



Donors Committee

For consideration

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To: The Donors Committee

From: The Secretary

Subject: Regional. Nonreimbursable technical-cooperation funding for a “Project for forest conservation through the certification, commercialization, and strengthening of small and medium-sized forest enterprises”

Basic Information:

Executing agency	Rainforest Alliance, Inc.
Amount	up to US\$4,500,000 or its equivalent in other convertible currencies
Source	Multilateral Investment Fund

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DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK
MULTILATERAL INVESTMENT FUND

REGIONAL

**PROJECT FOR FOREST CONSERVATION THROUGH THE
CERTIFICATION, COMMERCIALIZATION, AND STRENGTHENING
OF SMALL AND MEDIUM-SIZED FOREST ENTERPRISES**

(RG-M1123)

DONORS MEMORANDUM

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ABBREVIATIONS

FSC	Forest Stewardship Council
RAI	Rainforest Alliance, Inc.

**REGIONAL
PROJECT FOR FOREST CONSERVATION THROUGH THE CERTIFICATION,
COMMERCIALIZATION, AND STRENGTHENING OF SMALL AND MEDIUM-SIZED FOREST
ENTERPRISES
(RG-M1123)**

I. EXECUTIVE SUMMARY

Country:	Regional (Guatemala, Mexico, Nicaragua, Peru, and possibly Honduras) ¹ .	
Executing agency:	Rainforest Alliance, Inc.	
Beneficiaries:	The project's direct beneficiaries will include 80 forest enterprises managed by community-based associations, cooperatives, indigenous groups, or other local organizations or as communally-held land (<i>ejidos</i>) that collectively represent 5,000 families and 750,000 hectares of forest land.	
Objectives:	The project's general objective is to sustainably improve the quality of life of communities in the beneficiary countries whose livelihood depends on forest enterprises. The purpose is to spur small and medium-sized forest enterprises in those countries to adopt sustainable forestry practices, develop business skills, and gain wider access to the market and financing tools in a context of more favorable sector policies.	
Financing:	MIF (nonreimbursable):	US\$4,500,000 ²
	Local counterpart:	<u>US\$4,500,000</u>
	Total:	US\$9,000,000
Execution timetable:	Execution period:	54 months
	Disbursement period:	60 months
Exceptions to Bank policies:	None	

¹ See document MIF/CS-81. Pursuant to Point IV of the document no funding will be disbursed for the financing of activities in Honduras until such time as the IDB Group raises the suspension now in effect and resumes activities in that country. The proportion of the MIF contribution for activities in Honduras is estimated at US\$827,350.

²² Idem

Special contractual clauses:

Conditions precedent to the first disbursement: (i) the project Operating Regulations must have been approved and be in effect; and (ii) the project administrative and financial coordinator and the project administrative assistant must have been engaged and be performing their duties.

Pursuant to point IV of MIF/CS-81, the funding earmarked to finance activities in Honduras will not be disbursed until such time as the IDB Group raises the suspension now in effect and resumes activities in that country. The proportion of the MIF contribution that would go to support activities in Honduras is estimated at US\$827,350.

Environmental and social impact:

In accordance with the Bank's toolkit, this project has been classified by the project team as a category C operation and was approved by the ESR on 3 April 2008.

Coordination with other development institutions:

The project provides for coordination with the United States Agency for International Development (USAID) in Guatemala and Peru, and with the Global Environmental Facility (GEF) in Mexico.

II. BACKGROUND, PROBLEM ADDRESSED, AND RATIONALE

- 2.1 **One-half of the world's tropical forests, and one-fourth of all the world's forests, are located in Latin America.** This makes the region one of the world's largest potential suppliers. In the countries where this project will be executed, tens of thousands of families depend on forests for their livelihood, managing **forest enterprises** organized as communities, associations, cooperatives, indigenous groups, communally-held land, or other local organizations.
- 2.2 From a regional standpoint, the key issues impacting the development of the forest enterprise sector are control of illegal activities, procurement policies, regulations that promote certification and help reduce costs, environmental services that add value to sustainable forestry practices, and increased support for forest enterprises through government programs.
- 2.3 The majority of families who operate forest enterprises are poor or extremely poor, which is explained by: (a) lack of economic, political, and social integration; (b) a subsistence-oriented production system; (c) weak technical capacity in the use of tools providing linkages with the market; (d) undeveloped human capacity in business management and value-added processes; and (e) weak organizational capacity to sustainably manage forests as commercial undertakings. Other contributing factors are lack of technical assistance and insufficient government investment in infrastructure to promote competitiveness.
- 2.4 The forest products market in some of these countries is marked by illegal activities. For instance, studies conducted in Honduras estimate that 80% of the hardwood species processed in the country are illegally obtained. As a result, the local and national market is highly distorted, and cooperatives that produce wood according to plans approved and supervised by the government face unfair competition in the form of low prices. Tens of millions of hectares have been lost to illegal logging, 10 million in Peru's Amazon basin alone, and another 150,000 hectares of primary forest meet the same fate in Peru every year.
- 2.5 **Certification as a platform for environmental and social sustainability.** There is increasing awareness and demand on the part of consumers worldwide for wood and wood products from sustainably managed forests that provide tangible economic benefits to local communities. As a result, nonprofit groups that verify corporate social responsibility are becoming increasingly relevant and active in this area.³ Certification allows consumers to select goods produced in accordance with strict environmental guidelines, providing the option of purchasing more responsibly.
- 2.6 The present project proposes the use of certification as a platform to promote added value and environmental and social sustainability in managing forest resources and producing forest products. Certification of forest management by the Forest

³ The New York Times recently reported that over 75% of persons surveyed in the United States indicated that their purchases were influenced by a company's commitment to social responsibility.

Stewardship Council / Rainforest Alliance helps preserve biodiversity and protect communities. Forest management certification: (i) ensures that forests are managed and wood is harvested in a way that provides environmental, social, and economic benefits to local communities; (ii) creates market incentives for producers to adopt sustainable forest management and harvesting practices; and (iii) offers wood products from well-managed forests and environmentally responsible alternatives, enabling consumers to help support forest conservation and protect biodiversity.

2.7 **Barriers to forest sector development in the beneficiary countries.** In order to increase their sustainability and improve their market access through certification, forest enterprises must overcome five major hurdles:

