

Sustainable Forestry Business Initiatives at IDB

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IDB INITIATIVES: Overview

- Improving Business Climate for Sustainable Forest Investments
 - IAIF - Forest Investment Attractiveness Index
 - PROMECIF - Process to Improve the Business Climate for Forest Investment
- Improving Governments' Supporting Role
 - Inter or Intra Sector Roles
 - Regulations, Policies, Institutions, Public Services
 - Investments or Technical Assistance
- Supporting Private Investments (PRI, MIF, IIC)
- Developing Tools for Sustainable Forest Businesses
- Implementing Tools



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IAIF - Objectives

General objective: To measure the business climate for investments in the sustainable forest business.

The IAIF allows the systematic, periodic, quantitative and more rigorous analyses of the factors that affect the success of forest direct investment and business decision-making.



IAIF principal clients

- International investors and entrepreneurs
- Domestic investors and entrepreneurs
- Governments (national, regional or local)
- National and international NGOs
- Bilateral and multilateral donors



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The IAIIF is useful for

- representing the forest business climate as a **single number** per nation
- initial **screening BY INVESTORS** of countries with best investment climate for sustainable forest businesses
- facilitating a more precise and constructive **dialogue** about forest business climate issues among stakeholders



The IAIF allows analysis of:

Measured
(real)

Contribution to IAIF
(weighted)

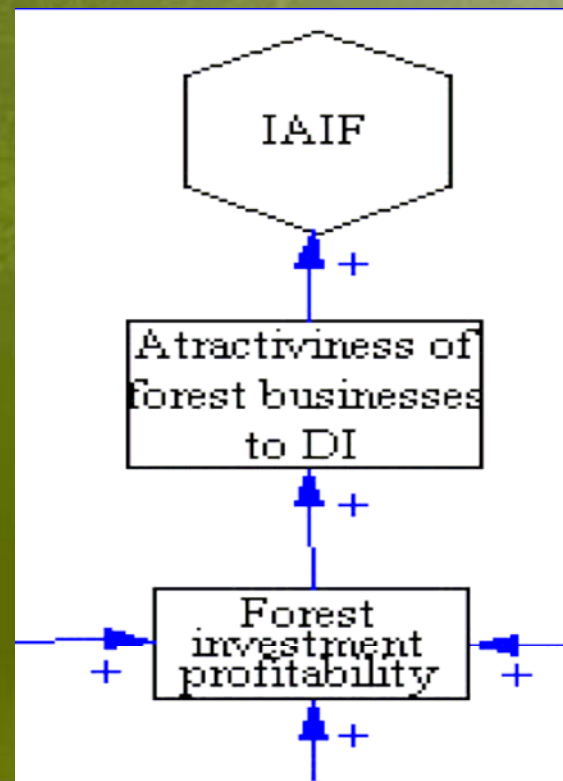
Differential
(potential improvement)

Potential
(potential maximum)

