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Colombia Forestry Development Program

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CFDP Quarterly Progress Report: First Quarter 2005



Program beneficiaries in Nariño showing the cross-section and fruit of the tangare tree.

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Submitted by:
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CFDP QUARTERLY REPORT: JANUARY – MARCH 2005

I. Executive Summary

During the first quarter of 2005, CFDP accomplished the following:

- Processed 90 Expressions of Interest and developed 45 Project Profiles for the Co-Investment Fund.
- Approved eight Project Profiles to advance to the business plan development phase of the Co-Investment Fund process.
- Recommended, through the *Junta Asesora*, an additional three Project Profiles to be passed to USAID for approval before advancing to business plan development.
- Awarded grants to Monterrey Forestal (CO2 markets), Red Ecolsierra (FGB agroforestry projects in Santa Marta), Asocars (forestry information system) and Corpourabá (regional monitoring and evaluation of forest use).
- Began forest inventories for Familias Guardabosques forests in Urabá and Santa Marta.
- Began implementing agroforestry plots in Turbo and Necoclí.
- Trained Familias Guardabosques *participants* and other natural forest beneficiaries on community enterprises.
- Built consensus around needed changes to the Senate-approved version of the forestry law and supported key public forums on the law.
- Submitted a revised 2005-2006 work plan.

CFDP Key Indicators Generated to Date

Indicator	Quarter 1 CY 2005	Cumulative
Families Benefited	69	1,469
Jobs Created	19	69
Hectares of Natural Forest	-	9,705
Policies Reviewed and Diffused	-	1
Workdays Created	4,374	9,070
Institutions Strengthened	2	5

Key Objectives for Next Quarter

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

- Support business plan development for promising Co-Investment Fund proponents.
- Begin planting *Familias Guardabosques* demonstration parcels.
- Finish natural forest management plans in Nariño and Urabá.
- Submit revised work plan and budget realignment.
- Assist the GOC to improve and pass the senate-approved forestry law.

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.

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 Southwest Pacific Coast 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 and agro-forestry, establishing 3 wood processing centers, creating 500 new jobs and benefiting 3,000 families.

III. Improved Forest Policy

Colombia is in the process of developing a new forestry law. To a large extent, strategic policy has been established by the development of the National Plan for Forestry Development which was approved by the National Environmental Council on December 5, 2000. During the past five years an active debate has taken place which has resulted in numerous drafts of a national law for the forestry sector. The debate in Colombia has reached a point where there is concurrence in the need for and a sense of urgency to establish a new forestry law. CFDP has engaged in the process of developing a new forest law by providing ongoing technical assistance to ensure that revised policy provides the necessary institutional support and regulatory systems taking into account the existing resources and environmental sensitivities of the national forests. CFDP looks to provide targeted support to this initiative to ensure that the new forestry law is progressive serving as a guide for the development of the forestry sector.

A. Forestry Law

During the quarter, CFDP consultants Antonio Andaluz and Guillermo Arias returned to Colombia to build consensus around needed changes to the Senate's version of the forestry law. The consultants worked closely with the Ministries of Agriculture and Environment, USAID, Congressional bill sponsors and other actors to define and socialize the needed changes. CFDP also supported events, such as the *Foro Nacional Ambiental*, that evaluated the Senate's version of the law and obtained views and suggestions from key stakeholders.

During the upcoming quarter, the consultants will return to suggest final changes before the law returns to the *Comisión Quinta* of the Congress for comments on the amended version of the Senate bill to be submitted to the entire Chamber of Representatives. They will then provide key support to actors as the Congressional debate unfolds, and as the amended version of the law returns to the Senate, where it is expected that a *comité de conciliación* will be formed to reconcile differences between the versions passed in the Chamber and the Senate. CFDP is optimistic that the law will pass before June 20, the end of the current Parliamentary session. The program will also support regional forums and a forum with the CARs to socialize key requirements for the law and generate additional support for reforms.

B. Tax Law Registration

The hoped for new regulation aimed at improving administrative procedures associated with the tax law remains in the hands of the Ministry of Environment. CFDP expects to continue efforts to support issuance of this important regulatory reform, whose delay has frustrated several private sector stakeholders who have been working with the GOC for over one year on this initiative.

IV. Support to Plan Colombia

Familias Guardabosques Projected Indicators¹

Areas	Hectares of Natural Forest	Hectares of Agro-forestry	Families Benefited	Jobs Created
Urabá	8,000	2,140	3,200	976
Santa Marta	1,000	375	250	250
Sur de Bolívar	-	1,120	2,700	634
Total	9,000	3,635	6,150	2,054

A. Familia Guardabosques- Uraba

CFDP's FGB-Urabá staff has identified and begun implementing several productive activities during this quarter. CFDP has invested in significant business training for program beneficiaries so that they can constitute associations and community enterprises. This will allow them to market their products as a block and agree on and establish channels for distributing profits. The FGB-Urabá participants have been enthusiastic trainees and have indicated their interest and commitment by presenting co-investment projects for CFDP's consideration.

