



Forest Business Environment Attractiveness comparison of Key Latin American Countries

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AEL FinPRO Seminar

The Opportunities for the Forest Industry in Latin America – Should the smaller players follow the larger ones?

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Overview

I- IDB in one minute

II- IAIF

- Objectives
- Usefulness
- Model

III- Results

- Sub Indices
- Supra, Inter,
- Intra

IV- PROMECIF and IAIF Evolution

I Inter-American Development Bank

Basic Facts: the IDB Group

- IDB Group: IDB (1959); IIC (1989); MIF (1992); and PRI (1994)
- Oldest and largest regional multilateral development bank
- Largest source of development finance for Latin America
 - Approved over \$ 118 billion in loans
 - Total cost of projects: \$281 billion
- 46 Member countries
 - 26 Borrowing (50 % of the shares)

II IAIF Results 2002

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

The IAIF 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 is useful for

- setting **priorities** among policy areas by governments interested in improving their forest business climate
- monitoring the **success** of policy interventions on specific indicators
- identifying **issues** where national performance is above or below expectations or aspirations

The IAIF is useful for

- serving as a **working framework** to encourage research, debate, dialogue, and learning.
- clarifying policy and investment **tradeoffs**
- designing **intervention** strategies and better define goals, programs, and policies

The IAIF allows comparisons of countries, regions, years, indicators, sub-indexes, such as

- Among nations in a given year
- Country's performance trends over time
- Country's performance in relation to neighbors or sub region for given year
- Subindex performance and trends

The IAIF allows analysis of:

Measured
(real)

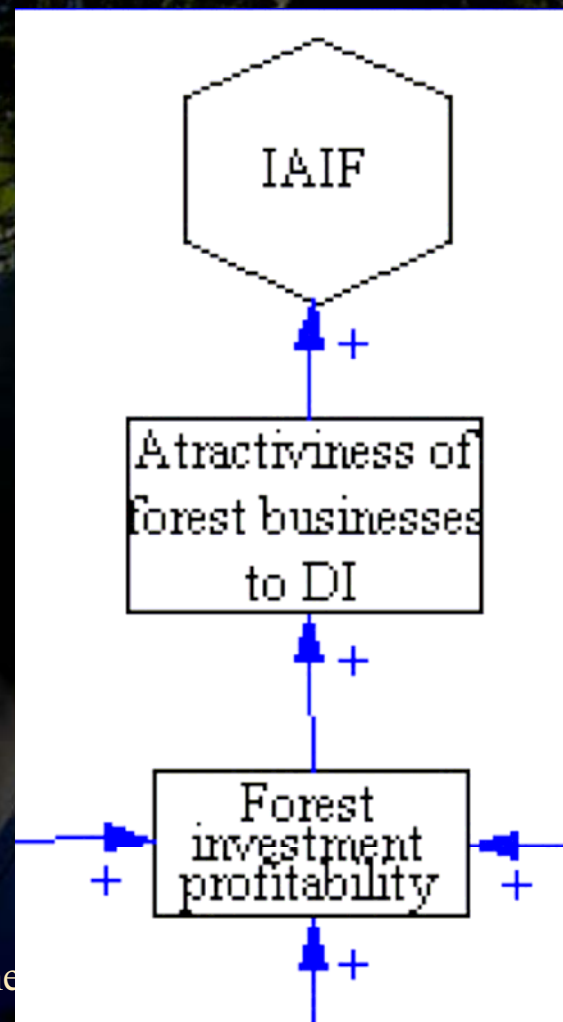
Contribution to IAIF
(weighted)

Differential
(potential improvement)

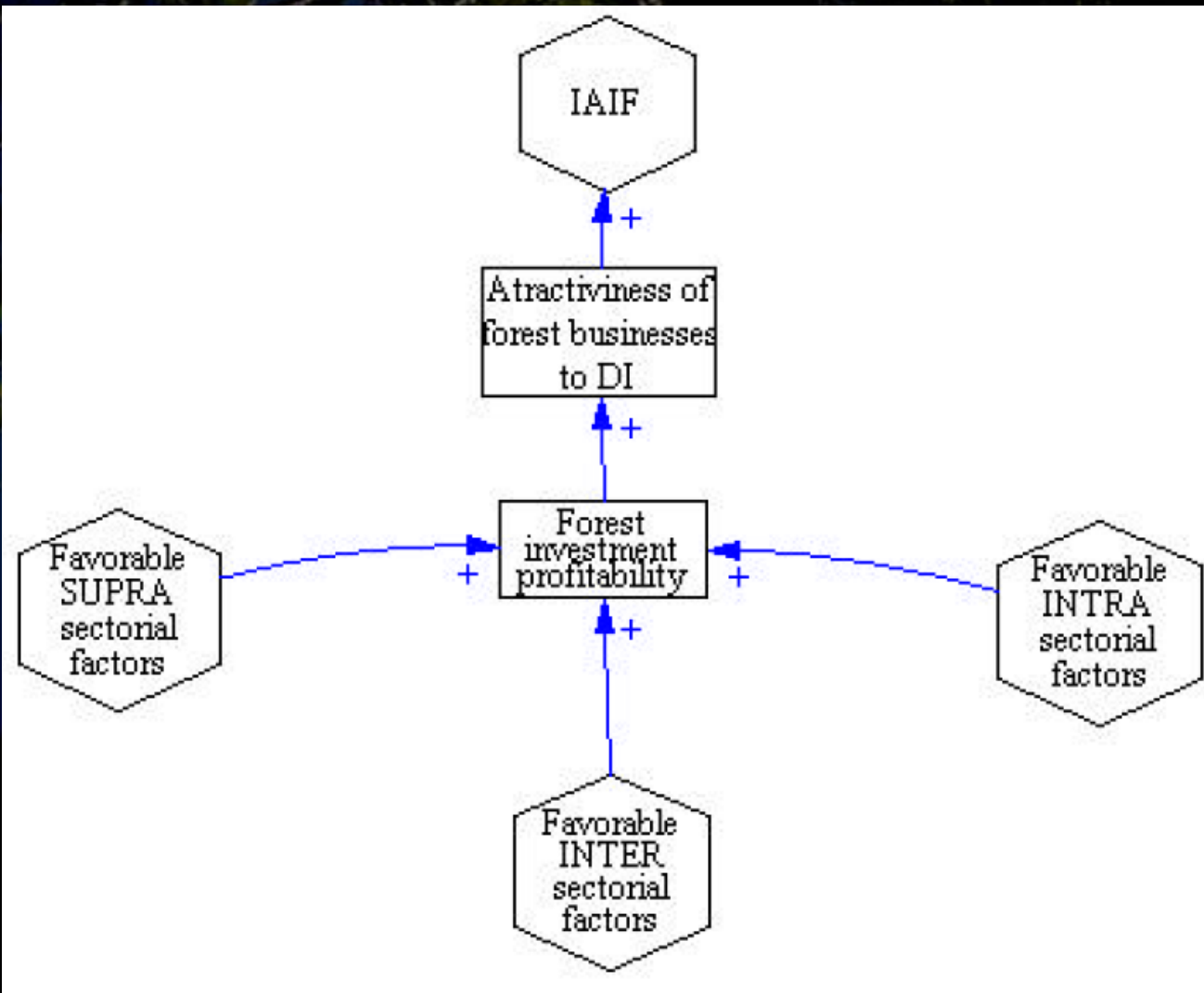
Potential
(potential maximum)

