



Section 3

Terms of Reference

**A Service Provider to Manage a Project Management Office
to Support Coordination of China-UK Cooperation on
Forest Governance, Markets and Climate: International
Forest Investment & Trade Programme (FGMC - InFIT)**

TERMS OF REFERENCE

Introduction

1. In 2011 the Chinese Academy of Forestry (CAF) in co-operation with the UK Departments for International Development (DFID) and Environment, Food and Rural Affairs (Defra), concluded a study that examined standards required in international markets to demonstrate the legality of timber products and the degree to which existing verification and certification schemes met those requirements. The study also prepared recommendations to the Chinese State Forest Administration (SFA) for a Chinese Timber Legality Verification Scheme (CTLVS) which would ensure that China's timber imports and exports were legal. More work is needed to develop this into an operational system that can be implemented in the short to medium term, including standard specifications and enforcement procedures.
2. DFID and Defra have also worked with the Chinese Ministry of Commerce (MofCom) and the China Chamber of Commerce for Import & Export of Foodstuffs, Native Produce and Animal By-Products (CFNA) to examine ways to improve the sustainability of palm oil imported and traded in domestic markets.
3. DFID, SFA and MofCom have agreed to continue their cooperation on legality verification of timber products and demonstration of the standards by which Chinese companies involved overseas in production of renewable resources.
4. In August 2012 a programme identification mission, commissioned jointly by DFID and the European Forest Institute's FLEGT Asia Programme (EFIFLEGT Asia) analysed the results of past UK-China cooperation and prepared recommendations for a 3-year FGMC-CN programme on the basis of project concepts developed by Chinese partners. The attached programme description (Annex 1) and logical framework (Annex 2) are based on the mission's findings, conclusions and recommendations.
5. The overall goal of FGMC-CN (**Outcome**) is as follows: *"The impacts of China's international trade in timber products and other commodities grown on forest land whose production affects forest degradation are reduced through: measures aimed at eliminating illegally harvested timber from its trade; and codes of practice that promote environmentally and socially sound resource management practices in developing countries"*.
6. **Four Outputs** with close conceptual linkages will contribute to achievement of this overall goal:
 - a) **Output 1 – Operationalization of the Timber Legality Verification System:** *"A Timber Legality Verification System that meets the demands of China's key trade partners is specified in detail, piloted with selected trade participants and recognised by relevant Chinese government departments"*.

- b) **Output 2 – Facilitation of Guidelines application:** *“Voluntary guidelines for Chinese companies engaged in timber industries and production of forest-based commodities, including mechanisms for self-regulation and transparent reporting, are developed and further specified for application in key developing countries, piloted in those countries and refined as appropriate”.*
 - c) **Output 3 – Sharing Tenure Reform lessons:** *“Lessons from China’s forest tenure reform process, including supportive mechanisms to improve farmers’ livelihoods, are shared with stakeholders from developing countries where forest tenure reforms are being implemented”.*
 - d) **Output 4 – Capacity development and concerted action to promote timber legality:** *“Entities in China that have significant trade in timber products with the European Union understand the requirements imposed by the EUTR and are capable of developing mechanisms that enable them to meet those requirements”.*
7. Support to FGMC-CN will be coordinated by an outsourced Project Management Office (PMO) which will ensure efficient and effective delivery of the results through facilitating project implementation, and managing disbursement of DFID funding via grants to implementing partners and sub-contracts for specialist services. The total amount of funding available is £899,827, including management fees, and overheads. DFID is seeking a service provider to operate the PMO.

Objective

8. To establish and operate a Project Management Office (PMO) that will administer DFID funding for implementation of China-UK cooperation on the Forest Governance, Markets and Climate Project (FGMC-CN), and provide relevant facilitation and technical support. The Service Provider will be responsible for day-to-day operational coordination of activities under the project and be accountable for its effective and efficient implementation.