A.1 Agroforestry

In conjunction with the GOC's Familias Guardabosques Program, CFDP is supporting agroforestry efforts in Turbo and Necoclí. CFDP resources will be used to establish 40 hectares of demonstration plots containing cocoa, rubber, plantains and wood-producing trees such as roble, cedro, teak and nogal. The plots will be used to train beneficiaries on the technological package for each crop and the nurseries will serve as a source of income for the communities that pooled capital to establish them. During the last quarter, FGB beneficiaries identified the 40 hectares of land needed for the plots and began preparing the land for planting. CFDP purchased the plantlets required. CFDP expects to begin planting in May.



Cutting a cross section of the jagua tree.

A.2 Natural Forest Management

CFDP, in coordination with FGB beneficiaries, also identified natural forest management as an important potential source of income. During the last quarter, CFDP conducted an exploratory inventory of 8,000 hectares of natural forests and socialized the inventory work and basic principles of natural forest management with FGB

¹ Figures include indicators from FGB projects presented to the Co-Investment Fund.

families. CFDP plans to complete the forestry management plan during the next quarter. The wood extracted will be marketed through a community enterprise.

A.3 Co-Investment Fund

In addition to agroforestry and natural forest management activities, FGB participants presented three proposals for consideration under CFDP's Co-Investment Fund.

A.3.1 Agroforestry-Cacao

FGB has proposed establishing 200 hectares of agroforestry systems involving cocoa, plantains, papaya, castor seeds and corn. The project participants propose to provide the land and labor, while CFDP would pay for tree plantlets. All these crops have outlets in established regional markets. A community enterprise or association will be established to handle marketing and profit distribution. CFDP is currently exploring additional co-financing sources to cover project costs.

A.3.2 Agroforestry-Rubber

FGB has proposed establishing 200 hectares of agroforestry systems involving cocoa, plantains, papaya, castor seeds and corn. The project participants propose to provide the land and labor, while CFDP would pay for tree plantlets. All these crops have outlets in established regional markets. A community enterprise or association will be established to handle marketing and profit distribution. CFDP is currently exploring additional co-financing sources to cover project costs.

A.3.3 Re-forestation Company

FGB beneficiaries also presented a proposal for a reforestation company. Initially, they hope to plant 1,200 hectares of teak, melina and acacia for sale in local markets. The project participants propose to provide the land and labor, while CFDP would pay for plantlets. A forestry company will be established to handle marketing and profit distribution. Incuagro, Pizano and Kanguroid have indicated their interest in co-investing in this project.

B. Familia Guardabosques- Santa Marta

B.1 Red Ecolsierra

CFDP signed a grant with Red Ecolsierra on March 11 to support an agroforestry project currently being co-financed by the United Nations. Red Ecolsierra will establish demonstration plots containing organic coffee, organic cocoa and wood-producing shade trees. After the communities have received technical training and assistance on the plots, Red Ecolsierra will establish 100 hectares of organic cocoa and wood-producing shade trees. The cocoa will be marketed through Daabon and the wood will be marketed regionally. Red Ecolsierra will also establish 50 hectares of organic coffee and wood-producing shade trees. The coffee will be marketed through the Federación de Cafeteros de Magdalena and the wood-producing shade

trees with be marketed regionally. Red Ecolsierra will begin implementing during the next quarter.

B.2 Natural Forest Management

Based on the forest zoning completed by Corpamag, CFDP and FGB beneficiaries began exploratory inventories for 6,000 hectares of natural forest. During the next quarter, CFDP will develop a management plan for the viable commercial areas.

C. Familia Guardabosques- Sur de Bolivia

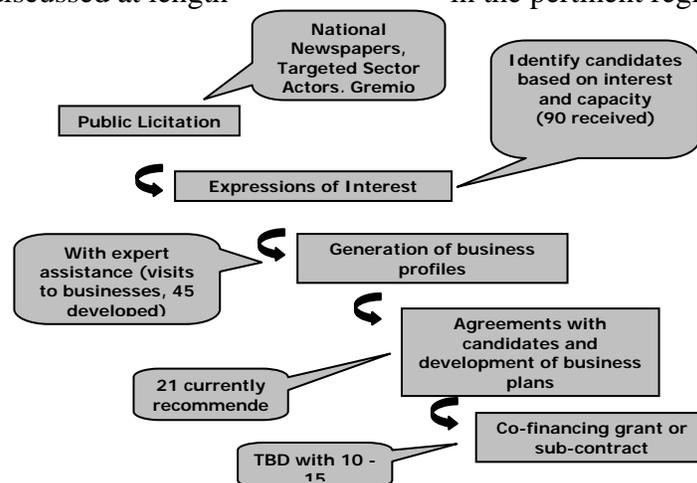
In Sur de Bolívar, CFDP plans to carry out agroforestry and natural forest management activities. During the last quarter, CFDP trained FGB participants on agroforestry activities, supported community enterprise training and identified lands apt for the agroforestry plots. However, progress in the region has been delayed due to: 1) the absence of institutional partners, 2) the local armed actor's resistance to the FGB program and 3) a lack of commitment by FGB beneficiaries to the FGB program. CFDP has conveyed its concern to Plan Colombia. If the situation does not improve markedly in the next few months, CFDP may need to redistribute its resources to other FGB nuclei.

