Environmental Management, Sustainable Forest and Natural Resources Use in the Alternative Development Program (ADP) Intervention Areas Project (Including CEDEFOR and Lesser Known Species projects)

Project #: 527-A-00-02-00134-00
Reporting Period: July – September 2003[1]

I. Summary of Activity Status and Progress

A. Introductory Paragraph

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 increased incentives to families to practice sustainable management. During this report period, WWF-PPO, through the CEDEFOR project, provided technical assistance to a total of 108 forest concessionaires. At the same time, potential expansion to incorporate into the sustainable management process, interested enterprises in Loreto, is under evaluation. Proposed to alleviate the financial limitations of many small enterprises, approval for the Trust Fund of $500,000 was given by USAID and WWF-US. As such, agreements have been signed with *CEDISA* and the *Caja Rural de San Martín* for the establishment and management of the CEDEFOR financial service facility. In the field in Huánuco and San Martín, WWF-PPO is coordinating with local institutions – including SPDE, AMRESAM, the local government of Bella, and the Tingo María National Park administration – to recuperate degraded areas (many abandoned coca fields) and implement reforestation activities with the local governments.

B. Highlights

- WWF-PPO, through the CEDEFOR project, is providing technical assistance to 108 concessionaires that were awarded forest concessions in the first and second rounds of public bidding, in the departments of Madre de Dios, Ucayali, San Martín and Huánuco.
- WWF-PPO is preparing a plan to provide support through CEDEFOR to the forest concessions process in Loreto, where 4.7 million hectares will be offered in public bidding. Technical assistance to the Matses indigenous community in the region supported the implementation of the forest inventory and the elaboration of a General Forest Management Plan.
- Approval was received from USAID and WWF-US for the establishment and management of the Trust Fund of $500,000. Agreements were signed with *CEDISA* and the *Caja Rural de San Martín* to this end.
- AMRESAM succeeded in establishing 08 Forest Management Committees in the Tocache province, while in the Aguaytía region, WWF-PPO initiated the installment of Committees in Aguaytía and San Alejandro with 04 introductory meetings.
- Coordinating efforts with local stakeholders – signing a Memorandum of Understanding with the authorities in Bella, and an additional contract with AMRESAM – WWF-PPO identified beneficiary communities. The production of saplings was initiated as part of the agreed reforestation activities with local governments.

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- WWF-PPO participated in the International Pacific Fair, *PERUEXPORT,* at which a model house was displayed and constructed of lesser- known timber species. This fair, which received national news coverage, helped to promote these species among potential buyers.

C. Table of Activity Status

Activity Number	Activity Title	Status	Page number for more information
1	Community Forest Management	On-track	3
2	Forest Concession Implementation/ CEDEFOR	On-track	4
3	Environmental Education and Awareness Raising	On-track	10
4	Local Government Reforestation	On-track	11
5	Prevention and Mitigation of Environmental Impacts	On-track	12
6	Environmental Planning and Prioritization	On-track	12
7	Lesser Known Species	On-track	14

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

II. Description of Site Progress

a. Key short and long-term program objectives for the sites.

i. Alternative Development Program

This project aims to achieve the following key objectives:

1. Prevent and mitigate habitat loss and freshwater ecosystem degradation, in the form of deforestation and forest fragmentation, soil runoff alteration, siltation, and hydrologic cycle disruption.
2. Create alternate income sources and employment opportunities not dependent on the illicit production of coca or illegal logging.
3. Provide training and comprehensive instruction to key players in the project area regarding all critical facets of forest product businesses and sustainable forest management, based on FSC principals and criteria.
4. Conduct restoration and reforestation pilot activities in order to mitigate the environmental damage caused by coca growing in the project area, and to promote sustainable forest management and voluntary forest certification as alternatives to coca growing.
5. Raise awareness among local communities and governments regarding sustainable forest management, voluntary forest certification, restoration, and reforestation.

ii. CEDEFOR

This project aims to achieve the following key objectives:

1. Promote forest certification of up to one million hectares of forest under the principles and criteria of the Forest Stewardship Council (FSC).

2. Provide technical support to the Ministry of Agriculture, INRENA and forest stakeholders to improve the ecological integrity of over ten million hectares of highly biodiverse and permanent production forests in priority Global 200 ecoregions in Peru, carry out forest ecosystem monitoring, combat illegal logging, and develop and implement forest policy with effective enforcement and regulations.
3. Provide technical assistance and training to 140 forest micro-enterprises and an additional 10 strategically and objectively selected forest concessions targeting resource poor loggers, indigenous communities, and small and medium scale businesses, to implement community-based participatory forest management, design and implement forest inventories and management plans, introduce best business practices, transform and market forest products, promote economic competitiveness and Voluntary Forest Certification. These ten forest concessions will be selected based on ecologically defined criteria including proximity to Global 200 Ecoregions and the biodiversity value of the specific forest landscape.
4. Sponsor, through sub-grants to specialized NGO partners, the establishment of a financial services system based on small, self-managed revolving loan funds to generate essential working capital for cost effective forest management and product marketing to position Peru's forest industry in the domestic and international market.
5. Implement a capacity building and grassroots organizing initiative to support government and civil society organizations to establish a strong forest authority for effective and transparent forest control and supervision.