Simulations

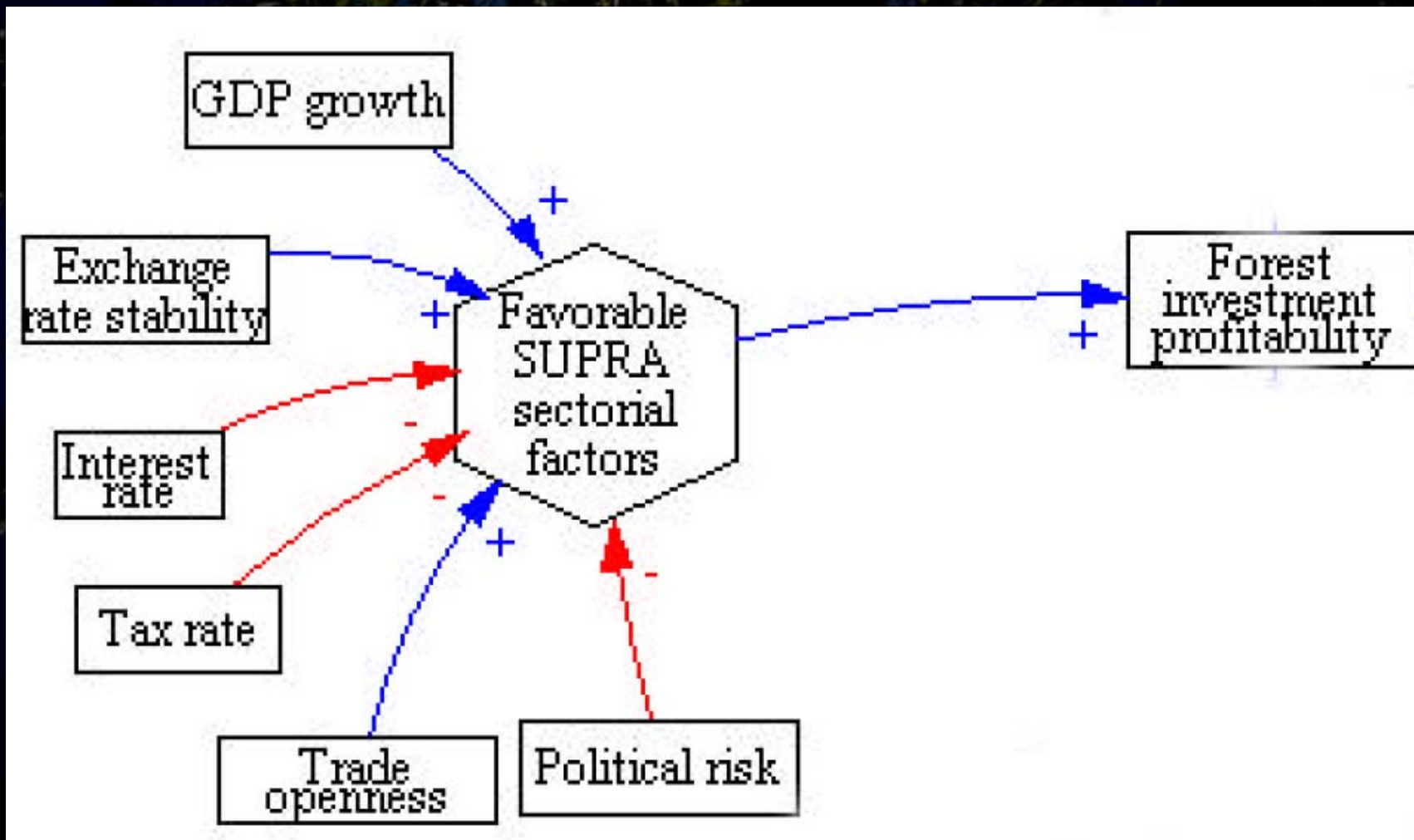
IAIF – Basic hypothesis



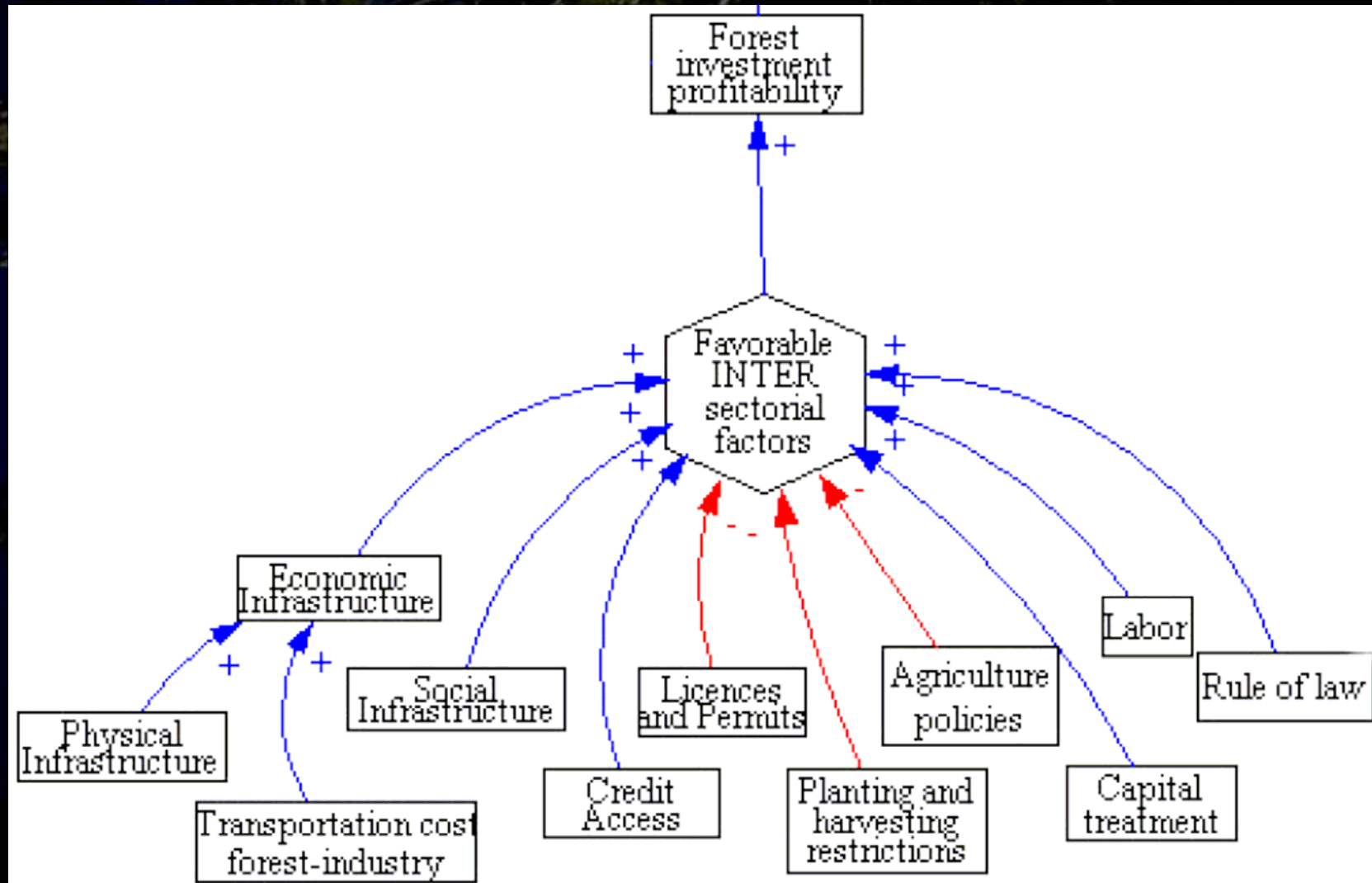
Methodology – 3 Sub indexes



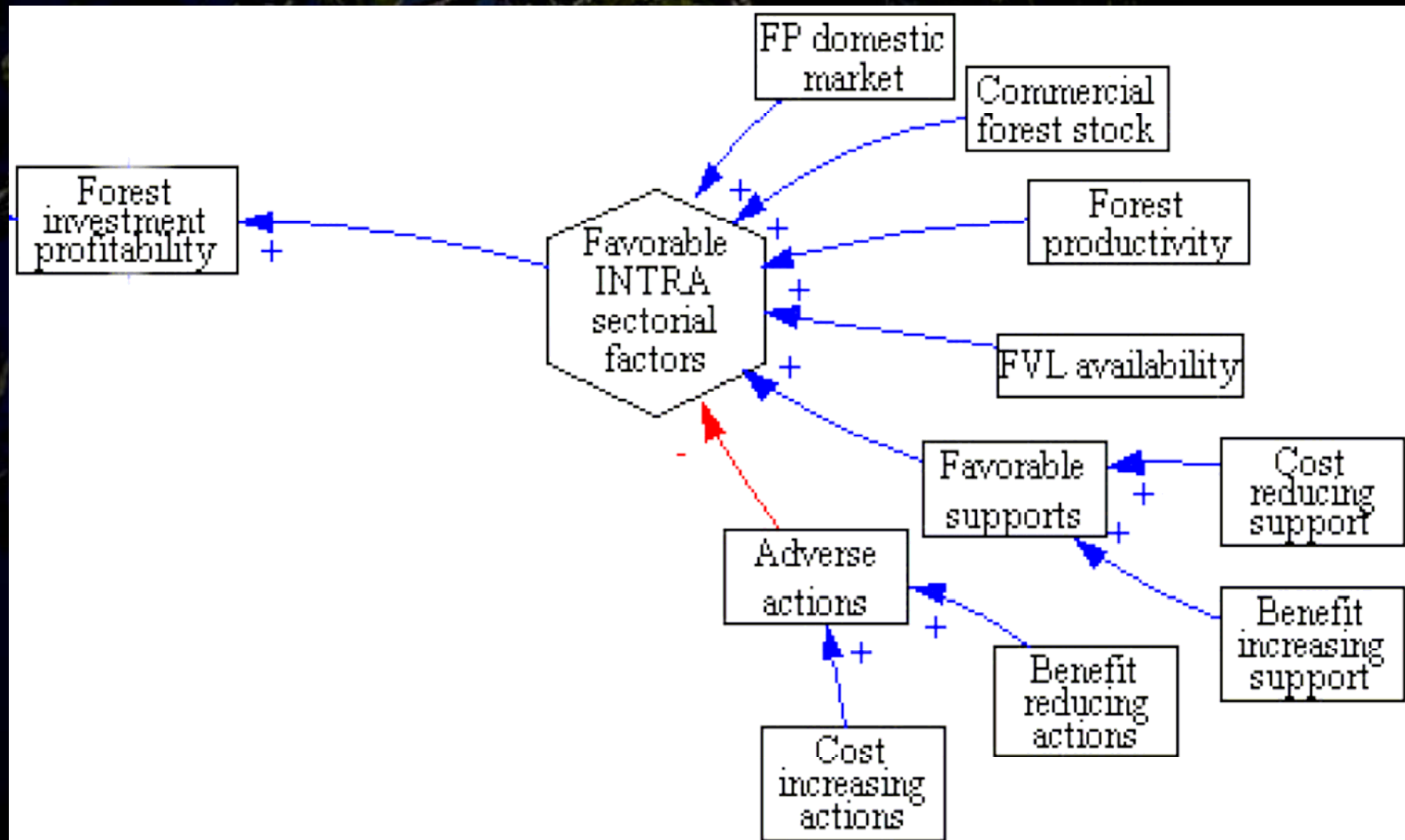
Sub index – SUPRA sectorial factors



Sub index – INTER sectorial factors

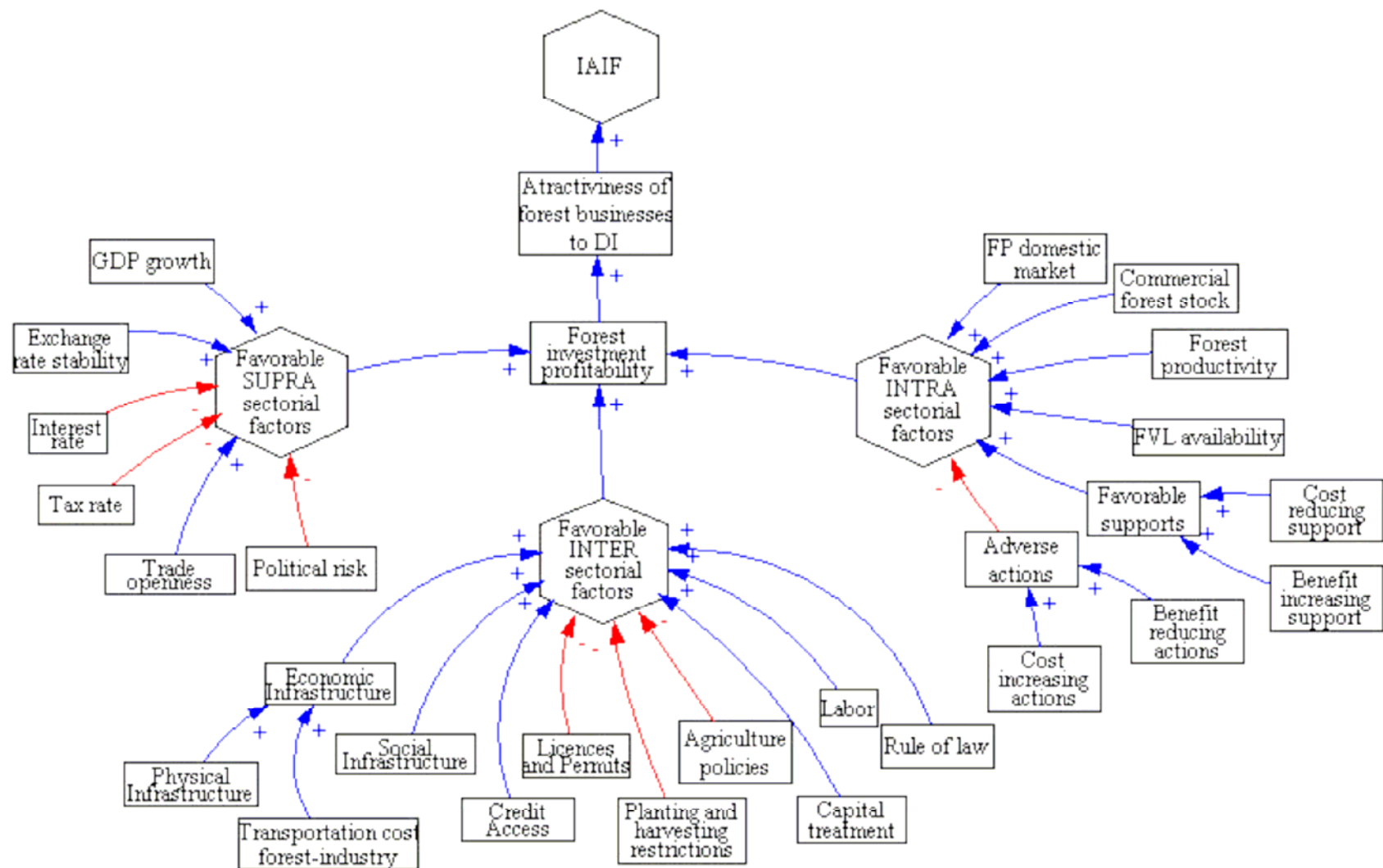


Sub index – INTRA sectorial factors

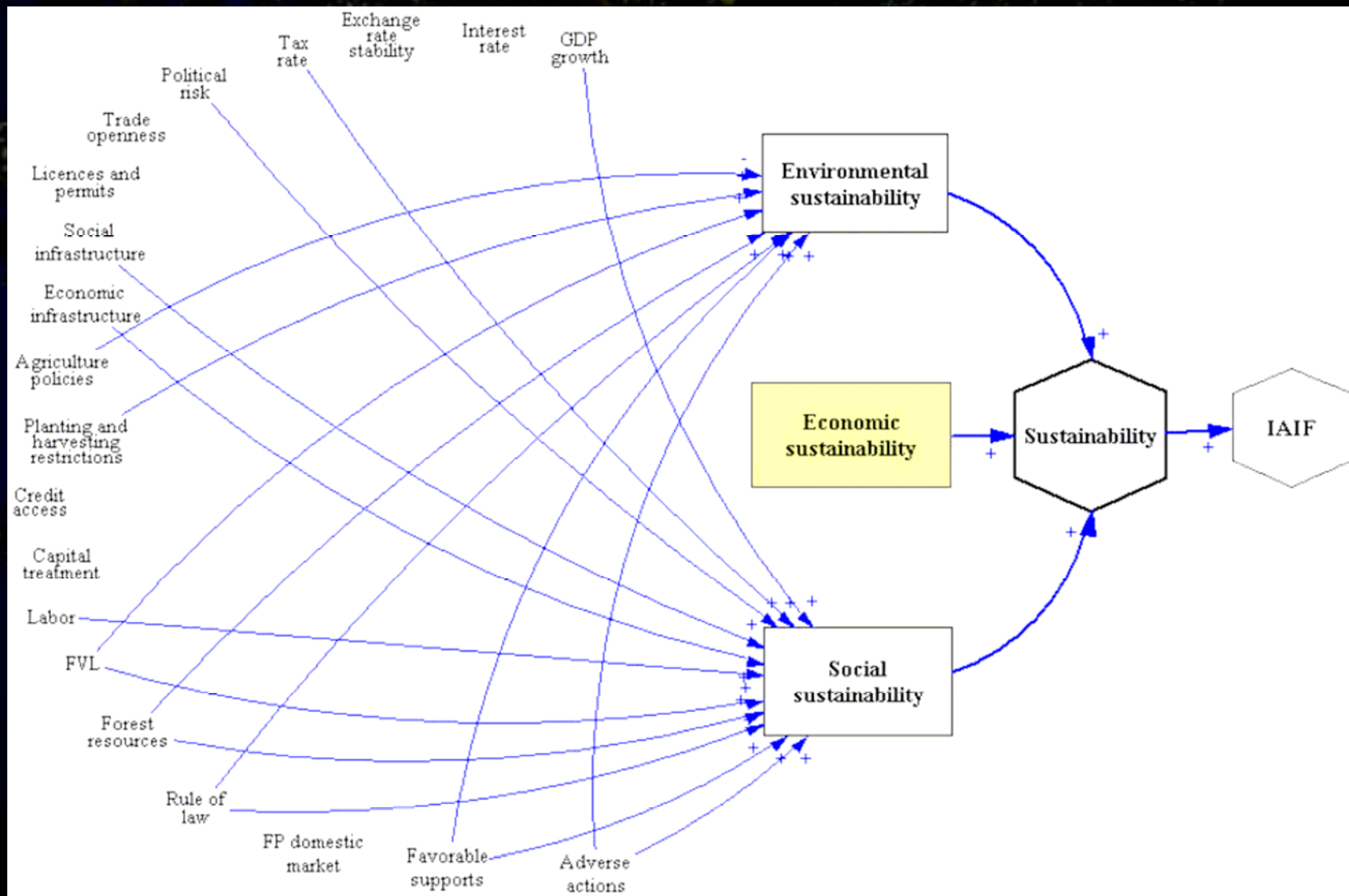


