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BRAZIL

**SUSTAINABLE DEVELOPMENT OF THE WOOD AND FURNITURE
SUPPLY CHAIN IN BRAZIL'S AMAZON REGION**

(BR-M1039)

DONORS MEMORANDUM

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ABBREVIATIONS

APL	Arranjos Produtivos Locais [Local Productive Arrangements]
CETAM	Centro de Educação Tecnológica do Amazonas [Center for Technological Education of Amazonas]
COSMOB	Consorzio del Mobile [wood and furniture sector technology center in the Marche region of Italy]
CPPF	Centro de Pesquisa de Produtos Florestais [Center for Forest Products Research]
EMBRAPA	Empresa Brasileira de Pesquisa Agropecuária [Brazilian Agriculture Research Company]
IBAMA	Instituto Brasileiro do Meio Ambiente e dos Recursos Naturais Renováveis [Brazilian Institute for Environment and Renewable Natural Resources]
INPA	Instituto Nacional de Pesquisas da Amazonia
PCR	Project completion report
SEBRAE-AM	Serviço Brasileiro de Apoio às Micro e Pequenas Empresas- Amazonas [Brazilian Microenterprise and Small Business Support Service – Amazonas]
SEBRAE-NA	Serviço Brasileiro de Apoio às Micro e Pequenas Empresas- Nacional [Brazilian Microenterprise and Small Business Support Service – National]
SEBRAE-PA	Serviço Brasileiro de Apoio às Micro e Pequenas Empresas – Pará [Brazilian Microenterprise and Small Business Support Service – Pará]
SENAI	Serviço Nacional de Aprendizagem Industrial [National Industrial Training Service]
SINDIMOVEIS	Sindicato da Indústria de Marcenaria do Estado do Pará [Joinery Industrial Union of the State of Pará]
TSN	Technology Services Network

SUSTAINABLE DEVELOPMENT OF THE WOOD AND FURNITURE SUPPLY CHAIN IN BRAZIL'S AMAZON REGION

(BR-M1039)

EXECUTIVE SUMMARY

Executing agency:	Serviço Brasileiro de Apoio às Micro e Pequenas Empresas – SEBRAE-Brasil [Brazilian Microenterprise and Small Business Support Service]
Beneficiaries:	Small enterprises in the wood and wood-processing sectors in the states of Amazonas and Pará, Brazil.
Financing:	MIF IDB (Window III-A): US\$2.1 million SEBRAE: US\$3.0 million Total: US\$5.1 million
Objectives:	<p>The <i>general objective</i> is to strengthen public-private collaboration to generate conditions that promote the competitiveness and sustainable business development in the Amazon region's wood and furniture supply chain. The <i>specific objective</i> is to implement an initiative in the states of Amazonas and Pará to identify and disseminate technological solutions to provide greater value added and promote sustainable development for small enterprises in the wood and furniture supply chain.</p> <p>The program is comprised of five components: (i) creation and implementation of a technological services network (TSN); (ii) technological strengthening of microenterprises and small businesses in the supply chain; (iii) training of human resources and a public education campaign; (iv) actions to promote regional integration and boost competitiveness; and (v) dissemination and transfer of know-how.</p>
Terms:	Execution period: 48 months Disbursement period: 54 months

**Special
contractual
conditions:**


(i) Signature and entry into force of an agreement between SEBRAE-NA and COSMOB [Consortio del Mobile (wood and furniture sector technology center in the Marche region of Italy)]; (ii) signature and entry into force of an agreement between SEBRAE-NA, SEBRAE-AM, and SEBRAE-PA to ensure the coordination needed for program execution; (iii) selection of project directors pursuant to terms of reference previously agreed upon with the Bank; and (iv) approval of Operating Regulations.

**Environmental
and social
review:**

The Committee on Environment and Social Impact (CESI) approved this operation at its 20 October (41-06) meeting, and its observations have been taken into account in the present document and its annexes.

I. FRAME OF REFERENCE

A. Characteristics of the region: the wood sector and the furniture industry

- 1.1 The official Brazilian Amazon region (*Amazônia Legal*)¹ is recognized throughout the world as the largest tropical forest in the world. Representing two thirds of the globe's tropical forests, it is home to more species than any other country (with 10% to 20% of its 1.5 million species catalogued to date), and has over 170 indigenous groups. Eight of Brazil's 27 states are located in this enormous area (equivalent to over 64% of the country's territory). Its geographic and economic heart are the states of Pará and Amazonas, (accounting for 58% of the region), which include its major transportation corridor, the Amazon River.
- 
- 1.2 The timber industry, in its extractive and primary-processing operations (the latter consisting primarily of sawmills, and veneer and plywood mills), constitutes the region's principal economic activity. A major portion (80%) of this activity takes place in the eastern part of the territory known as the "arc of deforestation", in Pará. However, the significant reduction in marketable species in this area—due more to agriculture than timber exploitation—has caused harvesters to migrate to the central part of the region. Fearing that such migration could increase the deforested area, the Brazilian government in 2001 approved strict environmental standards.

The wood sector in the Amazon region in 2004 (US\$000)

Logging centers	82	Direct employment	124,185
Processing firms	3,132	Indirect employment	255,436
GDP	2,132,700	Total employment	379,621
Exports	942,700	Percentage of Brazil's forest export	31%

Source: Aimex: <http://www.aimex.com.br/>

- 1.3 Though the majority (64%) of processed wood is absorbed by the domestic market, it continues to be one of the country's principal export items as well, especially in the state of Pará. Moreover, the value of the export portion of the industry has increased from 14% of the sector's total production value in 1998 to 36% in 2004, as a result of three factors: favorable exchange rates; increased demand in Europe,

¹ Acre, Amapá, Amazonas, Mato Grosso, Pará, Rondônia, Roraima, Tocantins, and part of Maranhão.

the United States, and Asia; and a significant increase in the value added of the exported product.

- 1.4 Small businesses represent 98% of operations that exploit the natural forests. Only a few large enterprises are involved, and they concentrate primarily on selective reforestation. The wood processing industry (furniture and other wood products), is composed principally of micro, small, and medium-sized enterprises that are artisanal in nature and make little use of technology.
- 1.5 The **state of Pará** is the principal wood producer in the region (46% of total output). Timber companies in Pará constitute 51% of the total number of firms in the region, generate 48% of jobs, and represent 64% of the region's wood exports, making it the second most important wood exporter in Brazil, after Paraná. At the same time, the state ranks only tenth in furniture exports, representing a mere 15% of the regional market. While there are 1,515 furniture producers, approximately 90% are informal.
- 1.6 In contrast, the **state of Amazonas**, despite its immense area (18% of the country) accounts for only 2% of the region's wood production and has a low deforestation rate (2%). As a much younger sector than Pará's, the wood sector in Amazonas underwent a number of crises in the 1990s. This reduced its size by almost half; today it produces only US\$24 million per year. The furniture sector is concentrated in Manaus, and includes approximately 290 formal enterprises and 300 informal businesses. There are also concentrations of processing enterprises in the municipality of Itacoatiara and in the Alto Solimões region. The great majority of these enterprises are very small, use small amounts of wood, employ no more than 20 or 30 workers, and produce primarily for the local market and on a special-order basis. The sector faces competition from the products of southern Brazil, where furniture is often better designed and makes use of alternative materials such as medium-density fiberboard at a lower cost.

B. Principal challenges facing the wood and furniture supply chain

- 1.7 **Inefficient—and environmentally unsustainable—technologies for wood harvesting and processing.** Specifically:
 - a. *Inappropriate techniques and equipment for timber felling and extraction.* Until the 1970s, trees growing along riverbanks were harvested. The wood is of low density, easy to cut, and easy to transport on the rivers. Today, the stock of this low-density riverbank timber has diminished. At the same time, road infrastructure has developed, especially in Pará, providing greater access to *terra firme* [land not flooded annually] in the interior of the territory. Hard, high-density wood found on land far away from the rivers began to be harvested. This wood requires different cutting and hauling technologies, and most of the enterprises involved have not made the necessary changes in equipment and training. As a result, much raw material is wasted and the quality of the forest is undermined.

