



**Project #: 527-A-00-02-00134-00**  
**Reporting Period: April– June 2006<sup>1</sup>**  
SO12

## **I. Summary of Activity Status and Progress**

### **A. Introductory Paragraph**

This quarterly report informs on the progress in the third quarter of the reformulated CEDEFOR project, focusing on achieving forest certification of the assisted forest managers. The implementation period of this new phase of CEDEFOR is October 2005 to September 2006.

The long term goal of the revised CEDEFOR project is to promote efficiency and sustainability of 566,000 hectares belonging to permanent production forest and community forest in the Peruvian Amazon by the application of responsible forest management practices that meet the criteria of an internationally recognized certification system. This way, the project will directly contribute to national economic growth, the conservation of forest resources, as well as to the Government of Peru's Alternative Development Program.

During this report period, there have been important advances particularly in field activities. Once the rainy season was over (in April), technicians and operators initiated activities within the concessions, so it was possible to finish the forest inventories in order to initiate the elaboration of General Forest Management Plans (GFMP). Furthermore, WWF technical staff could closely monitor and evaluate field operations within each concession to propose corrective measures prior the formal evaluation that will take place in the coming months.

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## B. Highlights

- The progress index of CEDEFOR project passed from 37% in the second quarter (January-March 2006) to 78% in the third quarter (April-June 2006) as a result of major advances in inventory work, in the elaboration of management plans and the implementation of correctives measures prior to formal evaluation.
- A total of three industries have passed through a FSC-Chain of Custody evaluation carried out by the company Control Union, an international certifier. These are two processing industries belonging to the *Vulcano Group (H&E and Maexco)* and a furniture industry, Alida, which are looking for FSC hard wood suppliers in Peru, through Forest Trade Network – Peru.
- The forest concession CFA has subscribed a sale agreement with the forest industry Triplay Amazonico by which the concession is committed to provide 500,000 pt of certified timber (Cumala specie) to this processing industry. The sale represents an estimated of \$121,000.

## C. Table of Budget

<b>Activity Number</b>	<b>Activity Title</b>	<b>Status</b>	<b>Total programmatic Budget (US\$)</b>
1	Sustainable Forest Management and Forest Certification	On-track	<b>1,172,079</b>
2	Strengthening of the institutional environment	On-track	<b>293,165</b>
3	Phasing out of previous commitments and Systematization.	On-track	<b>96,138</b>
4	Operational Cost office	On-track	<b>190,100</b>
	<b>Total</b>		<b>1,751,482</b>

Status Categories: Completed, On-track, Delayed, Mixed performance, Pending, Canceled

## II. Description of Site Progress

### A. *Key short and long-term program objectives for the sites.*

This project aims to achieve the following key objectives:

**Objective 1:** Sustainable Forest Management and Certification of selected concessions and community forests through effective and responsible forest management

**Objective 2:** Strengthening of the direct institutional environment of the direct beneficiaries through creation of green market links, improvement of governmental procedures and technical capacities of regional offices, and strengthening of Local Forest Management Committee (LFMC) and forest regents in their capacities to respond to the needs of the communities and private concession holders.

**Objective 3:** Phasing out of previous commitments and documentation of previous project experiences.

### B. *Summary of Progress for Site* (if this provides added value or clarity, otherwise skip this section)

#### B.1. *Summary of Result Indicators*

Intermediate Result 1: Forest concessions and indigenous communities assisted by WWF (566,082 Has) carry out forest use under international standards assuring the forest resources permanence

	Goals	Baseline	Advances October – December 2005	Advances January- March 2006	Advances April – June 2006
IR1	566,082 has of certified forest	0	35,681 has	0	0
IR2	10 forest concessionaries y 05 indigenous communities certified	0	05 indigenous communities	0	0

Intermediate Result 2: A demand for certified timber from forests assisted by WWF has been created, formed by a group of timber companies of primary and secondary processing which have obtained the Chain of Custody certification.