- a. *The combination of limited market demand and fragmentation of supply chains.* Despite a significant increase, awareness of and demand for certified forest products remains weak. In addition, the majority of forest products pass through multiple intermediaries on the way from forest to end consumer. This limits consumers' access to certified products and, in turn, dampens demand. Lack of control and knowledge of illegal wood production hurts those who try to manage forest resources sustainably, since they cannot compete with the low prices of products produced illegally or without management plans.
- b. *Declining investment.* Investment and capital are required for forest management, value-added processes, marketing, and promotion. Where land tenure systems are weak, investment in forest management plans is far lower than in areas where tenure is secure. In addition, cash flow problems force many communities to sell part of their production to local secondary intermediaries in order to start their production operations, receiving cash payments in exchange for low prices.
- c. *Forest operations' lack of competitiveness.* Many communities that have had success with certification and comply with international standards for sustainable forest management still encounter difficulties in accessing the international market and even face competition at home. For example, although Mexico has a large domestic wood products market, the rapid rise in imports of pine board and veneer from Chile and Brazil is creating stiff competition for local producer communities. To strengthen the competitiveness of certified products, forest enterprises must improve processes, prices, quality, and delivery times.
- d. *Unfavorable public policies and lack of clarity regarding land tenure.* Governments regulate the use of land and conditions of trade through policies, regulations, and taxes, which provide either incentives or disincentives for sustainable wood production in the producer and consumer countries. Therefore, the barriers to be overcome are public policies, regulations, and incentive mechanisms that put sustainable wood production at a disadvantage. Mexico is the country that has made the most progress in Latin America to establish a land tenure system, and it has reached the point where all wood

products purchased by the government are certified. There are perceptible signs of progress in other countries, and also in the long-term management and institutionalization of community-based certification solutions and less burdensome reviews of certified forest management operations. Despite these advances, uncontrolled land settlement and logging continues in several of those countries. Many countries have used settlement and logging as a strategy for “development.” Persistent illegal activities depress the prices of wood products, create a disincentive to investment in sustainable management, and diminish the commercial viability of forests. Unfortunately, even as forest resources are depleted, these “traditions” continue to create serious barriers to forest management.

- e. *The high cost of obtaining certification and implementing best practices.* Criticism has been levelled at the high cost of certification to small producers. In particular, the cost of meeting certain standards (e.g., inventories, management plans, identification of high conservation value forests) can present a significant barrier. A study of a certified forest management group conducted by Rainforest Alliance, Inc. (RAI) found that the volumes harvested were a key variable in an operation’s capacity to invest in sustainable forest management. Although there has been criticism of the high cost of certification to small producers, the cost of complying with standards may be the principal barrier (for example, inventories, management plans, identification of high conservation value forests). In Mexico, the government provides financial support to defray the cost of forest management plans for forest management communities, thereby removing some of the financial barriers. However, none of the other beneficiary countries offers the same type of support. Innovative proposals are therefore needed to help reduce the costs implicit in complying with certification standards.

2.8 **Proposed project.** The project will address the five principal challenges identified above by implementing a comprehensive strategy focusing on four components:

- a. The first component centers on vertical integration of operators within the forest products supply chain, which represents a departure from projects to date that have focused on specific links of the supply and value chains (usually the forest industry itself). The project activities will involve the entire supply chain in order to produce a positive impact on forest enterprises and individuals, particularly those at the base of the economic pyramid, and on those locations where forest resources are the most threatened. This approach will leverage one of RAI’s strengths, the ability to stimulate market demand and integrate enterprises, international consumers of wood, and marketing entities through regional partnerships promoting sale and marketing of certified products.
- b. The second component is the added value of certification in terms of environmental sustainability. In order to be certified, forest production units must develop forest management plans. Certified forest management plans

include measures to maintain forest value, create safeguards to prevent logging in areas where it is banned, and develop monitoring plans for threatened wildlife species. Such measures will promote conservation of forest ecosystems over the long term and provide environmental benefits both locally and worldwide.

- c. The third component is the project's contribution to creating financing mechanisms for investment in sustainable, certified forest enterprises. Access to sources of financing will be crucial to the future growth of these enterprises. By promoting partnerships with government programs, financial institutions, private purchasers, and marketers, the project will increase capital flows to strengthen the enterprises. This will enable them to implement new business ventures and investment plans to respond to increased market demand. This component will also support the adaptation of government policies and regulations to provide incentives for sustainable forest production. In addition, forest certification under internationally recognized standards and strengthening of community-based forest enterprises' business and organizational capacities will help improve prospects for property rights and land tenure in the countries with weaknesses in these areas.
 - d. Lastly, the fourth component will provide for dissemination and exchange of experiences, outcomes, and lessons learned between forest enterprises, senior government officials, and members of the private sector in the target countries, in order to promote a more favorable policy and regulatory environment for sustainable development of the forest sector.
- 2.9 The MIF's participation will be critical because it will strengthen the business approach that RAI will bring to the project and help ensure that forest enterprises established by the most vulnerable communities operate as small and medium-sized businesses so as to migrate from environmentally harmful subsistence models to business models based on certification as a marketing tool to generate added value and emphasize sustainability.
- 2.10 **Regional focus.** While the forest sector in each of the five countries is unique, one feature they all share is that indigenous communities and groups play a role in the sector. Another similarity is that the vitality of the sector is highly dependent on the income those groups derive from forest resources.
- 2.11 The countries targeted by this project offer excellent opportunities to compare and contrast experiences and lessons learned in each one, disseminate and adapt tools, and create economies of scale to incorporate into the private sector. Also, the inclusion of countries like Guatemala, where Forest Stewardship Council (FSC) certification has been implemented, offers a helpful example to countries like Mexico where community adoption of sustainable forestry practices is still in its infancy. A regional focus involving the five beneficiary countries in applying FSC certification as a common platform will create opportunities to increase financing for community-based operations, offering private-sector investors a diversified

portfolio of investment options. It will also open access to new markets by offering potential purchasers a wider selection of certified products and greater volumes of timber species and certified products.

- 2.12 Although the project is designed as an integrated effort in which the five countries coordinate activities to achieve the objectives identified, each country is also expected to meet its own targets, which are detailed below in section III.

III. PROJECT OBJECTIVES AND COMPONENTS

A. Objectives

- 3.1 The project's general objective is to sustainably improve the quality of life of communities in the beneficiary countries whose livelihood depends on forest enterprises. The purpose is to encourage small and medium-sized forest enterprises in those countries to adopt sustainable forestry practices, develop business skills, and gain wider access to the market and financing tools in a setting of more favorable sector policies.
- 3.2 The project will pursue those objectives through the following components: (i) creating a sustainable supply; (ii) improving competitiveness and adding value to production; (iii) stimulating demand and strengthening commercial chains and financing channels; and (iv) disseminating outcomes.

B. Components and activities

Component 1: Creating a sustainable supply

- 3.3 The objective of Component 1 is to improve access to certification, promote partnerships between communities and industries, and promote FSC certification in forest operations to strengthen the efficiency and competitiveness of forest enterprises. This component aims to reduce supply backlogs that may result from increased demand for certified forest products. The following activities are planned:
- Introduction of tools to promote and profitably implement certification of forest enterprises, such as a stepwise certification approach (see Annex IX), verification of controlled wood, legal register, and group certification. Group certification will enable small landowners to form groups and share certification costs.
 - Training of accredited FSC auditors and other service providers required for a sustainable forest sector in order to strengthen national technical capacity to provide such services and promote sales between forest enterprise groups.
 - Hands-on work with community leaders to improve social organizations, formalize and strengthen forest enterprises, and support community leaders in forest management processes.

- 3.4 The expected outcomes at project completion are certification of approximately 80 forest enterprises managing at least 450,000 hectares of forest land and training of at least 300 certified professionals.

