#### Project Summary

#### Multi-lateral Investment Fund

#### I. Basic Project Data

|  |  |  |
| --- | --- | --- |
| Country/Region | Mexico, Guatemala, Honduras, Nicaragua, Peru, Bolivia | |
| Program Name/Number: | Forest Conservation through Certification, Commercialization and Strengthening of Small and Medium Forestry Enterprises (RG-M1123) | |
| Team Leader/Members: | Miguel Almeyda (MIF/CME), team leader; Federico de Arteaga (MIF/CME); Miguel Coronado (LEG); Oscar Farfán (MIF/DEU). | |
| Date of Request: | October 2007 | |
| Beneficiaries: | Members and employees of small and medium, indigenous and community forest enterprises | |
| Executing Agency: | Rainforest Alliance Inc., through Rainforest Alliance Mexico | |
| Financing Plan: | MIF Rainforest Total | US$4,500,000 (50%)  US$4,500,000 (50%)  US$9,000,000 (100%) |
| Classification: | ENV AGRI | |
| Tentative Dates: | ESR – March 2008  CRG – March 2008  Donors’ Committee – May 2008 | |

**II. Background and Problem Statement**

1. The MIF Action Plan calls for supporting conservation and competitiveness through international certification, strengthening value chains—especially for small and medium enterprises (SMEs)—and involving both public and private sector actors. MIF’s new model envisions projects in which private sector partners are involved through the life of the project and beyond, and take on the risk associated with the project. Although IDB/MIF has supported a number of forestry projects in the Environment line of activity that have been focused on SMEs in Latin America, the scope of the present project will complement these efforts by using third-party certification as a tool for increasing standards of living and providing sustainable livelihoods for the communities and individuals at the base of the economic pyramid. The project will use certification as the platform for promoting greater environmental and social sustainability in forest management and production, and work simultaneously to create market demand for certified forest products, foster market linkages between forestry operations and international buyers, increase access to investment for forestry operations, and promote favorable regulatory conditions under which SMEs can prosper. As the platform for sustainability, certification is an increasingly popular option for productive forests, with Bolivia, Mexico and Guatemala leading the way with two million ha, 825,000 ha and 528,000 ha, respectively, that are Forest Stewardship Council (FSC) certified. However, before forestry SMEs can reach sustainability through certification and increased access to markets, five major challenges must be addressed. They are described below.
2. The first major challenge is the combination of limited market demand and fragmented supply chains. There has been growing demand for certified wood products as buyers have become more discerning of the source of their wood purchases, and as supply chain and market risks have increased and regulations concerning product origin have become more stringent. However, the demand in the rest of the world, and most especially in the developing countries themselves, for certified forest products—and at a more basic level, legally harvested timber—is weak to non-existent. Furthermore, most forest products pass through many processors in their journey from the forest to the final consumer. To maintain a certification seal, each processor must be certified and maintain records on their wood sourcing, and there are many missing links in the supply chain. Thus, buyers cannot find enough certified supply and suppliers cannot find enough demand for their certified products. In addition, the lack of control on illegally harvested wood and lack of concern about wood sources punishes producers who try to manage their forest resources, as they cannot compete with the low prices of many products made with unmanaged or illegal wood. Demand for certified tropical species is robust in international markets as the worldwide supply is extremely small. The amazing diversity of species in tropical forests represent a great economic opportunity for forestry SMEs but there remain marketing challenges, as many of the secondary species available are unknown to international buyers and must be studied and promoted in order to gain market acceptance.
3. A second major challenge involves investment constraints. Investment and capital are needed for forest management, value-added processing, and marketing and promotion. Where land tenure is unclear, no one is willing to invest in forest management plans. Where land tenure is secure, investments have been made by the private sector and donors, and forest cover has remained intact and provides livelihoods to local communities and businesses. For existing forestry operations that have already invested in forest management plans and some processing equipment, investment constraints and cash flow problems lead to suboptimal resource utilization and lack of competitiveness even in internal markets. To secure funds to start harvesting operations, many communities sell a part of their production to local secondary processors and brokers who advance them the cash in exchange for low fixed wood prices.
4. The third major challenge is weak competitiveness of forestry operations. Despite the successes of obtaining third party certification and meeting international standards for sustainable forest management, many communities are still not successful in entering international markets and even face competition in domestic markets. For example, although Mexico has a robust national market for wood, its rapidly increasing imports of pine lumber and plywood from Chile and Brazil are creating fierce competition for local community producers. Successful competition must be based on pricing, quality and timeliness of delivery. Community operations in the target countries have challenges in these areas.
