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CFDP Quarterly Progress Report: Third Quarter 2004



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Chemonics International Inc.

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CONTENTS

SECTION I	Executive Summary	3
SECTION II	Background	3
SECTION III	Improved Forest Policy	4
SECTION IV	Support to Plan Colombia	5
SECTION V	Improving Forest Products Production Chains	6
SECTION VI	Commercial Forestry Development Fund	10
SECTION VII	Progress Toward SO ₂ Goals	10
SECTION VIII	Program Management and Support Activities	11

CFDP QUARTERLY REPORT: JULY – SEPTEMBER 2004

I. Executive Summary

This quarter marked the one-year anniversary of CFDP. The three-month period yielded several salient accomplishments. CFDP summarized its advances and challenges during its first year of operations in presentations to USAID and its *Consejo Consultivo*.

- CFDP finalized its evaluation of linkages to Plan Colombia's *Familias Guardabosques* Program and fielded a team of consultants to pursue these opportunities.
- Based on experiences to date, CFDP developed a budget modification designed to increase LOE and transfer funds from grants to subcontracts. USAID rejected the modification. As a result, CFDP is currently drafting a new budget modification and developed an IQC mechanism designed to field short-term assistance to several key areas.
- CFDP developed its co-investment strategy for plantations and processing facilities and vetted it with key partners.
- CFDP awarded its first grant to Corpourabá to work with natural forest communities in Vigía del Fuerte.
- CFDP partners made good progress in completing the forest inventories although delays were experienced in start-up and community involvement.
- Workshops further consolidated team unity and integrated new consultants and staff.

Key Objectives for Next Quarter

During the next quarter, CFDP will accomplish several key activities.

- Finalize its co-investment strategy and receive expressions of interest.
- Select IQC implementer and begin using mechanism.
- Submit revised budget modification.
- Submit revised work plan based on approved budget modification.
- Finalize all forest inventories.

II. Background

In August, 2003, USAID awarded the three-year \$22.7 million Colombia Forestry Development Program (CFDP) to Chemonics International. The program will expand the production of marketable and profitable forest products that will increase incomes throughout the forestry sector and provide alternative sources of income to the rural communities where forestry activities are centered. An increase in profitable activities in the forest sector will serve to draw people away from illicit activities.



Melina plantations in Bajo Magdalena.

CFDP will assist in developing a viable commercial forestry sector and in catalyzing development efforts in four rural forestry clusters that offer reasonable access to markets, forest sector support services and production chains. Assistance will focus on connecting sustainable production chains to domestic and international markets. Local assistance will be provided by the *Corporación Nacional de Investigación y Fomento Forestal* (CONIF) and the World Wildlife Fund, among others.

The CFDP clusters will be centered in Bajo Magdalena, Bajo Atrato-Urabá, the Pacific Coast of Nariño and Northeastern Antioquia. The regions were selected because they contain considerable forest resources, suffer from increasing cultivation of illicit crops and have a defined market for forest products.

Program activities will focus on four components:

1. **Forest Policy:** CFDP will improve knowledge about constraints imposed on the commercial forestry sector because of inadequate and inappropriate policies and will work to correct those policies.
2. **Plan Colombia:** CFDP will assist Plan Colombia in making its *Familias Guardabosques* program more sustainable and effective.
3. **Improved Forest Product Production Chain:** CFDP will provide assistance to all segments of the forestry production chain to improve conversion efficiency and utilization of raw materials. The assistance will involve improved management of plantation and natural forests, including the establishment of industrial plantations in the four clusters; identification of transportation constraints and development of methods to overcome those constraints; improved conversion of raw materials to market products; and enhanced partnering among all links in the production chain. CFDP will capitalize on market conditions and opportunities in the forestry sector including international markets and standards, domestic markets and standards, and non-traditional markets such as “certified wood” and CO₂ sequestration credits.
4. **Commercial Forestry Development Fund:** CFDP will also provide additional assistance to support viable and responsible commercial forestry incentives outside the four clusters.

Significant program results include establishing 15,000 hectares of industrial plantations, managing 140,000 hectares of natural forest, establishing 11,000 hectares of agro-forestry, creating at least 500 new jobs and benefiting 3,000 families.

