



**Certification and Development of Forest Enterprises in the Peruvian Amazon:  
A Civil Society – Public – Private Alliance**

**Project #: 527-A-00-08-00027-00**  
**Reporting Period: October – December 2008<sup>1</sup>**  
**SO12**

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

**A. Introductory Paragraph**

This quarterly report informs on the progress for the first quarter of the project (October – December 2008), focusing on forest certification activities carried out in the different areas of the project. The implementation period of this project is October 2008 to September 2011.

The long term goal of the project is to promote the consolidation and modernization of the forest sector in the Peruvian Amazon, particularly, forest certification and fair, legal and responsible forest trade, within the framework of an effective civil society - public – private partnership.

It is aimed at strengthening the performance of projects previously carried out by WWF-OPP on issues of responsible forest management and trade and forest certification.

The project purpose is to promote responsible forest management and trade, based on best international practices and standards, as well as, more importantly, show that through sound conservation and management practices of the forest it is possible to directly contribute to sustainable economic development which directly benefits local peoples and enterprises.

Thanks to the efforts of WWF, USAID and its partners, there now exist a core of private forest enterprises and indigenous communities who have been awarded with the certification for over 400,000 hectares as well as certification of 10 chains of custody for responsible and legal forest trade.

During this report period, not many advances have been made since the funds were released by the end of October 2008 and December is always a month which is affected by holidays and companies annual closures.

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## B. Highlights

It is important to mention that the work with the companies and indigenous communities started a year and a half ago funded so far by WWF-NL as a match fund of USAID contribution for this project.

These activities have generated a new baseline from which to report the progress of the project. Some of the main achievements for this trimester are:

- As of now, three (03) companies (Consortio Forestal Amazonico, Aserradero Espinoza and Maderacre & Maderija) out of five (05) have maintained their certificates representing 360,568 ha certified. AIDER (35,000 ha) is still certified and there are intentions to restart the work together.
- Regarding CoC certification, four (04) companies (Lucofi, Universal Flooring 1, Universal Flooring 2 in and Turbina SAC) have already achieved certification even though they were planned to obtain the certificate during the execution of activities for these period. After the annual evaluation, nine (09) out of ten (10) companies have maintained their Chain of Custody certificates.
- It is a great progress to have worked with the indigenous communities of Apinihua, Mencoriari, Puerto Esperanza, Galilea and Mapiato which have 05 Business Plans elaborated, and 02 Business Plans have been elaborated for Carlos Muñoz and Maderacre forest concessions.
- The project supported the regional government of San Martin in the process of partial transference of competencies (control and supervision) for the administration of forest issues.

## C. Table of Budget

<b>Activity Number</b>	<b>Activity Title</b>	<b>Status</b>	<b>Total Expenses to Dec 08 (US\$)</b>
1	Forest Certification	On-track	<b>28,359.31</b>
2	Markets and Added Value for Certified Products	On-track	-
3	Institutional Strengthening and Governance	On-track	-
4	Operational Cost office	On-track	<b>749.75</b>
	<b>Total</b>		<b>29,109.06 *</b>

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

\* Only USAID funds

## **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: Forest Certification.* To increase the certified forest area and consolidate the certification process in the Peruvian Amazon by providing technical assistance to forest concessions, indigenous communities and local forest industries to achieve forest management certification as well as for chains of custody certification from the forest gate to market.

*Objective 2: Markets and added value for certified products.* To ensure the economic sustainability of certification of private and indigenous community forest enterprises based on the introduction of technological innovations to improve the efficiency and productivity, the generation of national and international market links demanding certified timber products, and the provision of technical assistance to achieve added-value increase in the certified timber products through, diversification and improvement of the quality of their product range.

