



**Environmental Management, Sustainable Forest and Natural Resources
Use in the Alternative Development Program (ADP) Intervention Areas Project**

Project #: PE86000-6022

Reporting Period: October – December 2002

I. Summary of Activity Status and Progress

A. Overview

The primary objective of this project is to achieve permanent sources of income from sustainable forest management and production for families of the project area. Recognition of the forest as a principal source of income will provide more incentive to families to conserve the resource. At the same time this plan will help to protect fragile ecological areas that are being subjected to environmentally degrading farming activities and illegal crop production.

The main activities over the reporting period have continued to focus on strengthening and integrating the forest concession process, building support and technical capacity in sustainable forest management and providing alternative income planning for producers of illicit crops.

Progress continues to be made in uncovering the obstacles and doubts of the concessionaires in coming to terms with the requirements of the forest sector modernization process. The main efforts in the last three months continue to be directed at developing the know-how and practical assistance necessary to deal with a paradigm shift in how people with limited background in concepts of organized business should manage, control and administer forests divided into concessions for the ultimate purpose of making sustainable profits. The success of this process is crucial as an underlying basis for making progress towards the objectives of the entire Alternative Development Program.

From October to December the main activities of personnel involved in the ADP have been in assessing the status of each individual concession and the enterprise which controls the rights to the concessions, completing forest management plans for the 2002 harvest season and evaluating progress of individual objectives as well as the results of the main technical work shops that took place in the end of September and beginning of October (A summary of these work shops can be seen in Annex 1).

B. Table of General Progress Towards Established Indicators

COMPONENT	INDICATORS	STATUS
Community Forest Management (A)	Forest Productivity Increase – Aguaytia, Central Huallaga	ON-TRACK
Assistance to Forest Concession Implementation (B)	Forest Productivity Increase – Madre de Dios, Ucayali	ON-TRACK
Environmental Education and Awareness Raising (BII)	Awareness of Damage caused by Coca – Aguaytia, Von Humboldt	ON-TRACK
Local Government Reforestation (C)	Vegetation Cover Increase – Upper Watershed Areas	DELAYED – due to the change of local government authorities
Prevention and Mitigation of Environmental Impacts (F)	Vegetation Cover Increase – Selected Degraded Upper Watershed Areas	PENDING – activities to be initiated in March 2003

Status Categories: Completed, On-track, Delayed, Mixed performance, Pending, Canceled

II. Description of Site Progress

A. Community Forest Management (A)

Activity Table #1

ACTIVITY No.	ACTIVITY TITLE	STATUS
-	Capacity building and technical support for sustainable forest management and VFC: forest inventory, GFMP, AOP	On-track
-	Census and forest inventory training and development	On-track
-	Support forest micro-enterprise and community-based business development	On-track
-	Forest management plan design and development	On-track
-	Forest certification field scoping	On-track
-	Conduct forest activity rapid assessment	COMPLETED
-	Census and forest inventory training and development	On-track
-	Identify Communities participating in forest management	COMPLETED

Status Categories: Completed, On-track, Delayed, Mixed performance, Pending, Canceled

Key Management Issue

- Activities in Santa Rosa are pending due to the local chief's delay in consenting to proceed.

B. Assistance to Forest Concession Implementation (B)

Activity Table #2

ACTIVITY No.	ACTIVITY TITLE	STATUS
Site – Departments of Madre de Dios, Ucayali and Loreto		
-	Support forest concession bidding process technical proposal development	COMPLETED in Madre de Dios and Ucayali
-	Technical assistance to undertake forest inventories and design management plans and annual operating plans	On-track
-	Design of training program in forest management	COMPLETED
-	Business management: development of business plans, training in finance and administration	On-track
-	Revise Forest and Wildlife Law and create and strengthen complementary regulations and forest authority	On-track
-	Design CEDEFOR – the forest sector modernization organization	COMPLETED
-	Support roundtable consensus building dialogues with small scale timber logging associations at the local and regional level	On-track

Status Categories: Completed, On-track, Delayed, Mixed performance, Pending, Canceled

Key Management Issues

The main issues and problems faced by the enterprises in this stage of the concession process can be grouped in the following manner:

With respects to forest management and planning

- Illegal logging activities by the concessionaires in their own concessions (areas outside of the area designated for the annual cut) and harvesting activities by concessionaires outside of their concessions are being uncovered and addressed by legal means and consultation.

