



Project #: 527-A-00-02-00134-00
Reporting Period: April – June 2005¹
SO12

I. Summary of Activity Status and Progress

A. Introductory Paragraph

This quarterly report informs the progress of the revised CEDEFOR project. This is the second report of the consolidated CEDEFOR proposal. Since the last quarterly report (January to March 2005), a table has been incorporated to the standard summary of activities' progress report to provide a quick overview of the project's advances with respect to the project indicators and annual goals.

The revised CEDEFOR project includes activities coming from the following projects: Von Humboldt – Aguaytía, Lesser Known Species and Intervention Areas Project. The aim is to 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.

During this report period, there have been important advances particularly in the promotion of Voluntary Forest Certification and Chain of Custody. In terms of certification, WWF-Peru, in collaboration with the Association for Integral Development (AIDER), facilitates the evaluation of 35,587 hectares of natural forest belonging to 05 indigenous communities with promising results. At the same time, 26,950 hectares belonging to ASCART passed through the first year audit and its first Chain of Custody with excellent results. In San Martin, timber sales were established during the second Regional Timber Trade Fair in April.

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Highlights

- WWF-Peru and the Association for Integral Development (AIDER) elaborated an Action Plan to provide technical assistance in Forest Certification through a Financial and Technical Assistance Agreement. WWF-Peru and AIDER are promoting certification and ensuring the proper implementation of sustainable forest management practices amongst indigenous communities in Ucayali. An area of 35,681 hectares, property of 05 indigenous communities, was evaluated by GFA Ltd., an accredited certifier. The results of this **evaluation were favorable**, and by the end of July, Forest Regent AIDER will receive the award of certification for these hectares.
- The certified areas of Brazilian nuts belonging to ASCART (26,950 hectares) were audited after the first year of being certified by an accredited certifier. The **result of this audit process was positive**, which means that ASCART meets forest management standards that guarantee effectively management of the community forest. CEDEFOR technicians have provided technical assistance and carried out several field monitoring and evaluation missions to ASCART certified territories.
- WWF-Peru established first contacts with different actors in the five priority watersheds: Saposoa (San Martín), Aguaytia and Utiquinia (Ucayali), Las Piedras (Madre de Dios) and Magdalena (Huanuco). CEDEFOR, in coordination with Regional Government, organized a meeting with the purpose of setting up the basis for developing a **strategic plan of the watersheds**. A variety of stakeholders including regional governments, government agencies (INRENA, DEVIDA), Local Forest Management Committees and forest concessionaires participated in each meeting where WWF-Peru presented a proposal of guidelines in order to formulate a forest development plan at watershed level. This was the first of several meetings between all the main actors existing in the area.

Note: During this period, a revision mission of the revised CEDEFOR project revealed that project's goals are not reachable with current resources and planned activities, hence, the mission suggests some modifications to the original proposal. These are being revised by the CEDEFOR team.

C. Table of Activity Status

Activity Number	Activity Title	Status	Page number for more information
1	Institutional Strengthening	On-track	13
2	Sustainable Forest Management and Forest Certification	On-track	15
3	Business and Market Development	On-track	19

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.

This project aims to achieve the following key objectives:

- R.1. To strengthen relevant capacities of government, civil society and private sector institutions in order to facilitate the forest concessions process and improve the economic viability of the forest sector.
- R.2. To increase forest productivity in selected representative, competitive and certified forest enterprises and local communities in the targeted regions, through sustainable and certified forest management and integrated chains of production.
- R.3. To increase the profitability of selected individual enterprises, forest consortia and local community enterprises, generating increased sales and employment opportunities, by strengthening their business management capacities, facilitating strategic alliances, and improving links to local, national and international markets.

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

In this part of the report, a table with the detail of indicators and goals is added in order to provide a quick overview of the project's advances.

Results	Indicators Global Program	Goals 2005 (Year 1)	Progress (April – June 2005)	Accumulated
COMPONENT 1. INSTITUTIONAL STRENGTHENING				
1.1 National and regional governmental forest administration (INRENA) strengthened in order to effectively and efficiently coordinate actions, to modernize and reform the forest sector and the implementation of CITES Appendix II mahogany listing	Capacities of administrative and scientific authorities strengthened to ensure effective implementation of CITES Appendix II Mahogany	Strategic and operating plan of the two authorities. Support of personnel and UNALM support for INRENA through ITTO project. Implementation of first phase of ITTO project: system of production control and mahogany flow elaborated. First evaluation of state of mahogany populations. Control of 20 concessions active in mahogany harvesting.	- During this period, a terms of reference has been elaborated in order to contract a consulting firm for the evaluation of state of mahogany populations in Peru. - WWF supported both administrative and scientific CITES authorities in the verification of mahogany harvesting in Ucayali concessions.	WWF has supported INRENA in the different moments and issues such as: elaboration of a proposal to control mahogany exportation, formulation of a guideline of procedures to concede CITES exploitation permissions, development of statistical analysis of forest exportation.
	INRENA staff in Lima, Ucayali, Madre de Dios, Loreto, Huanuco and San Martin trained and effectively supervise sustainable forest management and control illegal logging.	The ITFFS of INRENA with adequate capacity to <u>evaluate and approve</u> the GFMP, AOP, FMC. Improvement in control and administrative conditions of ATFFS of MDD, UCA and SM. Control posts installed in Atalaya, Sepahua, Aguaytía. 100 GFMP and AOP approved.	- In Ucayali, WWF-Peru provided logistical support for INRENA personnel to effectively verify 01 concession (Acosta Zarate) - In coordination with INRENA and others stakeholders, WWF attended different demands from Forest Management Committee (FMC) of Cohengua and Aguaytía.	WWF-Peru provided support for INRENA personnel to effectively evaluate 86 General Forest Management Plans (GFMP) and 62 Annual Operating Plans (AOP).
	A national Multi-Sectoral Commission to combat illegal logging and three (03) regional commissions with action plans and strategies in implementation.	Multi-Sectoral Commission to combat illegal logging in operation with budget. Training of personnel of key institutions. Annual report of state of illegal logging. Development of evaluation and field control system.	In the last ITTO meeting, Peruvian Multi-Sectoral Commission to combat illegal logging received US\$ 50,000 from the ITTO council in order to fund organizational activities. During this period, WWF continued support the National Multi-Sectoral Commission to combat illegal logging, participating in the formulation of the operational plan for the period July – December 2005.	WWF-Peru had supported the National Multi-Sectoral Commission to combat illegal logging, in different moments and issues such as development its strategic plan and operational plan.