Simulations

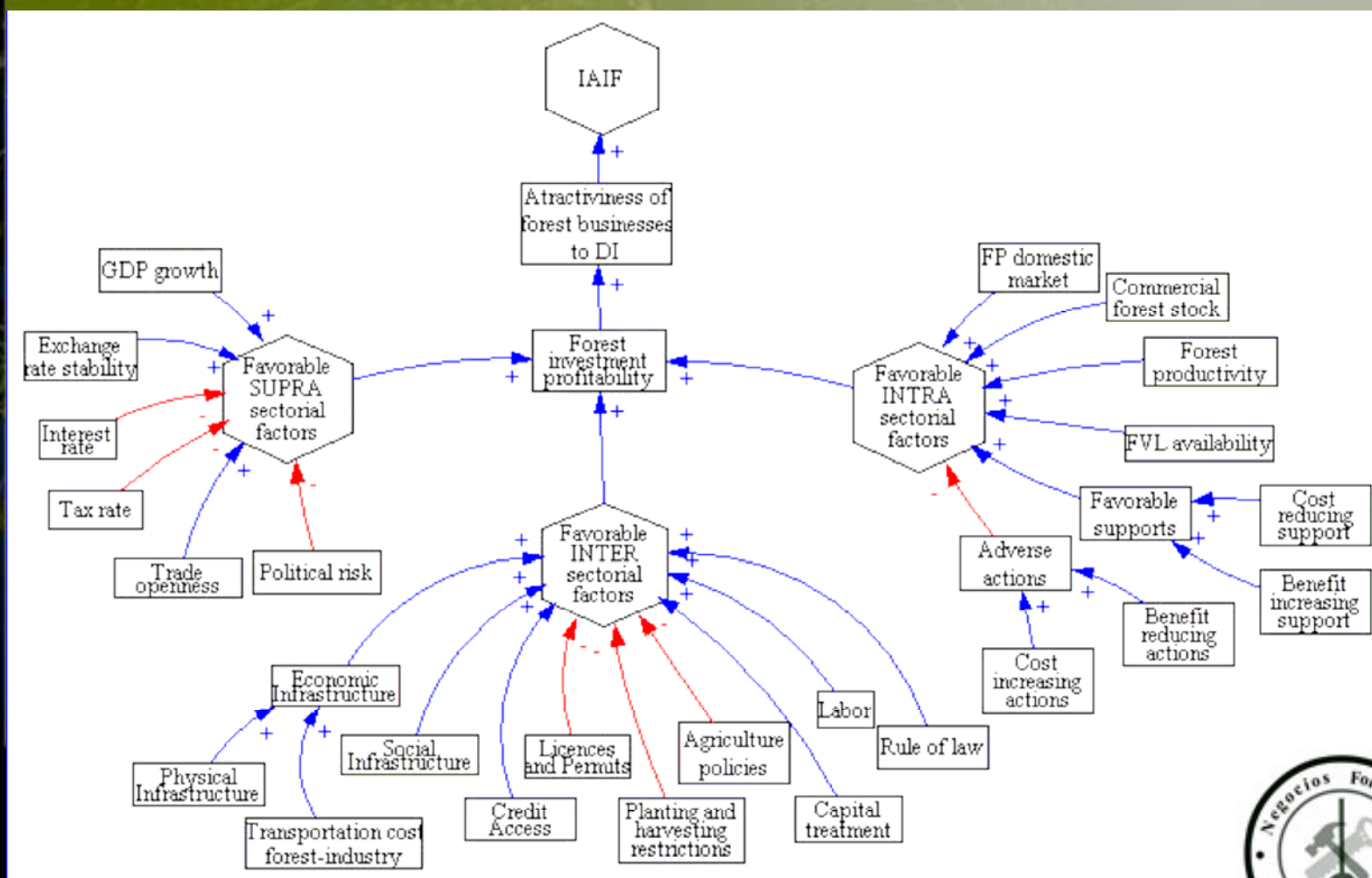


IAIF – Basic hypothesis



Improving Business Climate for Sustainable Forest Investments

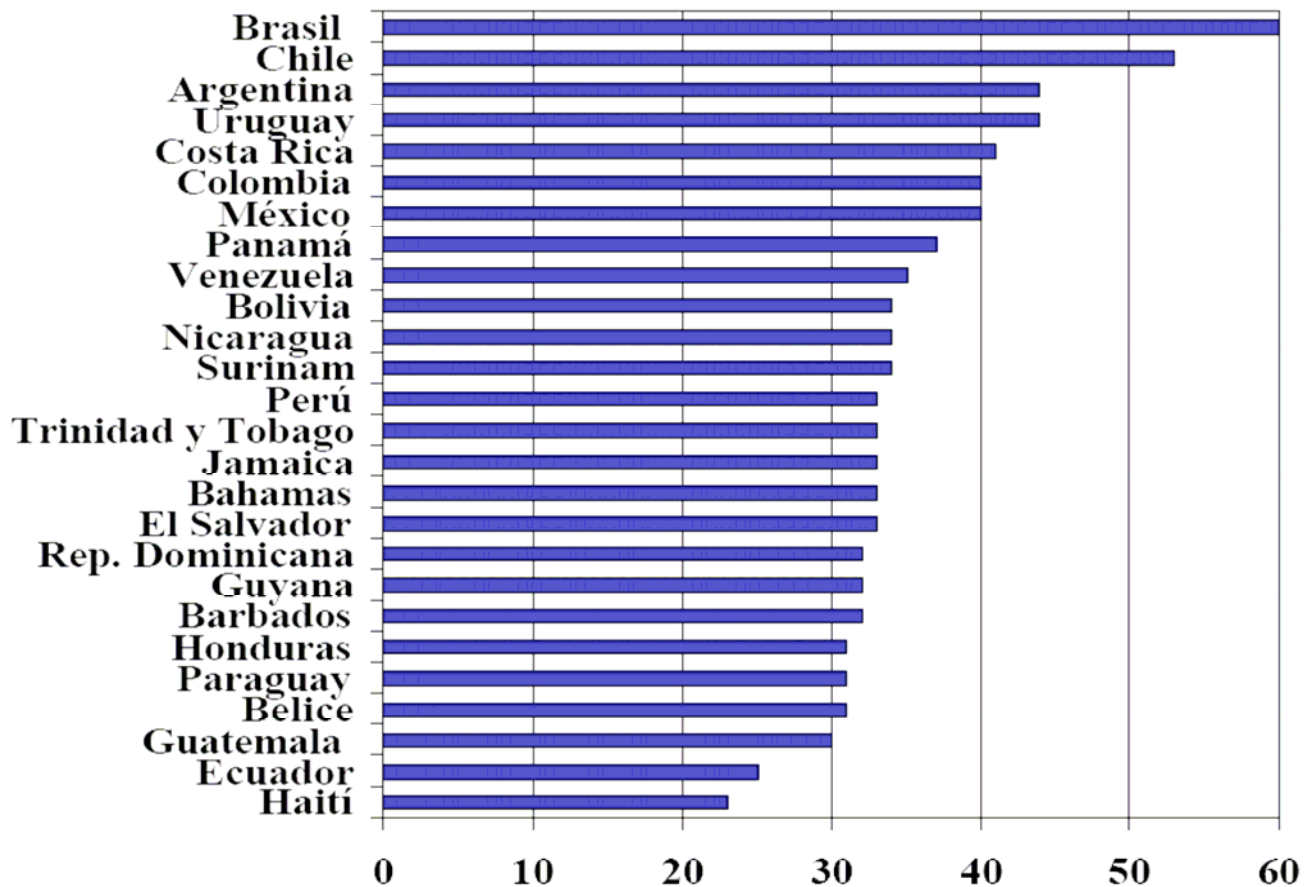
Methodology 20 indicators; >80 variables