II- IAIF

Methodology 20 indicators; >80 variables



IAIF and Sustainability



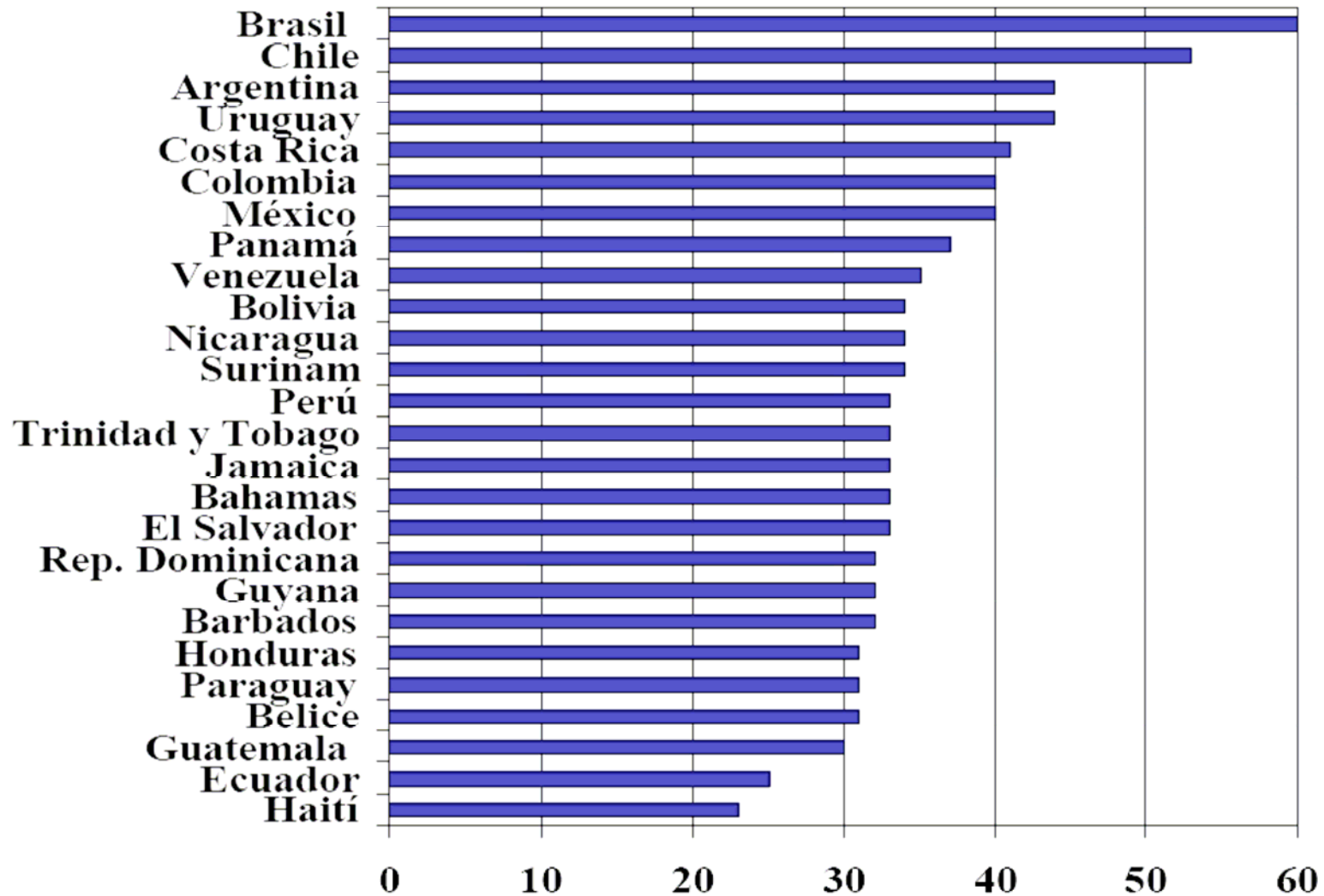
Sources of information

- Secondary data and indexes (World Bank, FAO, World Economic Forum, etc.)
- Primary information through surveys
 - Agriculture policies
 - Planting and harvesting restrictions
 - Adverse actions
 - Favorable supports