Results	Indicators Global Program	Goals 2005 (Year 1)	Progress (April – June 2005)	Accumulated
			<p>CEDEFOR continue conceding assistance to the Regional Governments of Madre de Dios, San Martin, Ucayali and Huanuco.</p> <p>In Regional Dialogue Roundtables, WWF supported the formulation of regional plans to combat illegal logging and regional strategic plans for forest development.</p> <p>Particularly in Ucayali, WWF and the Regional Government worked together in the management of regional conservation areas.</p> <p>In Huanuco, WWF assisted the Regional Dialogue Roundtable in the identification of different alternatives to solve overlapping problems.</p>	<p>WWF-Peru have collaborated in different moments with Regional Governments in Ucayali, Madre de Dios and San Martín in order to elaborate the Strategic Plans of the Regional Multi-Sectoral Commissions to combat illegal logging.</p>
<p>1.2 Civil society institutions (forest management committees, local communities, indigenous federations and non governmental organizations) strengthened to actively participate in the sustainable management of forest resources and to combat illegal logging</p>	<p>Eighteen (18) forest management committees with development and anti-illegal logging plans in implementation</p>	<p>Ten (10) FMC with development plans approved and in implementation.</p>	<p>WWF-Peru, through CEDEFOR, continues to invest significant effort in the establishment and implementation of local Forest Management Committees (FMC).</p> <p>In Madre de Dios, 02 FMC were submitted to the Public Registries (Río Las Piedras , Muymanu-Manuripe). The Strategic and Operation annual plan of Las Piedras Committee were approved by INRENA.</p> <p>In Ucayali, 02 FMC that were previously included in Public Registries were officially recognize by INRENA (Aguaytia and San Alejandro).</p> <p>In San Martin, 02 FMC formally were recognized by INRENA (Alto Biavo and Campanilla).</p>	<p>WWF supported the establishment of 21 Forest Management Committees (FMC). 14 FMC in San Martín, 03 FMC in Madre de Dios, 03 FMC in Ucayali y 01 FMC in Huanuco.</p>

Results	Indicators Global Program	Goals 2005 (Year 1)	Progress (April – June 2005)	Accumulated
1.3 Private sector associations strengthened and consolidated with strategic plans, and with the capacity to contribute effectively to forest sector modernization	One (01) national and five (05) regional forest producers and industry associations with strategic plans for national and international markets	Re-launching of the National Timber Confederation with new statutes, and CP-CFV with an autonomous operating plan.	Technical assistance was provided to timber producers associations at a regional level. During this period, in Ucayali, WWF provided assistance to ACOFOPU (Pucallpa Forest Concessionaire Association) during the process of negotiating timber products with enterprises from Villa el Salvador. Additionally, WWF supported concessionaries of Aguaytia and Pucallpa during meetings held with a Chinese holding interested in timber products coming from sustainable management forest.	Along the project WWF focused in providing technical assistance to timber producers associations at a regional level, mainly in three regions: Madre de Dios, San Martin and Ucayali. WWF assistance focused in supporting organizational strengthening to forest concessionaries associations, particularly for formalization and for the development of Strategic Plan.