V. Improving Forest Products Production Chains

A. Co-Investment Fund

On January 24, CFDP held its first meeting of the *Junta Asesora* to discuss the business profiles CFDP had developed for the first round of applicants, known as Grupo A. The Junta recommended all the profiles for approval and USAID approved the profiles in early February. Grupo A has progressed to the business planning phase.

The *Junta Asesora* met again on February 28 to review the second round of applicants, known as Grupo B. CFDP plans to send the approval request to USAID during the next quarter. During the next quarter, the *Junta* will meet on April 25 to approve the final round of project profiles. All the profiles are discussed at length in the pertinent regional section of this report.



B. Development Credit Authority

Paul Freedman, USAID, and Carrie Averch, Chemonics, traveled to Colombia to explore the possibility of using guarantees from the Development Credit Authority (DCA) to back CFDP's forest projects as an additional incentive for ensuring private investment, especially in projects implemented and financed by small producers such as FGB projects. During their visit, the consultants met with private banks, bond rating agencies and the Bolsa Nacional Agropecuaria. DCA follow-up will continue into the next quarter, as projects begin defining more specifically their finance needs.

C. Bajo Atrato-Uraba

Project	Families	Jobs	Hectares of Natural Forest	Hectares of Plantations/ Agroforestry	Industrial Parks
OIA	800	100	65,000	-	-
Corpouabá – forest management	1,000	130	80,000	-	-
La Luz del Retiro	100	100	-	1,200	-
PROBAN	100	100	-	1,200	-
PRODES	50	50	-	-	1
Fundación PROBAN	40	40	-	800	-
Vivero Selva Húmeda	TBD	TBD	-	800	-
Proforest	375	100	-	1,500	-
Total	2,465	620	145,000	6,600	1

C.1 Organización Indígena de Antioquia (OIA)

OIA is executing a natural forestry project involving 65,000 hectares of natural forest and regeneration that will benefit 800 indigenous families and generate 100 jobs in the municipalities of Chigorodó and Mutatá. The project includes establishing a community enterprise and sustainably managing their forestry resources using a forestry management plan. OIA hopes to sell the wood harvested to, among other buyers, PRODES, a regional consortia of twelve wood processors.

Last quarter, OIA had completed the statistical inventory and the technical portion of its management plan. During this quarter, OIA engaged in community enterprise training and socialized estimated harvesting plans with the individual communities constituting the indigenous reservation. The communities ratified both their interest in the community enterprise and their agreement with the harvesting estimates.

CFDP's supported OIA through WWF until January 31, 2005 when WWF's contract with CFDP expired. OIA has indicated that it wants to proceed with the project and CFDP hopes to resolve the question of how to channel funds to OIA in April.

C.2 Corpourabá / Vigía del Fuerte - Murindó

Corpourabá is executing a natural forestry project involving 80,000 hectares of natural forest that will benefit an estimated 1,000 Afro-Colombian families and generate 130 jobs in the municipalities of Vigía del Fuerte and Murindó. The project will result in the sustainable management of the communities' forestry resources using a forestry management plan. Corpourabá hopes to sell the wood harvested to regional actors such as PRODES, a regional consortium of twelve wood processors.

During the previous quarter, Corpourabá had begun exploratory inventories that were interrupted by the local armed actors who demanded additional community socialization. After the socialization was provided, Corpourabá resumed inventory work in January and has not experienced additional problems with local armed actors. Their technical team completed the exploratory inventories and completed statistical inventories on a third of the hectares. Corpourabá also provided training on natural forest management to the communities, helped them define the rules governing the use of their resources and socialized the need to integrate the forestry production chain with a buyer such as PRODES. During the next quarter, Corpourabá will complete the statistical inventories and begin work on the forestry management plan.



Program beneficiary in Nariño showing a sample of leaves from the maria tree.

C.3 Co-Investment Projects

Of the 26 Expressions of Interest received last quarter for the Urabá region, CFDP developed 14 profiles. Of those profiles six are expected to pass into the business development phase.

C.3.a La Luz del Retiro

La Luz del Retiro, an affiliate of SUNISA, has proposed to plant 1,200 hectares of teak and melina in Ungía, Chocó that will create approximately 100 jobs. Implementation will take place in accordance with Urabá's August-September planting season. La Luz del Retiro plans to process the wood in its own sawmill. The melina will be sold as pallets and the teak will be sold on to national furniture manufacturers. This project has been recommended and approved by CFDP's Junta Asesora and USAID. During the next quarter, CFDP plans to sign a MOU with La Luz del Retiro and will begin the business plan.

