

MIDAS

**MÁS INVERSIÓN PARA EL DESARROLLO
ALTERNATIVO SOSTENIBLE**

**Commercial Forestry Component
Work Plan**

April 2006

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USAID
FROM THE AMERICAN PEOPLE

COLOMBIA

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Acronyms

MIDAS Commercial Forestry Acronyms	
ASOCARS	Asociación de Corporaciones Autónomas Regionales
BIRF	Banco Interamericana de Reconstrucción y Fomento
CAF	Corporación Andina Fomento
CAM	Corporación Autónoma Regional del Alto Magdalena
CARS	Corporaciones Autónomas Regionales
CDM	Clean Development Mechanism
CFC	Commercial Forestry Component
CIF	Certificado Incentivo Forestal de Reforestación
CODECHOCÓ	Corporación Autónoma Regional para el Desarrollo Sostenible del Chocó
CONIF	Corporación Nacional de Investigación y Fomento Forestal
CORANTIOQUIA	Corporación Autónoma Regional de Antioquia
CORMAGDALENA	Corporación Autónoma Regional del Río Grande de la Magdalena
CORNARIÑO	Corporación Autónoma Regional de Nariño
CORPOCESAR	Corporación Autónoma Regional del Cesar
CORPOURABA	Corporación Autónoma Regional de Urabá
CSB	Corporación Autónoma Regional del Sur de Bolívar
FAO	Food and Agricultural Organization
FEDEMADERAS	Federación Nacional de Industriales de la Madera
FINAGRO	Fondo para la Financiamiento del sector Agropecuario
FIP	Fondo de Inversión para la Paz
FONAM	Fondo Nacional Ambiental
FONPYMES	Fondo Colombiano de Modernización y Desarrollo Tecnológico de las Pequeñas y Medianas Empresas
FPAA	Fondo Para la Acción Ambiental
GEF	Global Environmental Fund
GIS	Geographic Information Systems
GoC	Government of Colombia
IDB	Interamerican Development Bank
IDP	Internally Displaced Persons
IICA	Inter-American Institute for Cooperation on Agriculture
INCUAGRO	Incubadora Empresarial de Producción y Comercialización Agropecuaria
MAVDT or MoA	Ministry of the Environment
MIDAS	Mas Inversión para el Desarrollo Alternativo Sostenible
OAS	Organization of American States
PCF	Programa Colombia Forestal
Refocosta	Reforestadora de la Costa S.A.
SME	Small and Medium Size Enterprises
TCN	Third Country National
TIMOs	Timber Investment Management Organizations
TLC	Tratado de Libre Comercio

MIDAS Commercial Forestry Component Work Plan

April 2006

1. Life of Program Work Plan

1.1. Brief Background on Component

Total forest cover in Colombia is about 53 million hectares or 47% of the country. Commercial timber plantations account for about 175,000 hectares. Most of the natural forests with commercial potential are on Indigenous and Afro-Colombian Reservations. Legally created Indigenous Reservations control about 20 million hectares, and Afro-Colombian Reservations control about 3.5 million hectares. In Colombia the main users of lumber are the construction sector with 56% of total consumption, and the furniture industry with 18%. The biggest industrial users of low value wood are the pulp and paper and particleboard industries. Most of Colombia's hardwood lumber consumption (about 76%) is supplied from unmanaged natural forests, and the balance from timber plantations. Colombia's natural forests are being harvested unsustainably, and the internal supply from plantations is still small. Wood imports are likely to increase.

Colombia has recognized the importance of the commercial forestry sector with the formulation of the National Forestry Development Plan (NFDP) in June of 2000, conceived as a long term policy for the development of this sector. This plan identifies priority actions, the institutions suitable for implementing these actions, the financial resources required and the mechanisms of coordination. The NFDP was the result of a process of collaboration between the public and private sectors, as well as the academic community and civil society, and was facilitated by an inter-institutional committee formed by the Ministry of the Environment, the Ministry of Agriculture and Rural Development, the Ministry of External Trade, the Ministry of Economic Development, the Corporación Nacional de Investigación y Fomento Forestal (CONIF) and the Department of National Planning. The NFDP incorporates the most important political principles and suggestions that have been formulated in Colombia, such as those of the Forest Action Plan for Colombia and the Forestry Policy of 1996. The Plan also creates an integrated focus that, for the first time, allows for the inter-institutional coordination necessary for enforcing the mandates stipulated in Law 37 of 1989 and Law 99 of 1993, as well as complying with the recommendations and commitments which Colombia signed on in the United Nations Forestry Forum (UNFF).

The NFDP seeks to actively incorporate the commercial forestry sector as an important element in the general development of the country, taking advantage of its comparative advantages and promoting the competitiveness of forest goods and services in national and international markets, so as to generate the necessary conditions for attracting domestic and foreign investment. The NFDP is also designed to capitalize on the potential associated with connecting rural manual labor involved in commercial forestry to the GoC's peace policies.

The NFDP includes four large programs. The "Forestry Productive Chain Development Program," in particular, falls directly in line with MIDAS objectives. As will become clear below, the NFDP sub-programs correspond very closely to the MIDAS Commercial Forestry Component Subcomponents:

- Zoning of areas for plantations;
- Expanding forest production supply base;

- Natural forest management and harvesting; and
- Support for the creation and modernization of commercial forestry enterprises and micro-enterprises.

Through economic instruments such as the Reforestation Incentive Certificate (Certificado de Incentivo Forestal de Reforestación or CIF) and tributary extensions, Colombia has begun the development of a forestry production base. Even though important advances have been achieved from the technological point of view, there still exist substantial limitations on Colombia's capacity to identify areas and production systems suitable for commercial forestry initiatives, limitations which impede the formulation of feasible and competitive financing schemes.

Regarding the conservation and restoration of forest ecosystems, there have been significant actions taken on the part of SINA entities, but problems, including illegal harvesting and low value added, still persist. For this reason it is essential to strengthen support to indigenous and Afro-Colombian communities, and thereby foster sustainable, legal, viable and commercially optimized harvesting practices that have a positive and solidifying effect on sustainable production chains.

The Alternative Development program established in the CONPES 3218 document of March 3, 2003, is largely identified with the promotion of the NFD, incorporating within its priorities long-term yield crops, forestry and agroforestry, and economic support mechanisms for the Guardabosques Program. Thus the two policies, which are linked to the MIDAS Commercial Forestry Component (hereafter "CFC"), correspond very closely to each other.

The system of integrating productive chains set forth in the following CFC Work Plan coincides directly with the GoC's National Forestry Development and Alternative Development Policies, contributing to the generation of a variety of economic alternatives to the production and processing of illicit crops, and generating sustainable employment and value-added processes among vulnerable populations.

The CFC will support the development of forest-based businesses so that forestry can become a more significant sector in generating alternative income to the general as well as vulnerable populations (IDPs, Indigenous and Afro-Colombians). CFC support will be focused on the Southwest Colombia; Ibaque, Tolima Grande; Bucaramanga, Magdalena Medio; Medellín, Norte Occidental; Pereira, Eje Cafetero; and Barranquilla, Northern Coast geographic corridors.

The CFC has conducted a preliminary review of national plans, including an extensive dialogue with national experts, a review of Programa Colombia Forestal activities and projects and a review of existing commercial forestry activities within the MIDAS corridors. On this basis, the CFC estimates that the total suitable land for commercial forestry development within the MIDAS corridors amounts to about 1,800,000 hectares. However, the CFC will concentrate efforts the first year on 800,000 hectares in Urabá, Chocó, Córdoba, and Antioquia.

The CFC will utilize a four-pronged technical approach to develop or expand commercial forestry enterprises. The support to be provided by the CFC will be through financial and technical support to proposals that become viable projects with the objective of 1) helping communities create jobs for their own members in at-risk areas utilizing their natural forests under sustainability principles; 2) encouraging landowners and entrepreneurs to convert underutilized land into industrial plantations and agroforests, thereby creating jobs; 3) creating increased demand for wood products by helping transformers to become more competitive in order to drive forest-related job creation in rural areas; and 4) providing targeted assistance to help make forest products value chains nationally and internationally competitive.

The GoC entities in charge of forestry development are the Ministry of Agriculture, SINA (*Sistema Nacional Ambiental*) and MAVDT (Ministry of the Environment Housing and Territorial Development). At the regional forestry level, law enforcement is done by the CARS (*Corporaciones Autónomas Regionales*).

The private sector is represented by entities such as FEDEMADERAS, CONIF and others. At the regional level there are many private organizations of timber producers and reforestation associations. Given the discrepancies between regional and national government entities regarding law implementation, natural forest management lacks consistent and solid governance. The CFC will recommend that the MIDAS Policy Component review the granting of long term management permits in natural forest areas so that the private sector can play a bigger role in curbing unsustainable harvesting. The CFC will work with the SME Component to strengthen the capacity of the forest products value added industry.

1.1.1. Role in MIDAS

One of MIDAS' main goals is significant job creation and increased licit incomes. The CFC will contribute to this objective through its focus on the development of sustainable forest products businesses within the overall MIDAS strategy to improve the entrepreneurial environment in selected productive chains, as well as the legal, regulatory, and institutional environment. To be sustainable a forest-based business must become highly competitive in viable markets on an ongoing basis. Capitalizing on its knowledge of Colombia and skills in forestry and wood products marketing, the CFC will help MIDAS customers achieve this objective by stimulating proposals from potentially viable customer groups in high potential, competitive sub-sectors and geographic areas, developing the best proposals into business plans and providing the technical and financial support necessary to make the businesses successful and sustainable. The CFC strategic pillars are: a) strengthen the national financing structure's capacity to offer long-term loans to private forestry companies; b) follow "social responsibility" principles in production; c) encourage producers to apply environmentally responsible production practices; d) concentrate efforts on the creation of businesses which can create value-added products, including "product branding" to differentiate responsibly produced Colombian products aimed to capture a larger international and national market share.

1.1.2. Significant Constraints

Colombia's forestry and wood products industry is currently on the rebound after a serious decline in recent decades, contributing only 0.2% to GNP, providing only 37,700 jobs and claiming only a 1% share of the global tropical timber export market. Installed manufacturing capacity of forest products exceeds actual production by about 40%.

The biggest challenges facing Colombian commercial forestry are restricted financing and inconsistent forest policies resulting in unsustainable harvesting. Additionally, limited rural infrastructure, uncertain security, high production costs, lack of modern harvesting/processing equipment and knowledge, bureaucratic lethargy, lack of communication along the value chain and poor business practices hamper industry growth. Most solid wood comes from unmanaged natural forest and is initially processed in small sawmills, then air-dried and sold in rough-cut form. Colombian businesses face stiff competition from Brazil, Chile, and Argentina, which have more land in established plantations, sophisticated technology, and established export markets. One of the primary impediments to generating high-end, value-added production that would meet export standards is the lack of kiln drying capacity. Most of the easy access, low logging cost natural forest timber within MIDAS corridors has already been harvested. A more integrated management approach is needed.

1.1.3. Significant Opportunities

The internal demand for wood is growing and is not being met by domestic natural forest supply. There is thus a great opportunity for the creation of plantations. About 78.1 million hectares (68.5%) of the country is classified as land suitable for forestry. Within the MIDAS corridors, the commercial forestry potential is about 1.8 million hectares. These areas include natural forest and lands suitable for plantations and agroforestry. Plantation yields in these zones, for marketable species such as teak, pine, and melina, are among the most competitive in Latin America, and have considerable potential in export markets.

Internationally, market demand for hardwoods is growing significantly in Asia, and is not being met by Asian internal supply. This, together with the TLC, increases market opportunities for exports. Banana exporters have a growing demand for wooden pallets, however, part of the wood utilized is high grade which could be used in higher value products in the internal market, e.g., for construction or furniture.

Colombia also has high potential for the development of non-timber forest products (NTFP) such as medicinal plants, rubber, resins, rattan, bamboo and natural fibers.

Table 1: Summary of Significant Opportunities and Challenges Facing the CFC

Opportunities	Challenges
Demand for hardwood in Asia, Europe and the USA exceeds supply	Weak financial structure and few alternatives for long term financing
Large forest land base: standing natural forest stock of 49 million hectares, plus potential areas for plantations	Scarce availability of modern technology and skilled labor
TLC window of opportunity for technology transfer, markets and financing	Few income alternatives in rural areas to illegal crops
Colombian plantations achieve fast yield and are close to key markets	Widespread illegal logging, derived from a weak forest policy framework, supporting regulations and law enforcement, undermines sustainable forest management

1.2. Basic LoP Component Objectives

1.2.1. Major Component LoP Qualitative Objectives

The CFC objective can be summarized as: Stimulate a significant number of sustainable jobs and economic growth, as alternatives to involvement in illicit activities, by developing and/or expanding businesses using forest-based products. This objective entails three distinct aspects: 1) enabling Indigenous, Afro-Colombian, and other vulnerable group communities to effectively manage natural forests; 2) increasing investment in plantations and agroforestry; and 3) enhancing the commercial production of value added forest products—all of which aim to create jobs, increase demand for wood and promote value-added products to viable markets.

Since this primary objective entails three distinct but closely related activities, the CFC has organized itself into three distinct but dynamically integrated Subcomponents, each of which are discussed below. The CFC has designed its strategic approach to reach its objectives through these three Subcomponents. Also, the CFC will avoid ad hoc planning by developing a strategic framework which “sees” and detects the opportunities and needs of Colombia’s commercial forestry industry far beyond the concept papers and business proposals that reach the Component Manager’s desk. The cornerstone of this strategic

framework will be the development of a corridors assessment that identifies, for each of the six corridors, the significant business opportunities for CFC support, and the market, financial, economic, environmental, social, GIS, transport and security dynamics.¹ This assessment will identify the most planted and most abundant natural forest species, so that national and international market analysis can be conducted in support of MIDAS customers to assure that MIDAS investments are market driven.

A CFC's preliminary MIDAS corridors assessment has identified Chocó, Nariño, Antioquía, and Magdalena Medio as priority areas for Natural Forests projects (Subcomponent 1); Urabá, Norte de Córdoba, Sur de Bolívar, Centro de Antioquía, Huila, Tolima, Cauca, and Valle as priority areas for Plantations and Agroforestry projects (Subcomponent 2); and Urabá, Barranquilla, and Buenaventura, as priority areas for Value Added Business Development projects (Subcomponent 3). Magdalena Bajo Seco lies outside of the MIDAS corridors, but is also an important area for Sub-component 2. The CFC will investigate the possibility of including projects in this zone.

The CFC will develop three business models, one for each Subcomponent, discussed below, to respond to the needs of each of the Subcomponents. Additionally, the CFC will also create training packages and other support tools, which are to be integrated into the three business operations models. These business models will share the following common attributes: a) legal and social compliance with USAID-MIDAS pillars and Alternative Development policy (creation of jobs, alternative sources of income, etc.); b) full compliance with MIDAS' sustainability criteria; and c) compliance with USAID and other applicable environmental regulations. The CFC technical team will develop these three models on the basis of their own expertise, the expertise of consultants and USAID experience and lessons learned.

Subcomponent 1: Sustainable Commercial Natural Forest Management

Objective: Enable indigenous and Afro-Colombian communities to manage natural forests to create jobs and supply products to viable markets.

The natural forests targeted by this subcomponent are primarily humid tropical forest ecosystems located in the Pacific corridor (Chocó, Nariño, and Antioquía), Magdalena Medio and Urabá (Antioquía). The populations and livelihoods present in these zones are predominantly Afro-Colombian and Indigenous.

The CFC is in the process of evaluating two community-based commercial natural forest management projects now in varying stages of implementation by Programa Colombia Forestal (hereafter "PCF") in Nariño and Antioquía. These projects, which benefit Afro-Colombian communities, include a total of 36,500 hectares and would involve a CFC 2006 investment of \$200,000 if approved. See the "Year One Work Plan" section below for details.²

Developing projects with these communities will face significant challenges ranging from lack of forest management know-how, to very weak financial support, to poor processing and marketing

¹ This assessment will start by taking into account the information already available.

² The CFC has reached an accord with PCF that they will transfer 5 business plans to us. These business plans relate to projects in varying stages of development, in Vigia del Fuerte, Docampadó, Alto Guapi, Bajo Mira, and Abibe. Of these, the CFC considers that the two projects referred to here, that of Vigia del Fuerte and Bajo Mira, are advanced enough in their development that they will be included in the Year One fast track activities (See Table 14 and "Year One" section for more details, including a cost breakdown).

capacity to be competitive in local and international markets. However, Indigenous populations control about 20 million hectares and Afro-Colombians about 3.5 million hectares of Colombia's remaining natural forests—about 44% of the total. Most of the natural forests in the MIDAS assigned corridors are on these Reservations or “Resguardos”.

As needed, investigation of third-party Forestry Certification will be conducted to identify activities that need to be addressed by community forestry businesses to become certifiable, a process that may take several years to achieve. Third party product certification verifies that the production process behind the product is in line with socially, environmentally and economically sustainable management principles, thus making the product eligible for branding (e.g. FSC Certified Products, “Fair Trade” products, etc.). Branding, in turn, raises the product's profile and chances of accessing higher paying international markets, particularly in Europe and the U.S. There are numerous branding success stories in Colombia, Brazil and elsewhere in Latin America which will be analyzed by the CFC for emulation, if applicable.