iii. Lesser Known Species

This project aims to achieve the following key objectives:

1. Identify lesser known timber species that have characteristics that make these species likely candidates for sale in national and international markets, working in close collaboration with businesses in Madre de Dios, Ucayali, and Lima.
2. Determine the behavior of individual or groups of lesser known species selected for industrial testing (with emphasis on workability, drying, and finishing characteristics), according to the intended use of these species.
3. Working closely with key timber businesses, facilitate these business' access to national and international markets for promising lesser known species identified through the project, with particular emphasis on United States markets.

b. Summary of Progress for Site (if this provides added value or clarity, otherwise skip this)

c. Activity Description

Activity Title : Community Forest Management

i. Summary of major achievements and progress

- During this report period, significant advances were made in the promotion of sustainable management activities among Ashaninka indigenous communities in the Ene River Valley. Through an agreement signed with WWF-PPO, PROCAM (*Promoción y Capacitación Amazónica*) made repeated visits to the Quiteni and Potsoteni indigenous groups, which form part of the Ashaninka community. As an initial step, a Forest Management Committee was established and participants defined the committee's goals, objectives and organizational characteristics. Coordination with INRENA and other actors have been vital to understanding the history of local communities and land use in the area and determining the appropriate course of action in preparing a general forest

management plan. Additional workshops with community members focused on legal as well as informative topics regarding sustainable forest management.

ii. Table of progress in meeting key activity benchmarks

Benchmark Number	Benchmark/**Output**	**Status**
1.1	Capacity building and technical support for sustainable forest management and VFC: forest inventory, GFMP, AOP	On-track
1.2	Census and forest inventory training and development	On-track
1.3	Support forest micro-enterprise and community-based business development	On-track
1.4	Forest management plan design and development	On-track
1.5	Forest certification field scoping	Pending
1.6	Conduct forest activity rapid assessment	Pending
1.7	Identify Communities participating in forest management	Completed

iii. Key management issues

The presence of the Shining Path terrorist group in the area continues to present a challenge to conducting project activities in the region. Particularly, PROCAM's visit in July was postponed because of recent kidnappings in the area. Continued coordination and open communication with authorities will assist PROCAM in advancing with planned activities.

CEDEFOR component I: Assistance to Forest Concession Implementation

i. Summary of major achievements and progress

- Specialists in accounting have been hired to work with forest enterprises in Madre de Dios and Ucayali. For those concessionaires that already have an accounting system, WWF-PPO is conducting a comprehensive study of their costs and incomes. For those enterprises yet to establish an accounting system, WWF-PPO is providing technical assistance in their development. The accounting specialists are presently working with 15 concessionaires in Ucayali and 17 in Madre de Dios. Meanwhile plans are underway to contract similar personnel to work with forest concessionaires in the department of San Martín.

- This report period, 13 forest micro-enterprises based in Madre de Dios began implementing forest inventories for the AOP for 2003, with technical and financial support from WWF-PPO, and submitted these plans to INRENA for official approval. The areas inventoried for these AOP cover a total of 12,332 hectares. In Ucayali, similar activities are underway for 05 concessionaires with financial and technical support from WWF-PPO. The total area of these AOP is 4,002 hectares.

- Destined to cover the labor costs of forest inventories, small credits were awarded to 10 micro-enterprises in Ucayali and 14 in Madre de Dios during the previous report period. Of these, 06 credits have been completely repaid by the concessionaires, 01 is behind schedule, and the others have been repaid according to schedule. WWF-PPO transferred these funds to the Caja Rural of San Martin, a

regional savings and loan bank, for the administration of the loans. WWF-PPO has been very closely monitoring the use of the small grants, ensuring that the beneficiaries comply with the conditions of the loans.

- CEDEFOR is providing technical assistance to the Matses indigenous community, located in the department of Loreto. WWF-PPO employed a consultant to work exclusively with the population, assisting and training members in the implementation of a forest inventory for 100,000 hectares, of a total area of 400,000 hectares. Currently WWF-PPO personnel are facilitating the preparation of the General Forest Management Plan, that will allow the community to utilize their resources sustainably and will also serve as a model for similar future efforts with interested indigenous communities.

- WWF-PPO is preparing a plan to provide support through CEDEFOR to the forest concessions process in Loreto, where 4.7 million hectares will be offered through a public bidding process, most likely during the first week of November of 2003. During the next report period, further details will be confirmed regarding CEDEFOR's potential actions in Loreto.