C.3.b PRODES

PRODES, a consortia of twelve furniture manufacturers, has proposed building a transformation center in Carepa, Antioquia catering to wood pertaining to OIA and Corpourabá's natural

forestry communities. This would generate approximately 50 jobs. The planned sawmill would have the capacity to process 12,000 m³ a year and provide sawing, re-sawing and drying facilities. The processed wood would then be sold to furniture producers and carpenters. Waste products would be used to fuel the drying oven and sold to niche market buyers, like arts and crafts producers. This project was recommended and approved by CFDP's *Junta Asesora* and USAID. During the next quarter, CFDP will sign a MOU and commence efforts on the business plan.

C.3.c PROBAN

PROBAN, a large banana and plantain distributor has proposed establishing 1,200 hectares of teak and melina in Urabá and creating 100 jobs. Implementation is scheduled to coincide with Urabá's August-September planting season. CFDP has encouraged the banana sector to diversify its holdings and this project represents their first foray into the forestry sector. The wood produced would be sold to local wood manufacturers. The project has been recommended by CFDP's *Junta Asesora* and will be presented to USAID for approval during the next quarter. Once approval is received, CFDP will sign a MOU with PROBAN and begin working on the business plan.

C.3.d Fundación PROBAN

Fundación PROBAN, PROBAN's social arm, has proposed establishing 800 hectares of silvopastoral arrangements with 40 small-scale campesinos in Apartadó, Antioquia. The Fundación has already established a successful cattle project with the project beneficiaries and would like to complement their income by planting teak and acacia to divide grazing plots. Implementation is scheduled to coincide with the May-June planting season. PROBAN will market the wood, which will be sold regionally for pallets and furniture. During the next quarter, the project will be presented to CFDP's *Junta Asesora* and USAID for approval. Once approval is received, CFDP will sign a MOU with Fundación PROBAN and begin working on the business plan.

C.3.e Vivero Selva Húmeda

Vivero Selva Húmeda, a national provider of plant seeds and plantlets, has proposed establishing 800 hectares of teak on its own land in San Pedro de Urabá, Antioquia. Implementation is scheduled to coincide with the May-June planting season. The vivero plans to sell the wood to local furniture manufacturers. During the next quarter, the project will be presented to CFDP's *Junta Asesora* and USAID for approval. Once approval is received, CFDP will sign a MOU with Vivero Selva Húmeda and begin working on the business plan.

C.3.f PROFOREST

Proforest, a mixed public-private forestry promoter, has proposed establishing 1,500 hectares of melina in Chigorodó, Antioquia. The plantations will be established on community-owned lands and Proforest, in cooperation with the local UMATA, would help the communities form a producers association. Implementation is scheduled to coincide with the August to September planting season. The logs would be sold to regional sawmills and eventually used for pallets and

carpentry inputs. During the next quarter, the project will be presented to CFDP's *Junta Asesora* and USAID for approval. Once approval is received, CFDP will sign a MOU with Proforest and begin working on the business plan.

D. Pacific Southwest

On February 2, USAID approved CFDP's request to expand activities outside of Nariño and Guapi to incorporate the regional wood processing port of Buenaventura.

Regional Projected Indicators for Current Projects

Project	Families	Jobs	Hectares of Natural Forest	Industrial Parks	Industrial Improvement
Bajo Mira y Frontera	1,400	-	9,705	-	-
Alto Guapi	450	-	63,000	-	-
Maderando	-	TBD	-	-	1
Madecen Industrial	30	30	-	1	-
CDP	-	TBD	-	-	1
Proinco	70	70	-	1	-
Maderería Central	50	50	-	-	1
Maderas M.A. Zuluaga	TBD	TBD	TBD	-	-
Total	2,000	150	72,705	2	3

D.1 Bajo Mira y Frontera

CFDP is developing a management plan and community forestry enterprise with the Consejo Comunitario de Bajo Mira y Frontera. During the previous quarter, CFDP completed the statistical inventory and a draft of the management plan. During this quarter, CFDP sent portions of the management plan to Corponariño, the regional CAR, for review. The plan should be approved in May. In addition, CFDP trained community members on the annual harvesting plan, socialized the forest management plan, provided business training related to establishing the community forestry enterprise and helped the Consejo develop the portion of its Reglamento Interno governing natural resource management.

D.2 Alto Guapi

CFDP is developing a management plan and community forest enterprise with the Consejo Comunitario de Alto Guapi. To date, CFDP sub-contractor Semillas de Agua has completed an informative inventory and begun work on the statistical inventory. CFDP has also engaged in training community members on the annual harvesting plan and management plan. During the next two quarters, CFDP expects to finish the statistical inventory, draft the management plan and begin efforts aimed at establishing a community-based enterprise focused on sustainable forest management.

D.3 Other Forestry Communities

During the quarter, CFDP received expressions of interest from several other forestry communities: Docampadó/Puerto Bolívar, Cajambre, Micay, Naya and Yurumangui. CFDP has invited members of the communities to forestry trainings, such as annual harvest plan trainings, but has not made decisions to start work in the communities due to budgetary constraints. Given those constraints and insufficient forest resources, CFDP has also decided not to pursue further work in Satinga and Sanquianga.