Recipients of Services and Client

9. Principal recipients of the Services are the State Forestry Administration (SFA) and the Ministry of Commerce (MofCoM) of the People’s Republic of China. Further recipients and implementing contributors/collaborators, including government agencies, market stakeholders and civil society, will be identified and addressed in the course of implementation.
10. The client for these services is the UK Department for International Development (DFID).

Scope of Services

11. The Service Provider will assume responsibility for the management, administration (including financial controlling) and implementation of FGMC-CN, subject to:

- a) An Implementation Agreement between the governments of the United Kingdom and the People's Republic of China;
- b) An agreed Plan of Operations (OP); and
- c) Overall guidance and direction by a Programme Steering Committee (PSC).

12. The Service Provider will:

- a) **Provide key-technical advice** and direction to partners and collaborators involved in the implementation of the FGMC-CN programme,
- b) **Administrate the FGMC-CN programme**, including properly contracting and distributing funds to implementing partners and consultants for approved activities, monitoring of project progress, quality assurance of deliverables and services, financial controlling of project funds, and reporting duties,
- c) **Manage programme implementation**, including by (i) drafting the Operational Plan and annual work-plans together with programme implementers and partners¹, (ii) coordinating and backstopping implementation of tasks assigned to multiple implementation partners and collaborators against detailed task descriptions and performance benchmarks, (iii) as and when required, mobilizing external expertise based on agreed Terms of Reference and a transparent selection process, (iv) networking, and scaling up project results by means of workshops, seminars, conferences and study-tours, in collaboration with, e.g. regional networks and processes, (v) promoting donor-coordination vis-à-vis on-going as well as emerging projects in related fields, (vi) contracting services and works according to the work plans;
- d) **Organize** periodic events and workshops and preparation of documentation that complement activities organized under FGMC China's Operational Plan; and
- e) **Liaise** with Chinese partner agencies reflected in the FGMC-CN programme's management structure, and promote visibility of DFID as well as the overarching FGMC programme.

13. The Service Provider will establish and equip the PMO in Beijing with a view to ensuring the best value for money. It is expected that this will require a lean core staff to provide technical and administrative services and engagement of additional technical expertise as and when required.

Outputs

14. The Service Provider will be responsible for supporting implementation of FGMC-CN, specifically the timely and efficient realisation of the results set out below under the four project outputs.

¹The Chinese Academy of Forestry (CAF) and the China Chamber of Commerce for Import & Export of Foodstuffs, Native Produce and Animal By-Products (CFNA) have been identified as key partners. Their roles will be further defined during the programme inception. Other partners will be identified during implementation.

15. Results under **Output 1** include:

- a) establishment of detailed performance benchmarks for the TLVS taking into account requirements of international markets for Chinese timber products (notably EUTR and U.S. Lacey Act);
- b) a consolidated draft of the TLVS, consisting of proposals for an institutional framework, standards and operational procedures, for use by Chinese decision-makers; and
- c) a systematic compilation of lessons learnt from pilots as a contribution to capacity development measures undertaken by FGMC-CN.

16. Achievement of these results will require extensive communication, networking and process-facilitation vis-à-vis Chinese key agencies with roles regarding forest governance, international timber trade and legality verification (including SFA, MoFCoM and General Customs Administration).

17. Results under **Output 2** include:

- a) formats and materials for training and technical support to Chinese business stakeholders engaged in foreign investment as well as relevant stakeholders in selected host-countries;
- b) concrete recommendations for a comprehensive support mechanism (integrating non-timber commodities such as palm-oil and rubber) which promotes application of voluntary guidelines by Chinese companies operating abroad; and
- c) systematic compilation of lessons learnt for consideration by multiple stakeholders.

18. Achievement of these results hinges on the mobilization of governance support and the design of adequate governance instruments – incentive schemes in particular – with a view to enabling relevant Chinese government agencies to promote application of voluntary guidelines in line with the needs of Chinese business stakeholders and requirements / conditions of developing countries attracting Chinese investment.

19. Results under **Output 3** include:

- a) Chinese lessons on tenure reform are shared through existing regional networks and initiatives;
- b) Sets of information sharing materials and formats are developed and integrated into existing information sharing mechanisms.