- b. *Low yield in initial processing.* In producing lumber, up to 60% of logs end up as fragments. Better processing could improve this situation significantly. For example, the consumption of raw material fell from 28 to 24 million square meters between 1998 and 2004, equivalent to nearly one million trees.
- c. *Failure to take advantage of the majority of native species.* Forestry exploitation in the region is currently limited to a few traditional species known in the large markets. Thus, the vast majority of native species are wasted. Although there is some knowledge of alternative species and their potential uses, this information has been too limited to scientific research, with little effort to connect it to the productive system.
- d. *Unavailability of appropriate wood drying technologies.* In parts of the region where there is still no road infrastructure, and where river transport continues to predominate as a means of transporting logs, wood drying is a critical link in the productive chain, and demands specific solutions. Most firms, however, depend instead on air-drying, a long process that produces uncertain quality and homogeneity.

1.8 **Difficulty applying a regulatory framework for sustainable forest management and for designation of wood certification.** According to current law, legal wood may be obtained in three ways: (i) selective extractions of wood from native forests, using **sustainable management plans**² approved by public regulatory agencies; (ii) clear cutting of native forests, a method limited to a very small number of preauthorized areas, principally in the state of Amazonas; and (iii) reforestation and harvesting of deforested areas. By regulation, access to the second of these modalities are highly restricted, while the third, although it has recently begun to receive attention from some businesses in Pará, has so far failed to attract most timber companies. Thus, the preferred mode of legal production is the first: selective extraction under sustainable management plans, which represented 78% of the sector's total volume in 2000. In practice, however, applying the regulations has proven difficult for most of the sector's firms: during the last year, only 150 plans, out of 450 submitted, were approved. Until recently, the main obstacle was the fact that most small businesspeople lacked property titles. A second important factor is the cost of preparing and processing management plans. Despite special rules for small property management plans (under 500 hectares), few firms are able to cover this cost. Only firms with amounts of forest land large enough to amortize the cost of the plans can afford to do so. A number of options are being explored to address this problem. One is a community certification process in which the state would subsidize certification of a collective management plan for a group of small firms.

² These plans are based on the selection of trees in such a way that for each adult tree harvested there are two "young" trees of the same family, thus ensuring the conservation of the species and the maintenance of the forest.

- 1.9 **Shortage of legal wood for the furniture industry.** A large proportion of the legal wood is exported, since this is more profitable and involves tax incentives. In general, local processing firms seek to buy wood that exporters are unable to sell due to defects or insufficient size. However, these discards are not always accessible, because transporting the material from one place to another while maintaining its legal wood certification involves onerous bureaucratic processes with the authorities that exporters are not always willing to undertake. Thus, legal wood sometimes becomes illegal wood.³ Furthermore, when furniture makers are able to use this wood, quantities are limited when available only to the few species that are exported, reducing the opportunity for product innovations based on alternative species.
- 1.10 **Much of the furniture production is on a special-order basis, rather than based on set product lines.** This is the market niche that small local firms have been able to fill, as they seek to protect themselves from the competition of firms in southern Brazil. However, this system reduces production efficiency (in Amazonas, business owners claim to use 20% to 30% of installed capacity). It also limits the ability of the firms to produce on a larger scale, increase their presence in the local market, and gain access to larger markets. In addition, the firms do not have the production capacity or organizational structure to deal with large orders.
- 1.11 **The wood and furniture supply chain is characterized by a low level of basic and technical education.** There is no finish-work tradition in the region, due, largely, to weaknesses in the vocational education and training system. This affects the chain's competitiveness, and contributes to the common view of the sector as one that simply exploits the forest. Another great challenge lies in the low educational level of the entrepreneurs themselves. Some lack the basic knowledge needed to read a technical design. In the technical education area, schools and educational centers, such as SENAI, and CETAM (in Amazonas), and ETPP (in Pará), offer courses that are only sporadic, and that often fail to address the needs of the private sector.
- C. Strategic opportunities to strengthen the wood and furniture chain**
- 1.12 The challenges described above lead to a perverse equation, in which production of goods with little value added is combined with ongoing intensive harvesting of large areas. This discourages firms positioned in the international markets from investing locally. The same challenges suggest that coordinated efforts to help the sector achieve its potential as the backbone of regional development, by obtaining higher prices through the use of technology and better product quality, generating suitable incentives for sustainable use of the natural resource.

³ IBAMA regulations require a forest-product origin document, specifying the origin and destination of the wood, before it can be transported. Although this process was recently modified in form, the substance has remained equivalent.

- 1.13 **Creating a new approach and public-private partnership based on sustainable forestry and supply chain development.** Various environmental, logistical, technological, and cultural factors limit the potential for sustainable forestry in the Amazon. The vast distances and the dependence on river transport in many areas, as well as the constraints imposed by the regulatory framework governing sustainable forestry, have created a raw-materials market that lacks transparency as well as flexibility. This could be partially solved through greater collaboration and dialogue among the principle stakeholders in both the public and private sectors. For example, through the development of commercial and functional linkages between large productive units with greater technological and market capacity and small enterprises or by joining efforts with the multitude of public actors that control timber harvesting, the work carried out by research institutions, and the private businesses themselves, a shared strategic approach would bring about economic development.
- 1.14 **Developing a suitable supply of legal wood for the furniture industry.** The limitations in the supply of legal wood are due largely to lack of technical knowledge, use of inadequate technology, and difficulty in gaining access to technological services. One clear case is the dearth of good wood-drying processes. Another important element is the need to modify regulations and management plan implementation measures to make them accessible to small enterprises.
- 1.15 **Strengthening the furniture industry's capacity for innovation, in terms of both product and process.** Lack of technical capacity and business culture, and the difficulty of acquiring these capacities in the market, are reflected in the paucity of innovation in the sector and in its failure to take advantage of the technical characteristics (resistance and durability) of various types of wood. Production on a special-order basis minimizes the need to develop technological, organizational, and design capacity within the enterprise. This in turn limits the possibility of developing specific market niches with more value added, through new products that use a variety of materials.

D. Program rationale and additionality

- 1.16 For the biological wealth of the Amazon to effectively be reflected in the region's sustainable economic development, there needs to be an increase in the value added to wood in its industrial processing. To this end, the chain must develop a focus on high-quality products, in the sense not only of a set of esthetic, functional, and safety characteristics, but also in terms of its environmental sustainability (from conception and design through production, marketing, and recycling). This means introducing product and process innovations to increase efficiency and take better advantage of the technical characteristics of different wood species. Enterprises must therefore have access to technological services, capable of making the link between raw material and product, while making the most of whatever synergies can be created between enterprises at the different stages of the supply chain.

- 1.17 The MIF's intervention will make it possible for the first time to bring the principal public and private stakeholders together systematically around a concrete common undertaking and strategic approach, which is to **identify new technological solutions for the sustainable economic use of wood from the Amazon**. The program provides for a process of broad public-private collaboration in the region through a governance mechanism that facilitates coordination between the two states, while bringing in the various institutions. This is being visualized as a road map for coordinating different efforts in the sector, without eliminating or weakening the role of the individual entities involved. The program is also built on the specific experience of Paragominas, Pará, where the MIF and the Serviço Brasileiro de Apoio às Micro e Pequenas Empresas [Brazilian Microenterprise and Small Business Support Service] (SEBRAE) have succeeded in changing the productive sector's strategic approach, and the number of furniture-making firms has doubled, while reforested areas have been increasing significantly.⁴

II. PROGRAM DESCRIPTION

A. Objective

- 2.1 The *general objective* is to strengthen public-private collaboration to generate conditions that promote the competitiveness and sustainable business development of the Amazon region's wood and furniture supply chain. The *specific objective* is to implement an initiative in the states of Amazonas and Pará to identify and disseminate technological solutions that provide greater value added and promote sustainable development for small enterprises in the wood and furniture supply chain. In addition, the outcomes and knowledge obtained will be applied to other states in the Amazon region and to neighboring countries.

