



PEELING BACK THE BARK: TIMBER TRACKING AND REGULATIONS CONTROLLING THE PERUVIAN FOREST SUPPLY CHAIN

By **Alfredo Rodriguez Zunino**

This report contains an overview of the Peruvian timber supply chain, its legal and regulatory framework, and the guidance and tools that have been established to ensure its legality. It also contains an analysis of current Peruvian Forest Law applications and regulations, and identifies gaps and challenges to robustly applying these laws and regulations to the timber supply chain.

INTRODUCTION

In the final quarter of 2019, the Peruvian Forest Service (SERFOR) published three new sets of “resoluciones ejecutivas” (executive resolutions) to improve tracking and controls in the forest supply chain. These enforceable directives laid out the documentation required to comply with the Peruvian Forest Law of 2011 and subsequent regulations (largely finalized in 2015).

The main directive provides technical explanations related to timber tracking, while the other two directives mandate changes for forest and sawmill industries. All authorized forest license holders and sawmills must now use “operation books” to record the execution of their management plan.



JUNE 2020

This new format allows forest harvests to be checked against approved management plans more easily and requires sawmills to reconcile the volume of logs processed against the volume of wood delivered to the processing mill. These changes are expected to help improve traceability and transparency within the supply chain.

This system should enable interested parties to track timber products more easily from any point in the supply chain back to the precise standing location of a particular harvesting plot. SERFOR should be commended for publishing this guidance and the tools necessary to build a transparent national forest sector. However, SERFOR still lacks an open access database.ⁱ Without transparency of information, buyers and regulators of Peruvian timber products will still struggle to conduct due diligence to verify legality and compliance with import regulations, such as the US Lacey Act or EU Timber Regulation (EUTR).

Background

The Peruvian forestry industry has long struggled to create a rigorous tracking system for its supply chain because many smallholder players are involved, who – for lack of guidance, knowledge, or other factors – do not comply with laws and regulations. Falsified licences, unverified information, and corruption continue to be a problem. Illegal logging estimations are high; almost 40 percent of timber consumed (valued at US\$155 million) fails to meet the legal standards set by the Government of Peru.¹ If an effective control system were implemented, related taxes and royalties captured from that timber would boost Peru's economy by an estimated US\$20.5 million annually.²

Meeting International Standards for Legality: With high levels of illegal logging, Peruvian timber suppliers have struggled to demonstrate that their timber can meet the legal standards required by large and important export markets such as the United States, Europe, and Australia. While other timber producing nations have been recovering their exports since the 2008 economic crisis, Peru's volume of timber exports has decreased at an annual rate of 5 percent.³

Between 2008 and 2013, two of Peru's major trading partners – the US and the EU - instituted new international timber trade regulations prohibiting the import of illegally sourced timber, and the 2009 US-Peru free trade agreement mandated institutional and regulatory amendments. In 2018, 29% of Peruvian timber exports (by value) were subject to the legality due diligence processes of US and European markets – valued at more than \$40 million (Figure 1).

However, even larger volumes of timber exports were channelled through unregulated markets, such as China (42%) and Mexico (10.5%), largely in the form of primary products such as flooring, mouldings, strips, and sawnwood.

ⁱ With support from a national NGO and a USAID funded project, the Loreto regional government has launched an open-access portal of Forest Management information: <http://transparenciagerfor.regionloreto.gob.pe/>. This database system is still being on trialed and updated. It is expected that SERFOR will launch a similar platform in August 2020.

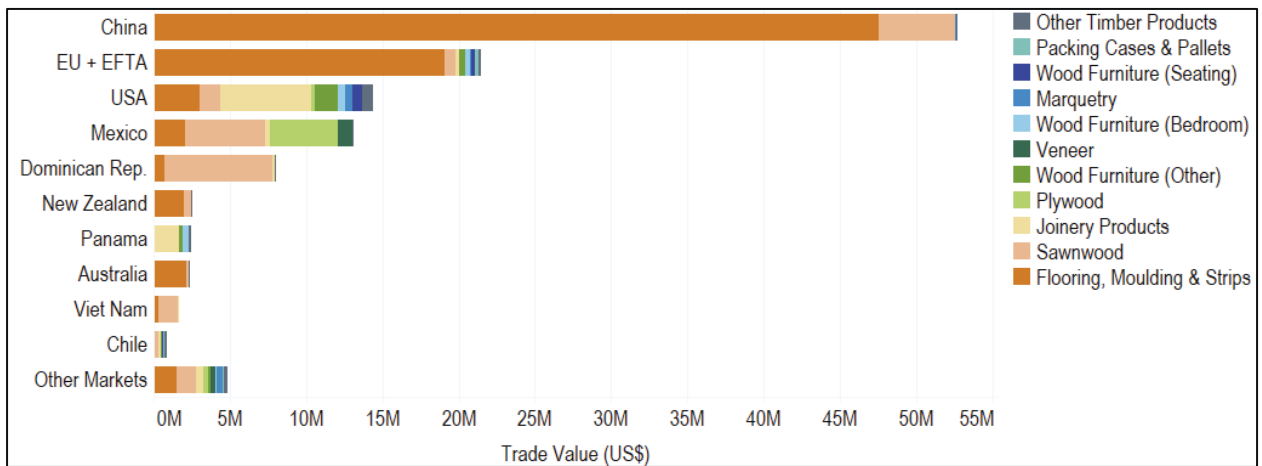


JUNE 2020

At the end of 2019, the Government of China amended its Forest Law to require traceability and legal sourcing for all domestic wood products. To date, it is still unclear whether these amendments would also apply to imported timber products. If so, over 71% of Peruvian timber exports to the US, Europe, and China would be subject to legality verification.

The Peruvian Forest Law: The Peruvian Forest Law and its regulations govern logging for the following categories: (i) timber and non-timber forest concessions, (ii) indigenous communities, (iii) private properties, (iv) local forests, and (v) use contracts.⁴

FIGURE 1 2018 Peru Exports of Timber Products by Export Market and Timber Product (USD)



Key Governance Body Players

MINAGRI: Ministerio de Agricultura y Riego (MINAGRI), or, The Peruvian Ministry of Agriculture and Irrigation oversees management of Peruvian forests and wildlife.

