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Colombia Forestry Development Program

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CFDP Quarterly Progress Report: Fourth Quarter 2004



Members of the *Comisión Quinta* visiting natural forestry production sites in Bolivia.

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CFDP QUARTERLY REPORT: OCTOBER – DECEMBER 2004

I. Executive Summary

During the final quarter of 2004, CFDP accomplished the following:

- CFDP launched the Co-Investment Fund and received Expressions of Interest from 90 proponents.
- CFDP convened a *Junta Asesora* composed of private and public sector representatives to recommend Co-Investment Fund proposals for funding.
- CFDP selected two companies, Econometria and Araujo y Ibarra, to implement key activities in support of the Co-Investment Fund, forestry activities and policy issues.
- CFDP awarded a grant to Reforestadora San Sebastian (RESS) to consolidate its genetic research on eucalyptus.
- CFDP fielded technical consultants to integrate CFDP forestry activities into three *Familias Guardabosques* nuclei.
- Forest inventories were completed in Bajo Mira y Frontera in Nariño and *Organización Indígena de Antioquia* (OIA) areas in Urabá. Bajo Mira y Frontera has submitted a forest management plan for review.
- CFDP built significant consensus on the new forestry law among the public and private sectors. The trip of the Congress' *Comisión Quinta* to Bolivia and Chile was pivotal in reopening the law for further modifications.
- USAID approved a budget modification authorizing a reallocation from grants to contracts and other areas.
- CFDP submitted a work plan for 2005-2006.

CFDP Key Indicators Generated to Date

	Cumulative	Quarter 4 CY 2004
Families Benefited	1,400	1,400
Hectares of Natural Forest	9,705	9,705
Jobs Created	71	71
Workdays Created	4,696	3,620
Institutions Strengthened	3	3

Key Objectives for Next Quarter

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

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

II. Background

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

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

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

Program activities will focus on four components:

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

Significant program results include establishing 15,000 hectares of industrial plantations and agro-forestry, establishing 3 wood processing centers, creating 500 new jobs and benefiting 3,000 families.

III. Improved Forest Policy

A. Forestry Law

CFDP carried out significant policy activities from October to December. In early October, CFDP transported decision-makers to forestry site tours in Valle del Cauca (to visit forest plantation schemes) and Putumayo (to visit natural forest management activities) to raise their knowledge about the Colombian sector's needs and potential.



CFDP's Walk in the Woods in Putumayo

In response to the GOC interest in pushing through a revised forestry law in 2005, CFDP organized a study tour to Bolivia and Chile for 15 members of the *Comisión Quinta* to acquaint them with other international forestry experiences and legal frameworks. The trip was highly successful and resulted in the forestry law becoming a priority in the Colombian legislature and fomented critical debate on its content.

In addition, CFDP sponsored international consultants who analyzed drafts of the forestry law and held conferences and round tables with public and private stakeholders to build consensus on needed changes. These consultants were supported by policy reports generated by CFDP local sub-contractors and legislative experts from Araujo y Ibarra (A&IA), a CFDP IQC sub-contractor. Based on these efforts, CFDP hopes that a revised forestry law will be passed by the end of April 2005 and is planning its policy activities accordingly.

B. Forestry Finance

CFDP sub-contractors also completed an important report on existing and needed financial incentives for the sector and presented it to key stakeholders such as Finagro. The report concluded that Colombia possesses the needed financial instruments to generate substantial investments in the sector, but it lacks a track record for such investments. To that end, CFDP will promote the securitization of forest activities in NE Antioquia, an effort that will be funded through the Co-Investment Fund.

C. Consejo Consultivo

CFDP held its quarterly meeting with the *Consejo* on November 17. Presentations focused primarily on natural forest management by communities.

IV. Support to Plan Colombia

Below is a table of the projected indicators for activities related to Familia Guardabosques.

Familias Guardabosques Projected Indicators¹

Areas	Hectares of Natural Forest	Hectares of Agro-forestry	Families Benefited	Jobs Created
Urabá	2,000	2,140	3,200	976
Santa Marta	1,000	670	800	444
Sur de Bolívar	-	1,120	2,700	634
Total	3,000	3,930	6,700	2,054

During the quarter, CFDP hired five technical consultants needed to catalyze forestry activities in the FGB target areas. The consultants were dispatched to their respective zones, integrated into the three *Familias Guardabosques* nuclei and began developing forestry projects for CFDP approval.