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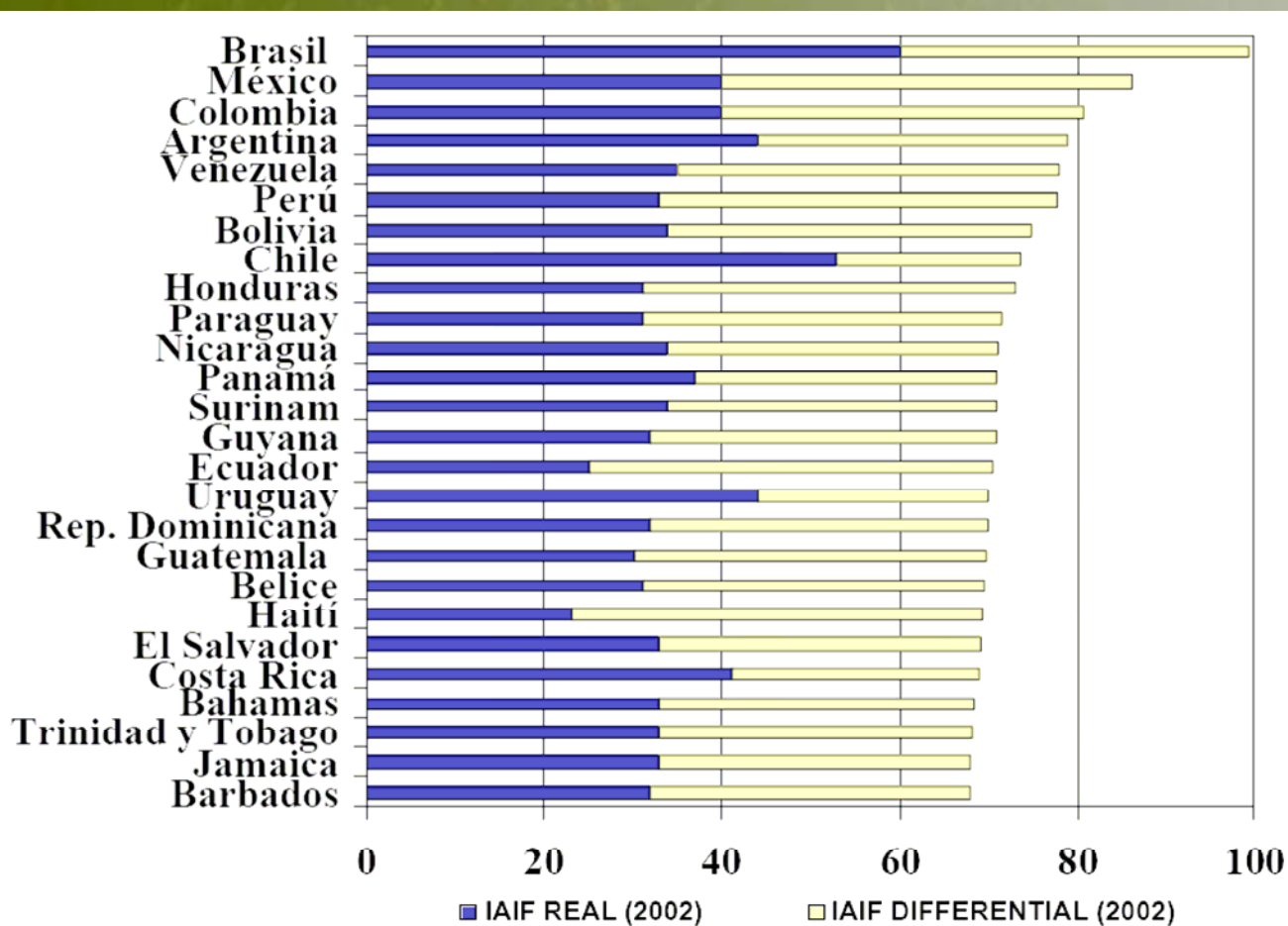