SERFOR: Servicio Nacional Forestal y de Fauna Silvestre (SERFOR), or, the Peruvian Forest and Wildlife Service. SERFOR is the technical and regulatory body within MINAGRI responsible for implementing the Peruvian Forest and Wildlife Law.

Regional offices: Responsibility for enforcing the Forest Law falls to specialist forest offices within regional governments, especially in the Amazonian regions. These regional forest offices are also in charge of developing natural resources surveillance and control systems, deploying field inspections, and granting forest rights and management plan licenses.⁵

OSINFOR: Organismo de Supervisión de los Recursos Forestales y de Fauna Silvestre (OSINFOR). A separate body assigned to the Council of Ministries with a mandate to report to Peruvian Congress, OSINFOR oversees the Forest Law by performing post-harvesting audits to ensure legal compliance.⁶



JUNE 2020

Location and Species: Most of Peru’s high-value logging activities occur in the natural primary forests of the Amazon basin. In 2018, 84% of harvested trees were sourced from just three regions: Loreto, Ucayali, and Madre de Dios. These regions boast 160 traded wood species. However, only six native tree speciesⁱⁱ make up almost 50% of the national harvest volume.⁷

Required Permits Along the Supply Chain

Forest Management Plan licensing: One main function of the Forest Management Plan is to determine and pre-approve the volume of wood for removal. To access forest resources, all loggers (e.g. within concessions, indigenous communities, private properties and use contractors) must submit a Forest Management Plan to request the harvesting licence from a regional forest office. Loggers are required to hire an independent consultant (or “forest regent”) certified by SERFOR to develop the plan. Low intensity harvesting operations are exempted from this requirement.

The resulting forest management plan license records the following information:

- Forest management license code
- Regional (subnational) and local forest office location where the license was granted
- Date when the license was granted
- Forest management category and management practices
- Authorized harvesting plot (and georeferenced vectors)
- Harvesting season
- Forest user name or company holder
- Forest harvesting rights code
- Name of the forest regent
- Trees species names and wood volume approved

This information would be incredibly useful for buyers who need to conduct robust due diligence to demonstrate compliance with the US Lacey Act or EUTR. Unfortunately, the information contained in these license records is difficult to verify and not readily available because they are not digitized or shared on an open-source system. To obtain copies of the paperwork, interested parties must submit a request to the local forest office or from the timber supplier, which might require either some prior knowledge of the timber’s origins or cooperation from the timber supplier.

Harvesting: Once armed with a Forest Management Plan license, loggers can harvest authorized trees. Harvesters must continually update their balance sheets as they move logs to the forest log yards. From there, they must move the logs to a primary processing sawmill, which requires a transport permit bill.

ii. Capinuri (*Clarisia biflora*), virola (*Virola sp.*), tornillo (*Cedrelinga cateniformis*), cumaru (*Coumarouna odorata*), lupuna (*Chorisia integrifolia*), and cachimbo (*Cariniana domesticata*).



JUNE 2020

Sawmills: Sawmills must record the volumes coming in and out of their mills with their own balance sheets. They must also complete an additional transport permit bill for wood products exiting the mill or acquire one from a regional forest office. These bills must correspond to an existing log transport permit bill and use the same forest category licence and forest management licence codes.

Transport permits: The Forest Law requires all timber transport to be documented. Two documents are required for both forestry and sawmill industries: 1) a log and wood transport permit bill (“guías de transporte forestal”) for SERFOR and the regional forest office and 2) a sender waybill (“guías de remisión”) for the tax authority (SUNAT). Secondary processing industries only need a sender waybill. Checkpoints run by regional forest offices inspect the loads and their permits. Documentation can be verified through forest and sawmill operations records (e.g., the aforementioned balance sheet).⁸

Logs and wood transport permit bills contain vital information including:

- The location of the forest plot
- Authorized transport range dates
- Forest management category
- Forest category license code
- Forest user name or company holder
- Forest management licence code
- Harvesting plot
- Trees species names and wood volumes
- Details of the driver and the truck

FIGURE 2 Logs Transport Permit Bill (from the Forest to the Primary Sawmill) and Logs List

GUIA DE TRANSPORTE FORESTAL

17- Nº SERIE: 00002-2017

Fecha de Expedición: 12/12/2017 Fecha de Vencimiento: 12/12/2017

Origen de recurso: Concesión Permiso Autorización Barco local
 Descoque Cambio de Uso Plantación Plan de Manejo Consolidado

Nº Resolución: 00002-2017-GRMAD-001

Plan de Manejo (Tipo): PRFI

Departamento: MADRE DE DIOS Distrito: TAHUAMAYO

Provincia: TAHUAMAYO Dirección: CALLE LC

Destinatario: MADRE DE DIOS Dirección: CARRETERA

Transportista: HERIBERTO SANCHEZ

| Nombre Científico | Nombre Común | Nombre Comercial | Codificación | D1 | D2 | L | Volumen M ³ |
|-------------------|--------------|------------------|--------------|----|----|--------|------------------------|
| Dactyloctenium | SATHUAMAYO | NOULTA | TROZAS | CR | M3 | 33.956 | |

Observaciones: 00002-2017

LISTADO DE TROZAS O CUARTONES A MOVILIZAR

17- Nº SERIE: 00002-2017

| Nº | ESPECIE | | Codificación | Dimensiones | | | Volumen M ³ |
|--------------|-------------------|--------------------------|--------------|-------------|-------|------|------------------------|
| | Nombre Científico | Nombre Común o Comercial | | D1 | D2 | L | |
| 1 | Dactyloctenium | SATHUAMAYO | PR-125-B2 | 0.735 | 0.67 | 7.00 | 2.713 |
| 2 | " | " | PR-214-A | 0.95 | 0.95 | 7.00 | 4.962 |
| 3 | " | " | PR-305-C | 1.245 | 1.235 | 4.00 | 5.641 |
| 4 | " | " | PR-192-C | 1.24 | 1.145 | 4.00 | 4.465 |
| 5 | " | " | PR-4-B1 | 0.955 | 0.90 | 7.00 | 4.679 |
| 6 | " | " | PR-173-C | 0.92 | 0.79 | 8.20 | 4.070 |
| 7 | " | " | PR-441-A | 0.805 | 0.855 | 6.00 | 3.649 |
| 8 | " | " | PR-32-A | 0.85 | 0.70 | 6.00 | 3.774 |
| 9 | | | | | | | |
| 10 | | | | | | | |
| 11 | | | | | | | |
| 12 | | | | | | | |
| 13 | | | | | | | |
| 14 | | | | | | | |
| 15 | | | | | | | |
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| 25 | | | | | | | |
| 26 | | | | | | | |
| 27 | | | | | | | |
| 28 | | | | | | | |
| 29 | | | | | | | |
| 30 | | | | | | | |
| TOTAL | | | | | | | 33.956 |

