

FINAL EVALUATION

MAE/013

Technical Assistance to the Forestry and
Climate Change Fund du Luxembourg
Microfinance Development Fund

PROJECT SUMMARY DATA

Country	Costa Rica, Guatemala
Long project title	Technical Assistance to the Forestry and Climate Change Fund du Luxembourg Microfinance Development Fund
Short project title	TA to Forestry and Climate Change Fund
LuxDev Code	MAE/013
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RATING OF THE PROJECT BY THE EVALUATION MISSION

Global rating (Effectiveness)	N/A On a scale of 1 (excellent results, significantly better than expected) to 6 (the project was unsuccessful, or the situation has deteriorated on balance)
Rating using other evaluation criteria	Relevance: N/A Efficiency: N/A Sustainability: N/A Coherence: N/A

EXECUTIVE SUMMARY

The Technical Assistance Programme of the Forestry and Climate Change Fund was launched in 2015 to implement a donation of €2 million from Luxembourg's Ministry of Foreign and European Affairs until 2022. Technical Assistance Programme is a catalytic programme that fosters sustainable forestry businesses in Central America to improve their technical, organisational and entrepreneurial skills, enabling them to become bankable and attractive investments for Forestry and Climate Change Fund and other financial mechanisms and institutions.

Technical Assistance Programme is structured through a screening process based on feasibility steps. However, the support offered by the programme goes beyond screening, and includes technical and business studies, plans and analyses, as well as trainings and ongoing technical assistance. Many of these services were delivered by the programme but a lack of specific programmatic tools and a clear definition of roles, responsibilities and expected results between Technical Assistance Programme and Forestry and Climate Change Fund has limited the identification and assessment of the reliability and of the credibility of the results achieved. Therefore, knowledge management, systematization and documentation are key elements that have been explored as recommendations.

For projects to reach a sufficient level of maturity and entrepreneurial capacity, considerable support from Technical Assistance Programme has been provided (and is still needed). Technical Assistance Programme's achievements have not yet resulted in the Forestry and Climate Change Fund securing a strong portfolio of bankable sustainable forestry enterprises based on Secondary and Degraded Forests. However, it is thanks to Technical Assistance Programme that currently the Fund can make more strategic decisions on its operations. Moreover, capacity building has enabled sustainable forestry businesses to raise the bar in terms of internal competencies and skills, enhancing the ability of these enterprises to sustain their operations in the long-term, especially during uncertain times (such as COVID-19). Knowledge generation, dissemination and communication from service providers has been perceived by the supported enterprises as assets of the programme. Hence, as a programme designed to serve Forestry and Climate Change Fund, Technical Assistance Programme should continue to serve as a support mechanism for the Fund's investments. It has the potential to go beyond the Fund's investment priorities and requirements, expanding its support to encompass broader opportunities that respond to enterprises' changing needs and demands¹.

Being a strategic element of the programme, greater efforts to mobilise and engage the private sector could have helped Technical Assistance Programme better support enterprises in securing reliable, long-term market demand for the timber products produced. Although the scope of support provided by the programme was client-oriented, Technical Assistance Programme's services were not always implemented with a flexible and participatory approach, mainly because of the need to fulfil Forestry and Climate Change Fund's requirements. Some support provided by Technical Assistance Programme did not respond to enterprise demand when it was delivered and could have been better aligned with their respective development stages.

Technical Assistance Programme has already built-up the trust, expertise, and know-how of the organisations supported by the programme and because of that, its greatest achievement has been guiding stakeholders through a deep and steep learning curve, especially the Forestry and Climate Change Fund. The multiplication effect of Technical Assistance Programme's support has enabled the structuring of (informal) networks of cooperation among the programme, Forestry and Climate Change Fund and key stakeholders, enhancing the ability of the programme to foster a licensed and certified sustainable forest (timber) industry (from production to market) based on a greater valorisation of ecological forest services. The socioeconomic benefits are intrinsically linked with Technical Assistance Programme, though hard to assess as there is limited consolidated information on the evolution of the programme.