IAIF Real (measured) - 2002



Improving Business Climate for Sustainable Forest Investments

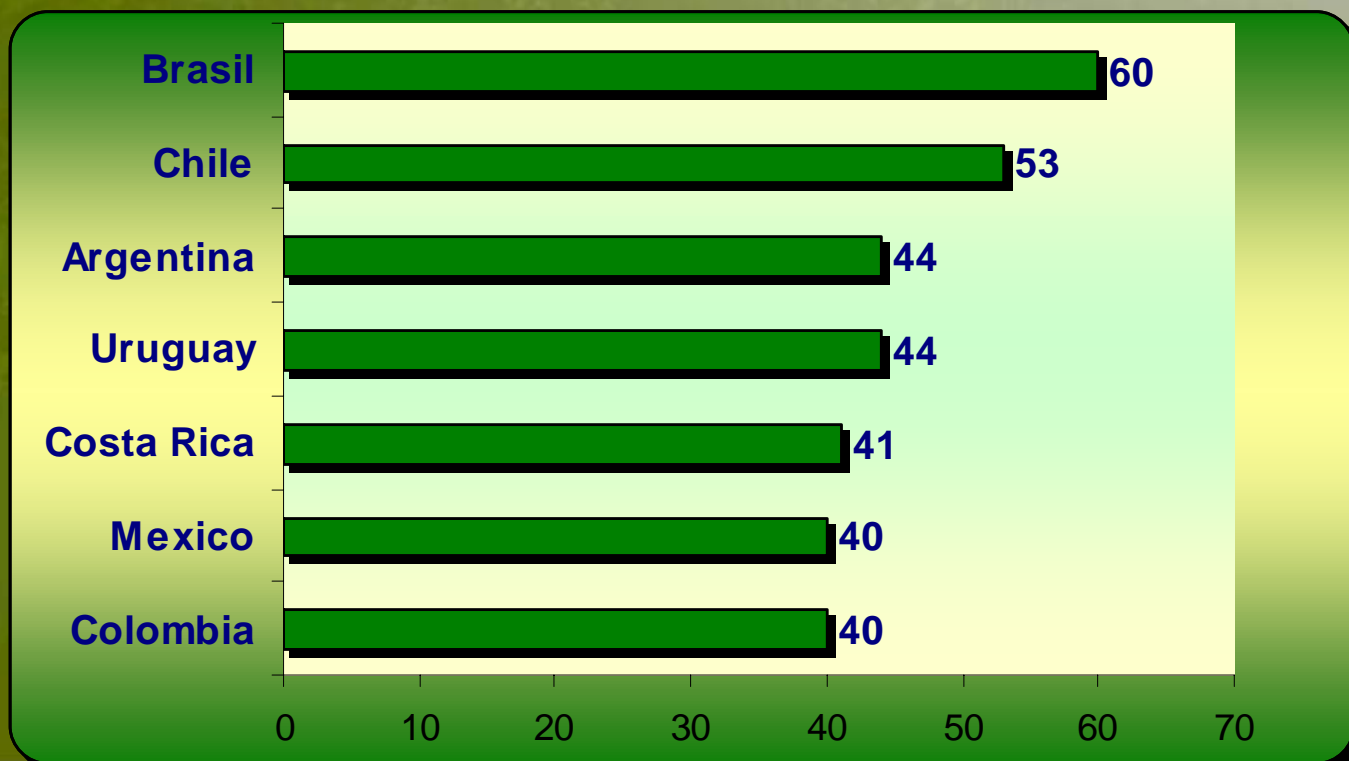
Real – Potential - Differential



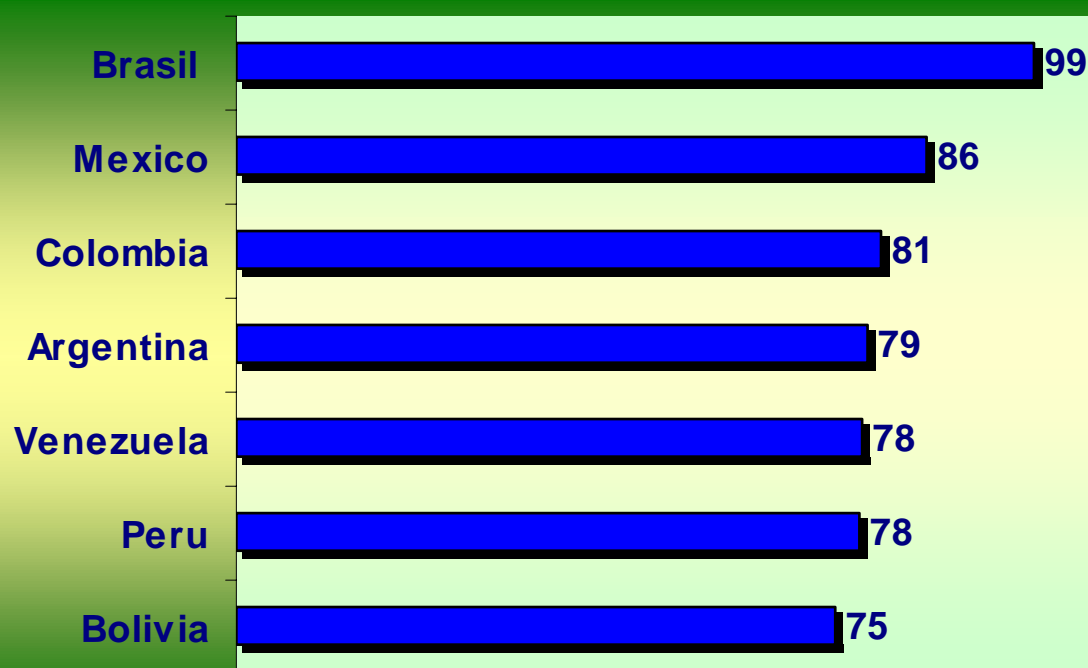
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IAIF – Real for Best Performers