With respect to ownership of the concession

- Presence of third parties with and without legal rights in the concessions are of a diverse nature and can create conflicts with the forest concessionaires. Through legal activities to define user rights and field work to define boundaries these conflicts are being minimized.

With respect to intra-enterprise relations and obligations of the enterprise

- The disorganization and inadequate communication between the members, and the members and the managers; lack of clarity in the roles and functions of the members; managers that impede documentation and the flow of information; ineffective working relations between management and the members are being addressed directly and individually by means of business management training and technicians working from established field offices.
- Contracts with third parties, inclusion of new members without the knowledge or agreement by shareholders; members uninformed of their rights and obligations with the enterprise (tax obligations, contract obligations) are also being addressed by trained staff through business management workshops.

With respect to financing, access to capital and markets

- Difficulties faced by some concessionaires to complete the payments for harvest rights and initial confusion concerning the annual payment schedule are being evaluated and addressed by economics and finance specialists working to establish the revolving loan system.
- Certain enterprises lacking financing to realize forest censuses, infrastructure development, harvesting and transformation are also being directed to consultation with financial specialists or assistance programs.
- Markets for the variety of tree species readily harvestable are not widely available and there is a lack of knowledge in general of the wood markets. These issues are being addressed by the newly established Lesser Known Species project which will work collaboratively with timber companies and exporters, etc. to generate interest and establish new markets

Summary of Advances in Assistance to Forest Concession Implementation Up to December 2002

In order to further strengthen the forest concessions process, WWF-PPO provided on-the-ground legal and technical assistance to hundreds of loggers for the preparation of technical dossiers for the required bidding process. WWF-PPO sent forest technicians and legal experts to the cities of Puerto Maldonado in the department of Madre de Dios; Pucallpa, Aguaytia, and Sepahua in the department of Ucayali; Tarapoto and Tocache in the department of San Martin; and Tingo Maria in the department of Huánuco to provide direct assistance. In Madre de Dios, according to the Ad Hoc Commission that managed the concessions process, 1,176,851 hectares of a total of 1,586,664 hectares offered in the bidding process were awarded to 51 bidders representing approximately 400 small and medium-scale loggers. In Ucayali, 63% of the 3,387,790 hectares offered in the bidding process (2,132,457 hectares) was awarded in concessions to 99 bidders representing approximately 700 small and medium-scale loggers. WWF-PPO assisted 23 forest micro-enterprise concession winners in Madre de Dios and 31 in Ucayali. WWF-PPO also provided technical assistance to 36 micro-enterprises entering the bidding process in Huánuco and 20 in San Martin. The results of the bidding process in Huánuco and San Martin will be determined by mid-January. Authorization is also proceeding for the concession process in the departments of Pasco, Junin, Puno and Loreto.

Since the signing of the concession contracts in the departments of Madre de Dios and Ucayali these micro-enterprises have been carrying out work for the 2002 harvest season (to be

completed in May 2203). The number of enterprises that have signed contracts are 152 (97 in Ucayali and 55 in Madre de Dios) for a total of 3,130,671 hectares.

WWF-PPO is now working to build capacity for the forest sector by providing business development training and on-the-ground technical support to new forest concessionaires for initial efforts to institute sustainable forest management. Over the last six months, the PPO provided 43 small-scale timber businesses made up of new concessionaires in Madre de Dios and Ucayali with technical assistance regarding delimiting annual harvest areas, conducting forest censuses, forest use and production, preparing forest management plans and informational reports for INRENA, business administration, and other relevant issues. Further, WWF-PPO has begun the process of visiting public registry offices in order to review land titles of third parties with territory inside concession areas, in order to assist with land tenure conflict resolution and boundary demarcation for forest concessions. WWF-PPO has already taken on three cases, and 19 more are planned for the coming year.

