

Forest Investment Attractiveness Index

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Inter-American Development Bank





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II- IAIF

- Objectives
- Usefulness
- Model
- 2002 results

III- PROMECIF

Why?

Institutional Project cycle

IV- Evolution

- Recent development
- Opportunities

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I- IDB in one minute





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)





IAIF - Objectives

<u>General objective</u>: 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.





The IAIF is useful for

- representing the forest business climate as a **single number** per nation
- identifying **issues** where national performance is above or below expectations or aspirations
- 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
- initial screening BY INVESTORS of countries with best investment climate for sustainable forest businesses





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





IAIF principal clients

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





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)

Differential (potential improvement)

Potential maxi

(potential maximum)

Contribution to IAIF (weighted)

Simulations

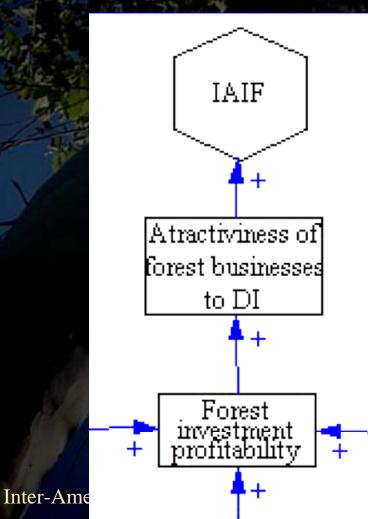
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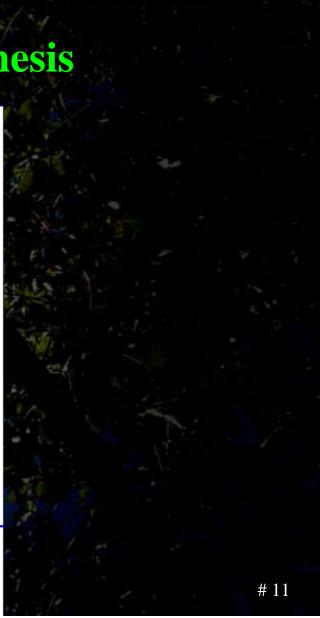
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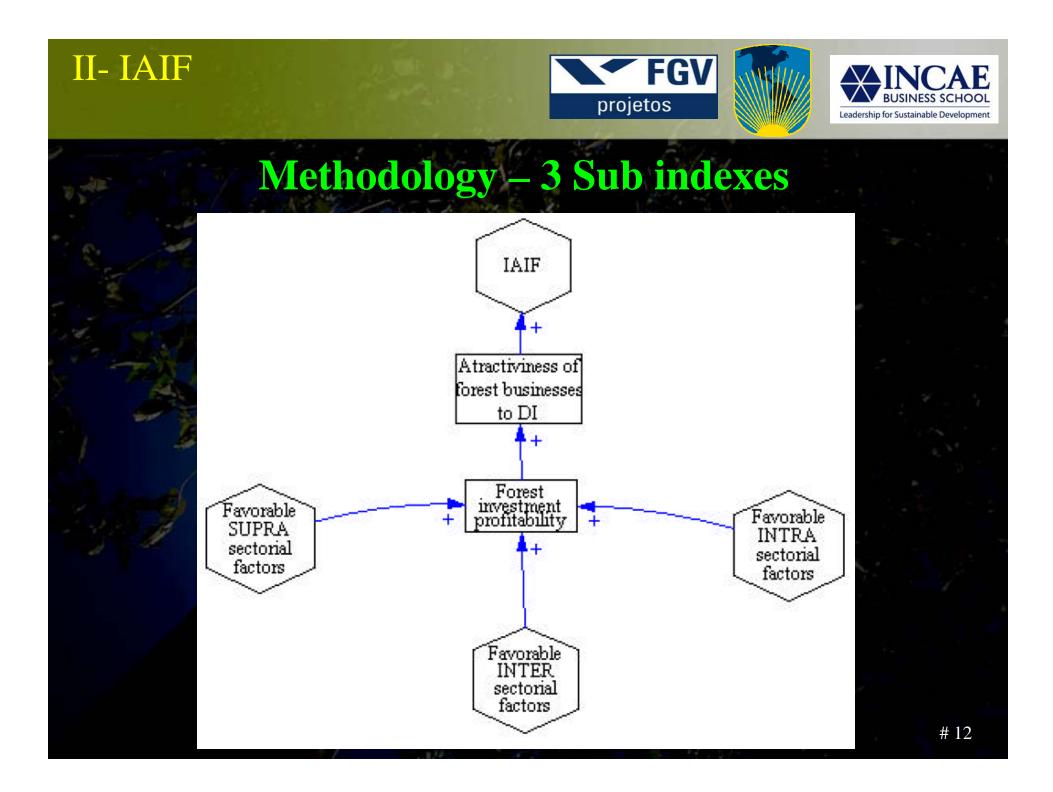


