



Forest Investment Attractiveness Index

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Inter-American Development Bank

**International Tropical Forest Investment Forum:
Issues and Opportunities for Investment in natural tropical Forests
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Overview

I- IDB in one minute

II- IAIF

- Objectives
- Usefulness
- Model
- 2002 results

III- PROMECIF

- Why?
- Institutional
- Project cycle

IV- Evolution

- Recent development
- Opportunities

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

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.

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)

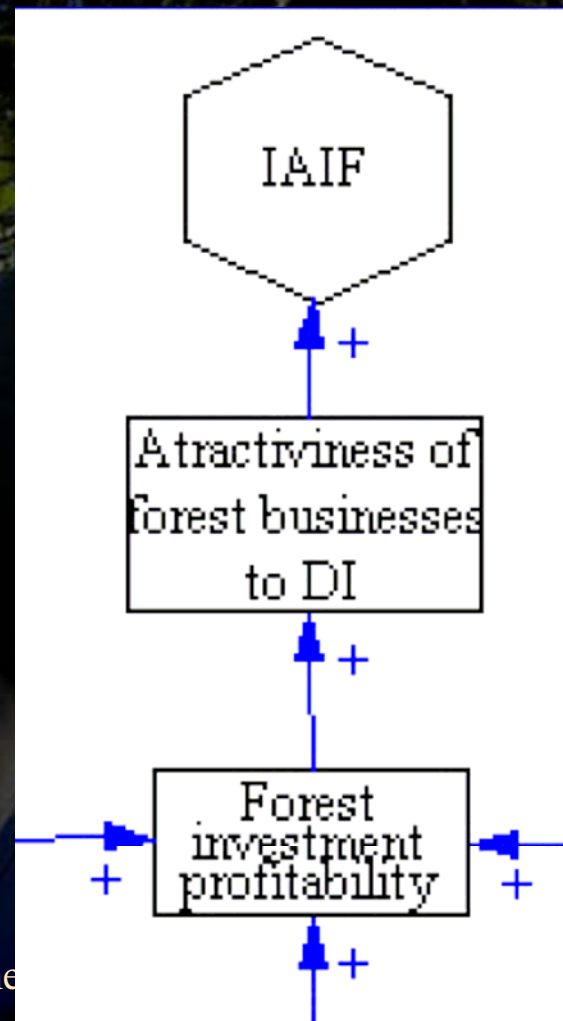
Contribution to IAIF
(weighted)

Differential
(potential improvement)

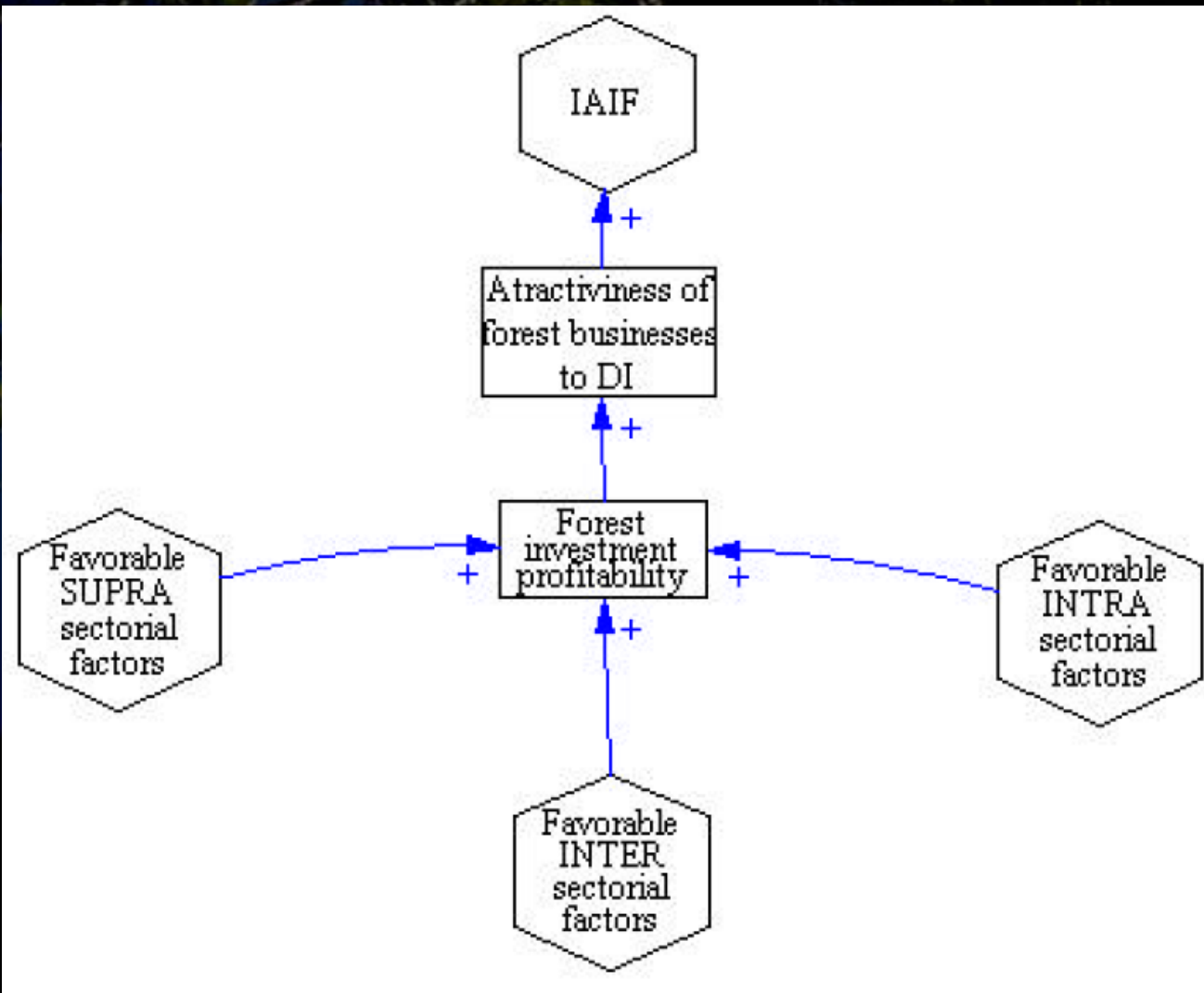
Potential
(potential maximum)