III. Improved Forest Policy

A. Forestry Law

The legislative process related to the development of a new forestry law has become increasingly intensive over recent months. The Government of Colombia (GOC) pushed hard for the

submission of a new bill at the beginning of the most recent Congressional session (July 20, 2004). In August, USAID and CFDP briefed the new Vice Minister, Carmen Elena Arévalo, on the program's ongoing efforts to support the policy development and regulatory reform process. It quickly became clear that the new Vice Minister was highly interested in ensuring the success of these efforts, based on commitment at the highest levels of the GOC toward the goal of having a new forestry law passed by late 2004/early 2005 timeframe. Once the bill is officially submitted and the first debate takes place, there are maximum periods of time within which changes can be developed and subsequent debates and final conciliation effected.

In an effort to foster interest on the bill, CFDP supported a two-day tour of Carton de Colombia's regional plantation and sawmill located in Yumbó, Valle del Cauca from September 2-3. Participants included Congresspersons, representatives of the Ministry of Environment, the National Planning Department, Fedemaderas and the private sector.

CFDP also developed a comparative study on the legal and institutional forestry frameworks of Bolivia, Costa Rica, Chile and Ecuador and contrasted them with Colombia's current forestry law. The study was presented to a varied group of representatives from the public and private sector and was well received.

B. Consejo Consultivo

CFDP's quarterly Consejo Consultivo meeting took place on August 12th. CFDP summarized its advances during its first year of operations and focused on the topics of communications and policy.

C. Institutional Strengthening of CARs

During September, CFDP consultant Preston Pattie met with representatives of several *Corporaciones Regionales Autónomas* to begin designing an institutional strengthening program for them, with their active participation and the support of the Ministry of Environment. During the next quarter, Pattie will hold a workshop and reach an agreement with the CARs on the program to be implemented.

IV. Support to Plan Colombia

CFDP consultants Greg Minnick and Octavio López finalized their evaluation of Familias Guardabosques and recommended certain opportunities for CFDP. They recommended CFDP implement pilot projects in three FGB nuclei: Urabá – Necoclí and Turbo, Santa Marta and Sur de Bolivar – Cantagallo and San Pablo. CFDP support will be targeted towards technical assistance in forestry activities, training in technical topics and enterprise development, marketing and product promotion, direct investment and fostering linkages to the private sector.



FGB leader plants teak seedling in Necoclí.

The report recommended contracting five CFDP-FGB consultants to coordinate closely with Plan Colombia actors and develop CFDP assistance in each nucleus. The expected impacts of

the program include 4,000 families benefited, 100 new jobs created, 3,000 hectares of plantations established, 3,000 hectares of natural forest under management and 6,100 hectares of agro-forestry systems established.

V. Improving Forest Products Production Chains

A. National

A.1 Co-Investment Strategy

In our technical proposal, Chemonics stated that we would develop the necessary administrative instruments to creatively co-invest in the forestry sector within its first 18 months of operation. During the quarter, CFDP began developing its co-investment strategy and has vetted it with key partners such as CONIF. The strategy will develop new financing models for forestry plantations based on practical case studies. CFDP hopes that recipients of co-investment funds will include associations of several land owners who are integrated with industries and able to leverage private investment.

The strategy includes several steps:

1. Request for Expressions of Interest
2. Development of Business Plan
3. Feasibility Study
4. Development of Financial Package

CFDP will continue to define its strategy early in the next quarter and will begin presenting it to possible investors in the four regions. According to a tentative timeline, CFDP hopes to receive expressions of interest by the end of the next quarter.

A.2 IQC Mechanism

CFDP developed a new contracting mechanism, an ordering agreement targeted to supply short-term consultants and support in three key areas: forestry, business and finance and policy and institutional strengthening. The IQC will help CFDP overcome key staffing shortages and provide key short-term support to critical activities such as the co-investment strategy and support to Fedemaderas.

The request for proposals was published and a bidders' conference will be held early in the next quarter. CFDP hopes to choose this key sub-contractor by the end of October.

A.3 Manual for Structural Colombian Pine

In order to foment the use of pine in construction, Colombia must develop resistance norms for locally-grown pine. The resistance of wood is determined by local factors such as soil, growth rates and water. CFDP sub-contractor Silvotécnia has begun designing a sampling plan for three common species of Colombian pine. The national sampling plan has been finalized (pine from

all areas must be included taking the total number of samples to be tested to 9,560) and CFDP is attempting to finalize the budget.

However, the *Universidad Nacional - Sede Medellín* is the only local entity with the necessary facilities for conducting the tests. The University is accustomed to doing small-scale samples and has adopted a rate geared towards its normal customers. CFDP's project is large scale and would occupy their laboratories for an extended period of time. The University has been reluctant to adopt a discounted rate per test and CFDP is reluctant to pay the high rates proposed. Negotiations continue and will hopefully be resolved during the next quarter.