Consistent with the CFC policy to avoid ad hoc planning, the CFC will formulate a Sustainable Commercial Forest Management Model for Natural Forests that has the objective of effectively transmitting socially, economically, and environmentally sustainable natural forest commercial utilization practices to project beneficiaries. This business model will integrate institutional, technical, legal, social and economic and business management elements. The model will integrate the wide variety of products and services that natural forests offer, including but not limited to timber and non-timber forest products, ecological services, protected area management, sustainably produced agricultural products and practices to help alleviate food security and other products and services that can be included in the income base of communities depending on natural forests. Sustainable practices will be based on the sustainable management principles of the International Timber Trade Organization (ITTO), the Forest Stewardship Council (FSC), the U.S. Sustainable Forest Initiative (SFI/US) and the Pan-European Forestry Council (PEFC); principles that will serve as a guide for the implementation of all commercial natural forest projects. The CFC's Sustainable Commercial Forest Management Model for Natural Forests will be available in two phases. The first phase is oriented towards small pilot tests, while the second will address large scale business development. The model will be bolstered and managed through sustainable management plan formulation tools such as environmental impact evaluations, and tested conservation techniques which ensure the maintenance of the natural forests' great conservation value and capacity to recover in case of damage. In general terms, the model integrates and seeks to position any proposed project within the following frameworks: institutional, technical, legal, social, economic and environmental; and to ensure that proper monitoring and evaluation of the project can be achieved. A description of each framework follows:

Institutional: The Ministry of the Environment and CARS govern the establishment of control instruments and law enforcement for proper natural forest management in Colombia. The CARS in particular, are the entities in charge of issuing permits and licenses for all natural forest related transport and industry transactions. The CFC will need to work closely with CARS related to MIDAS projects, and with the Ministry of the Environment, to seek their collaboration and support for project implementation. This interaction will fall along three lines: 1) CARS, depending on their interest and capabilities, could be subcontracted to provide technical assistance, training, monitoring and control, and assist the CFC in project/customer supervision

(there are 25 CARS in the zones where CFC intends to implement projects); 2) the CFC will establish a liaison officer between the CFC and the Policy Component with the purpose of working closely with legislators and regulators to strengthen the CARS' law enforcement capabilities to control logging, forest management, transportation and their overall control capacity. Additional policy reform support will be offered to CARS related to initiatives to homogenize CAR regulations and protocols that already exist (this is explained further in section 1.8.1.3.); and 3) in collaboration with the SME Component, the CFC will foster synergies with the related corridor Chambers of Commerce to help indigenous and Afro-Colombian community associations and business groups included in projects to officially register their organizations in the Chambers of Commerce, and seek additional collaboration and business support.

Considering that in Colombia there are significant knowledge and research gaps in Sustainable Tropical Forest Management (STFM), which undermine any sustainable natural forest management model in Colombia, the CFC is planning to subcontract CONIF, and other research organizations, to provide technical assistance, conduct research, testing, monitoring and activities related to STFM projects. The CFC will also rely on the support of state and municipal government institutions, since initiatives related to new business need to be coordinated with state and municipal governments. The CFC will also coordinate closely with ADAM and PILAS vulnerable groups initiatives being developed in the same area as CFC projects.

Technical: The CFC natural forest management model will be designed based on STFM fundamental principles. Moreover, the technical application of these principles will utilize the criteria, indicators, methodologies and tools of the Ministry of the Environment, the ITTO, the FSC, and the FSC's Voluntary Community Certification program. Business proposal development will be holistically based on landscape management models, forestry inventories, biodiversity surveys, Non-Timber Forest Product (NTFP) surveys, and availability of environmental services and ecological and support capacity screening so as to foster a sustainable, low-impact approaches that guarantee the availability of forests for future generations. The STFM system will also integrate tools for Reduced Impact Logging (RIL) and Standard Erosion Mitigation Guidelines for Logging (SEMGL) methodologies, which utilize GIS and remote sensing of geographic features to determine the most effective and low-impact harvesting solution for each project site.

For proposals involving commercial, natural forest potential projects with community organizations, the CFC plans to:

- a) subcontract a service SME or NGO to serve as the proposal and project business manager; their duties will include legalizing the community organization as a business, developing and helping to implement the business plan, conducting sustainable forest management practices from planning to logging and transportation, primary processing, and marketing and sales of products; the SME or NGO would be the "business manager" working for the community business;
- b) offer technical assistance and training programs to the communities involved on logging equipment operation, chainsaw operation, civil works planning, and other sustainable forestry practices, towards the achievement of the voluntary certification of CFC community projects;
- c) introduce certification practices based on the FSC and ITTO principles to monitor, control and follow-up to ensure compliance with STFM principles; and
- d) ensure coordination with local CARS for fiscal monitoring, control and follow-up of the transactions involved in each natural forest management plan.

Legal: Based on the experience of PCF, the CFC is designing the legal framework of its sustainable commercial natural forest management model to pay special attention to the following legal issues: a) local communities are unsupported by the legal system, have no access to the lawyers and functionaries needed to execute commercial natural forestry transactions; b) there continue to be conflicts regarding land rights; and c) permanent legal assistance is needed for the management of businesses, particularly in commerce and marketing activities, labor regulations, commerce regulations and marketing and transport regulations. Forest management plans developed under CFC should meet or exceed all applicable laws and/or regulations covering employee and employee family health and safety. Rights of workers to organize and voluntarily negotiate with their employees shall be guaranteed as outlined in Conventions 87 and 98 of the International Labor Organization (ILO). Appropriate mechanisms shall be incorporated in the legal framework for resolving grievances and for providing fair compensation in the case of loss or damage affecting the legal or customary rights, property, resources, or livelihoods of the involved communities. Measures shall be taken to avoid such damage. Mechanisms will be incorporated to protect forest management areas from illegal harvesting, settlement, and other unauthorized activities, and to control the payment of all applicable and legally prescribed fees, royalties, and taxes.

For the implementation of this framework the CFC will subcontract a lawyer to work on specific issues that arise while developing and implementing CFC community forest management projects, to assist and capacitate CFC customer community associations on legal issues and transactions that arise or may arise in the development of their business. The CFC will attempt to ensure that land titles are secured for all community associations that do not yet have them. For the implementation of the land titling initiative, the CFC will collaborate closely with the MIDAS Policy Component, and will subcontract INCODER and similar organizations. This legal assistance will be in support of CFC projects during both the proposal development and project implementation phases.

Social: The STFM concept, on which the CFC's commercial natural forest model is based, uses human social development as its central theme. The social framework is the point where the other frameworks—technical, legal, and so on—intersect, because it integrates all of the factors that go into a sustainable process, including food security, landscaping, sustainable utilization of the environment, fresh and potable water. The CFC will integrate USAID's 25 years of experience considering Landscapes concepts, governance approaches, as well as the Sustainable Livelihoods Approach (SLA, a similar strategy developed by DFID) in its development of the social framework and strategy. This forest model will be developed within the context of a natural capital management plan designed to provide diversified income and livelihoods, and not just timber-based production for future generations. Economic alternatives to timber-based production could include: a) environmental services, b) conserving mother trees for seed production and sales, c) exploring NTFP opportunities, d) eco-tourism, e) setting aside a portion of their territories for conservation under private management units and applying for funds/resources from donors agencies or institutions related to world conservation and f) acting as recipients of training programs oriented towards forestry conservation, environmental management and control of illegal logging.

In Colombia there are many examples where community participation in forest management and environmental conservation has provided income, jobs and education. In many of these cases the community association participates not through a grant, but through a contract with the CARS to address local control of illegal logging, through an environmental services subcontract, or by executing practical activities in the field to improve their livelihoods. The CFC, in cooperation with ADAM where our geographic areas overlap, will seek to utilize these forms of participation in supported projects by stimulating new trends of transparent management, monitoring and control that will reduce illegal markets and harvesting.

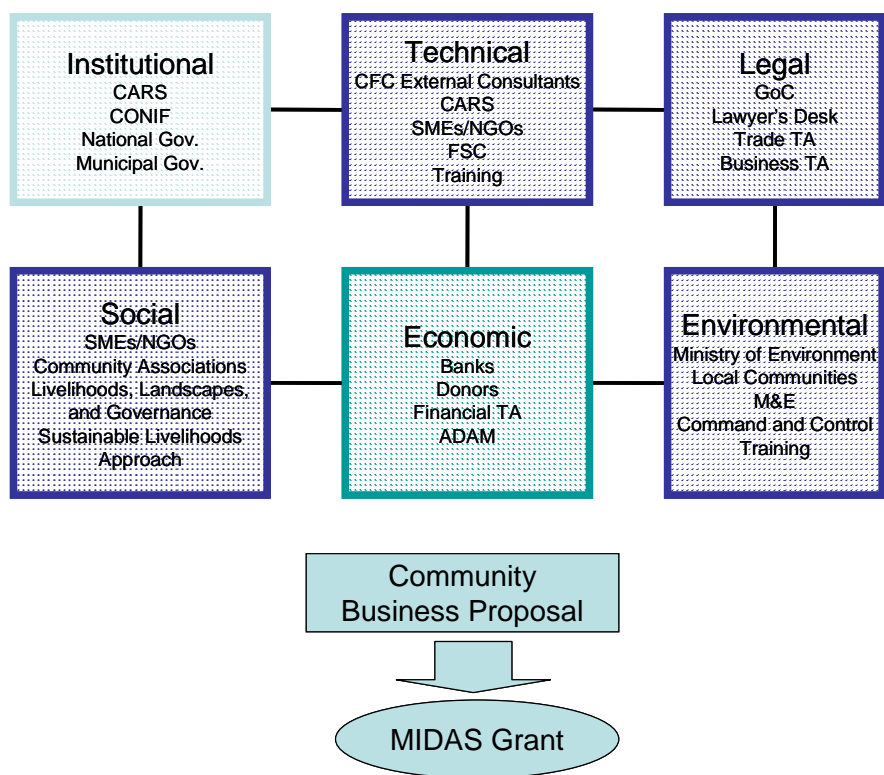
Economic: The CFC recognizes the work that PCF has done with communities in natural forests and into which USAID has invested substantial resources. Also the CFC recognizes that the community natural forest projects managed by Afro-Colombians and indigenous groups are still not bankable, and will require significant investments to make them profitable. PCF Lessons Learned will be used by the CFC to review the PCF approach to find a sustainable strategy to strengthen the economic and financial aspects of the proposed community projects. To achieve this objective, the CFC will seek alternative sources of finance for projects, and is planning to support technical assistance and capacitation to the communities in accounting, management and other required skills.

The CFC understands that the wood products market has many deficiencies and that the market potential is not only for wood and its sub-products, even though there is still a lot to do in adding value and recovering wood waste. The CFC will have a specialized unit to identify opportunities for both timber and non-timber forest products on behalf of project participants.

Environmental: The CFC vision as related to the environment also takes the community as its point of departure. The CFC anticipates supporting training and technical assistance for beneficiary communities associated with approved projects in monitoring and controlling economic activities to ensure that they are compliance with USAID environmental requirements and Colombian environmental codes.

Table 2 summarizes the six aspects of the CFC Sustainable Commercial Natural Forestry Model.

Table 2: The MIDAS CFC Sustainable Commercial Forest Management Model



MIDAS CFC Commercial Natural Forest Management Long Term Strategies

In regards to national policy, the CFC, in coordination with the Policy Component, has begun establishing a dynamic dialogue with elements of the Colombian Congress to present recommendations for the new forestry law. The law is expected to restore the system of concessions (with significant measures to protect community land rights and *resguardos*), which will allow for legal, sustainable logging on a larger scale. It is expected that the President will sign the new law by the second semester of 2006. The CFC and the Policy Component are also establishing dialogue with the Environment Minister and Congress for revision of the new Environmental Code and for homogenization of CAR environmental taxes. Through these dialogues, the CFC intends to achieve significant solutions to: a) illegal logging, b) illegal trade, c) noncompliance with environmental regulations. .. See section 1.8.1.3 for more information on this theme.

The CFC assumes that the new forestry law will be passed by de Colombian Congress in 2006, which will define the conditions on management for the natural forestry in Colombia.

CFC Long Term Strategy for Addressing Illegal Logging

For the areas included in projects where the CFC will be working, we are designing a strategy to help address illegal logging that has five parts:

Institutional: As mentioned above, all CFC projects will be closely coordinated with the relevant CARS and state entities. Projects cannot be approved unless their wood sourcing practices are verified to be legal and transparent. The CFC will also collaborate with the Policy Component to launch national strategies against illegal logging based on the strengthening of the CARS and municipalities' capacity to enforce the law and develop control instruments, as well as the training of communities in civil verification.

Technical: The CFC will take advantage of modern technologies (GIS, remote sensing, etc.) in its tracking of illegal wood product flows from project sites. The information obtained will be shared and coordinated with the CARS.

Chain of Custody: All CFC approved projects will have source verification based on a chain of custody tracking system from the forest to the market that is consistent with the legal framework.

Transparency Practices: To gain and maintain access to CFC support, all project proponents or participants must not be involved in any kind of illegal practices. For this reason the CFC will subcontract technical consultants to assist proponents in developing mechanisms that ensure the legality and transparency in their logging practices, and for those activities at risk (like illegal logging), identify measures to prevent proponents from being involved with illegal practices.

Local Community Capacity Building: The aim of local community capacity building is to instill in local communities participating in a project, a strong appreciation for their natural assets, a sense of responsibility for the conservation of those assets and the ability to implement a conservation strategy. The CFC is planning to subcontract conservation NGOs to help build this capacity within communities participating in supported projects.

Subcomponent 2: Commercial Plantations and Agroforestry

Objective: Significantly increase investment in plantations and agroforestry to create jobs and supply wood to secondary industries.

Colombia's gross reforestation during last 5 years did not surpass the peak of 5,000 hectares/year in its highest year, even with the boost in financial resources received from FINAGRO (which had the aim of planting 10,000 hectares). It is the opinion of CFC management that, with few exceptions, most of the plantations in Colombia are not yet certifiable under Forest Stewardship Council (FSC) and equivalent certification standards, given the lack of practices that ensure long-term sustainability. To help introduce sustainable business practices, the CFC will develop a Sustainable Commercial Forestry Plantations Model to provide guidance to the CFC's plantations customers to become *certifiable* under international standards.

The main elements of this business model will be: a) development will be based on market potential and best species productivity conditions; b) commercial agroforestry plantations aimed to provide income in the early plantation stages; c) the refinement of GIS analysis (taking into account information already available) into a precise tool to guide potential plantation investors to the most productive sites, based on forest and agro-ecological factors and adequate infrastructure; d) training of plantation managers to meet sustainability certification standards; e) a methodology for working with and through the regional CARS; f) a parameter ensuring that plantations to be supported by the CFC have market access and are market-driven; g) a parameter guaranteeing ecological sustainability of the plantations; h) commercial plantations with land titling legally assured (in coordination with the Policy Component); and i) commercial plantations that have guaranteed funding. The CFC will also develop cost standards that correspond to different plantation project phases, so that the cost feasibility of all projects can be determined at any given point of the review process.

The CFC is already assessing four reforestation business plans and three agroforestry business plans transferred from PCF, amounting to 6,000 hectares in total and involving a CFC 2006 investment of \$1.1 million as structured and if approved. These projects are currently in varying stages of preliminary implementation by PCF. The CFC is also anticipates receiving a number of several-thousand-hectare plantation development proposals, which it will be assessing. Selection will favor proposals that, all other factors being equal, benefit IDPs, Afro-Colombians and other vulnerable groups. See the “Year One Work Plan” section for details.

Subcomponent 3: Wood Product Value Chain Development

Objective: Increase production of value added forest and wood products to create jobs and demand for wood.

This subcomponent is focused on strengthening the private sector wood products industry. The CFC will accomplish this through supporting approved project proposals. The CFC will identify potential clients in production chains and invite them to submit proposals via the CFC APS/RBP. Since most value-added wood businesses are also small or medium sized businesses, there will be close collaboration with the SME Component, in particular in consolidating and strengthening the value chain and creating alliances to link forest products producers with manufactures and markets. Under the strategy of private sector strengthening, the CFC, in support of received proposals, will collaborate with local and national expertise to identify market niches for the species and products considered in the proposals. Moreover, based on the proposals, training needs will be identified and the CFC will collaborate with the GoC’s Wood Center appropriately. Special attention will be given to those businesses that generate exports. The CFC will identify wood product manufacturers that export, and from them work backwards to support businesses that contribute to value chain competitiveness while generating employment and income. One of the CFC tasks as related to approved wood products projects will be to link raw material suppliers with value adding manufacturers and strengthen the weaker links in high potential production chains. The CFC will use a combination of market-pull demand and supplier-push forces in identifying market opportunities and supporting project businesses. The CFC will locate offices in Bogotá, Medellín and Cali, to be close to where most of the wood manufacturers concentrate. Business alliances will be fostered and formed in coordination with the SME Component when appropriate.

To meet our value added goals, the CFC will develop a Value Added Business Model. The main elements of this model will be: a) methodologies to link forest management with primary and secondary manufacturing, and national and international buyers; b) methodologies to identify market opportunities

and strengthen small producer participation in the overall chain; c) mechanisms to organize small producers into production chains or alliances that generate jobs and economies of scale; and d) methodologies to introduce chain of custody principles ensuring that raw materials come from well-managed forests, are not from illegal sources, and that environmental, labor, safety, waste disposal, and all other applicable regulations are complied with.