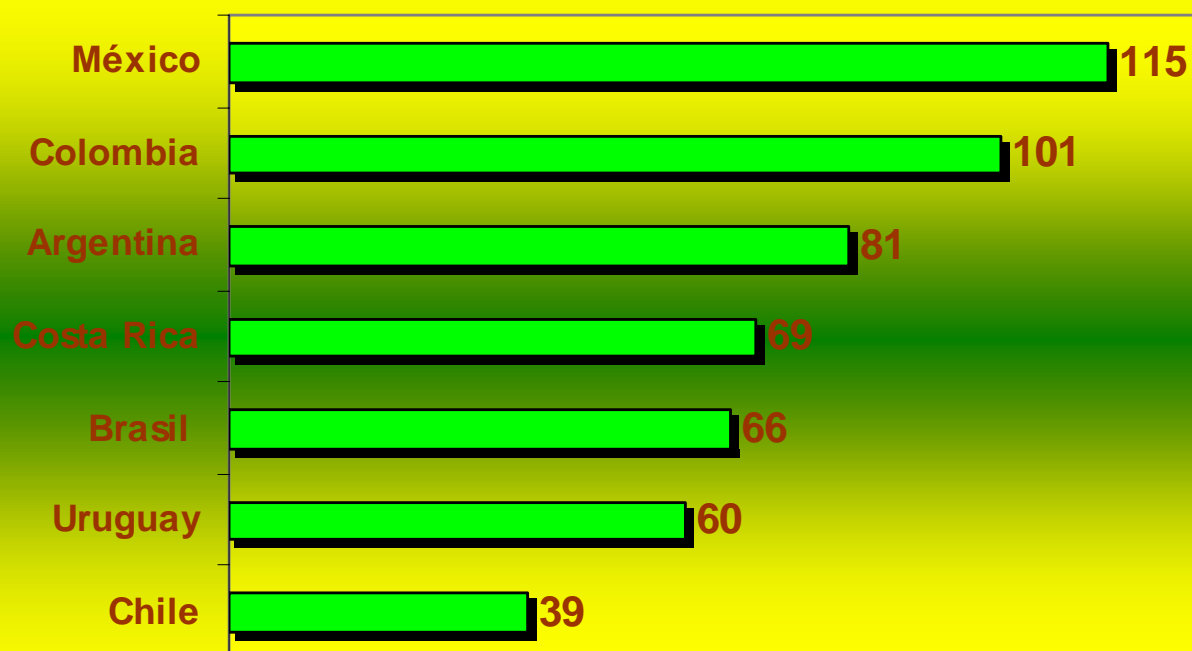


IAIF – Highest Potential



Improving Business Climate for Sustainable Forest Investments

Possible improvement over current levels (%)



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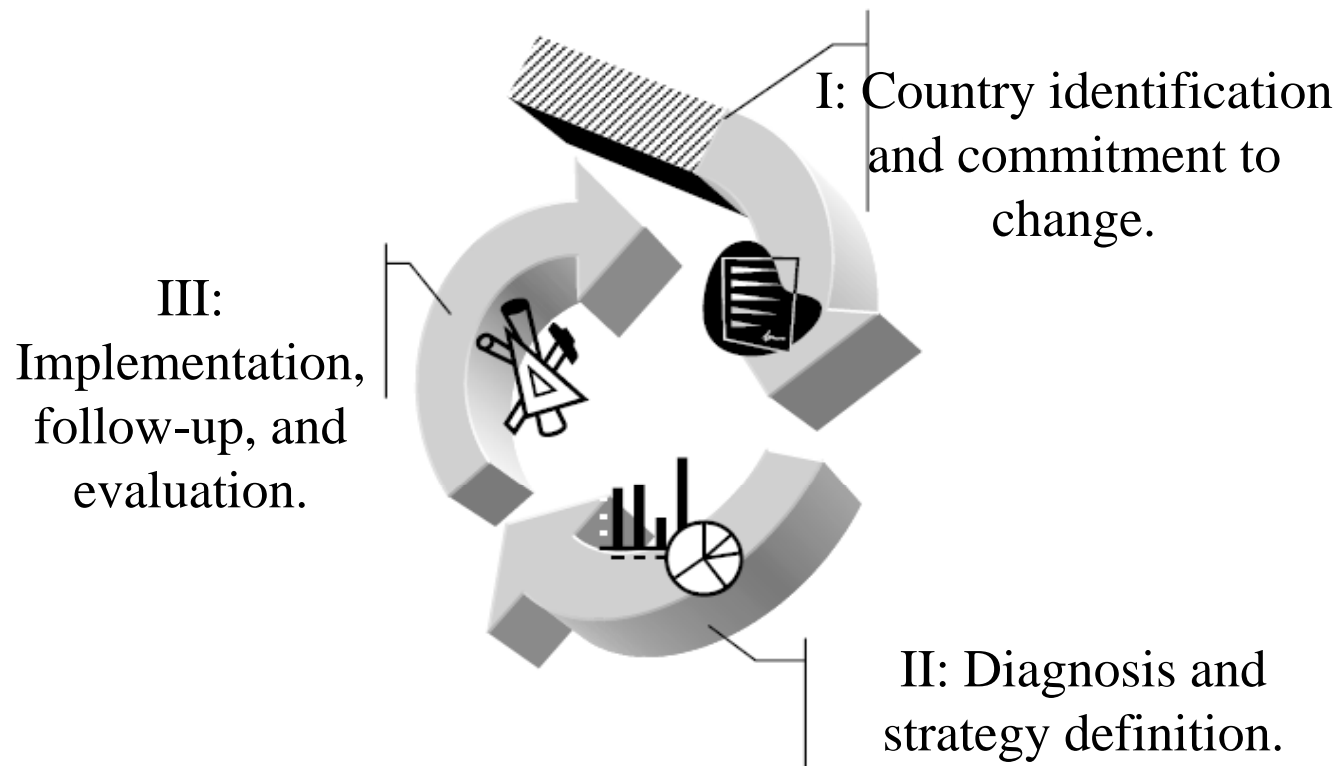


What is PROMECIF?