Simulations

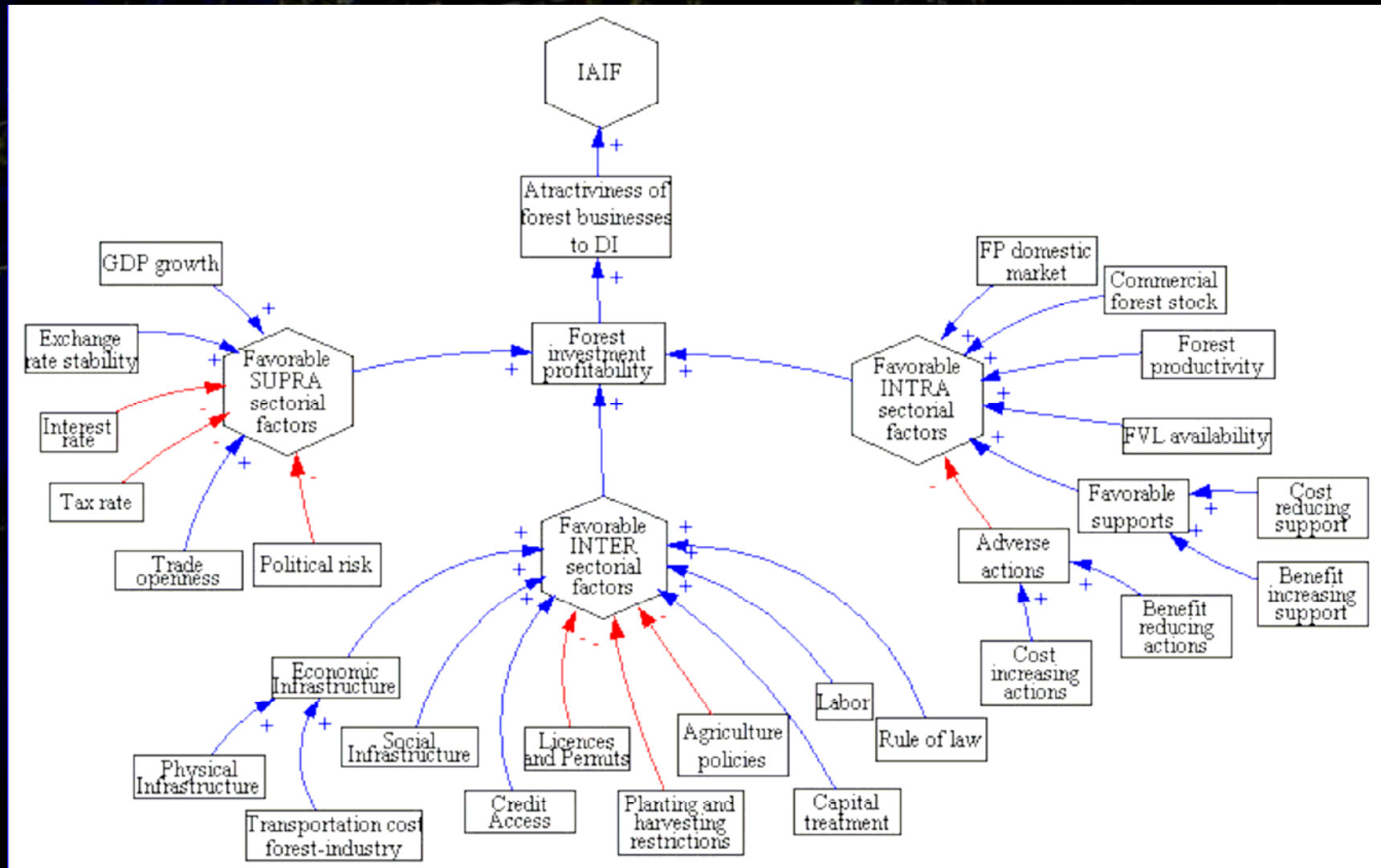
IAIF – Basic hypothesis



Methodology – 3 Sub indexes



Methodology – 20 indicators

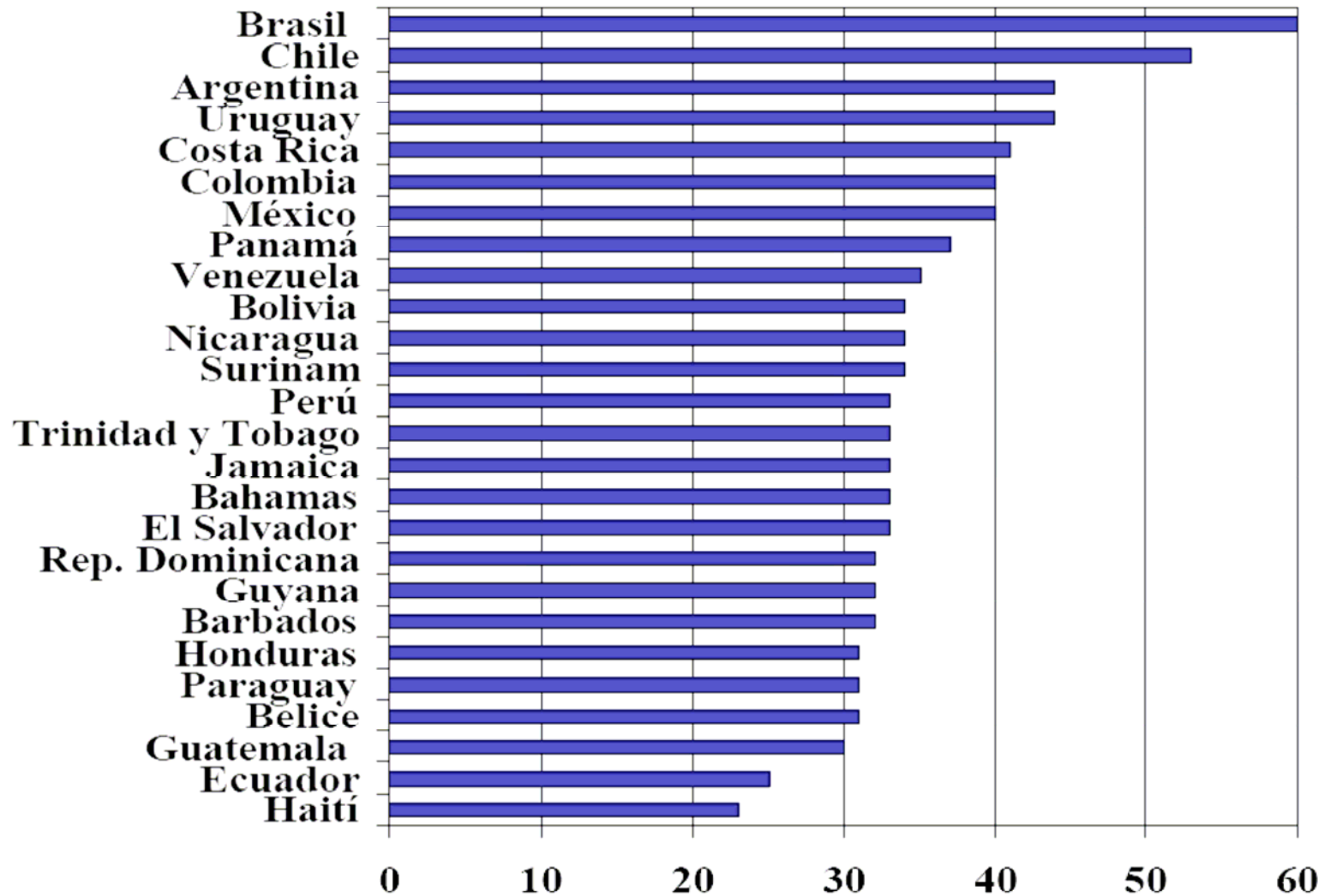


Sources of information

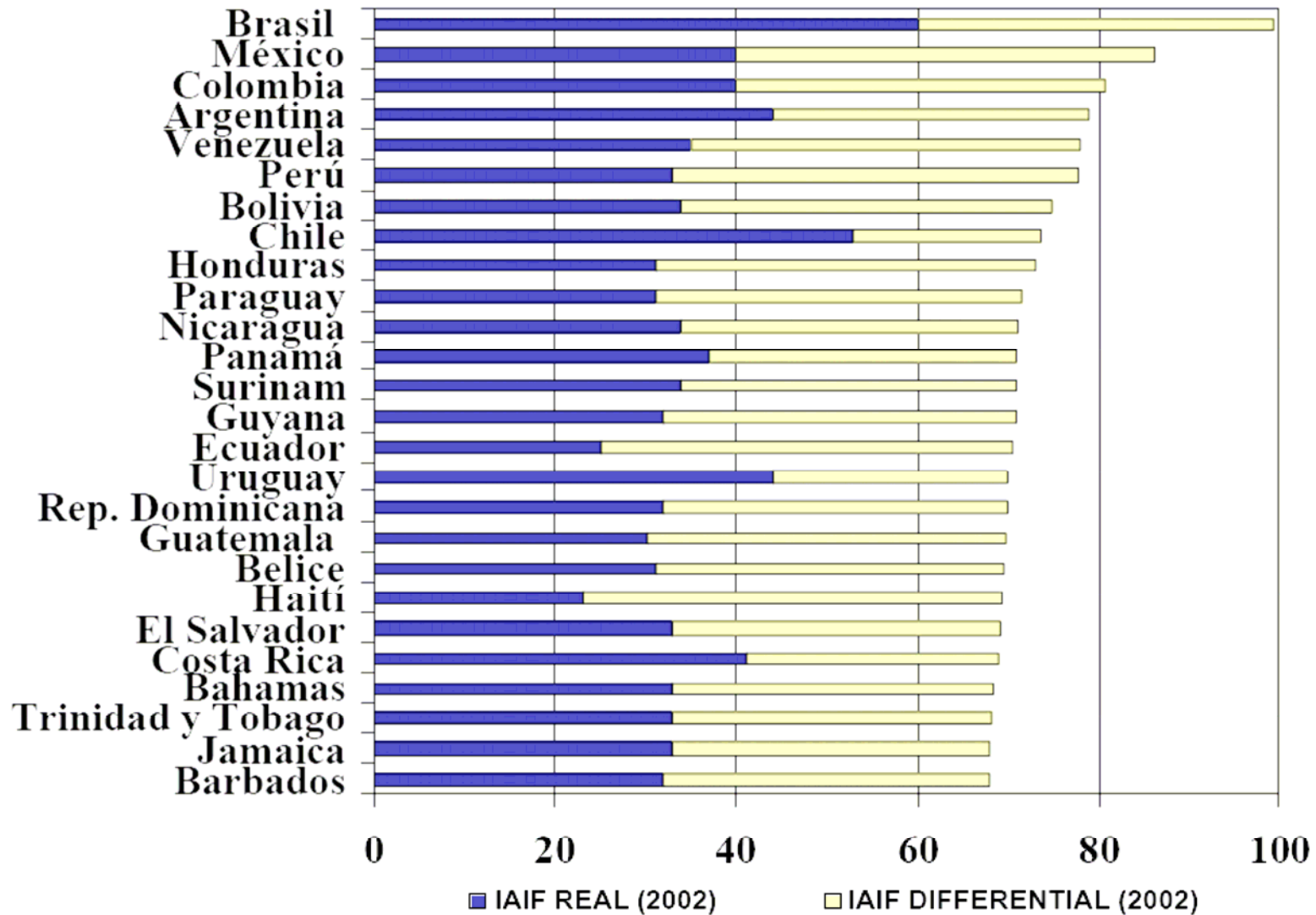
- Secondary data and indexes (World Bank, FAO, World Economic Forum, etc.)
- Primary information through surveys
 - Agriculture policies
 - Planting and harvesting restrictions
 - Adverse actions
 - Favorable supports