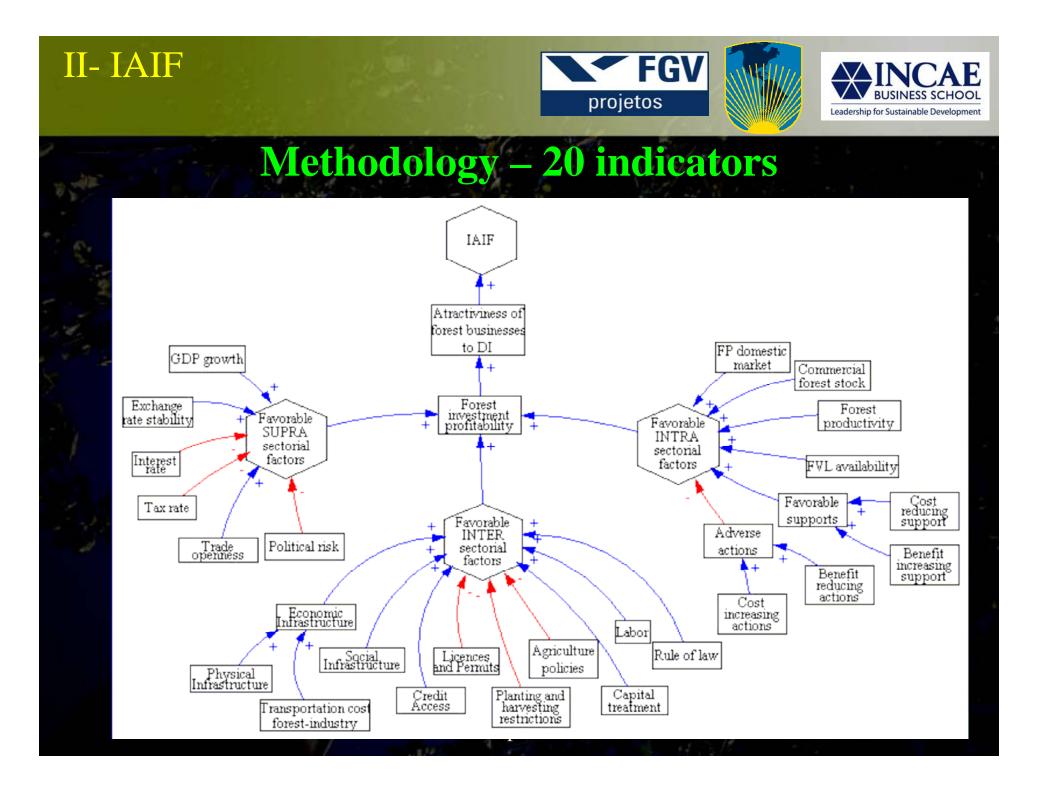


IAIF – Basic hypothesis







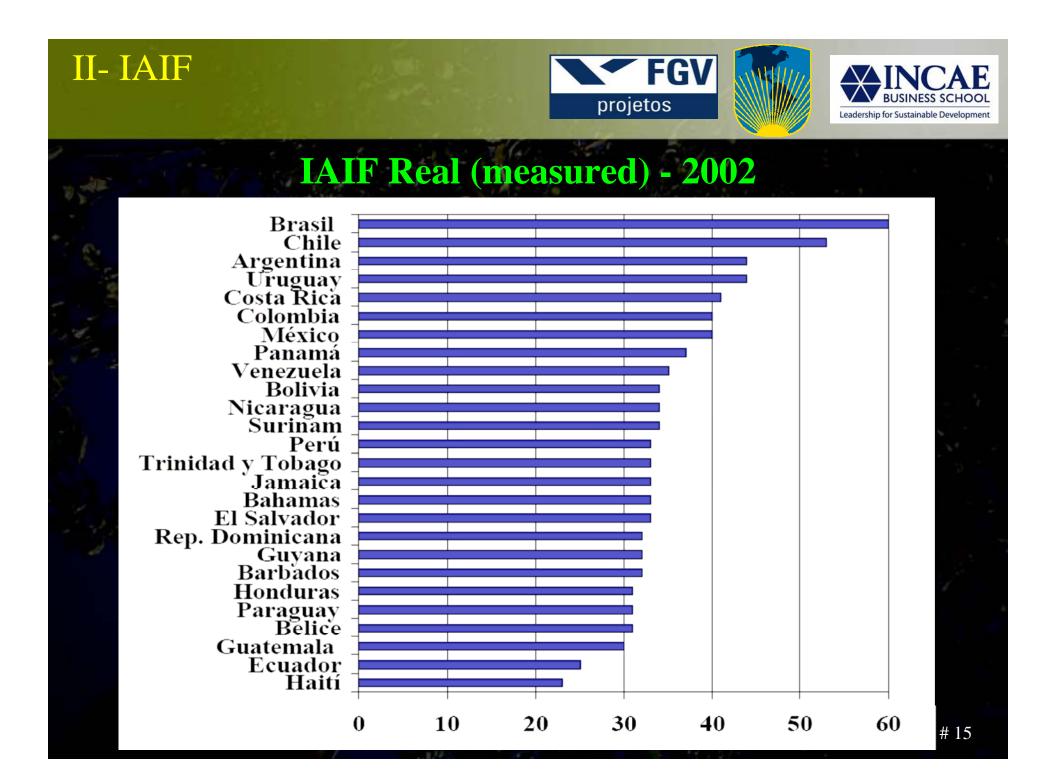






Sources of information

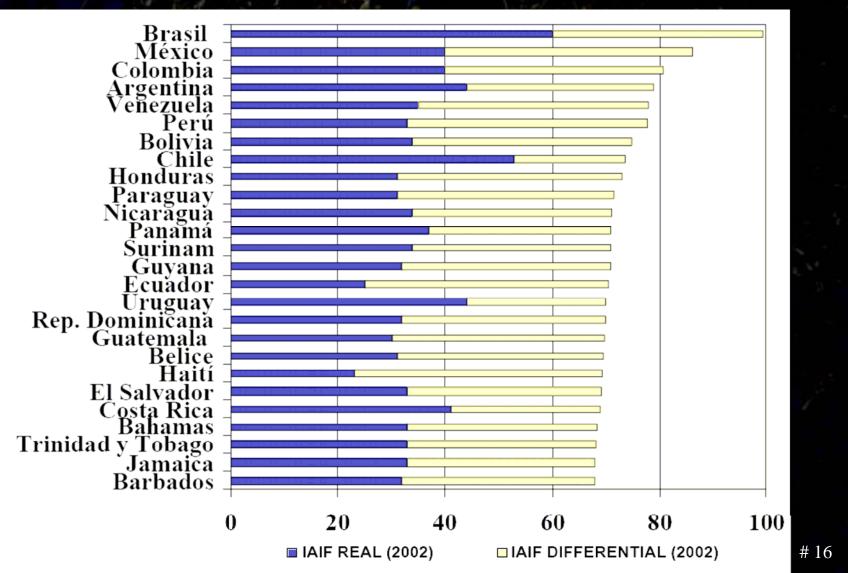
- Secondary data and indexes (World Bank, FAO, World Economic Forum, etc.)
- Primary information through surveys
 - Agriculture policies
 - Planting and harvesting restrictions
 - Adverse actions
 - Favorable supports