	Goals	Baseline	Advances October – December 2005	Advances January- March 2006	Advances April – June 2006
IR3	13 processing industries with CoC certification	05 enterprises	No processing industry has achieved certification during this period	02 forest industries ready to be evaluated : <i>M&amp;M and Alida.</i>	04 forest industries: <i>M&amp;M, Alida, H&amp;E Maderas and Maexco, Alida</i>
IR4	Value of certified timber sold by concessionaires and/or indigenous communities.	0	\$ 7,000.	The harvesting period of 2005 finished in past December, an the new period will start in May.	500,000 pt of Cumala have been sold from CFA to Triplay Amazonico. US\$ 121,000

## B.2. Summary of Progress Indicators

Activity 1: The concessions and forest communities implement actions to guarantee a good forest management, and therefore contribute with obtaining the certification.

	Goal	Baseline	Advances October – December 2005	Advances January- March 2006	Advances April – June 2006
IP1	14 action plan for certification done	1 done (Maderacre & Maderija)	1 done : Von Humbolt Forest	6 done: Emetci A y B, Forestal Rio Huascar, Grupo Espinoza, CFA, Ecomazan, Induflosa.	1 done: COPEFOR
IP2	14 exploratory inventory implemented (656,468 has)	04 done (M&M, AZCART, Carlos Munoz Valdivia, EMALPA)	1 done: Ecomazan: 38,615 ha	01 done: Rio Huascar: 25,533 ha	4 done: Grupo Espinoza: 81,128 ha CFA: 180,500 ha AFAS: INDUFLOSA: 11,765 ha.
IP3	14 General Forest Management Plan (GFMP) adjusted to international standards	0	1 in process: M&M: 98,932 ha	02 done: M&M: 98,932 ha Fecomazan:	04 done: Huascar:25,533 ha Grupo Espinoza: 81,128 ha CFA: 180,500 ha Carlos Muñoz: 5,171 ha
IP4	14 commercial inventory implemented (16,668 has)	0	06 done: M&M: 5,000 ha Rio Huascar: 1,124.95 ha AFAS 2005: 312 ha INDUFLOSA 2005: 571.3 ha INDUFLOSA 2006: 591.1ha Carlos Muñoz Valdivia: 211 ha	02 done: Emetci A y B: 1,317 ha	0 done
IP5	14 concessions with Annual Operation Plan (AOP) approved by INRENA	0	02 done, in process to be presented to INRENA: M&M: 5,000 ha Rio Huascar: 1,124.95 ha	6 done that were presented to INRENA: M&M: 5,000 ha Emetci A y B: : 1,317 ha Rio Huascar: 1,124.95 ha Grupo Espinoza: 3,954 ha	02 done: FECOMAZAN: INDUFLOSA:

Activity 2: INRENA, through its regional offices, has implemented administrative procedures to facilitate the approval process of the AOPs and GFMPs.

	Goal	Baseline	Advances October – December 2005	Advances January- March 2006	Advances April – June 2006
IP6	MIRA-CoC (now Panda Track) system in operation.	0	Panda Track software was approved by INRENA staff in Lima and in the regions	A consultant was contracted to implement Panda Track System in five regional offices	In process.
IP7	10 resolution projects that facilitate the implementation of GFMP and AOP submitted to INRENA.	0	02 resolution projects have been presented to INRENA	05 resolution projects have been presented to INRENA	Done. 09 resolution projects have been presented to INRENA

Activity 3: The Local Forest Management Committee (LFMC) have promoted the sustainable forest management of concessions and communities assisted by CEDEFOR project.