II- IAIIF

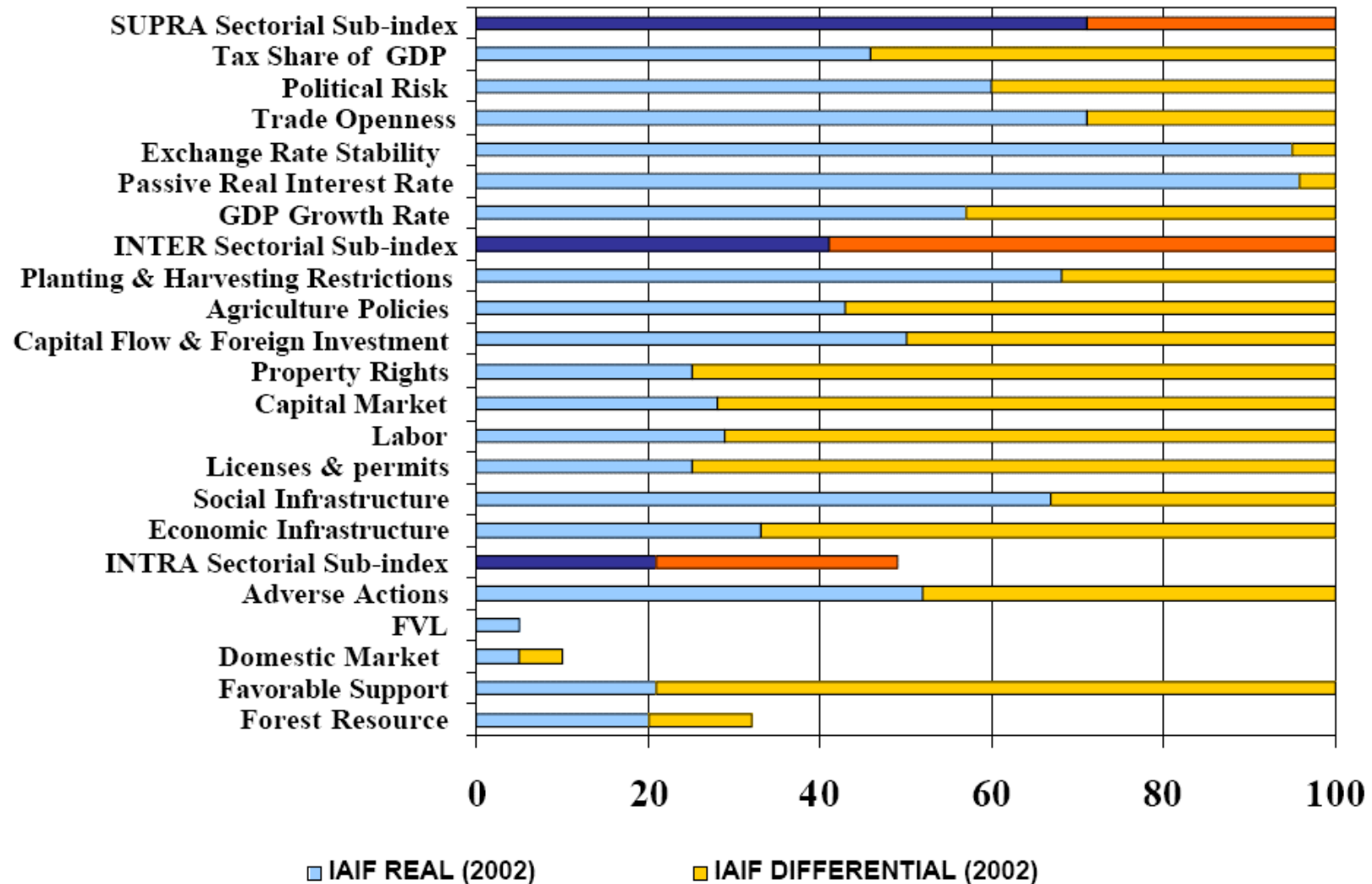
IAIF Real (measured) - 2002



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.

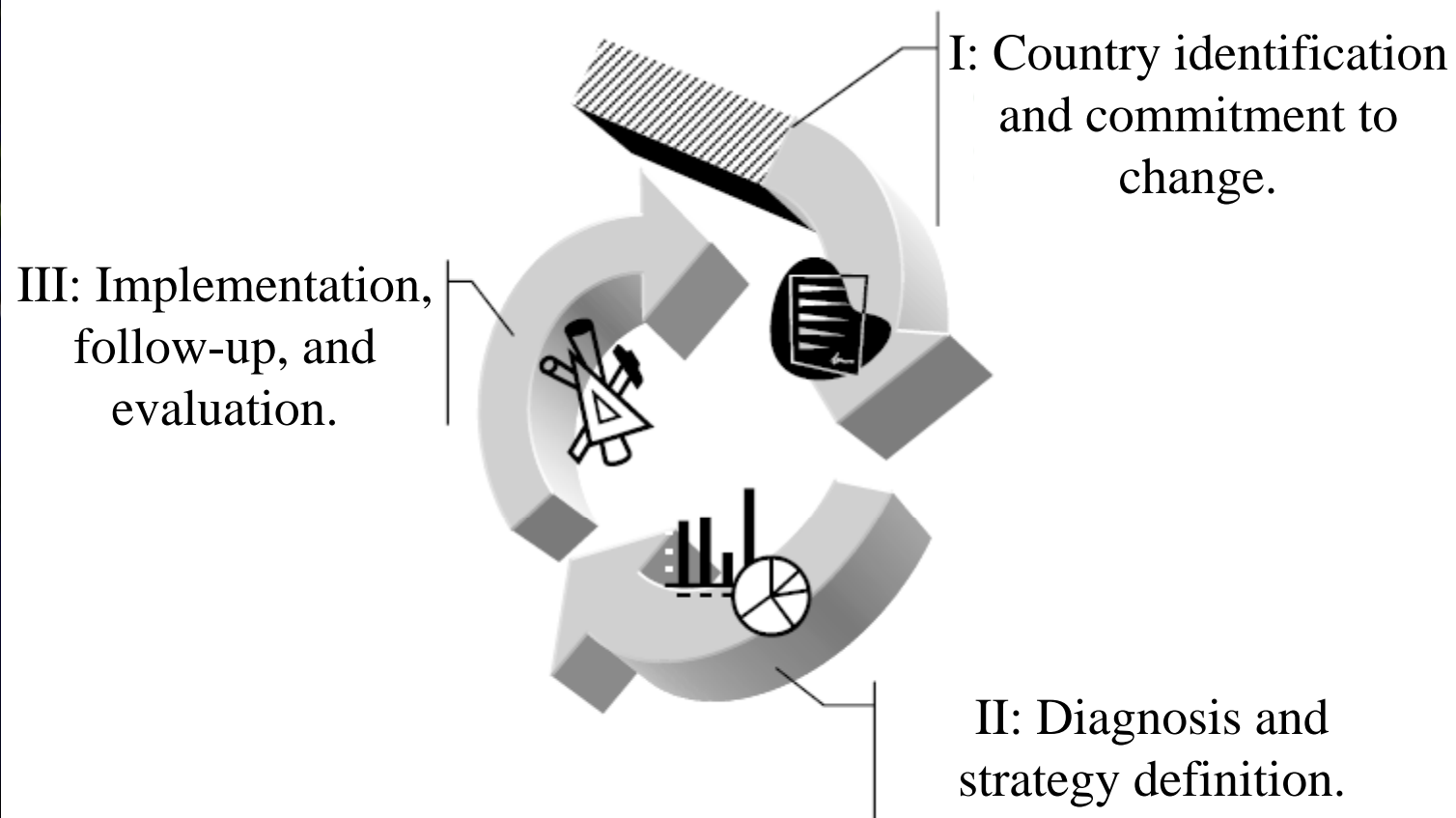


Interest in finding ways to improve the climate for investments.