Observaciones: 00002-2017

Source: GRFS Madre de Dios, 2017



JUNE 2020

FIGURE 3 Wood Products Transport Permit Bills (from the Primary Sawmill to Next Stage), Checkpoint Stamps at the Back, and Pieces List Appendix

MADERERA
 RUC: 16004203...
 Don. Pisco y Alegre 11a y 20 Alegre
 P.O. BOX 10680 1173000
 MADRE DE DIOS - TAMBORA - LAS PIEDRAS
 San Pedro de Cinti, Tambora y Balmes 85
 www.madre-dios.com.pe

GUIA DE TRANSPORTE FORESTAL
 17- N° SERIE N° 7

Autoridad Regional Forestal y de Fauna Silvestre TAMBOPATA
 Fecha de Expedición: 18 - OCTUBRE - 2018 Fecha de Vencimiento: 28 - OCTUBRE 2018
 Origen de recurso:
 Concesión Permiso Autorización Bosque local
 Destosque Cambio de Uso Plantación Plan de Manejo Consolidado
 Otros

N° 17-TAMC-008
 Nombre completo del Titular: SATURNINO
 N° Resolución: 1-2018-GOBIERNO-1 Representante legal:
 Plan de Manejo(Tipo): P.M.C.R.
 Departamento: MADRE DE DIOS Distrito: LOS PIEDROS
 Provincia: TAMBOPATA DNI N°
 PROPIETARIO DEL PRODUCTO: COMPANY S.A.C. Dirección: I SECTOR LOS MANOS
 RUC N° 2050300 Dirección: Prov. TAMBOYANU Distrito: INAPORI
 Tipo de Comprador de Compra o Venta: FACTURA N° de comprabante: E001
 DESTINATARIO: MADREAS DEL PEE S.A. DNI N°
 RUC N°: B53 Dirección: Prov. LIMA Distrito:
 Departamento: LIMA

TRANSPORTISTA
 N° Guía de Remisión: 0001-
 Tipo de Transporte: TERRESTRE
 Tipo de Vehículo: SEMI TRAILER Placa(s) N° AME-
 Conductor: RICARDO DNI N° 7113
 Licencia de Conducir N° 2-E-1594

DETALLE DEL PRODUCTO
 Lista(s) de Trozas N° 17-002-00003/17-002-00006/17-002-00009/17-002-00010
 N° OTF de origen 17-002-00011/17-002-00009/17-002-00012/17-002-00013

| Nombre Científico | Nombre Común o Comercial | Tipo de Producto | Forma de Embalaje o Presentación del producto | | Cantidad | Unidad de medida | Volumen |
|-------------------|--------------------------|------------------|---|----------|----------|------------------|---------|
| | | | Descripción | Cantidad | | | |
| DIPETRY COCATA | SHIMUHUBO | PIEDRA COCATA | PIEDRA | 650 | M3 | 8.828 | |
| DIPETRY COCATA | SHIMUHUBO | MADERA COCATA | PIEDRA | 4910 | M3 | 12.660 | |
| | | | PIEDRA | 5560 | M3 | 21.488 | |

Observaciones: 0001-00009

Se invalida la OTF cuando contiene errores tipográficos y/o alteraciones
 La presente OTF tiene carácter de declaración jurada y está sujeta a acciones penales contempladas en el numeral 32.3 del artículo N° 32 de la Ley 27444 Ley de Procedimiento Administrativo General

Madre de Dios, 18 de Octubre del 2018
 Nombre y apellido del emisor: María

GOBIERNO REGIONAL MADRE DE DIOS
 DIRECCION REGIONAL FORESTAL Y DE FAUNA SILVESTRE
 P.O. BOX 10680 TAMBOPATA
 N° 17-002-00009
 Fecha: 21-10-18
 Responsable: FERRER

GOBIERNO REGIONAL MADRE DE DIOS
 DIRECCION REGIONAL FORESTAL Y DE FAUNA SILVESTRE
 P.O. BOX 10680 TAMBOPATA
 N° 17-002-00009
 Fecha: 21-10-18
 Responsable: FERRER

SERVICIO NACIONAL FORESTAL Y DE FAUNA SILVESTRE
 ADMINISTRACION TECNICA FORESTAL Y DE FAUNA SILVESTRE
 PUESTO DE CONTROL
 PUCUSANA
 CONTROLADO
 FECHA: 24 OCT. 2018 HORA: 09:10
 RESPONSABLE: FERRER

GOBIERNO REGIONAL MADRE DE DIOS
 DIRECCION REGIONAL FORESTAL Y DE FAUNA SILVESTRE
 P.O. BOX 10680 TAMBOPATA
 N° 17-002-00009
 Fecha: 21-10-18
 Responsable: FERRER

20-10-2018

MADERERA
 RUC: 604...
 Don. Pisco y Alegre 11a y 20 Alegre
 P.O. BOX 10680 1173000
 MADRE DE DIOS - TAMBORA - LAS PIEDRAS
 www.madre-dios.com.pe

