

MEXICAN FORESTRY FUND FOR PRODUCTION FORESTRY

CUERNAVACA WORKSHOP (March 2, 3) NEXT STEPS



ITTO Investment Forum, Cancún April 27, 2006



"Bosques y selvas para siempre"



Fondo Forestal Mexicano, Proyectos de Producción Forestal
Resultados Taller Cuernavaca, 2y3 marzo 2006



Topics:

- Design of Fondo Forestal Mexicano (FFM)
- Evolution of FFM
- Cuernavaca workshop: Conclusions, principles,
- Recommended actions
- FFM for production forestry, next steps
- Opportunities for investing in SFM



Design of Fondo Forestal Mexicano (FFM)

- CONAFOR with initial technical support funded by World Bank
- Regional workshops, Feb 2002-Feb 2003
- Backed by Art. 142 of new Forestry Law
- Funds obligated in 2003 for Paying Environmental Services



Evolution of FFM

- Phase 1: Payment of environmental services.
 - US\$20-30 million per year committed in 2004-6, watershed protection, carbon sequestration
- March 2006 Cuernavaca workshop:
 - CONAFOR explores FFMP for production forestry



Cuernavaca workshop conclusions

- Credit to Mexican forest sector, US\$ 70 MM in 2005
- Loans are by 2nd tier bank FIRA, short-term
 - 99% under <10 yrs, 1% for new plantations
- Credit guarantees available, mostly for commerce and services
- Forest Sector requires mix of equity and debt capital, loans and subsidies, longer terms
- Start gradually, on easier projects... now



Cuernavaca Workshop, Principles, strategies

- Key to leverage CONAFOR resources
 - Average ratio of 3:1 or better (>75% by private)
- Focus on linking forest management to industries, competitiveness, models
- Finance sustainable projects only
- Early participation of community, private firms, investors, governments, banks, NGOs



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RECOMMENDED ACTIONS, FFMp

	Q1	Q2	Q3	Q4	Q5	Q6
Technical Group Defined	XX					
Workshops to Inform, Prepare Proponents	XX	X				
Announce Seed Fund		X				
Public Request for Proposals		X	XX			
Project Profiles Selected for Making Business Plans			X	XX		
Cost Sharing Agreed with Private Firms and Others				X		
Initial Investments Approved					X	



Phased next steps for FFMp

- Decision by Conafor to move ahead
 - Assign US\$160,000 for technical group
 - **Induce**, select, profiles, business plans
 - Maximize use of existing entities, resources projects and private partners
- Launch FFMp: secure funding
 - Secure US\$1 million of seed capital for FFMp
 - Seek to lever another US\$ 3 million
 - Implement no more than 3 projects



FFMp and sustainable forest management

- Consider Quintana Roo SFM initiatives
 - incentives for joint ventures: communities and private industries, buyers: Mex., Peten, Bel.
 - consider timber, chicle, tourism
- Link SFM of existing community pine forests to private industries
 - early cashflows are key



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Thanks,
For questions or potential co-
investors please contact:

Ramón Carrillo, CONAFOR
rcarrillo@conafor.gob.mx

Vicente Molinos, Consultant
vicentem@deztec.com



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