



Colombia Forestry Development Program

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Planting eucalyptus for the Madeflex bridging project.

Quarterly Report Number 9 (October-December 2005)

I. Background

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

CFDP is assisting in development of a viable commercial forestry sector and in catalyzing productive investments in four priority zones that offer reasonable access to markets, forest sector support services and production chains. Assistance focuses on connecting sustainable forest production chains to domestic and international markets. Local assistance is provided by Chemonics' subcontractors, which include *Araujo Ibarra y Asociados*, *Econometría*, the *Corporación Nacional de Investigación y Fomento Forestal* (CONIF), *Gómez Chica*, *Dattis Comunicaciones* and the World Wildlife Fund, among others.

CFDP priority zones are located 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 defined markets for forest products.

Program activities focus on four components:

1. Forest Policy: CFDP has improved knowledge about constraints imposed on the commercial forestry sector because of inadequate and inappropriate policies and is working to support necessary policy reform.
2. Plan Colombia: CFDP is assisting Plan Colombia in making its *Familias Guardabosques* program more sustainable and effective.
3. Improved Forest Product Production Chain: CFDP is providing assistance to all segments of the forestry production chain to improve conversion efficiency and utilization of raw materials. A "Co-Investment Fund" serves as the primary vehicle for providing this assistance, through technical assistance at the pre-investment stage, as well as co-financing of initial project investments for selected projects with favorable cost-benefit ratios.
4. Commercial Forestry Development Fund: CFDP also provides additional assistance to support viable and responsible commercial forestry incentives outside the four priority zones.

Significant expected program results include establishing 3,000 hectares of commercial plantations and agro-forestry, creating 500 new jobs and benefiting 10,000 families.

II. Executive Summary

The following bullets highlight the major events and accomplishments of CFDP during the quarter.

- The Colombian House passed the forestry bill. A joint House-Senate committee reconciled the House and Senate versions of the bill and sent it to President Uribe for his signature.
- Completed two forestry management plans, one for Bajo Mira y Frontera and another for Vigía del Fuerte. Both plans have USAID and CAR approval.
- Began implementing bridging projects for FGB and plantation activities resulting in the planting of 2,583 hectares of new crops.
- Supported Bioexpo, a national marketing forum on certified wood products, non-wood forest products, wood products and environmental services in Antioquia that helped link buyers and sellers of these products and services.
- Completed and submitted a transition plan and the 2006 work plan for USAID approval.

CFDP Key Indicators Generated to Date

Indicator	Quarter 4 CY 2005	Cumulative
Families Benefited	1,501	5,282
Jobs Created	77	267
Hectares of Plantations/Agroforestry	2,583	3,064
Hectares of Natural Forestry	26,629	36,234
Beneficiaries trained	956	2,013

Next Quarter. During the next quarter, CFDP plans to accomplish the following:

- Begin harvesting activities in Bajo Mira y Frontera and Vigía del Fuerte.
- Begin regulatory activities in coordination with the GOC and other counterparts depending on the outcome of the forestry law.
- Implement new FGB projects in Santa Marta.
- Continue strengthening Fedemaderas by assisting new executive director to implement new strategic plan based on opinion survey of members and benchmarking study of successful business associations.
- Hold a marketing conference to role out natural forestry species database in Colombia.
- Submit forest management plans for OIA, Alto Guapi and Docampadó.

III. Improved Forest Policy

CFDP policy activities focus on providing technical assistance for the new forestry law, working on regulations once the new legal framework has been defined and providing institutional strengthening to the CARs as they engage in administrative and institutional reforms.

A. Forestry Law

During the quarter, Colombia lower house engaged in numerous debates on the new forestry bill with 109 amendments proposed to the bill. In early November, the first 33 articles of the bill were approved by the lower house. Then, following further discussion and compromise, the house reached consensus on the remaining articles -- passing the final 25 articles of the law on December 13, 2005 by a resounding 96 – 11 margin. On December 15, the House and Senate versions of the bill were reconciled by a joint house-senate committee and the final bill was sent to President Uribe for his approval. The bill is expected to be signed into law by President Uribe in mid-January.

"I will dialogue with the environmentalist leaders and we will be very careful with regulations. The country can rest easy because we have tried to protect natural forests and stimulate commercial forests." - Alvaro Uribe, President of Colombia, December 29th, El Colombiano.