LISTADO DE TROZAS O CUARTONES A MOVILIZAR
 17- N° SERIE N° 7

| N° | ESPECIE | | Codificación | Dimensiones | | | Volumen M ³ |
|--------------|-------------------|--------------------------|--------------|-------------|-----------|-----|-----------------------------|
| | Nombre Científico | Nombre Común o Comercial | | D1 | D2 | L | |
| 1 | DIPETRY COCATA | SHIMUHUBO | 70 Piedra | 6.5 | 7 | 7 | 265.42 M ³ |
| 2 | " | " | 35 Piedra | 6.5 | 8 | 8 | 325.00 M ³ |
| 3 | " | " | 55 Piedra | 6.5 | 11 | 11 | 268.13 M ³ |
| 4 | " | " | 65 Piedra | 6.5 | 10 | 10 | 352.08 M ³ |
| 5 | " | " | 90 Piedra | 6.5 | 11 | 11 | 536.25 M ³ |
| 6 | " | " | 150 Piedra | 6.5 | 12 | 12 | 975.00 M ³ |
| 7 | " | " | 175 Piedra | 6.5 | 13 | 13 | 1081.04 M ³ |
| 8 | | | 650 Piedra | | | | 3142.92 M ³ |
| 9 | | | | MADERA | COMERCIAL | | 8.828 M ³ |
| 10 | | | | | | | |
| 11 | DIPETRY COCATA | SHIMUHUBO | 1410 Piedra | 5.5 | 3 | 3 | 1938.75 M ³ |
| 12 | " | " | 800 Piedra | 5.5 | 2.5 | 2.5 | 916.67 M ³ |
| 13 | " | " | 900 Piedra | 5.5 | 2 | 2 | 825.00 M ³ |
| 14 | " | " | 700 Piedra | 4.5 | 3 | 3 | 787.50 M ³ |
| 15 | " | " | 400 Piedra | 4.5 | 2.5 | 2.5 | 375.00 M ³ |
| 16 | " | " | 700 Piedra | 4.5 | 2 | 2 | 525.00 M ³ |
| 17 | | | 4910 Piedra | | | | 5367.92 M ³ |
| 18 | | | | MADERA | COCATA | | 32.660 M ³ |
| 19 | | | | | | | |
| 20 | | | | | | | |
| 21 | | | | | | | |
| 22 | | | | | | | |
| 23 | | | | | | | |
| 24 | | | | | | | |
| 25 | | | | | | | |
| 26 | | | | | | | |
| 27 | | | | | | | |
| 28 | | | | | | | |
| 29 | | | | | | | 9110.84 M ³ |
| 30 | | | 5560 Piedra | | | | 21.488 M ³ |
| TOTAL | | | | | | | 21.488 M³ |

OBSERVACIONES: SE ADJUNTA LA HOJA DE SUBCATEGORIA PARA MÁS DETALLE

Madre de Dios, 18 de Octubre del 2018
 Nombre y apellido del despachador: María

Source: GRFFS Madre de Dios, 2018



JUNE 2020

FIGURE 4 Sender Waybill Requested by the Peruvian Tax Authority (SUNAT) Post-Harvesting Audits:

Source: SUNAT, 2018

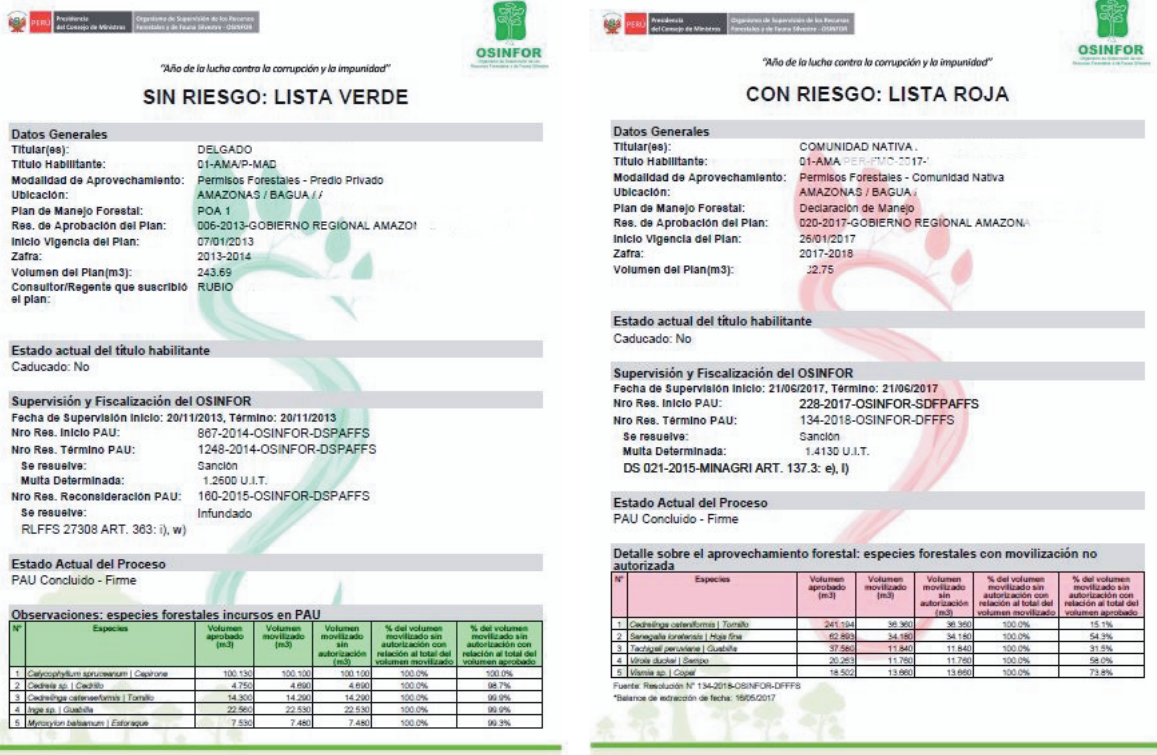
Post-harvesting audits: Once the harvesting season is over, OSINFOR inspects forest management activities, publishing its findings in the form of either a green or red risk report (Figure 5). Red (“risky”) reports indicate that the harvesting operations failed to comply with forest regulations and are thus being sanctioned or suspended. However, OSINFOR forest field post-harvesting inspections are randomized. Therefore, only a limited number of harvesting plots – roughly 50% - are inspected each year. While OSINFOR’s audits are not included or mentioned by SERFOR in the new directives, OSINFOR is the only public organization that provides an open-source system which allowed buyers to verify that the product has been legally harvested.

