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COLOMBIA FORESTRY DEVELOPMENT PROGRAM APRIL - JUNE 2004 QUARTERLY REPORT



Overflight of Bajo Atrato

July 2004

DISCLAIMER

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CFDP QUARTERLY REPORT: APRIL – JUNE 2004

I. Executive Summary

During the quarter CFDP made significant progress in program implementation and organization. Both CONIF and WWF began implementing after signing their contracts in late March and early April, respectively. CONIF in particular has made significant progress in Bajo Magdalena through the execution of the agroforestry evaluation and the regional plantation inventory and market study. CONIF also conducted socialization workshops with the natural forest communities in Nariño in preparation for the inventories and the socio-economic diagnostic. WWF's activities in Bajo Atrato/Urabá with the Organización Indígena de Antioquia (OIA) and Afro-Colombian communities in Guapi have also moved forward.

The mapping studies conducted by Alvaro Castañeda indicated that all CFDP forest areas contain the necessary density. Mapping continues for three Plan Colombia nuclei.

After considerable deliberation, CFDP made the decision to halt activities in the Cacarica natural forest. The combined factors of security, displacement, legal issues and poor quality forest resources all combined to make the area too problematic for involvement.

The program completed several key assessments. The CO₂ assessment showed that Colombian projects have potential in world markets and supported CFDP's belief that carbon sequestration payments alone cannot financially support reforestation projects. A CFDP marketing consultant identified several new market possibilities including: ready to assemble furniture, specialty coffins and firewood bundles. Policy experts conducted a regional forestry analysis that pointed out the deficiencies in the current and proposed policy framework. CFDP consultants developed a communications strategy and trained implementers in socialization strategies appropriate for natural forest communities. CFDP developed log grades that allow producers to classify their trees and market them accordingly. Several other important studies began including: *Familias Guardabosques* technical assistance, wood properties database, pine sampling for construction grade lumber and regional plantation inventories of NE Antioquia.

Rounds two and three of the program's *convocatoria* yielded five new concept papers to be developed.

The program's new Chief of Party, Vincent Ruddy, was approved by USAID. He restructured and reoriented program activities and personnel responsibilities.

Key Objectives for Next Quarter

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

- Carry out natural forest inventories in Nariño.
- Conduct the socio-economic diagnostic in Nariño.
- Finish the regional forestry assessment in Bajo Magdalena.
- Finish the regional plantation inventories in NE Antioquia.

- Finalize the design of *Familias Guardabosques* assistance.
- Submit its Revised Life of Project Work Plan for USAID approval.
- Finalize and submit a budget modification for USAID approval.

II. Background

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

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

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

Program activities will focus on four components:

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

4. Commercial Forestry Development Fund: CFDP will also provide additional assistance to support viable and responsible commercial forestry incentives outside the four clusters.

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

III. Improved Forest Policy

A. Forestry Law

During the quarter, CONIF, WWF and John Nittler of Chemonics reviewed three versions of the proposed forestry law. CONIF reviewed areas pertinent to commercial forestry, WWF analyzed aspects related to natural forests, and Nittler prepared a summary analysis based on international best practices. A team of four international experts conducted a regional comparative analysis of forestry legislation, drawing on experiences from Bolivia, Ecuador, Chile and Costa Rica. The analysis revealed serious deficiencies in the current and proposed legal and institutional frameworks in Colombia. Team members Nittler and Thiel presented their findings at meetings arranged with key players, including the Minister of Environment and the Ministry of Agriculture. The new private sector business association Fedemaderas invited CFDP to present their findings at a seminar attended by over 40 participants, including a wide range of private and public sector players. The meetings and seminar succeeded in opening a wider space for CFDP to facilitate and support the development of a sounder legislative and institutional framework.

The Government of Colombia (GOC) has indicated its intent to submit a new version of a draft forestry law by July 20, 2004. CFDP management anticipates providing inputs to the commission convened by the GOC prior to this date, as well as providing support and facilitation to subsequent activities associated with the legislative process.