During the next quarter, if President Uribe approves the law, CFDP will continue to move forward, in coordination with the Ministries of Environment and Agriculture, to develop key regulations for the sector, as specified by the law. Of the 38 regulations required, CFDP's support will primarily focus on the following ten priority areas: classification of forest areas, determining forestry reserves, sustainable forestry management, harvesting by ethnic communities, requirements and conditions for natural forest harvesting, general plan for forestry zoning, forestry management plans, monitoring and control, industrial production and sanctions and fines for non-compliance. CFDP will support the regulatory development process with legal and technical expertise and by promoting an inclusive participatory process to engage affected stakeholders and interested parties. This will include workshops and roundtables in various

regions of Colombia to provide didactic materials on the law and to solicit input on draft implementing regulations.

If President Uribe does not pass the law, CFDP will seek certain reforms to current regulations and decrees, attempting as best possible to achieve at least partial improvements under current policies and laws. A particular target in this sense would be *Decreto 17-91*, which deals with technical norms relating to inventory and census intensity of natural forests.

The press has provided extensive coverage of the forestry bills perceived strengths and weaknesses. The Ministers of Environment and Agriculture continued to provide strong support to the bill and once it was passed, President Uribe announced his support as well. Nevertheless towards the end of the quarter, negative press coverage concerning Chemonics and USAID were published in regional papers and on national radio stations. CFDP addressed issues with the media in close coordination with USAID.

B. CAR Institutional Strengthening

Diagnostics undertaken during the first year of CFDP confirmed many limitations in the realm of administrative procedures and practices, and overall, in the mind-sets of managers and staff within the institutions charged with implementing policies affecting forestry planning, investment and operations, in particular, the CARs. These weaknesses included the following:

- Lack of reliable data and statistics related to forestry management (for example, deforestation rate estimates vary wildly, with no reliable way to confirm which numbers are more reliable).
- Emphasis on command and control approaches to forestry regulation, inhibited by lack of sufficient numbers of staff to provide corresponding policing functions.
- Missed opportunities in terms of promoting voluntary use of sustainable forestry management practices.
- Inconsistent compliance with national laws and regulations (CARs interpret laws and regulations differently, leading to inconsistencies from region to region).
- High levels of illegal logging and other signs of informality, suggesting that the forestry policy regime is not achieving its objectives.¹

In response to these weaknesses, CFDP is implementing pilot projects with ASOCARS and five CARs: Corpourabá, Corpamag, Corponariño, CRC and Corantioquia.

1. ASOCARS

The ASOCARS grant supports the design of an information system that collects data on forestry chains in nine CARs and facilitates the exchange of information between these CARs. During the quarter, ASOCARS consulted with the nine CARs and external audiences to select the type of data and variables on the forestry sector that would be included in the forestry information data base. ASOCARS also developed the necessary tools to capture the information and held workshops to present these tools to their members. During the next quarter, ASOCARS will finish compiling the variables and data and load the information onto the regional CAR websites.

2. Corpourabá

The Corpourabá grant has the following components: 1) implement a system of forest regents who will monitor extraction activities and assure that sustainable practices are being used, 2) develop technical guides on sustainable forestry management and 3) design a forest information system including forestry statistics and cartography.

During the quarter, Corpourabá accomplished the following: 1) socialized the natural forestry guides with other CARs and independent forestry engineers to finalize content, 2) socialized the regulations for the forestry regents program with other CARs and independent forestry engineers, 3) prepared a formal study to define the costs of developing a forestry management plan, 4) installed the forestry information database and 5) hired two forestry technicians to provide follow-up for active forestry management plans in Corpourabá's territory. During the next quarter, Corpourabá will publish the natural forestry guides and continue advancing their other activities.

¹ See report by CFDP consultant Preston Pattie, "ANÁLISIS INSTITUCIONAL DEL RÉGIMEN FORESTAL DE COLOMBIA," October 2004.

3. Corpamag

CFDP's grant to Corpamag consists of the following two components: 1) provide training on natural forest management to communities on the Río Frío and 2) promote reforestation and provide forestry training to farmers in four municipalities.

In component one, Corpamag began working with 46 families in ten villages. Corpamag held five introductory workshops on natural forestry management. In addition, they held an in-depth workshop on forest inventory techniques and a workshop on eco-tourism. Supporting component two, Corpamag developed two demonstration parcels to showcase silvicultural techniques. In addition they conducted three workshops for communities to demonstrate and discuss silvicultural techniques. During the next quarter, Corpamag will continue providing training to project beneficiaries.

4. Corponariño

The Corponariño grant provides training to 46 community councils in Nariño on sustainable natural forest management, agroforestry, reforestation and regulations. During the quarter, Corponariño held eight workshops with the community councils covering sustainable forestry management and forestry



Census activities in Alto Guapi.

legislation. They also developed a diagnostic of natural forests in northern Nariño that they have used as a teaching tool in the workshops.