Results	Indicators Global Program	Goals 2005 (Year 1)	Progress (April – June 2005)	Accumulated
COMPONENT II. SUSTAINABLE FOREST MANAGEMENT AND CERTIFICATION				
2.1 Forest concessions and local communities in selected areas and watersheds implementing sustainable forest management and committed to voluntary forest certification	One (01) million ha. administered by forest concession enterprises and consortia certified according to credible international standards or in process of certification and 100,000 ha. of community forests certified according to credible international standards and/or in process of certification.	536,744 Ha. with pre-evaluation and/or MIV diagnostics. 400,000 ha. with action plans for certification. 90,000 ha. with a complete evaluation for forest certification. 45,000 ha. of community forests with pre-evaluation and/or MIV diagnostics of which 30,000 ha. with action plans for certification. 27,000 ha. of community forests with credible, international group certification of Brazil nut (NTFP - Non Timber Forest Products).	117,674 Ha. with pre-evaluation and/or MIV diagnostics. Madedbol SAC (39,927 has) Shihuahuaco Timber (46,449 has) Empresa Forestal BTA (13,650 has) Horacio Pipo (17,648 has) 02 forest enterprises with Action Plans for certification. -Forestal BTA (13,650 hectares) -Maderacre & Maderija (93,200 hectares) Total amount: 106,850 hectares 35,681.63 has of community forests administrated by a Forest Regent (AIDER) has passed the evaluation for certification with positive results. First Annual Audit of ASCART territories certification was positive. Forest Regent - ASCART (26,950 hectares) Total amount: 26,950 hectares	In 2004, 332,919 hectares were evaluated but 199,000 hectares with problems of overlap with communities. 33 concessions has declared their initiative for certification: 02 in Loreto 08 in San Martin 12 in Ucayali 11 in MDD. Total amount: 1,200,000 hs. 01 Certification initiative of community forest, handle by a Forest Regent AIDER (51,460 has)

Results	Indicators Global Program	Goals 2005 (Year 1)	Progress (April – June 2005)	Accumulated
	An area of 2,500,000 ha. with management plans approved by INRENA and four (04) indigenous communities with basic technical assistance with management plans approved by INRENA (500,000 ha)	80 forest concessions and one (01) indigenous community with technical assistance, with sustainable general forest management plans (GFMP) and annual operating plans (AOP) approved by INRENA (1.8 million ha).	<p>During this period, 98 concessions have received technical assistance</p> <p>During this period 03 GPFM were completed and submitted to INRENA, all of which are pending approval.</p> <p>During this period, 09 AOP were completed and submitted to INRENA, all of which are pending approval.</p>	<p>128 forest concessions had received assistance from WWF-Peru.</p> <p>81 forest concessions with GFMP covering a total area of 1,523,589 hectares.</p> <p>122 AOP completed and submitted to INRENA covering a total area of 79,252 hectares.</p>
	Seven (07) critical areas and watersheds with integrated sustainable forest management plans (forest- industry) with stakeholder participation taking into account some of the USAID priority areas	Ecological and socioeconomic characterization of five (05) priority watersheds. Forest Management Plan framework for priority watersheds	<p>Integrated watershed management is a strategy utilized to establish areas free of illegal logging and illicit crops and where ecological services can be sustainably maintained.</p> <p>WWF-Peru initiated contacts with different actors in five priority watersheds: Saposoa (San Martín), Aguaytia and Utiquinia (Ucayali), Las Piedras (Madre de Dios) and Magdalena (Huanuco).</p> <p>In San Martín, socioeconomic information was gathered in order to characterize the Rio Saposoa watershed. In Madre de Dios, WWF technical staff carried out meetings with the representatives of the native communities (Monte Salvado, Savaluyoc, Zapallal, Puerto Nuevo, Boca Pariamanu y Puerto Arturo) in order to identify the main actors existing in the prioritized watershed.</p>	<p>In Ucayali, WWF-Peru technicians coordinated with the National University of Ucayali (UNU) the collection and systematization of ecological and socio-economic information from the field, including High Conservation Value areas (HCV) and vulnerable zones in four watersheds: Aguaytia, San Alejandro, Utiquinía and Cohengua.</p> <p>In San Martin, 07 of 12 municipal conservation areas were economically, socially and ecologically characterized. In the prioritized Río Saposoa watershed, potential areas for reforestation and landscape restoration were previously identified.</p> <p>In Huánuco, the Magdalena watershed was analyzed.</p>

Results	Indicators Global Program	Goals 2005 (Year 1)	Progress (April – June 2005)	Accumulated
	Fifteen (15) Chains of Custody involving primary and secondary transformation	<p>12 enterprises with Chains of Custody (CoC) diagnostic evaluations.</p> <p>07 enterprises with action plans for implementing CoC.</p> <p>Organization of producers group for responsible business of mahogany.</p>	<p>03 enterprises evaluated: Super Pisos, Trensa, Oficio Aureo.</p> <p>07 enterprises with action plans for implementing CoC: Palacios Hnos., Anaconda SA, M&M, Super Pisos, Oficio Aureo, Trensa, forestal Nieto.</p> <p>01 enterprise: Fast Trade.</p> <p>10 enterprises are interested in taking part in the Producers Group: Maderacre & Maderija, Triplay Amazonico, GEA, Maderera Palacios, Aserradero Anaconda, Exportimo, Super Pisos, Oficio Aurea, AIDER, and Fast Trade.</p>	<p>13 enterprises evaluated.</p> <p>11 enterprises with action plans for implementing CoC.</p> <p>03 enterprises certified: Fast Trade, Triplay Amazónico S.A.C and GEA S.A.</p> <p>10 enterprises interested in forming a group of responsible business of mahogany.</p>
	Environmental Impact studies at the commencement and completion of project activities in area of influence of CEDEFOR	Monitoring plan designed at the concession, ecosystem and watershed level.	WWF has considered transfer the monitoring of Permanent Monitoring Plots (PMP) to a specialized institution. During the following months, Terms of Reference will be prepared.	01 Monitoring Plan designed at the concession, ecosystem and watershed level. (Draft Document)