It is worth noting, however, that harvesting plots with CITES species all require a pre-approval inspection from SERFOR, and then a post-harvesting inspection by OSINFOR.



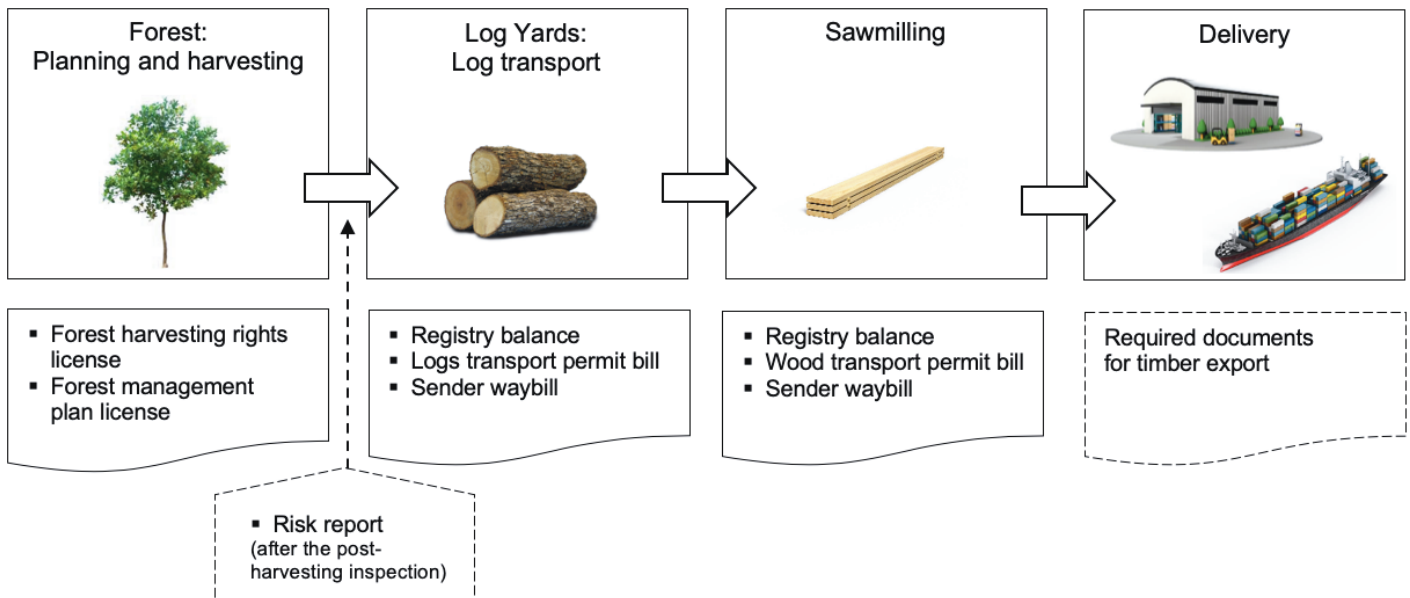
JUNE 2020

FIGURE 5 No Risk (Left, Green) and Risky (Right, Red) Reports Emitted After the Post-Harvesting Inspection Performed by the Oversight Body OSINFOR



Source: OSINFOR, 2018

FIGURE 6 Forest Supply Chain Stages and Required Documents to Demonstrate Source Legality





Box 1: OSINFOR’s Available Information Used for Assessing Potential Risks and Harvesting Compliance

Figure 7 shows a risk analysis tool built upon information from OSINFOR’s statistics database. This ‘traffic light’ matrix can be used to crosscheck timber origin (e.g. region) against land tenure category (e.g. forest concessions) and timber species (e.g. ‘virola’).

FIGURE 7 Risk Rate Analysis Tool for Timber Purchasing Operators Based on OSINFOR Post-Harvesting Inspections Statistics Database Findings by Region, Forest Category and Timber Species (2018)



A field inspection and “no risk” (green) report issued by OSINFOR reduces the risk of illegally harvested wood entering the market. The procurement policies of key Peruvian timber companies such as Maderacre, La Oroza, and Bozovich, already use OSINFOR green reports to assess risk and state that only products sourced from forests holding an OSINFOR “green” report will be accepted without further investigation.^{9,10,11}

These timber procurement policies also state that logs sourced from uninspected forests can be accepted only after a thorough auditing process, which includes an independent forest field inspection and a signed commitment that any future OSINFOR report will be shared. Logs harvested from plots with red risk reports are not accepted at all.

Furthermore, information in OSINFOR risk reports can be cross-checked with the following: (i) the forest management license code, (ii) the location where the license was granted, (iii) the forest management practices, (iv) the authorized harvesting plot, (v) the forest operator or holder’s name, (vi) the forest tenure license code, (vii) the name of the independent forest regent, (viii) the supervision date, (ix) the harvesting season, and (x) the sample of trees inspected.



JUNE 2020

The new enforceable directives: The latest directives from 2019 set the scene and clarify the supply chain by explaining the differences between primary and secondary processing industries, for example. They also list the documents and tools available for timber tracking and add new templates for the operating books to boost accountability.¹²

The operating books now required for forest log yards and primary processing sawmills have instated uniform record keeping. This increases accountability by allowing wood volume balance sheets to be compared against approved forest management plans, harvested log volume, and wood volume produced.^{13, 14}

The directives cite forest management plans, operating books, and transport permit bills to track timber. They have also proposed digital tools to manage these documents, which are still being developed and tested.

Gaps and Challenges

Large scale, formalized wood sector operations have higher running costs than their smaller counterparts, even after taking bribery payments into account.¹⁵ To avoid extra costs and paperwork, it is tempting for large companies to source wood from smaller suppliers operating on the black market rather than harvesting their own forests.

Lobbying efforts by those opposed to new systems: Lack of technical resources and capacities are common obstacles to the implementation of regional level strategies. However, in this case, the Peruvian wood industry and regional forest officers are united in opposing the new operating book system. To date, they have not accepted the argument that the books are an essential part of the improved controls, reducing the chance of legal and illegal wood mixing.