B. Consejo Consultivo

On May 7th, CFDP convened a second meeting of its *Consejo Consultivo*. In the previous quarter, CFDP had received various suggestions regarding the *Consejo*. Participants highlighted a lack of information about the program, a need to define more precisely the *Consejo's* role and a need to more closely involve the *Consejo* in key programmatic decisions. In an open discussion of these comments, CFDP management agreed to changes in the meeting's format that would facilitate more in-depth discussions and an interchange of more information. Following this discussion, CFDP's new Chief of Party summarized various changes in the program's management structure and direction, while technical staff presented the program's advances. At the end of the meeting, several participants made favorable comments about the new approaches and overall direction of the CFDP.

C. Consultants for the Ministry of Environment

In response to USAID's request, CFDP has begun the process of contracting two consultants for the Ministry of Environment: an information systems consultant and an organizational

development specialist. The two contracts will be processed once Budget Modification Four has been approved and the LOE has been adjusted accordingly.

IV. Support to Plan Colombia



Erradication in Necoclí

CFDP consultants Greg Minnick and Octavio Lopez continued to work on the design of CFDP's assistance to the *Familias Guardabosques* program. They concentrated their efforts on three zones, as requested by Plan Colombia: Urabá (site of a likely pilot project), Sur de Bolívar and the Sierra Nevada de Santa Marta. Their final report will focus on the natural forest's sustainable, short-term income-generating potential. They will make suggestions as to how CFDP can support *Familias Guardabosques* directly through technical assistance in forest management, equipment and negotiating with the CARs. They will also make recommendations on how CFDP can support the nuclei indirectly by referring them to other technical assistance and financing providers (providers such as *gremios* and Finagro) for the agricultural projects they will develop as a complement to their forestry activities.

V. Improving Forest Products Production Chains

A. National

A.1 CO2 Markets Developed

CFDP consultant Argelio Maldonado spent several weeks investigating the feasibility of developing CO2 projects in Colombia. While CO2 projects provide important environmental services and generate some income, the funds generated are insufficient to assure the profitability of a forestry project. CO2 income can provide a modest additional incentive, but by no means constitute the bulk of the profits. Based on this analysis, CFDP will integrate all CO2 projects with sustainable management plans and value-added marketing of other forest products to maximize the profitability and longevity of the projects.

Acting on Maldonado's recommendations, CFDP will contract local CO2 consultant Javier Blanco early in the next quarter to develop Project Design Documents (PDD)¹ for several potential projects. The four potential projects the program has identified cover various geographical areas: Pizano/Monterrey Forestal (three projects in Bajo Magdalena and Bajo Atrato in plantations and agroforestry) and Corporación del Valle del Sinú (CVS, a Regional Autonomous Corporation or CAR located in Córdoba, one mangrove project with potential for replication in Nariño's coastal areas).

¹ PDDs are used to interest potential investors in the project.

All CO2 projects must be approved by the Ministry of the Environment's Climactic Change Group in order to be released into the market. The ministry is keenly interested in launching CO2 projects. CFDP sees this as a key opportunity to further improve our relationship with the Ministry and provide a national model for international environmental services.

A.2 Marketing Studies

CFDP marketing expert Harold Arnold spent two weeks investigating possible export markets for Colombian wood products that the program will consider developing. His study yielded three interesting possibilities. Ready to assemble furniture, especially for home offices, is a high growth market in developed countries. He saw specific opportunities in an intermediate niche between low-cost, minimal design providers and high-end office furniture. This intermediate niche would cater to consumers who are willing to pay more for a better design and finish, but do not have the budget for high-end stores. Nascent efforts by furniture producers in Cali and Bogotá already exist.

Another additional market identified is wooden coffins. The coffin market has several specialty niches that CFDP could develop. The specialty market for the obese, necessitating specially designed coffins is one possibility as are religious niches, such as certain Jewish sects that recommend cremation in wooden coffins that do not contain any metal components. These markets would make good use of the natural forest wood coming from Nariño.

The final market identified was that of firewood bundles, especially for eucalyptus. This market is not intended to be value added, but rather it will add to the entire value of the tree by selling and exporting waste products from sawmills and the original harvesting in the forest (branches, etc.). This activity has the potential to create many jobs and increase the demand and competition for wood waste products. However, the market is seasonal, with peaks from October to January. In addition, CFDP must more fully explore the sanitary and pest-control requirements.