A.4 New Product Development

CFDP has developed terms of reference for physical-mechanical and drying tests on several local species. These tests, which establish characteristics such as resistance to impact, workability and retention of nails, help producers to identify markets and uses for their wood. Species to be tested include four local species of eucalyptus, melina, teak and natural forest varieties. CFDP has contacted local entities capable of conducting the tests, such as the *Universidad Distrital* and the *Universidad del Tolima*, and plans to award the contract during the next quarter.

A.5 GIS Mapping Contract

CFDP consultant Alvaro Castañeda finished his mapping of Plan Colombia nuclei. The information has been forwarded to FGB for use in its program and to the CFDP FGB consultants.

A.6 Environmental Assessment

The Environmental Assessment was submitted to USAID on July 29th and approval was received on August 5. CFDP plans to socialize the EA during the next quarter, once the Spanish translation is finalized.

A.7 Chile Trip- Construction

From August 29 – September 6, CFDP Deputy Chief of Party and Marketing Manager Vicente Molinos traveled to Chile with three Colombian transformation professionals to learn more about the use of structural wood in construction and the technical specifications needed. They have developed two presentations as a result of the trip, one oriented towards policy makers detailing the impacts wood construction could have on the forestry and construction sectors and another oriented towards familiarizing lumber producers and builders with the technical aspects of wood construction. They also made valuable contacts with Chilean specialists that can provide technical assistance to Colombian companies.

A.8 Atlanta Trip - IWF

CFDP Transformation and Processing Manager Alfonso Uribe traveled to Atlanta, Georgia to attend the International Wood Fair and visit possible consultants on August 24 – September 5. The trip allowed him to identify international consultants on the topics of immunization and

wood construction. During the next quarter, proposals from these consultants should be received. CFDP expects proposals dealing with technology transfers in immunization and joint ventures in wood construction.

A.9 Wood Properties and Uses Marketing Database

CFDP has contracted Sinchi to provide botanical and taxonomical information on species for the database. During the next quarter, CFDP will begin integrating the information into the International Tropical Timber Organization (ITTO) database.

B. Bajo Atrato – Uraba

B.1 Indigenous Organization of Antioquia (OIA) / PRODES

During the quarter, OIA and Prodes have consolidated their relationship through additional meetings and the signing of an *Acuerdo de Voluntades*. The *acuerdo* commits them to further exploring associating themselves in a joint venture sawmill project. CFDP has developed terms of reference to explore the financial and legal aspects of such an arrangement that will be filled by consults hired through the IQC.

In the area of forest management, OIA has completed the fieldwork for its informative inventory. During the next quarter they will complete the analysis and have the inventory completed. The OIA area contains 124,000 hectares of forest and will potentially benefit 650 families.



OIA representatives with CFDP Manager Alfonso Uribe during OIA-Prodes exchange.

B.2 Corpouraba

The Corpourabá grant was signed on August 27th in Medellín. Since the signing Corpourabá has contracted its technical and social staff, signed an agreement with SENA for technical and business training and chosen Cocomacia, a community council and *campesino* association, to provide the social accompaniment. The Corpourabá grant covers 80,000 hectares and will benefit an estimated 1,100 families.

B.3 Regional Office

Given the extensive activities taking place in the region, CFDP decided to set up a regional office in Apartadó. Roberto Castaño was hired as the regional coordinator. The office and administrative assistant will be contracted next quarter.

C. Pacific Coast of Nariño and Guapi

C.1 CONIF- Bajo Mira, Satinga and Sanquianga

Socialization and inventory activities continue in Nariño. During the quarter CONIF completed the field work for the inventories in Bajo Mira. The analysis will be completed during the next quarter. The two areas of Satinga and Sanquianga have been zoned and inventories will commence during the next quarter. Once the areas are proven to contain sufficient forest resources, they will contribute 23,000 hectares and some 2,500 families benefited.

C.2 WWF – Guapi

WWF has completed 50% of the field work for the informative inventory and, with the community, has advanced in completing the internal regulations relating to forest resources required by *Ley 70*. The Alto Guapi area contains 63,000 hectares and will benefit an estimated 450 families.

CFDP managers visited the region to conduct an analysis of the forestry chain and meet with the community. They found that, due to the steep slopes, new harvesting techniques, such as cables and rafts, will need to be used. In addition, sawmills in the area are obsolete, waste large percentages of wood and suffer from low prices.