Component 2: Improving competitiveness and adding value to production

- 3.5 The objective of this component is to help enterprises increase competitiveness and add value to their operations in order to efficiently and profitably meet increased market demand. The model is designed to promote enterprises under a community-based model so as to maintain the traditional focus on the welfare of community members (primarily the family) while introducing simple planning and management tools that will help develop new or improved capacities. A key aspect of the work with enterprises to support them in developing an entrepreneurial approach that complements traditional values and cultural norms.
- 3.6 Capacity building will focus on greater efficiency of processes, development and marketing of new, value-added products, and utilization of secondary timber species, which will also help to strengthen business skills. The following activities are planned:
- Training of enterprise managers and leaders in the toolkit developed by RAI for inventory control, accounting control, tax reporting, costing value-added products, monitoring productivity, quality control, and investment plans.
 - Promotion of partnerships between enterprises in the form of “community company” initiatives and development of linkages between enterprises (particularly small ones) and other types of partnership arrangements, in order to generate economies of scale in developing new products, negotiating costs of inputs and services, and penetrating major markets for finished products.
- 3.7 The expected outcomes upon project completion are a 10% increase in the commercial output of participating forest enterprises and the formation of at least 17 partnerships between various enterprises.

Component 3: Stimulating demand and strengthening commercial chains and financing channels

- 3.8 The objective of this component is to increase demand for certified timber products and strengthen the respective commercial chains in order to stimulate forest enterprise investment in improved technologies and machinery, new and improved management plans, commercialization, and human capital formation. The following activities are planned:
- Formalization of agreements with national and multinational enterprises and local, state, and national governments to develop procurement policies favorable to certified wood products.⁴

⁴ An example of this trend is RAI's experience in Oaxaca, where the state required that government-purchased school furniture be manufactured with certified wood.

- Support for the use of “custody certificates” to ensure the integrity of certified products at each step of the supply chain from the forest to the end consumer.
- Development of options for capital investment and analysis of barriers to financing for the sector, existing models supporting forest management, and forest enterprise production operations. This analysis will include a compilation of financing sources currently available in each country to support the annual costs of forest management, certification, and manufacturing, and will identify opportunities and barriers to the use of financing.
- Information will be prepared on the investment climate for forest enterprises in each beneficiary country. It is particularly important that financing be available for the duration of the project for the development of forest management and certification plans, the activities directed toward increasing the supply of certified products. To this end, the project will analyze the feasibility of using private capital to serve as a revolving credit mechanism. This would be attractive to companies that are committed to sustainable forest management but whose supply chains are several steps removed from the forest resources and primary and secondary wood processing.
- Promotion of the FSC certification process or establishment of a standard for the period in which to obtain certification after credit programs are set up.

3.9 The expected outcomes at project completion are at least 60 agreements concluded with national and international purchasers and at least US\$8 million in financing and investment channeled to forest enterprises. Also, the participating business undertakings are expected to generate at least US\$20 million annually through sales of certified products or products in the process of certification.

Component 4: Disseminating outcomes

3.10 The objective of this component is to disseminate tools (toolkit), experiences, outcomes, and lessons learned among project participants and stakeholders in the region in order to raise awareness of the importance of supporting forest certification initiatives. The potential stakeholders include community-based enterprises, private-sector representatives, and public-sector officials responsible for developing public policy. The following activities are envisaged:

- Adaptation of the RIA toolkit developed for forest enterprises in Mexico and Guatemala for use throughout the beneficiary countries.
- Development and dissemination of case studies of successful community-enterprise partnerships and community-based forest enterprises through training sessions and exchange between small and medium-sized enterprises (SMEs) and other entities.

- Events with private- and public-sector stakeholders to raise awareness of issues including the role of dynamic forest enterprises in poverty reduction and certification as a tool to increase competitiveness.
- Regional dialogue forum.

3.11 The expected outcomes at project completion are at least 40 awareness-heightening events on the process and benefits of certification and 12 awareness-heightening events that will present at least 10 case studies drawn from project experiences.

IV. PROJECT COST AND FINANCING

4.1 The total project budget is US\$9 million, of which US\$4.5 million will be contributed by the MIF and US\$4.5 million by RAI, of which 60% will be in cash and the remainder in kind. The project execution period will be 54 months from signature of the contract between RAI and the MIF.

Categories	MIF	Local Counterpart		Total
		Cash	In kind	
Component 1: Creating a sustainable supply	785,785	714,180	60,000	1,559,965
Component 2: Improving competitiveness and adding value to production	1,347,115	976,040	60,000	2,383,155
Component 3: Stimulating demand and strengthening commercial chains and financing channels	998,085	540,380	60,000	1,598,465
Component 4: Disseminating outcomes	468,005	201,140	8,450	677,595
Program administration	591,850	54,2009	1,640,432	2,286,491
Evaluations	100,000	0	0	100,000
Financial audits	80,000	0	0	80,000
Contingencies	106,660	185,169	0	291,829
Impact evaluation account (0.5% of total MIF contribution)	22,500	0	0	22,500
TOTAL	4,500,000	2,671,118	1,828,882	9,000,000
	50.00%	29.68%	20.32%	100.00%

4.2 The countries where the project will be executed are Guatemala, Mexico, Nicaragua, Peru, and possibly Honduras. Pursuant to point IV of document MIF/CS-81,⁵ the MIF contribution for activities in Honduras will be conditional on the Bank Group raising the suspension now in effect and resuming activities in that country. The proportion of the MIF contribution that would support activities in Honduras is estimated at US\$827,350.

⁵ See document MIF/CS-81.

- 4.3 **Sustainability.** The services provided by the project will become sustainable in the third year of execution, when demand for the forest enterprise services is expected to be consolidated by capacity-strengthening services and forest management certification. This will be achieved through the project's demonstration and multiplier effect in localities and among forest management groups in the vicinity of communities where the project initially operates.

V. EXECUTING AGENCY AND EXECUTION MECHANISM

- 5.1 **Executing agency.** Rainforest Alliance Inc. (RAI) is the legal entity that will sign the technical cooperation agreement; assume responsibility for regional management of the project, with support from its execution unit in Mexico; and accomplish the project objectives through its own efforts, in cooperation with its local and regional liaisons in each country. RAI is a world leader in developing best practices for sustainable use of land and poverty reduction through increased competitiveness and market access for rural enterprises. To date, it has preserved 120 million hectares of forest and farmland, has certified close to 20,000 agricultural production units and 3,000 forest operations, and has helped improve the quality of life and increase the incomes of some 500,000 families.
- 5.2 RAI promotes environmentally and socially responsible standards of forest management throughout the world. The focus of its efforts is certification, which assures consumers that the products they purchase come from forests managed in a way that preserves biodiversity and supports the surrounding communities. Certification of all entities, including large companies managing vast tracts of forest land, indigenous owners, community-based operations, and forests on public lands, is performed by trained RAI staff and consultants in cooperation with a network of conservation organizations around the world. Products manufactured with certified wood include furniture, musical instruments, cabinetry, plywood, veneer, molds, lumber, scaffolding, and flooring.
- 5.3 At the government level, RAI works closely with the Consejo Nacional de Áreas Protegidas [National Council on Protected Areas] in Guatemala, the Instituto de Ciencias Forestales [Forest Sciences Institute] in Honduras, the Ministry of Agriculture and Forestry's Instituto Nacional Forestal [National Forest Institute] in Nicaragua, the Instituto Nacional de Recursos Naturales [Natural Resources Institute] in Peru, and the Programa de Desarrollo Forestal Comunitario [Community Forest Development Program] and Comisión Nacional Forestal [National Forest Commission] in Mexico, all of which will serve as important liaisons in their respective countries.
- 5.4 The RAI counterpart contribution will come from its own resources and additional contributions raised by RAI. To this end, RAI is actively seeking additional funding from the following sources: (a) the United States Agency for International Development (USAID), to finance projects in Guatemala, Nicaragua, and the Amazon region of southwest Peru; (b) private foundations and companies including

Alcoa Foundation, Citi Foundation, JP Morgan Chase, Argidius Foundation, and Gibson Musical Instruments; and (c) the Global Environmental Facility (GEF) in Mexico, other national and international foundations, and the private sector. RAI is committed to covering the agreed counterpart contribution in the event no funding is obtained from those sources.