¹ In case a new Technical Assistance Programme is implemented.

Lessons Learned

	<p>The greatest achievement of Technical Assistance Programme's implementation was guiding stakeholders through the deep and steep learning curve of supporting and financing sustainable forestry businesses. All the knowledge generated strengthened the capacity of both external and internal technical and organisational development skills. Whereas forestry enterprises could have conceivably set up and started implementing their business models prior to Technical Assistance Programme support, Forestry and Climate Change Fund, together with UNIQUE, enhanced both their technical and investment knowledge, leading to a more targeted identification of opportunities and ultimately, to investments compatible with Forestry and Climate Change Fund's criteria.</p>
1	<p>The absence of mature, sustainable forestry enterprises led Technical Assistance Programme to be designed through a step-by-step approach. Technical Assistance Programme's screening process provided a reality check on the flaws, strengths, bottlenecks, and opportunities of different initiatives. The flexibility in Technical Assistance Programme's management led to greater empowerment of supported projects and was an effective tool to increase the absorption of knowledge generated through the technical assistance offered by the programme.</p>
2	<p>Technical Assistance Programme has built up already existing trust, relationships, expertise, and know-how of the organisations supported by the programme. This led to the creation of a Forestry and Climate Change Fund network, based on the well-grounded knowledge offered by the programme.</p>
3	<p>Research, development, and innovation on management of secondary forests and degraded areas are key factors to ensure competitiveness and success of contemporary timber supply chains in Central America. These were addressed by Technical Assistance Programme, which followed the rationale of Forestry and Climate Change Fund and developed business models to test the feasibility of a forest concept based on boosting growth through cultivation and strategic silvicultural treatments. In addition to this innovative forestry vision and practice, the timber value chain has become the focus of Technical Assistance Programme, which has largely supported the industrial, transformation phase of this process.</p>
4	<p>Technical Assistance Programme was implemented by organisations and individuals with a track record on forestry (management, industry, and investment) and business development and management, an asset of significant value to the enterprises supported. This pool of expertise brought the quality and credibility needed to align the programme with Forestry and Climate Change Fund's investment strategies.</p>
5	<p>Changes in cultural contexts take time, particularly the ones associated with changing land use traditions². Nevertheless, Technical Assistance Programme's support should be seen as the start of new transitional developments. For instance, support provided by Technical Assistance Programme is aligned with Costa Rica's national agenda of decarbonization (for land use sectors), which is helping to foster a new forestry management concept and a more entrepreneurial and industrial forestry environment in Central America targeting both encouraging emerging and incipient enterprises as well as already existing forestry businesses seeking to mature.</p>
6	<p>An engagement within public authorities to facilitate regulatory processes has influenced positive outcomes, such as the recognition of the feasibility of managing secondary forests in Costa Rica by local authorities, followed by appropriate legal instruments (e.g., Decrees, Operative Manuals).</p>

² For instance, the public abandonment of Costa Rica's productive forestry sector led to: a continued closure of sawmill industries; zero promotion of the use of timber; virtually zero financing by financial institutions of the different stages of forestry value chains; low sustainable management of wood from natural forests and in the absence of a domestic timber market, that brings fair and timely trade of production. (Forest Chamber, Timber & Industry of Costa Rica Association, 2021).

7	Formal forest-related employment in Central America (delivered by the programme) helps public understanding of forest benefits and contributes to improved well-being and economic opportunities; Therefore, promoting a licensed and certified forest industry (from production to market) benefits and contributes to: sustainable use of timber products; a greater valorisation of other ecological services; employment along timber value chains; technical and business development skills of organisations and empowerment of local economies as healthy ecosystems ³ .
8	The wide range of enterprises supported by Technical Assistance Programme enabled organisations from different backgrounds to work on potentialities not previously explored, increasing the catalytic effect of pushing them to innovate their core businesses activities, products and services offered.