WWF-PPO also developed and implemented a comprehensive capacity building strategy for new concessionaires and WWF-PPO staff. WWF-PPO coordinated one GIS training course in Puerto Maldonado in September and four training courses on both forest and business management in September and November, in Pucallpa (41 participants), Aguaytia (12 participants), Sepahua (15 participants), and Puerto Maldonado (30 participants). As a result of these training courses, numerous small and medium-scale timber businesses now have: detailed organizational manuals defining business structures and the members' rights and responsibilities, operational work plans (with accounting systems, municipal licenses, and other features in place), and an improved ability to develop forest management plan and forest cost and business cost estimates. WWF-PPO also held two workshops in Lima specifically for staff hired to provide technical assistance to new concessionaires, on the forest concessions process in general, and on the development of forest management and annual operating plans. WWF-PPO's capacity building program created valuable opportunities for experience sharing amongst consultants working in the field and resource-poor loggers engaging in sustainable forest management.

Results of the technical assistance to the concessionaires for the implementation of management plans for the 2002 harvest season show that the volume of production is 57,592.53 cubic meters in a total production area of 33,480 hectares for a yield of 1.72 cubic meters per hectare.

In response to the urgent need this year to provide on-the-ground support to resource-poor loggers, WWF-PPO hired eight short-term staff members, and has opened three field offices in order to assist resource-poor loggers in implementing sustainable forest management, towards the aim of instituting voluntary forest certification. Eight contracted staff members are located in the Madre de Dios office, in the city of Puerto Maldonado; and a combined seven contracted staff members are located in the Ucayali offices, located in Aguaytia, Pucallpa, and Sepahua.

WWF-PPO has launched comprehensive advocacy and communications campaigns supporting forest concessions, targeting Congress and the public. With these campaigns, which incorporated distribution of printed materials, radio and television announcements, and broadcast interviews with small-scale loggers, WWF-PPO spread awareness of the benefits of implementing forest concessions.

WWF-PPO is also working to determine the technical and economic feasibility of developing sustainable income-generating activities without logging in permanent forest production lots 3, 4, and 5 in Madre de Dios, which fall in the critical connectivity area between the Manu National Park and the Amarakaeri Reserved Zone. Specifically, WWF-PPO traveled twice to the project area, conducting a rapid situational evaluation through interviews and meetings with the concessionaires and local communities. Through these interviews, as well as through four participatory workshops, WWF-PPO gauged the level of interest (highly positive) and identified precedents for eco-tourism activities in the area. WWF-PPO also produced a financial evaluation of timber harvesting profitability for the area for the next 30 years, through Present Net Value methodology. The results of this study are preliminary, and will be updated and presented upon completion of this project. If, as anticipated, the financial evaluation reveals that eco-tourism will likely serve as a profitable income-generating activity in the area, the PPO will develop an Action Plan to convert the forest concessions to conservation areas for eco-tourism activities.

The WWF-PPO also completed the full design for the CEDEFOR (*Centro de Desarrollo Forestal del Peru*) proposal to USAID-Peru, pending approval with a budget of over US\$9 million. CEDEFOR is a special, long-term project of WWF-PPO that will build capacity within Peru's forest sector to ensure sustainable forest management by a variety of means, including implementing a nationally approved forest certification process that will support forest sector reform and modernization. CEDEFOR will help generate an estimated \$236 million annually in gross sales of forest products, 6,400 permanent jobs and 150,000 days of temporary labor. CEDEFOR will work together with the private sector, government agencies and civil society, and will contribute significantly to the modernization of the forest sector, primarily by reducing illegal logging and increasing sustainable forest management, thereby mitigating threats to numerous outstanding biodiversity protected areas throughout Peru and contributing to the WWF-PPO's goal of assuring 1 million hectares of certified forest by 2006.

In response to rampant illegal logging, WWF-PPO provided financial and technical assistance to the Peruvian Government to support the creation of a new anti-illegal logging inter-government agency committee, which was officially established by Supreme Decree 052-2002-AG on October 25, 2002. Assisted by WWF-PPO, the new committee has drafted and will implement a strategic campaign against illegal logging in Peru. The WWF-PPO has also performed direct advocacy targeting political figures at the national and regional levels; raised public awareness of illegal logging both nationally and internationally (through radio, television, and print mediums); and provided funding to the Ministry of Agriculture for three field operatives in order to publicly expose illegal logging activities. The WWF-PPO is exploring potential joint efforts to combat illegal logging with USAID-Peru and the US Department of Agriculture. The US State Department is already investigating the possibility of developing an anti-illegal logging bi-lateral agreement between the US and Peruvian governments, like those that have been signed in Central Africa.