In Urabá, technical consultants conducted a regional tour of Bajo Cauca with 28 FGB beneficiaries to acquaint them with agro-forestry technologies relating to cocoa and rubber, in conjunction with plantains and wood-producing trees such as *roble*, *cedro*, *teca* (teak) and *nogal*. CFDP plans to establish 40 hectares of demonstration plots and plant nurseries during the next quarter. These plots will be used to train beneficiaries on the technological package for each crop and the nurseries will serve as a source of initial income for the community enterprise. A proposal containing large-scale implementation activities is currently being evaluated under the Co-Investment Fund. In addition, CFDP has begun initial explorations of natural forests in the area to place under sustainable management plans.

In Santa Marta, technical consultants have proposed demonstration plots for cocoa and organic coffee totaling 20 hectares. Planting is scheduled to begin next quarter. FGB has also proposed a large-scale agro-forestry plan that is currently being evaluated by the Co-Investment Fund. CFDP is also evaluating a joint proposal with the UNODC to invest in 150 hectares of organic cocoa and coffee. In addition, CFDP will begin exploring natural forest management areas during the next quarter.

In Sur de Bolívar, technical consultants have begun identifying interested families and are formulating the final proposal for demonstration plots. Planting is scheduled to begin late in the next quarter. Sur de Bolívar has also proposed an agro-forestry project to the Co-Investment Fund.

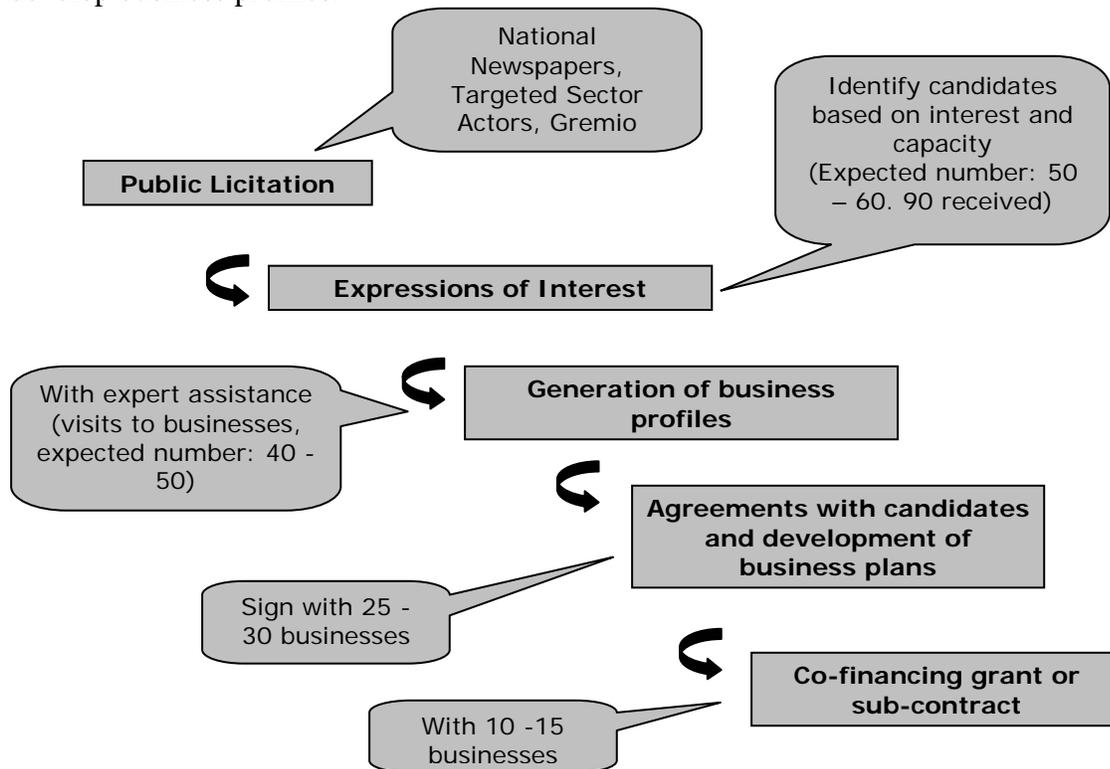
¹ Figures include indicators from projects proposed to the Co-Investment Fund.