5. The fourth major challenge involves unfavorable policies and unclear land tenure (applicable to only some countries). Through policy, regulation and taxation, governments regulate land use and conditions of trade, and thereby either provide incentives or disincentives for sustainable timber production in producer countries as well as in consumer countries. Therefore, barriers to overcome are government policies, regulations and incentive mechanisms that put sustainable timber production at a disadvantage. Mexico is unique in Latin America in having well-defined land tenure and having passed a decree requiring that all wood products procured by the government be certified. But progress can be seen in other countries. Guatemala has adopted the unique approach of granting long-term concessions to communities in the Peten region; this has encouraged long-term management and investment. In Nicaragua, the consequences of the logging ban and damage to large swaths of natural forest on the Atlantic coast from Hurricane Felix are creating an opening to institute community-oriented solutions based on certification. Honduras has recently promulgated a new forestry law with the aim of greater transparency and devolution of responsibility to communities. The dual-track approval system in Peru provides some regulatory relief with a less onerous review for forest management operations that are certified. Uncontrolled settlement and deforestation can be found, however, in many of the target countries of this project. Many countries used to encourage land colonization and forest clearing in pursuit of “development”. Persistent illegal logging suppresses prices for wood products and willingness to invest in management, and degrades the commercial viability of forests. Unfortunately, even with dwindling forest resources, these “traditions” persist in creating formidable barriers to forest management.
6. Finally, there remains a challenge of high costs of achieving certification and implementing improved practices. In a case study prepared by the Rainforest Alliance (RA) on group forest certification, harvest volumes were determined to be a key variable in the ability of an operation to invest in sustainable forestry management. Although there have been criticisms of the high costs of certification for small producers, the costs of complying with the standards can be the primary barrier (e.g. inventories, management plans, identification of high conservation value forests). In Mexico, the government offers financial support to forestry communities to defray the costs of forest management planning, thus overcoming some of the financial barriers, but none of the other proposed project countries offer the same support. Thus, there is a need for innovative approaches to reduce the costs of compliance with certification standards.
7. Although the forest sector in each target country has its unique characteristics, a common thread is the important, if not dominant, role of communities and indigenous groups in the sector. Another commonality is the high degree of interdependence between the vitality of the sector and the level to which these forest-dependent groups share in the economic benefits that can be derived from forest-based resources. The six countries that are the focus of this project, therefore, offer excellent opportunities to compare and contrast experiences and lessons-learned, disseminate and adapt tools, and create economies of scale for engaging the private sector. Furthermore, the inclusion of countries where RA and FSC certification have already made considerable inroads, such as Guatemala and Bolivia, will be beneficial to the countries where application of forest management practices under the FSC principles and criteria for sustainability by communities is still incipient or where the need for expansion is critical, as in Mexico. A regional approach involving the six target countries and using FSC certification as a common platform will open opportunities for increasing investment to community operations by offering private sector investors a more diversified investment portfolio. It will also open access to new markets by offering potential buyers a greater diversity of certified products and wood species and larger volumes of certified products.
8. This regional project will aim to address the five challenges above through an integrated approach. The value-added element of this regional project is in four areas. First is the element of verticality to working with supply chain operators in the forest products industry, unlike many projects to date that have only focused on specific links in the supply chain (usually the forest enterprise itself). This project will work throughout the entire supply chain to bring about the most positive impact for forestry SMEs and individuals, especially those at the base of the economic pyramid and in places where forest resources are most threatened. This approach will leverage one of the strengths of Rainforest Alliance, which is stimulating market demand and bringing SMEs and international wood buyers and brokers together in major regional alliances for sales and marketing of certified products. Particular to Mexico are the opportunities to expand national markets that create a preferential market for certified forest products. Another value-added component of the RA approach in this project is the environmental sustainability of certification. In order to become certified, forestry operations must create forest management plans. Certified forest management plans include measures for the maintenance of high conversation value forests, the creation of set-asides where no resource extraction can occur, and the development of monitoring plans for threatened animal species. Measures such as these provide for the long-term conservation of forest landscapes and their local and global environmental benefits. Third, this project will open access to financing mechanisms for investment in sustainable, certified forestry SMEs; access to these financing sources will be crucial for any future growth of SMEs. Partnerships fostered with government programs, financial institutions, private sector buyers and brokers will increase the flow of capital to strengthened forestry SMEs. This will in turn allow SMEs to put into motion new business and investment plans in order to respond to increasing market demand. Finally, the added-value of this regional approach in the targeted countries will be to disseminate and exchange experiences, results and lessons learned at both the SME level and especially higher levels with policy makers and the private sector to create more favorable policy and regulatory conditions for SME forestry operations.

