



Project #: 527-A-00-02-00134-00
Reporting Period: October – December 2004¹
SO12

I. Summary of Activity Status and Progress

A. Introductory Paragraph

As reported previously, WWF-Peru has implemented a process to consolidate its USAID-financed forest sector program. Towards this end, activities included in the projects Von Humboldt – Aguaytía, Lesser Known Species and Intervention Areas Project have been integrated into a revised Certification and Development of the Forest Sector – CEDEFOR. The aim is to more effectively contribute to USAID's Strategic Objectives, especially those concerning alternative economic development opportunities in the Amazonian region.

The long term goal of WWF-Peru's **Certification and Development of the Forest Sector** – CEDEFOR is to promote modernization, formalization and efficiency of the Forest Sector by providing technical assistance and financial support to government, local communities and the private sector, thereby contributing directly to national economic growth, the conservation of forest resources, and to Government of Peru's Alternative Development Program.

The program will pursue the following specific objectives:

- To strengthen government, civil society and private sector institutions to promote sustainable forest management and combat illegal logging activities.
- To develop an integrated system of forest production based on sustainable forest management through creation and support of competitive and certified forest enterprises and local communities in the targeted regions.
- To provide support to individual enterprises, forest consortia and local communities, strengthening their business management capacities and improving their access to local, national and international markets so as to ensure their economic viability.

B. Highlights

- During this report period, the association of Brazil nut producers of Madre de Dios (ASCART) formally received the certification from the **Forest Stewardship Council (FSC)**. The total area included in the **award is 26,960 hectares**.
- In collaboration with AMRESAM, WWF-Peru supervised the **reforestation** of an additional **50 hectares** of degraded forests in **03 communities surrounding Campanilla** in the San Martin department. In addition, specialists are developing a forestry plan for the province of Mariscal Cáceres.

¹ Report Prepared by Diego Leslie (diego@wwfperu.org.pe) and Mariel Reyes (mariel@wwfperu.org.pe)

- The furniture fair *Casa Villa* showcased **18 furniture makers** and their finished products with **LKS** timber provided by forest concessionaires assisted by WWF-Peru. Under the supervision of CITEmadera and Prompyme, **70 floor samples** were developed for use in the living, dining and bedrooms. The result of the month-long fair was sales of approximately **USD 200,000**.

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	8
4	Local Government Reforestation	On-track	9
5	Prevention and Mitigation of Environmental Impacts	Completed	9
6	Environmental Planning and Prioritization	Completed	10
7	Lesser Known Species	On-track	11

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

- No activities were implemented during this report period.

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

Component activities were suspended because of the termination of the grant to PROCAM.

CEDEFOR component I: Assistance to Forest Concession Implementation

i. Summary of major achievements and progress

- CEDEFOR provides 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 continues to assist enterprises that manage 31 forest concessions awarded a total area of 564,295 hectares. In Ucayali department, CEDEFOR provides technical assistance for 28 forest concessions (825,753 hectares). In San Martín and Huánuco, CEDEFOR specialists continue assisting 11 and 25 forest concessionaires, with a total of 160,636 and 158,464 hectares, respectively. In Loreto, technical assistance is underway to 33 forest concessionaires over a total of 485,757 hectares.
- The elaboration of General Forest Management Plans (GFMP) and Annual Operating Plans (AOP) is currently in progress. Following their revision by WWF technical specialists, they are submitted to INRENA for approval. Annual Operating Plans and General Forest Management Plans will enable forest concessionaires to conduct their harvests according to the principles of sustainable forest management. In Madre de Dios, a total of 23 GFMP have been presented (545,417 hectares), of which 21 have been approved by INRENA. In terms of AOP, of 24 that were completed, 18 were approved by INRENA. In Ucayali department, 11 GFMPs have met INRENA approval, of a total of 22 (786,404 ha) that have been presented. In San Martín, 10 GMFPs (142,382 ha) have been submitted to INRENA, while 03 AOPs were submitted and 01 approved by INRENA. In Huánuco, 10 GFMP (102,879 ha) were completed and submitted to INRENA. In Loreto, in the early stages of forest planning, 12 concessionaires received assistance in the implementation of detailed forest inventories of a total area of 4,428 ha. Those plans submitted to INRENA but not yet approved are being revised to make the corrections indicated by INRENA and are expected to be approved within the next quarter.
- During this report period, the association of brazil nut producers of Madre de Dios (ASCART) formally received the certification from the Forest Stewardship Council (FSC). The total area included in the award is 26,960 hectares. WWF-Peru facilitated the implementation of pre-evaluations as part of the Gradual Approximation System for Certification (GASC) for 02 indigenous communities and 01 forest concession in Pucallpa (17,578 ha) and 01 concession in Loreto (47,579 ha). In San Martín, specialists coordinated the development of an action plan for a concession to