The Von Humboldt-Aguaytia Pilot Project has now been initiated in conjunction with the objectives of the ADP project. This project is designed to prevent and mitigate habitat loss in the form of deforestation and forest fragmentation caused by small farmers engaged in illicit coca growing activities, slash-and-burn agriculture, and illegal logging in a more narrowly defined area. Project interventions will generate economically viable and environmentally sound forest

management activities in primary and secondary forests in and around the Von Humboldt Forest Production Area. This three year project has been designed to incorporate a variety of technical knowledge and expertise gained from participatory community development, and primary and secondary forest management projects and studies in Peru. Intense and comprehensive collaborative training, planning and implementation activities in communities of the Von Humboldt will provide a foundation for on-the-ground results to combat the main problems mentioned previously.

C. Environmental Education and Awareness Raising (C)

Activity Table #3

ACTIVITY No.	ACTIVITY TITLE	STATUS
-	Community based Environmental Education and awareness raising for local community habitat restoration: awareness raising campaign addressing soil degradation due to cultivation of illicit crops and illegal logging in target sites of upper catchments and sub-catchments in the Aguaytia river basin	On-track
-	Local government reforestation: forest conservation and reforestation awareness raising campaign targeting Alto Aguaytia	On-track
-	Sustainable forest management and VFC in Von Humboldt: awareness raising and education campaign addressing Forest Law implementation and VFC and targeting small growers of the Aguaytia Small Timber Loggers Association	On-track
-	Provide EE assistance to training for forest concessions processes and VFC implementation	On-track
-	Community forest management and VFC campaign targeting selected indigenous communities (Cashibocatacaibo and Shipibonibo ethnic groups) in Von Humboldt	On-track
-	Provide EE assistance to training in Community Forest Mgmt and VFC	On-track
-	Environmental education in support of conflict resolution in forest resources use	On-track

Status Categories: Completed, On-track, Delayed, Mixed performance, Pending, Canceled

D. Local Government Reforestation (C)

Activity Table #4

ACTIVITY No.	ACTIVITY TITLE	STATUS
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-	Prioritize and select local governments and target sites	Delayed
-	Develop integrated reforestation plans and design and implement reforestation program and environmental awareness program	Delayed
-	Support local government establishment and management of nurseries and seedlings in three local government target sites	Delayed

Status Categories: Completed, On-track, Delayed, Mixed performance, Pending, Canceled

Key Management Issues

- Delays are taking place in the initiation of these activities due to the recent elections and the familiarization process of new officials in regards to prioritizing and organizing mandated agenda.

E. Prevention and Mitigation of Environmental Impacts (F)

Activity Table #5

ACTIVITY No.	ACTIVITY TITLE	STATUS
1	Design habitat restoration plan (with the <i>Universidad Nacional Agraria de la Selva – UNAS</i>)	On-track
-	Soil type and erosion analysis in target areas	Pending
-	Habitat restoration program: design and implement habitat restoration and monitoring training program with local communities	Pending
-	Recovery program: Phase1 – implement habitat restoration plots; Phase 2 – develop and implement a habitat restoration monitoring system for restoration plots; Phase 3 – strengthen habitat restoration plots with additional vegetation cover and promote transitional vegetation cover	Pending

Status Categories: Completed, On-track, Delayed, Mixed performance, Pending, Canceled

Key Management Issues

- Activities for this component are scheduled to get underway in January

Summary of Specific Advances in Prevention and Mitigation of Environmental Impacts

- (1) Contracts have been signed and work plans initiated with the *Universidad Nacional Agraria de la Selva – UNAS*