**III. Program Objective and Description**

**A. Objective and Beneficiaries**

1. The general objective of this regional project is to improve the livelihoods of community-based forest enterprises through the adoption of sustainable forest management practices, development of business skills, fostering of stronger linkages to markets and investment, and promotion of more favorable policies. The aim is to apply incremental funding from IDB/MIF for this project to ongoing and planned initiatives to expand the scale and scope of certified SME forest resource-based business ventures. This is to occur at a regional level, so as to take full advantage of growing market demand for certified products. It is anticipated that this project will have important ripple effects at the policy and financial levels in both the target countries and others in the region.
2. The general objective will be achieved by implementing activities tailored to the needs of SMEs and specific conditions in each focus country, as well as activities having a regional scope. Activities will be organized under the following four components: 1) Building sustainable supplies; 2) Competitiveness and value added production; 3) Building demand, market linkages and investment and; 4) dissemination and communication of lessons-learned, experiences and tools.

**B. Components and Activities**

**COMPONENT 1: Building Sustainable Supply**

1. The goal of Component 1 is to improve access to certification, facilitate partnerships between communities and industry, and promote Forest Stewardship Council (FSC) certification to SME forestry operations. As market demand for certified forest products grows, supply can lag in terms of area under certification, volumes of certified product, and organization of harvesting operations so as to meet orders. This is especially challenging for less experienced SMEs. New tools will be introduced to put forestry SMEs on the path to certification in a cost-effective manner, such as step-wise certification (for operations making major improvements that will need an extended time period to achieve FSC standards), controlled wood verification (for operations that can commit to the most basic FSC concepts such as protection of High Conservation Value Forests, legal logging, no GMOs, etc.), and group certification (whereby small landowners can group together and share audit costs). These activities will complement ongoing USAID-funded projects in Guatemala and Nicaragua, and the project BO-M1009 implemented by Fundación Pando in Bolivia with MIF funds.
2. Training of accredited FSC auditors and other forest sector service providers will be carried out to strengthen in-country technical capacity to deliver these services and communicate their advantages to potential SME client groups. Working with official accrediting bodies in each country, a system will be established to evaluate service providers to deliver the aforementioned step-wise services. In tandem, outreach efforts on the economic, social and environmental benefits of certification and step-wise approaches, and support in basic organizational strengthening activities will be directed towards candidate community groups that meet certain selection criteria. Using a “learning-by-doing” approach, project staff will work with community leaders to improve their social organizations, form new SMEs and support them in managing basic forest management processes. The main results expected include:

* 20 forest management operations certified or in a step-wise program;
* 1,000,000 additional hectares certified; and
* 100 service providers accredited to deliver step-wise services.

**COMPONENT 2: Competitiveness and Value-Added Production**

1. The goal of this component is to address the challenges faced by many SMEs in responding to increased market demand in an efficient and profitable way. Based on experiences in Mexico and Guatemala, our model is to encourage community-based SMEs to continue their traditionally-strong focus on the social well-being of their member families while integrating simple planning and administration tools that will build their capacity to be profitable in increasingly competitive markets. Capacity building will focus on greater processing efficiencies, development and marketing of new and value-added products, use of secondary species, and strengthened business skills. SME administrators and leaders will be trained in a suite of tools developed by Rainforest Alliance in inventory controls, accounting controls, tax reporting, costing for value-added products, productivity tracking, quality control and investment planning. A key part of this work with SMEs will be supporting them in the development of an entrepreneurial vision that complements, rather than clashes with, traditional values and cultural norms. Strategic alliances in the form of “company-community” ventures, cluster development among SMEs (especially smaller operations) and other associative arrangements will be promoted to achieve economies of scale that will be useful in developing new products, sharing and reducing unit costs of inputs and services, and penetrating larger, higher-end markets. The main indicators to measure results under Component 2 are:

* Increasing board feet sold by 20% without increased harvesting (increased production through greater efficiencies);
* Developing linkages to the market and new products for three secondary or non-traditional tropical timber species and five new value added products using low-grade or waste wood;
* Improved business practices in forest operations in 75 communities having approximately 9,000 family members; and
* Formation of 10 forest SME clusters.