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



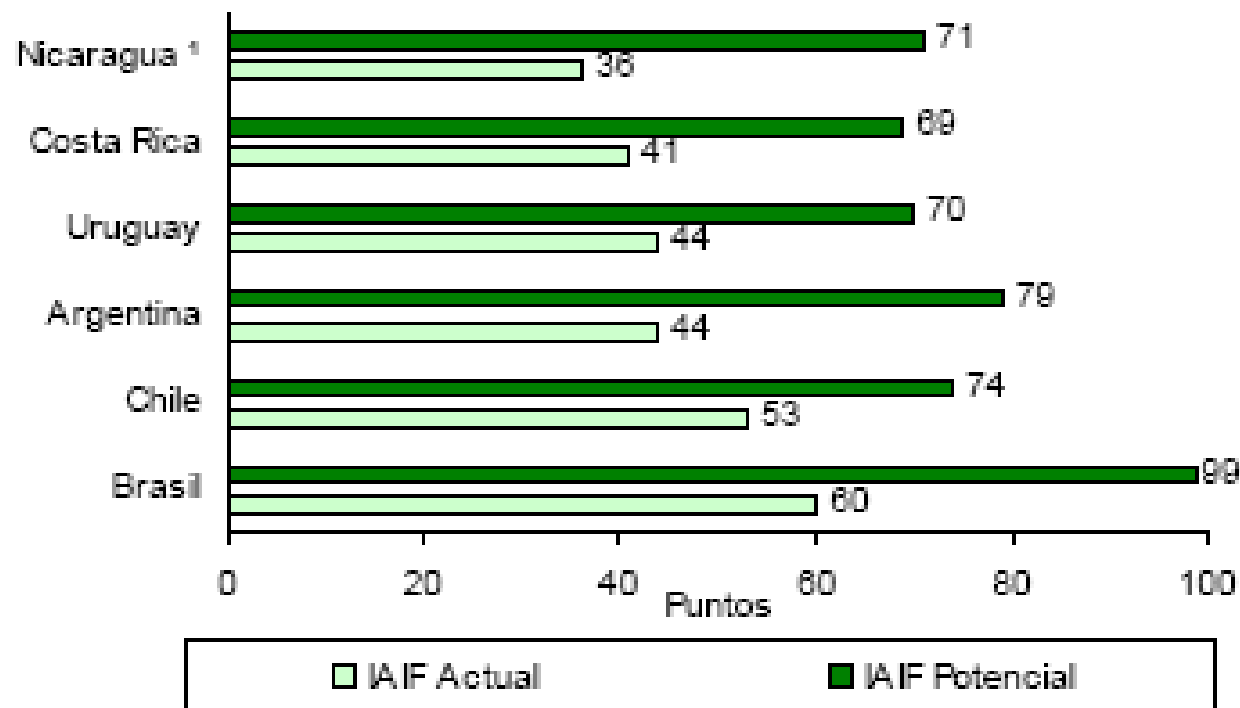
A- Country identification and commitment to change



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

A.a. - Country identification and commitment to change

IDB support issues:

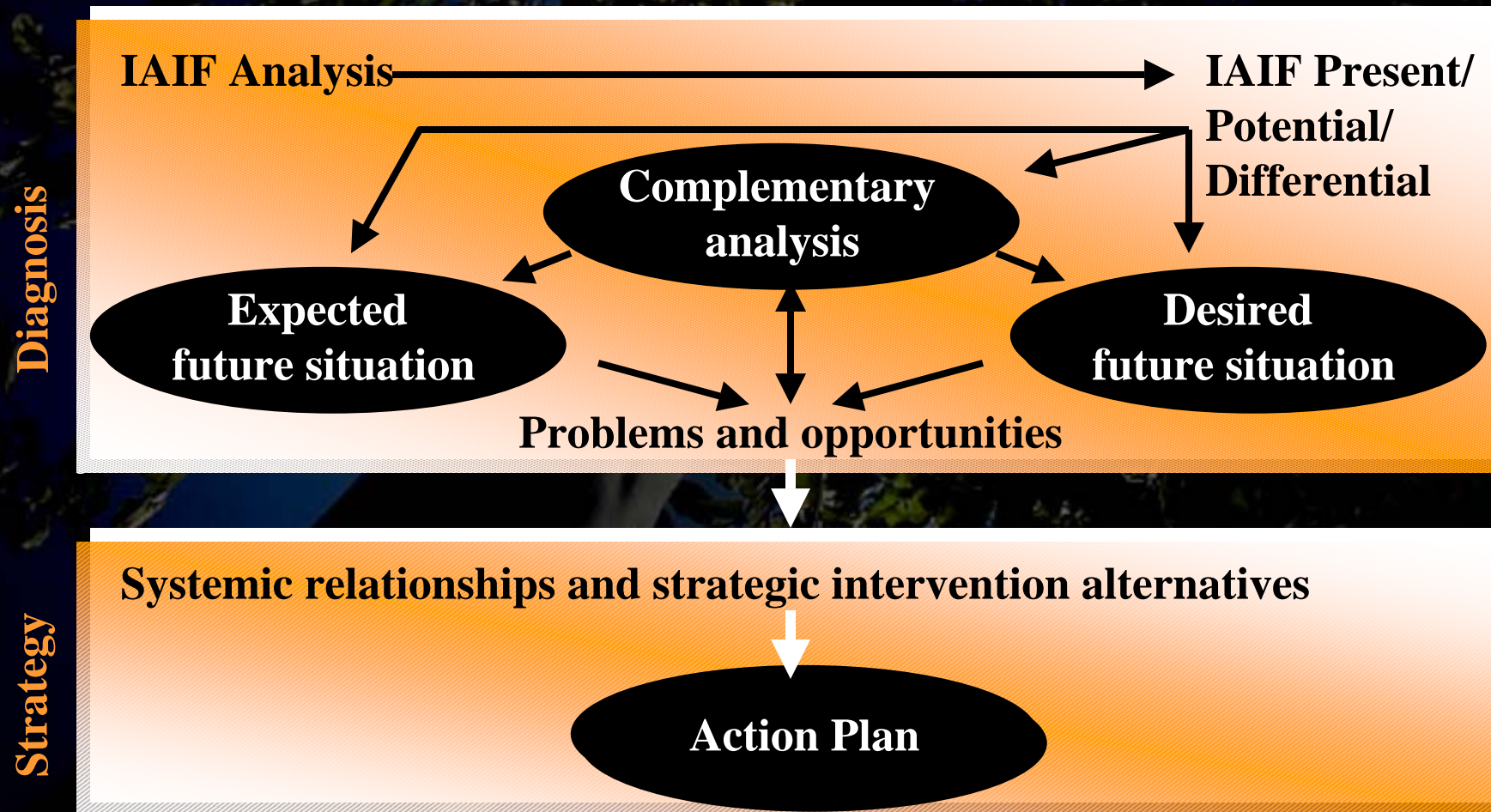
- **The country's government is the official counterpart.**
- **The government and IDB have to sign a letter of commitment to collaborate.**
- **The country's an agency responsible for business climate initiatives should also coordinate the implementation of PROMECIF.**