F. Environmental Planning and Prioritization

Activity Table #6

ACTIVITY No.	ACTIVITY TITLE	STATUS
-	Identify, select and develop grant for the NGO responsible for Landscape and Land Use change analysis (WWF)	COMPLETED
1	Develop a biogeographic and cartographic database and gather, systematize and synthesize cartographic data (CDC)	COMPLETED
2	Design GIS and analyze and interpret satellite images (CDC)	On-track
3	Develop vegetation map description, analysis and geo-referencing (CDC)	On-track
4	Develop methodological proposal for the identification of High Conservation Value Forests - HCVF (CDC)	On-track
5	Coordinate workshop to define criteria for selecting areas of HCVF (CDC/WWF)	On-track
6	Facilitate identification, prioritization and analysis through a conservation status assessment of remaining blocks of HCVF's, river basins and sub river basins for conservation within the context of the ADP (CDC)	On-track
7	Land use change patterns: time series analysis and methodological proposal (CDC)	On-track
8	Develop and submit ecological and environmental zoning (EEZ) proposal for land and natural resources use zoning in identified priority sub-catchments, and submit final report (CDC)	On-track
9	Threats analysis and terms of reference for restoration and mitigation of environmental service's degradation, soil erosion and siltation assessment in selected sub-catchments (WWF)	On-track
-	Analysis of road improvement and anthropogenic pressure impact on forest cover and hydrological cycles in the ADP area (CDC)	Pending
-	Deforestation and forest fragmentation analysis, and workshop to validate findings and results (CDC)	Pending

	and results (CDC)	
-	Ecosystems Alterations: impact assessment of rehabilitated roads and Final Report	Pending

Status Categories: Completed, On-track, Delayed, Mixed performance, Pending, Canceled

Summary of Specific Advances in Environmental Planning and Prioritization

- (2, 7) Mosaic of 1986 Landsat images of project area has been finished for the purpose of determining changes and trends in land use changes and degradation over time
- (1) Database for population centers
- (9) Digital elevation model for the entire project area
- (9) Hydrological maps edited and corrected
- (4,6) 250 map polygons indicating avifauna species diversity have been completed out of 1500 for the total project area
- (9) Preliminary results of analysis and editing of topographical lines at 200 meter intervals
- (8) Preliminary results of the delimitation of watersheds
- (3,9) Preliminary results of the classification of soil types

G. Institutional Strengthening and Capacity Building

Activity Table #6

ACTIVITY No.	ACTIVITY TITLE	STATUS
-	Design and implement a priority roads database	Pending
-	Design and distribute regulations and guide for Environmental Impact Assessments	Pending
-	Training and environmental awareness raising planning and workshops for Ministry of Transportation & Communications specialists and staff	Pending

Status Categories: Completed, On-track, Delayed, Mixed performance, Pending, Canceled

Key Management Issues

- Activities for this component are not scheduled to begin until March of 2003.

ANNEX 1

Summary of Development Themes for Workshops Conducted by WWF

- **The General Forest Management Plan.** Meaning and objectives of forest management. Outlines and accuracy for the creation of the document, regarding the terms of reference of the Administrative Resolution 095 – 2002 INRENA. Facilitator: Roberto Kometter.
- **Procedures to follow in coordination with INRENA.** Procedures and formats for the creation of reports for the 2002 forest harvest and for the issuing of forest transport guidelines. Facilitator: Cecilia Alvarez.
- **Basic concepts in the function of a private enterprise.** Characteristics of a forest enterprise. Registries and licenses. Documentation and authorization processes. Responsibilities and obligations of the enterprise. Facilitator: Victor Gonzalez.
- **Organization of private forest enterprises.** Definition of responsibilities and functions of the members and workers of the enterprise starting from the regular flow of operations. Manual of organization and functions. Facilitators: Víctor González y Rodrigo Arce.
- **The costs of the forestry activities.** Tools and formats for the analysis and calculations of costs of production activities and administrative activities of the enterprise. Facilitator: Victor Gonzalez
- **Legal aspects of the private enterprise and the forestry concession.** Rights and contractual obligations. Frequent infractions and the respective established sanctions. Hierarchy of rights in the concession. Analysis of the most frequently encountered problems within the forest concessions. Facilitator: Karina Menacho.
- **Aspects to consider concerning SUNAT (Superintendencia Nacional de Administration Tributario).** Tax regimes. Billing and authorization. Payment locations. Suspensión of activities. Special regime of income tax. Verification of payments and accounting. Frequent infractions and sanctions. Facilitator: Specialist of SUNAT.
- **Forest Concessions Update, Annual Operating Plans and Forest Management Plans.** 5 day internal workshop of complete WWF staff to further refine knowledge and working capacity of engineers and technicians directly assisting forest concessionaires. Facilitator: Rodrigo Arce