- CEDEFOR is providing technical assistance to concessionaires that were awarded forest concessions in the first and second rounds of public bidding. In the department of Madre de Dios, CEDEFOR works with enterprises that manage 24 forest concessions awarded in the first round of public bidding(583,583 hectares). As a result of the second round of public bidding in Madre de Dios, 14 additional concessions were incorporated for technical assistance (88,479 hectares). In Ucayali department, CEDEFOR is providing technical assistance to 32 forest concessionaires (824,970 hectares), of whom 10 (113,842 hectares) were incorporated following the second round of public bidding. In San Martín and Huanuco, CEDEFOR specialists continue assisting 12 and 26 forest concessionaires, with a total of 165,723 and 164,408 hectares respectively.

- The elaboration of general forest management plans (GFMP) and annual operation plans (AOP) are in progress. Following their revision by technical staff, they will be submitted to INRENA for its approval. In Madre de Dios, 02 GFMPs have been completed **(**94,670 hectares**)**, and 01 is being presently revised in consideration of the most recent guidelines published by INRENA. In terms of AOPs, 02 have been completed while AOPs for 03 other concessions are being verified in the field. In Ucayali department, WWF- PPO has facilitated the elaboration of 17 GFMP (527,367 hectares): 10 have been completed, 06 are under revision, and 01 – pertaining to the *Consorcio Forestal Amazónico* for 182,000 hectares -- has been submitted to INRENA. Elaboration of the AOPs have resulted in 01 under revision by WWF-PPO, 01 submitted to INRENA, and 06 in progress. In San Martin, 03 GFMPs for the first year are under revision by WWF-PPO while 07 inventories have been initiated. In Huánuco, 11 inventories are underway, 08 AOPs are being developed, and 03 AOPs have been presented to INRENA for their approval. AOPs and GFMPs will enable forest concessionaires to conduct their harvests according to the principals of sustainable forest management.

- In each of the departments of Madre de Dios, Ucayali, and San Martín, 20 permanent evaluation plots are being installed in forest concessions to assess the multiple impacts of sustainable forest management on forest ecology. Thus far 06 parcels have been installed, and 08 are in progress in San Martín. In Ucayali, 04 parcels have already been installed for evaluation purposes. In conjunction to this, WWF-PPO has trained field personnel in species identification and permanent evaluation plot design and implementation. In Madre de Dios, capacity building activities are being organized for the beginning of the next report period.

- Advances in boundary demarcation and land use planning have been recorded for 03 forest concessions in Madre de Dios. For the concession *EMINI SAC* in the district of Tahuamanu, 14 km of boundary lines have been demarcated, focused in the area of conflict with settlers, whose legal rights to these disputed lands has yet to be determined. WWF-PPO has also provided assistance to

concessionaires petitioning INRENA for the exclusion of areas that have been superimposed by mining and farming interests in two concessions. For the concession *MAFOPUNCHI* in the district of Tahuamanu, the effective area of the concession would be reduced by 12,000 hectares, to a total of approximately 30,000 ha. For the concession *GUACAMAYO* in the district of Manu, the proposal would reduce the area by 10,000 hectares to a total of 24,000 ha.

- Ecological economic zoning (within forest concessions) is a necessary and important component of General Forest Management Plans. Zoning has been completed for concessions as part of the GFMP development. In addition to this, CEDEFOR also plans to execute zoning at the watershed level in areas where forest concessions are concentrated.

- During this report period, CEDEFOR continued to strengthen the capacities of forest enterprises in forest management activities, providing financial and technical support in a total of 04 workshops, held in Ucayali (5 forest concession representatives and 22 WWF-PPO personnel), Huánuco (22 forest concession representatives), San Martin (15 participants) and Madre de Dios (30 forest concession representatives) departments. Topics tailored to meet the participants' needs include forest inventories, local tree identification, GFMPs, AOPs, and an introduction to the voluntary forest certification process.

ii. Key management issues

There have been various important factors that have had to be taken into account which have contributed to some delay in CEDEFOR's progress in the forest management component. In August, INRENA modified its guidelines for the General Forest Management Plan, forcing plans previously developed or in process to be revised and adjusted accordingly. Furthermore, forest concessions are subject to considerable delays in obtaining INRENA's approval of their operating plans prior to extracting timber.

Consequently, unauthorized to mobilize timber, concessionaires lack the capital needed to adequately pay their outstanding logging rights payments. Furthermore a lack of capital impedes the concessionaires' investment in much- needed improvements in infrastructure and equipment while also discouraging potential investment from third parties. CEDEFOR is actively engaged in developing a solution to the logging rights payment through its participation in the National Forest Dialogue Roundtable's Transition Committee**.** WWF-PPO has also recently received approval to begin implementing the Trust Fund, a financial services mechanism through the Caja Rural de San Martín – discussed in more detail in the following section – that will provide small loans to concessionaires to provide them with needed liquidity.