- **Process to Improve the Business Climate for Forest Investments.**
- **It uses IAIF's methodology as a basis for improving the climate for investments in sustainable forest businesses.**



PROMECEF's three phases

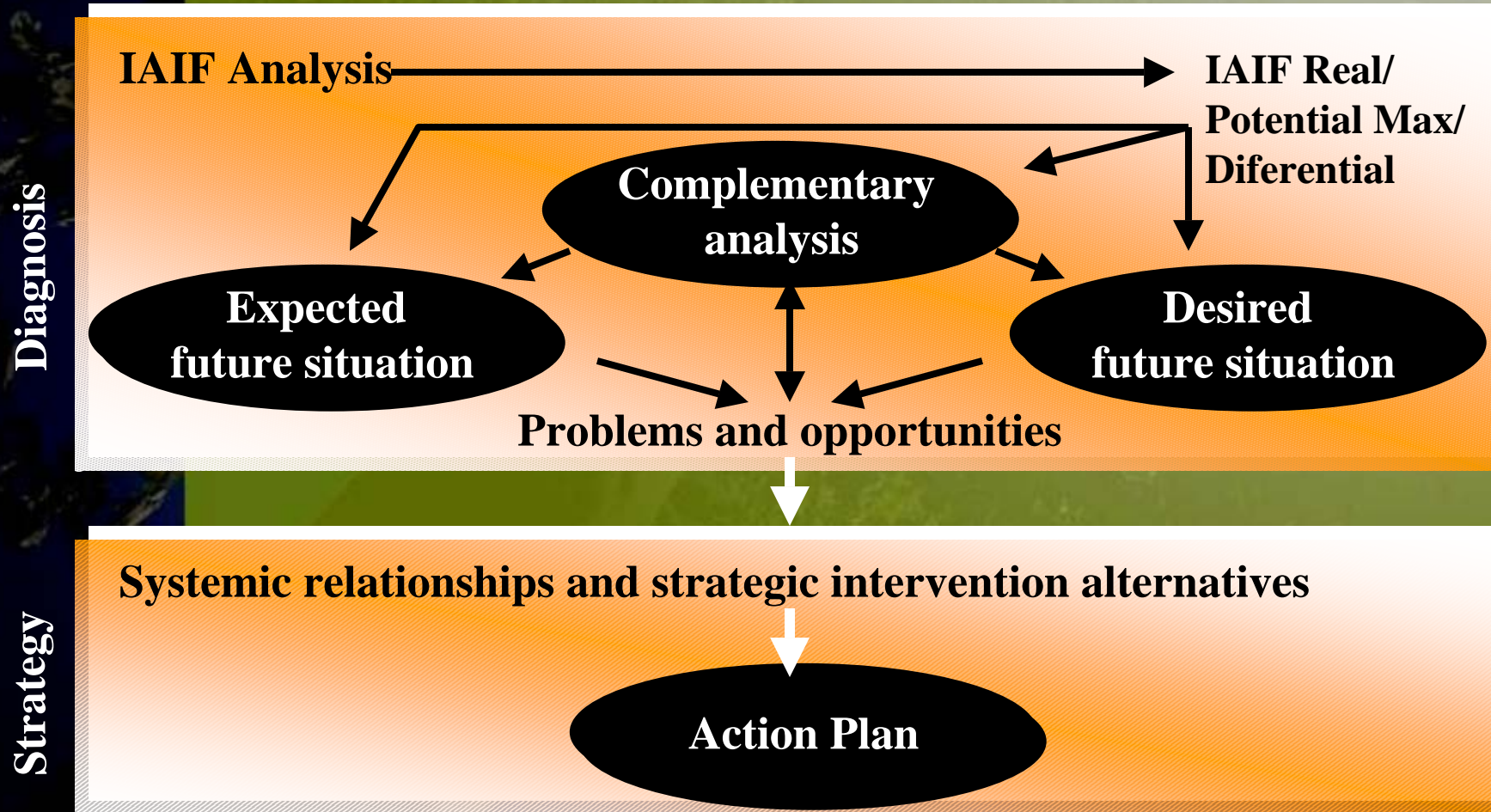