V. Improving Forest Products Production Chains

A. Co-investment Fund

During the past quarter, CFDP set up the Co-Investment Fund to channel its grant and sub-contract funds under this component. Forestry actors can gain access to these co-investment funds by successfully completing a four-step process: 1) expressions of interest, 2) developing business profiles, 3) signing agreements and developing business plans, including financial and feasibility studies, and 4) signing co-investment grants or sub-contracts.

On October 31, 2004, CFDP published a Request for Expressions of Interest (EI) in regional and national newspapers. EIs contain basic information about the company, the size of the activities, geographical information, and the proposed co-investment project. As of December 31, the closing date for all EIs, CFDP had received 90, far surpassing the expected 50-60.² In early December CFDP prioritized the first round of applicants and sent out consulting teams to develop business profiles.



Business profiles will be developed by CFDP sub-contractor Econometría and the profiles will contain an assessment of the company and the proposed opportunity. Once the profiles are received, CFDP's *Junta Asesora*, composed of private sector actors representing the finance and forestry community, will evaluate them and recommend they more forward to the next phase, business plan development. CFDP is conscious of time restrictions due to growing seasons and is moving ahead with necessary plant material arrangements.

² CFDP received 23 for Northeastern Antioquia, 26 for Bajo Atrato/Urabá, 17 for the Pacific Coast, 16 for Bajo Magdalena and 8 for other regions.

A.1 Junta Asesora

CFDP hopes to prove to the private sector that forestry is a profitable, bankable enterprise. The members of the *Junta* are expected to promote investment in forestry as a result of their experience with the sector. The *Junta Asesora* consists of five representatives of the private and public sector and a representative of CFDP: César Pardo – President of Finagro, Gustavo Bernal – President of the Bolsa Nacional Agropecuario, Victor Giraldo – President of Smurfit, Gonzalo Toro – Vice President of Business Banking for Bancolombia, Luis Alfonso Jaramillo – Incuagro and Vincent Ruddy – CFDP COP. The *Junta* will recommend business profiles and plans to CFDP/USAID for funding.

A.2 IQC Mechanism

On October 4, CFDP held a bidders conference for interested proponents in Bogotá. Proposals were received on October 15 and CFDP selected two companies to support three key programmatic areas. The review committee selected Econometria for the business and finance area and Araujo y Ibarra Asociados (A&IA) for the forestry and policy/institutional strengthening areas. During the quarter, Econometría has provided valuable assistance to the co-investment fund, while AyIA has provided key assistance to the policy component and forestry trade association Fedemaderas.

B. Natural Forest Management Support

B.1 Community Business Training Program

Given the lack of Colombian experience in managing community forestry enterprises, CFDP supported the development of a training program geared toward preparing Afro-Colombian, indigenous and *campesino* communities to manage community enterprises. The program has been vetted with CFDP managers and forest communities and will be implemented during the next quarter.

B.2 Forestry Management Forum

On November 8 and 9, CFDP held a forestry management forum for communities involved in the program's two natural forest regions. The forum provided a space for communities to discuss the conditions of their forests and their relationship to them. Sixty community representatives, CFDP managers, CAR representatives and industrial leaders attended. The forum participants concurred on the following points: 1) communities are conscious that their management practices are seriously lacking; 2) the forest industry is obsolete and informal; 3) communities recognize the need for community enterprises but have reservations given the low level of community organization, presence of illicit crops in their areas, lack of state presence and presence of illegal



Participants in CFDP's Forestry Management Forum

groups; and 4) communities are interested in pursuing productive linkages with private businesses.

C. Bajo Atrato - Uraba

Below is a table including projected indicators for the current Projects in the Bajo Atrato – Uraba region.

Project	Families	Hectares of Natural Forest
OIA	650	65,000
Corpourabá	1,100	80,000

C.1 Indigenous Organization of Antioquia (OIA) / Chigorodó - Mutatá

During the quarter, OIA completed its statistical inventory and submitted the technical portion of its management plan to CFDP for review. OIA has committed to submitting its Forestry Management Plan to Corpourabá by April 2005 and to developing practical models of harvesting that would allow them to begin implementing their Annual Harvest Plan immediately upon Management Plan approval. OIA has committed to selling their wood to PRODES, a regional consortia of wood processors.

C.2 Corpourabá / Vigía del Fuerte - Murindó

During the quarter, Corpourabá conducted community trainings on species identification and began exploratory inventories. Unfortunately, the exploratory inventories were halted in November after local armed groups demanded additional community socialization. This socialization was provided in November and December and work is expected to resume early in the next quarter.