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.**

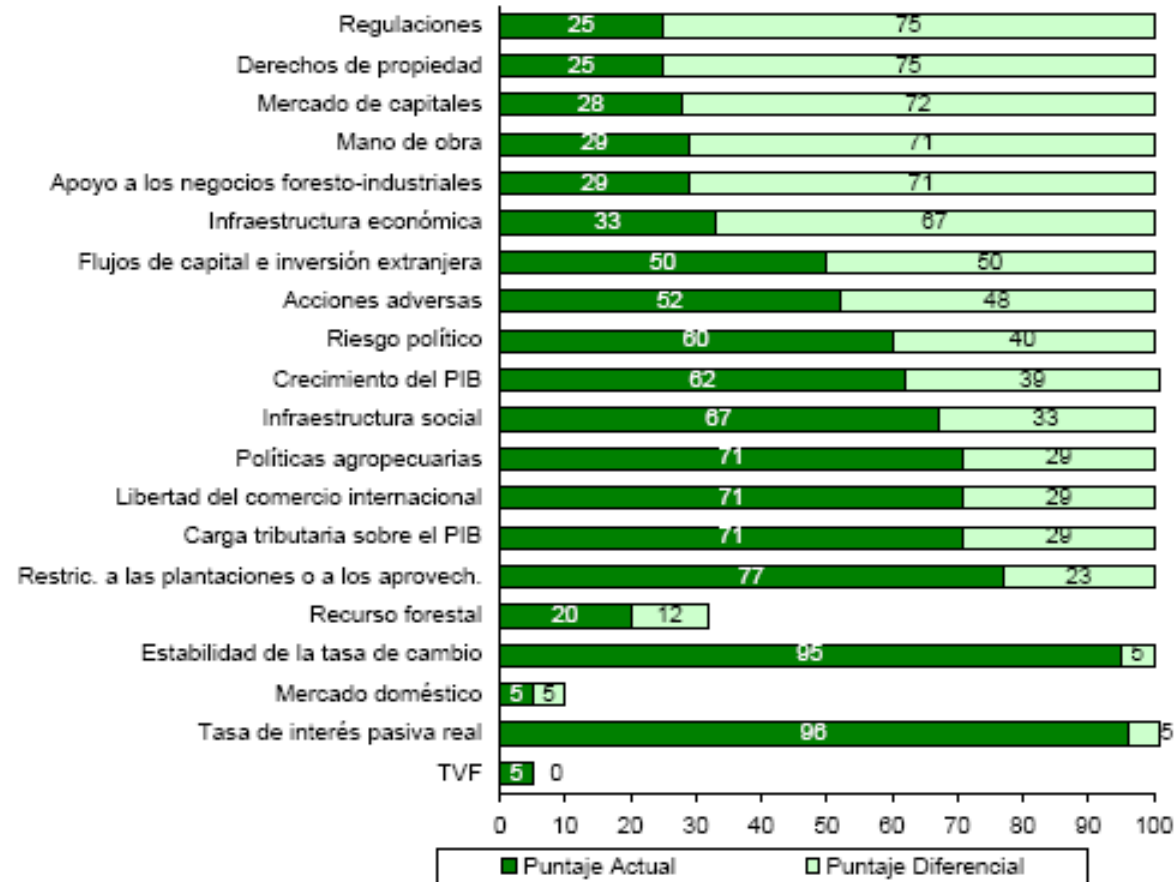
B - Diagnosis and strategy definition



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)