- 5.5 **Execution mechanism.** RAI's technical operations, project administration, and financial management will be supported by a project coordination unit (PCU) established at RAI headquarters in Oaxaca, Mexico, which will be supported in turn by RAI's offices in New York and the other beneficiary countries.
- 5.6 The PCU will consist of (a) a project coordinator, who will be responsible for project technical oversight and administration and will supervise execution, reporting directly to the RAI representative at its headquarters in New York designated for this purpose; (b) a financial specialist responsible for advising on, implementing, and supervising project activities relating to strengthening commercial and financing channels; (c) a monitoring and evaluation specialist, who will oversee activities relating to monitoring and supervising project objectives, targets, and progress as agreed; (d) a financial and administrative coordinator, who will handle project accounting, administration, and procurement in accordance with MIF guidelines and national laws and regulations. The PCU will be assisted by a support coordinator and technical advisor in each of the beneficiary countries.
- 5.7 Project monitoring and supervision will be conducted by RAI's central offices in New York, which will monitor specific project activities and the accomplishment of agreed targets and take part in authorizing project outlays and strategic planning of the activities to be conducted each year. These activities will be coordinated with the PCU. RAI New York will periodically provide its observations and recommendations to ensure effective project execution.
- 5.8 **Disbursement by results.** The project will use the performance- and risk-based project management model included in the April 2008 operational guidelines for technical cooperation operations approved by the MIF. The MIF resources will be disbursed under disbursement by results mechanism 2. Disbursement of the MIF contribution will be subject to meeting the targets agreed between AHRM and the MIF. Achievement of milestones does not exempt the executing agency from the responsibility to reach the project's objectives or report expenditures to the IDB.
- 5.9 The targets will be reviewed jointly by the executing agency and the IDB/MIF at the time of the first annual operational planning exercise at project startup. The targets may be revised and rescheduled during project execution. The executing agency may also ask the Bank to modify the targets provided that project execution remains on schedule.
- 5.10 **Execution period, revolving fund.** The project execution period will be 54 months and the disbursement period 60 months. To this end, a revolving fund of up to 20% of the MIF contribution will be disbursed once the conditions precedent have been met. Subsequent disbursements or replenishments will be made when

- requested by the executing agency to continue normal project execution, subject to presentation of documentation supporting expenditures and evidence that the targets have been met. Post reviews of original documentation supporting disbursements and verification of accomplishment of MCDs may be conducted on site, as indicated in the supervision plan.
- 5.11 An accounting of the counterpart contribution will be included in disbursement requests (justification and/or replenishment of the revolving fund) and must comply with the *pari passu* requirements.
- 5.12 **Procurement.** Goods and consulting services for the project will be procured in accordance with the Bank's policies (documents GN-2349-7 and GN-2350-7) and MIF guidelines. Prior to initiating project procurements, the executing agency will submit the procurement plan to the Bank for consideration. The plan will be reviewed and updated annually/semiannually. Annex VII presents the initial project procurement plan.
- 5.13 Since the institutional assessment classified the risk arising from the executing agency's administration of procurement as low, the Bank will review procurement ex post on an annual basis.

VI. MONITORING AND EVALUATION

- 6.1 **Project status reports.** The executing agency will be responsible for presenting Project Status Reports (PSRs) to the MIF within thirty (30) days after the end of each semiannual period. These reports will follow a format previously agreed with the MIF and will contain information on project execution, achievement of milestones, and completion of project objectives as indicated in the logical framework and other operational planning instruments. They will also report on problems encountered during execution and potential solutions. Within ninety (90) days after project completion, the executing agency will submit a final PSR to the MIF, which will highlight the outcomes achieved, project sustainability, and lessons learned.
- 6.2 **Financial monitoring.** The IDB/MIF will engage independent auditors to perform two audits of the financial statements and periodic ex post reviews of procurement and documentation in support of disbursements. The auditors' fees will be defrayed out of the MIF contribution in accordance with the Bank procedures.
- 6.3 The executing agency will establish and assume responsibility for keeping adequate financial records, internal controls, and filing systems for the project, in accordance with IDB/MIF accounting and auditing rules and policies. The external auditors will perform ex post reviews of procurement processes and documents in support of disbursement at the time of the program audits. There will be two audits of the project financial statements: (a) the first when 40% of the MIF contribution has been disbursed, and (b) the second after the deadline for the last disbursement.

- 6.4 The application and frequency of these reviews may be modified by the MIF based on the findings of reviews and/or subsequent risk analyses performed by the MIF during project execution.
- 6.5 **Evaluation.** The project plan provides for the establishment of a baseline and a midterm and final evaluation. In addition to the quantitative and qualitative indicators set out in the logical framework, the evaluations will consider lessons learned and best practices. As part of Component 1, RAI will prepare a diagnostic assessment of forest enterprises in each beneficiary country to serve as the general baseline. The baseline will be prepared through a diagnostic assessment of the current context and situation of community-based forest enterprises in each beneficiary country. The baseline will include indicators to facilitate analysis of the following aspects: (i) the number of hectares of forest land managed by rural and indigenous communities; (ii) the quantity and quality of public projects supporting their development; (iii) the legal framework in each country and its role in the development of small and medium-sized forest enterprises (problems encountered and successful experiences); (iv) the nature of support available from the private sector and credit institutions to finance small and medium-sized forest enterprises; (v) sustainability (including technical, economic-financial, social, and commercial sustainability) after the Bank's contribution has been disbursed; (vi) opportunities for expanding or replicating the experience; and (v) impacts achieved. The baseline will be completed 12 months from the start of execution.
- 6.6 The midterm evaluation will be conducted when 50 percent of the financing has been disbursed or at the midpoint of the project, whichever occurs first. The final evaluation will take place upon completion of the project, or when 95% of the financing has been disbursed.
- 6.7 The main purpose of the evaluations is to identify issues requiring attention or to make adjustments in order to achieve the project's development objectives. The evaluations will consider, at a minimum: (i) progress in training forest management auditors and promoting and implementing forest management certification; (ii) progress in developing partnerships between forest enterprises to achieve economies of scale, as well as in training and application of sustainable business practices for the beneficiaries; and (iii) the status of business negotiations with national and international purchasers to strengthen demand for certified forest products.
- 6.8 Based on the recommendations received from the evaluator, the MIF and the RAI will agree on the corrective actions to be taken to ensure effective project execution. Following each evaluation, a workshop will be held to jointly evaluate the outcomes achieved and identify additional tasks to ensure sustainability of the actions begun by the project.