Improving Business Climate for Sustainable Forest Investments

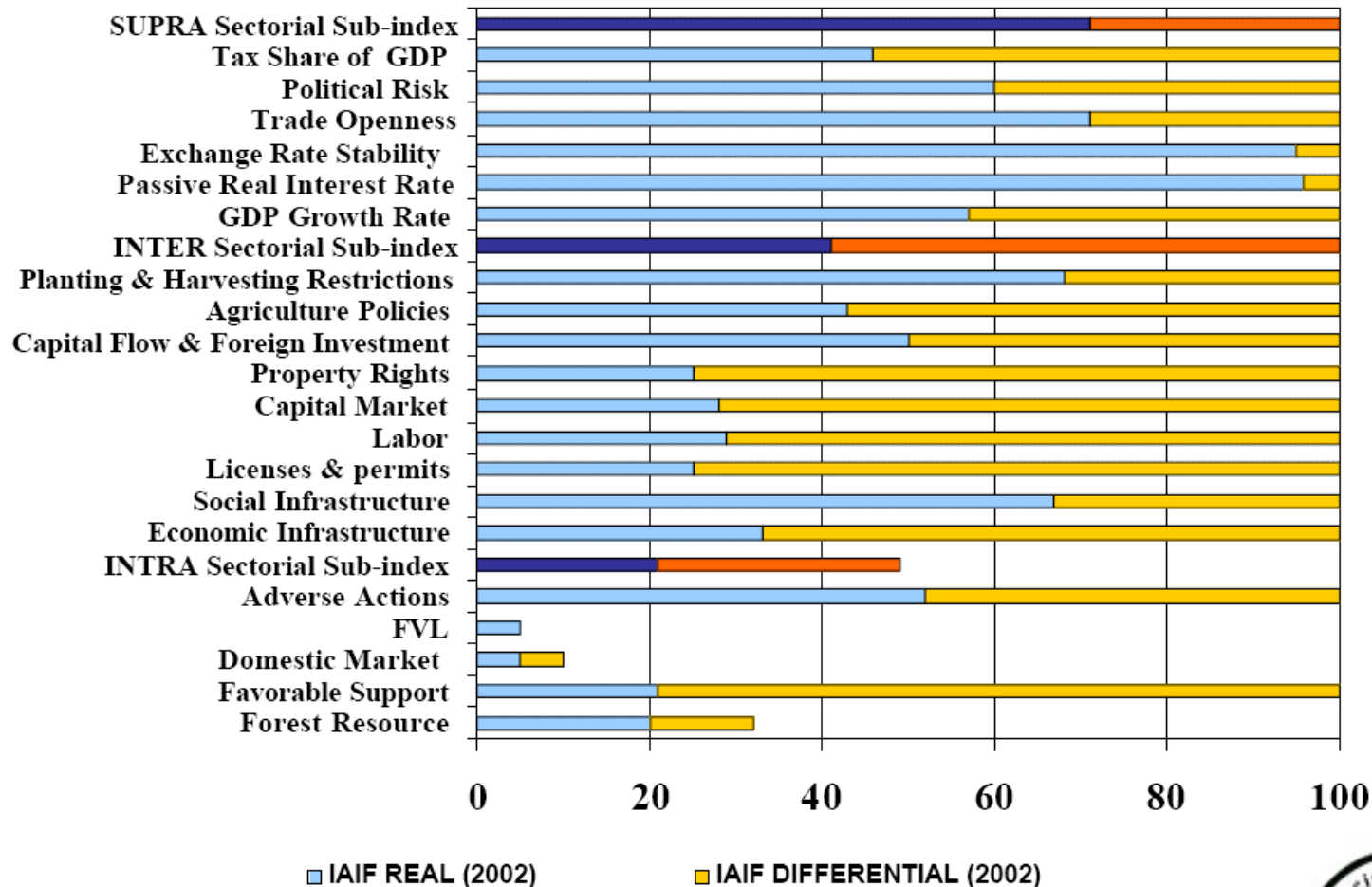
Phase I: Country identification and commitment to change



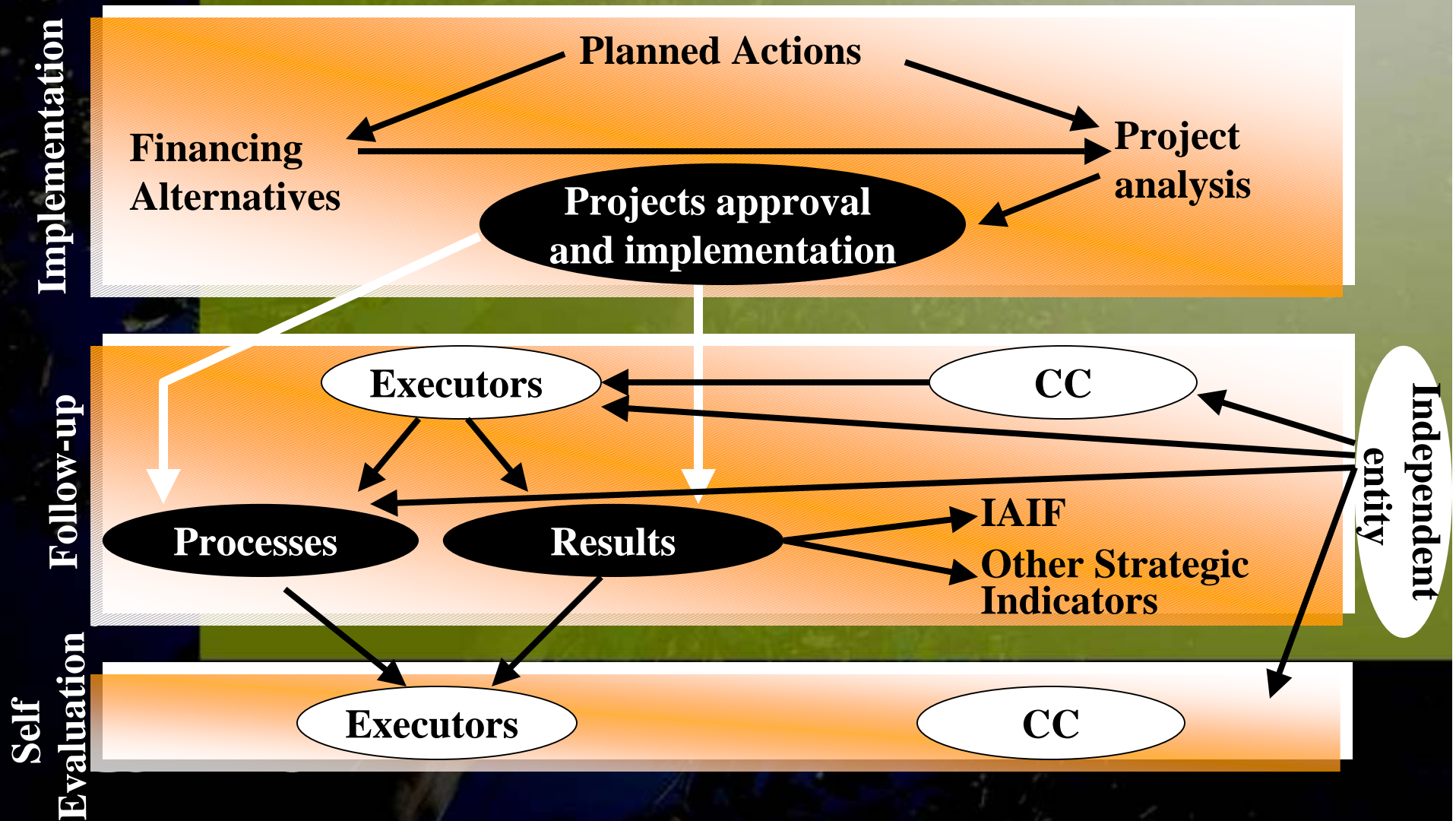
Phase II: Diagnosis and strategy definition