Results	Indicators Global Program	Goals 2005 (Year 1)	Progress (April – June 2005)	Accumulated
COMPONENT 2. SUSTAINABLE FOREST MANAGEMENT AND CERTIFICATION				
2.2 Degraded areas in the ADP area of influence recuperated through sustainable management plans, restoration and reforestation activities	34,000 ha. of secondary forests and agroforestry systems with management plans	10,000 ha of secondary forests and agroforestry systems with management plans.	No advances during this period.	In Aguaytia, a proposal of 8321 hectares of reforestation concessions were submitted to INRENA. Transferring process of 09 hectares of green belt to local communities (Barrio Unido, Nueva Tahuantinsuyo y Corazón de Jesús)
	1,000 ha. of existing plantations evaluated and with rehabilitation plans	1,000 ha. of existing plantations evaluated and with rehabilitation plans	In San Martin, 90 hectares of degraded areas were restored in Nuevo Jaen, Shumanza y Balsayacu	In San Martín 200 hectares were evaluated.

Results	Indicators Global Program	Goals 2005 (Year 1)	Progress (April – June 2005)	Accumulated
COMPONENT 3. BUSINESS AND MARKET DEVELOPMENT				
3.1 Business and technical capacities of forest enterprises improved, ensuring the increase in profitability and generation of employment opportunities through economically viable operations	Forest business activities generate 300,000 temporary employment days and 7,000 permanent employment opportunities for local populations	200,000 days of temporary employment and 600 permanent employment positions	4737 temporary employment positions: Madre de Dios: 93 positions Ucayali: 1340 positions San Martin: 593 positions Huanuco: 1562 positions Loreto: 995 positions Aguaytia: 154 positions	615,734 temporary employment positions were generated up to date.
	Transformed forest products from management plans from assisted concessionaires sold at a value of USD 55 million	Sales of transformed primary forest products from assisted concessionaries at a value of USD 14.5 million. 60 forest concessions assisted and trained in the modules and formation of business plans and consortia and/or alliances.	Sales of transformed primary forest products of a total amount of 3,435 m ³ at a value of US\$ 511,626. In Ucayali, total sales of 1920 m ³ , at a value of US\$ 194,602. In San Martin, total sales of 342 m ³ , at a value of US\$ 38,515. In Huanuco, total sales of 1020 m ³ at a value of US\$ 194,748. In Madre de Dios, total sales of 152 m ³ at a value of US\$ 83,761.	In 2002/2003 period, sales accumulated for 1,990 m ³ at a value of US\$ 46,079. In 2003/2004 period, sales accumulated for 37,990 m ³ at a value of US\$ 4,209,373. In 2004/2005 period, sales accumulated for 45,156 m ³ at a value of US\$ 5,097,379.

Results	Indicators Global Program	Goals 2005 (Year 1)	Progress (April – June 2005)	Accumulated
	Transformed forest products of Lesser Known Species from management plans of assisted concessionaires sold at a value of USD 13.7 million	Transformed forest products of Lesser Known Species from management plans of assisted concessionaires sold at a value of USD 3.5 million	<p>During this period, took place the second Timber Trade Workshop (in San Martín Huanuco). Business roundtable were held between 19 concessionaires and 13 timber buyers, resulted in commercial agreements for 16 timber species. From the total amount negotiated, approximately US\$ 671,460 corresponded to Lesser Known Species.</p> <p>In Madre de Dios, LKS were harvesting for 13 concessionaires, for a total amount of 354,330 pt equivalent to US\$ 136,450 pt.</p>	In first Timber Trade Workshop in Madre de Dios, 22 different species were negotiated, more than 490 m ³ corresponded to Lesser Known Species for an estimated value of US\$ 65,000.
	12 concessionaires and/or communities and 3 industrial enterprises harvesting and processing eight (08) LKS species.	12 concessionaires and 3 industrial enterprises harvesting and processing eight (08) LKS species.	<p>During this period, 06 concessionaires and 01 Forest Regent harvested LKS species:</p> <p><u>Ucayali</u> EFASAC Horacio Pipo AIDER (06 indigenous communities)</p> <p><u>Huánuco</u> Carlos Muñoz Edmundo Muñoz Aserradero Tingo María La Palabra</p>	<p>08 concessionaires and 01 Forest Regent are currently harvesting LKS species:</p> <p><u>Ucayali</u>: Forestal BTA, EFASAC VON HUMBOLT FOREST, Horacio Pipo, AIDER (06 indigenous communities)</p> <p><u>San Martín</u>: Aserradero Tarapoto</p> <p><u>Huanuco</u>: Carlos Muñoz Edmundo Muñoz, Aserradero Tingo María Julio Méndez</p>
3.2 An established financial services mechanism will continue to provide support for forest enterprise development	A total of USD 588,000 will be distributed in loans through a Trust Fund mechanism for medium and small scale forest users	USD 588,000 awarded in loans to consortia and/or strategic business alliances of forest concessions	<p>In Ucayali, WWF supported initiatives for establishing 04 chains of production: a) PWGP and Partes & Piezas SAC, b) Von Humbolt Forest and Value Investments, c) Forestal BTA SAC and NCS American Forestal, d) Regent AIDER and Anaconda SAC.</p> <p>In San Martín, WWF assisted Empresa Maderera Rivas Hnos (EMARI) to request for capital loans of US \$ 50,000 from Caja Municipal de Ahorro y Crédito de Piura (CMAC PIURA).</p>	USD 243,000 were granted by the Caja Rural de San Martín (CRSM).

c. Activity Description

CEDEFOR component I: Institutional Strengthening

i. Summary of major achievements and progress

Results 1.1. National and regional governmental forest administration (INRENA) strengthened in order to effectively and efficiently coordinate actions, to modernize and reform the forest sector and the implementation of CITES Appendix II mahogany listing.