D. Bajo Magdalena

D.1 Firewood Bundles

CFDP continues to explore the firewood bundles market for Bajo Magdalena. Firewood bundles provide a needed outlet for smaller timbers resulting from plantation stand thinnings. Pre-feasibility studies on economic and regulatory grounds continue to be encouraging. Samples have been sent to a US distributor who showed significant interest. This seasonal market, if successful, will provide important employment impacts, probably in eucalyptus plantations in Bajo Magdalena, in years to come and enhance returns on forestry plantations.

D.2 Co-investment Efforts

In Bajo Magdalena CFDP has decided to reorient CONIF's activities to support the new co-investment strategy. CFDP met with regional actors to foster interest in the co-investment mechanism, planned to be marketed to interested parties during the next quarter. During visits to discuss firewood bundles and log grading with regional actors, CFDP managers have suggested different investment options and motivated them to invest in industrial processes with up-to-date technological packages. These efforts should yield expressions of interest during the next quarter.

E. Northeastern Antioquia

CFDP hopes to support a regional investment in pine plantations and a processing plant in NE Antioquia. To that end, CFDP consultants from *Servicios y Consultorías (SyC)* finished a

quality diagnostic of three species of pine in plantations throughout NE Antioquia. Participants included *Reforestadora Doña María*, *Reforestadora el Guasimo* and *Empresas Públicas de Medellín*. SyC also conducted a zoning of the entire region to estimate the hectares available and apt for additional pine plantations. They discovered approximately 240,000 hectares with forestry aptitude and an additional 140,000 with minor restrictions for plantations (lands with relatively steep slopes).

SyC also conducted a sawmill test on the three species of pine with specimens from sampled plantations. Three hundred samples were processed and classified. They found that ocarpa pine has the best quality for sawmills, in contrast to the pátula which is more widely grown in the region.

The next step for the nucleus is to develop a business plan for a joint venture. CFDP will contract with consultants to develop this plan through the new IQC mechanism. Given the scale of the project, CFDP hopes to leverage DCA guarantees for local actors.

VI. Commercial Forestry Development Fund

CFDP sub-contractor Gamboa y Acevedo completed their diagnostic of Fedemaderas' needs. They identified severe staffing shortages and a lack of outreach and client services. CFDP plans to address these needs through its IQC mechanism during the next quarter.

CFDP also sponsored several Fedemaderas events in Bogotá and Medellín targeted towards raising awareness of Fedemaderas' services and increasing its membership. The events were successful and resulted in many new affiliations.



Plantation worker removes bark from pátula pine in Antioquia.

With CFDP funding, representatives from Fedemaderas traveled to Peru to attend the *Ronda de Lima* trade talks. They represented the forestry sector, made key contacts with other regional actors and shared information on the future agreement with their members.

VII. Progress Toward SO2 Goals

During the quarter CFDP activities generated 918 workdays for a cumulative total of 1,076 to date.

During the next quarter CFDP will have a significant number of natural forest hectares to report, as the informative inventories verify their inclusion in the program. The following chart shows the hectares in each area and potential beneficiaries:

Potential Natural Forest Indicators

Operator	Hectares	Families
CONIF	23,000	2,500
WWF	187,000	1,100
Corpourabá	80,000	1,100
TOTAL	290,000	4,700

Indicators related to plantations will be generated through the co-investment strategy.

VIII. Program Management and Support Activities

A. Grants and Contracts

CFDP finalized the Spanish version of its grants manual on September 30.

CFDP signed the Corpourabá grant on August 27th, prepared the RESS grant for signature, developed a modification to the CONIF Time and Materials Contract and prepared the IQC for publication.

During the quarter the technical committee reviewed 17 proposals from two cycles of the *convocatoria* but did not approve any.

B. Budget Modification and Work Plan

During the quarter USAID denied a proposed budget modification. CFDP expects to send a revised budget modification to USAID in October.

CFDP expects to send its Revised LOP Work Plan to USAID for approval once the budget modification has been approved and the resources available have been clearly defined.

C. Monitoring and Evaluation

The M&E database was drafted and updated indicator sheets were sent to implementers. International and local consultants verified the existing information in the three forest areas in Nariño and decided that a socio-economic diagnostic was not necessary given the wealth of information.

D. Communications

CFDP sub-contractors held several workshops relating to community socialization and program orientation. They also developed critical communications materials such as a draft newsletter, program briefers and communications manuals.

E. Personnel

CFDP established a new traveling accountant position and hired Julian Arias to fill it. CFDP also hired María Luisa Ochoa to fill the second administrative assistant position, although she resigned towards the end of the quarter. Office Administrator Silvia Arbelaez was terminated early and her replacement has not yet been obtained. Roberto Castaño also began working as the Regional Coordinator for Bajo Atrato/Urabá.