B. Components and activities

- 2.2 The program takes a broad approach, in which the concept of competitiveness applies not only to enterprises and enterprise systems but also, more comprehensively, to the geographic context in which the enterprises operate. This approach requires an even more coordinated form of governance than that of traditional cluster projects—one based on collaboration between the private sector and the public sector (including both government and academia), designed to carry out activities of a collective or “public” nature.
- 2.3 The central element is the focus on innovation and on the possibility of finding technological solutions to bottlenecks. To this end, through an agreement with SEBRAE-NA, the program will receive technical assistance from COSMOB, a technological center for the wood and furniture sector in the Marche region of

⁴ ATN/ME-7927-BR, Program for the development of industrial districts, executed by the national SEBRAE with the state SEBRAEs. The project served as the pilot around which policy on Local Productive Arrangements (*Arranjos Produtivos Locais*, or APL) was developed.

Italy.⁵ This relationship will also facilitate the technology-product-market link. A second noteworthy element is that the program will be governed on the basis of collaboration among public and private agents of sectoral associations and business leaders, and SEBRAE.

- 2.4 The starting point, reflected clearly in the first component, is better knowledge of the market. The second component is designed to facilitate access to technological services, thereby helping firms to solve their immediate problems. The third component focuses on human resources, and seeks to promote greater awareness of technological issues among entrepreneurs. The fourth component supports initiatives that could have an impact on the competitive development of the entire chain and of the Amazon region: two financing facilities in the form of matching grants will be created. The first consists of **public-private initiatives that are regional in scope**, and promotes the strengthening of the capacity for public-private collaboration, for initiatives of collective interest. The second consists of **business innovation projects** and will cofinance innovation projects directly managed by the enterprises with participation by academic and research institutions. Lastly, the program will promote the transfer of know-how to other states and to neighboring countries.

Component 1: Development of the technological services market (MIF: US\$310,000; Counterpart: US\$990,500)

- 2.5 This component seeks to identify the characteristics of the market from the perspective of business demand, through specialized business assessments and the supply of services. This information will provide a basis for identifying the technological services required to build a network of institutions (the TSN, or technological services network) to serve small businesses. The program also plans actions to foster and disseminate awareness of the opportunities offered to potential beneficiaries. Initiatives in three areas will be supported: (i) identifying the market and the needs of the wood and furniture supply chain (ii) operating the technological services network (TSN); and (iii) implementing a market intelligence system within the TSN.
- 2.6 **Outcomes:** (i) assessment of the demand for technological products and services in 300 sector firms; (ii) eight institutions involved in the TSN; and (iii) 300 firms benefiting from technological information services.

Component 2: Technological strengthening of microenterprises and small businesses in the supply chain (MIF: US\$126,000; Counterpart: US\$676,500)

- 2.7 The objective of this component is to provide direct technical assistance to the sector's small businesses in the area of essential services, especially those not

⁵ Created in 1984 as a public-private consortium, COSMOB offers specialized, advanced services for the furniture sector in the Marche region of Italy, with a view to promoting development in the areas of technology, production, trade, and management among both industrial- and artisanal enterprises.

currently available in the market, and to facilitate their alignment with the process of innovation as a means of encouraging their competitive growth. The activities will be implemented based on the firms' demand for assistance at the service centers, which will seek the most appropriate solution in the TSN. The beneficiary small enterprises will pay part of the cost of the services received.

- 2.8 To accomplish this, technical assistance will be financed in two areas: (a) business clustering (training and networks), to support the creation of networks of firms, using methods previously developed in "productive integration" projects (see note 4); (b) direct technical assistance to firms in the following four areas: specific technological advice, strategic design, and new products (use of alternative species, diverse inputs such as skins, fibers, etc.), access to new markets, and forest and environmental management.⁶
- 2.9 **Outcomes:** (i) 150 firms using the technological services; (ii) 20 business clusters formed; (iii) advice provided for design and execution of 15 management plans; and (iv) strengthening of distribution channels and creation of new ones, extending to the introduction of new products, increases furniture sales by 20%.

Component 3: Training of human resources in the supply chain and public education campaign (MIF: US\$205,000; Counterpart: US\$212,000)

- 2.10 The objective of this component is to improve the qualifications and technical skills of human resources and the management of business initiatives, through training activities and campaigns to strengthen the business environment. The following activities will be financed: (i) business training in both management and technical areas; (ii) work force training in the processing of wood products; and (iii) campaigns to raise the value of cultural potential associated with wood and to promote sustainable use of the forests.
- 2.11 **Outcomes:** (i) 100 firms benefit directly from their employees' training; (ii) four new work force or vocational specialization training offerings created; and (iii) 10 events conducted on the cultural significance of wood.

Component 4: Activities with a collective and regional scope (MIF: US\$1,105,000; Counterpart: US\$570,000)

- 2.12 The objective of this component is to develop activities that increase the competitiveness of businesses in the wood and furniture supply chain in ways that have collective relevance for the Amazon region. The component will create two matching-grant facilities and disseminate information on the program to at least one other state (Amapá), and to two countries in the Amazon region, Suriname and French Guyana.

⁶ Criteria considered by the TSN and service centers in providing direct technical assistance include whether the firm's production system is in observance of the exclusion list (IDB environmental restrictions) and of Brazilian environmental and social laws, including compliance with all procedures required by environmental agencies with regard to environmental and social assessments for licensing.

2.13 With the **facility for public-private initiatives of regional scope**, the program will finance initiatives, as a public good, that will be of strategic importance to the competitiveness of the entire supply chain. With the **facility for business innovation** projects, the program proposes to support more concrete and specific innovation in the private sector to be promoted by groups of firms or partnerships between firms and research institutions (see [Appendix I](#) for further details).

2.14 **Outcomes.** (i) a proposal for modification of existing law; (ii) two viable alternative technologies for using wood waste products; and (iii) 20 pilot projects implemented.

Component 5: Monitoring and dissemination of results (MIF: US\$58,000; Counterpart: US\$100,200)

2.15 The purpose of this component is to implement a system to monitor and evaluate results, and to systematize lessons learned so that the program can be replicated. The following activities will be financed: (i) determination of a baseline; (ii) implementation and maintenance of a system to monitor activities and outcomes,⁷ (iii) local events and seminars for dissemination and sharing; (iv) participation in outside events; (v) systematization, validation, and dissemination of the experience; and (vi) a final international conference.

III. COST AND FINANCING

3.1 The anticipated cost of the program is US\$5.1 million, of which the MIF will contribute US\$2.1 million (41%). The counterpart will be provided by the private sector, SEBRAE-Amazonas, SEBRAE-Pará, and the national SEBRAE. The counterpart funds (50% which will be in cash) have been guaranteed by the participating entities. Some of the in-kind contribution is based on a technical assistance agreement between the national SEBRAE and COSMOB. The detailed budget can be found in [Annex II](#).

⁷ The monitoring system will be based on SEBRAE's results-oriented strategic management methodology.