C.3 Co-Investment Projects

As of December 31, CFDP had received 26 EIs for the region.

D. Pacific Coast of Nariño and Guapi

Regional Projected Indicators for Current Projects

Project	Families	Hectares of Natural Forest
Bajo Mira y Frontera	1,400	9,705
Satinga/Sanquianga (canceled)	-	-
<i>Semillas de Agua / Alto Guapi</i>	450	63,000

D.1 Bajo Mira y Frontera

During the quarter, CONIF completed the statistical inventory and a draft of the management plan. The plan will be finalized and submitted to Corponariño for approval next quarter.

D.2 Satinga and Sanquianga

CONIF's zoning exercises revealed that forest resources in the area are very fragmented, over-harvested and difficult to extract given the lack of infrastructure. In addition, the communities are poorly organized and the area has a significant presence of illegal groups. Currently the technical team is exploring new options in the area, including agro-forestry.

D.3 Semillas de Agua / Alto Guapi

The technical team completed the informative inventory during the last quarter and will focus on the statistical inventory during the next quarter. The informative inventory showed good forest volumes.

D.4 Co-Investment Projects

As of December 31, CFDP had received 17 EIs for the region.

E. Bajo Magdalena

E.1 Reforestadora San Sebastian (RESS) - Genetics

On October 8, CFDP signed a fixed-obligation grant with RESS to consolidate and analyze the genetic information they have on their eucalyptus clones. This information will then be published on a website for public consultation. CFDP hopes to use RESS's clones in its reforestation efforts under the Co-Investment Fund. During this quarter, RESS consolidated its internal records and plans to begin analyzing the data shortly.

E.2 Co-Investment Projects

As of December 31, CFDP had received 16 EIs for the Bajo Magdalena region.

F. Northeastern Antioquia

F.1 Regional Feasibility Studies

CFDP consultants finished a final study on pine volumes, ages and quality for the entire region. They concluded, given the quality of pine available and the products that could be made with it, that the area will support a 120 tons per year sawmill. CFDP presented the study and its findings to regional stakeholders from the public and private sector.



Extraction methods in NE Antioquia.

F.2 Co-Investment Projects

As of December 31, CFDP had received 23 EIs for Northeastern Antioquia. Among those was a proposal for a regional sawmill based on the CFDP regional feasibility study. This proposal is of interest to Incuagro. They have offered to co-invest approximately \$4 million in the project if CFDP can meet a February 28 project presentation deadline. Consequently, CFDP is accelerating this project through the selection process, assuming that it meets the requirements, in order to accommodate the deadline. CFDP also advanced information concerning possible DCA support of several projects in the region to USAID. CFDP will further develop these and other projects during the next quarter.

VI. Commercial Forestry Development Fund

A. CAR Institutional Strengthening

On October 14 and 15, CFDP held a workshop on strengthening forest regulation with five regional CARs, ASOCAR and the Ministry of Environment. The workshop introduced the concept of implementing pilot projects in five CARs in CFDP's assigned geographical areas as a way of tangibly improving the forestry regime. At the workshop, CFDP, in conjunction with the Ministry of Environment, reached a consensus with the CARs on mutual areas of interest. From December 13-21, CFDP met with each of the CARs and ASOCAR to review their proposed pilot projects. The following projects were identified:

TOPICS	PROYECTOS PILOTOS POR CORPORACIÓN					
	Corponariño	Corpourabá	CRC	Corantioquia	Corpamag	Asocars
Promote forestry management in communities	X		X		X	
Use of forest regents		X				
Reducing transaction costs			X			
Controlling illegal logging	X	X				
Revising technical norms for sustainable forestry management		X		X		
Implementing a forestry information system						X

Final drafts for the pilot projects are expected to be received in January 2005 and CFDP hopes to begin implementing in March 2005.

B. Support to Fedemaderas

During the quarter CFDP finalized an institutional assessment that 1) developed both a strategic and business plan for Fedemaderas; 2) identified key, value-added services for members; and 3) identified initial support required to catalyze new activities. Based on this evaluation, Fedemaderas presented a grant application for further assistance to strengthen its capacity and consolidate its position of private sector leadership and service provision for the forestry sector. The grant provides funds to several key areas: 1) increase Fedemaderas' national affiliates to

40% of the forestry community, 2) develop an information system for the sector containing key technical, statistic, economic and social information, 3) develop a services portfolio for its members thus providing reliable income and 4) develop a corporate image and improve public relations with national media. CFDP plans to award this grant during the next quarter

C. FSC Auditors' Training

On October 3-7, CFDP sponsored an auditors' training for the Forestry Stewardship Council's auditor certification process. FSC auditors certify the sustainable forestry management practices of producers. This certification allows wood producers access to restricted and lucrative markets. Twenty Colombian forestry professionals participated and graduated as auditors.