A.3 Wood Properties and Uses Marketing Databas

CFDP has identified that national forestry actors have poor access to reliable information relating to tree species, especially natural forest species. In response to that lack, CFDP has initiated a study that will collect, organize and disseminate information on wood properties, mechanics, use, tree anatomy, secondary uses such as resin, etc. This information will be used to expand and complement the International Tropical Timber Organization (ITTO) database and will conform to international standards. If the wood is improperly catalogued or several species are incorrectly grouped together under the same name, consumers cannot be guaranteed the same quality and look (grain, color, etc). This greatly reduces the wood's marketability. This study will allow common tropical species to be correctly identified; this will open the door to improved processing and marketing. Examples of local species in particular need of clear identification are: *fonos* (produced by ByM project and used to floor our COP's office), *guayacan* and *guamos*. CFDP believes that several different species are lumped together under these three names.

A.4 Trip to Brazil

CFDP's Alfonso Uribe accompanied a group of Colombian forestry companies and representatives from various related organizations on a field visit to Brazil in May. The group attended the Forestry Stewardship Council's bi-annual international certified wood conference and visited Klabin Industry's eucalyptus processing mills. Through the conference CFDP obtained contacts for certified wood products, kept abreast of market developments and viewed a wide variety of new products and services.

The Klabin Industry is the largest paper company in Brazil and has achieved many advances in silviculture (genetics, silviculture, nurseries) and processing (notably very advanced technology in milling eucalyptus). These achievements were made possible through the use of an innovative business model. Originally Klabin managed eucalyptus plantations and a pulp factory. However, they were losing money rapidly as pulp products do not have a high value. They decided on an innovative way of adding value to their activities. First, they granted early retirement to all their senior management and gave them a generous severance package with the understanding that they would use those funds to invest in sawmills and Klabin would assist them with marketing the sawmill products. Second, Klabin then classified their wood and sold the sawmill grade lumber at a higher price to the sawmills. This allowed them to increase revenues from their plantations. Third, since the sawmill owners were past employees, they provided excellent feedback on the quality of the wood. This allowed Klabin to improve their silvicultural package for their plantations.

CFDP believes that a similar scheme could be implemented successfully by industrial forestry companies in Colombia. With that in mind, Uribe presented the Klabin experience to businessmen from Bajo Magdalena and has invitations to present to forestry actors in Antioquia, the Zona Cafetera, Valle del Cauca and Córdoba during the next quarter.

A.5 Agroforestry Workshop

CFDP held an agro-forestry workshop in preparation for the regional agro-forestry diagnostics that CONIF will undertake. The workshop was given by CFDP consultant Robert Peck. Participants included forestry professionals from Urabá and Nariño, regional CARs, community members from Nariño and Urabá and representatives from CONIF and WWF. Participants examined agroforestry cases from Colombia and Ecuador and analyzed lessons learned. The principal lessons learned from the workshop were: 1) emphasize sustainability, 2) maximize community involvement and 3) analyze the marketability of agricultural and forest products before initiating activities.



Agroforestry efforts in Tumaco

This workshop also allowed CFDP and CONIF to identify local talent. The new regional coordinator for CONIF was identified at the workshop, as were candidates for the coordinator position in Bajo Atrato/Urabá.

A.6 Natural Forest Consultant

Natural forest consultant Freddy Contreras provided significant assistance to regional actors. He trained local personnel on the use of cartography and GPS units, provided assistance in preparing for the inventories and advised them on community socialization using his experiences in Bolivia. CFDP also adapted the forest inventory software used in Bolivia to Colombia's needs and distributed it to regional actors.

A.7 GIS Mapping Contract

During the quarter, GIS consultant Alvaro Castañeda handed in all his deliverables on CFDP forest areas. His GIS information revealed that all the areas surveyed contained the necessary concentration of forests and his maps will be used to conduct initial and detailed inventories of those areas during the next quarter.

He continues to work on his analysis of the Plan Colombia areas in close coordination with *Familias Guardabosques'* Antonio Villa.

A.8 Environmental Assessment

CFDP consultant Bruce Kernan and his Environmental Assessment team concluded their review of environmental regulations and the program's expected impacts. The EA team presented their final findings and recommendations to the technical team and USAID. Based on comments received, CFDP has restructured and edited their report and has submitted it to USAID for approval.