SERFOR is struggling to implement new operating books because local loggers, sawmills, and regional forest officers argue that they will increase operating costs. The previous forest operating book template required tree logs to be measured only once upon arrival at the logging yards. To improve traceability along the supply chain, the October 2019 directives now require forest operations to also measure the total stem length of the tree as soon as it is felled, and again when it is cut into logs. Primary wood processing industries that could use a simple operating book template must now refer back to the previous forest stage. Secondary industries must also keep balanced books but are not required to adopt the new operating book template.

To date, opponents to Peru's new system have not accepted the argument that 1) the operating books are an essential part of reducing the chance of mixing legal and illegal wood, and 2) EU operators and buyers with strong procurement policies need the more detailed data required by the new system to verify legality.



JUNE 2020

Independent control systems: The majority of loggers and sawmills do not have digitized record keeping and still rely on paper balance sheets. The German International Cooperation (GIZ) has developed an open-code software called DataBosque (DataForest). It can be used both as a management and decision-making platform –enabling companies to track wood and monitor costs, machines, and workers in one place.¹⁶ In 2018, GIZ formally transferred the software to SERFOR and trained its officers on its use. However, as of January 2020, only an estimated 50 logging companies out of 3,651 in Peru use DataBosque. Four primary processing industries are testing a beta version of DataIndustria (DataIndustry), which is a similar tool for tracking wood at the sawmilling stage.^{17, 18} A few private companies have developed their own tracking software systems.¹⁹

Lack of an open platform system: Peruvian wood buyers need to compare the data found in a transport permit bill with data from the relevant forest management plan to check whether the resultant volume falls within the approved range. Information such as product owner, truck licence plate number, or even the driver's name is needed to crosscheck information from previous shipments. Doing so is an important part of ruling out the risk of double counting or fraudulently reusing documents. Digitized records and open access to all official paperwork would streamline this process and increase the chances of exposing and preventing illegal activity.

System under construction: The National Forest and Wildlife Information System (SNIFFS) is a web-based platform designed to support both forest officer activities and users' needs. When complete, SNIFFS can be used to compile, organize, and search for data by categories such as control, inventories, monitoring, marketing, knowledge management, statistics, forest land records, regulations' data base, and outreach. Despite being a required tool, it is still under development.²⁰ The Forest Law states that the legality of timber products depends on all transport permits being entered into and verified through the control section of SNIFFS – to be implemented at an as yet unspecified point in the future.

OSINFOR is currently the only public organization that provides an open-source system capable of verifying that a product has been legally harvested. However, its use is limited to forest harvesting operations and cannot be applied to the entire supply chain.

Limitations of OSINFOR: The problem remains that, until the new operating book system is universally adopted, and the associated tools are ready to use, the old documentation system does not prove the source of timber loads to a satisfactory standard when compared with other widely-accepted international timber legality standards. Neither SERFOR nor the regional forest offices operate an open-source system through which interested parties can verify documents and demonstrate the legality of a Peruvian timber product. Thus far, OSINFOR's post-harvesting inspection reports are the most reliable and useful proof of compliance with national and international timber trade regulations.

Analysis of the OSINFOR database shows that, in 2018, the agency carried out a total of 515 inspections in Loreto, Madre de Dios, and Ucayali. This inspection rate represents only 40% of the operational management plans issued in these regions in 2018 (1,277 total). These 2018 inspections uncovered 341,538.50 cubic meters of illegally logged wood, which was 99.1% of the



JUNE 2020

total national illegal volume found by OSINFOR that year. Forty-three “risky” (red) forest management plans were the result of regional officials signing off on management plans that included “ghost” trees (i.e. trees that did not really exist).

Timber purchasing agents, operators, and enforcement officials in regulated markets can use the information within OSINFOR’s post-harvesting inspections to assess potential risks, but not to prove that wood was legally sourced under any of SERFOR’s enforceable directives. In addition, OSINFOR’s post-harvesting inspections focus exclusively on forest management and harvesting and do not verify subsequent supply chain stages.

Insufficient protocols for wood control processes: All key governmental stakeholders in the timber supply chain play a role in controlling forest resources and products. However, the new timber control directives do not designate specific role(s) to each. This lack of clarity could prove problematic when, for example, wood loads must be transported along trans-regional roads because control protocols and technical information vary between regional checkpoints. In extreme cases where protocols are absent, there is greater risk of contradictory behaviours or responses from regional checkpoint officers. To address this, SERFOR recently announced a forthcoming public consultation on the proposed protocol for the terrestrial transport of timber.²¹

Poor communication between government bodies: Integrated management systems, if well designed and implemented properly could support improved communication and cost-efficiency for both the private sector and forest regulatory bodies. For example, a national decree currently states that regional forest offices must provide OSINFOR with information about forest category licenses and forest management license codes no later than 15 days after approval.²² Despite this regulation, 85% of that information was delayed in 2018. Information from three regions, Loreto, Madre de Dios, and Ucayali, accounted for 90% of that delay. Such delays prevent timely post-harvesting inspections by OSINFOR, which increases the risk of illegal activity going undetected.²³

No system to compile transport bills: In theory, the new directives and application of SNIFFS as a management tool should make it possible to trace timber products to the exact location of felling using the transport permit bill alone. Trees are given a unique code in each forest management plan, which should appear in the bill.

However, transport permit bills are still handwritten, increasing both the margin of error and risk of forgery (Figure 2 and Figure 3) and making it nearly impossible to authenticate. Some transport permit bills are printed by regional forest offices (Figure 8), which makes them official documents for proof for transport. However, the lack of a secure open-source database through which these can be filed and examined makes it difficult to verify legitimacy of these documents (i.e. access to a printer makes document fraud/forgery quite simple).