5. CRC

CFDP's grant with CRC contains the following components: 1) develop internal regulations with community councils in Guapi and Timbiquí, 2) socialize internal regulations with the *veredas* in each council, 3) provide training on sustainable forestry management to the community councils and 4) place 2,000 hectares of natural forestry under sustainable management. During the quarter, CRC and its affiliated communities completed a statistical inventory of the 2,000

hectares, completed a draft of the internal regulations and held four workshops on pertinent forestry laws, regulations and procedures.

6. Corantioquia

Corantioquia's grant 1) addresses normative aspects of its forestry regulation pertaining to natural and plantation forests and 2) audits *Plan Laderas*, a reforestation effort on the mountains surrounding Medellín, to determine next steps in promoting regional reforestation. During the quarter, Corantioquia advertised the terms of reference for both activities. They hired Luis Barrera to conduct the evaluation of Plan Laderas in late December. However, there was no suitable response to the terms of reference that would have generated a regional reforestation model (part of the Plan Laderas evaluation) and evaluated normative aspects of Corantioquia's forestry regulations. These terms of

reference will be advertised again during the next quarter. Corantioquia remains optimistic that they can meet their goals during the specified timeframe.

C. Developing Financial Mechanisms

As approved by USAID, CFDP will support the development of financial instruments that will allow investors, firms and local communities to take advantage of recently issued Decree No. 27-55 which provides any profit generating firm or individual with the opportunity to channel 20 percent of outstanding tax obligations into new reforestation investments. Specifically, CFDP plans to hire local consultants to support private sector and NGO-led initiatives to define and establish new investment funds designed to take advantage of these new tax incentive provisions. This will build on work already initiated by local private sector and NGO actors. Creating these financial instruments has the potential to unlock sorely needed capital for Colombia's forestry sector. The CFDP is particularly interested in supporting the design of a forestry sector investment fund as a way of attracting private sector financing for the co-investment projects developed under Component 3 of the project.

During the quarter, CFDP met with *Grupo El Nogal* and Araujo Ibarra to discuss the development of these financial instruments. Work is expected to begin on the fund during the next quarter.

IV. Support to Plan Colombia

Since 2004, CFDP has provided critical technical assistance to the communities of Turbo/Necocli and Santa Marta in the *Familias Guardabosques* (FGB) program. This special program under Plan Colombia targets communities that were subjected to prolonged occupation by guerilla and paramilitary forces leading to high levels of conflict, violence, illicit drug trade and disintegration of the local social fabric. With reestablishment of GOC control in these areas, CFDP's assistance aims to transform GOC payments made to FGB beneficiaries from a subsidy to an investment-based program by:



FGB beneficiary in Urabá with recently planted teak.

- Designing and implementing forestry and agro-forestry projects
- Stimulating private investment in the same
- Encouraging communities to invest a significant portion of their incentive payments under FGB into these projects
- Training and assisting in the establishment of community forest enterprises (CFE).

A. *Familias Guardabosques* – Urabá

In conjunction with the GOC's *Familias Guardabosques* Program, CFDP is supporting agroforestry efforts in Turbo and Necoclí. CFDP resources are being used to establish 40 hectares of demonstration plots containing cocoa, rubber, plantains and wood-producing trees such as oak, cedar, teak and walnut. The plots are being used to train beneficiaries on the technological package required for each crop and the nurseries will

eventually serve as a source of income for the communities that pooled their own capital, along with co-financing provided by CFDP to establish them.

During the quarter, CFDP completed an additional 10 hectares, establishing a total of 35 of the 40 planned hectares originally designated for the demonstration parcels. CFDP also supported extensive hands-on cocoa and rubber training initiatives during the quarter. Approximately 950 beneficiaries have received training to date.

1. Irrimer

On October 10th, CFDP and Irrimer signed a contract for the establishment of 200 hectares of cocoa agroforestry arrangements benefiting some 300 families. Irrimer worked closely with CFDP-supported CFEs Forestcacao and Proacib. CFDP's contract with Irrimer provided planting material and supplies while the communities, through their enterprises, provided land and labor. During the quarter, Irrimer planted 221 hectares, surpassing its original target. An estimated seventy-eight hectares of cocoa are still in CFDP-supported nurseries and will be planted in April and/or May 2006.



Teak and melina nursery for El Indio and La Gironda.

These extra hectares were not planted due to a dry spell during the planting season. CFDP also sponsored cocoa trainings and demonstrations on grafting and planting.