A.9 CIDICO

CIDICO is a national NGO catering to the construction industry. They plan to work as a promotional agency with construction companies to foster the use of structural lumber in construction. They will also facilitate connections for interested construction companies with certified providers of graded structural lumber from managed plantations. It is also possible that CIDICO will work to develop financial mechanisms for those builders interested in experimenting with wood products. CFDP plans to support the use of structural lumber in housing and in other key market niches. We therefore anticipate mobilizing related technical assistance and considering grant proposals, based on an initial project profile submitted by CIDICO through the program's *convocatoria*.

B. Bajo Atrato - Uraba

B.1 Cacarica Natural Forest Area

CFDP personnel traveled to Cacarica to investigate more thoroughly the obstacles to implementation previously identified. After speaking at length with local actors, they concluded that the legal complications, the displacement of the community to Turbo, security situation, the attitude of the local CAR and the doubtful quality of existing forests all conspired to make working in the area problematic. Cacarica will be removed from the CONIF contract and the funds will be reallocated to other activities. CFDP also feels that we will be able to meet our contractual obligations without Cacarica. Specifically, substitute opportunities for natural forestry management have been identified in Vigía del Fuerte and Murindó in Medio Atrato. As of issuance of this report, CFDP had received a concept paper for a grant proposal from Corpourabá to develop sustainable forest management plans for both of these communities. CFDP expects to receive a fully developed grant proposal early next quarter, as the concept paper was approved by the program and USAID.

B.2 Regional Reforestation Initiative/PROFOREST

CFDP is currently developing a regional strategy for plantations in Urabá. Urabá contains a large amount of cleared lands uniquely suited for forestry plantations, enjoys good infrastructure and has an international port. A variety of possible reforestation actors are present in the area, such as the banana producers and the small-scale teak producers. However, given the number of actors and breadth of their activities, CFDP has identified the need for a qualified regional technical assistance provider. Corpourabá is unable to provide such assistance due to its mandate.

For example, on a recent trip to Bajo Atrato CFDP consultants visited the *cativo* timber forests that had not been harvested by Pizano due to their poor quality. While Pizano eventually decided not to harvest the timber, they did construct transportation canals so that they could log adjoining areas. This opened the forest up for development and several cattle ranchers moved in. The area has proven to be nonproductive for ranching due to the high moisture content of the soil, but experiments with plantations of *caracolí* and *ceiba roja* have had excellent results. However, they need additional technical assistance to fully exploit the growing conditions and improve silvicultural practices.

Proforest, a mixed entity uniting the major forestry actors in Urabá, could provide such assistance. However, Proforest has yet to define its mission and decide whether it will implement directly or through others. That decision will be defined shortly and will have a significant impact on the CFDP program in the region.

B.3 Indigenous Organization of Antioquia (OIA)/PRODES

During this quarter, OIA and PRODES, an association of independent wood furniture producers, ratified their partnership with their respective stakeholders. As of the last quarter, the OIA elders committed to the process with PRODES, however the communities still had to buy into the process. The elders held several meetings and workshops in the different indigenous

communities and succeeded in ratifying the partnership with their communities. PRODES also ratified the partnership with its consortium of businesses.

During the next quarters, OIA will conduct forest inventories and develop natural forest management plans to identify the species and amounts that will be available for commercialization on a yearly basis. Based on the management plans, it is hoped that PRODES will sign a forward contract for species of interest and commit to substantial co-investment in new wood transformation facilities in partnership with local communities. CFDP plans to continue supporting this process, primarily through subcontractor WWF, but increasingly with direct support from Chemonics and other CFDP subcontractors and experts, especially as the industrial feasibility study and sawmill design activities begin.

B.4 Comercializadora Internacional Aurora S.A./De Balsa

CFDP has identified another promising candidate in Urabá. C.I. Aurora is a balsa processing and exporting company that caters to specialty markets around the world. Currently they import most of their balsa from Ecuador and obtain the rest from Colombian natural forests. Balsa has a very low density, is structurally sound and is resistant to high temperatures. This makes it ideal for use in airplane models and aerospace composite panels. Due to its relative scarcity and increasing demand, balsa is also a guaranteed market.

Balsa has a short growing cycle, seven to ten years, and is a pioneer species. However, it is particular about its soils and is prone to plagues. CFDP is exploring the possibility of supporting Aurora in establishing their own plantations and/or entering into a forward contract with OIA and other landowners interested in establishing balsa plantations.