D.4 Co-Investment Projects

Of the 20 Expressions of Interest received for the Pacific Southwest last quarter, CFDP developed 11 profiles. Of those profiles six are expected to pass into the business development phase.

D.4.a Maderando

Maderando, a sawmill operation in Tulúa, Valle del Cauca, is an important regional secondary wood processor. They propose to install a new kiln to improve the quality of their wood and develop a marketing plan to identify key niche markets for their products. CFDP hopes to link Maderando to wood processed at CFDP-supported regional industrial parks to assure a constant, dependable supply of wood. This project was recommended for approval by the *Junta Asesora* and approved by USAID during the last quarter. During the next quarter, CFDP will sign a MOU and begin the business plan.

D.4.b Madecen Industrial/Ecomadera

Madecen, a sawmill operation dedicated to producing plywood products, and Ecomadera, a micro-credit program for wood harvesters, have presented an industrial park proposal located in Buenaventura, Valle del Cauca. The park would contain sawing equipment and several drying chambers. Raw material from Guapi and other natural forest communities such as Docampadó would be processed in the park. This project will be presented to the *Junta Asesora* and USAID for recommendation and approval early in the next quarter. If approved, CFDP would sign a MOU with Madecen and begin working on a business plan.

D.4.c Corporación para el Desarrollo Productivo Maderero del Pacífico Colombiano

The Corporación para el Desarrollo Productivo de la Madera (CDP) presented a proposal to provide training and technical assistance to regional sawmills. They propose to provide comprehensive, hands-on technical assistance in sawmill operations, such as sharpening saw blades, assuring that the equipment is properly aligned and maintained, etc. CFDP expects that CFDP's activities will greatly increase the efficiency of the regional sawmills and the project will create demand for this service. This project will be presented to the *Junta Asesora* and USAID for recommendation and approval early in the next quarter. If approved, CFDP would sign a MOU with CDP and begin working on a business plan.

D.4.d Proinco/Promadera/Maderables/Sarralde/Heramar

This consortia of small sawmills has presented an industrial park proposal located in Tumaco, Nariño. They propose establishing a 6,000 m³/year sawmill with a more modern saws and drying chamber to maximize the products they can generate and enter into other, more lucrative markets using wood linked to the forests managed by CFDP and the Food and Agriculture Organization (FAO). CFDP has explored co-investment options with the Sociedad Portuaria de Tumaco and the oil palm growers. This project will be presented to the *Junta Asesora* and USAID for recommendation and approval early in the next quarter. If approved, CFDP would sign a MOU with Proinco and begin working on a business plan.



CFDP consultant Fernando Leon demonstrates log size.

D.4.e Maderería Central (Madecen)

Madecen, a plywood producer, presented a proposal to improve its plant in Buenaventura, Valle del Cauca. The plant currently has a capacity of 20,000 m³ per year. They propose to improve their drying chamber and mechanize their wood processing techniques.

Madecen also proposes to improve their wood transportation by sending barges to collect wood. Using barges would reduce waste, given them a larger amount of wood to process and allow them access to dense wood species that do not float. CFDP would also work with Madecen to improve its marketing and strengthen its ties to its local raw materials base in natural forests. This proposal was revised after its recommendation by the *Junta Asesora* and approval by USAID to exclude the management of natural forest and focus only on the industrial component. The revised project will be presented to the *Junta Asesora* and USAID for recommendation and approval early in the next quarter. If approved, CFDP will sign a MOU with Madecen and begin working on a business plan.

D.4.f Maderas Marco Aurelio Zuluaga

Maderas Marco Aurelio Zuluaga, a large regional sawmill, proposed to strengthen the management practices of natural forest communities in Nariño and Chocó. Their proposal includes providing training on forest management practices, harvesting and wood handling techniques and helping communities develop several forest management plan. USAID and the *Junta Asesora* recommended and approved this project. CFDP is currently attempting to define costs and verify community interest before proceeding with the MOU and business plan.

E. Bajo Magdalena

Regional Projected Indicators for Current Projects

Project	Families	Jobs	Hectares of Plantations/ Agroforestry	Industrial Parks	Industrial Improvement
RESS	-	-	-	-	-
Monterrey Forestal	-	-	-	-	-
Refocosta	135	135	2,000	1	-
Madeflex	100	100	1,500	-	1
Imex	TBD	TBD	1,000	-	-
Pizano	110	110	1,500	1	-
Asemuebles	TBD	TBD	-	-	1
Asebum	TBD	TBD	-	-	1
Aprocosne	125	125	500	-	-
Total	930	930	6,500	2	3

E.1 Reforestadora San Sebastian (RESS) - Genetics

On October 8, CFDP signed a fixed-obligation grant with RESS to consolidate and analyze the genetic information on their eucalyptus clones. During the quarter this database was finalized and RESS established a virtual library for public consultation. During the next quarter, RESS will have an international eucalyptus expert validate their findings and, based on the validation, will hold several national seminars to release information on their clones. CFDP hopes to use RESS's clones in its reforestation efforts under the Co-Investment Fund.