VII. Progress Toward SO2 Goals

Due to advances in natural forest management in Bajo Mira y Frontera, this is the first quarter in which CFDP has contractual indicators to report. Given activities in FGB nuclei and other natural forest communities, CFDP expects additional hectares and families to be reported in the next quarter.

CFDP Contractual Goals Indicators Generated to Date

Indicator	Quarterly	Cumulative	Contractual Goals
Jobs Created	71	71 ³	500
Families Benefited	1,400	1,400	3,000
Industrial Parks Created/Productive Infrastructure	-	-	3
Hectares of Agro-forestry and Plantations	-	-	15,000
Policies and Incentives Reviewed and Diffused	1	1	1
New Markets Identified	-	-	3
Increased Percent Usable Wood	-	-	50%
Increased Value Per M3 of Wood Sold	-	-	TBD ⁴
Higher Quality Standards Applied	-	-	25%

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

³ Of this total, 50 are direct jobs created and 21 correspond to jobs created by taking the amount of workdays generated and dividing by 222, a reference given by USAID's M&E Specialist David Cano.

⁴ The increase in value per cubic meter will be monitored and reported on, but no specific percentage was specified.

Other CFDP Indicators Generated to Date

Indicator	Quarterly	Cumulative
Hectares of Natural Forest Under Management	9,705	9,705
Workdays Created	3,620	4,696
Institutions Strengthened	3	3

In addition, the CFDP management scale for natural forest was designed in conjunction with technical managers in order to define more precisely improved forest management mentioned in TO Result 8. Natural forest indicators, like hectares and families, are counted once a draft forest management plan has been completed, while other indicators such as workdays are reported continuously.

Progress on Natural Forest Management Scale (Hectares)⁵

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

VIII. Program Management and Support Activities

A. Grants and Contracts

During the quarter, major contracting actions included: 1) selecting sub-contractors Araujo y Ibarra Asociados and Econometría to provide needed technical assistance in forestry, business plan development and policy and institutional strengthening; 2) signing a fixed-obligation grant with Reforestadora San Sebastian on October 8; 3) launching the Co-Investment Fund and 4) contracting consultants for CFDP's *Familias Guardabosques* activities.

CFDP's APS completed its final cycle in October and was not renewed. Of the three proposals received, only one by Fedemaderas was recommended for grant development. The other two were referred to the Co-Investment Fund. The Fedemaderas grant will be passed to USAID for approval during the next quarter.

⁵ This six step scale was developed to show when natural forests could be considered well-managed. CFDP believes that harvesting according to the management plan is the last step in this process, given the program's timeframe. Green indicates the step has been completed, yellow indicates that it is in process.

B. Budget Modification and Work Plan

On December 3, USAID approved a revised budget modification. CFDP sent its 2005-2006 Work Plan to USAID for approval on December 2. Following a review process, USAID provided verbal comments to the CFDP. CFDP will submit a revised plan during the next quarter.

C. Monitoring and Evaluation

Based on USAID instructions and changes to indicator definitions, updated indicator sheets were sent to all implementers.

D. Communications

During this quarter CFDP published its first quarterly newsletter, *La Corteza*, which was widely distributed to stakeholders and the general public. Website design began and is expected to be launched during the next quarter.

E. Personnel

CFDP welcomed new grants manager Carmenza Becerra on October 11. Giovanni Ramirez, formerly CFDP's accountant, became the assistant grants manager as of November 15. CFDP also hired Andrés Sánchez to fill the second vacant administrative assistant position, he started on October 11. A selection process was held for the position of Office Administrator and the candidate approval for Martha Penagos was passed to USAID in mid-December. Ms. Penagos is expected to begin in early 2005.

CFDP's regional office in Apartadó opened on October 14. Yasmina Castrillón was hired on October 12 as the regional administrative assistant. During the next quarter, CFDP expects to establish a second regional office in the Colombian Southwest to supervise regional natural forestry activities.