B.5 Banana industry

Conversations with the banana industry continue. They have indicated that they would like to have Proforest provide technical assistance on their projects. CFDP is currently exploring Proforest's capacity and will develop plans with the industry once Proforest's role is defined.

C. Pacific Coast of Nariño and Guapi

C.1 CONIF Community Socialization Workshops

CFDP and CONIF staff participated in several communications workshops designed to train them in community socialization. The workshops focused on key messages, past socialization experiences, the commitments they needed to establish with the communities and how to explain the different steps leading up to project initiation (inventories, socio-economic diagnostic, etc.).

In late June, the regional team held their first socialization meeting with the fourteen *consejos comunitarios* that constitute Recompas in Bajo Mira, supported by CFDP staff and consultants. The communities were interested and receptive. CONIF expects to sign community agreements with each Bajo Mira *consejo* early in the next quarter and begin the inventory and socio-economic diagnostic work immediately afterwards. Socialization work with the *consejos* in Satinga and Sanquianga is also scheduled to begin early in the next quarter.

C.2 CONIF's New Regional Team

CONIF hired a new regional team. The new regional coordinator, William Ballesteros, previously worked for the CVC-Holanda agroforestry project and has significant experience in community socialization and agroforestry. Omar Guauque, previously the regional coordinator, is now acting in a technical capacity. Silena Dahome Palacios will act as the socialization assistant. An administrative assistant will be hired early in the next quarter.



Transportation in Nariño

The new regional team participated in team-building exercises and is now engaged in moving forward with program activities in the region and setting up their offices.

3. WWF

WWF personnel have begun implementing natural forest management activities in Guapi. They have held socialization workshops with the communities that promote the goals of sustainable natural forest management. In addition, they have begun identifying key links in the area's forestry chain, such as local sawmills, and have begun the process of integrating them into the program.

D. Bajo Magdalena

D.1 Regional Forest Inventory

CONIF initiated work on its regional forestry inventory for the nucleus and generated a draft of its report. They conducted a survey, by age and species, of the plantations of Pizano, Refocosta, RESS, Madeflex and Cormagdalena in the Magdalena and Bolivar departments. CONIF's team evaluated four species: *ceiba roja*, melina, eucalyptus and teak. In general they found, taking into account the age, uses, harvest cycles and industrial processes utilized, that a stable supply exists only for melina and eucalyptus.

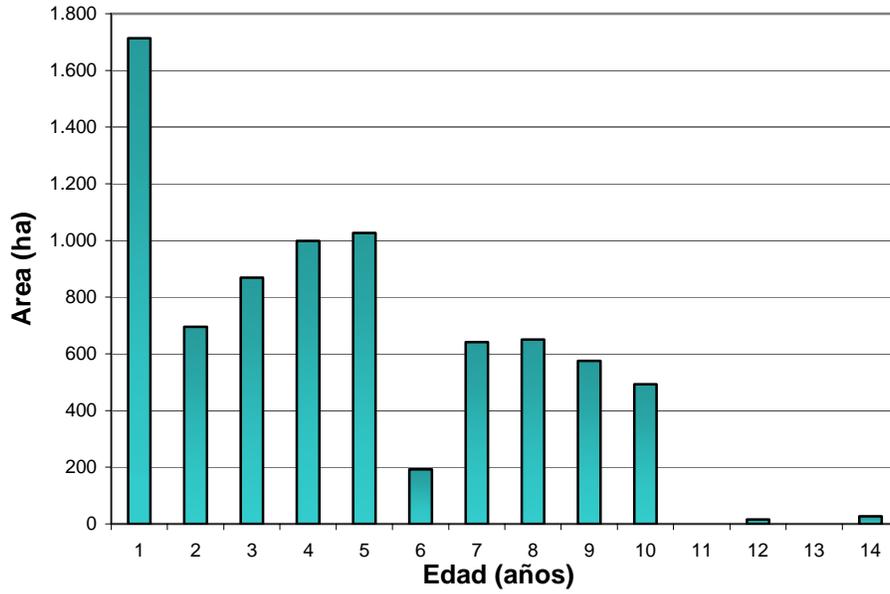


Figure 1. Total area of melina planted by age.