Recommendations

As this document constitutes Technical Assistance Programme's Final Evaluation, no timeframe is designated to each recommendation provided. Such recommendations should be considered as part of future efforts on designing a new Technical Assistance Programme for Forestry and Climate Change Fund or for other Impact Investment Funds.

For each recommendation (in bold), a set of actions might follow as suggested.

Suggested Recommendations and Actions

Strategy and Governance		
1	<p>Establish a shared goal strategy between Technical Assistance Programme and Forestry and Climate Change Fund</p> <p>As a programme designed to serve Forestry and Climate Change Fund, Technical Assistance Programme should continue to serve as a support mechanism for the Fund's investments. However, it can go beyond the Fund's investment priorities and requirements, expanding its support to encompass broader opportunities answering enterprise needs and demands.</p>	<p>LuxDev</p> <p>Forestry and Climate Change Fund</p> <p>Ministry of Foreign and European Affairs</p>
2	<p>Establish roles, responsibilities and results expected for each stakeholder involved in Technical Assistance Programme's governance (incl. Steering Committee)</p> <ul style="list-style-type: none"> • Prior assessment (i.e., design phase of Technical Assistance Programme) of the need to involve each structure considered to be part of the Technical Assistance Programme's implementation (e.g., value expected to be brought). • Definition of communication and operational workflows between the parties (incl. Technical Assistance Programme's decision-making flows to increase participation of other parties – Steering Committee, management facility; external relations). • Assessment of governance aspects as part of Technical Assistance Programme's screening process and of business plans developed (incl. need of creating new enterprises, establishment of partnerships or 'joint-ventures' between organisations not previously associated, commitment from enterprises to be supported, operational and managerial ability of enterprises' staff). 	<p>LuxDev</p> <p>Forestry and Climate Change Fund</p> <p>Ministry of Foreign and European Affairs</p>

³ This is based on qualitative information (e.g. during consultations) as there are no quantitative data (e.g: monitoring) that can provide a real measurement of such results.

Management, Operation and Monitoring/Evaluation		
3	<p>Establish programmatic tools (e.g., theory of change, logic/results framework, communication strategy) including causal linkages, associated indicators, and verification tools⁴. Potential of integration with Forestry and Climate Change Fund monitoring framework and integration of Sustainable Development Goals and Nationally Determined Contributions and/or other frameworks (i.e., how Technical Assistance Programme's implementation is associated or not with such commitments).</p> <ul style="list-style-type: none"> • Theory of Change. • Logic/Results Framework. • Communication Strategy (incl. external stakeholders engagement strategy⁵ and feedback tools⁶). 	<p>LuxDev</p> <p>Forestry and Climate Change Fund</p>
4	<p>Knowledge management, systematization and documentation of activities conducted, outcomes achieved, bottlenecks and challenges faced, and lessons learnt for all processes part of Technical Assistance Programme.</p> <p>Tracking of opportunities assessed throughout the different stages of Technical Assistance Programme's implementation, specifying support offered by the programme and considering other criteria (e.g., # and sex of beneficiaries, area under forest management).</p>	<p>LuxDev</p> <p>Forestry and Climate Change Fund</p>
5	<p>Develop a diagnostic study for consistent prior consultation process⁷ (e.g: consulting external key public and private players) for programme design (incl. identification of needed and available scale/areas: potential: enterprises, their status, needs of improvement, market demands; technical partnerships for learning exchange; private sector mobilisation opportunities; impact on vulnerable groups, etc).</p>	<p>LuxDev</p> <p>Forestry and Climate Change Fund</p>
6	<p>Enhance local performance and presence of organisations in Technical Assistance Programme's implementation.</p>	<p>LuxDev</p> <p>Forestry and Climate Change Fund</p> <p>UNIQUE</p>

4 Improvement of the programme's social component as it is not clear how consultations were developed prior to Technical Assistance Programme's design, how beneficiaries were consulted and consequently, directly or indirectly benefit from Technical Assistance Programme. This involves not only an effort to equally include and support different vulnerable groups, but to ensure that implementation brings empowers these actors leading to an improvement of livelihoods and ultimately to structural changes.