2. Incuagro – rubber

On October 15th, CFDP and Incuagro signed a contract for the establishment of 220 hectares of rubber plantations benefiting some 250 families. Incuagro worked closely with CFDP-sponsored CFE Procaucho to establish 50 hectares. The planting of the remaining hectares was delayed due to a dry spell and the stop work order. The outstanding hectares will be planted in April and/or May 2006. CFDP also sponsored rubber trainings and demonstrations on grafting and planting.

3. Incuagro – plantations

On October 15, CFDP and Incuagro signed a contract for the establishment of 308 hectares of teak and melina, in coordination with El Indio and La Gironda, two CFDP-supported community enterprises. Some 200 families will benefit directly. With CFDP-supported plant material and supplies, beneficiaries planted 189 hectares of teak and 52 hectares of melina. As an additional counterpart contribution, FGB beneficiaries established an additional 131 hectares of teak. During the next quarter, CFDP will present the project to MIDAS as beneficiaries hope to continue planting during the April/May rainy season.

4. Living Fences – Fast Track Remnants

To take advantage of fast track teak and melina seedlings, CFDP, in coordination with local FGB communities, supported the planting of the seedlings for non-plantation purposes. In total 85.5

hectares of mature seedlings were planted: 20 in community forests to be used as *arboles semilleros*, 10 for watershed protection and 55.5 as living fences. CFDP provided the seedlings, training, tools and transportation, while the beneficiaries provided labor and land. Some 750 families are direct beneficiaries. As the quarter closed beneficiaries continued planting, suggesting that the original goal of 90 hectares will most likely be surpassed during the next quarter.

5. Community Enterprise Development

In an effort to strengthen the 11 community enterprises active in Urabá, CFDP entered into a contract with Incuagro to provide training to 400 community members on administrative and marketing topics. During the quarter, Incuagro held numerous workshops on establishing by-laws, developing procedures and manuals, refining organizational responsibilities and building business plans. These trainings allowed community members to better manage their community enterprises and to attract private sector investors, such as Fernando Berrío, as shareholders in the businesses, thus gaining valuable advice on the forestry sector. Training will continue through the next quarter.

B. Familias Guardabosques – Santa Marta



FGB beneficiary weeding coffee seedlings in SM.

At GOC request, several new projects were added to the Santa Marta portfolio: Fedecafeteros-Madera y Café, Fedecafeteros-200 Has of agroforestry and Ensolmec. These projects will channel FGB payments into productive initiatives. Given the strong counterparts available in Santa Marta, the majority of the technical assistance is provided by counterpart staff in close coordination with CFDP's regional representative.

1. Red Ecolsierra

In coordination with the United Nations, CFDP's is providing grant funding to Red Ecolsierra to establish demonstration plots containing organic coffee, organic cocoa and wood-producing shade trees. After the communities have received technical training and assistance on the demonstration plots, *Red Ecolsierra* will establish 100 hectares of organic cocoa and wood-producing shade trees and an additional 50 hectares of organic coffee and wood-producing shade trees, benefiting some 100 families. The cocoa will be marketed through Daabon, the coffee through the *Federación de Cafeteros de Magdalena* and the wood will be marketed regionally.

During the quarter Red Ecolsierra finalized the technological package for the crops, after analyzing soil tests and plant genetics. Project beneficiaries planted 94 hectares. They also made significant advances in establishing the demonstration parcels. These parcels are used to provide continuous

training to project beneficiaries. During the next quarter, Red Ecolsierra will continue to plant and provide training.

2. Fundeagro/Daabon

Fundeagro's proposed project will provide supplies and technical assistance to establish 200 hectares of cocoa and wood-producing trees that will benefit 67 families. This proposal was approved by USAID as a bridging project. However, USAID has provided Fundeagro with permission to extend the project beyond December 2005. As the quarter closed, Fundeagro was negotiating the terms of the contract. During the next quarter, the contract is expected to be signed and implementation will begin.

3. Fedecafeteros – Madera y Cafe

CFDP signed a contract with Fedecafeteros on November 28th for the Madera y Café project, an extension of the UN/Red Ecolsierra agroforestry project. Through this project, CFDP will assist Fedecafeteros to establish 600 hectares of organic coffee and wood-producing trees that will benefit 200 families. During the quarter, Fedecafeteros developed a work plan, implementation chronograms and finalized the list of beneficiaries. Implementation is scheduled to begin next quarter.