III IAIF Results 2002

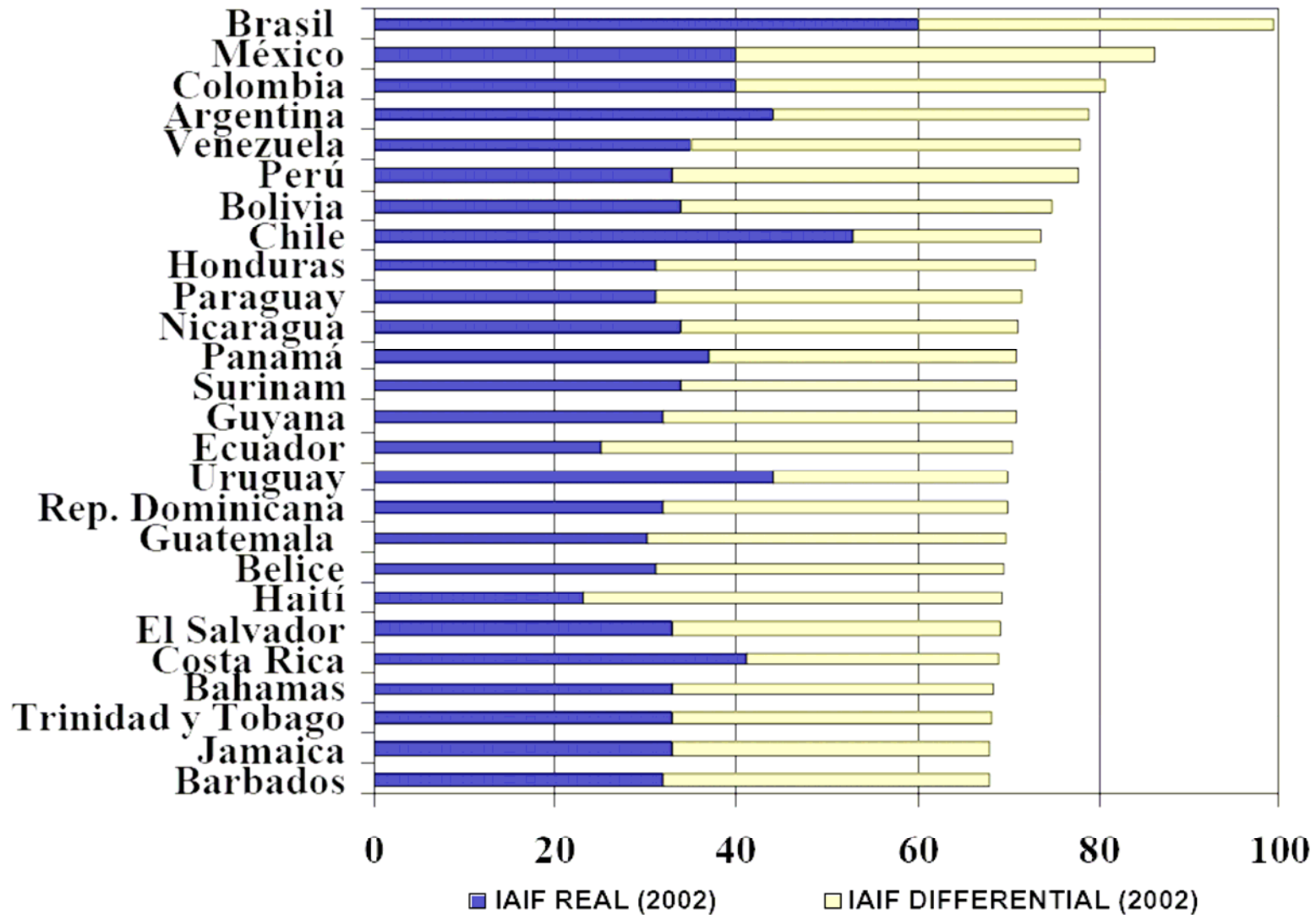
III- Results

IAIF Real (measured) - 2002

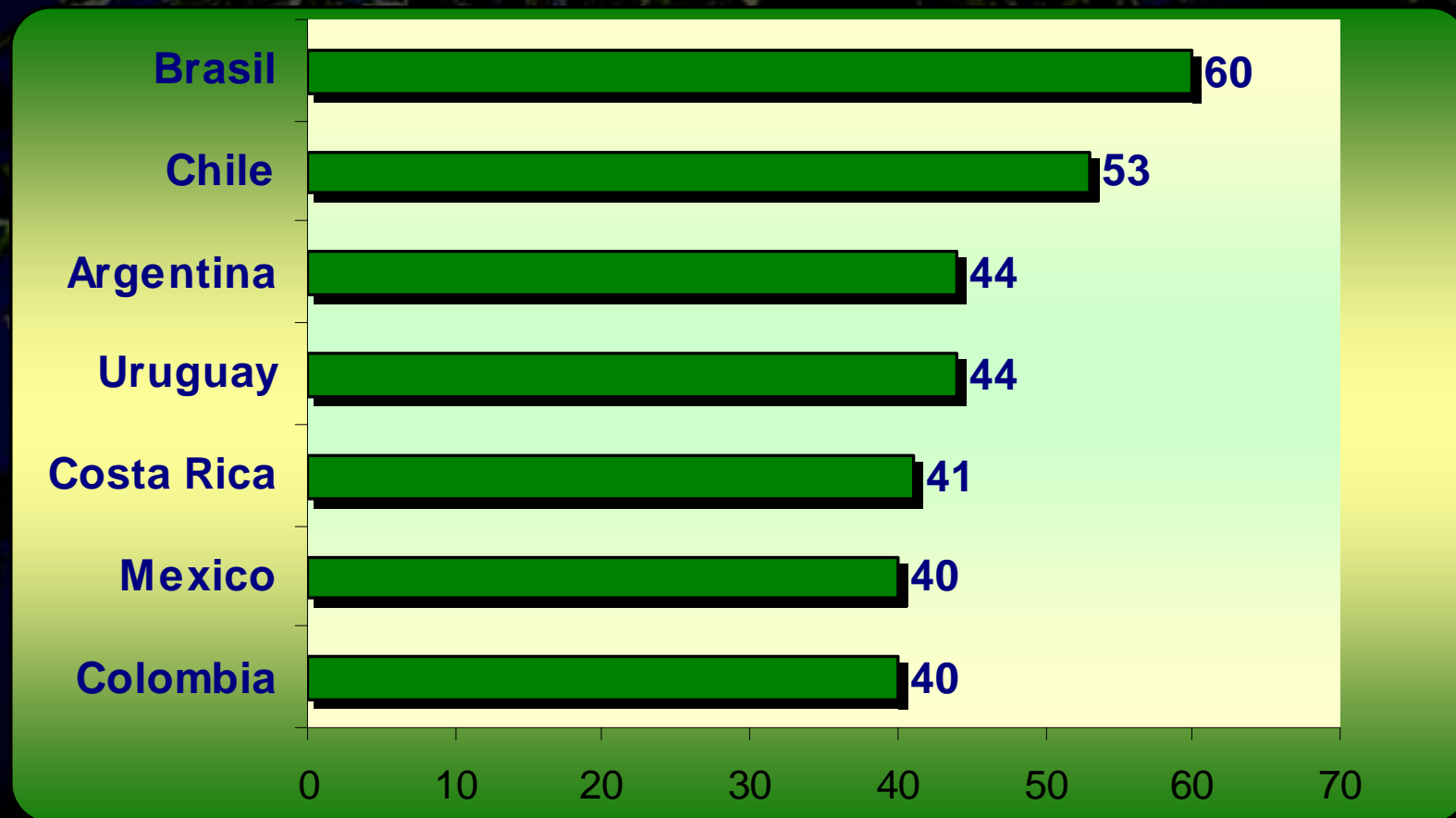


III- Results

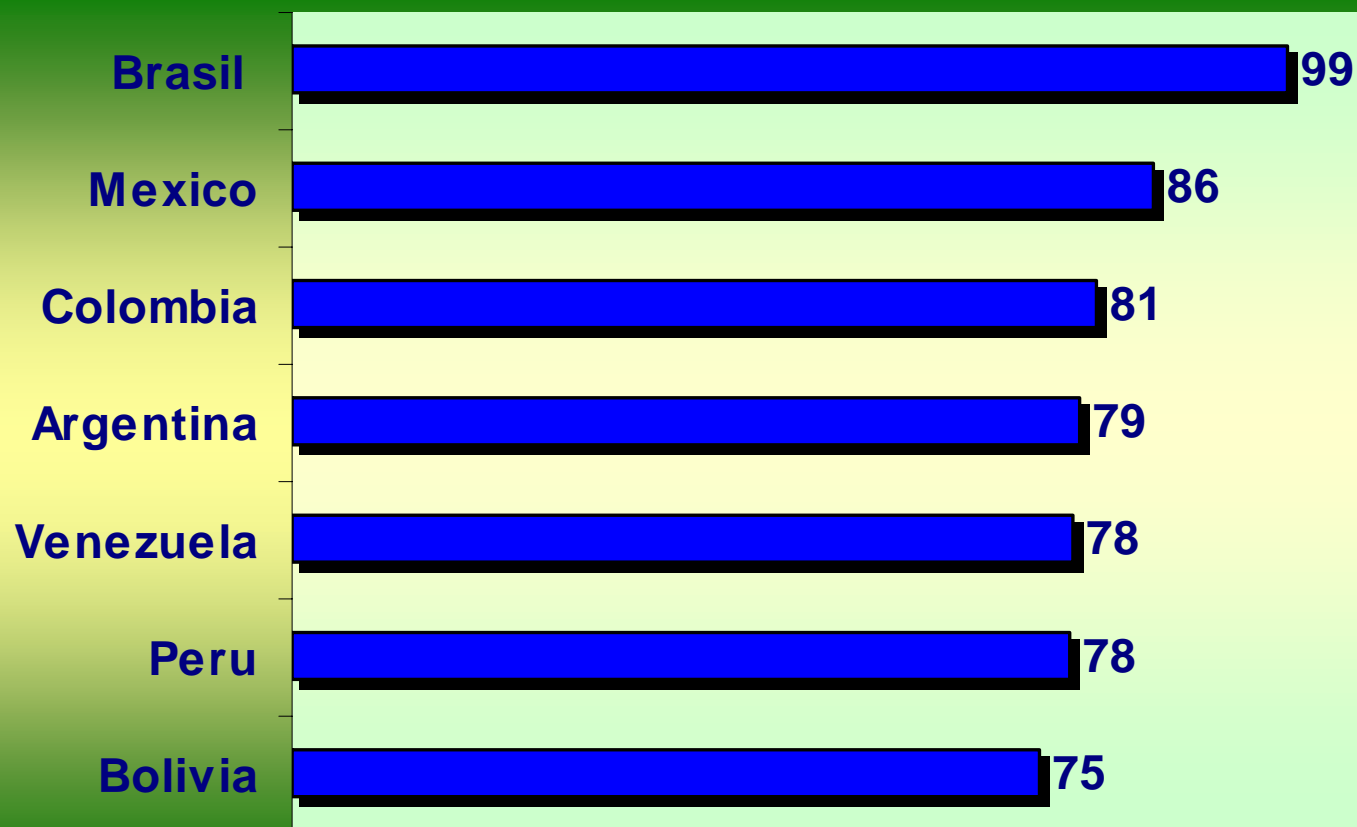