- During this period, WWF-Peru in coordination with INRENA in Lima participated in the definition of the guidelines for monitoring Annual Operational Plan in indigenous communities, as well as the elaboration of a document regarding to the relationship between indigenous communities and others external agents. In Ucayali, WWF-Peru provided logistical support to INRENA personnel to effectively verify 01 concession (Acosta Zarate); and in coordination with other stakeholders WWF-Peru is analyzing the different demands from Forest Management Committee (FMC) of Cohengua and Aguaytía. In San Martin, WWF-Peru participated with DEVIDA and the International University for Conservation of Costa Rica in the formulation of the project “Integrated Management of Ponaza Watershed”, as part of an integrated watershed strategy.
- During this period, WWF-Peru continued conceding assistance to the Regional Governments of Madre de Dios, San Martin, Ucayali and Huanuco. In Regional Dialogue Roundtables, WWF supported the formulation of regional plans to combat illegal logging and regional strategic plans for forest development. Particularly in Ucayali, WWF-Peru and the Regional Government worked together in the management of regional conservation areas. In Huanuco, WWF assisted the Regional Dialogue Roundtable in the identification of different alternatives to solve overlapping problems.

Results 1.2. Civil society institutions strengthened to actively participate in the sustainable management of forest resources and to combat illegal logging.

- WWF-Peru, through CEDEFOR, continued to put a significant effort into the establishment and implementation of local Forest Management Committees (FMC). In Madre de Dios, 02 FMC was submitted in the Public Registries (Río Las Piedras, Muymamu-Manuripe). The Strategic and Operation annual plan of Las Piedras Committee were approved by INRENA. In Ucayali, 02 FMC that were previously included in Public Registries were officially recognize by INRENA (Aguaytia and San Alejandro). In San Martin, 02 FMC were formally recognized by INRENA (Alto Biavo and Campanilla).

Results 1.3. Private sector associations strengthened and consolidated with strategic plans, and with the capacity to contribute effectively to forest sector modernization.

- WWF-Peru continued to provide technical assistance to timber producers associations at a regional level. During this period, in Ucayali, WWF-Peru provided assistance to ACOFOPU (Association of Forest Concessions of Ucayali) during the process of negotiating timber products with enterprises from *Villa el Salvador* (Lima). Additionally, WWF-Peru supported concessionaries of Aguaytia and Pucallpa during business meetings held with a Chinese holding interested in timber products coming from sustainable management forest.

ii. Key management issues

- Since the beginning of the project, WWF has supported INRENA mainly at national level, working directly with the executive platform of the institution and not necessarily with the field technicians, specially due to the bidding process. Nevertheless, in order to achieve greater impact of WWF's actions, it is necessary to reorient the resources toward the INRENA regional offices. At this moment, INRENA and WWF-Peru agreed to revise their relation during the coming months.
- Illegal logging remains a major obstacle to the proper functioning of the forest sector and requires greater commitment from the government. The Multisectorial Commission to combat illegal logging lacks leadership since the unfortunate passing away of its chairman. WWF-Peru is approaching the Ministry of Agriculture to appoint a new chairperson as soon as possible.

CEDEFOR component II: Sustainable Forest Management and Forest Certification

i. Summary of major achievements and progress

Results 2.1. Forest concessions and local communities in selected areas and watersheds implementing sustainable forest management and committed to voluntary forest certification

Forest Management and Technical Assistance

- CEDEFOR continued to provide technical assistance to 98 concessionaires covering an area of 1,613,227 hectares in the five regions. Below is a table of the enterprises per region that continue to receive CEDEFOR technical assistance.

Region	Madre de Dios	Ucayali	San Martín	Huanuco	Loreto
Concessions	18	24	12	25	19
Hectares	375,230	702,476	165,893	157,680	211,948

- Compared to December 2004, the number of concessionaires has decreased from 128 to 98, mainly due to WWF strategy that focus assistance in prioritized watersheds and viable forest concessions with good prospects for the implementation of sustainable forest management and forest certification.

Period	October – December 2004	January – March 2005	April – June 2005
Concessions	128	106	98
Hectares	2,194,905	1,728,267	1,613,227

- Technical assistance for the approval of General Forest Management Plans (GFMP) and Annual Operating Plans (AOP) was prioritized in order to generate and promote sustainable harvesting practices and eventually forest certification. Following their revision by WWF technical specialists, GFMP and AOP are submitted to INRENA for approval. AOP and GFMP will enable forest concessionaires to conduct their harvests according to the principles of sustainable forest management. The tables below provide details of the advances to date in GFMP and AOP development.