The CFC is in the process of evaluating a proposal for a wood processing center with MADEURABA S.A., benefiting 3,500 families of Afro-Colombian and Indigenous communities in Urabá. This proposal, if approved, would involve a CFC 2006 investment of \$300,000. See the “Year One Work Plan” section for details.

Table 3: Ideal CFC Customer Profile

Ideal CFC Customer Profile		Projects Under Review
Natural Forest Management	<ul style="list-style-type: none"> • Has forest with management plan & is legally entitled to use it • Community is legally constituted business • Market access and funds assured • Primary processing capability 	<ul style="list-style-type: none"> • Vigia Del Fuerte (Antioquia)
Plantations/ Agroforestry	<ul style="list-style-type: none"> • Is legally entitled to their land • Funding available • Has experience • Species are commercially viable • Involves small landowners 	<ul style="list-style-type: none"> • Alianzas Productivas & Pizano S.A. • Pizano S.A. & FINAGRO
Wood Product Value Chain Development	<ul style="list-style-type: none"> • Purchases from natural forests or plantations in MIDAS Corridors • Capable of adding value to products and has markets • Funding available 	<ul style="list-style-type: none"> • Maturaba S.A.

1.2.2. Quantitative: Role of the Component in USAID Strategy

Table 4: Chronogram Years 2007-2010

Performance Indicators	SO	IR	CON RAC UAL GOALS	YEAR 1 GOAL	YEAR 2 / 2007				YEAR 3 / 2008				YEAR 4 / 2009				YEAR 5 / 2010				TOTAL	
					Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4		
1. Number of Jobs Created	SO2 SO3	2.1	21,000	1,238	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	2,000	2,000	2,000	2,000	1,242	840	840	840	21,000
2. Plantations/Agroforestry Hectares Supported	SO2	2.1, 2.3	67,500	6,000	500	1,000	1,000	2,000	2,000	3,000	5,000	5,000	5,000	5,500	5,500	5,500	5,500	5,000	5,000	5,000	5,000	67,500
2.1 Natural Forest Hectares Supported	SO2	2.1 2.3	150,000	35,000	4,000	4,000	4,000	4,000	4,000	5,000	5,000	5,000	5,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	150,000
3. Number of Families Benefited	SO2	2.1	7,600	2,825	175	200	200	200	200	300	300	300	300	300	300	300	400	400	400	400	400	7,600
4. Sales Increased Percentage Per Year/SME	SO2	2.1	N/A	NA																		
5. Producer Associations/ Processor Strengthened	SO2	2.2	35	4	1	2	3	3	4	4	5	4	5									35
6. Proposals Being Processed	INTERNAL		200	18	15	15	15	15	20	20	20	20	15	15	12							200
7. Projects Signed	INTERNAL		40	12		7	7	2	4	8												40
8. Number of Alliances Developed	INTERNAL		40	8	5	7	7	6	7													40
9. Private Sector firms Formed or Strengthened	SO2	2.2	50	8	3	5	5	2	5	5	5	2	5	5								50
10. Productive Infrastructure Completed	SO2	2.1	12	0						1	1	1	1	1	1	2	2					12
11. Total Value of Supported Projects (US \$'000)	INTERNAL		\$100,000	\$ 22,857	7,333	8,667	7,222	7,222	7,222	7,222	7,222	7,222	7,222	7,222	7,222	7,222	7,647					111,504
12. MIDAS Average Share of Total Investment	INTERNAL		17%	7%	15%	15%	18%	18%	18%	18%	18%	18%	18%	18%	18%	18%	17%					17.4
13. MIDAS Total Project Support (US \$'000)	INTERNAL		\$17,000	\$ 1,600	1,100	1,300	1,300	1,300	1,300	1,300	1,300	1,300	1,300	1,300	1,300	1,300						17,000
14. Private Sector Funds Utilized (US \$'000)	SO2 SO3	2.2 2.1	\$73,000	\$ 21,257	5,500	6,500	5,200	5,200	5,200	5,200	5,200	5,200	5,200	5,200	5,200	5,200	5,582					85,639
15. Colombian Public Sector Funds Utilized (US \$'000)	SO2	2.2 2.1	\$10,000	\$ 0	733	867	722	722	722	722	722	722	722	722	722	765						8,865

Note: The CFC target percentage of total grant & subcontracts is 15% for Subcomponent 3 (Value Added); 60% for Subcomponent 2 (plantations/ Agroforestry); and 25% for Subcomponent 1 (Natural Forests). However, resource allocation will depend on and be responsive to optimal business development considerations and MIDAS cost per hectare, job and family.

1.3. Component Organization Structure and Responsibilities

1.3.1. Component LT Structure

Figure 1

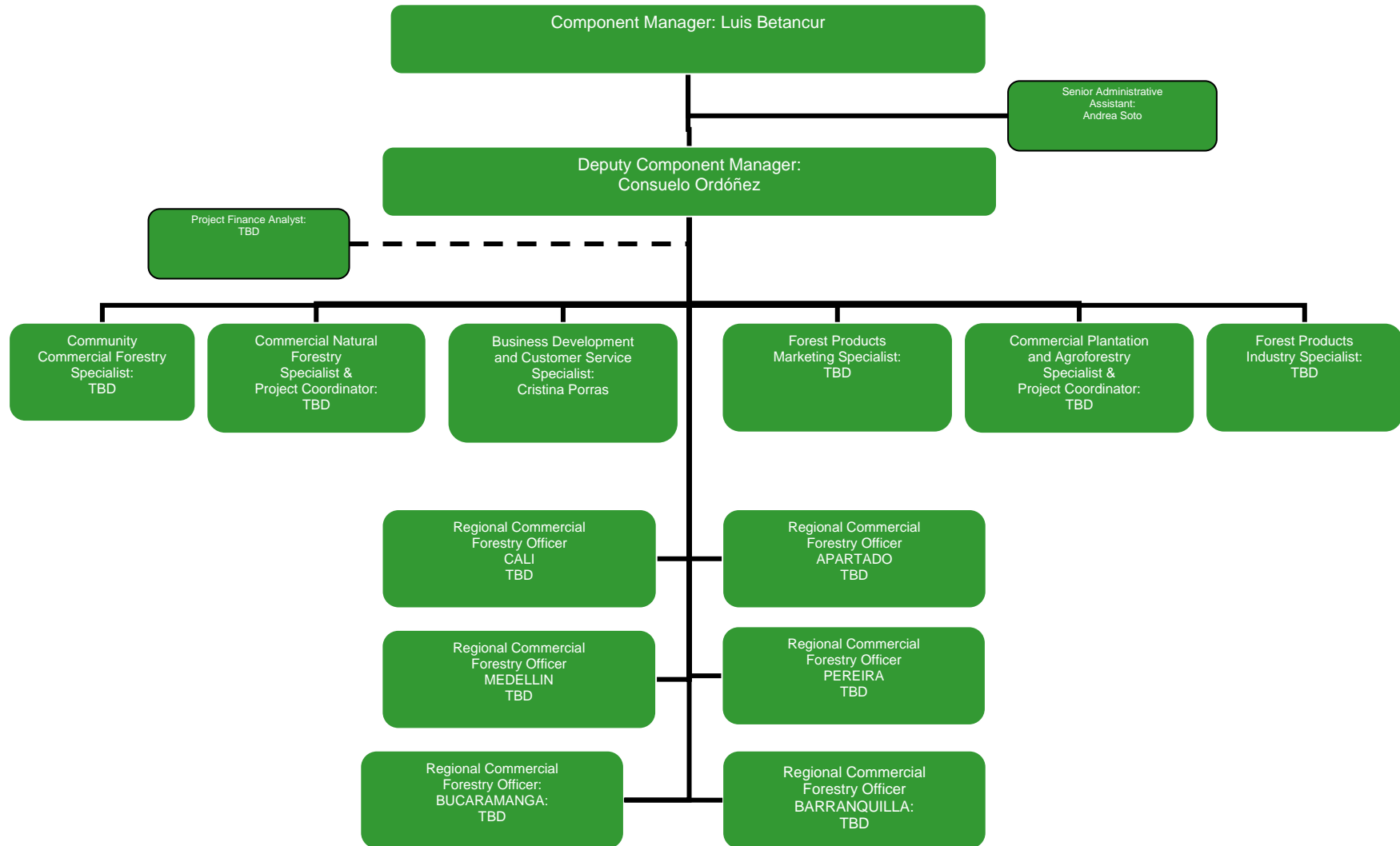


Table 5: CFC Organization Structure-Brief responsibilities description of LT hiring and starting dates

POSITION	NAME	MAIN RESPONSIBILITIES	START DATE
Component Manager	Luis Betancur	<ul style="list-style-type: none"> a) Meet MIDAS contractual goals in commercial forestry. b) Design, manage, and evaluate the three sub-components. Establish and assure conform to CFC policies. c) Supervise all staff, budget execution, proposal development and business plan development. 	01/22/2006
Senior Administrative Assistant	Andrea Soto	<ul style="list-style-type: none"> a) Provide administrative and logistical support to the Bogotá CFC senior staff. b) Schedule and organize meetings. c) Other secretarial duties as requested by the Component Manager or Deputy Component Manager. 	01/25/2006
Deputy Component Manager	Consuelo Ordóñez	<ul style="list-style-type: none"> a) Manage and coordinate development of proposals and implementation of Projects. b) Collaborate with the Component Manager in policy and strategy formulation. Collaborate in staff supervision, budget execution, proposal screening, and business plan development. c) Supervise and aid Specialists and field staff in implementation of CFC projects and activities. 	03/10/2006
Business Development and Customer Service Specialist	Cristina Porras	<ul style="list-style-type: none"> a) Provide customer service to CFC project proponents and CFC customers. Assist in financial analysis of business proposals; contribute expertise to the screening, development and implementation of business plans. b) Clearly identify and quantify business risks, and challenges for CFC Projects for all 3 Subcomponents. Guide proponents in accessing funds. c) Conduct projects budget monitoring and controls 	04/03/2006

Natural Forest Management Specialist	TBD	<p>a) Serve as Project Coordinator for Subcomponent 1 projects. Contribute expertise to proposal screening, business plan development and implementation.</p> <p>b) Identify subcomponent business opportunities; develop strategy and community interface models to take advantage of opportunities.</p> <p>c) Closely supervise natural forestry Projects and Activities. Design and implement technical packages to resolve business weak spots.</p>	05/01/2006
Forest Products Industry Specialist	TBD	<p>a) Provide forest products industry expertise to CFC proponents & customers and assist proposal screening, business plan development and implementation.</p> <p>b) Identify and provide TA for weak spots or gaps in the targeted value chains, especially regarding industrial processes.</p> <p>c) Design and oversee the implementation of industrial technical packages.</p>	05/15/2006
Community Forestry Specialist	TBD	<p>a) Assist vulnerable groups (esp. Indigenous and Afro-Colombian groups) in proposal screening, business plan development and implementation.</p> <p>b) Design and supervise implementation of vulnerable community-business interface models, sensitive to the unique dynamics of each group.</p> <p>c) Develop clear, concise contractual dialogues between participant communities and logging companies.</p>	06/01/2006

Plantation and Agroforestry Specialist	TBD	<p>a) Serve as Projects Coordinator for Subcomponent 1 and 2 projects. Contribute expertise to proposal screening, business plan development and implementation.</p> <p>b) Identify subcomponent business opportunities; develop strategy and means to take advantage of them.</p> <p>c) Closely supervise all corridor projects and activities, supervise the Apartadó Regional Officer. Design and implement technical packages to resolve business weak spots.</p>	06/01/2006
Forest Products Marketing Specialist	TBD	<p>a) Serve as Projects Coordinator for the Value Added initiatives. Contribute forest products marketing expertise to proposal screening, business plan development and implementation.</p> <p>b) Clearly identify and resolve weak spots or gaps in the targeted value chains.</p> <p>c) Design and oversee the implementation of CFC marketing strategies.</p>	06/15/2006
Commercial Forestry Regional Officer- Medellín	TBD	<p>a) Under the supervision of the Project Coordinator, coordinate the local implementation of CFC Projects.</p> <p>b) Monitor and report on the key forest industry business and trade flows in the region.</p> <p>c) Represent CFC interests and activities in the area.</p>	05/01/2006
Commercial Forestry Regional Officer – Apartadó	TBD	<p>a) Under the supervision of the Medellín-based Project Coordinator, coordinate the local implementation of CFC Projects.</p> <p>b) Monitor and report on the key forest industry business and trade flows in the region.</p> <p>c) Represent CFC interests and activities in the area, especially in support of CFC projects.</p>	05/15/2006

Commercial Forestry Regional Officer- Cali	TBD	a) Under the supervision of the Project Coordinator, coordinate the local implementation of CFC Projects. b) Monitor and report on the key forest industry business and trade flows in the region. c) Represent MIDAS CFC interests and activities in the area.	05/15/2006
Commercial Forestry Regional Officer- Bucaramanga	TBD	a) Under the supervision of the Project Coordinator, coordinate the local implementation of CFC Projects. b) Monitor and report on the key forest industry business and trade flows in the region. c) Represent CFC interests and activities in the area.	07/15/2006
Commercial Forestry Regional Officer- Barranquilla	TBD	a) Under the supervision of the Project Coordinators, coordinate the local implementation of CFC Projects and Activities. b) Monitor and report on the key forest industry business and trade flows in the region. c) Represent CFC interests and activities in the area.	03/01/2007
Commercial Forestry Regional Officer- Pereira	TBD	a) Under the supervision of the Project Coordinator, coordinate the local implementation of CFC Projects. b) Monitor and report on the key forest industry business and trade flows in the region. c) Represent CFC interests and activities in the area.	03/01/2007
Project Finance Analyst	TBD	SOW determined by the Project Financial Analysis Department.	05/15/2006
REVA Officer	TBD	a) Provide basic project and client tracking support. b) Support the CFC client and GIS mapping database. c) Review and evaluate project performance via the REVA system, and provide feedback to the Project Coordinators.	05/15/2006

1.3.2. Role of US and Colombian Partners

The CFC has several highly qualified US and Colombian partners as shown in Table 6 below. However, in the first year we will collaborate with only a few of these partners. The CFC intends to rely on J.E. Austin, Virginia Tech and Rainforest Alliance expertise in the development of market niches related to projects likely to be implemented in Year One. J.E. Austin and Virginia Tech are good sources of expertise on existing and emerging forestry product markets throughout Latin America. The Rainforest Alliance will be relied upon for support in bringing client production standards up to international levels, using forestry certification as a market tool.

The CFC is also communicating with Pizano S.A., who is the proponent of two Fast Track proposals, as well as FINAGRO, who is the proponent on two other Fast Track proposals. Pizano S.A. is the leading manufacturer of panel boards in Colombia. FINAGRO is a GoC second tier bank, specializing in the finance of agrarian projects.

Close coordination with ASOCARS will be pursued, given their regulatory control over harvesting and transportation permits in the forestry industry. Any commercial forest activities will have to obtain all the necessary permits from the local CAR. Because CAR regulations differ substantially from one region to another, the CFC will work with the Policy Component to harmonize these regulations and reduce red tape as much as possible. There twenty-five CARS within the MIDAS corridors, and are therefore potential CFC partners. But the CFC will pursue relations only with those CARs that have jurisdiction over the areas where CFC potential projects will be taking place. For Year One, CARs identified to have jurisdiction on Fast Track proposals are: Corporación Autónoma Regional de Urabá (CORPOURABA), Corporación Autónoma Regional del Alto Magdalena (CAM), Corporación Autónoma Regional del Rio Grande de la Magdalena (CORMAGDALENA), Corporación Autónoma Regional del Cesar (CORPOCESAR), Corporación Autónoma Regional de Nariño (CORNARIÑO), Corporación Autónoma Regional de Antioquía (CORANTIOQUIA), Corporación Autónoma Regional para el Desarrollo Sostenible del Chocó (CODECHOCÓ) and Corporación Autónoma Regional del Sur de Bolívar (CSB).

The CFC is also currently coordinating with CEA, a Colombian consulting firm, in searching for qualified long-term senior staff and short term consultancy candidates; and indirectly with the OAS, since OAS will be subcontracted by MIDAS to support the program’s Information and Community Outreach Department.

Table 6: Summary of the CFC Actual and Potential partners

Organization	Type of Service	Potential Service to MIDAS
Virginia Tech University (US-S)	Leader in wood processing, and marketing. Extensive LAC experience	Primary technical support for wood processing and marketing and technical aspects of plantation development. Lead wood products market assessment.
Rainforest Alliance (US-S)	Key global organization for forest certification and marketing of certified products.	Training in forest certification and international marketing of certified wood products.
J.D. Austin (US-S)	Markets and Competitiveness analysis	Marketing of plantation and natural forest species and competitiveness analysis of CFC customers
OAS (US-S)	Wide forestry industry network in LAC member countries.	Technical support for natural forest management and development of forestry EIA.
IESC (US-S)	Network of U.S. forest industry experts.	US marketing of Colombia wood products
FEDEMADERA (C-R)	Dominant forestry and wood products association in Colombia	Communication between MIDAS and members. Assist with policy and financing needs assessment. Develop capability to provide services to MIDAS customers.