4. Fedecafeteros – 200 Ha Agroforestales

CFDP signed a contract with Fedecafeteros on November 28th to plant 200 hectares of cocoa, coffee and wood-producing trees that will benefit 150 families. During the quarter, Fedecafeteros developed a work plan, implementation chronograms and finalized the list of beneficiaries. Implementation is scheduled to begin next quarter.

5. Ensolmec

The Ensolmec project will provide technical assistance and supplies to establish 100 hectares of cocoa and wood-producing trees benefiting 50 families. Ensolmec is a large community association of FGB families. CFDP expects to sign a contract with Ensolmec early in the next quarter and begin implementation.

6. Community Enterprise Development

In accordance with the 2006 work plan, CFDP will continue to provide training to strengthen Santa Marta's three major community enterprises. These trainings will focus on establishing by-laws, developing procedures and manuals, refining organizational responsibilities and building business plans. These trainings will allow community members to better manage their community enterprises and to attract private sector investors. Some 80 people are expected to participate in these trainings, which are scheduled to begin during the next quarter.

V. Improving Forest Products Production Chains

CFDP is committed to improving the forest production chains in four nuclei: Southwestern Pacific Coast, Urabá/Bajo Atrato, Bajo Magdalena and Northeastern Antioquia. These efforts include support

for commercial plantations, natural forest management and agroforestry activities. The project's original design also included transformation activities; however in the light of the limited timeframe of the project, milling and other processing activities have been suspended. CFDP's activities in the four nuclei have improved forestry management practices, increased efficiency of processing techniques, promoted business planning and financial analysis of alternative investments, and access to higher-end markets.

A. Bajo Atrato – Urabá

In Urabá, active projects include Cocomacia and OIA in natural forestry and Selva Húmeda in plantations.

1. Cocomacia – Vigía del Fuerte

Afro-Colombian communities, through Cocomacia and Corpourabá, continue to develop a sustainable forest management plan for 26,529 hectares of natural forest, benefiting 681 families and creating 130 jobs. On December 9th, the forestry management plan was approved by USAID. Corpourabá, the corresponding CAR, approved the management plan on December 20th.



Graduation of OIA forestry promoters.

During the quarter, the forestry management plan was thoroughly socialized with community members. Work also continued on establishing a community forestry enterprise. After analyzing the pros and cons of various legal forms of enterprises, the community opted for an *empresa unipersonal*. Cocomacia and Corpourabá also designed a model to distribute the profits from the community enterprise. Community enterprise members received training in environmental, administrative, business and social skills required to assure successful operations. To date, 44 community members have received training.

The FARC also began showing interest in the Corpourabá/Cocomacia project as they are aware that the project is funded through USAID. The FARC visited the Cocomacia office and talked to the Legal Representative. Once Cocomacia assured them that USAID was not imposing the projects on them and that the projects responded to real community needs, the FARC withdrew their objection to USAID-supported activities in their areas of influence.

During the next quarter, the first annual harvest will take place and the community forestry enterprise will be finalized. Cocomacia will also disseminate the profit sharing model through meetings and fora with associated communities.

2. Organización Indígena de Antioquia (OIA)

The indigenous communities associated with the *Organización Indígena de Antioquia* continue developing their forest management activities. Under this sub-contract, OIA is completing a sustainable forest management plan covering some 13,206 hectares of forest, benefiting 733 families and generating 100 jobs.

During the quarter, OIA continued to make corrections to their forestry management plan and continued to socialize the plan and the communities' internal regulations. In preparation for the plan's approval by USAID and Corpourabá, they have begun work on the census for the 2006 harvest.

In coordination with SENA, 50 community members completed a training program on forest harvesting techniques and business skills. Participants will use these skills in the indigenous forestry company. Forty beneficiaries became *promotores forestales*, forestry promoters who educate their communities on sustainable forestry management. In addition, OIA continued to visit local, regional and national wood markets to refine their business plan and possibilities for productive alliances.

The indigenous group discussed, analyzed and approved the creation of a community forestry enterprise. They analyzed several different community enterprises in the region and opted for a cooperative model where the local tribal leaders will represent their communities and be responsible for distributing, processing and marketing timber and non-timber products.

During the next quarter, OIA will submit its forestry management plan to USAID for approval. It will also finalize plans for the first harvest and continue training and socialization programs. The community forestry enterprise is expected to be established in early 2006.

3. Selva Húmeda

During the quarter, USAID approved a bridging project with *Selva Húmeda* to provide plant material, supplies and technical assistance to establish 112 hectares of teak benefiting 10 families. In total, *Selva Húmeda* planted 130 hectares in Necoclí, Antioquia. This project will be closed out during the next quarter and promoted with MIDAS as *Selva Húmeda* would like to continue planting in April and May 2006.