Many loggers continue to pursue illegal avenues in order to generate profits. In particular indigenous communities are being manipulated to provide access for the illegal traffic of timber, with the approval by INRENA of GFMPs that may be technically deficient. WWF-PPO continues to coordinate closely with INRENA and other parties to plan and execute concerted actions to mitigate illegal logging.

Special attention has been given to the area of influence of the road that passes from Tocache-Juanjuí, in close coordination and cooperation with the USAID office. CEDEFOR has recently been awarded additional funds from USAID- Peru to implement environmental impact mitigation activities in the area of the influence of the Tocache- Juanjui road. In particular, the elaboration of a comprehensive land-use plan is essential to organize the rehabilitation of this route and mitigate the generation of new socio-economic problems.

CEDEFOR component II: Business management, marketing and financial services developed

i. Summary of major achievements and progress

- Developed by WWF-PPO in close collaboration with the Caja Rural de San Martín (CRSM), the financial services mechanism has received approval from USAID and WWF-US, and contracts were recently signed between the parties involved. Prior to the contracts' approval, each of the agreements were translated into english and a series of meetings were held between parties to negotiate the terms. The mechanism entails a Trust fund of USD 500,000 that will be administered by the CRSM, to award loans to qualified micro-enterprises, providing necessary capital to execute sustainable forestry activities.

- A total of 12 forest enterprises in the Department of Madre de Dios (05 in Manu, 05 in Tahuamanu and 02 in Tambopata) participated in business management courses aimed at strengthening their entrepreneurial skills. Specific topics covered in the 04 courses were budgets and planning, bookkeeping, and functions and organization of a forest enterprise. In addition, 15 concessionaries in Ucayali benefited from special courses in accounting and taxation, with another 17 forest concessionaires being presently so aided in Madre de Dios. In the department of Huánuco, a workshop in business organization was organized in which representatives from 20 enterprises participated. More recently, WWF-PPO facilitated another orientation training program in budgets and cash flow procedures for concessionaires in Tingo María, Huánuco and Tocache, San Martín. In Madre de Dios, two courses every two weeks are facilitated with groups of concessionaires on business management topics, according to the development of the Annual Operating Plans.

- In Madre de Dios, WWF-PPO has provided technical assistance to facilitate the likely establishment of a consortium that unites a forest concessionaire (*Maderera Iberia)* in MDD assisted by WWF-PPO, another local concessionaire (*Paujil*), and a Bolivian investor. Contracts have been signed and include the following: *Maderera Iberia* provides the timber from the AOPs of 2002 and 2003 (4,000ha); *Paujil* provides the sawmill; and the investor finances the equipment and machinery, including transport costs. Building on growing interest in both Madre de Dios and San Martín in forming consorcia, WWF-PPO has provided 4 courses for a total of 17 enterprises in the two departments. Themes specific to consortium development, such as primary and secondary timber transformation, were covered.

- WWF-PPO has determined timber market supply of assisted forest concessionaires in Madre de Dios, Sepahua, and Pucallpa. In Madre de Dios, studies have yielded a supply from the 2003 harvest of 53,000 cubic meters among 23 timber species for 14 enterpises. In Sepahua, similar studies have shown 6,500 cubic meters available of 11 timber species for 7 enterprises. Meanwhile, in Pucallpa, 15,000 cubic meters among 44 species has been identified for 3 enterprises. As complementary information, market demand studies have been carried out in Pucallpa as part of the Central Corredor (Pucallpa, Lima). During the next report period, results of demand studies for the Southern Corredor (Arequipa, Puno, Cusco) will be revealed.

- WWF- PPO, through CEDEFOR, is publishing a monthly bulletin in coordination with PROMPEX. The second issue of *PRONFOR* was recently distributed to interested forest concessionaires and timber enterprises in the regions where CEDEFOR is operating as well as in Lima. The purpose of *PRONFOR* is to provide updated useful and relevant information regarding the national and international timber markets in a concise and user- friendly format.

ii. Key management issues

Formal forest enterprises represent a new venture in Peru. To date, many are improvised, composed of a group of individuals who aim to increase the area of forest under their control. CEDEFOR attempts to mitigate this level of informality through integral capacity-building that incorporates all aspects of business management. Nonetheless, many of the micro-enterprises are still lacking further training in order to formalize their activities.

Most of the concessions also suffer from a shortage of economic resources in order to operate effectively and formally. As mentioned above, WWF-PPO is attending to this deficiency most directly in the implementation of the Trust Fund through the Caja Rural de San Martín. Small loans distributed under the Trust Fund will provide much needed capital in order for the concessionaires to acquire formal business experience.