*Objective 3: Governance and Institutional strengthening.* To contribute to the development of a favorable institutional climate for the promotion of forest certification and chains of custody, in conjunction with improved governance, control and regulation of the forest sector, within the context of an effective civil society – public – private partnership

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

**Objective 1: Forest Certification**

	<b>Outcome</b>	<b>Baseline</b>	<b>Advances October – December 2008</b>
1.1	360,000 ha in selected forest concessions and indigenous communities achieve forest certification	0	<p><i>No companies were expected to be certified for this period. This is the progress in order to achieve certification for this period:</i></p> <p><i>04 SAS (Stepwise Approach System): Paujil Tawari Madedbol Shihuahuaco</i></p> <p><i>02 Action Plans: Paujil Tawari</i></p> <p><i>01 Forest inventory (commercial species): Amatec</i></p> <p><i>IC Mencoriari: 01 Forest sampling 01 Fauna evaluation 01 Dendrological study</i></p>
1.2	425,000 ha maintain the forest management certification	05 companies maintain the FSC certificate - 426,272 ha: AIDER, FRH – Forestal Rio Huascar, Carlos Muñoz, CFA – Consorcio Forestal Amazonico, M&M – Maderacre & Maderija, AESA – Aserradero Espinoza	<i>03 Companies maintained their certificates (AESA, M&amp;M, CFA)</i>
1.3	12 forest enterprises and timber products manufacturers are awarded with chain of custody certification	03 companies achieved certification prior to the signature of the contract with USAID with funds from WWF (Lucofi, Universal Flooring planta 1, Universal Flooring Planta 2)	<i>04 companies achieved certification (Lucofi, Universal Flooring planta 1, Universal Flooring Planta 2, Turbina SAC)</i>
1.4	10 forest enterprises and timber products manufacturers maintain the chain of custody certification	10 companies maintain CoC certification (Fast Trade, FRH, M&M, AESA, Palacios, Vulcano, Alida, Exportimo, Triplay Amazónico, Carlos Muñoz)	<i>09 companies maintained CoC certification</i>

## Objective 2: Markets and added value for certified products

	Outcome	Baseline	Advances October – December 2008
2.1	50% of increasing harvest volume (round wood) by introduction of best sustainable forest management practices and increasing range of harvested species	03 companies evaluated CY08-S1: * CFA: Vo: 14,700 m3 Sp: 2006: 3 out of 13 = 23% 2007: 5 out of 20 = 25%  * AESA: Vo: 11,500 m3 Sp: 2007: 7 out of 16 species = 43%  * Puerto Esperanza Indigenous Community : Vo: 336 out of 603m3 Sp: 4 out of 4 species = 100%	<i>The validated methodology to determine the baseline is ready</i>
2.2	New investment of \$ 1 million in new technologies, infrastructure and staff training done by private companies	0	<i>No investments were planned to be carried out for this period. The following activities were developed:</i>  <i>05 Business Plans:</i> <i>Apinihua</i> <i>Mencoriari</i> <i>Puerto Esperanza</i> <i>Galilea</i> <i>Mapiato</i>
2.3	40,000 m3 of certified wood sold on national and international markets by the end of the project, equivalent to \$12 million dollars	0	<i>No advances for this period.</i>

## Objective 3: Governance and Institutional strengthening

	Outcome	Baseline	Advances October – December 2008
3.1	Three regional governments are supported by the project to strengthen their capacities to assume administrative and forest control competencies, and are capable: <ul style="list-style-type: none"> <li>To approve management documents within the deadlines established in the administrative procedures regulations</li> <li>To implement control and supervision activities and operate an improved and efficient monitoring system in coordination with OSINFOR.</li> <li>To have instruments of forest strategic planning for the mid and long term</li> </ul>	03 work agreements signed with the regional governments of San Martin, Ucayali and Madre de Dios 01 Strategic Plan in San Martin	<i>Support on the partial transference (control and supervision) of forest competencies</i>
3.2	The Peruvian government establishes budgetary commitments for a minimum of US\$ 1 million to promote forest certification and legal forest trade	03 work agreements signed with the regional governments of San Martin, Ucayali and Madre de Dios	<i>01 Minor project in San Martin (USD 90,000)</i>

## C. Activity Description

### Component I: Forest Certification

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

##### 1.1 360,000 ha in selected forest concessions and indigenous communities achieve forest certification

- *Companies:*

During this period the project has carried out 04 SAS /Stepwise Approach System evaluations in Madre de Dios (MDD) in order to determine with which Forest Concessions (FC) we will develop Action Plans to achieve certification (Paujil, Tawari, Madebol, Shihuahuaco). The staff developed 02 Action Plans with Paujil and Tawari but later on, by the latter part of the period, the staff decided to stop for now the activities with these two companies due to economic and operational problems that both were facing. Madebol and Shihuahuaco are definitely not going to be a part of the selected companies due to the lack of guarantees and technical level. This led the staff to focus its efforts on the enterprise named AMATEC A (20,940 ha) in Madre de Dios, which had been evaluated before. Commercial inventories were carried out and it is decided to support them to achieve certification by the end of 2009.