VII. BENEFITS AND RISKS

- 7.1 **Benefits.** The project will initially work with 80 forest enterprises⁶ to instill in them an awareness that by adopting sustainable forest management practices and certification as a tool to increase their local, regional, and international market share, they can generate more equitable income levels while protecting the environment. Also, the technical assistance provided by the project to strengthen the business profile of the beneficiary forest groups, and the project's promotion and dissemination activities are expected to further increase enterprise income. Lastly, the project is expected to have a demonstration effect that will ensure that new forest enterprises continue to be trained and certified after project completion.
- 7.2 **Risks.** The most significant risks to be faced are the institutional and regulatory weaknesses in the beneficiary countries, which result in a high prevalence of informality and illegal activities in the forest sector. To address this area, Component 4 envisages activities with beneficiary country governments to promote adaptations of public policies to encourage sustainable forest production. Also, RAI's experience with the beneficiary country governments has prepared it to anticipate adverse developments in project execution due to implementation (or failure to implement) forest policy measures, and take the necessary measures during the project to adapt to conditions that may arise.

VIII. ENVIRONMENTAL AND SOCIAL IMPACT

- 8.1 In order to minimize undesirable environmental and social impacts, RAI will rigorously apply the forest management principles and criteria developed by FSC, which are applicable to all FSC-certified forests worldwide. FSC's ten principles and 57 criteria cover legal aspects, indigenous rights, labor rights, multiple benefits from the forest, and environmental impacts associated with forest management. RAI will also carry out awareness-heightening activities among beneficiaries to promote consensus-building on the adaptation and implementation of those principles and criteria in communities according to their customs.
- 8.2 RAI will pay special attention to protecting cultural heritage sites in all FSC-certified forests by developing and implementing control and surveillance plans, which will also apply to fire prevention. RAI will also promote observance of the above principles and criteria to prevent illegal practices in forest operations that could be protected by communal permits. Importantly, the project will be supported by FSC-accredited auditors, who may take immediate action, including suspension of certification, in cases of noncompliance with FSC methodologies.

⁶ Forest enterprises are managed by community-based associations, cooperatives, indigenous groups, or other local organizations or as communally held land. The 80 beneficiary forest enterprises mentioned above collectively represent an estimated 5,000 families.

- 8.3 This project has been classified as a category B operation and was approved by the ESR on 3 April 2008.

MEXICO
PROJECT FOR FOREST CONSERVATION THROUGH THE CERTIFICATION, COMMERCIALIZATION, AND STRENGTHENING
OF SMALL AND MEDIUM-SIZED FOREST ENTERPRISES
(RG-M1123)

LOGICAL FRAMEWORK

NARRATIVE SUMMARY	INDICATORS	MEANS OF VERIFICATION	ASSUMPTIONS
GOAL			
Sustainably improve the quality of life of communities in the beneficiary countries whose livelihood depends on forest products.	<u>Two years after execution:</u> <ul style="list-style-type: none"> • The income of the beneficiary forest enterprises increases by at least 10%. • The project's proposed models for obtaining and maintaining forest management certification have been replicated in at least one additional country in the region. 	<ul style="list-style-type: none"> - Community surveys conducted. - Report of ex post evaluation conducted by an independent consultant. 	<ul style="list-style-type: none"> - The macroeconomic, political, institutional, and legal context in the beneficiary countries remains favorable to the development of community-based forest management in accordance with certification criteria. - Institutions having responsibility for the sector coordinate efforts effectively. - Support (technical support) for the project beneficiary enterprises exists two years after project completion.

NARRATIVE SUMMARY	INDICATORS	MEANS OF VERIFICATION	ASSUMPTIONS
PURPOSE			
<p>Support forest enterprises in those countries in adopting sustainable forestry practices, developing business skills, and gaining wider access to the market and financing tools in the context of more favorable sector policies.</p>	<p><u>At the end of execution:</u>¹</p> <ul style="list-style-type: none"> • At least 80 forest enterprises have been certified or are in the process of certification. • At least 750,000 hectares have been certified or are in the process of certification using the stepwise approach and other tools. • Market links have been established² and new products developed for: (i) at least three secondary, nontraditional species, and (ii) at least five new value-added products made from low-grade wood or wood scrap. • At least ten strategic partnerships have been concluded to generate economies of scale. • Sales of certified products or products in the process of certification total at least US\$20 million. • At least US\$9 million in financing/investment has been channeled to forest enterprises. • At least two institutional agreements have been with two governments concluded to introduce adaptations in public policies to promote sustainable forest production. 	<ul style="list-style-type: none"> - Information on certified operations from FSC website. - Project final evaluation. 	<ul style="list-style-type: none"> - Increased commitment on the part of authorities and forest communities to making significant efforts to incorporate certification as a key tool in their production processes. - The financial resources exist to encourage forest enterprises' investment in certification of their processes. - Local and global demand for certified timber products remains high and is rising.

¹ The breakdown by country will be completed during annual operations planning prior to project startup. The preliminary estimates of the national indicators are as follows: Guatemala, 10%; Honduras, 15%; Mexico, 40%; Nicaragua, 20%; and Peru, 15%.

² The development of market links is intended to increase the overall efficiency of the value chain and will address critical points along the chain such as productivity, secondary process quality, diversification, business relationships, and flows of information.

NARRATIVE SUMMARY	INDICATORS	MEANS OF VERIFICATION	ASSUMPTIONS
COMPONENTS			
<p>Component 1.- Creating a sustainable supply.</p>	<p><u>One year into the execution period:</u></p> <ul style="list-style-type: none"> • At least 100 auditors and other service providers have been trained in FSC certification and other tools including the stepwise approach and Controlled Wood Toolkit. <p><u>Two years into the execution period:</u></p> <ul style="list-style-type: none"> • At least 75,000 hectares have been certified or are in the process of certification. • At least eight forest operations have been certified or are in the process of certification • At least 200 auditors and other service providers have been trained in FSC certification and other tools including the stepwise approach and Controlled Wood Toolkit. <p><u>Three years into the execution period:</u></p> <ul style="list-style-type: none"> • At least 225,000 hectares have been certified or are in the process of certification. • At least 24 forest operations have been certified or are in the process of certification <p><u>Four years into the execution period:</u></p> <ul style="list-style-type: none"> • At least 450,000 hectares have been certified or are in the process of certification. • At least 48 forest operations have been certified or are in the process of certification <p><u>Five years into the execution period:</u></p> <ul style="list-style-type: none"> • At least 750,000 hectares have been certified or are in the process of certification. • At least 80 forest operations have been certified or are in the process of certification. 	<ul style="list-style-type: none"> - Reports by certifying entities. - Certification report from each enterprise. - Reports from training sessions. - Semiannual progress reports. - Project midterm evaluation. - Project final evaluation. - FSC website. - Official country records. 	<ul style="list-style-type: none"> - Forest service providers are interested in receiving certification training. - The enterprises recognize that the increased benefits of certification justify the cost. - The incentives and favorable economic climate exist for enterprises to maintain their certification. - Mechanisms to reduce certification costs are implemented. - The management and executive structures of beneficiary enterprises remain stable.