Budget summary table (in U.S. dollars)

Categories of expenditure	MIF	Local contribution	Total	%
Component I: Development of the technological services market	310,000	990,500	1,300,500	25.5%
Component II: Technological strengthening of microenterprises and small businesses in the supply chain	126,000	676,500	802,500	15.7%
Component III: Training of the human resources in the supply chain and public education campaign	205,000	212,000	417,000	8.2%
Component IV: Activities with a collective and regional scope	1,105,000	570,000	1,675,000	32.8%
Component V: Monitoring and dissemination of results	58,000	100,200	158,200	3.1%
Program administration and coordination	120,000	450,800	570,800	11.2%
Evaluations	50,000		50,000	1.0%
Audits	40,000		40,000	0.8%
Contingencies ⁸	86,000		86,000	1.7%
Total	2,100,000	3,000,000	5,100,000	

- 3.2 **Program sustainability.** The program's sustainability is based on the following factors: (i) implementation of a monitoring system that will make it possible to demonstrate the benefits of the program; (ii) formal creation of a regional network of institutions with permanent structures for offering technological services; and (iii) commitment on the part of SEBRAE and the state institutions responsible for environmental control.

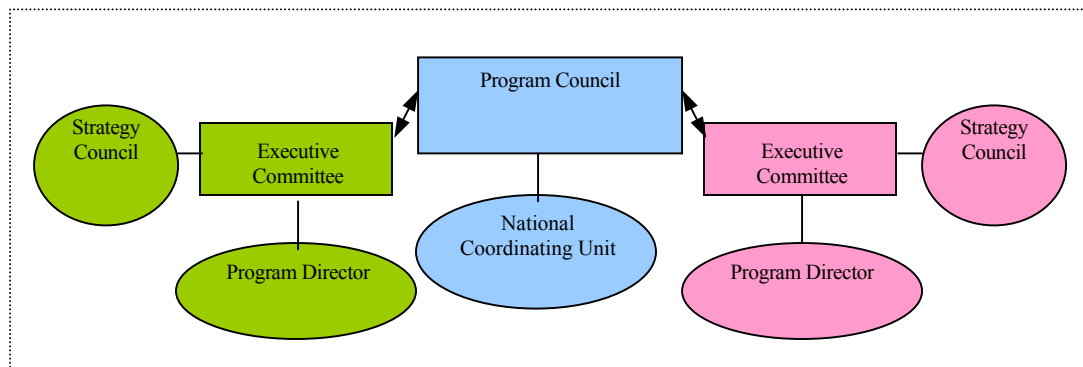
IV. EXECUTION MECHANISM

- 4.1 The **program executing agency** will be the national Brazilian Microenterprise and Small Business Support Service (SEBRAE-NA). SEBRAE is a private-sector association active throughout Brazil, either directly or through associated operational units in the various states and in the Federal District. SEBRAE's objective is to promote sustainable development, competitiveness, and technical skills upgrading in small and medium-sized enterprises. SEBRAE of Pará (SEBRAE-PA) and SEBRAE of Amazonas (SEBRAE-AM) will act as coexecuting agencies. The executing agency and coexecuting agencies will be responsible to the

⁸ For program costs not built into the initial budget, including expenditures associated with learning and liaison with other, similar projects.

Bank for program implementation and for maintaining the conditions for such implementation.

- 4.2 At the national level, program supervision and positioning of the program will be the responsibility of the national coordinating unit attached to the Program Council, and the same function at the state level will be carried out by a Strategy Council, an Executive Committee, and a Local Project Director. Local thematic groups will support the promotion and implementation of the specific activities in each state.



- 4.3 **Organization of implementation.** The **Program Council** will be comprised of SEBRAE-NA, SEBRAE-AM, SEBRAE-PA, the IDB, COSMOB/Marche Region, and a representative of the Executive Committee of each state other than the state SEBRAE. The Council's functions will be to: (i) guide program strategy; (ii) facilitate the sharing of experience between the two states; (iii) select projects to be financed under component 4; and (iv) promote coordination with federal agency initiatives. The **National Coordinating Unit**, within SEBRAE-NA, will have a specific work team under the supervision of the Program Council and will primarily be responsible for: (i) implementing activities common to the two states, with the support of the local directors; and (ii) carrying out the initiatives mapped out by the Program Council.
- 4.4 **The Strategy Council** in each state will be comprised of one representative of the state SEBRAE, the state government, lead agencies in sectors covered by the program, and business leaders from the community. Its principal functions are: (i) to map out the program strategy in the state context; and (ii) to evaluate results and specify corrective measures, as needed. The **Executive Committee** will be comprised of the program stakeholders that will contribute financial resources (i.e., representatives of SEBRAE and state government, business clusters, and leading firms in the sectors included in the program). The Committee's basic responsibilities will be to: (i) implement the program plan in accordance with the strategy designed by the Strategy Council and Program Council; (ii) approve the annual work plan and budget; (iii) administer and monitor all program activities; and (iv) select the local project director and supervise and support that person and

his or her support personnel. The Committee will meet monthly, and more frequently during the initial phase of the program, as needed. The **Local Program Director** will be responsible for executing the program's administrative, technical, and operational activities in each state, and will report to the state SEBRAE and Executive Committee. Further details of the responsibilities and linkage between the various individuals responsible for implementation may be found in the program's Operating Regulations ([Annex III](#)).

- 4.5 **Procurement.** The beneficiary will procure the goods and services envisaged by the program and previously approved by the Bank through the semiannual procurement plan, pursuant to policies set forth in documents GN-2349-7 and GN-2350-7 and any simplified procedures that the MIF may adopt.
- 4.6 **Disbursements.** The funds will be disbursed to the executing agency in the form of advances. This disbursement of up to 10% of the MIF funds contained in a revolving fund may be requested. All disbursements are to be made *pari passu* with the counterpart.

V. MONITORING AND EVALUATION

- 5.1 The Bank's Country Office will be responsible for supervising the program. Three evaluations will be conducted by independent consultants selected and hired directly by the Bank's Country Office: the first after 15 months of implementation; the second when at least 60% of the funds have been disbursed or 30 months have passed, whichever comes first; and the third two months before the end of program implementation. The first evaluation will consider, among other things: (i) the level of development and functioning of the program's governance, and the participation of the various institutions in the activities (in particular, the way the thematic groups operate); (ii) the degree to which the planned activities are being carried out; (iii) the performance of the consultants and instructors hired by the program; and (iv) the program's progress in achieving an increase in the use of legal wood by beneficiary enterprises. The second evaluation is to concentrate, among other things, on: (i) the program's implementation mechanism, interagency collaboration, and collaboration between local and national project heads; (ii) operational mechanisms for funds (component 4); (iii) support for identifying program areas and experiences that could be transferred to other parts of the region; (iv) progress in the use of legal wood; and (v) the degree to which the beneficiary firms are satisfied. The final evaluation will also assess: (i) program sustainability (including progress in the use of legal wood); (ii) positioning of new products in the marketplace; (iii) the types of client firms involved; and (iv) the impact on development, particularly through the use of the technological services offered.

VI. ENVIRONMENTAL AND SOCIAL ISSUES

- 6.1 Though the program's primary focus is on business development of the chain, rather than on direct solutions to the region's social or environmental problems, the operation is strongly committed to the principle of sustainable development in the sector and the region. Thus, many of the activities to be financed are explicitly designed to promote the adoption and spread of good environmental management practices, clean production practices, sustainable exploitation of forests and timber, and, in particular, an increase in the use and marketing of legal wood. As a result, the operation is expected to have primarily a positive environmental impact. Nevertheless, there is always some risk that some of the technical knowledge promoted by the program will benefit businesses that work, on the program's sidelines, with illegal wood. To offset this risk, the program's progress with increasing the beneficiary enterprises' use of legal wood will be monitored by means of the three evaluations described in paragraph 5.1. Lastly, efforts will also be made to reach areas far from state capitals with the program's activities, paving the way for collaboration with indigenous communities, based on the executing agency's previous experience.