Real – Potential - Differential



IAIF – Real for Best Performers



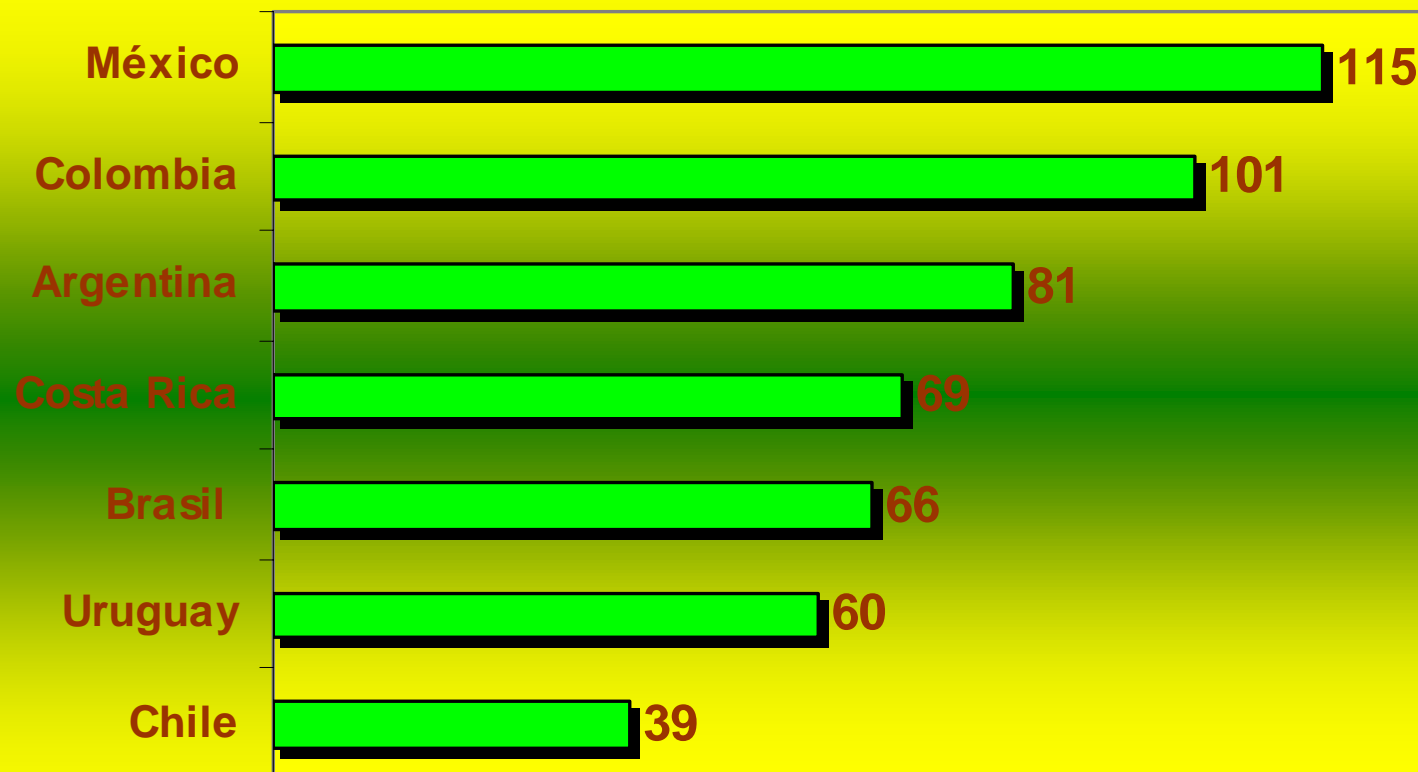
IAIF – Highest Potential



III- Results



Possible improvement over current levels (%)