fulfill certification requirements. Regarding chain of custody certification, 03 procedures manuals and 02 action plans were developed for concessionaires in Ucayali. In addition, 01 concessionaire as well as 04 others in Ucayali (286,346 ha) joined a larger group of forest users who have signed Memoranda of Understanding with WWF-Peru to receive technical assistance in the pursuit of Voluntary Forest Certification.

- Integrated watershed management is planned in an effort to establish areas free of illegal logging and illicit crops and where ecological services are sustainably maintained. In San Martín, WWF-Peru technicians collected and systematized ecological and socio-economic information from the field, including potential sites for municipal conservation areas and High Conservation Value and vulnerable zones within the prioritized Río Saposoá watershed. In a recent workshop, 55 stakeholders from diverse sectors assisted in the identification of 1) watershed actors, 2) potential and existing conflicts within the watershed, 3) existing and potential capacities of the actors, and 4) the geographic areas mentioned above. In Madre de Dios, preliminary analysis of the prioritized watershed exposed the presence of rampant illegal logging and the absence of the State.
- Permanent evaluation plots (PEP) are being installed in forest concessions to assess the various impacts on forest ecology due to sustainable forest management. All of the field information during this report period has been digitalized and uploaded. Data gathered from geographical information systems was processed for 12 PEP in Huánuco and 20 PEP in San Martín and Madre de Dios, respectively. Also, in Loreto WWF-Peru supported and participated in a workshop oriented at greater coordination of forest research and training, organized by CIFOR and IIAP. Greater coordination with research organizations will ensure the continuity of the use of PEP data to improve forest management.
- During this report period, CEDEFOR continued to strengthen the capacities of forest users in forest management activities. In Loreto, WWF-Peru facilitated a workshop titled *Technical and legal aspects of forest concession management in Loreto* in which 25 concessionaire members of the Loreto Forest Association participated. In Ucayali, WWF-Peru, in collaboration with the Peruvian Council for Voluntary Forest Certification (CP-CFV), conducted a training to develop external auditors of the certification requirements. A total of 13 interested technicians, as well as 03 staff members of WWF, participated. In addition, a workshop about group certification procedures took place in San Martín with 16 technicians, 10 of whom external to WWF.

ii. Key management issues

The existence of forestry consulting companies tests the concessionaires' interest and commitment to pursue sustainable forest management. Several companies apparently offer assistance to develop General Forest Management Plans and Annual Operating Plans without collecting field data. As a result, concessionaire's costs are substantially reduced in exchange for a product that is not based on the reality of the area nor validated in the field.

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

i. Summary of major achievements and progress

- Developed by WWF-Peru in close collaboration with the Caja Rural de San Martín (CRSM), the financial services mechanism is being implemented. To date, 08 credits for capitalization and labor capital have been disbursed to the forest concessionaires. In Huánuco, WWF-Peru organized an event to celebrate with the participation of 70 community members the signing of contracts between the CRSM and the concessionaires. During the report period, WWF specialists provided assistance in the elaboration of a business plan for a consortium comprised of 04 concessionaires in Madre de

Dios. Business plans are a prerequisite to request loans and qualify as credit beneficiaries of the Trust Fund. In addition, business plans serve to formalize partnerships in chains of production, guaranteeing concessionaires with a buyer. Business specialists also supported the development of 03 preliminary business profiles for concessionaires in Ucayali and San Martín, as well as for a consortium in Madre de Dios.