VII. RISKS AND BENEFITS

- 7.1 **Risks.** The principal risks involved in this operation are: (i) that the supply of technological services will not meet the demand of the small businesses (a risk mitigated by the technical assistance offered under component 2, which will help supply adapt to demand); and (ii) that the demand for technological services will not stimulate the development of supply to a degree sufficient to achieve economies of scale (a risk mitigated by the program's promotion and dissemination activities involving, which will serve to position the program vis-à-vis the beneficiary enterprises).
- 7.2 **Benefits.** The expected program outcomes are: (i) a sustainable initiative to stimulate the supply of technological services for small enterprises; (ii) a set of new products in the form of services for these businesses; (iii) a significant increase in technological projects that are of collective interest to businesses; and (iv) increased direct investment resulting from linkages with international value chains.

SUSTAINABLE DEVELOPMENT OF THE WOOD AND FURNITURE SUPPLY CHAIN IN BRAZIL'S AMAZON REGION (BR-M1039)

LOGICAL FRAMEWORK

Summary of objectives	Indicators	Means of verification	Assumptions
Aim			
Strengthen public-private collaboration to generate conditions that promote the competitiveness and sustainable business development of the wood and furniture supply chain in the Amazon region.	<p>Three years after end of project:</p> <ol style="list-style-type: none"> 1. In the geographic area in which the program was implemented, small enterprises assisted by the program increase their sales by 30%. 2. 40% of small enterprises are using technological services. 3. In at least three locations in another state and in other countries bordering <i>Amazônia Legal</i>, forestry and furniture production models based on the outcomes of the project are being implemented. 	<ol style="list-style-type: none"> 1. Statistics from monitoring program beneficiaries in relation to the baseline. 2. Small enterprises' production and sales data. 3. Final evaluation and project completion report (PCR). 	<ul style="list-style-type: none"> ▪ The macroeconomic and political scenario remains unchanged. ▪ It is possible to progressively incorporate public policy designed to promote sustainable development of the wood and furniture supply chain within the program's service area (Brazil's Amazon region).
Purpose			
<p>Implement an initiative in the states of Amazonas and Pará to identify and disseminate technological solutions that offer greater value added and sustainable development for small enterprises in the wood and furniture supply chain.</p> <p>In addition, the results and know-how obtained will be extended to the other states in the Amazon region, as well as to neighboring countries in the region.</p>	<p>At the conclusion of the program:</p> <ol style="list-style-type: none"> 1. At least 150 small enterprises participating in all phases of the program successfully implemented their ventures using know-how acquired through the Technological Services Network (TSN). 2. There is an increase of at least 20% in the sales volume of the small enterprises benefited by the program. 3. Five new species of wood are in use. 4. At least five new sales and business channels are established for the chain. 	<ol style="list-style-type: none"> 1. Semiannual reports on the program prepared by the executing agency (SEBRAE). 2. Reports on midterm and final program evaluations (including surveys of beneficiaries). 3. Benchmark data from baseline for supply chain and beneficiary small enterprises. 4. Report from program's management and monitoring system. 	<ul style="list-style-type: none"> ▪ The direct beneficiaries continue to participate actively in the program, using the instruments and techniques acquired. ▪ Technical support continues to be provided to the small enterprises by the TSN and service centers, with involvement by various regional stakeholders. ▪ Access to the market for products made by the businesses in the supply chain continues to be solid and is growing.

Summary of objectives	Indicators	Means of verification	Assumptions
	5. At least three concrete initiatives for transferring the successful results of the 30 pilot projects (matching grant facility) have been implemented. 6. At least 60% of the small enterprises directly benefited by the program show high levels of satisfaction with the technical assistance and services received.	5. Project Performance Monitoring Report (PPMR) and Project Completion Report (PCR). 6. Reports on technical assistance provided to program beneficiaries	<ul style="list-style-type: none"> Basic physical and social infrastructure to meet the existing demand of the beneficiary enterprises is available
Components			
I. Development of the technological services market Use specialized business assessments to identify the market characteristics from the perspective of the businesses' demand, as well as in terms of the supply of services. This information will serve as a basis for identifying the technological services needed to build a network of institutions to serve small enterprises (the Technological Services Network, or TSN). The program also includes activities to enhance awareness of the program and disseminate knowledge among potential beneficiaries about the opportunities it offers.	After six months of execution: 1.1 Field study and assessment of business demand for technological services have been carried out (universe of 300 firms in the two states). 1.2 Quality of technological service supply in the states of Amazonas and Pará have been evaluated. 1.3 100 firms report interest in taking advantage of the opportunities offered by the program. 1.4 At least four regional institutions that provide technological services for the forestry and wood-processing sectors are associated with program execution. 1.5 At least eight of the service center and TSN professionals in the two states have been trained. After 12 months of execution: 1.6 At least 120 firms are interacting regularly with the program. 1.7 Eight institutions that provide technological services for the forestry and wood-processing sectors are associated with program execution. 1.8 The service centers and the TSN are operating, and responding to the demand from beneficiary small enterprises.	1. Semiannual project reports prepared by executing agency. 2. Database from the study on technological services supply and demand. 3. Teaching materials prepared for training. 4. Consultants' technical reports. 5. Evaluations of results of trainings in Italy and Brazil. 6. Manuals of new standards, and product design. 7. Records of the Market Intelligence System. 8. Informational and promotional materials. 9. PPMR and PCR. 10. Midterm evaluation.	<ul style="list-style-type: none"> Level of acuity provided by the market study (technological services demand and supply). Contents of courses are adapted to the training needs of the TSN and service centers. Legal provisions and methodologies proposed in relation to the small enterprises' needs and potentials are duly adjusted. Commitment on part of beneficiaries to continue with the program. Availability of consultants and instructors to operate in the region.

Summary of objectives	Indicators	Means of verification	Assumptions
	<p>1.9 At least 16 service center and the TSN professionals in the two states have been trained.</p> <p>1.10 Market Intelligence System is implemented, and involves the service centers and the TSN.</p> <p>After 24 months of execution:</p> <p>1.11 At least 150 firms are interacting regularly with the program.</p> <p>After 36 months of execution:</p> <p>1.12 At least 180 firms are interacting regularly with the program.</p> <p>At the conclusion of the program:</p> <p>1.13 At least 220 firms are interacting regularly with the program.</p> <p>1.14 The TSN is developing its role in coordination with the service centers, with a quality of standardized services and methodologies that address the demands of the small enterprises.</p> <p>1.15 A Market Intelligence System involving the service centers and the TSN is operating as part of the services financed by the users.</p>		

Summary of objectives	Indicators	Means of verification	Assumptions
<p>II. Technological strengthening of microenterprises and small businesses in the supply chain</p> <p>Provide direct technical assistance to the sector's small enterprises in the area of essential services, particularly those not available in the market, and facilitate their alignment with the process of innovation, so as to promote their competitive growth.</p>	<p>After 12 months of execution:</p> <p>2.1 Of the small enterprises identified, at least 150 clusters or firms have been assisted by the program, including Market Intelligence System services.</p> <p>After 24 months of execution:</p> <p>2.2 Of the small enterprises identified, at least 200 clusters or firms have been assisted by the program, including Market Intelligence System services.</p> <p>After 36 months of execution:</p> <p>2.3 Of the small enterprises identified, at least 250 clusters or firms have been assisted by the program, including Market Intelligence System services.</p> <p>At the conclusion of execution:</p> <p>2.4 At least 300 clusters or firms have been assisted by the program, including Market Intelligence System services.</p>	<ol style="list-style-type: none"> 1. Evaluation of satisfaction of small enterprises assisted by the program. 2. Commercial agreements reached. 3. Consultants' technical reports on direct assistance services. 4. Products developed or adapted. 5. Semiannual reports prepared by the executing agency (SEBRAE). 6. PPMR and PCR. 7. Midterm and final evaluations. 	<ul style="list-style-type: none"> ▪ Contents adopted to the small enterprises' training needs. ▪ Trend of direct beneficiaries (small enterprises) and business clusters to use the TSN's products and services continues. ▪ Trend toward collective efficiency on the part of business clusters continues. ▪ Availability of COSMOB consultants and instructors to operate in the Amazon region.
<p>III. Training of human resources in the supply chain and public education campaign</p> <p>Improve the qualifications and technical skills of human resources, as well as the management of business initiatives, through training activities and campaigns that strengthen the business environment through innovation.</p>	<p>After 12 months of execution:</p> <p>3.1 At least 80 heads/managers of small enterprises will have participated in the program for business management training, and sustainable forest use.</p> <p>3.2 At least 100 technical staff from the production units of small enterprises trained in wood-processing techniques.</p> <p>3.3 At least two campaigns carried out, one to promote appreciation of the cultural value of wood, the other for sustainable forest use.</p>	<ol style="list-style-type: none"> 1. Semiannual project reports prepared by the executing agency (SEBRAE). 2. Teaching materials prepared. 3. Evaluations of results of courses. 4. Informational materials on events and campaigns to promote appreciation of the cultural potential of wood, and to promote sustainable forest use. 	<ul style="list-style-type: none"> ▪ Contents adapted to small enterprises' training needs. ▪ Commitment on part of beneficiaries (small enterprises) to continue in the program. ▪ Availability of consultants and instructors to operate in the Amazon region.