E.2 Monterrey Forestal

On February 23, CFDP signed a grant with Monterrey Forestal to support a feasibility study and develop a Project Design Document that will be used to access international carbon trading markets. This project is an important effort to involve Colombian forests in this market and the funds generated by the market will provide important resources for forest maintenance. Work is expected to begin during the next quarter.

E.3 Co-Investment Projects

Of the 16 Expressions of Interest received last quarter for Bajo Magdalena, CFDP developed nine profiles. Of those profiles seven are expected to pass into the business development phase.

E.3.a Refocosta

Refocosta, a privately owned wood producer and manufacturer, has proposed including CFDP in a regional alliance with local land owners and Finagro to plant 2,000 hectares of teak, eucalyptus and melina in Fundación and San Angel, Magdalena. Refocosta plans to process the wood in their private sawmill and, as part of the project, have proposed expanding it. The melina will be

sold as pallets, the teak will be sold on to national and international furniture manufacturers and the eucalyptus will be sold for saw wood. Implementation will take place in accordance with the region's August to October planting season. Refocosta will use plants from its own nurseries and has already begun producing them. This project has been recommended and approved by CFDP's *Junta Asesora* and USAID. During the next quarter, CFDP plans to sign a MOU with Refocosta and will update the project's business plan to include the sawmill component.

E.3.b Madeflex

Madeflex, a privately owned wood producer and manufacturer, has proposed establishing 1,500 hectares of eucalyptus on the lands of associated medium-scale cattlemen in Guamal, San Sebastian and Santa Ana, Magdalena. They plan to process the wood in their own sawmill and will buy the plantlets from RESS's stock of drought-resistant eucalyptus. Implementation will take place in accordance with the region's August to October planting season. This project has been recommended and approved by CFDP's *Junta Asesora* and USAID. During the next quarter, CFDP will sign a MOU with Madeflex.

E.3.c Imex

Imex, a consortium of cattlemen, has proposed establishing 1,000 hectares of teak and melina in Zapayán. They plan to market the wood to regional wood manufacturers. Implementation will take place in accordance with the region's May planting season. This project has been recommended and approved by CFDP's *Junta Asesora* and USAID. During the next quarter, CFDP will sign a MOU with Imex if an agreement can be reached regarding co-investment amounts.



Grain of the chanul tree.

E.3.d Pizano

Pizano, a privately owned wood producer and manufacturer, has proposed establishing 1,000 hectares of melina in Zambrano, Bolivar in conjunction with *Alianzas para la Paz*, Corpomag and the Ministry of Agriculture. Corpomag had to withdraw from the project due to budgetary constraints and CFDP has the opportunity to provide the forestry assistance. It is also possible that Pizano could establish an additional 500 hectares in Carmen de Bolívar, Bolívar. Implementation will take place in accordance with the region's August-October planting season. Pizano also proposes developing a new sawmill with the capacity to process tropical hardwoods. This would allow them to process *ceiba tolua*, a popular hardwood in coastal markets. The project has been recommended by CFDP's *Junta Asesora* and will be presented to USAID for approval during the next quarter. If approval is received, CFDP will define the total hectares to be supported, sign a MOU with Pizano and commence work on the business plan.

E.3.e Asemuebles

Asemuebles, an association of small furniture manufacturers, has proposed adding additional saws and a drying kiln to its operations in Barranquilla, Atlántico. Their raw materials come from local reforestation and natural forest sources. The project has been recommended by CFDP's *Junta Asesora* and will be presented to USAID for approval during the next quarter. If approval is received, CFDP will sign a MOU with Asemuebles and begin working on the business plan.

E.3.f Asebum

Asebum, an association of small furniture manufacturers, has proposed creating an industrial park in Mompox for the use of its members. Their wood supply originates from local reforestation and natural forest sources. The project has been recommended by CFDP's *Junta Asesora* and will be presented to USAID for approval during the next quarter. If approval is received, CFDP will sign a MOU with Asebum and begin working on the business plan.

E.3.g Aprocosne

Aprocosne, an association of small producers, has proposed establishing 500 hectares of cocoa and wood-producing trees in the Sierra Nevada de Santa Marta. Implementation will coincide with the region's April to May, 2006 planting season. Daabon has committed to buying the cocoa and the wood produced will be sold to regional market. However, the project lacks an operator to provide technical assistance and negotiate agreements with other financing providers. The project has been recommended by CFDP's *Junta Asesora* and will be presented to USAID for approval during the next quarter. If approval is received, CFDP will sign a MOU with Aprocosne, begin working on the business plan and affiliating an operator.