NARRATIVE SUMMARY	INDICATORS	MEANS OF VERIFICATION	ASSUMPTIONS
<p>Component 2. Improving competitiveness and adding value to production.</p>	<p><u>Two years into the execution period:</u></p> <ul style="list-style-type: none"> • At least seven enterprises have increased their commercial output by at least 10%.³ • At least seven enterprises have been trained through partnerships with other training programs. • At least two strategic partnerships have been concluded to generate economies of scale. <p><u>Three years into the execution period:</u></p> <ul style="list-style-type: none"> • At least 22 enterprises have increased their output by 10% or more. • At least 22 enterprises have been trained through partnerships with other training programs. • At least five strategic partnerships have been concluded to generate economies of scale. <p><u>Four years into the execution period:</u></p> <ul style="list-style-type: none"> • At least 45 enterprises have increased their output by 10% or more. • At least 45 enterprises have been trained through partnerships with other training programs. • Market links have been developed for: (i) at least one secondary or nontraditional species, and (iii) at least two new value-added products made from low-grade timber. • At least ten strategic partnerships have been concluded to generate economies of scale. <p><u>Five years into the execution period:</u></p> <ul style="list-style-type: none"> • At least 75 enterprises have increased their output by 10% or more. 	<ul style="list-style-type: none"> - Financial reports from each enterprise. - Reports from training sessions. - Strategic partnership agreements signed. - Informational sources of new products generated. - Semiannual progress reports. - Project midterm evaluation. - Project final evaluation. 	<ul style="list-style-type: none"> - The management and executive structures of beneficiary enterprises remain stable. - Forest enterprise training programs are interested in cooperating in forest enterprise training initiatives. - Incentives and legal provisions relevant to establishing strategic partnerships continue to be appropriate. - A market exists for the secondary (or nontraditional) species to be developed and for new value-added products.

³ Commercial output means lumber measured in board feet (a 12 x 12 x 1-inch board) produced in primary processing from a round piece of lumber (a trunk or log). For example, a cubic meter of log might potentially yield 424 board feet of lumber. However, 60% or more of this potential output commonly goes to waste because of rudimentary practices or equipment used in the primary processing stage.

NARRATIVE SUMMARY	INDICATORS	MEANS OF VERIFICATION	ASSUMPTIONS
	<ul style="list-style-type: none"> • At least 75 enterprises have been trained through partnerships with other training programs. • Market links have been developed for: (i) at least three secondary, nontraditional species, and (iii) at least five new value-added, low-grade timber products. 		
<p>Component 3.- Stimulating demand and strengthening commercial chains and financing channels.</p>	<p><u>One year into the execution period:</u></p> <ul style="list-style-type: none"> • Commercial agreements have been concluded with at least two national and one international purchasers. <p><u>Two years into the execution period:</u></p> <ul style="list-style-type: none"> • Commercial agreements have been concluded with at least five national and two international purchasers. • At least US\$2 million in financing/investment has been channeled to the forest enterprises <p><u>Three years into the execution period:</u></p> <ul style="list-style-type: none"> • Commercial agreements have been concluded with at least 10 national and four international purchasers. • Sales of certified products or products in the process of certification total at least US\$5 million. • At least US\$4 million in financing/investment has been channeled to the forest enterprises. <p><u>Four years into the execution period:</u></p> <ul style="list-style-type: none"> • Commercial agreements have been concluded with at least 20 national and eight international purchasers. • Sales of certified products or products in the process of certification total at least US\$10 million. • At least US\$8 million in financing/investment has been channeled to forest enterprises. <p><u>Five years into the execution period:</u></p> <ul style="list-style-type: none"> • Commercial agreements have been concluded with at least 30 national and 16 international purchasers. • Sales of certified products or products in the process of certification total at least US\$20 million. 	<ul style="list-style-type: none"> - Reports from financing and investment sources. - Commercial agreements signed. - Financial reports from each enterprise. - Semiannual progress reports. - Project midterm evaluation. - Project final evaluation. 	<ul style="list-style-type: none"> - Interest rates remain low and/or stable. - Investors are interested in channeling funds to the forest sector. - The management and executive structures of beneficiary enterprises remain stable. - Increased commitment on the part of authorities to making significant efforts to promote the development of forest enterprises and free trade in forest products. - Increased commitment on the part of national and international purchasers to greater consumption/distribution of certified forest products.

NARRATIVE SUMMARY	INDICATORS	MEANS OF VERIFICATION	ASSUMPTIONS
	<ul style="list-style-type: none"> At least US\$9 million in financing/investment has been channeled to forest enterprises. 		
Component 4.- Disseminating outcomes.	<p><u>Before month 3 of execution:</u></p> <ul style="list-style-type: none"> The project launch event has been held. <p><u>During the first year of execution:</u></p> <ul style="list-style-type: none"> The project communication plan has been developed. Specific links to the project have been implemented on RAI's home page. <p><u>By year two of execution:</u></p> <ul style="list-style-type: none"> At least 40 events have been held to heighten awareness of the certification processes and its benefits. A toolkit supporting development of forest enterprises has been prepared for SMEs and distributed electronically. <p><u>By year three of execution:</u></p> <ul style="list-style-type: none"> At least six events have been held or attended in the existing specialized forums to disseminate experiences. <p><u>By year five of execution:</u></p> <ul style="list-style-type: none"> At least 12 events have been held or attended in the existing specialized forums to disseminate experiences. At least 10 case studies have been prepared drawing on project experiences. 	<ul style="list-style-type: none"> Report of launch event. Reports of dissemination events. Case studies completed and disseminated. Semiannual progress reports. Project midterm evaluation. Project final evaluation. 	<ul style="list-style-type: none"> Conservation, ecology, and sustainable forest management continue to be priorities for the beneficiary countries.

ACTIVITIES			
<i>Component 1.- Creating a sustainable supply.</i>			
1.1 Prepare a diagnostic assessment of the forest enterprises in each of the beneficiary countries.	<ul style="list-style-type: none"> • A diagnostic assessment has been completed in each country by month six of execution. 	<ul style="list-style-type: none"> - Diagnostic assessment. - Semiannual progress reports. 	
1.2 Train auditors and other forest services providers in the FSC certification methodologies and other tools, including the stepwise approach and Controlled Wood Toolkit.	<ul style="list-style-type: none"> • At least 100 auditors and other service providers have been trained during the first year of execution, and at least 200 have been trained by the end of the second year. 	<ul style="list-style-type: none"> - Contents of training. - List of participants in training events. - Semiannual progress reports. 	
1.3 Conduct a communication and dissemination campaign among the project's key stakeholders concerning the benefits of FSC certification and other tools supporting certification, including the stepwise approach.	<ul style="list-style-type: none"> • The contents to be communicated and disseminated have been defined during the first year of execution. • The campaign plan has been defined during the first year of execution. • At least six events per year have been held or attended beginning in year two. 	<ul style="list-style-type: none"> - Campaign mailing list. - Campaign results. - Semiannual progress reports. - Midterm evaluation. 	
1.4 Design and implement strategies to create the conditions necessary to encourage selected forest enterprises to improve forest management practices	<ul style="list-style-type: none"> • Strategies have been defined during the first year of execution. • Implementation of strategies has begun by month 13 of execution 	<ul style="list-style-type: none"> - Strategy report. - Implementation plan. - Semiannual progress reports. - Midterm evaluation. 	
1.5 Prepare and implement a certification plan for selected forest enterprises (incorporating the stepwise approach and other tools supporting the certification process).	<ul style="list-style-type: none"> • The plan has been prepared by month 18 of execution. • Implementation of plans has begun by month 19 of execution. 	<ul style="list-style-type: none"> - Execution plan. - Timetable for implementation of plan. - Semiannual progress reports. - Midterm evaluation. 	