**COMPONENT 3: Building Demand, Market Linkages and Investment**

1. The aim of Component 3 is to increase demand and strengthen linkages to the market for certified wood products that, in turn, will spur increased investment by SMEs in improved technologies and machinery for value-added processing, new or improved forest management plans, marketing, and human capital. Building on the results of the market analyses conducted during the TC-01-03-03-1 project financed by IDB-MIF in Central America and the experiences of Rainforest Alliance, “community-company” ventures will be expanded (to involve new companies and new operations), and scaled up (to the national and regional level), as has been done with Gibson Musical Instruments and community forest enterprises in Guatemala, Honduras and Bolivia. In Mexico, the housing boom and budding green building movement are opportunities to increase the use of certified softwood building materials in national markets. Multinational companies with operations in target countries and local, state and national governments will be engaged to develop procurement policies requiring certified wood products, as exemplified by the recent decision by the federal government in Mexico and RA experiences with the state government in Oaxaca regarding the purchase of school furniture made from certified wood. Ensuring the integrity of certified products as they move along the supply chain from forest to end-use by expanding the number chain-of-custody certificates will be essential.
2. Opening new avenues of investment capital will be a principal focus of project interventions under this component. An analysis will be prepared of the barriers and existing models for financing SME forest management and production operations. It will include compilation of existing financing sources available in each country for annual operating costs of forest management, certification and manufacturing, as well as the identification of gaps and barriers in available financing.
3. Investment vehicles will range from “company-community” arrangements to national-level and region-wide lending facilities based on criteria and methodologies for identifying and evaluating investment opportunities for SMEs. Potential investors will be provided with accurate and verifiable information on the social, economic and ecological benefits of certification, market trends for FSC products, and how certification can hedge risks and technical assistance can be built into investment portfolios. This is a key strategy for ensuring continuation of support to SMEs beyond the life of the project.  Information on the investment environment for forestry SMEs would be prepared in each target country. Of particular importance is front-end finance for forest management planning and certification (FSC, Controlled Wood, step-wise, etc.) to increase supplies of certified products. To this end, a feasibility study will be done on the creation of a private-capital fund to act as a rotating credit mechanism. This would be attractive to companies committed to sustainable forest management but whose supply chains place them several or many steps removed from the forest and primary/secondary processing facilities. For example, IKEA is committed to increasing its supply of FSC products but doesn’t have a direct route to influence what happens in the forest and communities. Building on the example set by HSBC, Citigroup and Bank of America, including FSC certification or a timeline to become certified as part of lending practices will be encouraged. The expected results to measure achievement under Component 3 include:

* Creating market demand for certified supply from 50 newly certified “chain-of-custody” wood manufacturing operations;
* Creating market linkages with at least 16 major international buyer partnerships looking to source certified supply;
* Developing business and investment partnerships with 30 national buyers;
* Stimulating US$9,000,000 in private sector investment in community operations with solid business plans through loans, joint-ventures, public investment programs, and reinvestment of internal cash flow, in order to improve productivity and value-added; and
* Increasing sales of new certified products to a total target of US$26,000,000. This sales target represents the major poverty alleviation indicator of the project, as the value of these sales will go directly to these communities for improving their economic well-being and re-investing in their forestry enterprises.

**COMPONENT 4: Dissemination and Communications**

1. Regionally, the topics affecting development of a vibrant SME forest sector include control of illegal logging, procurement polices, regulatory relief for certified operations to reduce costs, environmental services to add value to sustainably managed forests, and prioritization of forestry SMEs in government programs. The main goal of this component is to conduct outreach and disseminate experiences, results and lessons-learned among stakeholders and partners in the project countries and region, and creating dialog about the aforementioned regional issues. Outreach will be directed to different target audiences: community enterprises, the private sector and policy-makers. The forestry SME “tool kit” developed by RA in Mexico and Guatemala will be adapted and applied to operations elsewhere in those countries as well as other project countries. Case studies highlighting successful “Community-Company ventures” and community forest enterprises that have melded social, cultural and business criteria in order to build profitable businesses will be developed and disseminated through training sessions and SME exchanges. Outreach to private and public sector umbrella groups such as national chambers of commerce, sector-specific organizations, American Chamber of Commerce (AMCHAM) delegations, and mayors’ associations will be conducted, with a focus on how a robust community forest enterprise sector can contribute to poverty alleviation and how certification can give companies a competitive edge in rapidly evolving market, trade and regulatory environments. Through implementation of this project with national counterpart agencies, site visits specifically organized for decision-makers and government officials, national and regional forums, and in-country working groups, RA will expand its work to create strong and supportive national enabling environments for the project and the project goals. The project will also generate opportunities for representatives of community operations and governments to interact and exchange experiences and information.