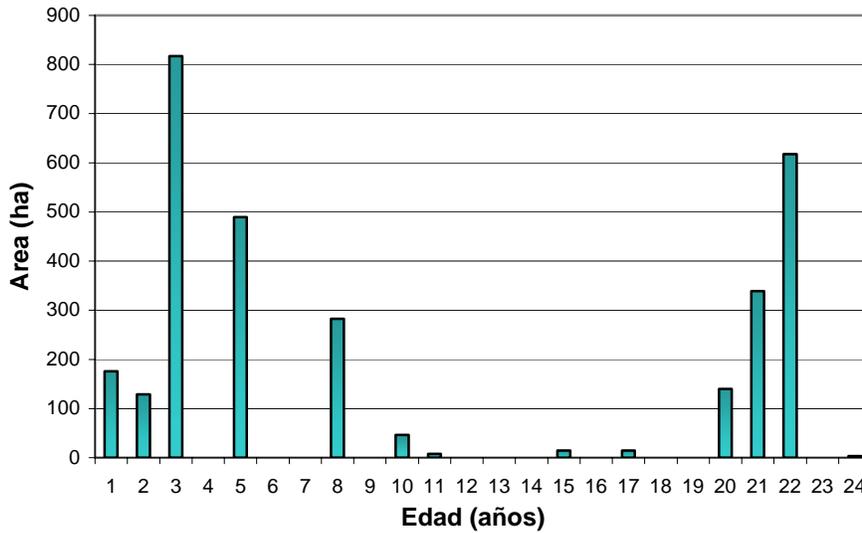


Figure 2. Total area of *Eucalyptus tereticornis* planted by age.

The *ceiba roja* plantations still have not met the 25 year maturity mark and the area planted will not be sufficient to supply the installed capacity of the transformation industry in the region.

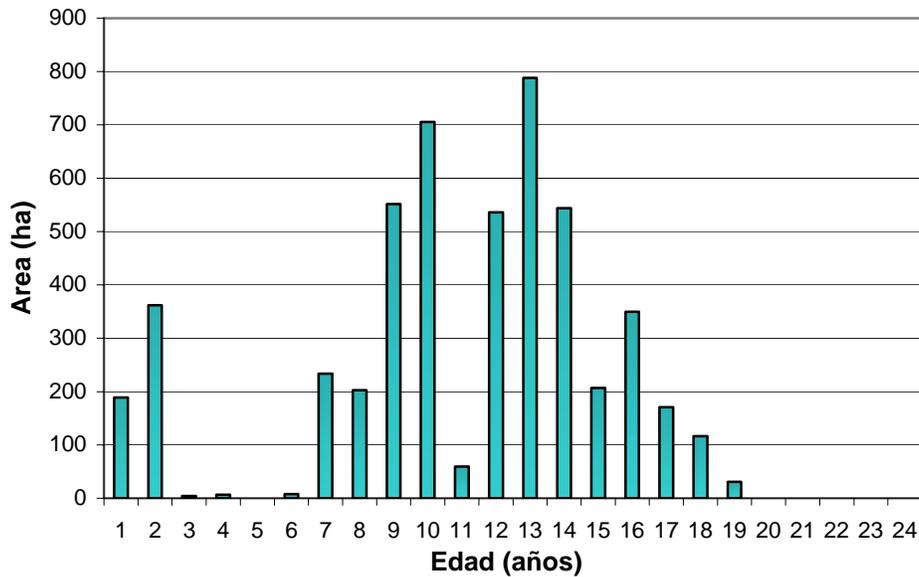


Figure 3. Total area of *ceiba roja* planted by age.

The existing teak plantations are clustered around the first and last years of the 25 year cycle. There are virtual no plantations of intermediate age in Bajo Magdalena.