JUNE 2020

FIGURE 8 Wood Products Transport Permit Bill Printed out by the Ucayali Region Forestry Office

GOBIERNO REGIONAL DE UCAYALI
Autoridad Regional Ambiental de Ucayali
Gerencia Regional de Recursos Naturales
y Gestión del Medio Ambiente
Dirección de Gestión Forestal y de Fauna Silvestre
DGFFS - PUCALLPA

GUÍA DE TRANSPORTE FORESTAL
01 - Nº 006

CORONEL PORTILLO

Autoridad Regional Forestal y de Fauna Silvestre: Fecha de Expedición: 14-05-2019
Fecha de Vencimiento:

Origen del recurso: Concesión Permiso Autorización Bosque Local
 Desbosque Cambio de uso Plantación Plan de Manejo Consolidado
 Otros:

Nº de Pur: 0040
Nombre completo del Titular: FORESTAL Representante legal:

Nº de Resolución: PO 770 Nº 21 20 GRU
Plan de Manejo (Plan Operativo): PO-PLAN OPERATIVO

Departamento: UCAYALI Provincia: CORONEL PORTILLO Distrito: MASISEA

PROPIETARIO DEL PRODUCTO: DNI Nº:

RUC Nº: UCAYALI Dirección: CORONEL PORTILLO
Departamento: UCAYALI Provincia: CORONEL PORTILLO Distrito: YARINACCOCHA
Tipo de Comprobante de Compra o venta: GUÍA REMISIÓN Nº de comprobante: 001-000

DESTINATARIO: DNI Nº:

RUC Nº: Dirección:
Departamento: LIMA Provincia: LIMA Distrito:

TRANSPORTISTA:
Nº de Guía de Remisión: 0001-0
Tipo de Transporte: TERRESTRE
Tipo de Vehículo: SEMI TRAILER

Conductor: Placa(s) Nº: 213 / B24
Licencia de Conducir Nº: D.N.I. Nº:

DETALLE DEL PRODUCTO:
Lista (s) de trozas Nº:
Nº GTFS de origen:

| Nombre Científico | Nombre Común o comercial | Tipo de Producto | Forma de empaque o presentación del producto | Cantidad | Unidad de medida | Total |
|-------------------|--------------------------|------------------|--|----------|------------------|--------|
| Dipterix odorata | Sibibalsuaco | MADERA COMERCIAL | PIEZAS | 182 | M3 | 18.966 |

LA SUSCRIPCIÓN DE LA PRESENTE GUÍA DE TRANSPORTE FORESTAL QUEDA SUJETA AL CONTROL POSTERIOR DE LAS AUTORIDADES CORRESPONDIENTES PUEDE SER ANULADA O CANCELADA POR PRESENTARLA POR EL USUARIO Y POR LO QUE TIENE CARÁCTER DE DECLARACIÓN JURADA

Observaciones: PUESTO DE CONTROL MANADO 10 MAYO 2019 VERIFICADOR: HERRERA HERRERA HORA: 04:42 FIRMA: [Firma]

Se invalida la GTFS cuando contiene enmendaduras y/o alteraciones. La presente GTFS tiene carácter de declaración jurada y está sujeta a acciones penales contempladas en el numeral 32.3 del artículo N° 32 de la Ley 27444 (Ley del Procedimiento Administrativo General).

Source: DGFFS Pucallpa, 2019

Instead, those attempting to conduct due diligence must crosscheck transport permit bills with documents from earlier stages of the supply chain, such as forest management plan licenses, OSINFOR reports (if existent), and registry balance sheets (only if provided by the supplier).

However, crosschecking documents in this manner (if tracking them all down is even possible across regions and offices) does not provide information sufficient to prove legality (i.e. can only prove wider area from which the timber originates rather than felling location of tree).



JUNE 2020

Centralized platform on SNIFFS website not yet in full use: SERFOR is still designing and testing a powerful centralized platform ('módulo de control', or, control module) to manage transport permit bills on the SNIFFS website. Handwritten documents will be transferred to the digital system, where agents and operators will be able to verify all the information needed to comply with regulations and their own procurement policies. Currently, the control module demo allows users to consult Forest Management Plans and track wood; it even includes photographs of the trucks being inspected along road checkpoints.

Paired with OSINFOR's database, SERFOR's system will enable due diligence to be performed on all forest plots with a risk report. However, due to cost and time constraints, as well as push-back from industry and regional forest departments, only 15 of the total 1420 valid forest management plans have been incorporated into the new system.^{24, 25}

Tools guidance for implementing new directives not yet available: Many of the tools needed to implement the latest directives and enable rigorous tracking are yet to be released and have no clear timescale for implementation. SERFOR has developed paper-based templates for the new operating books which were rolled out in March 2020 for forest operations and August for primary sawmills. They have also developed training sessions to help transition industry to the new system. However, there is no clear guidance on how to conduct wood product verification or where to find appropriate tools for timber tracking. Instead, SERFOR suggests that the responsibility for implementing the new directives will be transferred to one of its offices at an unspecified time in the future.

These cracks in the system are made increasingly evident by the many requests for additional information and loads still being refused despite due diligence being conducted by agents and operators. Buyers have shared the following main grievances: (i) missing, incomplete, or incorrect documents, including those without stamps or signatures, (ii) information incoherence (e.g. different licences codes between documents or unrealistic yield factors), (iii) double counting balances (e.g. same transport bill presented several times to prove different shipments), and (iv) careless confessions (e.g. mixing documents and loads, by mistake or otherwise).²⁶

Closing Gaps and Tackling Challenges

Stakeholders and Buyers: Governance bodies with overlapping functions coupled with poor communication and the absence of open access record keeping leaves the Peruvian timber industry with a literal paper trail that is rife with opportunities for forgery, corruption, and wider illegal activity.

Private companies that wish to continue sourcing from the Peruvian timber industry should collaborate with government organizations and timber trade federations to support and encourage the development of a robust tracking system.



JUNE 2020

Interested Parties should have a thorough understanding of timber source risk categories and relevant timber tracking systems, as well as an idea of whether suppliers are trained, implementing the new operation books, and using SNIFFS to track the transport permit bills registry.

If a timber supplier or agent is not willing to be scrutinized, that should be a red flag. To avoid this situation in the future, companies should: 1) try to stay away from products with long and complex supply chains (e.g. those involving numerous unrelated small forest plots and sawmills) and 2) avoid suppliers who hold a large area of well-managed forests with low harvesting rates – they are likely sourcing from smaller suppliers located in different regions.