**IV. Cost and Financing**

1. The cost for this regional partnership project with IDB/MIF is estimated to be US$9,000,000 over five years. It is proposed that each partner, IDB/MIF and RA, contribute 50% of the total project cost. IDB-MIF funding for community or enterprise level activities under components 1 and 2 will be mainly focused in Mexico, Honduras, Peru and Bolivia. Counterpart financing from RA will come from funds already committed from USAID-financed projects in Guatemala, Nicaragua and the Amazon regions in southern Peru and northern Bolivia, and private foundations and companies including the Alcoa Foundation, Citi Foundation, JPMorgan Chase, the Argidius Foundation and Gibson Musical Instruments. It is expected that other contributions to this project will be received from the Government of Mexico, other national and international foundations and the private sector. RA has funding commitments to support community forestry, but these activities are country-specific and uneven across target countries The additionality of the IDB-MIF’s partnership will be to: directly support proposed interventions where alternative RA funding is low and certified community forestry less advanced (Honduras, Mexico, Peru and northern Bolivia); bring a broader regional focus to community forestry by increasing flows of private investment to grow community enterprises,; support expanding and deepening community-company partnerships and market access with higher-tier companies across countries, and; allow regional dissemination of experiences and lessons-learned as an avenue to engage high level decision makers.

|  |  |  |  |
| --- | --- | --- | --- |
|  | IDB-MIF | Rainforest Alliance | TOTAL |
|  | 50% | 50% | US$ |
|  | US$ | US$ |  |
| Operating Costs |  |  |  |
| Component I | 942,500 | 740,000 | 1,870,000 |
| Component II | 1,412,500 | 1,109,000 | 2,709,000 |
| Component III | 1,057,500 | 825,000 | 2,070,000 |
| Component IV | 152,500 | 154,000 | 494,000 |
| Direct Administrative Costs\* | 675,000 |  |  |
| Indirect Administrative Costs\*\* |  | 1,562,000 | 1,562,000 |
| Audits | 75,000 |  | 0 |
| Evaluations | 60,000 |  | 60,000 |
| Cluster activities\*\*\* | 15,000 |  | 15,000 |
| Miscellaneous\*\*\*\* | 110,000 | 110,000 | 220,000 |
| TOTAL | 4,500,000 | 4,500,000 | 9,000,000 |

\*Direct administrative costs include project management staff, general project oversight travel, project coordination and planning meetings, and local occupancy of project management site and related office costs.

\*\*Indirect costs related to project implementation include a standard and uniform allocation to all programs of support costs provided by RA finance, human resources, IT, legal departments and the associated allocation of overhead for RA headquarters.  A rate of 21% is applied to total project budget based on Rainforest Alliance audited indirect rates.

\*\*\* Cluster activities are included at the request of IDB-MIF

\* \*\*\* Miscellaneous costs are calculated at approximately 2.5%;