projetos



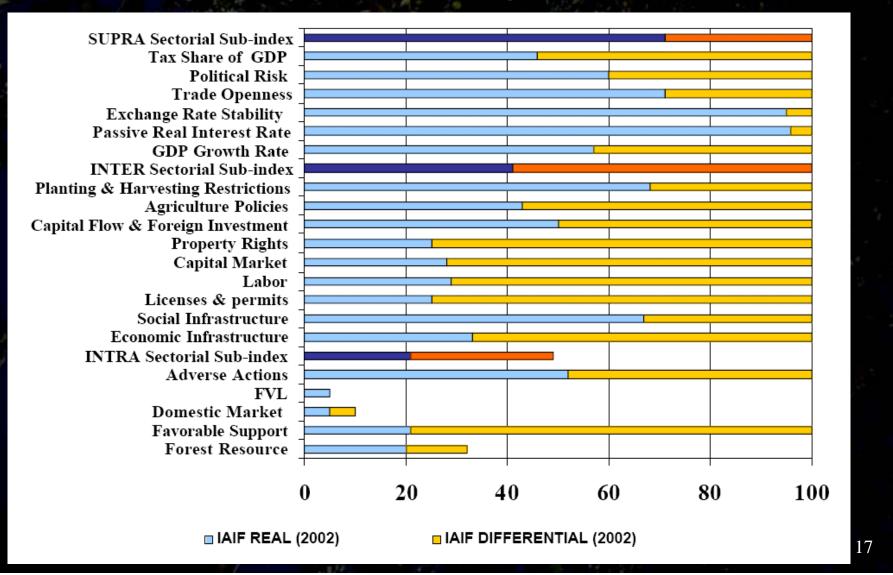
Real – Maximum - Differential







The case for Nicaragua (2002)







IAIF generates

- Knowledge of the country's IAIF performance.
- Availability of data for comparison among countries.
- Understanding of factors that affect positively and negatively the attractiveness of forest investments.



Interest in finding ways to improve the climate for investments.





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.

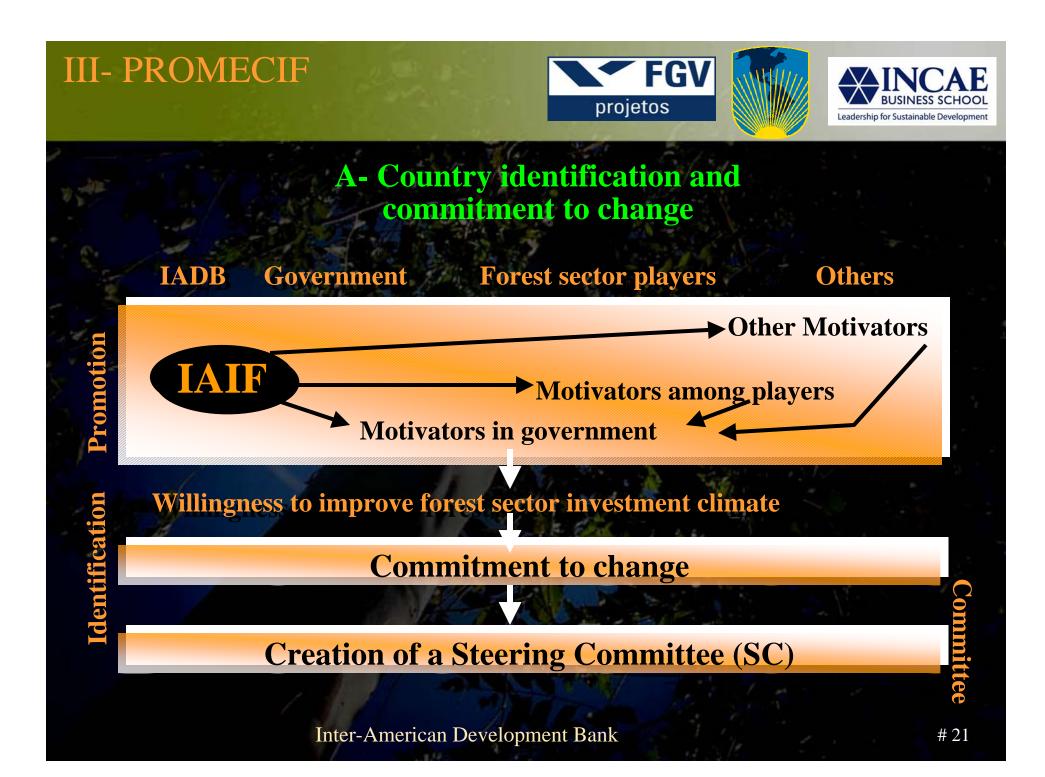






PROMECIF's three phases

I: Country identification and commitment to change. III: Implementation, follow-up, and evaluation. II: Diagnosis and strategy definition.



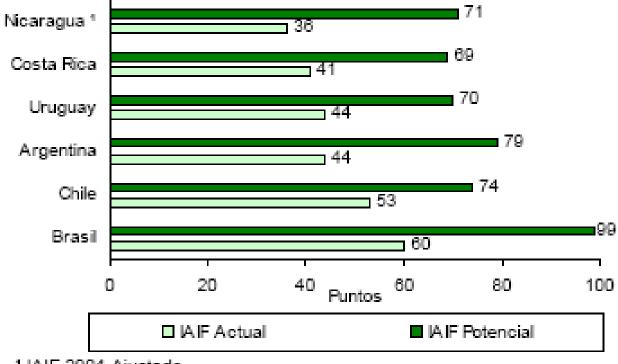




A.a. - Country identification and commitment to change

Country comparisons motivate change

Figura 12: Comparación entre el IAIF de Nicaragua y de los 5 Países Mejores Clasificados



1 IAIF 2004-Ajustado

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A.a. - Country identification and commitment to change

- **IDB** support issues:
 - The country's government is the official counterpart.
 - The government and IDB have to sign a letter of commitment to collaborate.
 - The country's an agency responsible for business climate initiatives should also coordinate the implementation of PROMECIF.