Summary of objectives	Indicators	Means of verification	Assumptions
	<p>After 24 months of execution:</p> <p>3.4 At least 160 heads/managers of small enterprises will have participated in the program for business management training, and sustainable forest use.</p> <p>3.5 At least 200 technical staff from the production units of small enterprises trained in wood-processing techniques.</p> <p>3.6 At least four campaigns carried out, two to promote appreciation of the cultural value of wood, two to promote sustainable forest use.</p> <p>At the conclusion of the program:</p> <p>3.7 300 heads/managers of small enterprises will have participated in the program for business management training, and sustainable forest use.</p> <p>3.8 600 technical staff from the production units of small enterprises trained in wood-processing techniques.</p> <p>3.9 Ten initiatives carried out to promote appreciation of the cultural value of wood and to promote sustainable forest use.</p>	<p>5. PPMR and PCR.</p> <p>6. Midterm and final evaluations.</p>	
<p>IV. Activities with a collective and regional scope</p> <p>Develop activities to increase the competitiveness of the businesses in the wood and furniture supply chain in ways that have collective relevance for the Amazon region.</p>	<p>After 12 months of execution:</p> <p>4.1 At least 10 proposals received by the facility for public-private collaboration, with 3 approved.</p> <p>After 24 months of execution:</p> <p>4.2 At least 30 proposals received by the facility for public-private collaboration, with 8 approved.</p> <p>4.3 At least 40 proposals received by the facility for innovation, with 20 approved.</p>	<p>1. Documentation of competitions.</p> <p>2. Reports on pilot projects.</p> <p>3. Consultants' reports.</p> <p>4. Accounting records.</p> <p>5. Materials for promotion and dissemination of regional events.</p>	<ul style="list-style-type: none"> ▪ Commitment on the part of beneficiaries to continue in the program. ▪ Availability and capacity of technical consultants to operate in the region.

Summary of objectives	Indicators	Means of verification	Assumptions
<p>This component includes creation of two matching grant facilities to support public-private initiatives of regional scope and to support business innovation projects, as well as to disseminate the program to at least one other state (Amapá) and two other countries in the Amazon Region (Suriname and French Guyana).</p>	<p>After 36 months of execution:</p> <p>4.4 At least 10 projects under the facility for public-private collaboration, and 20 under the innovation facility are in the process of being implemented, monitored and evaluated by the program.</p> <p>At the conclusion of the program:</p> <p>4.5 The two facilities created have supported at least 30 pilot projects.</p>	<p>6. Semiannual reports by the executing agency.</p> <p>7. PPMR and PCR.</p> <p>8. Midterm and final evaluations.</p>	
<p>V. Monitoring and dissemination of results</p> <p>Implement a system to monitor and evaluate results and to systematize the lessons learned so that the program can be replicated.</p>	<p>After 6 months of execution:</p> <p>5.1 The program's execution structure is in place and operating, with a defined baseline and mechanisms for the management of information, monitoring and dissemination.</p> <p>At the conclusion of execution:</p> <p>5.2 Results of program systematized and disseminated in communications channels of SEBRAE and other program stakeholders.</p>	<p>1. Records of event outcomes.</p> <p>2. Semiannual reports prepared by the executing agency (SEBRAE).</p> <p>3. Reports on monitoring system measurements.</p> <p>4. Consultants' technical reports.</p> <p>5. Publications prepared by SEBRAE and other institutions involved.</p> <p>6. Midterm and final evaluations.</p> <p>7. PPMR and PCR.</p>	<ul style="list-style-type: none"> ▪ The institutions involved continue to be interested in expanding the program in the Brazilian Amazon region and bordering countries. ▪ Other states and neighboring countries are interested and able to disseminate the results obtained in the states of Amazonas and Pará.

Summary of objectives	Indicators	Means of verification	Assumptions
Activities			
<p>Component I. Development of the technological services market</p> <p>I-A. Identifying the market and the needs of the wood and furniture supply chain.</p> <p>I.A.1 Systematization of data available regarding the technical and economic characteristics of the woods, and their availability.</p> <p>I.A.2 Analysis of the productive and technological characteristics of enterprises in the forestry and wood-processing sectors, and identification of their specific needs for technological services.</p> <p>I.A.3 Evaluation of the quality and alignment of the supply of technological services, and identification of the institutional needs in the states of Amazonas and Pará for the forestry and wood-processing sectors.</p> <p>I-B. Operation of the Technological Services Network (TSN)</p> <p>I.B.1 Actions to strengthen the structure and execution of the program.</p> <p>I.B.2 Instruction and training, in Brazil and Italy (COSMOB), of the TSN team and service center staff.</p>	<p>After 2 months of execution:</p> <p>1.1 Consultant hired to begin assessment of the demand for technological services, with support from COSMOB.</p> <p>1.2 Consultant hired to begin assessment of the quality of the region's supply of technological services, with support from COSMOB.</p> <p>1.3 An initial training module, for 10 professionals involved in the program, held in Italy (Marche region – COSMOB).</p> <p>After 3 months of execution:</p> <p>1.4 In each state, at least one awareness and mobilization/alignment initiative carried out involving providers of services, selected small enterprises, and institutional stakeholders.</p> <p>1.5 Initial promotional and dissemination materials produced and distributed to the target public and to opinion makers.</p> <p>1.6 A launching event held in each state.</p> <p>1.7 Program's website in operation.</p> <p>After 6 months of execution:</p> <p>1.8 An initial training module held in Brazil, with COSMOB support, for 20 professionals involved in the program.</p> <p>1.9 Two workshops held to present the results of the market study.</p>	<p>1. Semiannual reports prepared by the executing agency.</p> <p>2. Database on technological services supply and demand.</p> <p>3. Teaching materials prepared for training.</p> <p>4. Consultants' technical reports.</p> <p>5. Evaluations of training results.</p> <p>6. PPMR and PCR.</p> <p>7. Midterm evaluation.</p>	<ul style="list-style-type: none"> Level of acuity of the market study (technological services demand and supply). Contents of courses are adapted to the training needs of the TSN and service centers. Standards and methodologies proposed in relation to the small enterprises' needs and potentials are duly adjusted. Commitment on the part of beneficiaries to continue with the program. Availability of consultants and instructors to operate in the region.