Region	N° of GFMP completed		N° of GFMP Submitted		N° of GFMP approved	
	N°	Area (ha)	N°	Area (ha)	N°	Area (ha)
MDD	1	5,461			-	-
UCA	-	-	-	-	-	-
SM	1	5,006	1	5,006	1	5006
HUA	2	13943	2	13943	-	-
LO	-	-	-	-	-	-
TOTAL Period	4	24410	3	18949	1	5006
ACCUMULATED TOTAL since 2003	81	1,523,589	80	1,518,128	46	1,140,967

Region	N° of AOP completed		N° of AOP Submitted		N° of AOP approved	
	N°	Area (ha)	N°	Area (ha)	N°	Area (ha)
MDD	7	6225	7	6225	6	4556
UCA	3	1994	1	996	-	-
SM	-	-	-	-	-	-
HUA	1	640	1	640	-	-
LO	-	-	-	-	-	-
TOTAL Period	11	8859	9	10529	6	4556
ACCUMULATED TOTAL since 2003	124	80250	122	81920	94	60465

- During this period, in Ucayali 02 GFMP as well as 04 AOP were re-submitted to INRENA after WWF technical specialists finished to solve the corrections indicated by INRENA in a previous evaluation. These plans are expected to be approved within the next quarter. In Huanuco, 01 GFMP was re-submitted to INRENA after an appropriate review, furthermore, in this regional office, 07 AOP are currently in progress.
- In Loreto, forest users still continue in the early stages of forest planning. During this period, WWF supported 08 concessionaires to develop their Exceptional Forest Management Plans (EFMP) for the first year of forest operations in order to present them to INRENA (5,049 hectares of annual cut plot). In addition to this, 01 concessionaire received assistance in the implementation of commercial forest inventories of a total area of 1,930 hectares corresponding to EFMP elaboration.

Forest and CoC Certification

- During this period, WWF-Peru has made significant progress in forest certification. In Ucayali, WWF provided technical assistance to indigenous communities administrated by the Association for Integral Development - AIDER (Forest Regent²) as part of the implementation of an Action Plan for ensuring the proper implementation of sustainable forest management practices amongst these communities. An area of 35,681 hectares, property of 05 indigenous communities, was evaluated by GFA Terra System, an accredited certifier. The results of this evaluation were favorable, and by the end of July, Forest Regent AIDER will receive the award for these hectares.
- In Madre de Dios and Ucayali, WWF facilitated the implementation of the diagnostic evaluation as part of the Gradual Approximation System for Certification (GASC) in 03 forest concessions (117,674 hectares), who are practicing responsible forest management and have management plans viable in the long term. Additionally, in these two regions, WWF specialists coordinated the implementation of action plans for Forestal BTA (13,650 hectares) and Maderacre & Maderija (93,200 hectares) in order to ensure the proper implementation of sustainable forest management practices in these two concessions and to meet certification requirements.
- During this period, the certified areas of Brazilian nuts belonging to ASCART (26,950 hectares) were audited by an accredited certifier (IMO Control LA) after the first year of being certified. The result of this evaluation process was positive, which means that ASCART meets forest management standards that guarantee effective management of the community forest. CEDEFOR technicians have provided technical assistance and carried out several field monitoring and evaluation missions to ASCART certified territories.

² The scheme of Forest Regent is being developed to allow small landowners apply for Forest Certification as a group. This model recognizes one organization as the Forest Regent which is responsible for the sustainable forest management of its partners.

- Regarding to CoC certification, 07 action plans for 07 enterprises were developed by WWF technical staff and are currently being implemented; 03 more enterprises are interested in CoC certification and have passed through diagnostic evaluations. Additionally, Fast Trade company obtained a positive evaluation of its chain of custody. With these advances, WWF expects that ASCART can commercialize nuts in the international market through Fast Trade company in the coming months.

Watersheds

Integrated watershed management is thought to be away to establish areas free of illegal logging and illicit crops and where ecological services are sustainable maintained. At this point, different regions have already taken some actions in achieving this goal:

- WWF-Peru initiated contacts with different actors in five priority watersheds: Saposoá (San Martín), Aguaytia and Utiquinia (Ucayali), Las Piedras (Madre de Dios) and Magdalena (Huanuco). A meeting in each watershed was organized by CEDEFOR in coordination with Regional Governments with the purpose of setting up the basis for developing a strategic plan of the watershed. A variety of stakeholders including regional government, government agencies (INRENA, DEVIDA), Local Forest Management Committees, grassroots organizations and forest concessionaires participated in each meeting where WWF-Peru presented a proposal of guidelines for the formulation of a forest management plan at watershed level. This was the first of several meetings between all the main actors existing in the areas.
- In San Martín, socioeconomic information from the communities located in the watershed was gathered in order to characterize the Rio Saposoá watershed. In addition to this, with the purpose of providing useful instruments for the characterization of Rio Saposoá watershed, WWF along with *Municipalidad de Huallaga* organized a workshop of “Participative Rural Diagnostic” with the participation of different institutions such as regional and local government, grassroots organizations and forest management committee. In Madre de Dios, WWF technical staff carried out meetings with the representatives of the native communities (*Monte Salvado, Savaluyoc, Zapallal, Puerto Nuevo, Boca Pariamanu y Puerto Arturo*) in order to identify the main actors existing in the prioritized watershed.