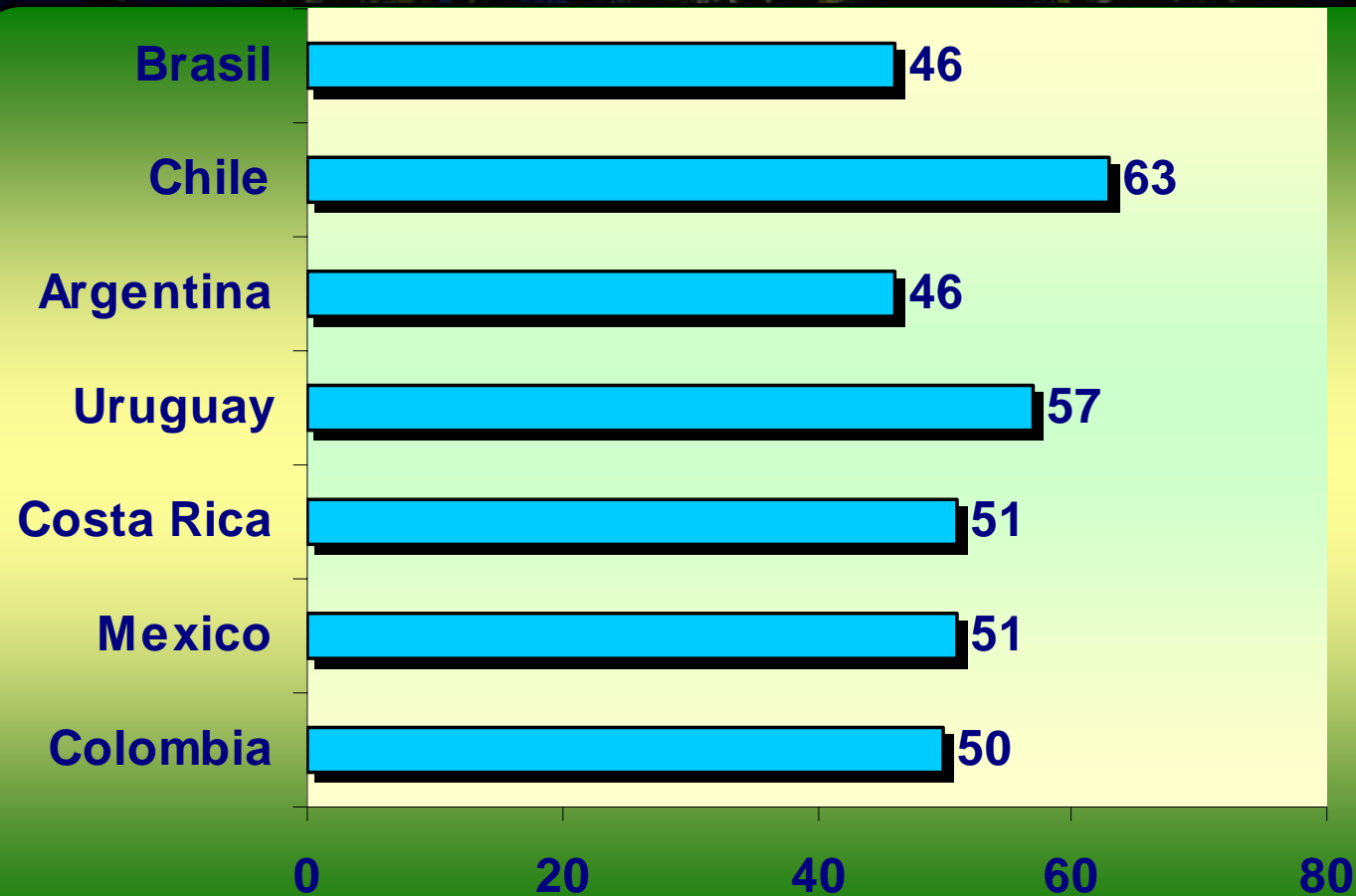
III- Results

SubIndex SUPRA



III- Results

SubIndex INTER



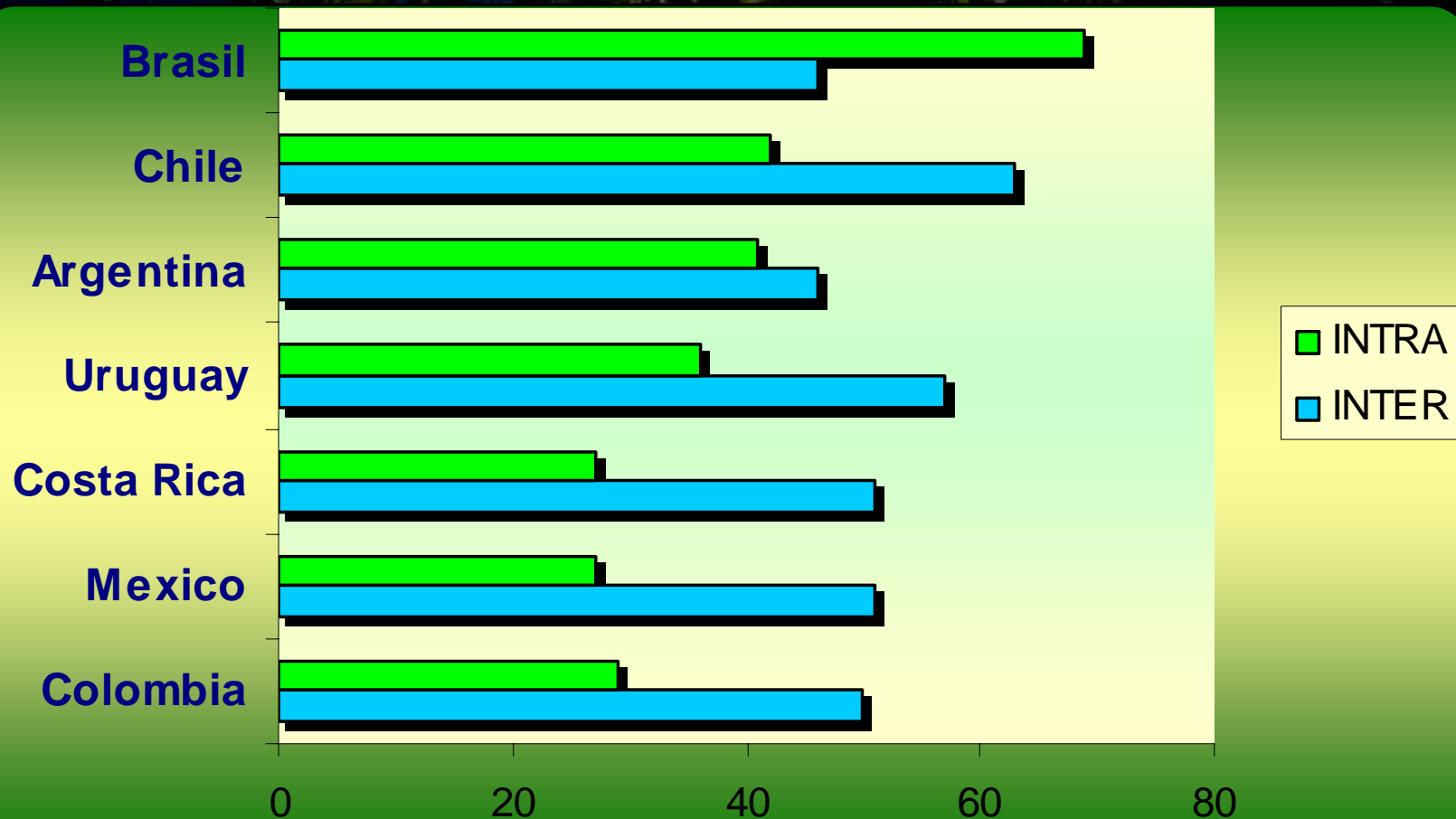
III- Results

Sub Index INTRA



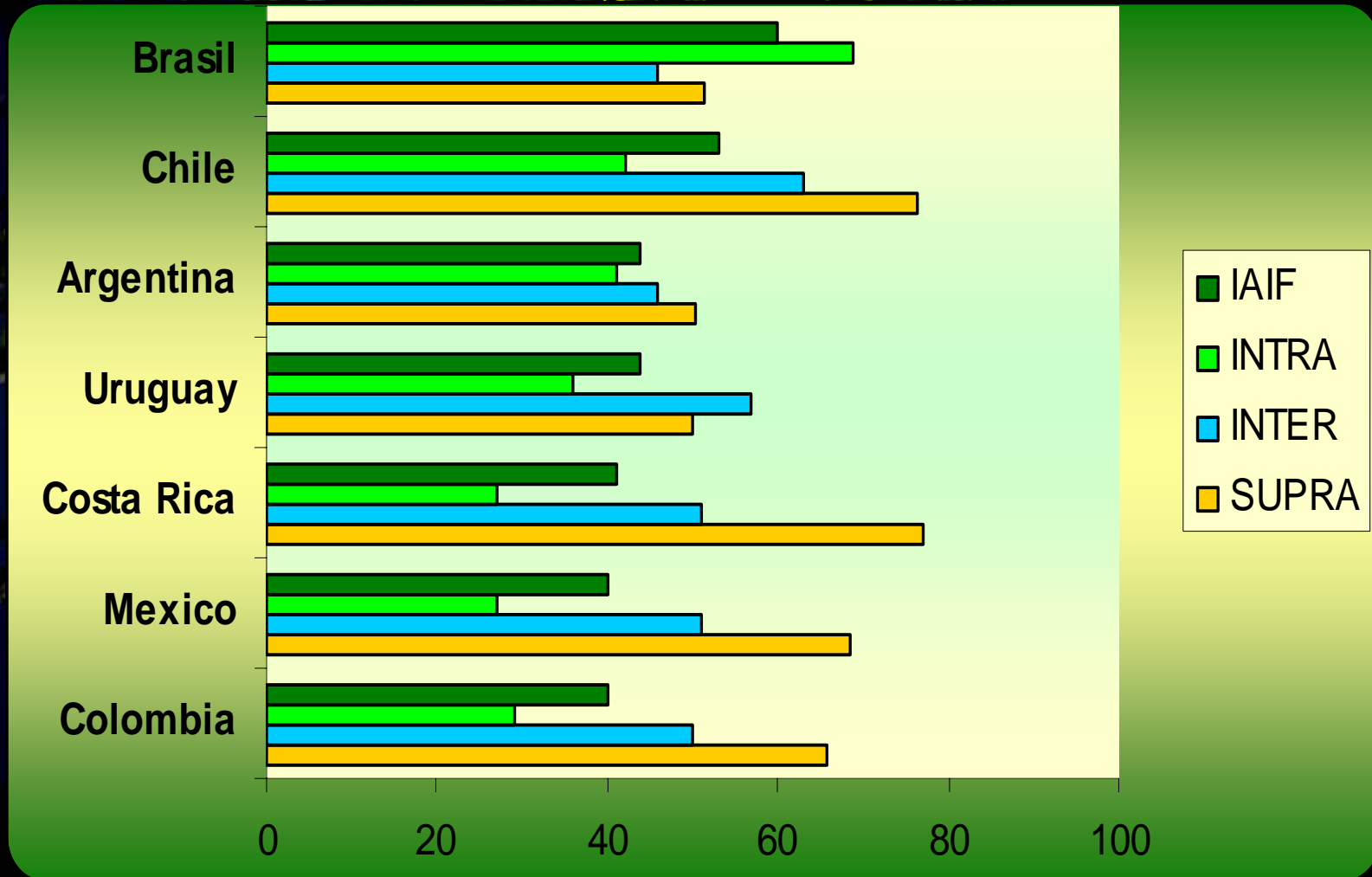
III- Results

INTER vs INTRA

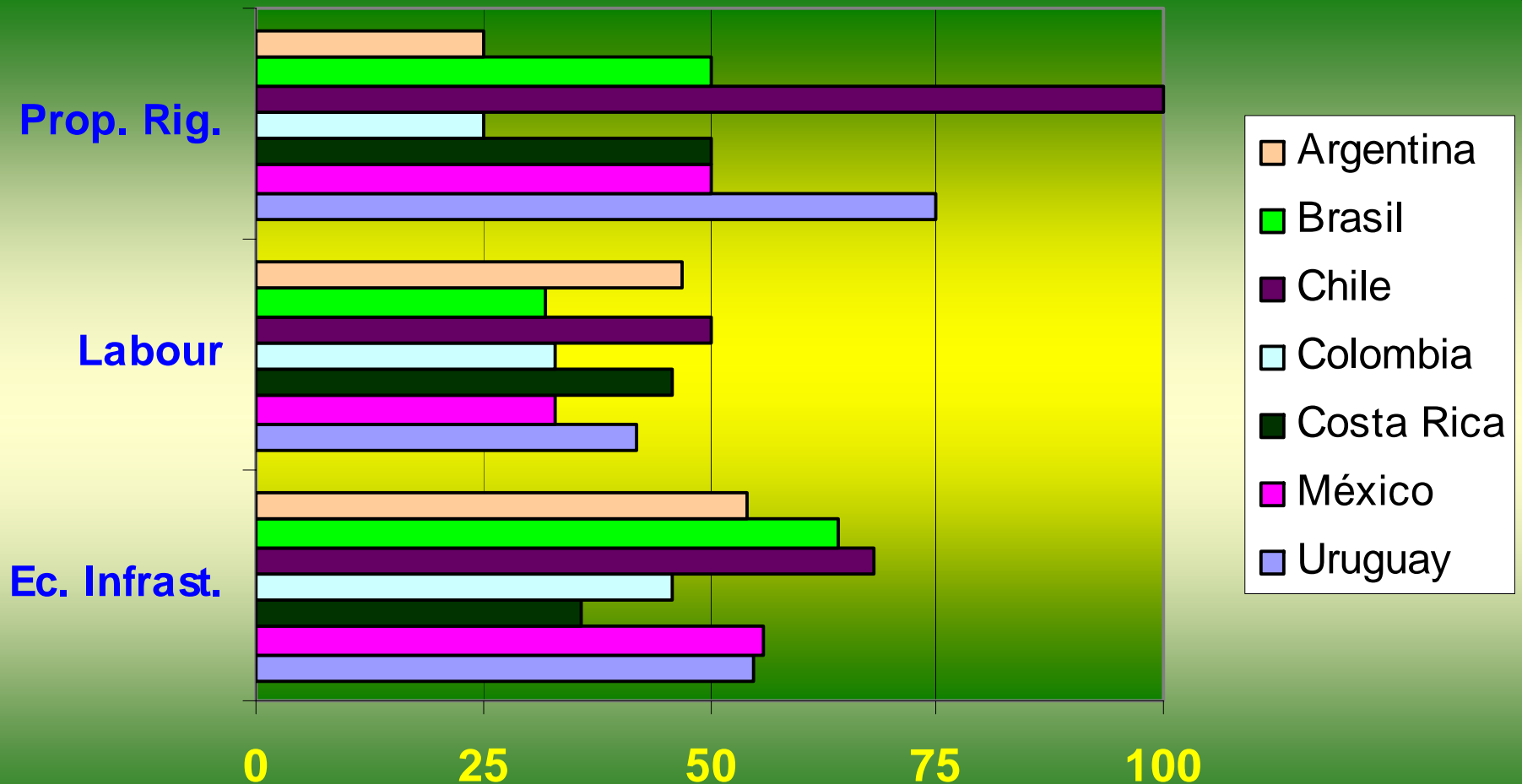


III- Results

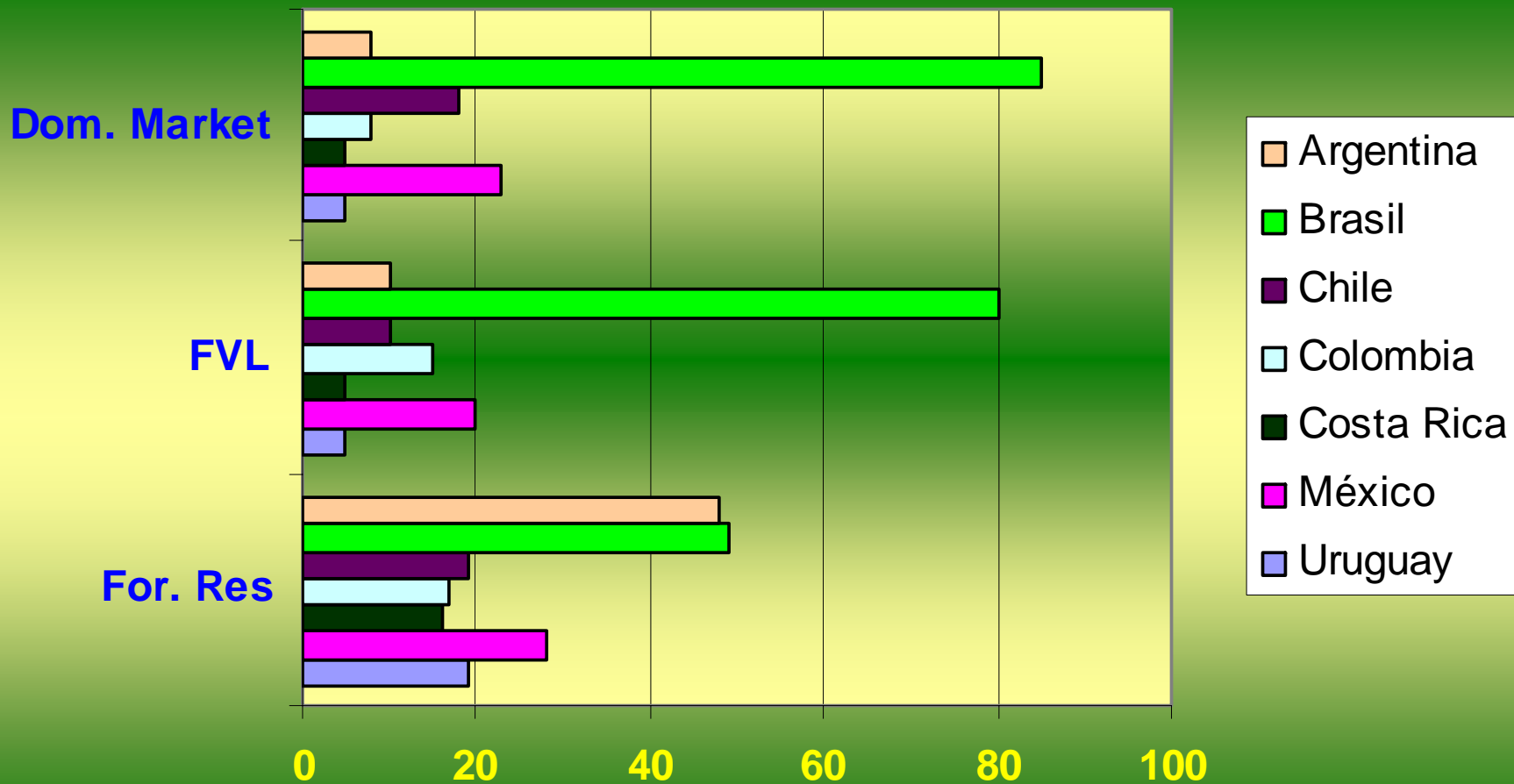
IAIF – Sub Indexes



INTER-Sector Indicators – Sample

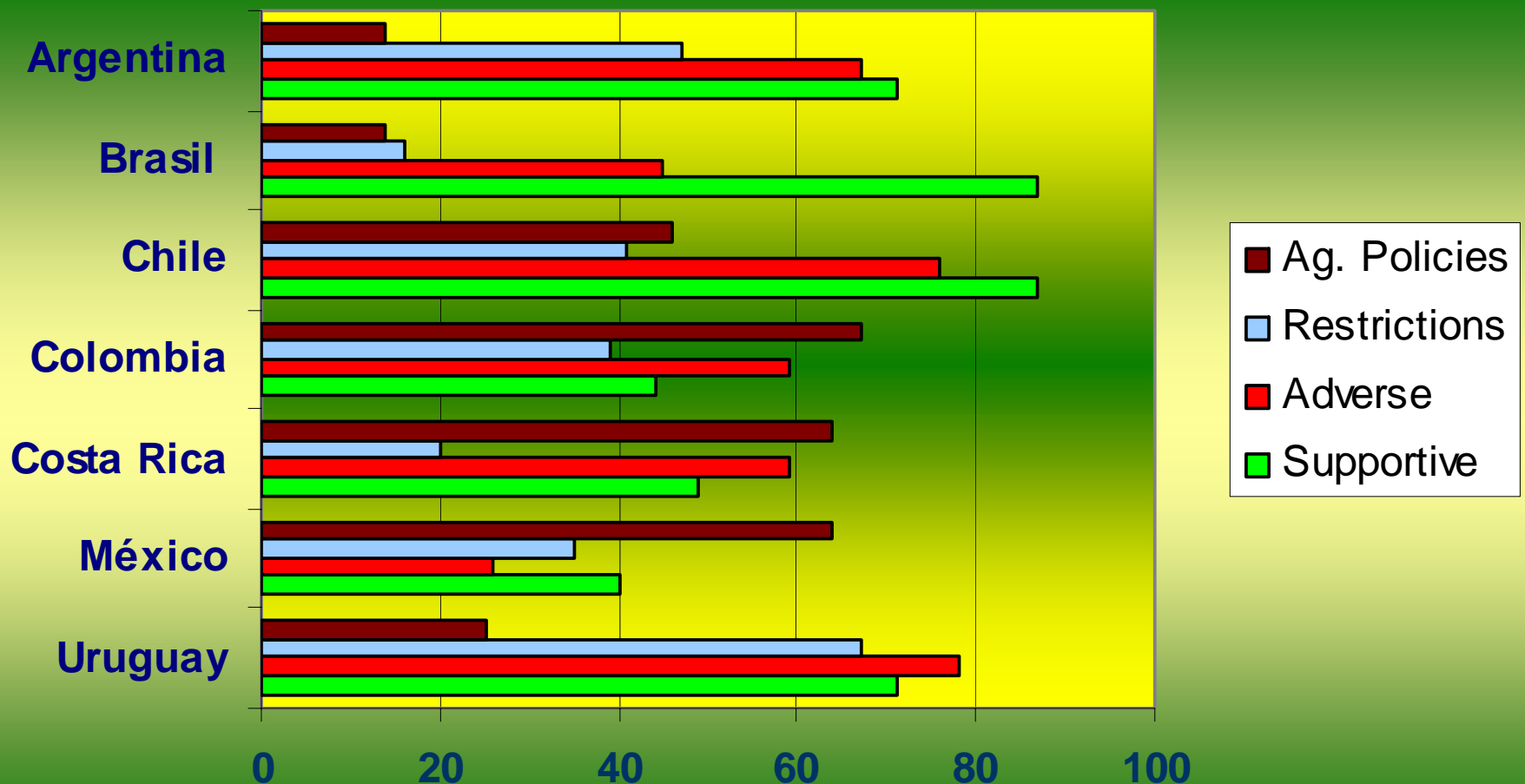


INTRA-Sector Indicators



III- Results

Perception Indicators

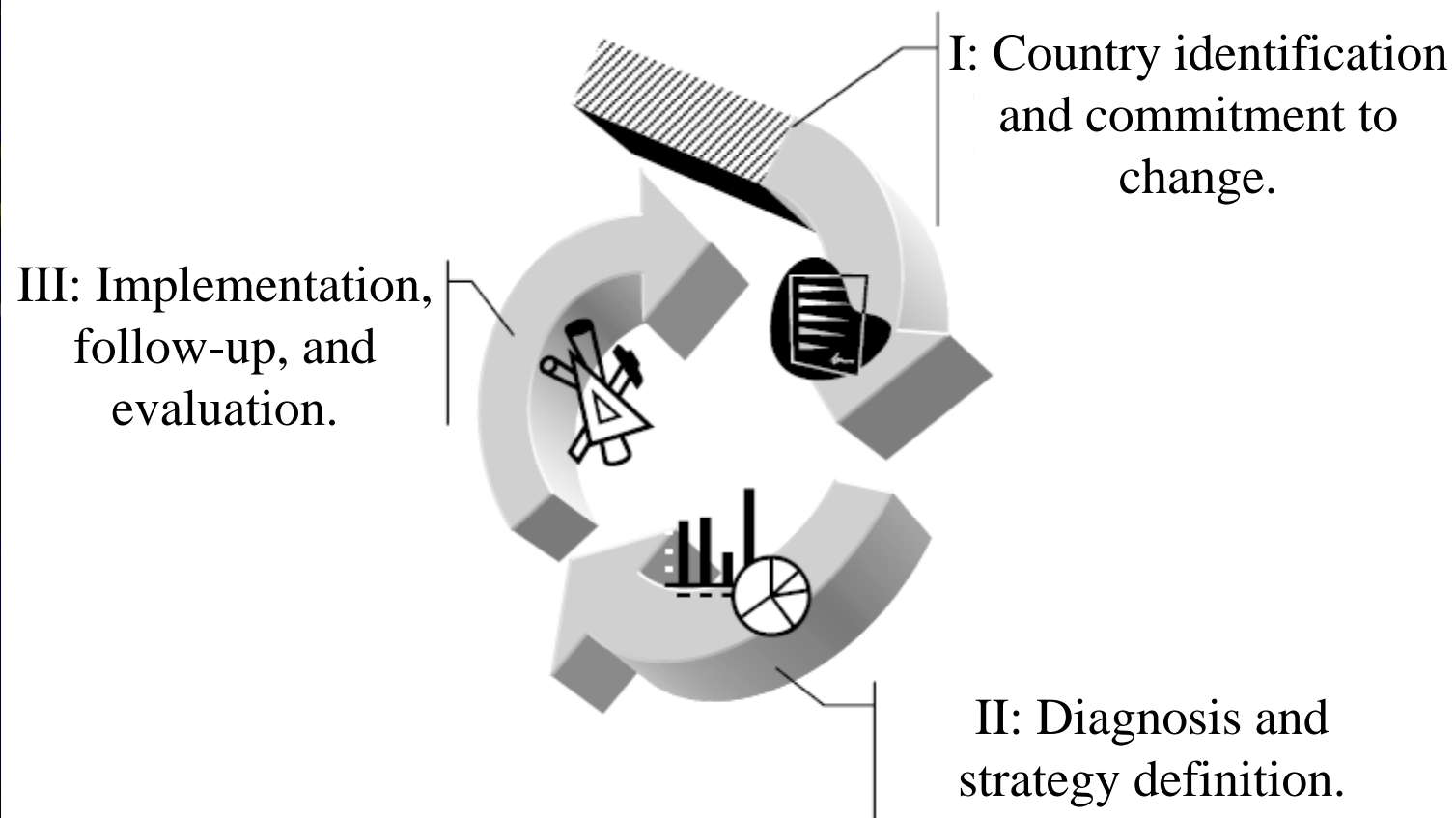