Summary of objectives	Indicators	Means of verification	Assumptions
<p>I.B.3 Establishment and operation of the TSN and of the service centers for small enterprises.</p> <p>I.B.4 Periodic meetings and events for TSN and service center professionals, to provide exchange of technological information and know-how.</p> <p>I-C Market Intelligence System</p> <p>I.C.1 Establishment of a market intelligence system as part of the TSN, in order to identify and disseminate information on technological innovations and product trends in international markets.</p>	<p>1.10 Second awareness/mobilization initiative carried out, involving service providers, selected small enterprises and institutional stakeholders.</p> <p>After 12 months of execution:</p> <p>1.11 Technological Services Network (TSN) and two service centers set-up and operating.</p> <p>1.12 Market Intelligence System implemented and operating in the TSN.</p> <p>1.13 An initial business plan for the TSN has been prepared.</p> <p>1.14 Second training module conducted in Brazil, with COSMOB support, for 20 professionals involved in the program.</p> <p>After 24 months of execution:</p> <p>1.15 A second training module held in Italy (Marche region – COSMOB) for 10 professionals involved in the program.</p> <p>1.16 At least 6 awareness/mobilization initiatives carried out involving service providers, selected small enterprises, and institutional stakeholders.</p> <p>1.17 Third training module conducted in Brazil, with COSMOB support, for 20 professionals involved in the program.</p> <p>After 36 months of execution:</p> <p>1.18 At least 6 events and meetings of TSN and service center staff held to share technological know-how and information.</p> <p>At the conclusion of execution:</p> <p>1.19 Promotional and dissemination materials for the program updated every six months, on average, during execution.</p> <p>1.20 TSN business plan updated yearly during execution.</p>		

Summary of objectives	Indicators	Means of verification	Assumptions
<p>Component II. Technological strengthening of microenterprises and small businesses in the supply chain</p> <p>II-1 Business clustering</p> <p>II.2 Direct technical assistance to firms</p> <p>II.2.1 Technological assistance</p> <p>II.2.2 Assistance in designing strategy and new products, including the use of alternative native species and varied inputs (skins, fibers, etc.)</p> <p>II.2.3 Assistance in accessing new markets and developing mechanisms such as centralized sale and purchase centers</p> <p>II.2.4 Assistance in forestry and environmental management</p>	<p>After 12 months of execution:</p> <p>2.1 At least 4 groups of furniture-making firms will have been assisted by the program, involving a total of 100 micro and small production units.</p> <p>2.2. With program support at least 40 small businesses will have been benefited by the technological information services.</p> <p>2.3 Two new marketing channels identified.</p> <p>After 24 months of execution:</p> <p>2.4. With support from the program, at least 60 small enterprises will have benefited from technological information services, technological assistance, strategic design, development of new products, organization of production, and access to new markets.</p> <p>2.5 Four new marketing channels identified.</p> <p>After 36 months of execution:</p> <p>2.6 At least 8 groups of furniture-making firms will have been assisted by the program, involving a total of 200 micro and small production units.</p> <p>2.7 At least 80 small enterprises will have benefited from technological information services, technological assistance, strategic design, development of new products, organization of production, and access to new markets.</p> <p>2.8 Six new marketing channels identified.</p> <p>Upon conclusion of the program:</p> <p>2.9 A total of 300 small enterprise clusters or individual firms will have been assisted by the program.</p>	<p>1. Evaluation of satisfaction on the part of small enterprises served by the program.</p> <p>2. Commercial agreements reached.</p> <p>3. Consultants' reports on direct assistance services.</p> <p>4. Products developed or adapted.</p> <p>5. Semiannual reports by the executing agency (SEBRAE).</p>	<ul style="list-style-type: none"> ▪ Contents adapted to small enterprises' training needs. ▪ Trend of direct beneficiaries (small enterprises) and business clusters to adopt the TSN's products and services continues. ▪ Trend of business clusters to achieve collective efficiency continues. ▪ Consultants and instructors are available to operate in the Amazon region.

Summary of objectives	Indicators	Means of verification	Assumptions
<p>Component III. Training of human resources in the supply chain and public education campaign</p> <p>III.1 Business training in the forestry and wood-processing sectors</p> <p>III.2 Training of workers involved in wood-processing</p> <p>III.3 Campaigns to promote appreciation of the cultural potential of wood and sustainable forest use</p>	<p>After 6 months of execution:</p> <p>3.1 At least 30 managers have consistently participated in a basic business management course.</p> <p>3.2 At least two courses have been held for furniture workers.</p> <p>After 12 months of execution:</p> <p>3.3 At least one campaign carried out to promote appreciation of the cultural value of wood and to promote sustainable forest use.</p> <p>3.4 120 small enterprises participated in courses and workshops to strengthen their human resources.</p> <p>After 24 months of execution:</p> <p>3.5. At least two campaigns carried out to promote appreciation of the cultural value of wood and sustainable forest use.</p> <p>3.6. 160 small enterprises participated in courses and workshops to strengthen their human resources.</p> <p>After 36 months of execution:</p> <p>3.7. At least four campaigns carried out to promote appreciation of the cultural value of wood and to promote sustainable forest use.</p> <p>3.8. 200 small enterprises participated in courses and workshops to strengthen their human resources.</p> <p>Upon conclusion of execution:</p> <p>3.9 300 small enterprises have participated in courses and workshops to strengthen their human resources.</p> <p>3.10 Ten events to promote appreciation of the cultural potential of wood held.</p>	<p>1. Semiannual reports prepared by the executing agency (SEBRAE).</p> <p>2. Teaching materials prepared.</p> <p>3. Evaluations of results of courses.</p> <p>4. Informational materials on the campaigns, and events to promote appreciation of the cultural value of wood and the sustainable use of forest resources.</p>	<ul style="list-style-type: none"> Contents adapted to small enterprises' training needs. Commitment on part of beneficiaries (small enterprises) to continue in the program. Consultants and instructors are available to work in the Amazon region.

Summary of objectives	Indicators	Means of verification	Assumptions
<p>Component IV. Activities with a collective and regional scope</p> <p>IV-A facility for public-private initiatives of regional scope</p> <p>IV.A.1 Projects for the competitiveness and sustainable development of the entire supply chain and region</p> <p>IV-B Facility for business innovation projects</p> <p>IV.B.1 Pilot innovation projects put forward by business groups or clusters in association with research institutions</p> <p>IV-C Transfer of the experience</p> <p>IV.C.1 Regional events involving Amapá, Suriname, and French Guyana.</p> <p>IV.C.2 Transfer of experience to the state of Amapá and to Suriname and French Guyana.</p>	<p>After 12 months of execution:</p> <p>4.1 Four pilot projects selected and in implementation.</p> <p>After 12 months of execution:</p> <p>4.2 Two informational events held to promote the submission of proposals for the facility for public-private initiatives of regional scope, and for the business innovation facility.</p> <p>After 24 months of execution:</p> <p>4.3 Ten pilot projects selected and in implementation.</p> <p>4.4 Two additional informational events held to promote submission of proposals for the facility for public-private initiatives of regional scope and for the business innovation facility.</p> <p>After 36 months of execution:</p> <p>4.5 Twenty pilot projects selected and in implementation.</p> <p>At the conclusion of execution:</p> <p>4.6 Thirty pilot projects selected and implemented.</p> <p>4.7 Two regional events held involving the state of Amapá, as well as Suriname and French Guyana.</p>	<ol style="list-style-type: none"> 1. Documentation of competitions. 2. Pilot project reports. 3. Consultants' reports. 4. Accounting records. 5. Materials for promotion and dissemination of the regional events. 	<ul style="list-style-type: none"> ▪ Commitment of beneficiaries to continue with the program. ▪ Availability and capacity of technical consultants to operate in the region