	<b>Goal</b>	<b>Baseline</b>	<b>Advances October – December 2005</b>	<b>Advances January- March 2006</b>	<b>Advances April – June 2006</b>
IP8	08 LFMC legally recognized by INRENA.	06 LFMC legally recognized by INRENA	No advances in this period.	Reactivation of 02 LFMC in MDD, updating their registration according to new regulations	No advances in this period.
IP9	08 with prepared strategic plans.	04 LFMC have developed their strategic plan		No advances in this period	
IP10	Monitoring records of mobilized timber within the concessions and communities assisted and located within the Forest Management Unit are done.	0		One CGB has been assisted in acquiring data (Alto Huallaga)	
IP11	A conflict resolution mechanism between forest concessionaires and forest communities is Implemented.	0		A proposal is in elaboration in one LFMC (Alto Huallaga) An additional LFMC needs to be formed to assist conflict resolution in Soritor	

### C. Activity Description

#### CEDEFOR component I: Sustainable Forest Management and Forest Certification

##### i. Summary of major achievements and progress

###### Forest Concessions

- CEDEFOR and STEM/INRENA projects, both promoted by USAID funds, continued joining efforts towards certification goals and sustained monthly meetings to revise and evaluate progress in each assisted concession. During this period, both projects focused attention on a group of nine forest enterprises, which has demonstrated interest, capability and financial capacity for obtaining the certification.

<b>Region</b>	<b>Forest Concession</b>	<b>ha</b>
Madre de Dios	Maderacre & Maderija	98,932
	Forestal Rio Huascar	25,533
	Grupo Espinoza	81,128
Ucayali	CFA - Consorcio Forestal Amazónico	180,500
Huanuco	Wenceslao Carlos Muñoz Valdivia	5,171
San Martin	COPEFOR	47,614
	Asociación Forestal Alto Saposoa	14,762
Loreto	Ecomazan	38,615
	Induflosa	11,765
<b>Total</b>		<b>504,020</b>

- Special attention has been concentrated in a group of five forest concessions that will run an evaluation process for certification in the coming months. In these concessions, WWF prior the implementation of exploratory inventories, the elaboration of General Forest Management Plans (GFMP) adjusted to international standards, as well as the selection of the certifiers companies. Also, WWF technical staff completed a last progress evaluation of each concession prior to formal evaluation, and closely supervised the implementation of corrective measures.

<b>Region</b>	<b>Forest Concession</b>	<b>ha</b>
Madre de Dios	Maderacre & Maderija	98,932
	Forestal Rio Huascar	25,533
	Grupo Espinoza	81,128
Ucayali	CFA - Consorcio Forestal Amazónico	180,500
Huanuco	Wenceslao Carlos Muñoz Valdivia	5,171
<b>Total</b>		<b>391,264</b>

During the implementation of the exploratory inventories, WWF technicians had the opportunity to collect fauna and ecological information from the field, including potential sites for High Conservation Value (HCV) and vulnerable zones within three of the five forest concessions (*Forestal Rio Huascar, Grupo Espinoza and CFA*). This information was systematized and included in the managements plans of the concessions.

In addition to this, WWF staff provided assistance to these concessionaires in formalizing their administrative systems through the revision of some administrative documents (such as labor contracts, payment formats) as well as the elaboration of certain administrative rules and procedures (such as the Manual of Internal Regulation, the Manual de Organization and

Functions, the Labor Guideline). WWF also worked in the formalization of *Forestal Rio Huascar* concession accounting system.

- Measured by USAID methodology<sup>2</sup> to quantify the progress in the implementation of the reformulated CEDEFOR plan, throughout this reporting period, there have been important advances towards certification goals mainly in these five priority concessions. The progress index of CEDEFOR project passed from 37% in the second quarter (January-March 2006) to 78% in the third quarter (April-June 2006) as a result of major advances in inventory work (*Grupo Espinoza, CFA, AFAS and INDUFOSA*), the presentation of management plans (*Forestal Rio Huascar, Grupo Espinoza, CFA, Carlos Munoz and FECOMAZAN*) and the implementation of correctives measures prior to formal evaluation. (See Annex 1).
  