B. Pacific Southwest

In the Pacific Southwest, CFDP's current project portfolio focuses exclusively on natural forestry management in three communities: Bajo Mira y Frontera, Nariño; Guapi, Cauca; and Docampadó, Chocó. All three communities have advanced well on their forestry management plans.

1. Bajo Mira y Frontera

CFDP has supported local community organizations in developing a natural forestry management plan for 9,705 hectares and established a community enterprise with the *Consejo Comunitario de Bajo Mira y Frontera*. The project is benefiting 1,606 families.

On October 13, USAID approved the forestry management plan. Now that approval has been received by both USAID and Corponariño, the community is completing the 2006 census for the first year of harvest and is planning the harvest itself.

During the next quarter, CFDP will provide technical support for the first harvest and provide extensive low-impact harvest training to community members. Assistance will also be given to the community forestry enterprise as it prepares and executes the harvest. In addition, CFDP will assist the CFE in all aspects of marketing, transforming and selling wood from the harvest.

2. Alto Guapi - *Semillas de Agua*

CFDP is also supporting local communities and organizations in developing a management plan and community forest enterprise with the *Consejo Comunitario de Alto Guapi* through subcontractor *Semillas de Agua*. This effort will result in the management of 23,000 hectares of natural forest and benefit 450 families.

During the quarter, *Semillas de Agua* completed the analysis of the forest inventory and census for the first year's harvest. This analysis constitutes the basis of their forestry management plan.

Semillas de Agua engaged in significant training and socialization during the quarter. They held two workshops to develop the communities' internal regulations and then 10 smaller workshops in each individual community. *Semillas de Agua* also held a dendrology workshop where community members were trained to identify the trees that would be harvested under the forestry management plan.



Project beneficiaries and future community leaders in Bajo Mira y Frontera.

During the next quarter, *Semillas de Agua* will complete the forestry management plan and forward it to CRC and USAID for approval. *Semillas de Agua* will give a workshop on directed felling and continue to work on developing the carpentry shop that will produce furniture and other value added products with wood sustainably harvested from the forest.

3. Docampadó - Bioexp

CFDP subcontractor Bioexp is working to sustainably manage 10,000 hectares of natural forest in coordination with 820 beneficiary families in Docampadó, Chocó. During the quarter Bioexp completed a first draft of the forestry management plan, began the first year census of 350 hectares, developed and partially socialized a draft of the communities' internal regulations and trained 97 community members on census and business administration.

During the next quarter, Bioexp will finish a final draft of the forestry management plan for submission to Codechocó and USAID. They will also finish the 2006 annual harvesting plan and complete the internal regulations.

C. Bajo Magdalena

In Bajo Magdalena, CFDP has three active plantation projects that all engaged in planting this quarter. Given severe rains, two of the three implementers were forced to postpone plantings until the next rainy season.

1. Pizano

The Pizano project will establish 1,058 hectares of Melina benefiting an estimated 100 families in Zambrano, Bolivar. CFDP is supporting labor costs. During the quarter, Pizano planted all 1,058 hectares and CFDP staff verified that they are in good condition.

2. Finagro/Refocosta

On November 1, CFDP signed a contract with Finagro/Refocosta to establish 950 hectares of teak benefiting an estimated 85 families Becerril and Augustin Codazzi in Bolivar and San Angel and Algarrobo in Magdalena. CFDP's contribution is paying for labor costs. During the quarter, Finagro planted 818 hectares which were verified by CFDP staff. The heavy rain in the area inundated several fields where planting was to take place, so the remaining 132 hectares will be planted in April or May 2006. The teak plantlets will be pruned to reduce growth so they can be used in the April/May planting season. Finagro will cover associated maintenance costs.



Planting activities in San Sebastián.

3. Madeflex

On October 15, CFDP contracted with Madeflex to establish 500 hectares of eucalyptus benefiting some 46 families in the municipalities of San Sebastian, Guamal and Santa Bárabara de Pinto in Magdalena. The seedlings used are from RESS's genetic studies and cattle will be allowed on the plantations after the seedlings are

18 months old. CFDP's contribution towards the project takes the form of covering labor costs and technical assistance. During the quarter, Madeflex planted some 220 hectares. Madeflex was unable to plant the remaining 280 hectares due to excessive rainfall. The eucalyptus plantlets will be subjected to pruning and will be planted in the April-May growing season. Madeflex will cover maintenance costs for the seedlings.

D. Northeastern Antioquia

CFDP no longer has an active portfolio in Northeastern Antioquia because co-investment projects from this region were not prioritized as bridging projects. During the next quarter, CFDP will work

closely with USAID to communicate possible next steps for collaboration with project proponents under MIDAS.