The case for Nicaragua (2002)



Phase III: Implementation, follow-up, and evaluation



Recent developments

- IDB licensed FGV and INCAE to calculate the IAIF every two years and to provide associated goods and services to governments and the private sector
- IAIF 2004 will be presented in a event latter 2006
- PROMECIF is being applied in: Paraguay, Panama, and Ecuador.
- IAIF-BRAZIL: Index will be adjusted and calculated for Brazil's states.
- Development of Sub-Indices for plantations and natural forests.



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Improving Governments' Supporting Role

IDB can help governments to develop and implement actions that will improve the business climate for forestry investments.

IDB can help to improve **Inter** sector factors such as economic infrastructure (roads, ports, energy), labor (training, education), social infrastructure (education, health), land tenure, small and medium forest enterprises development; reduce unfair agricultural biases; effectiveness of environmental regulations; etc.

IDB can help to improve **Intra** sector factors by adjusting regulations, policies, and institutions, as well as supporting the provision of public forest related services that reduce private sector costs and/or increase their benefits.

IDB helps by providing **investment funding** and/or **technical assistance** directly to government agencies or non-governmental organizations



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Developing Tools for Sustainable Forest Businesses

Tools **developed** by IDB to support sustainable forest based investments:

- Legal, financial, and institutional tools to facilitate the **horizontal integration** of owners of small forest lands or their **vertical integration** with the industry.
- Tools for governments to design and implement **forest based business development strategies**
- **IAIF and PROMECIF**
- Tools to implement forest policies that use the concept of **forest vocation lands**



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Developing Tools for Sustainable Forest Businesses

Tools **under development** by IDB to support sustainable forest based investments:

- Mobilizing **Capital markets** for forest financing; Unlocking dead forest capital
- **IAIF for Brazilian States**
- **Fuelwood market** effectiveness improvement
- Forest industry **supplier development** tools to increase the participation of SMEs
- Improving **fiscal policies** impact on forest businesses in LAC
- Instruments for forest businesses **risk management**;
- **Information services** for forest business effectiveness;
- Instruments for increased private sector participation in **public forest lands**



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■ Implementing Tools

IDB is currently assisting the implementation of the following tools:

- PROMECIF is being implemented for **Paraguay**, **Panama**, and soon for **Ecuador**
- Implementation of Forest vocation land policies in **Panama**;
- Fuelwood market effectiveness improvement in **Paraguay**
- Capital markets financing for forest based investments in **Brazil**



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Further information

- www.iadb.org/pforestal

- forestal@iadb.org

The screenshot shows the website for 'Negocios Forestales Sostenibles' under the 'Banco Interamericano de Desarrollo' banner. The page features a navigation menu with links for 'Portada', 'Acerca del BID', 'Noticias', 'Países', 'Temas', 'Proyectos', 'Investigación', and 'Publicaciones'. A search bar is located in the top right corner. The main content area includes a sidebar with a menu of links: 'Inicio', 'Herramientas', 'Políticas y Estrategias', 'Proyectos Forestales del BID', 'Tipos de apoyo', 'Publicaciones', 'Recursos adicionales', and 'Contacto'. The main text area is titled 'Un buen negocio para todos' and discusses the importance of sustainable forest management. A 'Herramientas' section is highlighted with a yellow background and contains links for 'Índice de atracción a la inversión forestal' and 'PROMECIF'. A circular logo for 'Negocios Forestales Sostenibles' is visible in the bottom left of the page content. Two green arrows point from the text in the main content area to the 'Herramientas' section.



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