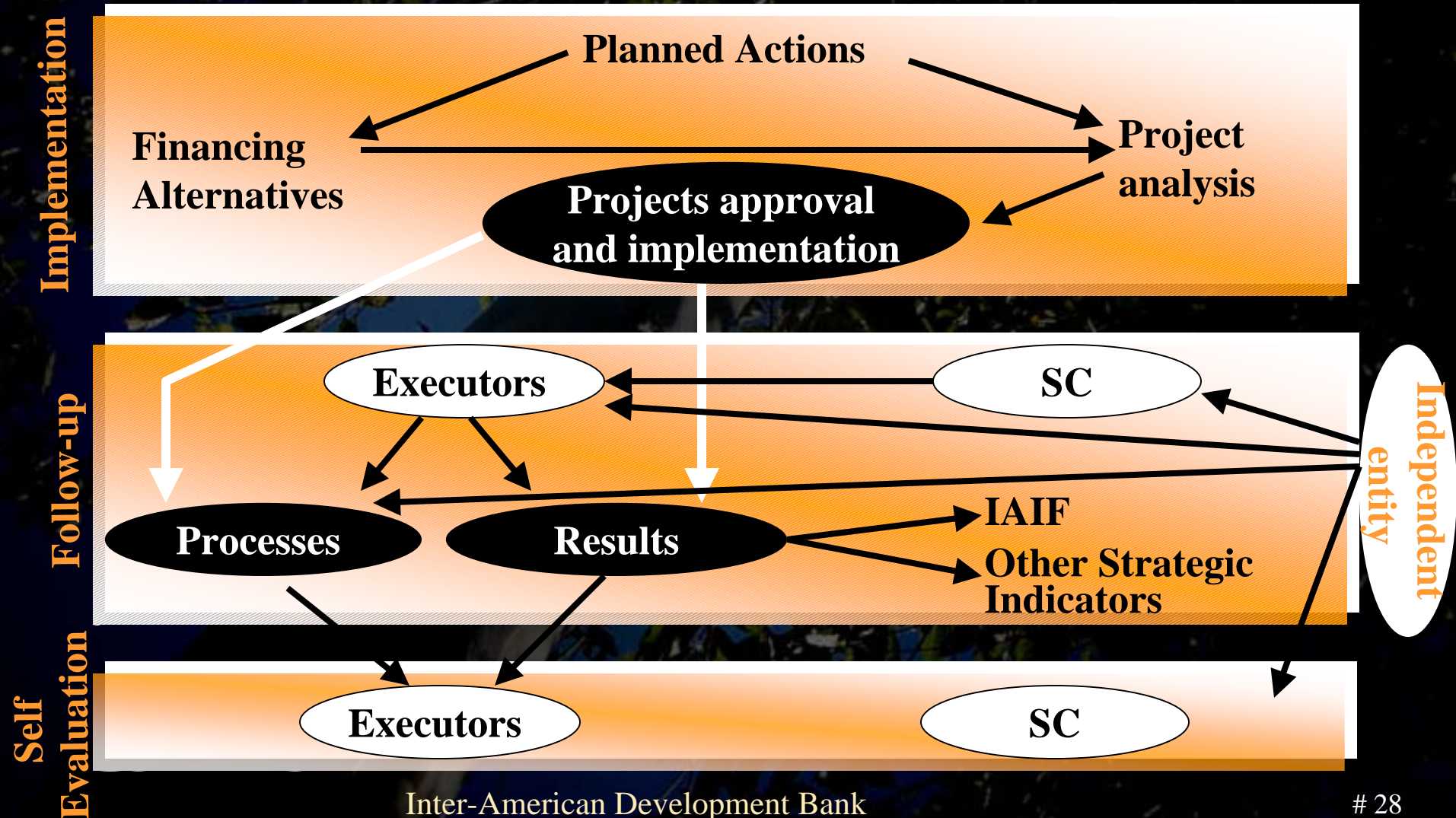


B.a. - Diagnosis and strategy definition

Complementary analysis

- Information gathering.
- Dynamic analysis of factors that explain the behavior of indicators.
- Definition of expected future situation.
- Definition of desired future situation.
- Identification and analysis of problems and opportunities.

C- 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 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.

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)