20. Results under **Output 4** include:

- a) a development strategy aimed at assisting Chinese market stakeholders to understand and being able to react to requirements in key markets, including

production of needs-based training materials and formats, informational services and conduits for delivery;

- b) policies for advocacy support with a view to promoting market awareness, ownership, coordination and coherence among Chinese stakeholders; and
 - c) concrete proposals for a self-supporting mechanism to implement the capacity development strategy after the project.
21. The scope of work under the fourth output reflects the observation that information-sharing and knowledge-transfer regarding EUTR and other requirements are necessary, but not sufficient to enable Chinese market stakeholders to meet these requirements in the future. The output is closely linked to the first output, aiming to contribute to enabling framework conditions also for the future application of a TLVS. Work related to this output will also be supported under the China-EU Bilateral Cooperation Mechanism on FLEG (BCM-FLEG). Activities to be supported under FGMC China will be defined during the Inception Phase, when the BCM-FLEG work programme has been agreed. The Service Provider and programme implementers and partners will work closely with implementers of BCM-FLEG work.
22. Achievement of the Outputs and, ultimately, the overall goal will depend on both the timely realisation of these results (services and deliverables), and also on their utilisation by Chinese implementers and collaborators. The Service Provider's responsibility, therefore, extends to process facilitation as a cross-cutting task under all four outputs. This requires sufficiently robust, easy-to-apply and continuous monitoring, the results of which then inform communication, advisory support, and capacity development.

Priorities for 2017

23. An independent Mid Term Review in 2016 recommended a 1-year extension to the implementation of InFIT. The MTR noted the need to strengthen both policy-level and operational level actions. Through a facilitated review, the IPs have set out a suite of actions that respond to the MTR recommendations:

At the policy level, InFIT will:

- Build working partnerships between Chinese domestic and international market actors.
- Improve integration of systems and institutional coordination.
- Seek to broaden political awareness and government commitment to support SFA's efforts to elevate timber legality as a priority for policy-making.
- Follow-up management support to sustain the programmes' impact, including disseminating the experiences and lessons learned from InFIT.

At the implementation level, InFIT will:

- Provide evidence and advice, facilitate interactions that strengthen high level political 'buy-in' from the Chinese government, target government agencies, and industrial associations.
- Build implementation and piloting partnerships with companies, trade associations, government departments in charge of trade and investment, as well as Chinese and international NGOs.
- Collaborate with NGOs and independent bodies so as to facilitate capacity building and independent monitoring support.
- Build capacity for implementing companies and organisations in both technical aspects and monitoring/self-assessment/evaluation.

Results expected by the end of 2017

24. The actions described in para 23 are expected to lead to the following results by the end of 2017:

At the Policy Level:

- A proposal on potential Chinese Timber Legality Verification System (CTLVS) regulatory mechanisms for submission to the State Forestry Administration (SFA) - including recommendations to relevant legislative bodies for timber legality legislation.
- The incorporation of CTLVS or timber legality requirements into agreements or forest Guidelines being established between China and other countries.
- Partnerships are established with domestic and overseas industry associations to support market access for Chinese Responsible Forest Investment and Trade Alliance (RFA) members applying due diligence.
- A 3-year action plan for implementation of the Rubber Guide and its Operational Manual is in place and promotion of the guide with Chinese international investors and operators has commenced.
- A completed timber legal source tool for Guyana and Gabon.
- A Directory of green credit enterprises to promote companies adopting the guidelines and applying due diligence.

At the implementation level:

- The CTLVS Standard is published and used by Chinese timber companies through industry association endorsement.
- 80 to 100 companies (gathered from organisations such as BV, SGS, China National Forest Products Industry Association (CNFPIA), China Timber & Wood Products Distribution Association (CTWPDA) and other forest associations) trained on the CTLVS.
- Three to six verification bodies have been trained and authorised to promote the CTLVS.
- 3 to 5 demonstration cases are in place that provide evidence of how the system works, promoted through the RFA.
- RFA membership is expanded to 50 to 80 companies. Legality information regularly provided to RFA members, including guidance and demonstration cases generated from Outputs 1&2
- A completed Operational Manual for the rubber production guide.