IV PROMECIF and IAIF Evolution

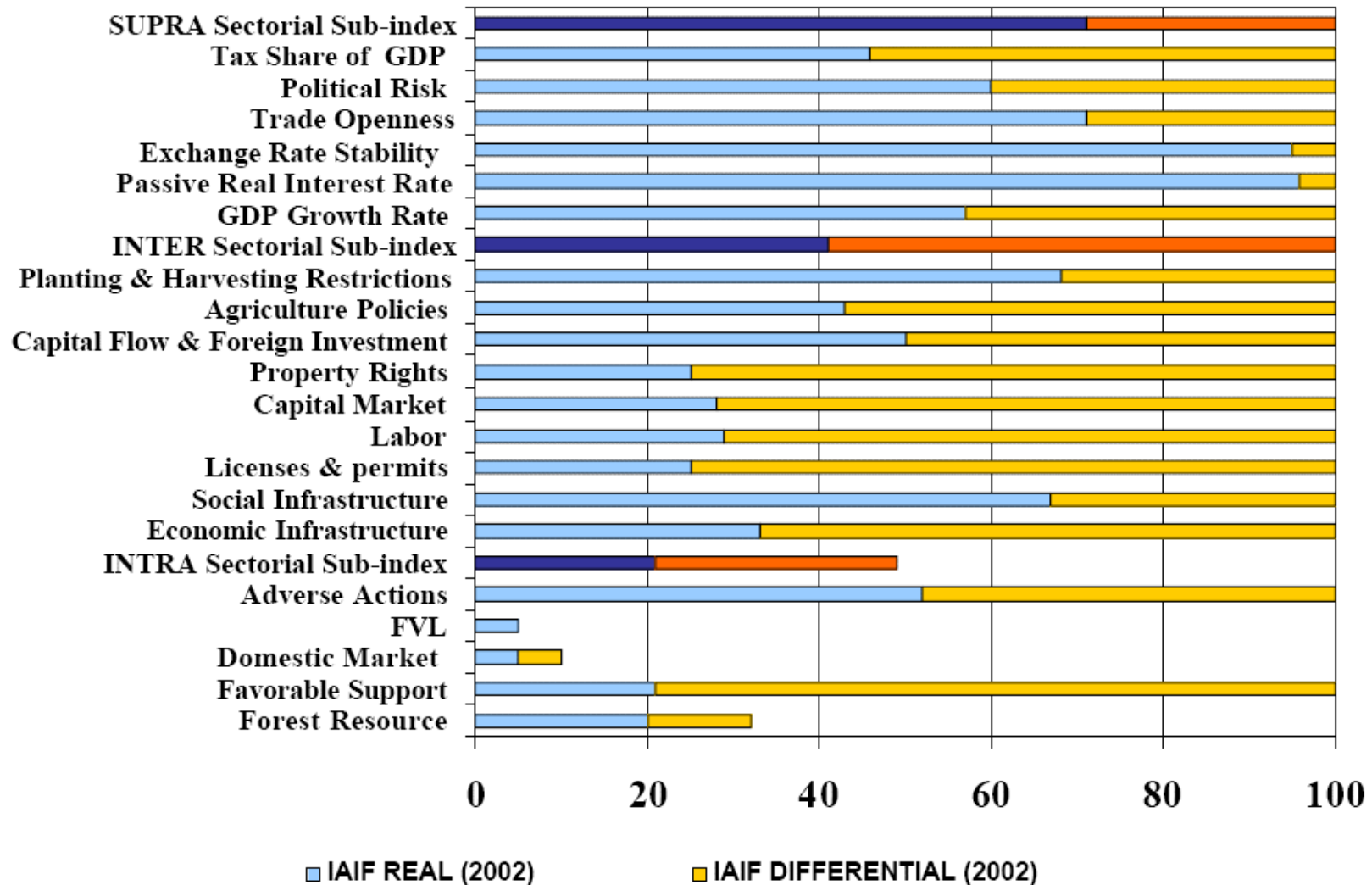
What is PROMECIF?

- *Proceso de Mejoría del Clima de Negocios para Inversiones en el Sector Forestal.*
- **Process to Improve the Business Climate for Forest Investments.**
- **Process that uses IAIF's methodology as a basis for improving the climate for investments in sustainable forest businesses.**

PROMECIF's three phases



The case for Nicaragua (2002)



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 this year
- PROMECIF is being (or about to be) applied in: Paraguay, Panama, Equator, and Honduras.
- IAIF-BRAZIL: Index will be adjusted and calculated for Brazil's states.
- Development of Sub-Indices for plantations and natural forests.

Potential partners

- Multilateral Banks: Asian Development Bank; African Development Bank; World Bank
- UN related agencies: FAO; ITTO
- World Economic Forum Indexes partners

Current Partners:

Fundação Getulio Vargas (Brazil, for South America)

INCAE Business School (Costa Rica, for Central America, Caribbean, Mexico)

Further information

- www.iadb.org/pforestal

- forestal@iadb.org