5 To determine how to better mobilize partnerships, especially with private sector (both domestic and international), either for greater leverage of reimbursable and non-reimbursable resources or to enlarge market demands for timber and other products. Specific strategies of collaboration with local national public agencies could also be clear set for Technical Assistance Programme's implementation, encouraging a greater uptake of local development priorities within the supports offered by the programme as well as on Forestry and Climate Change Fund's operation. Additionally, strategic alliances, cooperation with similar interventions could be valuable sources of information exchange, shortening the learning by doing curve of the programme (e.g., EcoEnterprise Fund, Partnerships for Forests).

6 This becomes a relevant feature in this final stage of implementation, especially to provide feedback and transparently communication to Technical Assistance Programme's partners and beneficiaries on its achievements, being a valuable moment. To reiterate the trust relationships and the network created around the programme. This directly feed into the 'partner satisfaction' verification tool for efficiency indicator planned on Technical Assistance Programme's Monitoring and Evaluation Matrix.

7 In case a new Technical Assistance Programme is approved for the next stages of Forestry and Climate Change Fund or a new Fund, it is recommended that enterprises currently supported are included as part of this consultation process, as well as current and past partners.

7	Enhance technical expertise (i.e., # of staff and/or qualification) on forestry and sustainable finance.	LuxDev SC
8	Improve the financial system in place, to better plan and monitor Technical Assistance Programme's financial implementation.	LuxDev
9	Expand support provided by Technical Assistance Programme to include other needs and demands from enterprises, going beyond Forestry and Climate Change Fund's requirements.	LuxDev Forestry and Climate Change Fund UNIQUE

Impacts of COVID-19 on Technical Assistance Programme

The lack of specific programmatic tools has not allowed the evaluation team to fully assess the extent to which COVID-19 has or has not influenced Technical Assistance Programmes implementation. Due to the absence of documentation on planned and implemented activities⁸ and related outcomes, the information in this section relies more on data collected through interviews.

Meetings, field trips and monitoring activities needed to be rescheduled. This had an impact on the Forestry and Climate Change Fund ability to structure its portfolio but it also gave the enterprises supported by Technical Assistance Programme more time to develop sturdy business and organizational processes along the different stages of the value chain (production, transformation, and market access). The support offered by Technical Assistance Programme during COVID has helped enterprises to ground their strategies and operations, enabling them to have a greater chance of matching their products with consistent market demand.

During 2020, Technical Assistance Programme's team continued to support and advise enterprises and has deployed greater efforts in supporting pre-feasibility and feasibility studies, as well as business plans. Additionally, knowledge products were also developed, enhancing the systematization of the knowledge generated by the programme. Funding decisions, timely interventions and dialogue with stakeholders were not disrupted due to COVID effects, but rather continued through online interactions. UNIQUE has still provided technical assistance and Forest Stewardship Council certification was developed remotely. Using local consultants was a crucial factor⁹ during COVID as they could work with hybrid schedules until it was possible to once again have face to face interactions. A specific workshop for exchanging between the enterprises was planned in an in-person format for 2020 and an online presentation was developed as an alternative. Although the pandemic is still a reality, Technical Assistance Programme could try to support the initial planned exchange before it ends.

Contacts with Luxembourg's private sector (e.g., LEKO Labs and LuxInnovation with the Woodcluster) started before COVID-19, but – due to the pandemic - the first dialogue did not produce the expected results in terms of potential alliances to promote greater private sector mobilization. However, it is not possible to state whether the online interaction was an attempt and what results it could have brought, especially considering that the timber value chain in Luxembourg is not well-developed¹⁰. The new online reality brought by the pandemic could have been used to trigger further dialogue with the private sector within other countries.

⁸ Annual and quarterly reports from LuxDev to Ministry of Foreign and European Affairs are available; however, they describe what was developed, no comparison to what was planned could be obtained.

⁹ Opportunities for improvement section brings the need of higher local presence from LuxDev, UNIQUE and Forestry and Climate Change Fund.

¹⁰ Acquired through interviews.