- During the report period, additional progress was achieved in the establishment of forest enterprise consortia. In Huanuco, 02 consortia were formed among 10 concessionaires (a total of 67,228 ha). Forest concessionaires are deciding to pool resources, and with WWF-PPO's support, are forming strategic alliances to establish value chains from which all enterprises involved will benefit.
- In terms of capacity building in business management, continuous assistance was provided in taxation and accounting issues for 18 concessionaires in Ucayali and 03 concessionaires in Loreto. In addition, 17 recently formed enterprises in Loreto benefited from preliminary business analyses. As part of forest management plan and annual operating plan development, WWF-Peru business specialists designed the cost structure for 05 enterprises in San Martín and 10 in Madre de Dios.
- Capitalizing on lessons learned from organizing last year's *Negocia Madera* event and results of timber demand studies in the Southern, Central and Northern Corridors of Peru, 04 commercial events will occur over the coming months to link forest producers with interested buyers. The next event will be held in Puerto Maldonado in March. These regional events will be especially useful to assist in the promotion and marketing of Lesser Known Species that may require additional time to enter into the international market.
- As part of a promotion program for Responsible Buying Policies, WWF-Peru developed a Methodological Guide adapted to the Peruvian forest sector. Specialists have been working closely with a U.S. timber buyer and 04 of its mahogany providers in the implementation of a plan of control and origin verification. Also participating as forest producers are 02 industrial companies, 01 concessionaire, 01 consortium and 01 cluster of communities.
- As part of the inter-institutional agreement between WWF-Peru and INRENA, diverse activities are being implemented to combat illegal logging and timber commerce. Assistance is provided to develop a national control system of timber transport and commerce. Specifically, vulnerable links in the chain that facilitate the evasion of taxes payments and document submission, and the overall inefficiency of control checkpoints are being identified.
- WWF- PPO, through CEDEFOR, is publishing a monthly bulletin in coordination with PROMPEX. A total of 1000 copies of the eighth issue of PRONFOR was distributed nationally in print to forest concessionaires, exporting enterprises, consulting agencies and institutions.

ii. Key management issues

Illegal logging and commerce pose formidable threats to the economic viability of forest concessions. As concessionaires assume additional costs to participate in a formalized forest sector, they struggle to compete with informal loggers and traders who flood the market with timber at lower prices. Consequently, the long term success of the forest concessions process is contingent on the mitigation of illegal logging and commerce.

Delays in INRENA's approval of Annual Operating Plans result in concessionaires' inability to generate capital in an opportune manner that permits compliance with scheduled loan and tax payments. WWF-Peru aims to contribute to the solution by facilitating resources to INRENA to improve its capacity and efficiency in plan revision and approval.

CEDEFOR component III: Institutional strengthening and forest policy consolidation

i. Summary of major achievements and progress

- WWF-Peru, through CEDEFOR, continues to invest significant effort in the establishment and implementation of local Forest Management Committees. During the report period, in Madre de Dios, 03 Committees in the Tahuamanu watershed were formally recognized by INRENA. In addition, 02 Committees were established. These 05 Committees, as well as 02 others, will begin to develop their five-year Strategic and Annual Operating Plans. In Huanuco, WWF-Peru provided support for the inclusion of the Forest Management Committee in the public registry as an association. Coordination continued with INRENA to establish 02 Committees in priority watersheds in Ucayali.
- At the regional level, WWF-Peru continues to actively participate in the Forest Dialogue Roundtable meetings in Madre de Dios, San Martín and Ucayali. Furthermore, technical assistance was recently provided for the establishment of a regional Forest Dialogue Roundtable in Huanuco.
- Technical assistance is provided to timber producers associations in each of the regions. In Madre de Dios, WWF-Peru supports 02 Forest Concessionaire Associations. In San Martín, assistance was provided to ACOFORSAM (SM Forest Concessionaire Association) for the development of its strategic plan.
- With a reorientation of CEDEFOR's strategy to prioritize efforts in critical watersheds, there exists a great need to strengthen administrative authorities responsible for formalizing the forest sector. In San Martín, WWF-Peru signed a cooperation agreement with the regional government to provide technical assistance for natural resource management and specifically the transfer of responsibilities from the regional forest intendance of INRENA. In Madre de Dios, additional support was provided to INRENA to perform field supervisions of 05 concessions suspected of laundering timber through their approved management plans. The results of the supervisions have thus far been suppressed through pressure from the implicated parties.