VI. Commercial Forestry Development Fund

The Commercial Forestry Development Fund supports activities that are of strategic importance to the overall growth of the forest sector at the macro-level, thus complementing the activities carried out under other components of CFDP. The Fund serves as a catalyst for growth by attracting investment in and raising the competitiveness of the commercial forestry sector. Activities include:

- Strengthening Fedemaderas -- a forestry sector business association ---to serve as an advocate for sound forest management, policy, trade, innovation and investment – Fedemaderas.
- Promoting new domestic uses for wood products to grow demand and thus stimulate investment in production and more efficient processing of wood products through: a marketing database – SINCHI; the promotion of wooden housing – CIDICO; and promotion of new markets – Bioexpo.
- Supporting the inclusion of Colombian forests in formal and informal markets for trading greenhouse gas credits – Monterrey Forestal.

A. Representative Body - Fedemaderas

During the quarter CFDP continued offering institutional strengthening assistance to Fedemaderas. TO better serve their members, CFDP assisted Fedemaderas to conduct an extensive survey and opinion poll of their members. The results of Fedemaderas' members' opinion polls revealed the following:



Project beneficiary clearing land for planting.

1. Affiliates expect Fedemaderas to offer services such as: price information, advice on governmental procedures (permits, etc.) and sector information.
2. Given the small size and limited technological capacity of most affiliates, they prefer to receive information by mail or fax rather than Internet.
3. Affiliates are interested in receiving information on national and international trade fairs, attending training events, having an annual Fedemaderas Congress, receiving information on the forestry law and attending events on new machinery.

In addition, a benchmarking study of other successful business associations will be completed early in the next quarter. CFDP's support for Fedemaderas' accounting systems was also beneficial and it is expected that Fedemaderas' accounting will be up-to-date in March, in time for their yearly general assembly. In December, Fedemaderas also began looking for a full-time executive director. It is anticipated that a new executive director will be selected in mid-January.

B. Promoting Demand

1. Wood Properties and Uses Marketing Database

The International Tropical Timber Organization (ITTO) has given CFDP permission to use and update its database with 144 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 subcontractor Sinchi developed a more user-friendly version of the website, began editing and diagramming the tree identification manual and sent the natural forestry wood samples for production. During the next quarter, Sinchi will finalize the database, complete the manual, hold an event to launch the website and the wood samples and send the finalized information to the ITTO. CFDP plans to invite wood buyers, community members and universities to the event and distribute the manuals and wood samples. This will be the first complete study of natural forestry species in Colombia.

2. CIDICO

To increase the value of products harvested from pine plantations, CIDICO's grant stimulates the domestic market for wood construction. The grant focuses on the following areas: 1) improving designs with well-dimensioned and graded structural lumber, MSD, 2) supporting technology transfer, 3) promoting pilot projects using wood and 4) exploring policies, rules, codes and financing affecting construction companies using wood. During the quarter, CIDICO developed two housing prototypes and plans to begin construction during the next quarter.

CFDP's support of the nascent wood construction cluster is aimed at developing demand for high valued wood products and improving the economics returns on investments in tree planning and forestry management. This will contribute to stimulating demand for wood from Colombia's dwindling plantations.

3. Bioexpo

In coordination with Corantiquia, CFDP supported Bioexpo, a trade fair featuring buyers and sellers of environmental services and products from across the nation. During the four-day fair, approximately 10,000 people attended. At the CFDP-sponsored *rueda de negocios*, market information on certified wood products, non-wood forest products, wood products and environmental services in Colombia was widely disseminated to fair participants. During the *rueda de negocios* 425 different encounters were realized between interested partners, resulting in commitments totaling over \$5 million dollars. With this fair, CFDP reached its goal of disseminating information on new markets and succeeded in matching buyers and sellers of these services and products.

C. Carbon Trading - Monterrey Forestal

CFDP's grant with Monterrey Forestal provides support for a feasibility study and a Project Design Document (PDD) that will be used to access international carbon trading markets. Monterrey Forestal is coordinating closely with the Ministry of Environment's Office of Climate Change. The PDD will allow Colombian forests to access funds generated by carbon markets, thus providing an important additional resources for forest operations. The project will develop a carbon accounting methodology for the regions and pre-select some 18,000 hectares of land for possible entry into carbon trading. The three initial areas of geographic interest were: Medio Atrato, Urabá and Zambrano, Bolivar.



Demonstration parcel in Urabá.