Instating more complex measures requires an adjustment, but it will also increase the industry's ability to track timber and uncover illegal activity. For example, for some species and products it is possible to estimate tree population locations, dispersion, and harvesting and sawmilling yield rate factors can all be estimated. Operators and enforcement offices can then compare these estimates to supplier figures, either by requesting documents or by selecting sample documents from previous loads and calculating their own yield factors. If reliable data is not available, the next best data source or comparable data should be used as a proxy. For example, Peru's southern neighbouring country, Bolivia, has set a proxy legal sawmilling yield factor of 54.59% when processing *Dipteryx spp.*²⁷

Government and Enforcement: SERFOR must focus its efforts and limited public funding resources on fixing and enforcing the timber control system. Until enforcement is strengthened, other interventions will provide little benefit.

It is also critical to implement a more rigorous tracking system that can be verified by enforcement authorities and buyers but cannot be altered for unauthorized purposes. A few such systems have been designed for use in Peru, supported by donors like USAID and GIZ, but are not yet operational (e.g. formal implementation of SNIFFS is yet to occur).

Competent authorities and enforcement agencies should collaborate with their Peruvian counterparts, such as SERFOR, and seek updated information on national verification tools on a regular basis. Cross-checking can be strengthened by improving inter-institutional relationships, sharing experiences with shipment enforcement from Peru and identifying gaps in the system.

A shift in culture and perception needs to occur in both Peruvian government and private sectors – boosting the country's timber industry will require stakeholders to begin seeing the new control system as an opportunity. More specifically, that the new measures are a market incentive to attract new green investments in the industry, thereby reducing risks and fostering a favorable investment environment.

More seamless collaboration between Peruvian and international stakeholders will be no small task, but is ultimately essential to the sustainable growth of the timber industry and to reducing the quantity of illegal timber reaching global markets.



JUNE 2020

APPENDIX

Checklist and Quick Guidance for Assessing Documents and Data when Sourcing Timber from Peru

Request a chart describing the chain of custody and recording all relevant data. This chart must show all sources at all stages of the supply chain. Also, request hard copies of the following documents at a minimum:

- Forest management plan license granted by the regional or local forest office (“resolución de aprobación del plan de manejo”)
- Risk report from the oversight body (OSINFOR)
- Logs transport permit bills from the forest to the sawmill (“guía de transporte forestal” de trozas)
- Sawmill stock-taking (input and output), registry balances or operating books.
- Wood transport permit bills from the sawmill to the next stage (“guía de transporte forestal” de productos)
- Sender waybills (“guías de remisión”)

The following chart shows the information that should be present in each document, whether it requires crosschecking, and how to do so.



FIGURE 10 Documents and Data Checklist

| | Forest Management Plan License | OSINFOR Risk Report | Transport Permit Bill (Logs) | Sawmill Record Balances | Transport Permit Bill (Wood) | Sender Waybills |
|--|--------------------------------|---------------------|------------------------------|-------------------------|------------------------------|-----------------|
| Forest harvesting right code (“código del título”) | X | 0 | 0 | | 0 | |
| Name of forest user or holder (“titular”) | X | 0 | 0 | | 0 | |
| Forest management license code (“Resolución del plan de manejo”) | X | 0 | 0 | | 0 | |
| Date license was granted | X | 0 | | | | |
| Location | X | 0 | 0 | | X | |
| Forest management practices (“modalidad de aprovechamiento”) | X | 0 | 0 | | 0 | |
| Harvesting plot authorized (“numero de PO o PC”) | X | 0 | 0 | | 0 | |
| Harvesting season (“zafra”) | X | 0 | | | | |
| Name of forest regent (“regente forestal”) | X | 0 | | | | |
| Trees species names and volume authorized | X | | | | | |
| Post-harvesting supervision date | | X | | | | |
| Audited tree names | | X | | | | |
| Authorized transport range dates | | | X | | X | |



JUNE 2020

| | Forest Management Plan License | OSINFOR Risk Report | Transport Permit Bill (Logs) | Sawmill Record Balances | Transport Permit Bill (Wood) | Sender Waybills |
|---|--|--|---|-------------------------|--|-----------------|
| Product owner | | | X | O | X | X |
| Truck driver information | | | X | | X | O |
| Tree species name and volumes transported | | | X | O | X | O |
| Final destination of goods (customer name and warehouse address) | | | | | X | O |
| Additional necessary steps: | <p>Approved harvesting rights, licenses, and forest management licenses must be registered in the oversight body database. Available here: https://observatorio.osinfor.gob.pe/HistorialTH/</p> | <p>Crosscheck information against that recorded in OSINFOR risk reports. Available here: https://observatorio.osinfor.gob.pe/Observatorio/Home/Menu</p> | <p>*Verify whether the log volume falls under the authorized range.</p> <p>*Check and keep records on the product owner (“propietario del producto”) and truck driver (“transportista”)</p> <p>*Check and keep records of the log list (“lista de trozas”).</p> <p>*Crosscheck and compare with previous loads (if any) to avoid double counting.</p> | | <p>*Compare yield rates. The wood volume should match the sawmill output stocktaking.</p> <p>*Check and keep records of the product owner and truck driver.</p> <p>*Check and keep records of the products list (“lista de piezas”).</p> <p>*Crosscheck with previous loads (if any) to avoid double counting.</p> | |

| | |
|---|--|
| X | Data is present in, and originates from, this document. |
| O | Data is present in the document but should be crosschecked with previously received documents. |
| | Information contained within document (such as dates and volumes) should be cross-checked for inconsistencies (forgeries and fraudulence, for example) |



JUNE 2020

Additional Recommendations and Sources of Information:

- If the Peruvian wood supplier is already registered and using the national timber tracking system (“registro de guías”), most of the information will be available here: <http://web.serfor.gob.pe/SNIFFSs/consultas.do>. Request the registration code from your supplier (“número de registro”).
- A record of authorized forest regents can be accessed here: <http://dir.serfor.gob.pe/index.html>. Look for “registros nacionales” and then “registro de regentes”.
- Authorized private companies can be found here: <https://e-consultaruc.sunat.gob.pe/cl-ti-itmrconsruc/frameCriterioBusqueda.jsp>. Query the system by tax license code (“número de RUC”), personal ID, or name. Check for “activo” (active) and “habido” (existing).
- If buying Forest Stewardship Council (FSC) products, check that their FSC license is still valid here: <https://info.fsc.org/>



JUNE 2020

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JUNE 2020

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