- Concrete advances in terms of main indicators of technical assistance towards certification are mentioned below:
  - o **Action plans for certification.** Target for the period: seven (02) action plans.  
During this reporting period, WWF technical staff held meetings with COPEFOR in order to agree upon an action plan that demonstrates a concrete commitment from the concessionaire towards the certification process.
  - o **Exploratory inventories.** Target for the period: five (04) exploratory inventories.  
During this reporting period, four (04) exploratory inventories were implemented in a total area of 321,007 hectares corresponding to the concessionaire *Grupo Espinoza, CFA, AFAS and INDUFLOSA*.
  - o **General Forest Management Plan (GFMP) adjusted to international standards.**  
Target for the period: four (04) GFMPs.  
During this period, four (04) GFMPs were adjusted to international standards (*Huascar, Grupo Espinoza, CFA and Carlos Munoz*). The GFMP of *Fecomazan* which was done in the past quarterly was finally presented to INRENA.
  - o **Annual Operation Plan (AOP) presented to INRENA.**  
Target for the period: AOPs for four concessionaires.  
During this period, with support of WWF technical staff in Loreto, two forest concessionaires (INDUFLOSA and FECOMAZAN) presented their AOPs for harvesting period 2006/2007 to INRENA local office. In addition to this, a group of three forest concessions (*CFA, Carlos Muñoz and COPEFOR*) presented a request to validate the permission to enter to ACPs (annual cutting plot) that should be harvest in the past years.

## ii. Key management issues

### Concessions

- *CFA* activities are in track; nevertheless potential social risks have been raised. During the forest inventory, a settlement of indigenous community (named Alto Cohengua), located between Mashansha and Cohengua rivers, was identified within the concession territory. That community had settled in that territory before *CFA* assumed the rights for the forest concession. WWF staff has facilitated negotiations among involved actors: Alto Cohengua community, OIRA (indigenous organization of Atalaya region), AIDSESP (Inter-ethnic Development Association for the Peruvian Tropical Forests), INRENA, *CFA* and PETT (Land Titling Division, Ministry of Agriculture). The concessionaire has reached an agreement with the community by which the community has accepted to move out from the border of the concession territory if INRENA guarantees to concede another place to live.

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<sup>2</sup> USAID methodology to quantify the progress consists in assigning a percentage weight to each activity. Each concession gain points as soon as the activity is done.

- COPEFOR has paralyzed field operations since social problems with neighbors had become complex. These problems have delayed the construction of the main access road to the concession. During this period, the road has started to be constructed but it has not been finished. WWF staff has played a facilitating role, calling for a negotiation among different actors (settlements, Soritor district, regional government of San Martin and others). In addition to this, in order to create proper scenery for negotiations, WWF in coordination with the Regional Government of San Martin have been promoting the development of a Forestry Plan for Soritor district which will permit identify the land use of the territory. Up to now, a draft of the forestry planning has been developed with the participation of local actors.
- In Loreto, *Fecomazan* had to face illicit crops within its concession as well as the criticism of its neighbors and other actors in the region due to lack of information and misunderstanding situations that pretend to accuse *Fecomazan* of overlapping community lands. In order to achieve a solution for these problems, the concession has started a process to develop a public relations plan with its neighbors. At first step, with the purpose of promoting a good understanding among different actors (the neighboring communities, the forest concessions, the local government, and others local actors) the concessionaire has developed a consultancy process with its neighboring communities.
- On the other hand, it is important to mention that WWF staff continued implementing capacity building activities for forest concessionaires as well as field personnel as needed. This reporting period, WWF staff organized workshops in two concessions (*Maderacre & Maderija and Rio Huascar*), to raise awareness of the advantages of forest and chain of custody certification for the development of the forest sector in the region, and the role of each actor within this process.

## **CEDEFOR component II: Strengthening of the institutional environment**

### **i. Summary of major achievements and progress**

**Results 2.1.** A processing industry is moving towards Chain of Custody (COC) certification and directly contributes to the creation of a certified timber market for products of the direct beneficiaries.