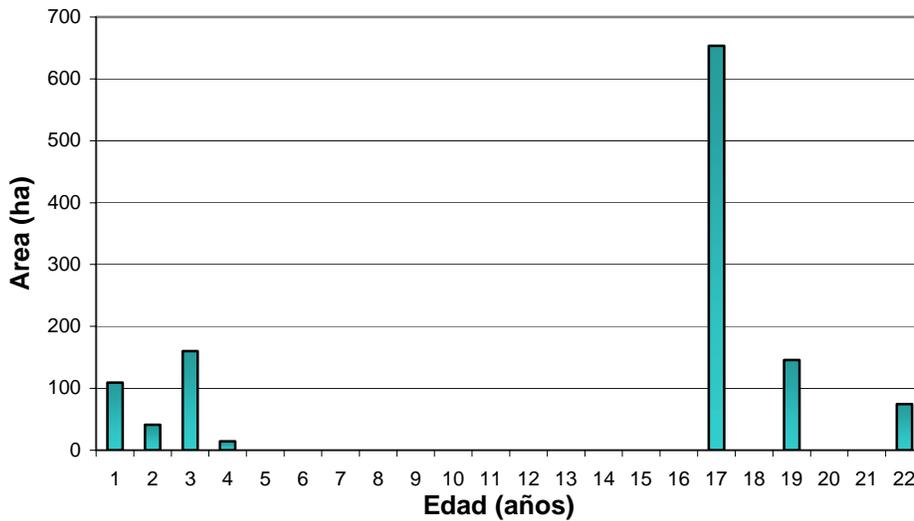


Figure 4. Total area of teak planted by age.

Next quarter CONIF will work to develop a study of the requirements necessary to fully take advantage of the supply available of all four species and the types and level of industries the supply is capable of sustaining.

D.2 Regional Agroforestry Evaluation

CONIF developed a regional agroforestry evaluation for the Bajo Magdalena nucleus that investigates the current agroforestry schemes used in the area and the strategies to use when implementing this module of production in the region. At this time, four agroforestry schemes are currently used in the region: 1) silvopastoral (combining trees and cattle), 2) taungya (combining trees and other agricultural crops such as corn), 3) living fences (trees used as fences along roads) and 4) home orchards (small property owners combine commercial lumber trees and other subsistence crops such as fruit trees).

While each of these combinations has its own advantages and disadvantages, CONIF recommends exploring the living fence scheme with small and medium-sized land owners using woods such as teak and eucalyptus. Both have shown good growth rates and adaptability to this method. CONIF will continue to develop this project during the next quarter.

D.3 Log Grade Standards

CFDP assisted CONIF in developing log grade standards for several commercial plantation species. Grading trees involves cutting down samples, observing their characteristics and developing quality guidelines. Log grades were developed and finalized for melina, *ceiba roja*, teak and eucalyptus. Log grade standards allow producers to judge the value of their standing trees and market their products accordingly. These guides will increase the profits plantation owners receive for their trees. CONIF presented these guides to regional forestry actors in Bajo Magdalena. Next quarter these grades will be validated by conducting mill tests for different log grades.

D.4 Reforestadora San Sebastian (RESS) Proposals

In the second round of the grants *convocatoria*, CFDP received two concept papers from RESS. The first proposal asks for additional funds to digitize, consolidate and safeguard their genetic studies of eucalyptus. RESS has successfully adapted a eucalyptus species to the dry tropics. Once the information has been organized, RESS will make their research records available to other planters. Their specially adapted species may be used by CFDP in reforestation efforts in the region.

The second RESS concept paper involves partially funding 3,000 hectares of eucalyptus in Bajo Magdalena. The project would leverage existing technology and genetic material, provided by RESS, and the reforestation would take place on land owned by independent small farmers. These farmers would also supply the necessary labor. CFDP's other regional studies have shown that a viable regional market exists for value-added eucalyptus products, as well as posts and poles. However, to take advantage of this opportunity, the plantation base must be enlarged to support economies of scale.

D.5 RFA for bajo Magdalena

Based on the RESS proposal and expressions of interest received from regional actors, CFDP plans to release a Request for Applications (RFA) for Bajo Magdalena. The RFA will request other applications similar to the RESS-reforestation proposal that involve a consortium of one large regional actor, such as RESS, and smaller producers within their geographical area of influence. Financial consultant Ken Peoples will explore the opportunity of attracting additional investors through mechanisms such as securitization during his upcoming trip in July.

E. Northeastern Antioquia

E.1 Sampling for Pine in Construction Grade Lumber

CFDP selected Silvitecnia Ltda. to conduct a nation-wide sample of pine species grown in Colombia. These samples will be tested to establish national design norms for pine lumber grades in the construction industry. CFDP partner Renewable Resource Associates (RRA) will send down two specialists, Lon Sibert and Matthew Anderson, to review the testing facilities and sampling plans. Medellín's National University Forest Products Laboratory will be used to conduct the studies. The two consultants will evaluate their equipment and approve the sampling plan during the next quarter. Based on their recommendations, CFDP will consider updating the University's equipment to guarantee a solid sampling process.