**V. Executing Agency and Execution Structure**

1. The RA is a world leader in developing best practices for sustainable land use, and in alleviating poverty through building the competitiveness and market access of rural enterprises. To date, it has conserved 40 million hectares of forest and farmland. RA has certified nearly 20,000 farms, and 1,900 forestry operations, and has improved the lives and increased the incomes of over 300,000 families. The organization works to revolutionize the way people are thinking about sustainable development through its market-based solutions to poverty and biodiversity loss.
2. Rainforest Alliance Inc. will be the legal entity managing this regional project through its executing unit Rainforest Alliance Mexico, and will accomplish the project objectives through its own direct work and the work of local and regional partners in each country. Generally, the main differences between the proposed project and former and ongoing forestry SME projects supported by IDB-MIF are: FSC certification as a common platform for ensuring social, economic and environmental sustainability at the forest and enterprise level; multinational, regional scope; integrated approach to strengthening production chains for forest products (from forest to local processing, secondary processing and markets), rather than just at the enterprise level; and creation of higher-level (national and regional) investment vehicles which will create stronger incentives for sustainable forest management and production. Finally, the Rainforest Alliance’s extensive experience and success in building more competitive forest enterprises and creating durable market linkages will serve as an additional benefit to the forestry communities and enterprises already involved with IDB-MIF. In relation to specific IDB-MIF supported community forestry projects, we will give particular importance to building on the results of and collaboration with other community forestry projects funded by IDB-MIF, specifically by: applying business skills development tools and expanding localized market linkages developed under the TC-01-03-03-1 project within the target countries and across the region; expanding support currently provided to only non-wood production chains of communities in protected areas under project PE-M1039 in Peru to include forest products in adjacent buffer zones; and complementing efforts of Fundación Pando under project BO-M1009 in Bolivia to expand certification and step-wise approaches to new forest operations, deepen international market linkages and increase investment flows.
3. At the government level, RA has very close working relationships with CONAP in Guatemala, Instituto de Ciencias Forestales (which replaces COHDEFOR under the new forestry law) in Honduras and MAG-FOR/INAFOR in Nicaragua. INRENA in Peru and the Bolivian Forestry Superintendence will be important counterparts in those countries. Also, this project will work closely with other international projects in each country (especially USAID in Guatemala, Nicaragua and the Amazon Basin) as well as international and local NGOs and conservation funds like FONDABOSQUE in Peru, PROCYMAF in Mexico and PINFOR in Guatemala. Significantly in Mexico, CONAFOR and RA recently signed an MOU to cooperate on certification and supporting community and ejido forest enterprises. Regional governments will be particularly important counterparts for project activities (such as those of Pando, Bolivia and Rio Madre de Dios, Peru). RA works with major international NGOs like WWF and its Global Forest Trade Network. Finally, in keeping with the business and market based approach of this project, community groups and private sector actors will be key collaborators, many of whom are part of the network that RA has built over the years in the countries involved in this regional project. It is this network and the opportunities for exchanging lessons learned and experiences, leveraging investment, building linkages with international buyer, and comparing and contrasting policies for sustainable forest management by communities across the region that are the main added value of this regional project.
4. RA will develop agreements for executing specific components of the project, to be signed with key parties in each country and other key international parties. An international advisory group will be developed. The local partners or potential sub-executing agencies will be determined during the initial design of the project in the coming three months.

**VI. Major Issues**

1. Among the most significant challenges are institutional and regulatory weaknesses that lead to a high level of informality and illegality in the forest sector. Besides severe environmental costs, local communities and families bear the brunt of the socioeconomic losses from illegal logging as they are forced into a “race-to-the-bottom” to offer the lowest price for their products while watching the majority of the value of their forests captured by well-connected intermediaries and rent-seekers. The purpose of this project is to change the behavior of the supply chain at the community level through economic incentives and business development support services that will foster more local value addition, greater transparency and durable market linkages with responsible buyers of FSC-certified products. This will be the basis for ensuring the sustainability of the activities undertaken during the life of this project.

**VII. Action Plan**

1. The project is in an initial stage of preparation, with goals and objectives and major activity plans in place. The RA has letters of support or memoranda of understanding already in place with several major wood buyers or brokers who are already committed to participating. A number of planning activities will set up the management structure and executing mechanisms for project implementation. Also, targeted private sector relationships as well as target communities or forested regions within countries will be determined during the initial design of the project. Finally, a monitoring and evaluation methodology will be defined and completed two months after project start-up.

**VIII. Environmental and Social Strategy**

1. In order to minimize undesired social and environmental impacts, the Executing Agency will rigorously follow the principles and criteria developed by the FSC for forest management that are applicable to all FSC-certified forests throughout the world. These 10 Principles and 57 Criteria address legal issues, indigenous rights, labor rights, multiple benefits, and environmental impacts surrounding forest management (Annex 1). It will also conduct awareness activities amongst beneficiaries to promote a consensus-driven adaptation and application of these principles and criteria in their communities according to their customs.

1. In particular, RA will place special attention to the protection of cultural heritage sites in all FSC-certified forests through the development and execution of control and vigilance plans, which also apply to fire prevention. RA will also advance thorough observance of the aforesaid principles and criteria so as to avoid illegal practices in forest exploitation that may be shielded under communal licences. Moreover, the project will rely on FSC accredited auditors who are enabled to take immediate action in case of non-compliance with FSC methodology, including certification suspension.
2. The project has been classified as “C” by the project team according to the ESR toolkit. On its 01-08 meeting, the ESR presented the team with several technical questions pertaining to the project’s characteristics and impacts. Given the extent and depth of each question, the project team prepared a document which provides detailed answers to each inquiry (see Annex 2).