- *Indigenous communities:*

The staff in Ucayali (UCA) worked with the Indigenous Community (IC) called Mencoriari (58,504 ha) on the elaboration of 01 forest sampling, 01 fauna evaluation and 01 dendrological study. There are no expectations towards having any IC certified for neither this period nor the next, but it is expected to make great advances on their forest activities so they can achieve certification by the end of the project.

##### 1.2 425,000 ha maintain the forest management certification

This amount of hectares is defined by the number of certified area achieved in the previous project developed by WWF OPP entitled CEDEFOR (390,000 ha in private FC concessions and 35,000ha IC)

Our goal was to maintain these 425,000 ha in the following FC and IC:

Region	N°	Companies	Ha
Madre de Dios	1	Maderacre	49,376
	2	Maderyja	49,556
	3	Aserradero Espinoza + Cocama	81,129
	4	Forestal Rio Huascar	25,533
Ucayali	5	Consorcio Forestal Amazonico	180,508
Huanuco	6	Wenceslao Carlos Muñoz	5,170
Total			391,272

Region	N°	Indigenous Communities	Ha
Ucayali	1	AIDER (4 IC)	35,000
Total			35,000

In order to achieve this goal the following activities were developed and the results were as follows:

- *Companies:*

- 02 FC were accompanied through their annual evaluation process. This helped to elaborate and review 02 Action Plans to solve the Corrective Actions Required (CAR)<sup>2</sup> for this period.
- The project's technical staff made evaluations on the concessionary companies: Progress revision on the implementation of the management documents (GMP, AOP, Monitoring plan, silvicultural plan, communitarian relationship plan, protection and control plan, etc).

It is important to note that so far, 03 certificates have been maintained (CFA, AESA and M&M) representing 360,569 of certified hectares. The staff accompanied 02 evaluation processes along with the staff from the companies (AESA and Maderyja) since the auditors that evaluated the other companies preferred to do it without the presence of the technical staff from WWF PPO.

Status	Nº Concessions	Forest Concession	Ha	Total
Concessions that passed by a Formal Evaluation	3	Consorcio Forestal Amazónico Maderacre & Maderija Aserradero Espinoza	180,508 ha 98,932 ha 81,129 ha	360,569 ha
Concessions that have the certificate suspended	2	Carlos Muñoz Valdivia Forestal Río Huascar	5,171 ha 25,533 ha	30,704 ha

The certificate of the FC Carlos Muñoz in Huanuco has been suspended due to internal problems that impeded the right functioning of the company showing 15 CAR's related to roads construction, logging techniques, legal issues, monitoring, storage and other aspects. Of all of this group of CAR's, 02 of them related to monitoring and legality issues, remained unresolved and the certifier body decided to suspend their certificate. They are showing a newer interest on recovering the certificate and for that matter new meetings are being appointed in order to reach to an agreement to provide them with technical assistance again. No decisions have been made yet, further evaluation is needed.

The certifier body report for the FC Forestal Rio Huascar evaluation has been issued suspending temporarily the certificate until FRH resolves the 06 major CAR's found. This resolution is programmed to be attended by January – March 2009 by the project's staff.

The Technical Assistance Agreement with FC Consorcio Forestal Amazonico in Ucayali has not been renewed yet, but we have retaken contact and they want us to star working again with them.

More activities were programmed to take place in this period in some of the companies mentioned before, but due to internal changes in their organizational structure, such as change of owners or administration transference, these activities were suspended or are in a standby stage waiting to be reprogrammed. It is important to say that we have contacted these companies and they are willing to restart the work with the project for this upcoming period.

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• <sup>2</sup> *Main CAR's are based on the field evaluation of the FC: Progress revision on the implementation of the management documents (GMP, AOP, Monitoring plan, silvicultural plan, communitarian relationship plan, protection and control plan, etc).*

- *Indigenous communities:*

AIDER maintains its certificate representing an extension of 35,000 ha. New activities are to be programmed with them for this next period.