An additional challenge to improve business management among forest concessionaires is created by the geographic characteristics of the project areas. Constraints to accessibility and transportation, and in many cases the geographic isolation of the concessions, impede the completion of desired outcomes of participation in offered courses, technical monitoring and regular but often unpredictable requests for assistance.

CEDEFOR component III: Institutional strengthening and forest policy consolidation

i. Summary of major achievements and progress

- In the Departments of Madre de Dios and San Martin, WWF- PPO participation in the Regional Forest Dialogue Roundtable has been active at the regularly- held meetings. Meanwhile in Ucayali, the Roundtable has been temporarily disactivated as a result of an apparent lack of leadership and possibly interest among concessionaires. At the National level, WWF-PPO continues to participate regularly in the Forest Dialogue Roundtable, and in particular in the Transition Committee, that serves to facilitate a solution to the concessions´ difficulties in paying the logging rights fees. This Committee meets approximately every two weeks and unites diverse stakeholders including concessionaires, NGO's and INRENA.

- WWF-PPO continues to provide financial and technical support to the Peruvian Council for Voluntary Forest Certification (PCVFC). In particular, workshops introducing interested forest concessionaires to the process of Voluntary Forest Certification were held in Ucayali and Madre de Dios. With technical and financial support from WWF-PPO, these workshops have included presentations by local and national representatives of the PCVFC, and in the case of Madre de Dios, a visit to a FSC- certified timber enterprise in Pando, Bolivia. At the national level, WWF-PPO continues to provide intensive support to the PCVFC, in particular with the addition of a WWF-PPO specialist in forest certification.

- At the local level in the Department of Madre de Dios, 04 Forest Management Committees have been installed and are presently functioning, and intensive technical assistance is facilitating the establishment of an additional committee. In San Martin, 08 Forest Management Committees are being formed as part of a signed agreement between WWF- PPO and AMRESAM. Meetings have taken place in the Calleria-Utiquinia, Sepahua Norte, Sepahua Sur and Puerto Inca watersheds. These Committees raise awareness among forest resource users regarding options for access to forest resources and forest management according to Peruvian laws, and facilitate dialogue with communities that have been encroaching on forested areas. Ultimately, CEDEFOR aims to ensure that these Committees serve as supervisors of sustainable forest management efforts and collaborators in anti-illegal logging efforts.

- Work with forest concession associations has progressed extremely rapidly in the Department of Madre de Dios (ACOMAD), San Martin (ACOFORSAM), and Ucayali (ACOFU), and extensive activities have been undertaken to strengthen the knowledge and involvement of these associations in forestry and environmental issues. WWF-PPO continues coordinating with the Indigenous peoples organizations *AIDESAP* and *COICAP*, along with the National Forest Strategy and INRENA, to prepare a strategy to improve indigenous communities' capacity to manage the forest concessions process, and in particular to negotiate with third parties**.**

- In Ucayali and Madre de Dios, CEDEFOR provided technical support for the elaboration of 04 projects that were presented in the FONDEBOSQUES bidding process for forest enterprises (all four won). One of these projects, for example, was elaborated by the *Asociacion para la Conservacion de la Cuenca Amazonica* (ACCA), and involves the integral management of timber in forest concessions located in Tambopata. In Ucayali, the *Consorcio Forestal Amazonico* has received $100,000 from the FONDEBOSQUES to complete the requirements for voluntary forest certification, as well as implement sustainable logging methods utilizing low impact equipment. In Madre de Dios, WWF- PPO will directly implement activities with funds awarded by FONDEBOSQUES, as part of an alliance of 04 forest concessionaires with a combined area of 148,688 hectares: EMINI SAC, Paujil SAC, EMFORPORTILLO SRL y EMETCI SAC. The goal of this project, much like that of the *Consorcio Forestal Amazónico*, is to promote the use of more efficient and low impact timber extraction technology, through the financing of equipment and capacity- building of forest workers.

ii. Key management issues

CEDEFOR continues to focus on strengthening the National and Regional Forest Policy Roundtables, and implementing Forest Management Committees. These institutions form the foundation for stable and gradual moves towards sustainable forest management, establishing a fluent dialogue and active negotiations between forest sector stakeholders, and countering the problems of misinformation that have characterized the forest sector for many years. Unfortunately, inherent to efforts to organize multiple the different parties involved, the logistics and financing required to gather people for meetings, present challenges to their efficient success. Furthermore, while the Roundtable at the national level is permanent, its regional counterparts suffer from instability.