E.2 Regional Forest Inventory

CFDP selected Servicios y Consultorias to conduct a regional forest inventory similar to that of Bajo Magdalena. However, the study will focus on species of pine, as that is the major forestry crop in the area. This study will be completed during the next quarter. It will be used as a basis for the feasibility study for the transformation center tentatively planned in Barbosa and will also identify land available for new plantations.

VI. Commercial Forestry Development Fund

Fedemaderas was established in December 2003 to unify the interests of forestry regions and different production links of the forestry chain into one *gremio*. To date, Fedemaderas has incorporated 140 companies throughout the forestry chain. In order to guarantee a strong forestry sector, a strong *gremio* is required. CFDP feels that it can provide positive support to Fedemaderas in the following areas: technical training, advocacy techniques, information management and marketing skills.

CFDP has designed an initial technical assistance package for Fedemaderas that has the following objectives: 1) define its structure, its mission and the services it will offer to members, 2) develop a sustainable financial plan and 3) define the participation of CFDP in Fedemaderas' development in the short and medium term (training events, technical assistance, etc.).

During the last quarter, CFDP obtained a concurrence in principal from USAID that enabled work with Fedemaderas to move forward. After a competitive selection process, CFDP has

selected Gamboa y Acevedo Asociados to implement the technical assistance package. Gamboa y Acevedo is scheduled to begin working with Fedemaderas early in the next quarter.

VII. Progress Toward SO2 Goals

Field work initiated during this quarter. To date, CFDP can report 158 workdays generated in Bajo Magdalena and Nariño.

VIII. Program Management and Support Activities

A. Grants and Contracts

WWF signed their second contract with CFDP on April 15, 2004 and initiated their field activities.

The grants manual was approved by USAID in the English version on May 28. By the end of the quarter CFDP had translated 80% of the manual into Spanish.

CFDP continues to develop the Corpourabá proposal approved in the first round of the *convocatoria*. Corpourabá should begin implementation during the next quarter. CFDP also decided not to continue with the Cormagdalena proposal as the proposed activity is currently being executed by other regional actors.

The second round of the *convocatoria* yielded 31 concept papers and five were selected to continue on into phase two of the approval process: CVS (CO2), RESS – genetics, RESS – reforestation, Pizano/Monterrey Forestal (CO2) and CIDICO (construction with structural lumber).

The third round of the *convocatoria* yielded eight concept papers and the technical evaluation committee. The committee did not approve any for development.

CFDP expects to send a proposed budget modification to USAID in August.

B. Work Plan

CFDP expects to send its Revised LOP Work Plan to USAID for approval in August.

C. Monitoring and Evaluation

An initial draft of the socio-economic diagnostic was developed and shared with CFDP technical staff and CONIF. The diagnostic will contain detailed information on the region, the communities and the forestry chain in each region. CFDP also integrated members of AIC, the socio-economic contractor, with the CFDP and CONIF teams. In addition, detailed definitions were provided to the implementers on the indicators and quarterly report requirements.

During the next quarter, M&E specialist Kris Merschrod will spend two weeks in Colombia to assist the Operations and Support Manager in finalizing the database, preparing guidance for implementers and finalizing the socio-economic diagnostic.

D. Communications

During this quarter, CFDP designed and finalized its communications framework. The framework established the program's communications needs and available local resources. The framework was developed in extensive consultant with CFDP staff, external consultants and meetings with program clients, including USAID, the Ministries and sub-contractors. A copy of the report will be provided to USAID in July.

In addition, CFDP hired a local company, Words and Ideas, to assist in the development of the framework and focus specifically on the issue of socializing natural forest communities. CFDP staff and Words & Ideas developed the necessary key messages and trained CONIF staff on socialization techniques.

E. Personnel

USAID approved Vincent Ruddy as CFDP's Chief of Party on April 12, 2004. He restructured and reoriented program activities and personnel responsibilities through a series of workshops and budgeting exercises.

CONIF has hired nine staff members for their central office, three in the Nariño regional office and two in Baranquilla. This brings the total number of CFDP-CONIF personnel to 15. They also reported a total of 215 professional workdays by professional consultants on policy and forestry topics.