**1.3** *12 forest enterprises and timber products manufacturers are awarded with chain of custody certification*

The project had programmed to have 04 companies certified by the end of the year. We are glad to say that this goal has been already achieved. The 04 companies: Lucofi, Universal Flooring 1, Universal Flooring 2 in Lima and Turbina SAC in MDD, were assisted by our staff generating 04 Action Plans the same that were followed and implemented rapidly resulting in the certification of the 04 companies.

**1.4** *10 forest enterprises and timber products manufacturers maintain the chain of custody certification.*

10 companies were already granted certification during the previous project CEDEFOR. After the annual evaluation, 09 of them maintained their certificates; the company GEA in Pucallpa sold its transformation plant and lost its certificate. We have only reviewed the report issued for Maderacre since the certifier body (Smartwood) has only delivered this one report.

Here is the chart with the companies mentioned before:

Region	N°	Companies
Madre de Dios	1	Fast Trade
	2	FRH
	3	Maderacre & Maderyja
	4	AESA
Ucayali	5	Triplay Amazónico
Huanuco	6	Carlos Muñoz
Lima	7	Corporación Palacios
	8	Vulcano
	9	Alida
	10	Lima

**ii. Key management issues**

It is important to consolidate the work with IC's, to get a durable and solid commitment from the IC is a very hard thing to achieve and it is almost impossible to measure or have indicators to prove so. It is in our best interests to have the IC certified and having strong commercial links because we believe this will bring enormous economic and social benefits. Our intention is to provide constant technical support that is why our project has strengthened the office in the province in Atalaya.

## Component II: Markets and Added Value for Certified Products

### i. Summary of major achievements and progress

#### *2.1 50% of increasing harvest volume (round wood) by introduction of best sustainable forest management practices and increasing range of harvested species<sup>3</sup>*

In order to have the total baseline for all the companies some more studies are programmed for the next trimester. This intends to have a clear reliable starting point from which compare the improvements achieved. The methodology for the baseline evaluation has been defined and validated.

#### *2.2 New investment of \$ 1 million in new technologies, infrastructure and staff training done by private companies.*

The project has an internal format that includes detailed information regarding the investment by each company on machinery, equipments, services, expenses, etc for the rest of the project.

No further researches on the accountancy books have been made. We plan to do them as the projects runs on since it is a dynamic activity. This is planned to be done for all the beneficiaries/partners.

It is important to note that the project planned to work on the development and revision of the companies and indigenous communities Business Plans. Consultant Javier Perla has worked with us for over a semester elaborating costs studies forest and sawmill in Carlos Muñoz (Huanuco). He developed a 5 years Business Plan and commercial strategy for the company.

In addition to this, consultant Alfredo Rodriguez has worked on elaborating 05 Business Plans in the IC Apinihua, Mencoriari, Puerto Esperanza, Galilea and Mapiato in the province of Atalaya in Ucayali.

#### *2.3 40,000 m<sup>3</sup> of certified wood sold on national and international markets by the end of the project, equivalent to \$12 million dollars.*

FTN Peru has been updating the commercial profiles of the producer companies and has sent them to the main trade networks worldwide (per example, the Global Forest Trade Network).

Peru FTN, supported by the project, helped to organize among other institutions (both private and public), the Trade Fair and Business Roll called NEGOCIA MADERA 2008 in October

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<sup>3</sup> According to the information gathered from official sources, the production of round wood during the past five years shows an important increase. These figures support the intention to achieve a 50% increase in the harvesting volume.

This growth in the production reflects an improvement in the forest sector regarding management and logging procedures. WWF has contributed to this growth through the project CERF since 2007. This project intends to strengthen mainly the productive systems, markets and technological innovations and expects a volume increase close to 50%.

in the city of Lima, where the offer of the Peru FTN members was presented, as well as the products of the IC (Puerto Esperanza, Galilea, Inkare, Unión San Francisco and Mencoriari) to potential buyers from the national and international markets. The Business Roll NEGOCIA MADERA 2008 had the participation of:

- 10 forest concessionaries
- 05 indigenous communities (aforementioned)
- 01 indigenous forest reGENCY (constituted by 12 IC)

These participants presented an offer of 75,000 m<sup>3</sup> of certified wood from over 50 different species. This offer was negotiated with 22 buyer companies and a group of 06 importers from: The Netherlands, Belgium, China, Mexico, Colombia setting 152 business appointments representing a total of USD 3.6 millions that would be delivered in the upcoming months.