ASOCARS (C-R)	Association of regional environmental corporations responsible for regulating natural forest management.	Communication between MIDAS and forest communities and development/replication of community forestry model.
CADEFOR (C-R) Note: will establish legal presence in Colombia	Strong track record of assisting Bolivia's forestry industry to become more competitive.	Help develop community forestry model. Help improve primary wood processing and value-chain development. Provide services to customers under subcontract to MIDAS.
IICA (C-S)	Important role in agricultural development in LAC.	Facilitate development of industrial forest plantations.
Cartón de Colombia (Smurfit) (C-R)	Leading manufacturer of paper products in Colombia and owner of plantations.	Assist MIDAS team to transfer plantation technology to customers and develop forward purchase contracts with those customers.
Pizano SA (C-R)	Leading manufacturer of panel boards in Colombia	Assist MIDAS team to transfer plantation technology to customers and develop forward purchase contracts with those customers.
CEA (C-S)	Leading Colombian consulting firm in agriculture and forestry.	Provide services to customers under sub-contract to MIDAS.
INCUAGRO	Second tier financial organization	Finances agrarian co-investment projects.
FINAGRO	GoC second tier bank	Finances agrarian co-investment projects.
CONIF	Corporación Nacional de Investigación y Fomento Forestal	Official institution responsible for the coordination of forestry research and inter-governmental forestry policy strategies.

1.4. GANT Chart: LoP – by year and quarter

Table 7: LoP GANT Chart, indicating the CFC proposal activities by year and quarter for Life of Project.

ACTIVITY	GOAL	CUM Y1	YEAR 2 / 2007				YEAR 3 / 2008				YEAR 4 / 2009				YEAR 5 / 2010				TOTAL	
			Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4		
Proposals Received	200	18	15	15	15	15	20	20	20	20	15	15	12							
Cumulative			15	30	45	60	80	100	120	140	155	170	182	182	182	182	182	182	182	182
Proposals Screened	140	13	10	10	10	10	15	15	15	15	10	10	7							
Cumulative			10	20	30	40	55	70	85	100	110	120	127	127	127	127	127	127	127	127
Proposals Assessed	80	13	5	5	5	5	8	8	8	8	5	5	5							
Cumulative			5	10	15	20	28	36	44	52	57	62	67	67	67	67	67	67	67	67
Proposals in Development	60	10	4	4	4	4	6	6	6	6	4	4	2							
Total at End of Month Result			4	8	12	16	22	28	34	40	44	48	50	50	50	50	50	50	50	50
Proposals Passed into Implementation by R.C.																				
Cumulative			0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Financial Agreements Being Developed, and/or Waiting USAID Approval																				
Total at End of Month			0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Financial Agreements Approved																				
End of Month Total Agreements Waiting for Approval			0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Implementation Agreements Signed	50	8	3	3	3	3	5	6	6	5	3	3	2							
Cumulative			3	6	9	12	17	23	29	34	37	40	42	42	42	42	42	42	42	42
Implementation Grants and Contracts Completed (Closed)																				
Cumulative			0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Projects Being Implemented (Signed - Completed)	50	8	3	6	9	12	17	23	29	34	37	40	42	42	42	42	42	42	42	42
Projects in System (Proposals in Assessment+ Development + Passed the RC- Closed)			9	4	4	4	6	6	6	6	4	4	2	0	0	0	0	0	0	55

1.5. Implementation Methodology

1.5.1. Proposal Solicitation

1.5.1.1. Methodology

In Year One, the Commercial Forestry Component will award grants/subcontracts to two sources of proposals, assuming they pass all proposal development steps: 1) Business Plans/Proposals developed by PCF as part of the Transition Plan to MIDAS (Fast Track activity); and 2) new business proposals received in response to the CFC APS/RBP. All approved projects must contribute to meeting MIDAS and CFC objectives and expected results, and will be screened using the MIDAS/CFC criteria. The CFC will conduct a Fast Track corridors assessment to identify the best business opportunities to support during the life of the project, and in particular Year One.

For proposals with business plans developed by PCF, we will start the process at Step 8 of the MIDAS proposal development process. Proposals with good sustainability potential will be presented to the Review Committee and if approved, will follow Steps 9 to 17. A summary of the process is found in Table 11.

Component management has developed CFC criteria for the proposal Screening, Assessment and Development stages. These Criteria will be approved by USAID as part of the Work Plan approval process. The CFC screening criteria are based on the MIDAS minimum basic criteria applicable to all components, plus specific criteria applicable to the CFC.

For new proposals, the Component will define and make public the main activities that will qualify for support in the Annual Program Statement/Request for Business Proposals (APS/RBP).

Proposals under US\$100,000 will be evaluated by a Review Committee consisting of the following:

- The CFC Project Coordinator(s);
- The CFC Business Development and Customer Service Specialist; and
- The CFC Deputy Component Manager or their delegate (has to be a senior administrative officer).

Once approved by this Review Committee, these proposals will then require the approval of the USAID Activity Manager, the MIDAS Chief of Party, the Project Financial Analysis Department Manager, the Grants and Sub-contracts Manager, and the Environmental and M&E Manager.

Proposals of US\$100,000 and over will be evaluated by a Review Committee consisting of:

- CFC Component Manager;
- CFC Deputy Component Manager;
- Grants and Sub-contracts Manager;
- Project Financial Analysis Manager;
- MIDAS Chief of Party;
- Program Planning Manager; and
- USAID Activity Manager.

Excepting those business proposals submitted by the PCF, which will enter directly into the Assessment Phase, new proposals must follow all the steps indicated in the MIDAS Process for Awarding Grants/Subcontracts outlined in the Program-level portion of the Work Plan, and summarized in Table 11.

Technical Services will coordinate the development of a standard Project Description Outline and Instructions for proposal applicants based on ARD and USAID experience and lessons learned. The preferred format will include: Concept Papers, Business Plans, Financial Plans, etc.. One set of formats may be tailored to natural forests and plantation/agroforestry based businesses, and a second set to value chain-based businesses. These forms and instructions will be tailored for each group given their inherent differences. CFC-specific Screening, Assessment, and Development criteria are found at the end of each respective section (Tables 8, 9, and 10).

APS/RBP dissemination methods will range from traditional media, to receiving and filling out proposal formats through the MIDAS webpage. In the MIDAS webpage, the CFC will develop a link to host tools, forms, public reports and others information needed by clients and MIDAS Outreach.

1.5.2. Screening

1.5.2.1. Methodology

MIDAS potential proponents' proposals will move through the approval process via the steps defined in the MIDAS Proposal Development Process outlined in the Program-level portion of the Work Plan. ARD Outreach will first advertise the availability of support on terms developed by the CFC and Grants and Contracts, consistent with USAID regulations. For potential proponents, the first step will be to submit a Concept Paper. Technical guidance and training needed for concept paper or proposal development will be offered at the corridor level by the CFC Project Coordinators. Proposals will be screened by CFC Bogotá staff using agreed screening criteria. The CFC will only present to the Screening Committee proposals that will contribute to reaching CFC and MIDAS objectives and goals, and meet or exceed Screening phase criteria.

1.5.2.2. Responsibilities

Application forms will be developed by the Component's Business Development Specialist with support from the rest of the CFC senior staff. APS/RBP dissemination will be channeled via ARD Outreach. Training for responding to the APS/RBP, and understanding the selection criteria to potential proponents and related funding organizations will be done through the regional offices supported by the Business Development Specialist based in Bogotá. Regional personnel will train potential proponents in how to respond to the APS/RBP.

1.5.2.3. External participants such as subcontractors or partners

Helping potential proponents respond to the APS/RBP and proposal screening will be implemented by Component personnel in the Corridor and the Bogotá offices. No external support is required.

The CFC Screening Criteria are shown in Table 8 below.

1.5.3. Assessment

1.5.3.1. Methodology

This second step will require Component Specialists based in Medellín, Cali and Bogotá to guide potential proponents in developing the Concept Paper into a Business Proposal. The specialists will channel to the Bogotá office Business Proposals that merit further development using the Component's Assessment Criteria. As previously described, proposals under \$100,000 will be dealt differently than those above this amount.

During this stage, a MIDAS internal environmental review will be carried out to ensure that no further resources are used in proposals that may not qualify for USAID approval.

This step will require additional information substantiating the proposal's key assumptions, as well as the technical, social, economic, and environmental sustainability of the project. The proponent will provide basic information regarding key criteria to justify passing the proposal to the next step, which requires developing a full business plan. These variables will include, at the very least, available markets, the forest management plan developed under sustainability principles, funding and leverage, financial projections, experience and management strength and environmental mitigations. At this point the CFC will start working with the proponent to prepare the Environmental Review.

Once the CFC's staff considers the proposal ready for review, the proposal will be presented to the Review Committee. For this step, the Committee will use the Component's Assessment Criteria.

1.5.3.2. Responsibilities

The Plantations and Natural Forest Specialists will be responsible for assessing Natural Forests and Plantations and Agroforestry proposals. The Business Development Specialist in Bogotá will assess the proposals passed to them by the corridor offices, and provide feedback for improvement/completion as needed. If the proposal merits further consideration, it will be reviewed by the Component Manager who then will determine if it should be presented to the Review Committee. If the proposal needs further work, technical assistance will be sought from consultants.

The environmental review will start at this point. Training to consultants or organizations helping clients will be offered by regional and Bogotá offices. The proponent will be responsible for completing/improving the business proposal. A business proposal template will be developed by the Business Development Specialist. The Review Committee will assess the business proposal to define if it merits passing it on to Development - Step 12.

1.5.3.3. External participants such as subcontractors or partners

External consultants will provide technical assistance to the proponent to complete the business proposal during Assessment, as needed.

The CFC Assessment Criteria follow in Table 9 below.

Table 9: MIDAS CFC Specific Assessment Criteria

MIDAS Commercial Forestry Component			
Obligatory and Desired Criteria			
ASSESSMENT APPROVAL CRITERIA			
Project Name: _____			
Code: _____			
MIDAS Program Level Obligatory Requirements		Y	N
Verification that location is consistent with MIDAS geographic targets (six corridors)			Responsible
Verification of a positive impact on reducing production of illicit crops			Proposal Coordinator
Verification of significant positive impact on families hectares and jobs in terms of MIDAS su			Proposal Coordinator
Verification that source of funds and proponent not connected to illicit activities			Project Finance
Verification that competitiveness aspects of proposal appear adequate and sustainable			Proposal Coordinator
Verification of clear proponent cost sharing and sources			Project Finance
Verification that the geographic area has or soon will have adequate security			Proposal Coordinator
Initial proponents/participants have been located and confirmed			Grants & Sub-contracts
Commercial Forestry Component Obligatory Requirements			
Verification that environmental sustainability anticipated and mitigations planned			Proposal Coordinator
Verification that proponent is registered legal entity in Colombia or is in process			Project Finance
Verification that a clear market has been established			Proposal Coordinator
Verification that MIDAS's share of total investment less than 25%			Project Finance
Verification that basic Business plan available			Proposal Coordinator
Verification of compliance with POT (Municipal Land Use Planning)			Proposal Coordinator
Verification that natural forest or plantations plan following sustainability principles.			Proposal Coordinator
Verification of adequacy of transportation means			Proposal Coordinator
Verification of land tenure rights legal are legal and secured by dthe proponent or is in the process of			Proposal Coordinator
Note: One "NO" means "does not comply with the obligatory requirements"			
Desired Qualities		Evaluator	
Factors to Weigh		Weight	Grade
		Score	
Positive impact in families benefited		3	0
Positive impact in new jobs created		3	0
Positive impact in licit hectares supported		3	0
Financial needs identified and availability reasonably assured		3	0
Vulnerable population will be involved in project (IDPs, Afro-Colombians, Indigenous)		3	0
Extent of commercial viability and sustainability		2	0
Proponent's managerial and administrative capacity		2	0
Vulnerability of geographic area to illicit production		2	0
Availability of qualified operator		2	0
Security in/to/from geographic area		2	0
Project risks identified and mitigation planned		2	0
Proponent's track record in the proposed area of business		2	0
Support from local communities		1	0
Synergy with other alternative development programs operating in the area		1	0
Proponent's experience in target geographic area.		1	0
Export-generating potential		1	0
Is the project based in a Conflict Zone?		2	0
Total Score		35	0
Minimum Score		99	
By affixing my signature below, I hereby certify that I have no real or apparent conflict of interest concerning this proposal, the applicant organization, or any other consultant of business that may be involved in the referenced project and I did not participate directly in the development of this proposal Evaluator _____		Table of Weights	
		Weight	Description
		3	Very Important
		2	Important
		1	Useful/Desirable
		Table of Grades	
		Grade	Description
		5	Excellent
		4	Good
		3	Average
2	Fair		
1	Poor		

1.5.4. **Development**

1.5.4.1. Methodology

In this step the proponent will develop a detailed Business Plan. The CFC will offer technical assistance to the proponent using pre-qualified subcontractors/consultants. Component and Project Financial Analysis staff will conduct due diligence paying special attention to the technical assumptions in the business plan, market viability, financial projections, leveraging and additional funding, job creation and environmental mitigations to ensure the sustainability of the proposed business. CFC Development Criteria will be used to determine if a proposal will be passed into Implementation.

1.5.4.2. Responsibilities

The CFC will develop a list of pre-qualified Subcontractors/Consultants. The Component Manager will submit the Business Plan and award Budget to the MIDAS Review Committee for consideration.

1.5.4.3. External participants

Subcontractors/Consultants will provide technical assistance to proponents in developing their business proposal.

The CFC Development Criteria follow in the Table 10 below.

Table 10: MIDAS CFC Specific Development Criteria

MIDAS Commercial Forestry Component Obligatory and Desired Criteria DEVELOPMENT APPROVAL CRITERIA			
Project Name: _____			
Code: _____			
MIDAS Program Level Obligatory Requirements	Y	N	Responsible
Verification that initial proponent/participants have been identified, located & confirmed.			Proposal Coordinator
Type of support instruments and award budget has been agreed to			Grants & Sub-contracts
Project site free of illicit crops			M&E
Environmental review submitted to USAID			M&E
Assured source of finance			Project Finance
Proponent/project has passed due diligence			Project Finance
Proponent/project pass land use verification			Proposal Coordinator
Project has viable/bankable business plan			Project Finance
Market access assured			Proposal Coordinator
Project is registered legal entity in Colombia			M&E
Commercial Forestry Component Obligatory Requirements			
Management plan for natural forests or plantations following Sustainability Principles			Proposal Coordinator
Environmental Review approved CAR, approved FMP (Forest Management Plan)			Proposal Coordinator
Land tenure rights are legal and secured			Proposal Coordinator
Impact can be accomplished within MIDAS timeframe			Proposal Coordinator
Customer has agreed to a separate audited account if grant funds provided			Grants & Sub-contracts
MIDAS's share of total investment less than 25%, i.e., funds to be leveraged from other sources			Project Finance
Needed sources of financing have been arranged			Project Finance
Note: One "NO" means "does not comply with the obligatory requirements"			
Desired Qualities Factors to Weigh	Weight	Grade	Score
Positive impact on reduced production of illicit crops	3		0
Vulnerable population is involved in project (IDPs, Afro-Colombians, Indigenous)	3		0
Sustainability of project reasonably assured	3		0
Extent of positive impact on families benefited	3		0
Extent of positive impact on jobs created	3		0
Extent of positive impact on licit hectares supported	3		0
Project risks identified and mitigations planned	3		0
Social sustainability assured	3		0
Strength of proposer's project management team	3		0
Support from local communities confirmed	2		0
Proponent's managerial & administrative capacity in similar business	2		0
Proponent's experience in the proposed business	2		0
Security in/to/from geography area	2		0
Local and regional authorities support the project	2		0
Sustainability of local community benefits	2		0
Synergy with other MIDAS, ADAM, PILAS Projects operating in the area	1		0
Export-generating potential	1		0
Proposer's experience in target geography area	1		0
Is the project based in a Conflict Zone?	2		0
Total Score	44		0
Minimum Score			126
By affixing my signature below, I hereby certify that I have no real or apparent conflict of interest concerning this proposal, the applicant organization, or any other consultant of business that may be involved in the referenced project and I did not participate directly in the development of this proposal Evaluator _____		Table of Weights	
		Weight	Description
		3	Very Important
		2	Important
		1	Useful/Desirable
		Table of Grades	
		Grade	Description
		5	Excellent
		4	Good
		3	Average
2	Fair		
1	Poor		

1.5.5. **Implementation**

This step will require MIDAS Review Committee approval of the proposal, then submission of the project support instrument to for USAID approval. Once approved, a grant of subcontract is signed and project implementation starts. The contract will contain specific implementation indicators that will be monitored by the assigned Project Coordinator. Component staff will monitor project performance using the REVA system.

Once approved, Component management will assign a Project Coordinator to the project based on the required competence. The Commercial Plantations Specialist will be the Project Coordinator for all plantations and agroforestry projects. The Commercial Natural Forest Specialist will be the Project Coordinator for all projects that are natural forest management based. The Forest Products Industry Specialist will be the Project Coordinator for wood products value added projects. These Project Coordinators will coordinate with the REVA Officer to ensure that the REVA process is followed.

Table 11 on the following pages summarizes the CFC proposal development and project implementation process.