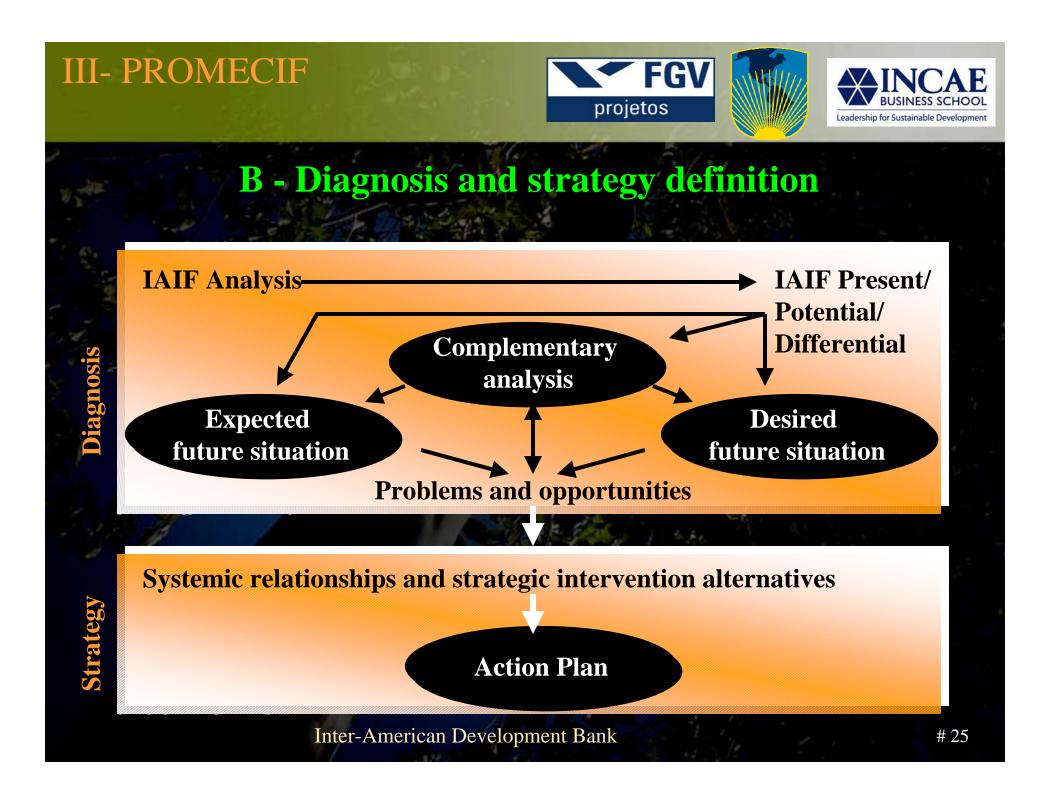


A.b. - Country identification and commitment to change

Steering Committee (SC)

 If there is not an institutional arrangement in the country for the coordination of forest sector players (for example, a sub commission of a Competitiveness Commission), a Steering Committee should be created to undertake this role.

The Steering Committee will be responsible for the coordination of PROMECIF's phases II and III.







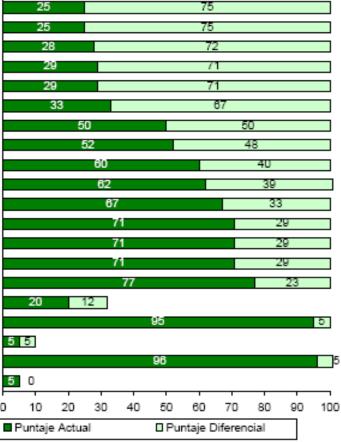
B.a. - Diagnosis and strategy definition

Identifying Priority Indicators



Figura 14: Puntajes Actual y Diferencial de los Indicadores en el IAIF 2004-Ajustado de Nicaragua (Orden Decreciente del Diferencial)