Summary of objectives	Indicators	Means of verification	Assumptions
<p>Component V. Monitoring and dissemination of results</p> <p>V-A Monitoring</p> <p>V.A.1 Establishment of program's baseline.</p> <p>V.A.2 Implementation of a system to monitor activities and outcomes.</p> <p>V.A.3 Periodic analysis and measurements.</p> <p>V-B Dissemination of results</p> <p>V.B.1 Local seminars and events for the purpose of dissemination and sharing of experience.</p> <p>V.B.2 Participation in outside events on subjects related to the program.</p> <p>V.B.3 Systematization and validation of the experience.</p> <p>V.B.4 Final international closing conference.</p>	<p>After two months of execution:</p> <p>5.1 Consultant hired to establish the baseline and management and monitoring system to be implemented before month 3.</p> <p>After 12 months of execution:</p> <p>5.2 At least 2 regional events held to disseminate studies and program results.</p> <p>After 24 months of execution:</p> <p>5.3 At least 4 regional events held to disseminate studies and program results.</p> <p>5.4 At least three outside events on wood and furniture have disseminated program results.</p> <p>After 36 months of execution:</p> <p>5.5 At least 6 regional events held to disseminate studies and program results.</p> <p>5.6 At least 6 outside events on wood and furniture have disseminated program results.</p> <p>At the conclusion of the program:</p> <p>5.7 At least 8 regional events will have been held to disseminate studies and program results.</p> <p>5.8 At least 8 outside events on wood and furniture have disseminated program results.</p> <p>5.9 One final international closing event will have been held to disseminate the results of the program.</p>	<p>1. Records of outcomes of events.</p> <p>2. Semiannual reports prepared by the executing agency (SEBRAE).</p> <p>3. Reports from measurements of the monitoring system</p> <p>4. Consultants' technical reports.</p> <p>5. Publications prepared by SEBRAE and other institutions involved.</p> <p>6. Midterm and final evaluations.</p> <p>7. PPMR and PCR.</p>	<ul style="list-style-type: none"> ▪ The institutions involved continue to be interested in expanding the program in the Brazilian Amazon region and neighboring countries. ▪ Other states and neighboring countries are interested in and have the capacity to disseminate the results obtained in the states of Amazonas and Pará.

**SUSTAINABLE DEVELOPMENT OF THE WOOD AND FURNITURE SUPPLY CHAIN IN BRAZIL'S
AMAZON REGION
(BR-M1039)**

DETAILED BUDGET

Category of expense	Total	MIF	Counterpart
Component I: Development of the technological services market	1,300,500	310,000	990,500
(I-A) Area of intervention: Identifying services supply and demand			
Activity I.A.1 Systematization of data available regarding the technical and economic characteristics of the woods, and their availability	15,000	0	15,000
Activity I.A.2 Analysis of the productive and technological characteristics of enterprises in the sectors, and identification of their specific needs for technological services	80,000	0	80,000
Activity I.A.3 Evaluation of the quality and alignment of the supply of technological services, and identification of institutional needs	36,500	0	36,500
Activity I.A.4 Promotion of the program	114,000	0	114,000
(I-B) Area of intervention: Implementation of Technological Services Network (TSN) to serve the firms			
Activity I.B.1 Instruction and training in Brazil and Italy (COSMOB) for the TSN team and service center staff.	170,000	0	170,000
Activity I.B.2 Establishment and operation of the TSN and service centers	780,000	280,000	500,000
Activity I.B.3 Periodic meetings and events for TSN and service center staff to share information and know-how	30,000	10,000	20,000
(I-C) Area of intervention: Implementation and maintenance of a market intelligence system in the TSN			
Activity I.C.1 Implementation and maintenance of a market intelligence system in the TSN	75,000	20,000	55,000
Component II: Technological strengthening of microenterprises and small businesses in the supply chain	802,500	126,000	676,500
Activity II.1. Business clustering	99,000	46,000	53,000
Activity II.2: Direct technical assistance to small enterprises	703,500	80,000	623,500
Component III: Training of human resources in the supply chain and public education campaign	417,000	205,000	212,000
Activity III.1 Business training	20,000	0	20,000
Activity III.2 Training of workers	237,000	125,000	112,000
Activity III.3 Campaigns to promote appreciation of the cultural potential of wood and sustainable forest use	160,000	80,000	80,000
Component IV: Activities with a collective and regional scope	1,675,000	1,105,000	570,000
Activity IV.A. Competitive fund for public-private initiatives	500,000	330,000	170,000
Activity IV.B. Pilot innovation projects	1,005,000	685,000	320,000
Activity IV.C.1: Holding of regional events	50,000	40,000	10,000
Activity IV.C.2: Transfer of experience	120,000	50,000	70,000

Category of expense	Total	MIF	Counterpart
Component V: Monitoring and dissemination of results	158,200	58,000	100,200
(V-A). Area of intervention: Monitoring			
Activity V.A.1: Establishment of program baseline	10,000	10,000	0
Activity V.A.2: Implementation of monitoring system	10,000	0	10,000
Activity V.A.3: Periodic analysis and measurements	19,200	0	19,200
(V-B). Area of intervention: Dissemination of results			
Activity V.B.1: Local events and seminars for dissemination and sharing of experience	26,000	0	26,000
Activity V.B.2: Participation in outside events on related subjects	8,000	8,000	0
Activity V.B.3: Systematization and validation of the experience	25,000	20,000	5,000
Activity V.B.4: Final international closing conference	60,000	20,000	40,000
Program administration and coordination	570,800	120,000	450,800
Evaluations	50,000	50,000	0
Audits	40,000	40,000	0
Contingencies	86,000	86,000	0
Total	5,100,000	2,100,000	3,000,000

DESCRIPTION OF THE MATCHING GRANT FACILITIES OF COMPONENT 4

- 1.1 The component will create two matching-grant facilities, one for public-private initiatives of regional scope, the other for business innovation projects. The facilities are designed to support initiatives in the following priority areas: (i) sustainable development (in particular, forest management plans and use of clean technologies); (ii) process and product innovation; (iii) new markets and/or mechanisms for procurement of inputs (e.g., wood purchasing centers); and (iv) innovative logistical solutions.
- 1.2 **Public-private initiatives of regional scope.** The program will finance climate initiatives, as a public good, that are of strategic importance to the competitiveness and sustainable development of the entire supply chain and the region. Some initial proposals have already been identified.¹ This facility will fund up to 50% of each project through nonreimbursable contributions of no more than US\$50,000. Funds will be allocated through a competitive process in the two states. The Project Council will be responsible for selecting among proposals, following recommendations from the Executive Committees of the two states, thus involving dialogue between the public and private sectors. The Project Council will propose eligibility criteria and establish priorities, to be approved by the Bank, including compliance with environmental law, and the relevance of the proposed activities for the development of the wood and furniture chain in the Amazon region.
- 1.3 **Facility for business innovation projects.** The program proposes to support more concrete and specific innovation in the private sector by promoted clusters of firms or partnerships between firms and research institutions. Funds will be allocated competitively, and related information will be disseminated sufficiently. Assistance funds are also expected to be used to support businesses in more marginal areas, or businesses with less technical capacity, in order to help them prepare proposals. The Executive Committee of each state will be responsible for evaluating the proposals submitted, and will send its recommendations to the Project Council for final approval. The facility will fund up to US\$50,000 and no more than 50% of the cost of each project (ceilings that may be revised by agreement with the Bank); the allocation of funds will have a ceiling of 70% per state and may be used for technical assistance, and up to 20% may be used for equipment.
- 1.4 Proposals must comply with the following criteria: (i) projects must be collectively designed and submitted by at least three entities, institutions, or firms, with firms being an essential component; (ii) priority will be given to projects

¹ These include: (a) studies to modify regulations governing forestry activities and legalization of wood, and to harmonize them (among states); (b) simplification of administrative procedures involved in starting a business; (c) studies on the commercial use of alternative wood species; and (d) territorial marketing.

involving research and development institutions, whether national or international, public or private; (iii) projects must be environmentally sustainable and comply with national law and regulations, as well as with the MIF exclusion list (see Operating Regulations, Annex III).