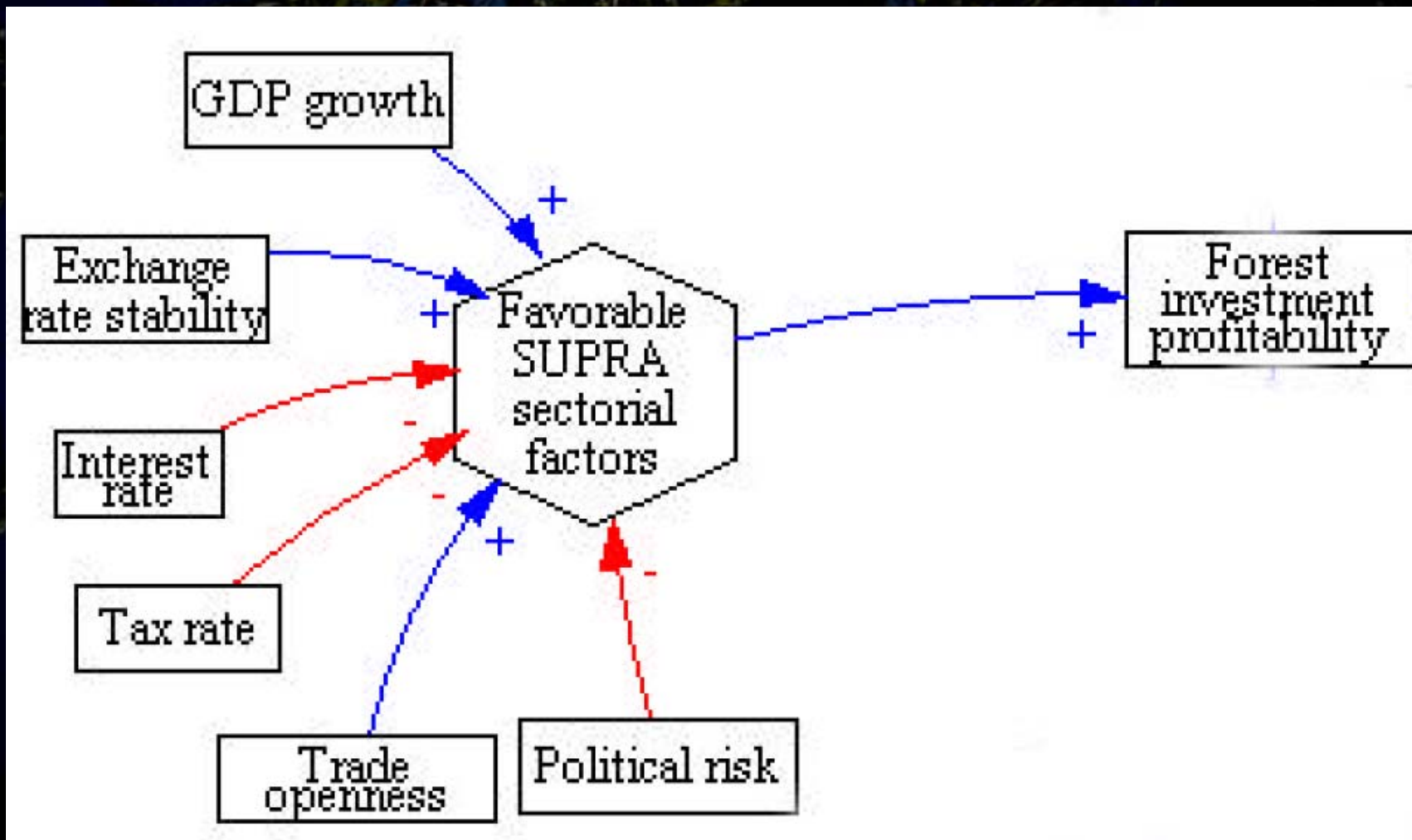
Further information

- www.iadb.org/pforestal

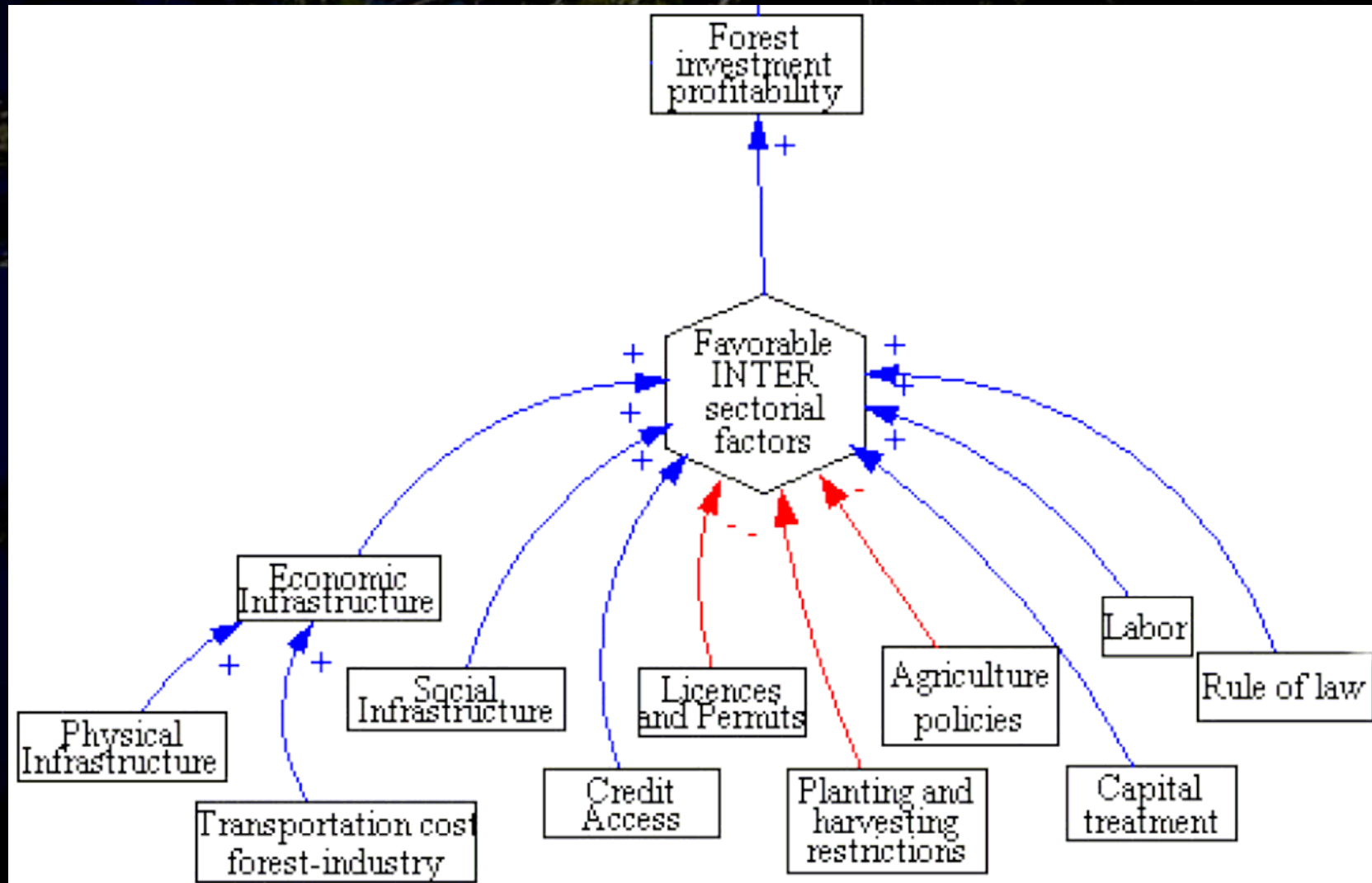
- forestal@iadb.org



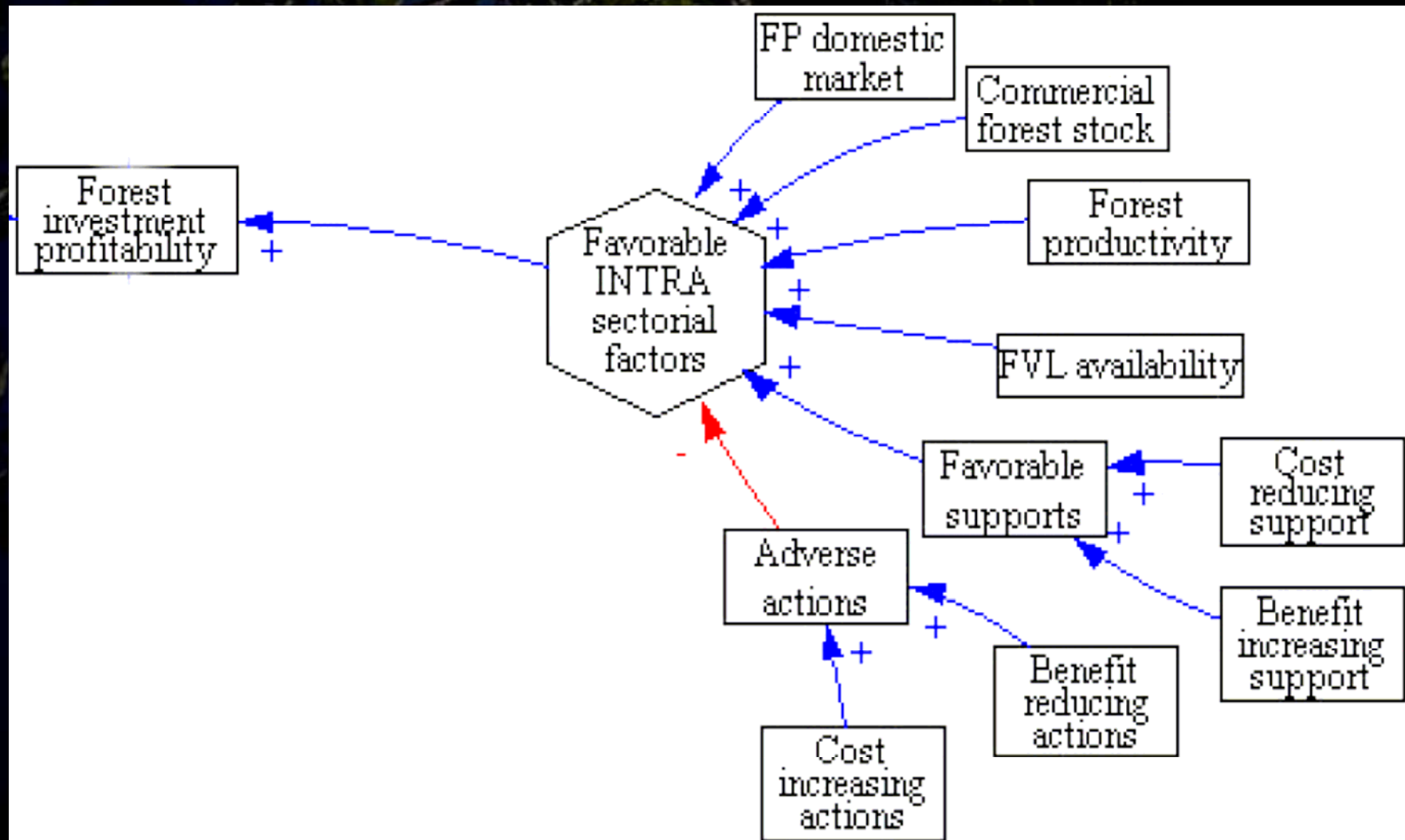
Sub index – SUPRA sectorial factors



Sub index – INTER sectorial factors



Sub index – INTRA sectorial factors



IAIF and Sustainability