25	Regulaciones
25	Derechos de propiedad
28	Mercado de capitales
29	Mano de obra
29	Apoyo a los negocios foresto-industriales
33	Infraestructura económica
	Flujos de capital e inversión extranjera
	Acciones adversas
	Riesgo político
	Crecimiento del PIB
	Infraestructura social
	Políticas agropecuarias
	Libertad del comercio internacional
	Carga tributaria sobre el PIB
	Restric. a las plantaciones o a los aprovech.
20	Recurso forestal
	Estabilidad de la tasa de cambio
5 5	Mercado doméstico
	Tasa de interés pasiva real
5 0	TVF
0 10	



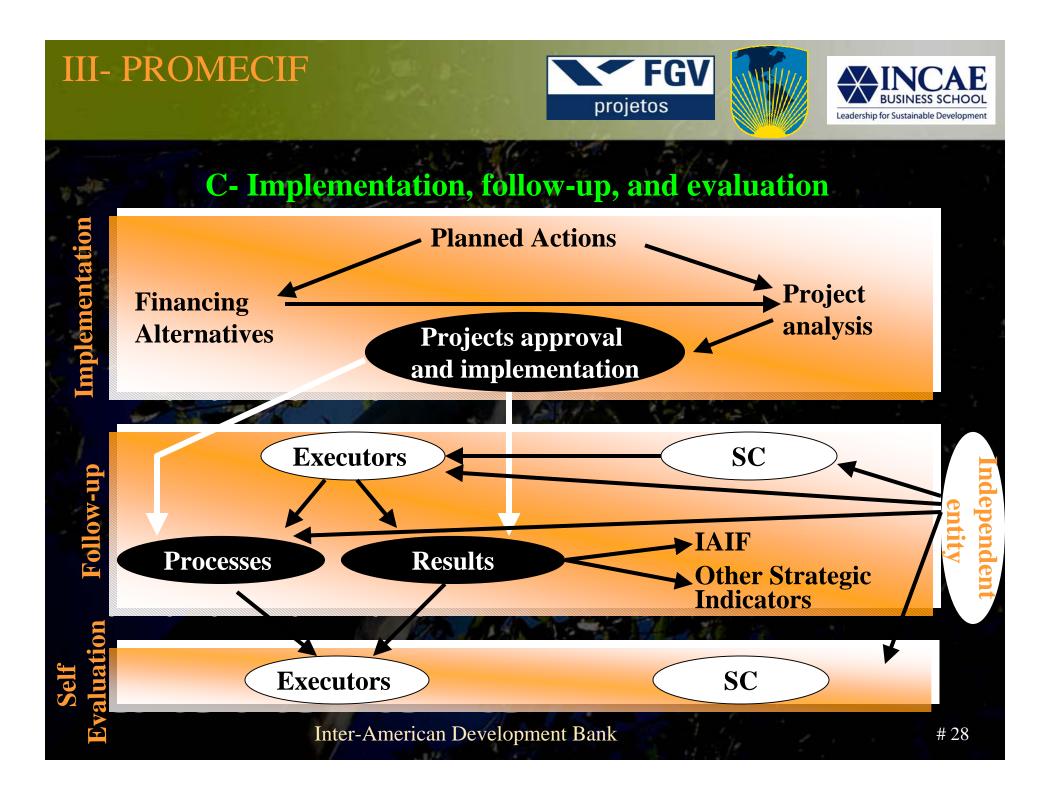


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- **B.a. Diagnosis and strategy definition**
- **Complementary analysis**
 - Information gathering.
 - Dynamic analysis of factors that explain the behavior of indicators.
 - **Definition** of <u>expected</u> future situation.
 - Definition of <u>desired</u> future situation.
 - Identification and analysis of problems and opportunities.



IV- Evolution





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 for 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.

IV- Evolution





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)

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Further information

www.iadb.org/pforestal

Banco Interamericano de Desarrollo

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Leadership for Sustainable Development



BID Portada > Negocios Forestales Sostenible Inicio

FGV

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Herramientas Políticas y Estrategias Provectos Forestales del BID Tipos de apoyo Publicaciones Recursos adicionales Contacto

Un buen negocio para todos La gestión sostenible de recursos forestales está intimamente ligada al éxito de los negocios forestales. Para ser sostenibles, los negocios forestales necesitan maximizar su rendimiento financiero a la vez que satisfacen criterios de viabilidad ambiental y social. Con el éxito de los negocios forestales, el sector contribuye a disminuir la pobreza, crear oportunidades de trabajo e ingresos económicos, incrementar las reservas de divisas, satisfacer las demandas por bienes y servicios forestales y mejorar la calidad de

medio ambiente.