At the regional level the lack of clear and consistent policies and decision making regarding forest management hinder concessionaires and stakeholders in their ability to appropriately plan and follow a course of action. In particular, the concession process nationwide could be instablized as a result of the undecided fate of the public bidding process in Loreto.

iii. Table of progress in meeting key activity benchmarks

Activity Number	Activity Title	Status
1	Forest management and forest certification	On track
2	Business management, marketing and financial services developed	On track
3	Institutional strengthening and forest policy consolidation	On track

Activity Title: Environmental Education and Awareness Raising

i. Summary of major achievements and progress

- With respect to this component, WWF-PPO has primarily been working in San Martin, Huánuco and Aguaytía to strengthen Forest Management Committees. These Committees primarily consist of forest concessionaires, farmers, and representatives of indigenous communities, local governments, and INRENA. The Committees will raise awareness among forest resource users regarding options for access to these resources and forest management according to Peruvian laws, and will facilitate dialogue with communities that have been encroaching on forested areas. Ultimately, WWF-PPO aims to ensure that these Committees serve as supervisors of sustainable forest management efforts and collaborators in anti-illegal logging efforts.

- In San Martin, WWF-PPO has provided financial and technical support to AMRESAM (*Asociación de Municipalidades de la Región San Martín*) in order to establish and build capacity among 12 Forest Management Committees. During the past quarter, AMRESAM succeeded in forming 08 Committees in the following areas: Shunté (comprised of 08 communities); Nuevo Progreso (18 communities); Uchiza (08 communities; 03 Committees in Polvora; Challhuayacu (12 communities); and Nuevo San Martín (05 communities). All of these Committees are located in the Tocache province. During the next reporting period, AMRESAM will begin capacity- building activities in order to strengthen their operational sustainability.

- In Aguaytía, WWF-PPO worked with the local government and Forest Management Committees to discuss with local communities the potential economic incentives associated with sustainable natural resource use, as well as the role and importance of the forest concessions. The formation of Forest Management Committees – 01 in the Aguaytía watershed and 01 in the San Alejandro watershed – was initiated through 04 introductory meetings with stakeholders. In Huánuco, 06 introductory meetings took place as the initial phase in establishing a Forest Management Committee in Aucayacu. Participants represent concessionaires, the UNAS, INRENA, the local government, agricultural interests, and NGOs. As a result of these meetings, delegates from each sector were identified to participate in the district- level Committee.

- WWF-PPO signed an agreement with the *Instituto de Formación de Facilitadores para el Desarrollo Local* (TARIPAQ), to implement awareness- raising activities with regards to forest concessions. In particular TARIPAQ has been actively participating in the National Forest Dialogue Roundtable. In addition, it published two issues of the Bulletin *Alerta Forestal*, which serves to disseminate information to public and private institutions about the forest concessions process throughout the country.

ii. Table of progress in meeting key activity benchmarks

Benchmark Number	Benchmark/**Output**	Status
3.1	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 Aguaytía river basin	On-track
3.2	Local government reforestation: forest conservation and reforestation awareness raising campaign targeting Alto Aguaytía	On-track
3.3	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 Aguaytía Small Timber Loggers Association	On-track
3.4	Provide EE assistance to training for forest concessions processes and VFC implementation	On-track
3.5	Community forest management and VFC campaign targeting selected indigenous communities (Cashibocatacaibo and Shipibo-conibo ethnic groups) in Von Humboldt	Complete
3.6	Provide EE assistance to training in Community Forest Mgmt and VFC	On-track
3.7	Environmental education in support of conflict resolution in forest resources use	Pending

iii. Key management issues

Social unrest (strikes, protests, etc.) generated by coca growers in the project area has discouraged some local community leaders from participating in project activities. Working with provincial leaders, WWF-PPO has identified those local community leaders interested in collaborating with project activities regardless of pressure from this sector. Considerable efforts have also been invested in communicating sincerely and consistently the project objectives, as a necessary requisite for developing a level of trust with the local communities.

Activity Title : Local Government Reforestation

i. Summary of major achievements and progress

- In Huánuco, WWF-PPO signed a Memorandum of Understanding with the local authorities of the Bella community. In particular 03 individuals are facilitating the activities' implementation, along with WWF-PPO: the mayor of Bella, the local representative of IRG, and a local promoter. Additionally 05 other promoters were identified for 05 other communities – Bella Alta, Melitón Carvajal, Roque Saenz Pena, Juan Santos Atahualpa, and Inti. WWF-PPO is now working closely with these key stakeholders in order to develop plans for reforestation activities, beginning with site and species selection.

