MFM and the MIV had with the FSC principles and certification schemes, and how MFM and MIV comply with the ITTO guidelines and C&I for SFM and ITTO's concept for a phased approach towards SFM. In addition, the Panel was wary of the idea of the project promoting forest activities that are illegal under the current Brazilian forestry and environment legislations while at the same time developing proposals to change the current legislation in order to adopt the forestry activities it wants to promote. The Panel suggested the project desist from promoting such illegal activities until the respective changes to the legislation have been sanctioned by the government. As regards budgets, the Panel noted that it was high and that the budget tables were missing from the proposal.

B) Specific Recommendations

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

1. Provide a definition and describe the approach and methodology for the MFM and MIV under the chapter of Technical and Scientific Aspects of the proposal. Further sustain MFM and MIV compliance with the ITTO guidelines and C&I for SFM;
2. Clarify the role of the forest landowners and timber companies in the project;
3. Include a list of the 20 proposed forest landowner partners and quantify the forestlands they own;
4. Attach a detailed map highlighting the 20 partner forest landowners;
5. Include an activity and an output for the application of the ITTO C&I for SFM at the forest management unit level at both the start and end of project implementation in the 20 partner forestlands, so as to properly assess the effectiveness of the MFM and MIV concepts in achieving progress achieved towards sustainable forest management;

6. Include activities needed for the application of the MFM and MIV concepts at the field level;
7. Either justify or eliminate the application of FSC Principles, as the proposal as it currently stands is not about promoting certification but rather the achievement of SFM;
8. Desist from promoting any forest activities that are illegal under the current Brazilian legislation until these have been incorporated and sanctioned by the Brazilian Government;
9. Consider entering into collaborative partnerships with the ITTO SFM projects currently being implemented by EMBRAPA (PD 57/99 Rev.2 (F)) and TFF in the State of Para (PD 206/03 Rev.1 (F)). Carefully analyze the components of all these projects, and justify that the activities of this project will not duplicate and/or overlap those being implemented by EMBRAPA or TFF or cause confusion among timber companies as regards SFM procedures in the State of Para;
10. provide terms of reference for all professionals involved in project implementation;
11. Reduce the budget and provide a more equitable distribution of the overall budget between the ITTO and counterpart contributions, particularly as regards personnel;
12. Provide detailed budgets by activities and by component and source for the ITTO and counterpart contributions. Consider including the costs incurred by the partner forest landowners to achieve SFM via MFM and MIV as a counterpart contribution to this project. Include unit costs per hectare for the application of MFM and MIV;
13. Include US\$15,000 for ex-post evaluation, and recalculate the ITTO's Programme Support Costs so as to conform to the new standard of 8% of total ITTO project costs as decided by the 35th ITTC; and
14. Include an Annex which shows the recommendations of the 28th Panel and the respective modifications in tabular form.

C) Conclusion

The Panel concluded that the project proposal requires essential modifications and the Panel will need to assess the modified project proposal before it can commend it to the Committee for final appraisal.

Assessment by the Twenty-ninth Panel

A) Overall Assessment

The Panel noted that most of the recommendations of the 28th Panel have been adequately addressed in the proposal. However, some weaknesses still remain, particularly as regard the description of the concept of Modular Forest Management (MFM) and of the Modular Implementation Verification (MIV) scheme the project wishes to apply in the forest, and of the risks involved in the implementation of the project. As regards the budget, the Panel also observed that it continued to be high as regards the ITTO contribution.

B) Specific Recommendations

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

1. Describe in further detail the Modular Forest Management (MFM) and of the Modular Implementation Verification (MIV) scheme and provide greater details to the flowchart describing the strategy for implementing the MFM & MIV action plan cycles;
2. Provide a realistic risk assessment;
3. Provide a much more equitable balance between the ITTO and counterpart contributions towards the overall budget, particularly as regards project personnel;
4. Include the costs of the independent annual and final audits in the budget, preferably as a counterpart contribution;
5. Adjust the costs for ITTO monitoring and review to US\$10,000 per year, and transfer ABC/MRE monitoring costs from component 80 to component 50 in the project budget; and
6. Include an Annex at the end of the project proposal document which shows the recommendations of the 28th and 29th Panels and the respective modifications in tabular form. Utilize ITTO's standardized format for this and eliminate summary of modifications at the beginning of the current revision of the proposal.

C) Conclusion

The Panel concluded that, with the incorporation of the amendments noted, the project proposal could be commended to the Committee for final appraisal.