<i>Component 2. Improving competitiveness and adding value to production.</i>			
2.1 Prepare a registry of service providers specializing in improving the forest product supply chain and design the administrative and financial mechanisms to contract them.	<ul style="list-style-type: none"> • The registry of providers is completed by month eight of execution. • The administrative and financial mechanisms have been designed during the first year of execution. 	<ul style="list-style-type: none"> - Registry of providers. - Report on design of mechanisms. - Semiannual progress reports. 	
2.2 Prepare a diagnostic assessment and use it as input to design and implement a plan, based on RAI tools, to improve the business capacities of selected forest enterprises.	<ul style="list-style-type: none"> • A diagnostic assessment has been completed in each country by month 14 of execution. • The capacity strengthening plan is completed by month 18 of execution. • The capacity strengthening plan has been implemented: in at least seven enterprises by year two of execution; in at least 22 by year three; in at least 45 by year four; and in at least 75 by year five of execution. 	<ul style="list-style-type: none"> - Diagnostic assessment. - Improvements plan. - Implementation plan. - Semiannual progress reports. - Midterm evaluation. 	
2.3 Prepare a diagnostic assessment to identify business promotion programs in each country and establish partnerships to adapt them to forest sector needs.	<ul style="list-style-type: none"> • A diagnostic assessment is completed in each country by month 10 of execution. • At least one program providing a means to form partnerships has been identified in each country during the first year of execution. 	<ul style="list-style-type: none"> - Diagnostic assessment. - Semiannual progress reports. 	
2.4 Design, synthesize, and implement methodologies to increase forest enterprises' efficiency (in cooperation with programs identified through the diagnostic assessment provided in the preceding section).	<ul style="list-style-type: none"> • At least two methodologies have been designed by month 15 of execution. • At least one partnership has been established in each country with a program identified in the diagnostic assessment by month 18 of execution. • Implementation of strategies has begun by year two of execution. 	<ul style="list-style-type: none"> - Report on methodologies. - Partnership agreements signed. - Implementation plan. - Semiannual progress reports. - Midterm evaluation. 	
2.5 Provide technical assistance (support) in developing selected forest enterprises' business capacities.	<ul style="list-style-type: none"> • At least two business plans have been prepared during the first year of execution; at least five plans by year two; and at least 10 plans by year three of execution. 	<ul style="list-style-type: none"> - Business plans - Semiannual progress reports. - Midterm evaluation. 	

2.6 Exchanges of experience and other activities (field visits) targeted toward the selected enterprises.	<ul style="list-style-type: none"> At least one exchange of experiences (or other similar activity) per country midway through year three of execution. 	<ul style="list-style-type: none"> Reports of participants in exchanges of experiences. Semiannual progress reports. Midterm evaluation. 	
2.7 Develop strategic partnerships to generate economies of scale. This includes a feasibility analysis of establishing the partnerships, proper training, and identification of the potential incremental costs of forming the groups.	<ul style="list-style-type: none"> At least two strategic partnership agreements have been signed to generate economies of scale by year two of execution; at least five by year three; and at least 10 by year four of execution. 	<ul style="list-style-type: none"> Strategic partnerships formalized. Semiannual progress reports. Midterm evaluation. 	
<i>Component 3.- Stimulating demand and strengthening commercial chains and financing channels.</i>			
3.1 Conduct a study (mapping) of regional marketing channels for certified products.	<ul style="list-style-type: none"> The study is completed by month 18 of execution. 	<ul style="list-style-type: none"> Study. Semiannual progress reports. 	
3.2 Prepare and disseminate information on the social, economic, and ecological benefits of certifications; market trends for FSC products; and how certification can reduce risks and technical assistance can contribute to development of investment portfolios, etc.	<ul style="list-style-type: none"> Generic design materials have been prepared or adapted for each country during the first year of execution (to be updated continually over the duration of the project). Participation in at least six events each year to disseminate materials. 	<ul style="list-style-type: none"> Generic materials. Reports of events. Report of events participants. Semiannual progress reports. Midterm evaluation. 	
3.3 Promote demand arrangements for timber products.	<ul style="list-style-type: none"> Key regional stakeholders have been identified during the first 18 months of execution. At least two policy agreements on purchasing preferences concluded in year two of execution and at least six concluded by year three. 	<ul style="list-style-type: none"> Reports from key stakeholders. Political agreements formalized. Semiannual progress reports. 	

3.4 Analyze and replicate different business models for strategic partnerships between local forest production units and various customers seeking certified products.	<ul style="list-style-type: none"> • At least eight potential business models have been analyzed and synthesized in the first year of execution. • At least two models have been replicated by year two of execution, and at least five by year three of execution. 	<ul style="list-style-type: none"> - Report of analysis. - Replication plan. - Semiannual progress reports. - Midterm evaluation. 	
3.5 Promote adaptation of beneficiary countries' government policies to create incentives for sustainable forest production.	<ul style="list-style-type: none"> • At least one governmental agreement has been concluded by month 18 of execution, and a second agreement by year three of execution. 	<ul style="list-style-type: none"> - Executed institutional agreements. - Semiannual progress reports. 	
3.6 Support the identification, creation, and strengthening of financial products adapted to forest enterprises' needs.	<ul style="list-style-type: none"> • At least four new potential financial products have been identified or created by year two of execution. • At least two models have been implemented by year three of execution. 	<ul style="list-style-type: none"> - Report of analysis and identification. - Semiannual progress reports. 	
3.7 Provide technical assistance for small and medium-sized forest enterprises to access private financing and investment capital.	<ul style="list-style-type: none"> • At least US\$1 million in financing/investment has been channeled to forest enterprises during the first year of execution. • At least three US\$3 million in financing/investment has been channeled to forest enterprises by year two of execution. • At least US\$6 million financing/investment has been channeled to forest enterprises by year three of execution. • At least US\$9 million in financing/investment has been channeled to forest enterprises by year four of execution. 	<ul style="list-style-type: none"> - Reports from financing/investment sources. - Financial reports from each enterprise. - Semiannual progress reports. - Midterm evaluation. 	
<i>Component 4.- Disseminating outcomes.</i>			
4.1 Hold project launch event.	<ul style="list-style-type: none"> • The event has been held by month three of execution. 	<ul style="list-style-type: none"> - Report of event. - Semiannual progress reports. 	
4.2 Implement links to the project on RAI's home page.	<ul style="list-style-type: none"> • Specific links are operational by month three of execution. 	<ul style="list-style-type: none"> - Number of clicks on link to project website. - Semiannual progress reports. - Midterm evaluation. 	