El portal está diseñado para ofrecer información sobre la realización de negocios forestales sostenibles tenicodo en cuenta las perspectivas de diversos usuarios incluyendo a dueño tierras, inversionistas, empresarios, funcionarios de gobiernos, sociedad civil, e investigadores.



Estrategias para Negocios Forestales

forestal@iadb.org

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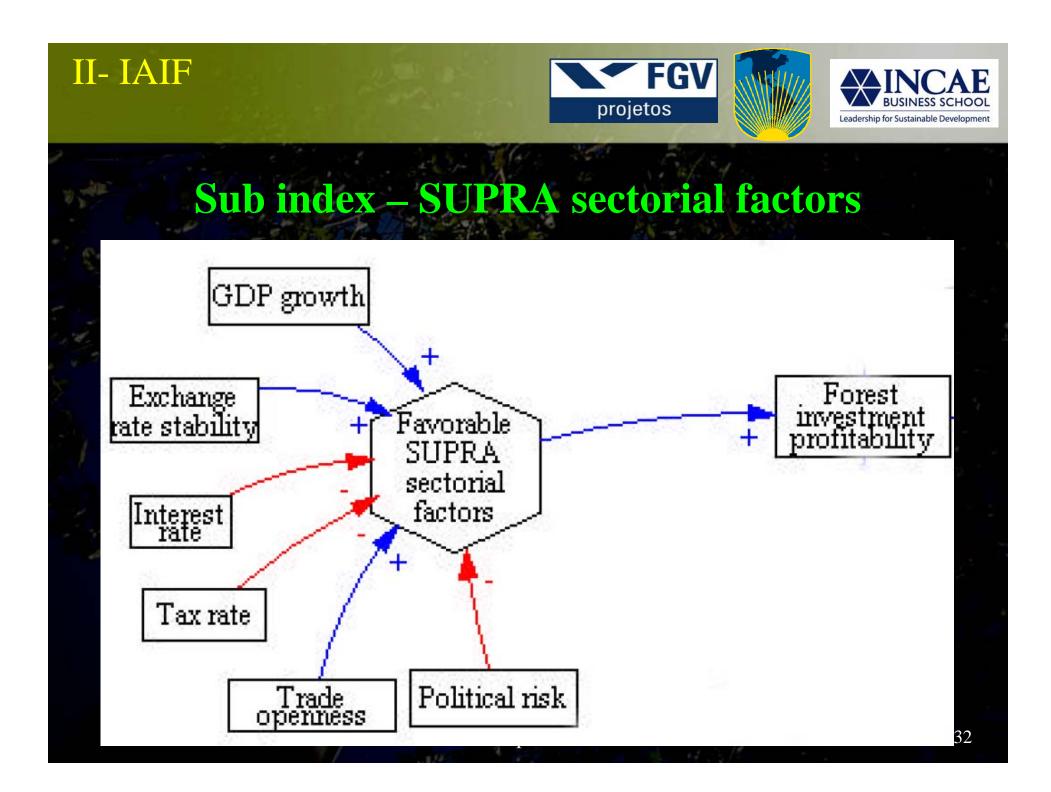
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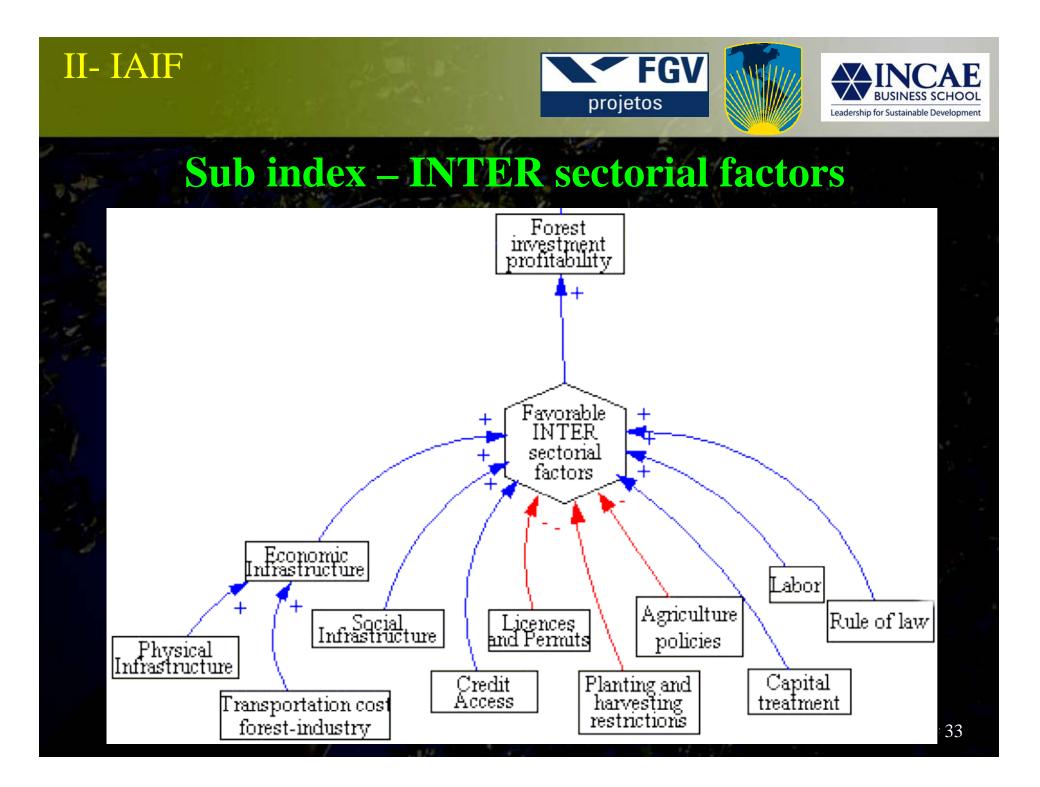
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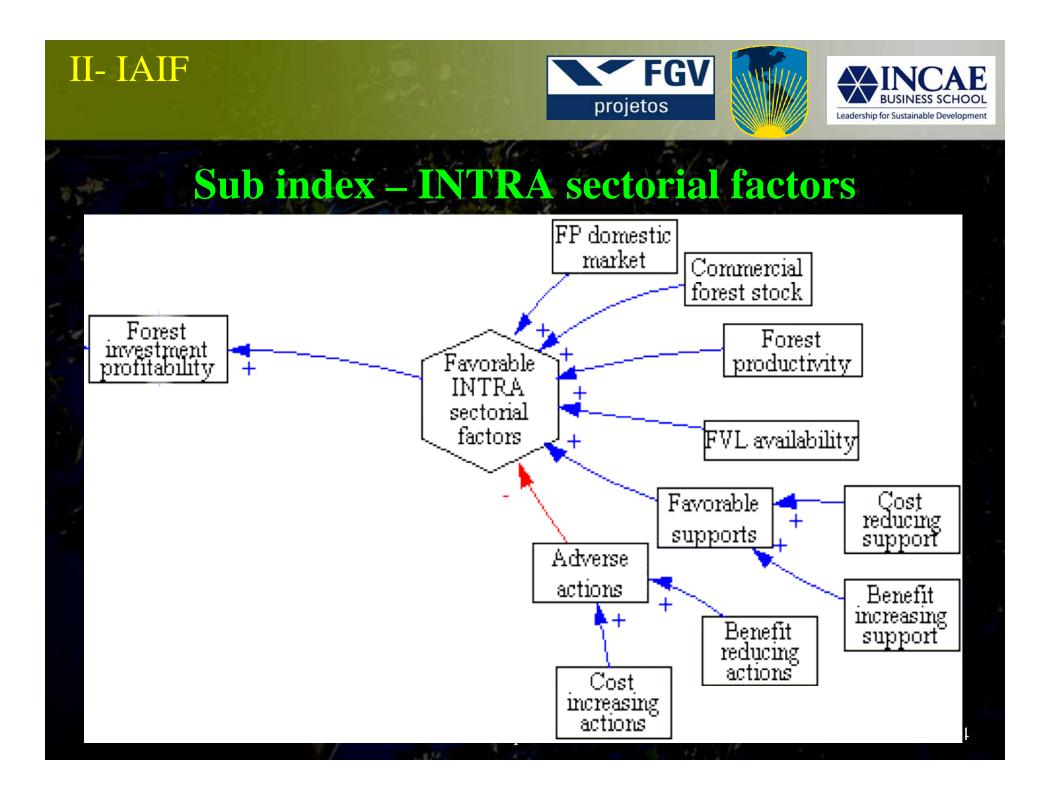












IAIF and Sustainability

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