Results 2.2. Degraded areas in the ADP area of influence recuperated through sustainable management plans, restoration and reforestation activities

- In San Martín, AMRESAM had finished the execution of the Degraded Areas Recovery Project in Campanilla. WWF technical staff visited the 90 hectares of degraded forest in Nuevo Jaen, Shumanza and Balsayacu in order to supervise the results of the project.

ii. Key management issues

- As part of the revised CEDEFOR project, WWF-Peru is gradually implementing a strategy to focus its assistance on prioritized geographical areas and viable forest enterprises that are also committed to sustainable forest management and forest certification. This will permit to concentrate efforts and resources in a few concessionaires that will be benefited with a personalized service and constant attention by WWF staff. With this, WWF pretends to guarantee effective sustainable management in the areas that belong to their assisted concessionaires.
- This change in strategy demand an adjustment period due to it requires that technical staff recognize the potentialities and opportunities in the selected areas, and define the variables for

the selection of the potential concessionaires. Due to this process, during this report period, WWF technical staff has given priority to establish first contacts and dialogues with the main actors in the selected spaces.

- However, and as a result of the suggestions done by the recent CEDEFOR revision mission, the CEDEFOR team is reviewing the objectives and goals of the project and the AOP 2005, in order to evaluate the viability of targets based on actual resources (financial, human resources and time). This process will consider the revision of the watersheds management strategy.
- For this year 2005, among the forest enterprises and concessions assisted by CEDEFOR, 17 enterprises were selected to pursue certification in a first round of initiatives until December. Nevertheless, latest pre-evaluation experiences have identified a repeated problem (illegal logging) at the first stage of the Gradual Approximation System for Certification (GASC). Hence, WWF has decided to evaluate and readjust the certification strategy in order to be more accurate and effective. During the next month, CEDEFOR will work in a proposal which it will be shared with USAID.
- One of the main limitations in technical assistance along the process towards certification is the lack of professionals with experience in implementing certifiable forest management in Peru. This includes also WWF field staff. As a respond for this specific limitation, it would be recommendable to program some workshops or others training events for WWF staff as well as for other professionals working in the following issues: implementation of sustainable forest management, reducing impact logging and certification.

CEDEFOR component III: Business and Market Development

i. Summary of major achievements and progress

Results 3.1. Business and technical capacities of forest enterprises improved, ensuring the increase in profitability and generation of employment opportunities through economically viable operations

- During this period, on April 21st and 22nd, WWF-Peru organized the second Timber Fair Trade in San Martin with the objective of promoting market connections between regional concessionaries and potential national and international buyers. This event hosted a total of 300 participants, including 19 concessionaries from San Martin and Huanuco and 13 timber buyers from Chimbote, Trujillo, Chiclayo, Piura and Lima. As in the first fair trade in Madre de Dios, a variety of activities were held simultaneously during the event, such as business roundtable, conferences, technical lectures, and an exhibition of portable sawmill and forest equipment. The total amount negotiated for the following six months was estimated to be US \$ 1,767,000, which included sales agreements of 16 different timber species. From the total volume negotiated, Lesser Known Species captured an estimated value of US\$ 671,460. This event also was part of the activities to promote the use of LKS and the implementation of the responsible purchase program.
- Through this second Timber Trade Fair developed in San Martin, WWF-Peru developed a capacity building program for concessionaires and manufacturers located in the northern corridor. Several technical lectures were given by WWF specialists in the use of the manual about processing LKS species.
- In terms of capacity building in business management, continuous assistance was provided in accounting and business issues to 06 concessionaires in Ucayali, 04 concessionaires in Madre de Dios, and 03 concessionaires in Loreto. In addition, 01 concessionaries in Ucayali (Project world Green Peru – PWGP) was benefited from preliminary business analysis. As part of forest management plan, WWF-Peru business specialists designed the cost structure for 04 enterprises in Loreto and prepared cash flows of 02 concessionaires in Madre de Dios.
- In Ucayali, WWF promoted the development of forest chains of production between forest concessionaires and manufacturers in order to guarantee a continuous provision of timber to forest enterprises. During this period, WWF supported initiatives for establishing 04 chains of production: a) PWGP and Partes & Piezas SAC, b) Von Humbolt Forest and Value Investments, c) Forestal BTA SAC and NCS American Forestal, d) indigenous communities represented by Regent AIDER and Anaconda SAC.
- A total of 4,737 temporary positions were generated during this report period, as a product of the implementation of a variety of activities, such as exploratory and detailed forest inventories and forest harvesting. In terms of timber sales, a total of 3,435 cubic meters were sold for a value of USD 511,626.
- A total of 06 concessionaires and 01 Forest Regent are currently harvesting LKS species. In addition, through articulated chains of production, 06 industrial enterprises are processing 15 LKS species.