4.3 Organize and participate in dissemination events at existing specialized forums, including business roundtables and forest product fairs.	<ul style="list-style-type: none"> At least six events have been organized or attended by year three of execution, and 12 events by year five. 	<ul style="list-style-type: none"> Reports of events. Semiannual progress reports. Midterm evaluation. 	
4.4 Organize events to present intermediate outcomes.	<ul style="list-style-type: none"> The event has been held by year three of execution. 	<ul style="list-style-type: none"> Report of event. Semiannual progress reports. Midterm evaluation. 	
4.5 Support events directed toward sector authorities, chambers of commerce, and other entities that could disseminate project outcomes.	<ul style="list-style-type: none"> At least 12 events have been held by year three of execution. 	<ul style="list-style-type: none"> Report on events held. Semiannual progress reports. 	
4.6 Develop strategies for disseminating project tools.	<ul style="list-style-type: none"> The strategies have been developed during the first year of execution. A toolkit for forest enterprises has been developed for electronic distribution by year two of execution. 	<ul style="list-style-type: none"> Strategy report. Toolkit available on CD and Internet. Semiannual progress reports. 	
4.7 Prepare case studies drawn from project experiences, including reproduction for dissemination.	<ul style="list-style-type: none"> At least 10 case studies have been prepared by year five of execution. 	<ul style="list-style-type: none"> Case studies. Semiannual progress reports. Midterm evaluation. 	
4.8 Conduct project sustainability workshop.	<ul style="list-style-type: none"> The workshop has been held by year five of execution. 	<ul style="list-style-type: none"> Report of event. Semiannual progress reports. 	

MEXICO
PROJECT FOR FOREST CONSERVATION THROUGH THE CERTIFICATION, COMMERCIALIZATION,
AND STRENGTHENING OF SMALL AND MEDIUM-SIZED FOREST ENTERPRISES

(RG-M1123)

SUMMARY BUDGET

No.	CATEGORIES	Counterpart			Project Total
		MIF	Cash	In kind	
1	Component 1. Creating a sustainable supply	785,785	714,180	60,000	1,559,965
1.1	Prepare a diagnostic assessment of the forest enterprises in each of the beneficiary countries.	20,000	-	-	20,000
1.2	Train auditors and other forest services providers in the FSC certification methodologies and other tools, including the stepwise approach and Controlled Wood Toolkit	28,400	15,000	-	43,400
1.3	Communication and dissemination campaign about the benefits of FSC certification and tools supporting the certification process, including the stepwise approach.	2,500	2,500	-	5,000
1.4	Design and implement strategies to create the conditions necessary to encourage selected enterprises to improve forest management practices	62,000	62,000	-	124,000
1.5	Prepare and oversee technical files for works in each selected community.	120,000	120,000	-	240,000
1.6	Technical coordination, Component 1	552,885	514,680	60,000	1,127,565
2	Component 2. Improving competitiveness and adding value to production	1,347,115	976,040	60,000	2,383,155
2.1	Develop a registry of service providers specializing in improving the forest products supply chain and design related contracting mechanisms.	22,000	-	-	22,000
2.2	Prepare a diagnostic assessment and design and implement the plan to improve selected enterprises' business capacities based on Rainforest Alliance, Inc. (RAI) tools.	374,500	262,500	-	637,000
2.3	Prepare a diagnostic assessment to identify business promotion programs in each country and establish partnerships to adapt them to forest sector needs.	12,000	-	-	12,000

2.4	Design, synthesize, and implement methodologies to increase forest enterprises' efficiency.	30,000	-	-	30,000
2.5	Provide technical assistance (support) in developing selected enterprises' business capacities.	24,000	8,000	-	32,000
2.6	Exchanges of experience and other activities (field visits) directed toward selected enterprises.	22,500	22,500	-	45,000
2.7	Develop strategic partnerships to generate economies of scale.	56,000	-	-	56,000
2.8	Technical coordination, Component 2	806,115	683,040	60,000	1,549,155
3	Component 3. Stimulating demand and strengthening commercial chains and financing channels	998,085	540,380	60,000	1,598,465
3.1	Map regional marketing channels for certified products.	20,400	-	-	20,400
3.2	Prepare and disseminate information on the social, economic, and ecological benefits of certifications, market trends for FSC products, etc.	-	2,500	-	2,500
3.3	Promote demand schemes for timber products.	-	6,600	-	6,600
3.4	Analyze and replicate different business models for strategic partnerships between local forest production units and various customers seeking certified products.	-	6,600	-	6,600
3.5	Promote adaptation of government policies in beneficiary countries to create incentives for sustainable forest production.	40,000	-	-	40,000
3.6	Assist in identifying, creating, and strengthening appropriate financial products for small and medium-sized enterprises.	10,000	10,000	-	20,000
3.7	Provide technical assistance for small and medium-sized forest enterprises to access private financing and investment capital.	60,000	-	-	60,000
3.8	Technical coordination, Component 3	867,685	514,680	60,000	1,442,365
4	Component 4. Disseminating outcomes	468,005	201,140	8,450	677,595
4.1	Hold project launch event	22,500	-	750	23,250
4.2	Implement links to the project on RAI's home page.	-	40,000	-	40,000
4.3	Organize and participate in dissemination events at existing specialized forums, including business roundtables and forest product fairs.	-	113,800	7,700	121,500
4.4	Organize events to present intermediate outcomes.	20,000	1,500	-	21,500

4.5	Support events directed toward sector authorities, chambers of commerce and other entities that could disseminate project outcomes.	-	30,000	-	30,000
4.6	Develop strategic partnerships to disseminate project tools.	14,000	-	-	14,000
4.7	Prepare case studies drawn from project experiences, including reproduction for dissemination.	75,000	-	-	75,000
4.8	Conduct project sustainability workshop.	54,400	7,200	-	61,600
4.9	Technical coordination, Component 4	282,105	8,640	-	290,745
5	Administration of Program	591,850	54,209	1,640,432	2,286,491
5.1	Administrative personnel	289,350	10,800	-	300,150
5.2	Travel	57,500	19,000	-	76,500
5.3	Overhead	245,000	24,409	283,186	552,595
5.4	Supervision, monitoring, and support	-	-	1,357,246	1,357,246
6	Evaluation	100,000	-	-	100,000
7	Financial audits	80,000	-	-	80,000
8	Contingencies	106,660	185,169	-	291,829
	Impact evaluation account (0.5% of the total MIF contribution)	22,500	-	-	22,500
	TOTAL	4,500,000	2,671,118	1,828,882	9,000,000

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK
MULTILATERAL INVESTMENT FUND

PROPOSED RESOLUTION MIF/DE-___/10

Regional. ATN/ME-____-RG. Nonreimbursable Technical Cooperation for the
Project for forest conservation through the certification, commercialization,
and strengthening of small and medium-sized forest enterprises

The Donors Committee of the Multilateral Investment Fund

RESOLVES:

1. That the President of the Inter-American Development Bank or such representative as he shall designate is authorized, in the name and on behalf of the Bank, as Administrator of the Multilateral Investment Fund, to enter into such agreements as may be necessary with Rainforest Alliance, Inc., and to take such additional measures as may be pertinent for the execution of the project proposal contained in document MIF/AT-____ with respect to a technical cooperation for the forest conservation through the certification, commercialization, and strengthening of small and medium-sized forest enterprises.
2. That up to the amount of US\$4,500,000, or its equivalent in other convertible currencies, shall be authorized for the purpose of this resolution, chargeable to the resources of the Multilateral Investment Fund.
3. That the above-mentioned sum is to be provided on a nonreimbursable basis.
4. Notwithstanding any of the foregoing or the terms and conditions contained in the referenced Donor's Memoranda, no funds will be disbursed to finance any activities in Honduras until the Bank decides to lift the pause in the Bank's operations in Honduras that is presently in place.

(Adopted on _____ 2010)