- In San Martin, AMRESAM signed a contract with WWF-PPO in September to coordinate the reforestation efforts in degraded forest areas. The first step in preparation of the field activities was to contract a specialist as coordinator. The Ing. Neiser Bartra, with residence in Campanilla, has been

hired for a probationary period of three months during which he will coordinate, with representatives of AMRESAM and WWF-PPO, the selection process for areas in which to center reforestation activities. The following criteria (including the presence of illicit crops, location in the ADP area, location in buffer zones of forest concessions and natural protected areas, and socio-ecological zoning), has previously been employed to identify areas for initial areas. These areas include Nuevo Jaén, Shumanzo, Balzayacu, and Campanilla, which are located in the district of Campanilla and province of Mariscal Cáceres. Assisting in the provision of resources, the Campanilla Municipality will render available its tree nursery.

ii. Table of progress in meeting key activity benchmarks

Benchmark Number	Benchmark/**Output**	**Status**
4.1	Prioritize and select local governments and target sites	Completed
4.2	Develop integrated reforestation plans and design and implement reforestation program and environmental awareness program	On-track
4.3	Support local government establishment and management of nurseries and seedlings in three local government target sites	On-track

iii. Key management issues

WWF-PPO has encountered a slower rate of progress in activity implementation. This can be attributed to the time required to develop and formalize the Memorandum of Understanding with the local government of Bella. In addition, field work in which the participation of the local population is not only useful but required encounters other challenges. Initially, the community was apprehensive about the possible connection between the proposed activities and the erradication of coca. Through the investment of time and effort, WWF-PPO personnel have worked to build a trusting relationship with the community so that a shared interest in project activities can result in concrete advances in the field.

Activity Title : Prevention and Mitigation of Environmental Impacts

i. Summary of major achievements and progress

- WWF-PPO, in coordination with the *Universidad Nacional Agraria de la Selva* (UNAS) and *Sociedad Peruana de Ecodesarrollo* (SPDE) identified 150 families with whom to implement habitat restoration activities in the area of influence of Tingo María National Park and the communities of Esperanza and Nuevo Jerusalén.

- A total of 245 hectares were identified for habitat restoration activities. Of these, 70 are in the area of influence of the National Park. During the report period, 20 of these hectares have been recuperated through plantings. The majority of the saplings are being provided by temporary tree nurseries established in family plots. The development of approximately 100 of these nurseries is underway, from which the saplings will be bought from the families, thus generating an alternative source of income.

- During the report period, a total of 308 temporary labor days were utilized, the majority in evaluation activities prior to reforestation efforts. An additional 3,200 temporary labor days will be generated as a result of habitat restauration activities.

- WWF-PPO designed and implemented a capacity- building program for students of the Renewable Natural Resources Program at the UNAS. The program, entitled *Topics Related to Forest Landscape Restauration,* consisted of 06 different sessions in which a total of 190 students participated. An

additional session was given to 16 students, and provided training on the use of the GIS program *ArcView*.

ii. Table of progress in meeting key activity benchmarks

Benchmark Number	Benchmark/**Output**	**Status**
5.1	Design habitat restoration plan (with the *Universidad Nacional Agraria de la Selva* – UNAS)	Completed
5.2	Soil type and erosion analysis in target areas	On-track
5.3	Habitat restoration program: design and implement habitat restoration and monitoring training program with local communities	On-track
5.4	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	On-track

iii. Key management issues

Important in appropriately identifying priority areas in which to focus recuperation activities, a spacial analysis conducted by the CDC has only recently been made available to WWF-PPO personnel working in the field.

Activity Title : Environmental Planning and Prioritization

i. Summary of major achievements and progress

- During the previous report period, CDC completed the landuse modeling analysis for the three major river basins: Huallaga, Aguaytia/Pachitea and Apurimac. Two watersheds were selected for a small-scale geographic analysis. This selection was based on the presence of HCVF previously identified, satellite imagery availability and the presence of roads already rehabilitated by ADP funds. The selected watersheds were the Tocache River basin and the Aguaytía-San Alejandro River basin. The analysis was completed, revealing that roads play an important role in altering the influence of social dynamics in deforestation. However the effect of those roads rehabilitated by ADP could not be determined within the overall effect of roads. Landcape modeling involved two complementary methodologies: a probabilistic model of vulnerability based on the distance from major roads and rivers, population centers, topography among others; and a cellular atomata model that enables the prediction of land conversion from forest cover. Estimated deforestation rates have been predicted for 2006.

- An ecologic zoning proposal was developed on the basis of current forest cover, vulnerability to forest loss, prevailing land use and a detailed landform analysis. This proposal allows for a more detailed zoning that incorporates socio- economic information.