Results 3.2. *An established financial services mechanism will continue to provide support for forest enterprise development*

- Developed by WWF-Peru in close collaboration with *Caja Rural de San Martín* (CRSM), the financial services mechanism provides a source of credit to resource-poor forest enterprises. To date, 07 credits³ for capitalization and labor capital have been disbursed to 07 forest concessionaires. WWF provides assistance in management and business administration in order to ensure the return of the loans.
- In San Martin, WWF supported the formulation of a contract of harvesting between *Empresa Maderera Rivas Hnos* (EMARI) and the forest concessionaire *Forestal Alto Saposoa*. As a result of this agreement, a business profile of *Empresa Maderera Rivas Hnos* (EMARI) was elaborated in order to request for capital loans of US \$ 50,000 from *Caja Municipal de Ahorro y Credito de Piura* (CMAC PIURA).
- In Ucayali, WWF assisted PWGP enterprise in the formulation of its Refinancing Plan with CRSM (*Caja Rural de San Martín*) for an amount of US\$ 87,953, which will be used to increase the supply of forest products. The refinancing plan included the establishment of a strategic alliance between PWGP and Partes & Piezas SAC.

ii. Key management issues

- WWF looks for an effective relationship between producers and buyers in the market, due to this encourages the concessionaires to improve their forest and business management. In this matter, WWF will continue establishing conditions to promote commercial relationships. The Global Forest Trade Network (GFTN) is becoming an important partner for WWF-Peru in the sense of setting up trade relations between peruvian companies and foreign buyers and producers. This relationship will be further strengthened once the Peruvian Producers Group will be established (probably October 2005, during the Timber Trade Fair). WWF-Peru was able to convince GFTN to hold its annual meeting in Lima around the same period.
- After the two Timber Trade Fairs in Madre de Dios and San Martin, WWF-Peru requires to develop a comprehensive monitoring system for forest production of their concessionaires. As a first step, WWF will design and implement a monitoring system which consolidate information from all the forest concessionaires assisted by WWF, which contain updated information about forest production in terms of forest management and harvesting.

III. Success Stories and Other Appendices

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

³ See Annex 1: List of the concessions with credits for capitalization and labor capital

Annex 1: List of concessionaires with credits for capitalization and labor capital.

Loans granted by the Caja Rural de San Martín (CRSM)

City	Concessionaire or Holding	Amount of the Loan	Purpose of the loan	Articulator / Individual loan
Ucayali	EFA SAC	US\$ 50,000.00	Forest Tractor, Frontal Loader and working capital	forest productive chain articulated with GEA (co-signer)
Ucayali	PWGP SAC	US\$ 75,000.00	Forest Tractor, frontal loader, triple truck and working capital	forest productive chain articulated with GEA (co-signer)
San Martin	SAMUEL QUISPE RUFFNER	US\$ 10,000.00	Working capital	individual loan
	JORGE ACOSTA ZARATE	US \$ 10,000.00 S/. 10,000.00	Working capital for timber exports	individual loan
Huanuco	Empresa Maderera “La Palabra SAC”,	US\$ 75,000.00	Forest Tractor, band sawmill and working capital	forest productive chain articulated with MAPIE SRL (co-signer)
Huanuco	Carlos Muñoz Valdivia	US\$ 10,000.00 working capital	working capital	individual loan
Huanuco	Fridolino Yalico Vogt	US\$ 10,000.00 working capital	working capital	individual loan

Annex 2: Pictures of some activities



“Participative Rural Diagnostic”
San Martin
May, 2005.



ACRONYMS

ACOFORSAN	Association of Forest Concessions, San Martin
ACOFOPU	Association of Forest Concessions, Ucayali
ADIMARSAN	Association of Timber Industries in the San Martin Region
AFOL	Association of Forest Users, Loreto
AIDER	Association for Integral Development
AIDSESP	Inter-ethnic Development Association for the Peruvian Tropical Forests
AOP	Annual Operating Plan
AMRESAM	Municipality association of San Martin.
ASCART	Association of Brazil nut producers of Madre de Dios.
ATPDEA	Andean Trade Promotion and Drug Eradication Act
CEDEFOR	Certification and Development of the Forest Sector – Peru
CEDISA	Center of development and investigation of the tropical montane forest
CITES	Convention on International Trade in Endangered Species
CP-CFV	Peruvian Council for Voluntary Forest Certification
CRSM	San Martin Credit Union
PRODEFOR	Forest Sector Development Program, Amazonia – Peru
DEVIDA	National Commission for Development and Life Without Drugs
EXPORTIMO	Certified Furniture Company
FENAMAD	Indigenous Federation of Madre de Dios
FADEMAD	Agrarian Development Federation of Madre de Dios
FMC	Forest Management Committee
FONDEBOSQUES	Fund for the Promotion of Forest Development
FSC	Forest Stewardship Council
GFMP	General Forest Management Plan
GFTN	Global Forest Trade Network
GIS	Geographical Information Systems
GPS	Global Positioning System
GOP	Government of Peru
HCVF	High Conservation Value Forest
INRENA	National Institute for Natural Resource Management
ITTO	International Tropical Timber Organization
LKS	Lesser Known Species
MDD	Madre de Dios department
MIV	Modular Implementation and Verification methodology
OSINFOR	Supervisory organization for Forest Investment
PCM	Presidential Council of Ministers
SFM	Sustainable Forest Management
SPDE	Peruvian Society for Eco- Development
SUNAT	Peruvian Tax Authority
TRAFFIC	Wildlife trade monitoring network
UNALM	National Agrarian University, La Molina
UNAP	National University for the Peruvian Amazon