Table 11: Summary of the MIDAS CFC Proposal Development and Project Implementation Process

MIDAS CFC Proposal Development and Project Implementation Process					
<u>SEQUENCE</u>	<u>STEP</u>	<u>RESPONSIBILITY</u>			<u>TIMING</u>
		<u>SUPERVISOR</u>	<u>PRIMARY</u>	<u>SECONDARY</u>	<u># DAYS</u>
PROPOSAL SOLICITATION					
1	Distribute Approved APS/RBP, including Terms of Reference (ToR) for Proposals	MCFC	CDCFC	TACFC	2
2	Marketing to Stimulate Submission of Concept Papers & Proposals in Response to the APS/RBP	MCFC	CDCFC	TACFC	2
SCREENING					
3	Receive and Log In Proposals/Concept Papers	DCFC	CDCFC	TACFC	1
4	Screen Proposals/Concept Papers	DCFC	CDCFC	TACFC	2
5	Verify Customer Reputation and Sources of Funds	DFCF	CDCFC	TACFC	2
6	Further Detail/Refine Proposal with Client	DCFC	CDCFC	TACFC	1
7	Submit Proposals with Good Potential to Review Committee	DCFC	CDCFC	TACFC	2
ASSESSMENT					
8	*Assign Proposal Coordinator and Establish Task Team	DCFC	CDCFC	SCFC	1
9	Establish and Implement a Project Assessment Plan	DCFC	CDCFC	SCFC	2
10	Implement Assessment Plan	DCFC	CDCFC	SCFC	3
11	Present Detailed Assessment to Review Committee	DCFC	CDCFC	SCFC	1
DEVELOPMENT					
12	*Complete Business Plans, Financial Structure and Financial Evaluation. Environmental Review approved by USAID. MOU (if required), Implementation Plan, MIDAS Award Budget Draft and Agreement Outline Completed	MCFC	CDCFC	SCFC	8
13	Present Project Description, Award Budget and Recommendations to Review Committee	MCFC	CDCFC	SCFC	2
APPROVAL					
14	Obtain Approval from Review Committee	DCFC	CDCFC	SCFC	1
15	Obtain USAID Approval of Support Instrument	DCFC	CDCFC	SCFC	8
16	*Assign Project Coordinator and Task Team	DCFC	CDCFC	SCFC	5

17	Apply Final Verification Procedures	DCFC	CDCFC		3
IMPLEMENTATION					
18	Sign Final Agreement with Proponent	MCFC	CDCFC	SCFC	1
19	Train Proponent how to Implement Agreement	DCFC	CDCFC	SCFC	2
20	Implement Agreement and Business Plan (including REVA System)	DCFC	CDCFC	SCFC	3
21	Implement Project M&E	DCFC	CDCFC	SCFC	3
22	Implement Information Flow (success stories, monitoring, M&E, financial)	DCFC	CDCFC	SCFC	3
23	Third Party Audit if Support exceeds US\$300,000 in any 12 months	MCFC	CDCFC	SCFC	3
24	End of Project Report (close out if is required)	MCFC	CDCFC	SCFC	2

* Assuming completion of previous step

Note: MCFC = Manager CFC; DCFC = Deputy CFC; CDCFC = Customer Development CFC; TACFC = Technical Advisors CFC;
SCFC = Specialists CFC.

1.5.5.1. REVA

The CFC is designating a permanent REVA Officer to manage the Component's REVA process. The REVA Officer will adapt the standard MIDAS REVA format to the three project types—Sustainable Commercial Natural Forestry, Plantations/Agroforestry and Value Chain Development. REVA will focus on USAID and the Performance Indicators—financing, purchases, returns on investment, etc.

The REVA process is covered in the Program Level Work Plan. REVA assessment will be based on the REVA evaluation criteria established for each of the three subcomponents. The establishment of these criteria will be a Fast Track activity to be completed by the CFC REVA Officer in collaboration with the Component Manager and the Program Planning Manager. The other important pillar of REVA assessment is ongoing verification of the reported indicators. The establishment of a standard verification process tailored to the Component is another Fast Track responsibility of the REVA Officer.

1.5.5.2. Methodology

The REVA Officer ensures that each customer has the correct REVA package and they are capacitated in how to complete it. The REVA Officer ensures that clients always present their indicators in a way that reflects project performance accurately and transparently, and that the completed forms are turned into the appropriate Project Coordinator by the monthly deadline. The REVA Officer then coordinates with M&E field teams to obtain verification of the reported performance indicators. After verification, the REVA Officer evaluates the reported indicators against the levels projected in the CFC Annual Work Plan, and advises the REVA Committee on the conclusions of this evaluation at the weekly REVA meeting.

1.5.5.3. Responsibilities

The key to a strong REVA process lies in two aspects: a) close coordination with all of the actors in the REVA chain, from the customers and M&E field teams to the Component and Program Planning Managers; and b) the establishment, elaboration, and maintenance of the Component customer tracking and GIS database. Both aspects are the responsibility of the REVA Officer.

1.6. Utilizing Leveraging

1.6.1.1. Other sources of financial support

In Colombia one of the most serious challenges to promote reforestation and natural forest based businesses is the lack of long-term funding from private banks with competitive market rates to make the forest industry internationally competitive. Aside from FINAGRO and INCUAGRO, who were created by the GoC to support the agricultural and forestry sectors, no other major source of funding is available, and private banking is almost completely unavailable to producers. However, there are several sources of funding and incentives that the CFC can help identify and capture for supporting natural forest commercial management and plantation projects.

In spite of the fact that the public sector captures a significant amount of revenues from electricity generation taxes combined with an environmental tax, these revenues are not being efficiently used for their intended purpose, which is reforestation programs and natural forest management. MIDAS could help channel these revenues to viable forest businesses.

The CIF (Certificado de Incentivo Forestal) was created by the government to stimulate the establishment of plantations and foster their development. This incentive covers a proportion of the investment in the establishment and maintenance of plantations. In the early stages of plantations, the CIF reimburses up to 75% for native species, and up to 50% for exotic species. CIF has stimulated plantation growth, but it faces major challenges. In the last 3 years, total CIF support did not surpass U\$8.5 million, and total hectares reforested did not surpass 20,000—one fourth of the goal set forth in CONPES 3237 (“Estímulo a la Reforestación Comercial” 2003). Moreover, CAR auditors of CIF projects use inconsistent audit criteria and lack the necessary resources to conduct proper due diligence. The CFC will coordinate with the MIDAS Policy Component to assist the GoC in improving the regulations and methodology to make the CIF a truly effective tool for promoting reforestation.

FINAGRO and INCUAGRO are noteworthy second tier financial institutions. FINAGRO participates with a good volume of risk capital in direct investments with consortium plantations, through 2 modalities: a) direct investments with participation from companies like Pizano S.A. and Carton de Colombia; and b) direct investments in SMEs with the participation of producer alliances and companies. Such ventures take place with the guarantee that FINAGRO will recover its investment when the final plantation harvest occurs, and then “sell” the project to small producers and leading investors involved in the project.

INCUAGRO has a very successful model that incorporates the participation of SME tree farming, using financing in consortium with FIP (Fondo Inversión para la Paz), FPAA (Fondo para la Acción Ambiental) and private funds.

For additional sources of project funding, the CFC will explore several international sources. These will include the World Bank and IFC, IDB, debt release credits for environmental conservation and protection, CDM (Clean Development Mechanism), CAF (Corporación Andina de Fomento), FAO, BIRF (Banco Interamericano de Reconstrucción y Fomento), GEF (Global Environmental Fund) and TIMOs (Timber Investment Management Organizations). Under the leadership of the MIDAS Project Finance Sourcing Specialist, the CFC will also explore national sources such as Banco Agrario de Colombia, Certificado Incentivo Forestal de Conservación, CIF, FONPYMES (Fondo Colombiano de Modernización y Desarrollo Tecnológico de las Pequeñas y Medianas Empresas), Fondo de Compensación Ambiental, FIP (Fondo de Inversión para la Paz), FONAM (Fondo Nacional Ambiental), FINAGRO (Fondo para el Financiamiento del Sector Agropecuario) and FPAA (Fondo Para la Acción Ambiental).

The Technical Services Department, in coordination with the CFC, will: a) conduct a review of all current available financing services, including alternative, sustainable, market-based funding; b) assess the opportunities of modifying existing institutional arrangements with the goal of more market-based practices; c) develop a transition strategy to evolve from existing funding sources to sustainable market-based funding sources; d) develop information flows with businesses to identify unmet financial needs; and e) develop an outreach strategy that motivates project proponents to actively seek and use alternative, market-based funding.

1.6.1.2. Other business development and implementation expertise

The CFC will develop relationships with national and international buyers that are willing to support projects that recognize the importance of sustainably produced products derived from certified plantations and natural forests. Most of these buyers are in Europe and in the US, where some consumers give preference to products certified as coming from well managed forests. Additionally, the CFC will develop relationship with Colombian organizations such as *Compartamos* that help Colombian firms and individual Colombians co-invest in socially responsible projects whose objectives coincide with those of

CFC customers. Moreover, the CFC will seek international investors that will bring know-how in plantations development so that their experience can bridge the technological gap with more advanced countries like Chile and Brazil.

1.7. Use of Alliances

1.7.1. Public-private alliances

1.7.1.1. Involvement of Colombian municipalities, departments, or central government entities in projects, including Acción Social, MoA, etc

The CFC will form productive synergies with many public entities, such as ASOCARS, Acción Social, the national desk-policies of the Ministry of the Environment and Ministry of Agriculture. The CARS, given their essential position as the regulators of all commercial forestry transactions, are a bridge to the private sector, and the CFC will develop relations with those CARs having jurisdiction over areas where CFC projects are taking place. Alliances with other elements of local governments, such as municipal capacity to interact with reforestation programs, will also be fostered depending on whether or not their involvement is needed in proposals and/or projects. The CFC will seek additional leveraging of funds with public entities for viable project proposals.

The CFC will strengthen key Colombian institutions best suited to carry on the activities after MIDAS ceases its functions. These institutions are: ASOCARS, given their role in curbing illegal logging and forestry law enforcement; FEDEMADERAS who represent the private sector; CONIF given their role in conducting research and consulting services for the private and public sectors, and others to be determined, particularly for strengthening the financial sector to support investments in forestry. FEDEMADERAS and CONIF can assist CFC proponents and customers by providing technical assistance to develop proposals and implement projects. This may include business plan development, market analysis, product development research, and other needed technical assistance to strengthen the proposals to be submitted to the CFC.

1.7.1.2. USAID as a public sector participant

USAID is the interlocutor between MIDAS and GOC entities, providing strategic guidance in programmatic support and communications with the GoC.

1.7.2. Private alliances

1.7.2.1. Technical involvement of private entities other than the primary proponent

Private sector participation is the central pillar sustaining the CFC. The forest industry in Colombia is led by the private sector. Colombian reforestation efforts are driven by private enterprises. The wood products industry in Colombia is mostly private sector driven. The state provides legal instruments for sustainable natural forest management, but it is the private sector which is the engine behind ant growth. The CFC will work with existing production chains and identify new ones with the private sector to define the support needed.

1.7.2.2. Financial participation of private entities other than the primary proponent

Based on current expectations, the CFC will seek to take advantage of promising new trends in forestry industry financial support, such as the CO2 Fix Model, or the relatively recently created CIF, which has led traditional financial institutions to establish new financial products that depart from risk capital lines. FINAGRO, for example, has released a financial package with a credit limit of 10,000 hectares (these packages are currently about 80% complete). This underscores the central, sine qua non role of the private sector. The CFC will also explore opportunities with insurance companies to insure standing trees as an asset capital constituting equity.

1.8. Internal Coordination

1.8.1. Between Components

Internal coordination with other MIDAS components will vary given the characteristics of each proponent. Coordination on new business will first take place at the level of the Component Managers, and then move down the support staff as the coordinated activity proceeds. In order to harmonize efforts, the CFC will promote and contribute to the creation of a MIS designed to receive and sort project concept papers, encoding and classifying them by type, location and participants. The CFC considers this an essential tool for cross-cutting component activity planning.

1.8.1.1. SME Component

With SME, most of the coordination will concern value added processing, e.g., woodshops and furniture—for local, regional, national, and eventually export markets. The SME Component's activities will be of natural benefit to the CFC in identifying and developing business alliances and marketing within targeted wood products value chains.

1.8.1.2. Agribusiness Component

In agroforestry projects, the CFC will coordinate with the Agribusiness Component in a number of ways. The CFC is evaluating 3 rubber plantation projects (transferred from PCF) in Urabá and the Pacific coast for Fast Track development and implementation, where the objectives/interests of the Agribusiness Component and the CFC overlap. As the CFC develops its agroforestry model, it will look to the Agribusiness Component for advice and lessons learned in creating short-term income opportunities.

1.8.1.3. Policy Component

The CFC has identified the following five legislative areas to coordinate with the Policy Component:

- Homogenization of CAR private sector regulations: The CARs are regulatory entities through which all private sector forestry business transactions must pass, from zoning to extraction to hauling. Currently, there are significant differences in the regulations from one CAR to another. Any wood business whose activities stretch across more than one CAR zone must comply with more than one set of regulations, slowing down transactions. The CFC will coordinate with the Policy Component to assess the possibility of, and create a strategy for, homogenizing regulations across all CARs to remove this constraint.

- The new Forestry Law: Since the Forestry Law project (Proyecto de Ley 264 de 2004 - 25 de 2004 Senado) has had a reversal before the approval of the President, the Executive Branch accepted a review of the law based on the recommendations of a group of Colombian environmentalists which include special attention to the processes of authorization for the use of natural forests that are on the lands of indigenous and Afro-Colombians. As this is a crucial theme for the CFC and for MIDAS, the CFC will actively seek close collaboration with the Policy Component to foster the development of a sustainable, stable, and safe natural forestry and plantations policy that guarantees the sustainability of the productive chains and of the natural forest and plantation supply base.
- The new Environmental Code: This is another important legislative theme to manage in concert with the Policy Component. The current Environmental Code, established in 1974, contains several provisions which were very damaging to the Colombian forestry industry. Colombian forestry experts frequently cite these provisions among the key factors that led to the collapse of the industry during the 80s, when Colombian forestry was left far behind by its neighbors Brazil, Bolivia, and Chile. The CFC believes that the damaging provisions can be reformulated in such a way that they both protect the environment AND promote forest industry growth.
- Land Titling: Any preliminary assessment of the social, economic, and financial sustainability in potential project zones cannot help but reveal the precariousness that exists in the Colombian agrarian sector over the legal land-use registry (land titling). The main issue is the slow bureaucratic implementation of the process in granting land titles. The land property title is an instrument for the financial viability of any proposal submitted to MIDAS. For this reason, the CFC is developing a strategy that through the Policy Component will help the GoC in the strengthening of institutions to procure a quick and efficient land titling process.
- Financial reform to help the development of the forestry sector.

1.8.1.4. Shared Activities

The CFC will work closely with the MIDAS shared Information & Community Outreach, Administration, Controller and Security Departments. The key activity of seeking alternative financing for potential projects will be coordinated by the MIDAS Technical Services Department given this issue affects all Components. The CFC believes support from existing financial organizations (FINAGRO, INCUAGRO) is insufficient. The new Forestry Law includes provisions to give more incentives to commercial forestry, but guarantees offered are still not sufficient to meet private banking requirements, thus there is a need to encouraging the GoC to create public-private companies to partially fill in the gap. International financing in plantations is expanding in South America. However, Colombia is still not sufficiently attractive to capture these funds. The CFC, in coordination with the other MIDAS Components and the GOC, will assess the possibility of creating mechanisms to facilitate Colombian and international private banking participation.

1.8.2. **Between the Bogotá Office and Corridors' Staff**

During the Fast Track timeframe, and in line with the expectations of MIDAS senior management, the CFC will contribute to the Program Planning Department's development of a Database Management System (DBMS), which will greatly aid the central office in tracking and maintaining client information and processes, as well as online resource of facts and trends that are of daily interest to the MIDAS components, both in Bogotá and in the field. Please see Arraque Rapido for more details.

1.8.3. Between the Component and Support Service Departments

MIDAS is developing project administration model based on past experiences and lessons learned. Due to the complexity of the factors involved, networking is the paramount policy that defines the relationship between the components and their support departments. Financing, monitoring, evaluation, administration controlling, and other supporting activities will be accomplished for using the MIDAS and ARD Colombia network. With this mechanism, proceedings and processes are regularly controlled and mapped out, ensuring that support departments are results driven.

Table 12: Summary of CFC Points of Internal Coordination

Internal Coordination		
With	What	How
SME Component	Wood value added projects; value chain consolidation initiatives	At the CM & Corridor Officer levels & through the DCoP
Policy Component	Preparation of new the Forestry Law, Standardization of CAR Regulations, Land Titling, Environmental Code	At the CM & Corridor Officer levels & through the DCoP.
Agribusiness Component	Rubber, Palm, and Agroforestry Projects; related value chain consolidation initiatives	At the CM & Corridor Officer levels & through the DCoP.
Corridor Offices	Implementation of CFC projects and activities	Through the Project Coordinators in Medellín and Cali
Support Departments	Controlling, Program Planning, Financial Analysis, Technical Coordination, etc.	Through the MIDAS Network & the DCoP

1.9. External Coordination Plan

In order to build the matrix of coordination between MIDAS, ADAM, CAPP, and PILAS, it will first be necessary to identify (in close collaboration with the Technical Services Department) the geographic location where implementers of USAID programs will be working. This entails development of an updated geographic information system (GIS) for all USAID AD programs. This GIS information, based on participating municipalities and *veredas*, will then be available to each USAID program. This coordination of USAID-supported Program investments will create and strengthen a critical mass of businesses, and thereby enhance results in the geographic regions where the Programs are working. The CFC will therefore seek to create synergy among Programs, in particular for community-based businesses where several players need to interact.