During the quarter, all field work in Bolivar was completed and 10,000 hectares were selected for possible carbon trading. Field work began in Urabá, but due to a lack of information on land tenancy, the field work was halted. Medio Atrato also suffers from a lack of reliable municipal information on land tenancy. As a result, CFDP and Monterrey Forestal have decided to substitute the two areas with 4,000 hectares in Cesar and 4,000 hectares in Magdalena. The municipalities in question have good land tenancy records and the field work will begin early in the next semester. In addition, Monterrey Forestal finished the carbon accounting methodology and will be submitting it to the international Clean Development Mechanisms committee for approval. Once the methodology is approved, Colombian plantation owners in these areas will be able to pursue carbon credits.

VII. Progress Toward SO2 Goals

The table below reflects the results as of December 2005 taking into account the indicator adjustments made in CFDP's 2006 work plan submitted to USAID in early December 2005. As indicated by the table, CFDP is on track for meeting its targets. CFDP met and surpassed its contractually targeted goal for hectares of plantations and agroforestry due to the implementation of the bridging projects. CFDP has also met and surpassed its goal of identifying and disseminating information on new markets, having disseminated information on three markets during the quarter.

All indicators for on-the-ground projects were verified by CFDP's managers in accordance with the guidelines established in CFDP's Performance Monitoring Plan. Managers also verified that environmental criterion was appropriately followed and attest to the absence of coca and/or intercropping on hectares reported.

Due to the Christmas holidays, several of the newer sub-contractors did not comply with the deadlines set and their information did not arrive in time to be included in the report sent to USAID. As per discussions with David Cano, USAID's M&E coordinator, this information will be included in the next quarterly report.

Results as of December 2005

Indicator	Quarterly	Accumulated	Goal Per Workplan
Families benefited	1,501	5,282	10,000
Jobs created	77	267	500
Hectares of forestry/agroforestry	2,583	3,064	3,000
Hectares of natural forestry	26,529	36,234	80,000
Policies and incentives reviewed and diffused	0	2	1
New markets identified and disseminated	4	5	3
Technical assistance provided to Plan Colombia	\$432,406	\$875,241	\$1,500,000
Hectares of natural forestry zoned	0	472,527	472,527
Beneficiaries trained	956	2,013	2,073
Increase in sales	0	0	200,000
Forestry law passed	no	no	yes
Forestry regulations passed and implemented	0	1	10
NGOs/associations/businesses supported	2	41	75
Communities signing coca-free agreements	0	111	111
Families included under coca-free agreements	832	3,086	3,693
Proportion of client families coca-free	100	100	100
Private sector funds leveraged	0	\$112,242	\$460,743
Public sector funds leveraged	0	\$73,587	\$873,587

Progress on Natural Forest Management Scale (Hectares)²

Operator / Area	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		23,000		
Bioexp/Docampadó		10,000		
Corpourabá / Vigía del Fuerte - Murindó			26,529	
OIA /Chigorodó - Mutatá			13,000	
Total		33,000	49,234	

VIII. Program Management and Support Activities**A. Grants and Contracts**

During the quarter, major contracting activities included: 1) submitting all co-investment proposals and documentation to USAID, 2) signing bridging contracts and 3) providing contract and grant follow-up.

B. 2006 Work Plan

On October 3rd, 2005, CFDP submitted its proposed transition plan to meld its activities with MIDAS. On November 18th, CFDP submitted a 2006 work plan. After responding to USAID comments, CFDP submitted a Revised Work Plan on December 7th. Subsequently, USAID provided authorization to CFDP to begin implementing all activities contained in the work plan. Formal work plan approval is expected to be received in January 2006.

² This 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. The first two steps in the scale, the rapid diagnostic and the signed agreement with communities have been removed from this graphical representation as they were completed several quarters ago.

C. Environmental Compliance

During the quarter, two forestry management plans were approved. One for Bajo Mira y Frontera and one for Vigia del Fuerte. In addition, CFDP received USAID approval for all project environmental reviews for activities currently underway. A few additional environmental reviews will be sent in during the next quarter as final FGB activities are initiated.

D. Monitoring and Evaluation

On August 22, CFDP submitted their Revised Performance Monitoring Plan to USAID for revision. This revised plan included the new indicators requested by USAID in June 2005. Approval of the revised plan is still pending. During the next quarter, CFDP will begin auditing bridging projects prior to subcontract close out.

E. Personnel

Stephen Pelliccia replaced Vincent Ruddy as CFDP's COP as of November 7, 2005. Greg Minnick replaced John Nittler as CFDP's Project Director as of November 1, 2005.