F. Northeastern Antioquia

Regional Projected Indicators for Current Projects

Project	Families	Jobs	Hectares of Plantations/Agroforestry	Industrial Parks	Industrial Improvements
IFDM	100	100	1,000	1	-
Propal	220	220	3,000	-	-
La Luz del Retiro	70	70	1,000	-	-
Reforestadora el Guásimo	87	87	1,000	-	-
USM Ingenieros	55	55	-	-	1
Total	532	532	6,000	1	1

F.1 Co-Investment Projects

Of the 26 Expressions of Interest received for NE Antioquia last quarter, CFDP developed 11 profiles. Of those profiles five are expected to pass into the business development phase.

F.1.a Industrias Forestales Doña María

Industrias Forestales Doña María (IFDM), a private reforestation and wood processing company, presented a proposal to CFDP to establish 1,000 hectares of pine plantations and a state-of-the-art industrial sawmill and wood processing plant located in Yolombó, Antioquia. During the quarter, CFDP initiated work on the plant feasibility study by developing a 20-year raw material plan and determining reforestation needs, equipment investment and infrastructure improvements. The project was recommended and approved by the *Junta Asesora* and USAID. Unfortunately, the IFDM's owners have indicated their interest in selling the company and CFDP's involvement has been placed on hold until the situation is resolved. Pending resolution, CFDP will finish the feasibility study currently underway.

F.1.b Propal

Propal, one of Colombia's largest print paper manufacturers owned by the Grupo Carvajal, has proposed establishing a new pulp mill that would process between 90,000 and 480,000 tons of pulp/year. CFDP would provide support for the forestry component of the feasibility plan while Propal's team of international consultants would design industrial component. It is expected that the plant would generate a need for an additional 40,000 to 80,000 hectares of pine and eucalyptus plantations. Once the plant size and location is determined over the next few months, CFDP could possibly support 3,000 hectares of new pine and eucalyptus plantations. The proposal was recommended by the *Junta Asesora* in February and will be submitted to USAID for approval early in the next quarter. Once approval has been received, CFDP will sign a MOU and begin work.

F.1.c La Luz del Retiro

In addition to its reforestation in Urabá, La Luz del Retiro has proposed establishing 1,000 hectares of pine plantations in El Retiro, Antioquia. Implementation will take place in accordance with NE Antioquia's September to October planting season. Logs will be processed in its sawmill in Guarne, Antioquia. The processed wood will then be marketed for use in packing crates and pallets and CFDP will encourage La Luz del Retiro to explore other value-added markets. This project has been recommended and approved by CFDP's *Junta Asesora* and USAID. During the next quarter, CFDP plans to sign a MOU with La Luz del Retiro and will begin the business plan.

F.1.d Reforestadora el Guásimo

Reforestadora el Guásimo, a private reforestation and wood processing company, has proposed expanding their pine plantations in Angostura, Antioquia by an additional 1,000 hectares. Implementation will take place in accordance with NE Antioquia's September to October planting season. Logs will be processed in its regional sawmill. The processed wood will then

be marketed for use in packing crates and pallets and CFDP will help the company to identify other value-added markets. CFDP will present the project to the *Junta Asesora* and USAID during the next quarter. Once approval is received, CFDP will sign a MOU and begin working on the business plan.

F.1.e USM Ingenieros

USM Ingenieros, a primary and secondary wood processor, has proposed installing a new sawmill and drying kiln operation for hard and softwoods in Medellín. USM Ingenieros has strong links to national wood supplies and produces value-added products. CFDP would also provide technical assistance on wood processing, financial, marketing and product development topics targeted towards positioning USM Ingenieros' products for export markets. CFDP will present the project to the *Junta Asesora* and USAID during the next quarter. Once approval is received, CFDP will sign a MOU and begin working on the business plan.

VI. Commercial Forestry Development Fund

A. CAR Institutional Strengthening

During the quarter, CFDP began received draft grant proposals from all six of the CARs involved in the institutional strengthening project. Two projects were approved in March and CFDP expects the remaining four will be approved in April.

A.1 Asocars

CFDP signed a grant with Asocars on March 16 that will create a forestry information system that unified information on forestry chains at a national level. The system will increase the information exchange between the nine CARs involved and Asocars hopes to implement the system in the remaining CARs in the future.

A.2 Corpourabá

CFDP signed a grant with Corpourabá on March 16 that will establish a monitoring and evaluation system for forestry activities within its territory. Forest regents, or forestry management assistants, will monitor all extraction activities and assure that sustainable forestry management practices are being followed. Corpourabá will also develop clear technical guides to forestry management that clearly outline Corpourabá's requirements for forestry management plans and harvesting plans.



Flower from the sapotillo tree in Nariño.

B. Support to Fedemaderas

During the quarter Fedemaderas engaged in final strategic planning activities targeted at finalizing its CFDP grant application. Fedemaderas plans on submitting its grant application to CFDP in April.

C. Marketing Initiatives

C.1 Wood Properties and Uses Marketing Database

The International Tropical Timber Organization (ITTO) has given CFDP permission to use and update its database with species common to CFDP's two natural forest regions. The database will allow potential buyers to view characteristics of the species and make informed decisions on their use and market potential. During the quarter, CFDP collected leaves, wood samples and photographs of the trees in the Colombian Pacific Southwest for the database. During the next quarter, CFDP will complete the field work in Bajo Atrato/Urabá. Once the information is complete, it will be integrated into the ITTO database which will be made available to the general public on-line.