As a result of the extension, the tools for improved supply chain transparency should be in place; a greater recognition of them amongst Chinese market actor; improved partnerships along the supply chain to encourage legal sourcing and exporting of timber products, and a stronger policy momentum in China to reduce negative impacts of its international trade in forest products and related commodities.

Management Structure, Monitoring and Reporting

25. The PMO will execute its tasks subject to the terms and conditions of the bilateral Implementation Agreement. It will operate under the overall strategic supervision and guidance of, and report to the Project Steering Committee (PSC). The PSC's Working-level Coordination Unit (WCU), consisting of specially appointed representatives of SFA, MoFCoM and DFID, will provide guidance to PMO for issues emerged from the work. The PMO will also support implementing agencies, grantees and consultants to ensure effective implementation of FGMC-CN.
26. The PMO will use the Operational Plan and annual work-plans (subject to approval by the PSC) as principal references in exercising the tasks outlined in paragraph 12 above.
27. Within one month of commencing services the PMO will prepare and submit to the PSC an Inception Report that will include recommended modifications to the Service Provider's approach to implementing the work and a draft Operational Plan developed together with key implementers and partners. The Operational Plan will be reviewed by the WCU and approved by the PSC.

28. The PMO will subsequently report quarterly on overall progress including both financial progress and technical progress to the Agriculture & Natural Resource Advisor in DFID-China and the Senior Forest Governance and Markets Advisor in DFID-UK.
29. In preparation for each PSC meeting, the PMO (jointly with the WCU) will submit a comprehensive progress report for the PSC's approval, reflecting on monitoring results and proposing amendments to the Operational Plan and annual work-plans as and when required.

ANNEX E - SUMMARY RISK ASSESSMENT MATRIX

29. As part of the new Duty of Care Policy of DFID, we have assessed the risk of working in China as low. This assessment is provided in order to allow the Service Provider to take reasonable steps to mitigate risks where necessary:

Project: China UK Cooperation on Forest Governance, Markets and Climate

Location:China

Date of Assessment: 14 December 2016

Assessing Official:

Theme	China
OVERALL RATING	2
FCO travel advice	1
Host nation travel advice	Not available
Transportation	1
Security	1
Civil unrest	2
Violence/crime	2
Terrorism	1
War	1
Hurricane	2

Earthquake	2
Flood	2
Medical Services	2
Nature of Project/ Intervention	2

Below is the key for attributing overall scoring.

1	2	3	4	5
Very Low Risk	Low Risk	Med Risk	High Risk	Very High Risk
Low		Medium	High Risk	

30. The SP will be responsible for the safety and well-being of their Personnel whilst they are in China (as defined in Section 2 of the Contract) and Third Parties affected by their activities under this Contract, including having appropriate security arrangements in place. Acceptance of responsibility must be supported with evidence of capability (no more than [2] A4 pages) and DFID reserves the right to clarify any aspect of this evidence. In providing this evidence Tenderers should consider the following questions:

- i. Have you completed an initial assessment of potential risks that demonstrates your knowledge and understanding, and are you satisfied that you understand the risk management implications (not solely relying on information provided by DFID)?
- ii. Have you prepared an outline plan that you consider appropriate to manage these risks at this stage (or will you do so if you are awarded the contract) and are you confident/comfortable that you can implement this effectively?
- iii. Have you ensured or will you ensure that your staff are appropriately trained (including specialist training where required) before they are deployed and will you ensure that on-going training is provided where necessary?
- iv. Have you an appropriate mechanism in place to monitor risk on a live / on-going basis (or will you put one in place if you are awarded the contract)?
- v. Have you ensured or will you ensure that your staff are provided with and have access to suitable equipment and will you ensure that this is reviewed and provided on an on-going basis?
- vi. Have you appropriate systems in place to manage an emergency / incident if one arises?