## **ii. Key management issues**

Nothing to report for this period

## **Component III: Institutional Strengthening and Governance.**

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

#### **3.1 Three regional governments are supported by the project to strengthen their capacities to assume administrative and forest control competencies, and are capable:**

##### *3.1.1. To approve management documents within the deadlines established in the administrative procedures regulations.*

01 Pilot project in the regional government of San Martin has been working by implementing a management unit as a pilot process to assume the responsibilities related to the forest sector.

The work planned to be carried out in the regional governments of Madre de Dios and Ucayali is still in standby since the current situation is still the same.

One of the suggestions/inquiries from the partner donor USAID was to stop temporarily all the work related to government activities since further advances are likely not to happen under the current situation.

##### *3.1.2. To implement control and supervision activities and operate an improved and efficient monitoring system in coordination with OSINFOR*

This process has also been stopped due to modifications regarding the functions of OSINFOR and policies swaps that are still unresolved. This process will be taken again in as soon as the new forest law (27308 / DL 1090) establishes the functions and dependence of OSINFOR.

### *3.1.3. To have instruments of forest strategic planning for the mid and long term*

Nothing to report on this particular outcome for this period due to the reasons explained before.

## **3.2 The Peruvian government establishes budgetary commitments for a minimum of US\$ 1 million to promote forest certification and legal forest trade**

There have been several changes in the government structural organization regarding the forest sector. The administration of this sector has been transferred to the MINAG and the placement of the new responsibilities and competencies to the regional governments of Madre de Dios and Ucayali has not yet been carried out. This situation has left the activities programmed in standby until the law and its regulations are finished and enacted.

## **ii. Key management issues**

Activities related to Institutional Strengthening and Governance (component 3) have been whether stopped or in standby due to the following issues:

- Still not having the matching funds from the regional governments due to the change in the investments law
- The halt of the transference of functions in the forest administration of INRENA to the regions of Madre de Dios and Ucayali.
- Changes in the Forest law and the pending elaboration of the new regulations.
- Change of functions in the main administrative and monitoring organisms on the forest sector.

## **IV. Success Stories and Other Appendices**

During FENAFOR fair, that took place in Lima in October last year, five IC (Puerto Esperanza, Galilea, Inkare, Unión San Francisco and Mencoriari) were invited, most of the representatives were in Lima and in a Trade Fair for the first time, they were really excited about meeting potential buyers and consolidate commercial links. After the fair ended all of them reinforced their will to certify their products and showed a much stronger disposition to work with us in order to achieve the certification of their lands.

The participants presented an offer of 75,000 m<sup>3</sup> of certified wood from over 50 different species. The timber offer was negotiated with 22 buyer companies and a group of 06 importers from: The Netherlands, Belgium, China, Mexico, Colombia setting 152 business appointments representing a total of USD 3.6 millions that would be delivered in the upcoming months.

## ACRONYMS

AESA	Aserradero Espinoza
AOP	Annual Operative Plan
ATFF	Technical Administration for Wild Flora and Fauna
CAR	Corrective Action Required
CEDEFOR	Certification and Development of the Forest Sector – Peru
CERFOR	Forest Certification Project from INRENA
CFA	Consorcio Forestal Amazonico
CoC	Chain of Custody certification
FC	Forest Concessions
FORIN	Indigenous Forest Project
FSC	Forest Stewardship Council
PERU FTN	Forest Trade Network - Peru
GFMP / PGMF	General Forest Management Plan
GFTN	Global Forest Trade Network
IC	INDIGENOUS COMMUNITIES
INRENA	National Institute for Natural Resource Management
LKS	Lesser Known Species
MINAG	Ministerio de Agricultura
MDD	Madre de Dios
MOU	Memorandum of Understanding
M&M	Maderacre y Maderija
SAS	Stepwise Approach System towards Forest Certification
OSINFOR	Office for Supervisión of Forest Timber Resources
SNIP	Sistema nacional de Inversiones Públicas
TLC - FTA	Free Trade Agreement
USAID	US Agency for International Development
WWF-NL	World Wildlife Fund – Netherlands
WWF – PPO	World Wildlife Fund – Peru Programme Office