C.2 Price Bulletin

CFDP is supporting the publication of a price bulletin relating the many types of local wood cuts to the international standard of cubic meters. The bulletin will also communicate standard dimensions and treatment of wood, thus promoting the voluntary adoption of national standards.

C.3 Wood Construction

In an effort to increase the value of Colombia's pine plantations, CFDP is stimulating the domestic market for wood construction. During the quarter, CFDP sponsored joint venture activities with US wood constructors, such as Lanaham Lumber, to exchange designs, techniques and commonly used technology with their Colombian counterparts. In addition, CFDP received a grant proposal from CIDICO to coordinate and lead this effort, focusing primarily on the following areas: develop grade classifications for pine, support technology transfer, promote pilot projects using wood and explore policies, rules, codes and financing affecting construction companies using wood. CFDP plans to sign this grant early in the next quarter.

C.4 Manual for Structural Colombian Pine

In order to successfully encourage the use of structural lumber in national construction, the Colombian forestry sector needs resistance norms for locally-grown pine. CFDP is supporting resistance and flexibility testing for two species of Colombian pine to generate a lumber grading rules manual for these two species. During the quarter, CFDP finalized the sample plan and selected a US company to conduct the tests. For the next quarter, CFDP plans to collect and process the wood samples and send them to the US for testing.

VII. Progress Toward SO2 Goals

Given activities in FGB nuclei, natural forest communities and co-investment projects, CFDP expects additional hectares, jobs and families to be reported in the next quarter.

CFDP Contractual Goals Indicators Generated to Date

Indicator	Quarterly	Cumulative	Contractual Goals
Jobs Created	19	69 (40JE)	500
Families Benefited	59	1,469	3,000
Industrial Parks Created/Productive Infrastructure	-	-	3
Hectares of Agro-forestry and Plantations	-	-	15,000
Policies and Incentives Reviewed and Diffused	-	1	1
New Markets Identified	-	-	3
Increased Percent Usable Wood	-	-	50%
Increased Value Per M3 of Wood Sold	-	-	TBD ²
Higher Quality Standards Applied	-	-	25%

In addition to its contractual goals, CFDP monitors other indicators included in its technical proposal, such as hectares of natural forest under management, and indicators requested by USAID, such as workdays.

Other CFDP Indicators Generated to Date

Indicator	Quarterly	Cumulative
Hectares of Natural Forest Under Management	9,705	9,705
Workdays Created	4,374	9,070
Institutions Strengthened	2	5

The natural forest management scale for this quarter reflects Bajo Mira's submission of portions of its forest management plan to Corponariño for approval. Natural forest indicators, like hectares and families, are counted once a draft forest management plan has been completed, while other indicators such as workdays are reported continuously.

² The increase in value per cubic meter will be monitored and reported on, but no specific percentage was specified.

Progress on Natural Forest Management Scale (Hectares)³

Operator / Area	Rapid Diagnostic	Signed Agreement with Communities	Forest Inventory Completed	Management Plan Developed	Management Plan Approved by CAR	Harvesting According to Plan
Bajo Mira y Frontera				9,705		
Semillas de Agua / Alto Guapi		63,000				
Corpourabá / Vigía del Fuerte - Murindó			80,000			
OIA /Chigorodó - Mutatá				65,000		
Total		63,000	80,000	74,705		

VIII. Program Management and Support Activities

A. Grants and Contracts

During the quarter, major contracting actions included: 1) processing Task Orders for CFDP's sub-contractors Araujo & Ibarra and Econometria, 2) processing the CAR grants, 3) developing memorandums of understanding in support of the Co-Investment Fund, 4) developing the communications IQC contract and 5) contracting for FGB demonstration plots in Urabá.

B. Budget Modification and Work Plan

A revised work plan was sent in to USAID on February 2. CFDP expects to receive USAID's comments during the next quarter. CFDP is also working on a budget modification and expects to submit it for approval during the next quarter.

C. Communications

CFDP developed an IQC contract for an integrated communications service provider that would provide critical assistance in developing communications materials for policy, natural forest communities and the co-investment process. The contract will be adjudicated during the next quarter.

D. Personnel

Martha Penagos began working as CFDP's Office Manager on January 4. On March 3, CFDP hired another assistant accountant, Leymar Bernal. In late March, Betzabeth Rubio, CFDP's Contracts Assistance, resigned her position. CFDP hired Mateo Mejía to replace her on March 28.

³ This six step scale was developed to show when natural forests could be considered well-managed. CFDP believes that harvesting according to the management plan is the last step in this process, given the program's timeframe. Green indicates the step has been completed, yellow indicates that it is in process.

In January 2005, CFDP assumed the management of the regional office in Tumaco from CONIF. During the next quarter, CFDP hopes to contract a fiduciary to handle the administrative and operational aspects of the office.