Start Date and Duration

30. The contract will start on 10 February 2017 and run for a period of 13 months to 9 March 2018.

Background

31. Demand for natural resource-based raw materials has grown dramatically over the last decade. Production of these products often has impacts on forests, either through exploitation of timber products, or use of forest land to produce other commodities. In some developing countries, especially those where forest governance and enforcement of laws are weak, such impacts may result in degradation of natural forests. This reduces their ability to provide services such as ameliorating climate change and also affects the livelihoods of people who depend on forests.
32. In some cases such commodities may be illegally produced – that is some aspects of their production is carried out in violation of a country's laws, for example through corrupt allocation of resource rights, or breach of regulations concerning timber harvesting or conversion of forest land. In many cases, though production is strictly legal, it may be carried out in ways that are harmful to the natural environment or the welfare of local populations, and contrary to practices increasingly adopted by responsible corporations.
33. Some importing countries are enacting legislation that seeks to eliminate illegally-produced products from their international trade. These include a 2008 amendment to the US Lacey Act, the EU's 2010 Timber Regulation (EUTR) and the Australian Illegal Logging Prohibition Bill 2012, all of which make it an offence to trade illegally-harvested timber products. Some governments have also introduced public procurement policies that stipulate legality and sustainability standards as a condition of supply.
34. The Chinese Government is concerned that enterprises engaged in trade are able to meet these new market expectations; it also considers it important that its trade in products is legal and seen to be so. In 2011 the Chinese Academy of Forestry (CAF) in co-operation with the UK Departments for International Development (DFID) and Environment, Food and Rural Affairs (Defra), concluded a study that examined standards required in international markets to demonstrate the legality of timber products and the degree to which existing verification and certification schemes met those requirements. It also prepared recommendations to the Chinese State Forest Administration (SFA) for a Chinese Timber Legality Verification Scheme (CTLVS) which would ensure that China's timber imports and exports were legal. More work is needed to develop this into an operational system that can be implemented in the short to medium term, including standard specifications and enforcement procedures.

35. The Government has also published voluntary guidelines for Chinese companies operating in forestry businesses overseas². These need adaptation to the specific conditions in countries where Chinese companies are operating.
36. The China Chamber of Commerce for Import & Export of Foodstuffs, Native Produce and Animal By-Products (CFNA), also in cooperation with DFID and Defra, has examined possible ways to improve the sustainability of its palm oil imports. One output identified was the development of voluntary guidelines for Chinese enterprises operating overseas in the palm oil sector, similar to those developed in the forest sector.
37. A number of developing countries which export natural renewable resource-based commodities to China have started to develop systems whereby land tenure and commodity production is being transferred to community-based enterprises. It is important that such enterprises are able to operate in a way that they can meet more demanding requirements for their produce, including demonstrating its legal production. China has made significant advances in its forest tenure reform through the transfer of rights to families. Certain lessons learnt from this process are of significant value for agencies and enterprises in developing countries where similar initiatives are contemplated or under implementation. DFID is supporting the Rights and Resources Initiative (RRI)³, a global coalition of organizations working to encourage forest land tenure and policy reforms, which is active in China and a number of developing countries.
38. The European Union and China have agreed a “Bilateral Cooperation Mechanism on Forest Law Enforcement and Governance (BCM-FLEG)”. This seeks to strengthen cooperation between the EU and China on tackling illegal logging and eliminating illegally harvested timber from international trade. In particular it will work to ensure that Chinese enterprises trading in timber products are aware and capable of meeting the requirements of the EUTR.

²In 2007 and 2009, China’s State Forestry Administration (SFA) and Ministry of Commerce (MofCom) issued National Guidelines on “Sustainable Overseas Silviculture” and on “Sustainable Overseas Forestry Development and Utilization” for Chinese companies operating overseas. While not mandatory, these guidelines signal the government intention to regulate Chinese overseas investment in the forestry sector and to address the issue of illegal logging.

³ www.rightsandresources.org