1.9.1. **With Other USAID Programs**

1.9.1.1. ADAM

The CFC will coordinate with ADAM in areas where both programs are working, with municipalities and *veredas* as the focal units. Early in the first year, the CFC will develop synergies with ADAM local government strengthening and AD initiatives, especially in the geographic areas of our eight Fast Track projects, and in the thematic areas of training of local forestry enterprises in good business management and administration and training of municipal staff and communities in Sustainable Natural Forest Management.

1.9.1.2. PILAS

The CFC will actively seek to create synergies with PILAS and FUPAD, where our programs overlap geographically, through the inclusion of IDPs in commercial proposals.

1.9.1.3. Buffer Zones for Community Forestry

After evaluating the geography of the FUPAD Buffer Zones project, the CFC has determined that it will pursue synergies with this project in the Sierra Nevada de Barranquilla corridor. This is the only geographic zone where our two programs overlap.

1.9.2. **With Related AD Programs**

1.9.2.1. GoC/Acción Social

The CFC believes it is very important to strengthen GoC activities to promote massive reforestation projects, to improve the conditions of natural forest management and to incorporate a new methodological language in the GoC. These actions would support the CFC objective of developing or significantly expanding forestry businesses. Most countries that have advanced their forestry sector have had significant government support via financial incentives for plantations or natural forest management, industrial investments, training and know-how transfer. Colombia must develop comparable support in order to create the conditions for the forestry sector to achieve its potential. New policy instruments to create better commercial forestry-related business conditions would play a significant role, but also the government can create simple incentive mechanisms for all wood product purchases coming from sustainably managed forests to reward good business practices. The CFC will seek opportunities in collaboration with the Policy Component to help the GoC develop clear messages and actions in support of sustainable business practices. Acción Social and USAID are exploring mechanisms to expand coordination and communications with other GOC ministries, so MIDAS can support enhanced coordination and synergies and take into account existing GOC initiatives related to forestry and other sectors.

The CFC will also seek collaboration with USAID and Acción Social in helping the GOC develop purchasing policies for wood products coming from communities participating in the MIDAS/CFC Program. This action will recognize and give market opportunities for products coming from alternative development sources. Products could include lumber, furniture for schools and other GOC programs.

Additionally, the CFC and the Policy Component will explore the possibility of assisting the GOC in developing “green permits” for wood and wood products coming from forests that are third party certified

as well managed. This could expedite the approval of permits, and at the same time award/recognize the importance of having well managed forests. These green permits would be especially valuable for wood products coming from community managed forests. This practice is being applied successfully in several countries around the world including Bolivia, Brazil and others.

1.9.2.2. Other Donors/Development Banks

Many international cooperation agencies are working in Colombia. A challenge for the CFC will be to approach and attempt to involve in CFC projects donors that have objectives and development criteria similar to those of USAID and MIDAS.

Table 13: Summary of CFC Points of External Coordination

External Coordination		
With	What	How
PILAS	IDP involvement in geographic areas where the CFC and PILAS are both working	Via Corridor staff & the MIDAS Linkages Coordinator
ADAM	Local government & AD initiatives, including coordinated value chain development in ADAM municipalities.	Via Corridor staff & the MIDAS Linkages Coordinator
CARS	Private sector regulations (obligatory); standardization of regulations from one CAR to another (w/Policy Comp).	At the Regional Officer and Bogotá Management Levels
Ministries of the Environment and Agriculture, Other Donor agencies.	Overlapping efforts, co-financing schemes and incentives	Via the Linkages Coordinator, the Forestry Business Dev. Specialist, Policy & Outreach

1.10. Communications and Community Outreach Plans

1.10.1. Specific Support Needed from Outreach

1.10.1.1. Proposal solicitation

The CFC will rely on the ARD Communications and Community Outreach Department (“Outreach”) to present the CFC APS/RBP for proposal solicitation in an effective way and to reach a wide but select audience, including forestry-related business groups and concentrations of small forestry products producers. The CFC will also rely on Outreach to advertise potential support opportunities to international donors (World Bank, IDB, etc.) to achieve synergies and coordination.

1.10.1.2. **Communications with proponents/customers**

The CFC will rely on Outreach to develop and maintain a congenial entrepreneurial rapport between the CFC and project beneficiaries, whether they are companies, associations or communities.

1.10.1.3. **Meetings with Stakeholders**

The CFC will rely on Outreach to develop and disseminate information on CFC projects and activities in formats suitable to the diverse range interested parties. The CFC is also counting on the design and distribution skills of Outreach to implement awareness-raising campaigns which are essential to the organization and the consolidation of small producer alliances.

1.10.1.4. **Acción Social**

During the MIDAS Life of Project (LoP), but not in the first year, the CFC foresees the need to foster synergies with Acción Social projects which overlap with our efforts geographically and thematically. The CFC will seek support from Outreach in these efforts as necessary, particularly in communicating with and organizing dispersed rural populations.

1.10.1.5. **MoA**

During LoP, but not in the first year, the CFC foresees developing synergies with MoA commercial forestry projects taking place in Santander and elsewhere.

1.10.2. **Success Stories**

The CFC will rely upon Outreach to develop and publicize CFC project success stories as a tool for reaching broader and more select audiences of potential proponents. However, this will follow a low profile strategy giving preference to communicating successes through customers, associations and others to minimize the security-related exposure of the MIDAS Program.

1.11. **Internal Indicators**

Table 14: MIDAS CFC Internal Indicators 2006

INTERNAL INDICATORS	2006 GOAL
LEVERAGING ACHIEVED	17.4%
MIDAS COST PER JOB	881
MIDAS COST PER HECTARE SUPPORTED	85
MIDAS COST PER FAMILY BENEFITED	2,434
POLICY AND INSTITUCIONAL REFORM SUGGESTIONS IDENTIFIED AND PASSED TO THE POLICY COMPONENT	4

Internal Indicator Definitions:

Leveraging Achieved:

The percentage of the total cost of a Project provided by MIDAS/USAID or the percentage of all MIDAS support to projects vs. other sources.

Jobs Generated:

Agriculture jobs “fulltime” refers to a “full-time equivalent” (FTE) position. According to DANE, a FTE for agricultural jobs, including rural infrastructure, for one year is equal to 176 workdays (8 hours per day) per year. Therefore, if a project has reported 352-eight hour workdays, to calculate the FTE the contractor will divide those 352, eight hour workdays by the 176 workdays equivalent to a year, for a total of 2 FTE jobs created. $FTE = \text{Workdays}/176$. (These calculations will be verified by the USAID Mission).

MIDAS Cost per Job:

The average value obtained by dividing MIDAS funds contributed to a project by the total jobs generated during the term of MIDAS support.

MIDAS Cost per Hectare:

The average value obtained by dividing MIDAS funds contributed to each project by the total hectares supported in the project.

MIDAS Cost per Family Benefited:

The average value obtained by dividing MIDAS funds contributed to each project by the total families benefited in the project.

1.12. M&E

The CFC contributes directly to the achievement of *IR 2 – Sustainable Licit Economic Opportunities Expanded*, part of USAID/Colombia’s *SO 2 – Expanded Economic and Social Alternatives to Illicit Crop Production*. Additionally, through its work with IDPs in productive projects and political reforms, MIDAS also contributes indirectly to *IR 1 and 2* –of USAID/Colombia’s *SO 3 – Successful Reintegration of IDPs and Support to Other Vulnerable Groups*.

Indicators

Indicators express and summarize program goals. There are three types: USAID indicators, internal program performance indicators (Key Indicators) and REVA indicators. Regarding the first type, USAID provides a list called ACI indicators and every program is called on to select from that list those that respond to its particular activities and goals.

REVA indicators will be designed by the CFC in accordance with each project type. Concurring with the Mission’s strategic objectives and MIDAS’ objectives, ACI indicators were selected when they were relevant to the nature of the components. For the CFC, the following ACI and performance indicators will apply:

- Hectares of Licit Crops Supported Through the USAID alternative development program
- Hectares Devoted to Licit Natural Forest Management through Alternative Development Projects
- Number of Licit Jobs Created
- Number of Licit Jobs Created for IDPs and other Vulnerable Groups
- Number of Families Benefited from AD Activities
- Number of Social and Productive Infrastructure Projects Completed
- Sales (or Gross Market Value of Licit Production Supported) Stimulated by USAID/Colombian's AD Program
- Private Sector Funds that are Leveraged
- Private Sector Funds that are Leveraged for IDPs and other Vulnerable Groups
- Public Sector Funds that are Leveraged
- Public Sector Funds that are Leveraged for IDPs and other Vulnerable Groups
- Producer Associations/Processors Strengthened
- Number of Alliances Developed
- Private Sector Firms Formed or Strengthened
- Productive Infrastructure Projects Completed
- Total Value of Supported Projects (US)
- MIDAS Average Share of Total Investment
- MIDAS Total Project Support (US)

The definitions, information collecting methods and technical information for each of these indicators are detailed in the Indicators Reference Sheets included in the Appendix 1 of the Performance Management Plan - PMP.

Each Project will have its own M&E Plan that will provide the following information:

- ACI indicators that apply to the type of project with its key definitions;
- Definition of Project Goals for each indicator;
- Document that supports the data for each indicator;
- Frequency and deadlines for report delivery;
- Person in charge of gathering the information in the field;
- Person in charge of producing and submitting the M&E report; and
- Place where the supporting documents will be filed.

The Grantees/Subcontractors will report on a monthly basis on the progress made complying with the indicator goals; this performance will be linked to project disbursements.

The verification protocol main objectives are:

- Absence of illicit crops verification; and
- Verify beneficiaries (institutions and people) are not involved in narcotics or terrorism activities.

It is important to emphasize that illicit crop verification must be done before a grant or sub-contract can be signed. To select natural forest areas for field verification purposes, MIDAS will use its own Geographic Information System (GIS) and additional information provided by the Ministry of the Environment and the Police. Field visits, to verify information sent monthly by grantees, will be made by personnel based in Corridor offices. Project information will be submitted to the Narcotics Affaires Section Office (NAS) to coordinate eradication activities and define buffer zones.

Note: A detailed description of the M&E procedures can be found in the Performance Management Plan attached to the Program/level Work Plan.

1.13. Environment

As outlined in the Program-level Work Plan, most of the potential projects to be funded, totally or partially, by MIDAS will have to prepare and submit an Environmental Review. However, for certain activities¹ from the Commercial Forestry Component USAID has determined that they should abide by the procedures established in the Environmental Assessment approved for the “Colombia Forestal” Program; this means that in some cases a Review will be necessary and in some cases a Management Plan.

Depending on project specifics, when Program Planning determines an Environmental Review is needed, the following procedure will be implemented:

- Once the Project has been approved into the Assessment phase, the Project Coordinator or Project Manager should notify Program Planning so they can begin advising the client in the preparation of the Review.
- The client is expected to prepare the Review using the Guides for Productive Activity handed out by USAID.
- The client is expected to submit a first draft of the Review for MIDAS’ revision. Then, they should make all the necessary corrections to obtain MIDAS approval.
- When the Review has been declared as ready, Program Planning will submit it to USAID requesting approval from the Mission Environmental Officer (MEO).
- USAID will approve it or ask for additional changes; in the latter case, any suggestions should be incorporated and the Review submitted again until approval is issued. It is very important to emphasize that no grant or contract can be signed without the potential project having an environmental approval.

When Management Plans are necessary, they should follow the same procedure detailed above and obey the following conditions:

- Use the existing template;
- Respond to sustainable forestry principles and the standards set by the Colombian Voluntary Certification Group (GTCFV);
- The Regional Environmental Advisor (REA) will approve the plans;
- MIDAS should plan training for communities, loggers, companies, NGOs and local government officials on developing, implementing and monitoring sustainable forestry management plans; and
- Annual training plans should be approved by the USAID CTO and MEO.

To speed up this process and offer practical and timely information and technical advice to proponents, MIDAS will train environmental personnel based in the regional offices, so they can serve as a close source of information and guidance for proposal development and project implementation.

1.14. Plan for Involving Vulnerable Groups in Component

- It is the policy of the CFC to include members of vulnerable groups among the project beneficiaries as well as its senior staff whenever possible.

¹ Developing, implementing and improving forest management; transferring technology; access programs to developed markets; developing commercial targets for sustainable forest management; agricultural forestry; developing opportunities or clusters regarding the wood chain of value; and developing forestry plantations and forestry plantations management initiatives.

- The CFC will ensure that contractual dialogues between MIDAS beneficiary communities and private logging companies are clear and concise, and that the unique dynamics and wishes of each beneficiary community are respected.
- The CFC is planning to contract an Afro-Colombian and/or an Indigenous professional for the positions of Natural Forest Management Specialist and Community Forestry Specialist, if qualified candidates can be found.
- The MIDAS Sustainable Commercial Natural Forest Management Model will include social responsibility criteria.
- The CFC will favor project proposals which benefit vulnerable groups, including IDPs, Afro-Colombians, and Indigenous groups. The CFC understands that the inclusion of *Desmovilizados* in reforestation projects is still a delicate issue that requires further clarification and approval from USAID, in conjunction with related GoC programs. The CFC sees opportunities to include *Desmovilizados* in its projects and is eager to advance in this area, but will do so only when clarification and approval is forthcoming from USAID.

1.15. Colombianization

The objective of the MIDAS Colombianization program is to significantly enhance the interest and capacity of Colombian organizations, professionals, and individuals, to do Alternative Development work after MIDAS closes operations. MIDAS will seek to accomplish this objective through its four components in several ways.

Given the long term development of commercial forestry projects relative to SME and Agribusiness projects, the CFC will in most cases be participating in the project for only a fraction of its overall life. Long-term Colombianization of CFC projects is therefore of vital importance to their ultimate success. To achieve this success, the CFC strategy is a) to offer financial and technical assistance in such a way that any initial dependence on this assistance is systematically eliminated in the course of the CFC's involvement with the customer; and b) where possible, to support assistance via reimbursement so the *tools* and *training*, which remain in the customers' hands, and can be used again repeatedly after MIDAS has exited. The CFC will be supporting customers to acquire such tools directly from private sector firms, CARS, CONIF, and other Colombian subs and partners in the course of project implementation.

As discussed in below, the CFC will also Colombianize its projects through its work with the Policy Component. The CFC plans, during the MIDAS LoP, to assist in the creation of a lasting and effective Forestry Law, a new Environmental Code with favorable terms for both Colombia's environment and forestry industries and the removal of industry development bottlenecks such as slow and expensive land titling/use rights processes and discordant CAR private sector regulations.

2. Year One Work Plan

2.1. Objectives

2.1.1. Qualitative

The CFC, through a cordial and productive dialogue with PCF established in January 2006, has already received ten business plans from PCF, most of which are already in varying stages of preliminary implementation.¹ Of these, two are community-based commercial natural forest management business plans with community organizations, seven are commercial plantation/agroforestry business plans and one is a wood processing center development business plan. Year One CFC activities will focus on the development and—if approved—implementation of these ten business plans, and issuing the APS/RBP for new proposals to be implemented during 2007. Because PCF has already carried these business plans forward to a mature stage of development, CFC is skipping the Screening Phase and beginning work on these proposals at the Assessment Phase, with the exception in natural forest.

The plans, and actions to be taken in 2006 with respect to these plans, are discussed below by Subcomponent. Details of Fast Track actions to be taken for each plan are given in the “Arranque Rápido” section.

Table 16 at the end of this section expands on information about each proposal, offering Jobs Created, MIDAS share of total investment, MIDAS investment per hectare, MIDAS investment per family benefited and other key CFC indicators.

Subcomponent 1: Sustainable Commercial Natural Forestry

The CFC is currently in the Screening phase of four Afro-Colombian and Indigenous community-based sustainable commercial natural forest management plans, and in the assessment phase of one business plan submitted by a community based business. The CFC has found that two of these projects in particular show promise, and the CFC intends to support them in completing their business plan and continue support, provided the project and plan are viable. These proposals are currently in varying stages of preliminary implementation by PCF, but most still lack business plans. The two proposals that seem to have the most potential are:

- a) About 10,000 hectare project spread across Bajo Mira y Frontera (Nariño), benefiting an estimated 455 families from Afro-Colombian communities that would involve a CFC 2006 investment of about \$100,000 if approved.
- b) About 25,000 hectare project in Vigía del Fuerte (Antioquia), benefiting an estimated 1,200 families from Afro-Colombian communities that would involve a CFC 2006 investment of about \$100,000 if approved. This is the only community based proposal where a business plan has been submitted to the CFC.

Both of these potential CFC projects will soon be conducting harvesting pilot tests. Based on the results of these tests, the CFC will assess the absorption capacity of these operations to become fully structured community businesses. The CFC estimates from existing information that all of these communities will need significant investment in equipment and working capital to conduct primary and secondary processing, as well as the drying operations necessary to ensure that the lumber achieves a profitable

¹ PCF is ceasing its field operations in June 2006.

market price. The Vigía del Fuerte operation is currently negotiating with MADEURABA S.A. to become one of their wood suppliers. MADEURABA S.A., a processing company under development, is also a potential customer for a project being assessed under Sub-component 3. However, most of the funds requested from the CFC by Vigía del Fuerte y Bajo Mira are in addition to the harvesting tests initiated by the PCF (for about 50 hectare trials to be completed by May 2006). The requested funds from MIDAS are for harvesting an additional 100 or 200 hectares, as well as working capital, equipment purchase and maintenance. These communities “assume” that the cost of technical assistance are extra and are not directly included in their request. However, the CFC has budgeted for some of the technical assistance costs, as well as other costs, as detailed in Table 14.