- During this period, two industries belonging to the *Vulcano Group (H&E Maderas and Maexco)*, the second bigger wood exporting enterprise in Peru, passed with no conditions the formal FSC-Chain of Custody (FSC-CoC) evaluation carried out by the Control Union certification enterprise. The multisite FSC-CoC certification scheme was used for this group of companies due it allows incorporating these three plants (*H&E, Maexco and Maderera Vulcano*) under one certificate. Actually, this company is looking for FSC hard wood suppliers in Bolivia and Peru, the Global Forest and Trade Network (GFTN) belonging to WWF is helping them for this ends.
- In April, *Alida*, a furniture industry, had approved its CoC evaluation carried out by the *Control Union* forest certification program. Currently, this enterprise is buying FSC MDF- boards from Chile, and is looking for wood suppliers in Peru through the FTN-Peru.
- The five forest concessions that will be evaluated in Forest Management Certification by two international certifier companies (SmartWood and Control Union) have also signed the CoC evaluation contract in order to evaluate their own sawmills under the FSC-CoC Standards.

**Results 2.2.** *The National Institute of Natural Resources (INRENA) facilitates and guarantees the effective implementation of the administrative processes to achieve certification goals.*

- With the purpose of promoting an effective forestry regulation, by means of solving current problems that have blocked the process of good management of the forest concessions (such as bottle necks in administrative procedures for approval of management plans), WWF hired two consultants who has worked in coordination with INRENA in the definition of norms, procedures and guidelines to improve the implementation of the Forest Law within the regions. This, will avoid own interpretations of forestry regulation from INRENA staff that has conducted to arbitrary decisions.

During this period, three normative documents formulated by the consultants were presented to INRENA, and will be incorporated into the Peruvian legislation in the coming months. These are:

- *Procedures for timber mobilization as well as for the expedition and control of the Reports of Forest Transportation (RFT).* A norm for the expedition and monitoring of RFT was formulated by the consultants after they had revised the criteria of timber mobilization.
  - *Forest Concessions Closing Plan.* The Terms of Reference for Forest Concessions Closing Plans has been elaborated; likewise, the consultants have formulated the Resolution that approves it.
  - *Methodology for field verification of annual operation plans.* The consultants have revised and update the criteria for field verification of annual plans and have proposed a norm to regulate these activities in forest concessions and other cases.
- CEDEFOR supports INRENA in the implementation of PandaTrack system to monitor harvested and transported timber of those concessions connected to the system, allowing real time information among the INRENA headquarter and its field offices. To facilitate the adaptation/incorporation of the PandaTarck system to INRENA database (Forestry Information System - SIEF), it is necessary to develop an interface system to integrate these two programs.

For this purpose, a consultant has been contracted who also will be responsible for implementing the Panda Track System in two regional offices as well as providing assistance to INRENA staff at national level. Since this quarter, a first draft of the Panda Track system is being testing in two INRENA regional offices, Iquitos and Pucallpa.

**Results 2.3.** *The Local Forest Management Committee (LFMC) strengthened in certain relevant capacities to actively participate in the sustainable management of forest resources and to combat illegal logging in the selected forest concessions and community forests.*

- No activities were carried out towards this objective during this reporting period due to main effort was put on field activities with forest concessions.

### **CEDEFOR component III: Phasing out of previous commitments and Systematization.**

#### **i. Summary of major achievements and progress**

- Through CEDEFOR project, WWF-Peru have published the Industrial processing guide for making furniture with LKS woods (1,000 copies), in order to promote the usage of LKS woods within the forest sector. This publication will catch the interest of small and big processing industries as well as forest enterprises.
- During this period, ILATA3 (a consulting firm) and INRENA have finished to elaborate The Manual for Forest Management Committee (FMC) which is currently in process of edition, and will be published in the coming months.
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### **IV. Success Stories and Other Appendices**

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

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<sup>3</sup> Instituto Latino Alemán de la Tecnología del Aprendizaje.