ii. Key management issues

Because of inconsistencies in the legal framework, Forest Management Committees are not included in the Public Registries. While the Forestry and Wildlife Law provides recognition to FMC as a formal management body, the civil code requires that they be organized as associations in order to be recognized. As a result, WWF-Peru is providing legal guidance to several FMC to obtain acknowledgement as associations and afterwards be recognized in the Public Registries. Inscription in the Public Registries as associations affords the FMC the opportunity to receive and manage funds to further their objectives. In addition to potential funding from private sources, according to the Forestry and Wildlife Law, FMC are rightful recipients of a percentage of the logging rights collected from concessionaires and other forest resource users. These funds are not being distributed until the FMC are legally recognized in the Public Registries.

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 include forest concessionaires, farmers, and representatives of indigenous communities, local governments, and INRENA. The Committees serve to raise awareness among forest resource users regarding options for access to these resources and forest management according to Peruvian laws, and to 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. Specific activities are included in the third component of the CEDEFOR project.

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	Completed
3.2	Local government reforestation: forest conservation and reforestation awareness raising campaign targeting Alto Aguaytía	Completed
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	Completed
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	On-track
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	On-track

iii. Key management issues

Specific issues are included in the third component of the CEDEFOR project.

Activity Title : Local Government Reforestation

i. Summary of major achievements and progress

- In collaboration with AMRESAM, WWF-Peru supervised the reforestation of an additional 50 hectares of degraded forests in 03 communities surrounding Campanilla in the San Martin department. In addition, specialists are developing a forestry plan for the province of Mariscal Cáceres. Local communities have participated in the maintenance of previously established tree nurseries in 02 communities.

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	Completed

iii. Key management issues

Delays caused by heavy rains in the project area have led AMRESAM to request an extension of the implementation period. According to a recent agreement between WWF-Peru and the local institution, project activities will continue until the end of February. The inclement weather has particularly impeded efforts to transplant saplings from the community tree nurseries to the degraded fields.

Activity Title : Prevention and Mitigation of Environmental Impacts

i. Summary of major achievements and progress

Activites were completed according to schedule.

ii. Table of progress in meeting key activity benchmarks

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

iii. Key management issues

Activities were completed according to schedule.

Activity Title : Environmental Planning and Prioritization

i. Summary of major achievements and progress

Activities were completed according to schedule.

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)	Completed
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

Activities were completed according to schedule.

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:

- The furniture fair *Casa Villa* successfully attracted potential buyers to purchase Lesser Known Species products. In this event, 18 furniture makers showcased their finished work with timber provided by forest concessionaires assisted by WWF-Peru. Under the supervision of CITEMADERA and Prompyme, 70 floor samples were developed for use in the living, dining and bedrooms. LKS species utilized included *Marupa*, *Cachimbo*, *Yanchama* and *Huamanzamana*. The result of the month-long fair was sales of approximately USD 200,000.
- In collaboration with the enterprises Exportimo, Magensa and consortium Madepives, WWF-Peru is completing the editing and design of the guide and manual for industrial processing of 10 LKS species. These species were identified in abundance by field staff while preparing General Forest Management Plans for concessions supported by WWF-Peru.
- The enterprise Exportimo has developed a commercial promotion plan for 2005 for furniture pieces constructed with the LKS species *Cachimbo* and *Capirona*. They will be introduced in 02 fairs in the U.S. as well as through a capacity building program with concessionaires and manufacturers.

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	On-track

iii. Key management issues

The continual circulation of material about LKS products through communications materials and participation at trade shows and other events has generated considerable interest amongst manufacturers of value-added timber products. However, this will be a gradual process as the current trend remains heavily focused on primary timber goods. As new research continues to illuminate the viability of lesser known species, opportunities will be created for secondary transformation of LKS. To successfully produce a shift from over-burdened species to lesser known species, information on the benefits of LKS must be widely promoted. WWF-Peru is working on these two components (research and marketing), which will ultimately contribute towards a more efficient and sustainable management of Peru’s forests.

III. Success Stories and Other Appendices

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