The CFC investments for Sub-Component 1 (Natural Forests) should include costs to enable communities to become self sustaining businesses even after the MIDAS LoP. These costs may include community organization strengthening, formulation and legalization of the business entity, technical assistance in formulating the forest management plan (including forest inventory), technical assistance in business management and administration, business plan formulation, legal support, purchasing and maintenance of equipment and tools, training in timber harvesting, training in primary and secondary processing, technical assistance and training in marketing, and other assistance as may be required. However, and given the significant investment incurred by the PCF, Table 14 reflects only the added costs of continuing with the technical support under MIDAS. Basically the CFC is considering that Vigía del Fuerte y Bajo Mira are “almost graduated” and have reached a stage where some of the business basics have been established. However, these communities are still not functional businesses, therefore supporting them may require several years of effort for these communities to reach a basic self-sustaining business level. These two communities could have competitive cost structures, given they will be using water transportation to haul the logs from the forest to the main selling ports. This could even make them competitive with illegal logging. This is one of the reasons that the CFC considers them as the most promising cases proposals.

Regarding the other three communities, Serranía del Abibe, Alto Guapi and Docampadó, they already have forest management plans but still are not as advance in their business process, thus requiring significantly more investments than the two communities indicated above. The CFC plans to conduct an in-depth review of their proposals, and is planning to support them during via the 2007 Work Plan, provided that they pass the Assessment phase. The main challenge identified with these communities is that their timber production costs are significantly higher than Vigía del Fuerte y Bajo Mira. This is mainly due to the fact that the three communities will have to rely on cable logging and truck transportation to deliver logs to markets and processing sites. This will make their costs much higher and business viability less likely, if compared to illegal wood prices.

A key task of the CFC is to create alliances between community businesses and value added and marketing businesses, so that each contributes their best level of specialization. This may mean that communities should concentrate in supplying primary products, from logs to dried lumber, and manufacturers concentrate in the secondary value added production levels (e.g. furniture), marketing and financing, so they will be able to purchase wood from the communities at fair market prices. The CFC would act as a catalyst in this process and would bring the needed know-how in product development, value added, marketing and certification.

Another key activity under this Subcomponent is the development of a forestry certification strategy. Third party wood product certification verifies the fact that the production process behind the product is in compliance with socially, environmentally and economically sustainable management principles, thus making the product eligible for branding (e.g., FSC certified products, Fair Trade, etc). Branding, in turn, raises the product’s profile and access to higher paying international markets, particularly in Europe and the US. There are numerous branding success stories in Colombia, Brazil, and elsewhere in Latin America which will be analyzed by the CFC to emulate if applicable. The CFC is hiring a short term consultant

during 2006 from one of MIDAS' U.S. Subcontractors to carry forth this analysis and design a forestry certification strategy. One of the possibilities for the CFC to explore in the project development and implementation phases, is to subcontract a "business management" SME or NGO to implement the project on behalf of the community. This would be coordinated with the SME Component.

**Table 15: Projected Cost Breakdown of PCF Subcomponent 1 Proposals
(in Colombian Pesos)**

Pilot Harvesting Test	Activities	Vigía del Fuerte	Bajo Mira	Alto Guapi	Abibe	Docampadó
	Technical Assistance	\$25,000	\$25,000	TBD	TBD	TBD
	Proposal Formulation			\$25,000	\$25,000	\$25,000
	Business/Certification Training			TBD	TBD	TBD
	Trade/Commerce Training, Legal Assistance & Capacitation	\$10,000	\$10,000	TBD	TBD	TBD
	Equipment Purchase and Maintenance	\$90,000	\$20,000	TBD	TBD	TBD
	Working Capital	\$90,000	\$90,000	TBD	TBD	TBD
	Tools and Materials (Bank)	\$5,000	\$10,000	TBD	TBD	TBD
	Transport Expenses	\$5,000	\$20,000	TBD	TBD	TBD
	Social Activities	\$5,000	\$10,000	TBD	TBD	TBD
Totals:		\$230,000	\$230,000	TBD	TBD	TBD

Subcomponent 2: Plantations

The CFC is currently assessing three community plantation business plans and four associative/industrial plantation business plans, amounting to about 5,300 hectares in total, and involving a CFC 2006 investment of \$1.1 million if approved. These plans are already in varying stages of preliminary implementation by PCF.

a. Associative Plantations

These are proposals which combine the industrial plantation businesses with the participation of rural communities and/or small land owners into associative investment systems. There already exist in the forestry sector important business partnerships between large, medium, and small businesses and rural communities to consolidate forestry and agroforestry productive clusters.

These proposals include approximately 3,900 has. of plantations with businesses such as PIZANO, REFOCOSTA, and EL GUASIMO, benefiting 651 families and generating approximately 279 permanent jobs. The investment in these projects is about \$780,000, with an average MIDAS cost of \$200 per hectare.

b. Community Plantations

These are proposals where the principal operator is a newly constituted enterprise consisting primarily of community organizations, which will rely on INCUAGRO as the main investor in the short term. In approximately the 17th year, INCUAGRO will sell its participation to the other partners, especially to the involved community organizations which will have established a fund by that time with a percentage of their incomes and of the capital generated by the business.

These proposals, if approved, will cover approximately 1,425 hectares, with three (3) enterprises in northern Urabá (Antioquia). Two of these will establish forestry plantations: Reforestadora de Uraba El Indio S.A. and Reforestadora de Urabá La Gironde S.A., with 505 and 600 new hectares in 2006, respectively. The third enterprise, Compañía Productora de Caucho de Urabá – PROCAUCHO S.A., will

establish 320 hectares of rubber trees. CFC participation will primarily be directed to the establishment of the seedlings nursery which PCF began. The CFC expects these projects would generate 81 new permanent jobs and benefit 340 of the families associated with the enterprises.

It is CFC management's preliminary assessment that all the business operators in charge of these proposals have extensive experience in reforestation and agroforestry, and that all have identified the right markets and value added processes needed to ensure their viability. Given that PCF has already carried these business plans forward to a mature degree, the CFC will start its own due diligence steps at the Assessment stage. The actions to be taken with respect to each of these proposals are all Fast Track activities, and are thus found below in the "Arranque Rápido" section.

Aside from the above seven projects, the CFC has been approached by potential proponents, including INCUAGRO and a number of international companies, interested in setting up plantation projects equivalent to over 20,000 hectares. These potential proponents will be submitting concept papers and proposals for screening during Year One.

Additionally, the CFC has identified several additional agroforestry projects in the Eje Cafetero that have developed a viable production methodology, fully integrating short term agricultural crops with long term timber crops. The CFC will also analyze and consider if appropriate, the transfer of technology from the Eje Cafetero agroforestry examples, given their successful experience in integrating timber and agricultural crops and micro-watershed management. This will be coordinated with the Agribusiness Component to define the examples worth replicating elsewhere.

The CFC will also be focusing efforts on two of the key challenges facing the expansion of plantations in Colombia: project finance and land titling. The CFC will continue PCF's initiative to support the Pizano S.A. Clean Development Mechanism project utilizing 18,000 hectares,¹ and will search for sources of additional financial leverage, including the exploration of opportunities to establish joint ventures with the Colombia Partnership Reforestation Project, and other mechanisms to attract short-term financial trade-off schemes to help alleviate the high financial resources needed. (See the "Utilizing Leveraging" section for more details on the CFC's financial leveraging plans).

Subcomponent 3: Value Chain Development

The CFC is in the Development Phase of evaluating a wood processing center project with MADEURABA S.A., benefiting 3,500 families of Afro-Colombian and Indigenous communities in Urabá. This project would involve a CFC 2006 investment of \$300,000 if approved. The rationale behind creating this processing center is that Afro-Colombians and Indigenous suppliers do not have the financial or technical know-how to be competitive in producing well dimensioned and dried lumber. The industrial participants are eight furniture manufacturers that need dry wood to add quality to their product in order to make it locally and internationally competitive. The project is already in preliminary implementation under PCF, but the business plan will need due diligence to verify key assumptions, including equipment needs, market viability, commitment from the communities supplying raw materials, as well as the company's medium and long term stability, given the different management cultures between supplying communities and participating manufacturers. The CFC is hiring a short term consultant from one of the MIDAS U.S. Subcontracts in order to assess the feasibility of industrial and value added technology transfer (especially dry kiln technology) in conjunction with this project. The proponent's requested investment would provide for a wood re-sawing unit and a dry kiln.

¹ The Clean Development Mechanism is relatively new but proven, effective design to help capture additional funding for forestry plantations.

The CFC will identify potential production chains and value added companies during the corridor comparative opportunities assessment, and in coordination with the SME Component, invite those considered more promising to submit proposals following CFC criteria.

CFC marketing activities will be raw material supply type based driven, and will not start until the second half of 2006. Regarding timber products from projects based on natural forests, the long term approach will be to develop products and concentrate in marketing the most abundant species that are commercially viable and that come from sustainably managed natural forests. These target species will be selected from those indicated in the natural forest management plans. However, the CFC has identified that a key priority is to provide technical assistance in reducing waste to communities and value adding manufacturers. In Colombia this waste factor is about 80%, and considered extremely high. This waste results from poor practices in logging, to making timber squares sellable in the local market, and to further reprocessing where only about 20% of the standing trees harvested ends up as usable lumber in the market place. This situation makes Colombia non-competitive in international markets. If the waste situation were resolved, the Colombian market would probably have an excess supply for hardwood species coming from natural forests. Therefore, a priority for this CFC Sub-Component will be to reduce the waste factor in supported projects, as well as adding value and developing products for the local market, rather than concentrating in developing international markets.

In order of priority, the technical assistance most likely to be offered by the Value Added Sub-Component for natural forest based products would include: a) concentrate in identifying and creating business alliances between community suppliers and buyers along the links of the project's value chain, b) provide technical assistance in adding value to target species coming from forests with certifiable management plans, c) support technical assistance to reduce wood waste in the logging, primary and secondary processing for participants in the project's value chain, d) support technical assistance in kiln drying of targeted species, e) support technical assistance in primary processing and lumber grading for obtaining the highest industrial yield and the highest lumber grades to maximize the average selling price according to the market willingness to pay (wood for veneers, furniture, construction, pallets and other secondary products), f) introduce technologies to obtain wood by-products coming from wood waste including co-generation g) conduct cost benefit analysis for different value added and transportation scenarios to define best return by operation type, g) assist Acción Social in developing purchasing policies so that the GOC can purchase wood products coming from communities participating in CFC supported projects, and other alternative development initiatives.

For projects involving non-timber forest products from natural forests, marketing support would first identify those key promising NTFPs, conduct products tests and initiate market trials. NTFPs may include fibers for furniture and handicrafts such as bags and others, seeds for reforestation projects, medicinal plants based on regional knowledge and others. Legal advice may be required to protect community traditional knowledge.

For projects involving timber products coming from plantations, activities will likely concentrate on conducting market analysis for the most planted species (teak, Melina, others) and supporting technical assistance in primary and secondary processing and kiln drying of those target species.

Cross Cutting Activities

Cross cutting activities will unfold as supporting elements for the evaluation and implementation of the projects mentioned above. Those already identified are outlined below.

a) By June 2006, a rapid assessment of comparative commercial forestry opportunities the three corridors with the most immediate potential for the CFC (SW Colombia, Magdalena Medio/Norte de

Santander, and Urabá/NE Antioquía/Chocó) will have been initiated. The other corridors will be assessed in the near future. This assessment will help identify priority areas, business opportunities and challenges for each Subcomponent and Corridor. The assessment will include two different but complementary analyses. One part of the analysis will be conducted by local consultants and will assess the predominant relative socio-economic and eco-forestry aspects of the corridors, while the other will be conducted by a U.S. Subcontractor and will involve business competitiveness analysis. Both analyses will be conducted simultaneously and in close collaboration with each other.

b) Identify areas of synergy and coordination between the CFC and other MIDAS components. The CFC is hiring a short term consultant during 2006 to clearly define and help make operational the areas of synergy between the CFC and the Policy Component, which are discussed in section 1.8.1.3.

c) Design and circulate the APS/RBP and coordinate its dissemination with Outreach.

e) Finalize the hiring of the following seven senior personnel, including the Deputy Component Manager, the Forest Products Marketing Specialist, the Forest Products Industry Specialist, the Customer Development Specialist, the Commercial Natural Forestry Specialist, the Commercial Plantation/Agroforestry Specialist, and the Community Forestry Specialist.

2.1.1.1. Arranque Rápido

Table 16: Arranque Rápido and Start-up Objectives

Activity	Mid-Year Objective	Year End Objectives
Arranque Rápido		
Hire Personnel for BOG and Corridor offices	Bogotá Office completed	All personnel hired
Assess the 18 business plans received from PCF for potential MIDAS funding	Completed	
Conduct an initial rapid assessment of three corridors to identify optimal geographic areas and customer groups for each Subcomponent based on business, socioeconomic, & agro-ecological criteria	Started	Completed
Develop CFC Models for Natural Forests, Plantations/ Agroforestry & Value Added projects	Started	Completed
Start Up Activities		
APS/RBP formatted and sent out to select audiences by Outreach	Started	Ongoing
Reach consensus on the Component-specific criteria for awarding grants/contracts; develop grants screening process tools such as proposal formats and instructions	Completed	
Establish the CFC client Database to manage project performance indicators, corridors assessment information & GIS.		Completed
Develop manuals & instructions for corridor personnel to help guide business proposals & monitor project implementation	Started	Completed
Develop training curricula and technical assistance packages		Completed
Assist GOC to improve the land title process so CFC proponents can obtain titles quickly (coordinate w/Policy Component)		Completed
2 Community Forestry enterprises: begin technical business assessment, development & implementation subcontracted via Colombian SME or NGO		Implementing

4 Industrial Plantations: CFC Development Phase	Development Phase Complete	Implementing
3 Plantation & Agroforestry community based projects (Urabá): CFC Development Phase	Development Phase Complete	Implementing
1 Added Value project: CFC assessment phase	Assessment Phase Complete	Development Phase Complete

The CFC Subcomponent 1 Fast Track activities will begin in June 2006, at the same time that the PCF is winding down its field operations for the two community-based commercial natural forestry projects discussed above. The CFC is currently in the Assessment Phase of reviewing these projects and will support them provided they meet CFC Criteria. The CFC's main concern regarding these projects is that the communities involved are not yet businesses that can run on their own; they have very high expectations which are, in the assessment of the CFC management, unrealistic, and which if not met, could create significant animosity towards MIDAS and USAID. CFC management's preliminary estimate of the required funds to continue these projects is over \$1 million, mostly to cover purchasing of equipment and working capital. To prevent a total disruption of the PCF efforts in these communities, the CFC has budgeted for 2006 a total of \$200,000 for complementing additional timber harvesting initiated by the PCF for the two communities. During 2006 the CFC will fully develop its Sustainable Commercial Forestry Model for Natural Forests, to ensure that the support to communities is based on good sustainability principles.

Subcomponent 2 Fast Track activities will begin with the completion of the CFC's evaluation of the seven community and industrial plantation projects discussed above. If the CFC concludes that these potential projects meet its criteria and the proposals successfully complete the pre-implementation stage, the main Fast Track actions for Subcomponent 2 would center upon the preparation of a Finance Assistance package for each of the seven projects. Completion of these packages would be coordinated by the appropriate Project Coordinator (the Commercial Plantation/Agroforestry Specialist) and the MIDAS Program Planning office. After signing an award agreement, the REVA process would also be initiated by the REVA Officer.

Subcomponent 3 Fast Track activities will be limited to finalizing the evaluation of the MADEURABA S.A. project discussed above. If the CFC concludes that it is viable to go ahead with this business plan, and if proper approval is obtained, the main Fast Track actions for Subcomponent 3 would center upon completing the Assessment Phase and passing the potential project to the Development Phase. This would require the preparation of a Finance Assistance package for the potential project, to be coordinated by the Forest Products Marketing Specialist and the MIDAS Program Planning office. If a support instrument is signed, the REVA process would be initiated by the REVA Officer.

Most of the eighteen proposals are to address the forest supply base, which by their nature require high, upfront investment. However, after the Fast Track period, the CFC will devote efforts to work with the wood value added industry, particularly with the furniture and construction sectors, and in coordination with the SME Component. The CFC will identify processing value chains in key regions including Bogotá and Medellín where most of Colombia's wood manufacturing takes place and where the highest prices for construction lumber are paid.

After the Fast Track period, the CFC will start developing international market contacts for selling the output from supported projects to explore the possibilities of expanding the market reach of MIDAS customers. However, significant technological upgrading and investment will be needed for Colombian wood products to be competitive. Competitiveness/market analysis will be done in response to MIDAS client needs, mainly for products/species where significant investment is involved, e.g., teak, melina and rubber plantations.