- A final report was completed and currently an executive summary is being prepared for distribution among key stakeholder

ii. Table of progress in meeting key activity benchmarks

Benchmark Number	Benchmark/**Output**	**Status**
6.1	Identify, select and develop grant for the NGO responsible for Landscape and Land Use change analysis (WWF)	Completed
6.2	Develop a biogeographic and cartographic database and gather, systematize and synthesize cartographic data (CDC)	Completed
6.3	Design GIS and analyze and interpret satellite images (CDC)	Completed
6.4	Develop vegetation map description, analysis and geo-referencing (CDC)	Completed
6.5	Develop methodological proposal for the identification of High Conservation Value Forests (HCVF) (CDC)	Completed
6.6	Coordinate workshop to define criteria for selecting areas of HCVF (CDC/WWF)	Completed
6.7	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)	Completed
6.8	Land use change patterns: time series analysis and methodological proposal (CDC)	Completed
6.9	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)	Completed
6.10	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)	Pending
6.11	Analysis of road improvement and anthropogenic pressure impact on forest cover in the ADP area (CDC)	Completed
6.12	Deforestation and forest fragmentation analysis, and workshop to validate findings and results (CDC)	Completed
6.13	Ecosystems Alterations: impact assessment of rehabilitated roads and Final Report	Completed

iii. Key management issues

N/A

Amendment to ADP: Promoting Lesser Known Species Harvesting, Industrialization and Marketing to Support Sustainable Forest Management in the Peruvian Amazon

i. Summary of Major Achievements and Progress:

- This report period, Exportimo began to conduct tests on the six lesser known species selected for investigation, evaluating: drying, bonding, and finishing ability; texture; workability, and stability when submitted to temperature and humidity changes. From these six species, two were selected to undergo testing at the industrial scale – *Cachimbo (Cariniana domestica)* and *Capirona (Calycophyllum spruceanum)* – and Exportimo has begun to purchase samples of the species to begin

testing. Working with the National Agrarian University of the Molina, EXPORTIMO obtained anatomical verification of the species that it selected for testing.

- CITE Madera and Consortium MADEPIVES purchased the first two timber species that they will subject to behavioral tests: 4,602 board feet of *Panguana* (*Bosimun utile*) and 3,877 board feet of *Utucuro* (*Septotheca tessmannii*). The timber samples purchased have been dried, and are being tested for use in home building. Samples of these species were incorporated into a wooden house that was built for display in the PERUEXPORT International Pacific Fair in September and October. This fair, which received national news coverage, helped to promote lesser known species among potential buyers. CITE Madera and MADEPIVES are also conducting behavioral tests on *Panguana* and *Huimba* (*Ceiba samauma*) to evaluate their use for furniture production, and preliminary results have already been obtained. Furniture prototypes made with these two species were produced and displayed in the PERUEXPORT International Pacific Fair.

- WWF-PPO granted Magensa its second funding disbursement for industrial testing on selected lesser known species. With this funding, Magensa will purchase timber samples to continue research on the behavioral characteristics of selected lesser known species. The final species selected for investigation include *Bolaina blanca* (*Guazuma crinita*), *Panguana*, *Cachimbo* (*Cariniana domestica*), and, if sufficient supply allows, *Azucar Huayo* (*Hymenaea palustris*). WWF-PPO is supporting Magensa in the preparation of a publicity plan to promote lesser known species as part of its Christmas sales campaign. This plan includes a training workshop for Magensa sales personnel on the conservation value of using lesser known species, and the production of brochures (to be distributed to all customers) and a video that explain WWF-PPO's activities to promote lesser known species and how these activities support biodiversity conservation in permanent production forests. The WWF logo will be displayed in Magensa stores next to a slogan promoting the use of lesser known species. WWF-PPO will also provide support for communications campaigns for Mother's Day and Independence Day 2004.

- WWF-PPO has been in contact with CNN in order to offer support for the production of a report on the value of lesser known species, highlighting CITE Maderas as an example. This report will be broadcast on CNN in Spanish.

- Technical experts on the WWF-PPO team revised the draft technical report produced last report period on volumes and abundance of species groups in selected forests in Madre de Dios, Ucayali, and San Martin. These revisions have been incorporated into the final report, which will be useful for promoting lesser known species in national and international markets.

- Exportimo and Magensa each determined the evaluation methodology that they will employ in conducting industrial research to determine quality control standards for various timber production phases.

ii. Table of Activity Status

Activity Number	Activity Title	Status
1	Community-based Micro-enterprise and "On-the-ground" Technology Development	On-track
2	Knowledge	On-track
3	Species Promotion	On-track
4	Cooperation	Pending

iii. Key management issues

- The implementation of extra measures to ensure that timber used for project activities originates in legal forest concessions, with authorized permits and paperwork, has generated unanticipated delays in obtaining supplies of lesser known species for investigation. In order to resolve this issue, WWF-PPO has been working with project partners to identify concessionaires successfully transporting timber, with access to lesser known species, and aims to strengthen relationships between these concessionaires and timber buyers.

- WWF-PPO and project partners originally aimed to complete dendrological, anatomical, and technological studies by working directly with the US Forest Service. While the US Forest Service may be consulted in specific instances to resolve doubts regarding test results, in general WWF-PPO partners implementing this component have considered it much faster and more efficient to consult directly with the National Agrarian University of the Molina located in Lima.

III. Success Stories and Other Appendices

When appropriate and possible, include one or more one-page success stories appropriate for public dissemination.