2.1.1.2. Other Start-up Activities

Other Start-up Activities include:

- The APS/RBP will be formatted and sent out to select audiences through Outreach.
- Reaching consensus on the Component-specific criteria for awarding grants/contracts. Grants screening process tools will be developed such as proposal formats and instructions.
- Screen business plans as they are submitted.
- Identify and coordinate areas of synergy between MIDAS, ADAM, and PILAS.
- Establish the Database Management System to manage project performance indicators, corridors assessment information and GIS.
- Develop manuals and instructions for the field personnel to help guide business proposals development and monitor project implementation.
- Develop training curricula and technical assistance packages.

Note: The projects and budgets included in Table 16 are only for the Arranque Rápido. However, the PCF has submitted additional projects that will be assessed in 2006 using MIDAS criteria, and if viable, these projects will be implemented in the 2007 work plan. Additionally, some of the 2006 Fast Track projects may have expansions and development in future years.

Table 17: Expanded Information on the Ten CFC Fast Track Business Plans

PROPONENT	Total investment US \$ based in business plan	Total requested MIDAS investment on 2006	MIDAS investment / Total investment (%)	MIDAS investment / Hectare (US \$)	MIDAS investment / family (US \$)	MIDAS investment / job (US \$)	Hectares Total	Families benefited	Permanent employment
ASSOCIATIVE PLANTATIONS									
ALIANZAS PARA LA PAZ	1,223,222	780,000	6%	174	1,198	1,020	1,200	581	205
PIZANO - FINAGRO	5,390,094						1,500		256
REFOCOSTA - FINAGRO	4,013,744						1,295	70	221
EL GUASIMO	2,242,609						480	82	
Subtotal budget por Grant & Subcontracts 2006	12,869,669	780,000					4,475	651	764
COMUNNITY PLANTATIONS									
LA GIRONDA	4,088,217	323,695	2%	212	952	1,037	600	100	113
EL INDIO	4,270,087						505	100	95
PROCAUCHO	5,526,462						420	140	105
Subtotal budget por Grant & Subcontracts 2006	13,884,766	323,695					1,525	340	312
VALUE ADDED CENTER									
MADEURABA	1,200,000	300,000	25%	NA	1,676	7,317	NA	179	41
Subtotal budget por Grant & Subcontracts 2006	1,200,000	300,000							
NATURAL FOREST									
BAJO MIRA Y FRONTERA	TBD	100,000	TBD	6	121	1,667	10,000	455	35
VIGIA DEL FUERTE	TBD	100,000					25,000	1,200	85
Subtotal budget por Grant & Subcontracts 2006	TBD	200,000					35,000	1,655	120
TOTAL INDICATORS	27,954,435	\$ 1,603,695.00	6%	39	568	1,296	41,000	2,825	1,238

2.1.2. Quantitative

2.1.2.1. Key Indicator Results

Table 18: Quantitative Objectives—Program Activities/Chronogram Year 2006

Performance Indicators	SO	IR	CONTRACTUAL GOALS	2006												TOTAL YEAR 1	
				1	2	3	4	5	6	7	8	9	10	11	12		
				Jan-06	Feb-06	Mar-06	Apr-06	May-06	Jun-06	Jul-06	Aug-06	Sep-06	Oct-06	Nov-06	Dec-06		
1. Number of Jobs Created	SO2, SO3	2.1	21,000										500	500	238		1,238
2. Plantations/Agroforestry Hectares Supported	SO2	2.1, 2.3	67,500										2 000	1 000	2 000	1 000	6 000
2.1 Natural Forest Hectares Supported	SO2	2.1, 2.3	150,000					4,375	4,375	4,375	4,375	4,375	4,375	4,375	4,375	4,375	35,000
3. Number of Families Benefited	SO2	2.1	7,600					250	250	350	350	350	450	425	400		2,825
4. Value of Sales Increased Per Year/SME	SO2	2.1	N/A														-
5. Producer Associations/ Processor Strengthened	SO2	2.2	35										1	1	1	1	4
6. Proposals Being Processed	INTERNAL		200										3	5	5	5	18
7. Projects Signed	INTERNAL		40												4	8	12
8. Number of Alliances Developed	INTERNAL		40										2	2	2	2	8
9. Private Sector Firms Formed or Strengthened	SO2	2.2	50										2	2	2	2	8
10. Productive Infraestructure Projects Completed	SO2	2.1	12														-
11. Total Value of Supported Projects (US \$'000)	INTERNAL		\$100,000					2,857	2,857	2,857	2,857	2,857	2,857	2,857	2,857	2,857	\$ 22,857
12. MIDAS Average Share of Total Investment	INTERNAL		17%														7%
13. MIDAS Total Project Support (US \$'000)	INTERNAL		\$17,000					200	200	200	200	200	200	200	200	200	\$ 1,600
14. Private Sector Funds Utilized (US \$'000)	SO2, SO3	2.2, 2.1	\$73,000					2 657	2 657	2 657	2 657	2 657	2 657	2 657	2 657	2 657	\$ 21 257
15. Colombian Public Sector Funds Utilized (US \$'000)	SO2	2.2, 2.1	\$10,000														

2.2. Year One Organization Structure

Table 19

POSITION	NAME	START DATE
MANAGER	LUIS BETANCUR	ENERO
DEPUTY	CONSUELO ORDOÑEZ	MARZO
BUSINESS DEVELOPMENT AND CUSTOMER SERVICE	CRISTINA PORRAS	ABRIL
FOREST PRODUCTS INDUSTRY SPECIALIST & PROYECT COORDINATOR	TBD	MAYO
COMERCIAL NATURAL FORESTRY SPECIALIST & PROJECT COORDINATOR	TBD	MAYO
FOREST PRODUCTS MARKETING SPECIALIST	TBD	JUNIO
COMMERCIAL PLANTATION AND AGROFORESTRY SPECIALIST & PROYECT COORDINATOR	TBD	JUNIO
COMMUNITY COMERCIAL FORESTRY SPECIALIST	TBD	JUNIO
SENIOR ADMINISTRATIVE ASSISTANT	ANDREA SOTO	ENERO
PROJECT FINANCE ANALYST	TBD	MAYO
REGIONAL COMMERCIAL FORESTRY OFFICER - MEDELLIN	TBD	MAYO
REGIONAL COMMERCIAL FORESTRY OFFICER - CALI	TBD	MAYO
REGIONAL COMMERCIAL FORESTRY OFFICER - APARTADO	TBD	MAYO
REGIONAL COMMERCIAL FORESTRY OFFICER - BUCARAMANGA	TBD	JULIO

2.3. Year One Gant Chart

2.3.1. Arranque Rápido and Start-up Activities

The Gant Chart below reflects the CFC projects and activities discussed above. The business plans under evaluation from PCF, the ten projects to begin implementation in March, April, May and June, the corridor offices staffing schedule, the Fast Track corridors assessment and all other 2006 activities are reflected below. The GANT Chart shows the distribution of activities in a chronogram by month.

Table 20 Year One GANT Chart

ACTIVITY NUMBER	ACTIVITY	1	2	3	4	5	6	7	8	9	10	11	12
		J	F	M	A	M	J	J	A	S	O	N	D
	ARRANQUE RAPIDO												
AR1	Hire Personnel for BOG and Field offices												
AR2	Assess the 18 business plans received from PCF, for potential MIDAS funding.												
AR3	Conduct an initial rapid appraisal of each corridor to identify optimal geographic areas and customer groups for each Subcomponent based on business, socioeconomic, and agro-ecological criteria.												
AR4	Establishment of Regional offices												
AR5	Develop CFC Models for Natural Forests, Plantations/Agroforestry, and Value Added projects.												
CC1	CONTRACTUAL ACTIVITIES Subcomponent 1: Natural Forest Management												
CC11	2 Community Forestry enterprises: Begin technical business assessment, development and implementation subcontracted by Colombian firm. (CFC Development Phase)												
CC12	Develop a strategy for community based commercial forestry operations. Including outreach needed												

Table 21: Year One GANT Chart (Continued)

CC12	Develop a strategy for community based commercial forestry operations.Including outreach needed (subs OEAS)																			
CC2	Subcomponent 2:PLANTATIONS AND AGROFORESTRY																			
CC21	4 Industrial Plantations: CFC Development Phase																			
CC22	3 Plantation & Agroforestry community based projects (Uraba): CFC Development Phase																			
CC23	Assist GOC to improve the land title process so that tree farming landowners can obtain titles quickly (coordinate w/Policy Component)																			
CC24	Assess the feasibility of attracting funds through the CO2 Fix Plantation Model (Clean Development Mechanism)																			
CC3	SUBCOMPONENT 3 Wood Products Value Chain and Cluster Development																			
CC31	1 Value added process center business plan (MADEURABA S.A.): CFC Development Phase																			
CC32	Explore regional and international markets for main plantation and natural forest species.																			
CC33	Identify main value chains between suppliers, manufacturers and end markets for MIDAS clients.																			
FOS	FIELD OFFICES STAFFING																			
	Medellin Office set up																			
	Cali Office set up																			
	Apartado professional Units																			

2.4. Implementation Methodology: Short-term Activities

2.4.1. Arranque Rápido

During the Fast Track activities, hiring of CFC long term personnel will continue according to the hiring schedule indicated in this Work Plan and in the Corridor Offices Roll-out plan shown below.

Assessment of the eighteen business plans will be accomplished using a combination of long-term staff and short-term consultants. The CFC will form the Review Committee during Fast Track so PCF proposals can be developed and approved if they meet MIDAS criteria.

The corridors assessment will be divided into two complementary analyses. The two analyses are to be conducted as a combined effort through local consultancies and U.S. Subs. One analysis will cover the predominant relative socio-economic and eco-forestry aspects of the corridors, while the other will cover the predominant relative business competitiveness aspects.¹ Together, the two analyses will provide the CFC with a thorough assessment of the agronomic forest potential (soils, productivity, yields), infrastructure, security, local support (CARS, other projects), current forestry base and potential commercial base, forest related industries (sawmills, furniture, etc.), previous projects' experience (USAID and otherwise), export potential, and land title/use rights—at the local, regional, and national level. These variables will be entered into a GIS database and will constitute the basis of the CFC's strategic planning framework and Subcomponent business models, greatly enhancing the CFC's potential client base, capacity to identify viable market niches and species with accuracy and to ensure market access to Component clients domestically and internationally.

The CFC's preliminary MIDAS corridors assessment has identified Chocó, Nariño, Antioquía, and Magdalena Medio as priority areas for Subcomponent 1 (Natural Forests); Urabá, Norte de Córdoba, Sur de Bolívar, Centro de Antioquía, Cauca, and Valle as priority areas for Subcomponent 2 (Plantations & Agroforestry); and Urabá, Barranquilla, and Buenaventura, as priority areas for Subcomponent 3 (Value Added).

Development of the CFC Subcomponent Sustainable Commercial Forestry Models will be conducted by CFC staff and lead by the corresponding Specialist from each Subcomponent.

The timeframe of each of these Fast Track actions is indicated in the Year One Gant Chart in Table 18.

2.4.2. Activities Specified in Contract

The following are activities specified in the MIDAS award contract for the Arranque Rapido. Since the MIDAS start, the CFC has been working with the PCF to ensure a smooth transition of projects to be considered for MIDAS/CFC funding. A total of 18 projects have been received by CFC from the PCF, which are being reviewed under the Fast Track using MIDAS criteria.

During the fast track, a total of five natural Forests community based projects are being assessed. This will be completed before the PCF ceases field operations in June to allow for the sharing of experience and reassessing the commitments made by PCF. Also, during Fast Track, four plantation and three agroforestry projects are being assessed. Additionally, a value added project is also being assessed.

¹ The assessment will begin with a review of the information that is already available.

During this Fast Track period, the CFC will conduct an initial rapid appraisal of three corridors to identify potential customers for MIDAS support

2.4.3. Other Short-term Activities

During the second semester of the year, the CFC will develop support mechanisms to remove bottlenecks in land titling processes, including juridical reform in collaboration with the Policy Component, and will assess the possibility of attracting project financial leveraging through the Clean Development Mechanism (CO2 Fix). Both of these initiatives will be conducted through STTA consultancies.

Additionally, STTA will be used to conduct an international market analysis of the main plantation and natural forest species. The results of the analysis will be in support of the proposals submitted in Fast Track.

2.5. Corridor Offices Roll-out Plan

Table 22: Summary of the MIDAS CFC Corridor Offices Staffing Plan

REGIONAL OFFICES	DATE	NUMBER OF PROFESSIONALS	INITIAL PROJECTS
Apartadó	5/1/2005	1	Fast Track & PCF Projects
			1 Community Forestry Enterprise
			1 Add Value Enterprise
Cali	5/1/2006	1	Business proposal with Planeta >Valle Carton Colombia
			3 Community Forestry Enterprises
Medellín	5/1/2006	1	Refo Guasimo FAST TRACK AND PCF PROJECTS
Bucaramanga	7/1/2006	1	Reforestation and Rubber Plantations in Magdalena Medio under screening
Pereira	1/1/2007	1	Reforestation from eje cafetero under screening
Barranquilla	1/1/2007	1	Reforestation from Costa Norte under screening

2.5.1. Plan for determining which offices will be staffed when

All the CFC specialists will initially be based in the Bogotá office to ensure that all new personnel get the proper training and guidance regarding MIDAS goals, systems and management requirements, and to create a team approach to implementing CFC responsibilities in all six corridors. The Natural Forestry Specialist, based in Bogotá, will serve as the Project Coordinator for all Subcomponent 1 projects, while

the Plantations/Agroforestry Specialist will serve as the Project Coordinator for all Subcomponent 2 projects, as well as supervise the corridor staff in Apartadó.

Also under Fast Track, the CFC is posting one Corridor Officer in Apartadó¹ and one in Cali. Apartadó and Cali do not appear in the MIDAS Program level office roll-out plan, but the CFC has identified these two cities as key nodes of wood industry activities and trade flows, and finds it necessary to maintain a permanent presence in these locations. An immediate presence in Cali is essential because the Cali corridor contains the greatest concentration of paper firms in the country, with an annual deficit of 300,000 tons of coniferous pulp, and one of the greatest concentrations of undeveloped land suitable for forestry.

At the end of the Fast Track period (June 2006), the rest of the roll-out plan will be defined utilizing the results from the rapid corridors assessment. Each new office will be staffed by a CFC Corridor Officer, who will be supervised by the related Specialists.

2.5.2. Projection of when offices will be staffed

The Medellin and Cali CFC offices will be opened by May 2006. The rest of the CFC field offices will be opened based on the results of the Fast Track corridors assessment. CFC Tolima Grande corridor projects and activities will be administered from Bogotá.

¹ The Apartadó Regional Officer will report to the Medellín Regional Officer.

2.6. Basic Budget

Table 23: MIDAS CFC 2006 Budget (in \$USD)

Type Cost		Commercial Forestry
A	Year 1 Costs by Component	\$3,872,038
	Weight for ARD Colombia Costs	19.33%
	Controller, Administration, Rent, Travel, Equipment, Security	
B	(B/A) Shared Costs 28.64%	1,108,935
	Midas Shared Labor Costs:	
	Outreach/Information	52,391
	Grants and Subcontracts	74,752
	Program Planning	115,534
	Project Finance	14,579
	Weight for MIDAS Technical Services Costs	24.50%
	Technical Services	197,683
	Direct Labor Costs:	
	Long Term	890,637
	STTA US	137,020
	STTA COL	168,870
C	Total Labor (*)	1,651,466
D	Local Grants & Subcontracts	1,111,637
E= B+C+D	Total	3,872,038
F	Work Plan Local Grants & Sub-contracts Budget	1,603,695
G=D-F	Balance	(492,058)
H=B+C+F	2006 Total Budget	\$4,364,096
(*) Note: TBD costs were calculated based on the 7th step for each projected FSN scale		

2.6.1. LT Labor

2.6.1.1. Expatriates

The CFC has one TCN as Component Manager, Luis Betancur. The CFC foresees that remaining senior staff will all be Colombian.

2.6.1.2. Local

The CFC will hire, during the course of 2006, six Specialists and four Commercial Forestry Officers for the corridor offices. The two remaining corridor offices will be staffed in 2007.

2.6.2. **STTA**

2.6.2.1. US – by Sub

The CFC is contracting four consultancies during 2006: two from J.E. Austin to identify forest industry market niches and for the business competitiveness component of the corridors assessment; one consultancy from Virginia Tech for an assessment of industrial kiln drying and value added technology transfer; and one consultancy from Rainforest Alliance to assist in establishing a strategy for forestry certification. The CFC is also contracting 40% of ARD Senior Technical Advisor Abraham Guillen's time.

2.6.2.2. Local

Locally, the CFC is contracting three consultants to conduct the Fast Track CFC corridors assessment, one consultant to act as liaison officer between the CFC and Policy Component, one consultant to assess the feasibility of attracting funds through the CO2 Fix model, and one consultant to assist in business proposal assessment.

2.6.3. **Shared Costs**

The budgeted shared costs are \$1,164,568 for administration, controller, traveling and accommodation, security, rent and Outreach costs.

2.6.4. **Proposal/Project Grants and Subcontracts**

The CFC has budgeted \$1,603,695 in grants and subcontracts for projects in 2006. For plantation projects the budgeted amount is \$780,000, for agroforestry projects the budget is \$323,695, for the value added center project the CFC the budget is \$300,000, and \$200,000 is budgeted for the viability assessment and methodology development for the natural forest community-based projects. Table 17 above presents the list of projects by type.