

IFC - PENSA Sustainable Wood Programme

Access to Materials, Access to Markets

Moray McLeish
Programme Manager
mmcleish@ifc.org





Who are IFC?

 The International Finance Corporation is the private sector arm of the World Bank Group. Our mission is to promote sustainable economic development through the support of the private sector.

What do we do?

- Provide financing to private sector..... at commercial rates
- We give technical assistence environment and social

Environmental and Social Performance Standards

- The standards we assist our investees to attain
- Revised April 06, after worldwide consultation
- These standards form the backbone of the Equator Principles
- In forestry
 - Client must be certified/using certified material
 - Or in a stepwise appraoch
 - Any credible, 3rd party certification scheme





What is PENSA?

- Program to assist Small-to-medium sized enterprises in Eastern Indonesia
- 6 components
 - Access to Finance
 - Business Enabling Environment
 - Agribusiness Linkages
 - Handicraft Export Promotion
 - Oil, Gas and Mining Linkages
 - Sustainable Wood

...the best way to combat illegal logging is to encourage the trade in legal and sustainable timber - through creating business opportunities.



promoting forest certification encouraging & facilitating use of new species linking to markets





Acacia mangium for furniture makers











Supply Chain Approach

FOREST

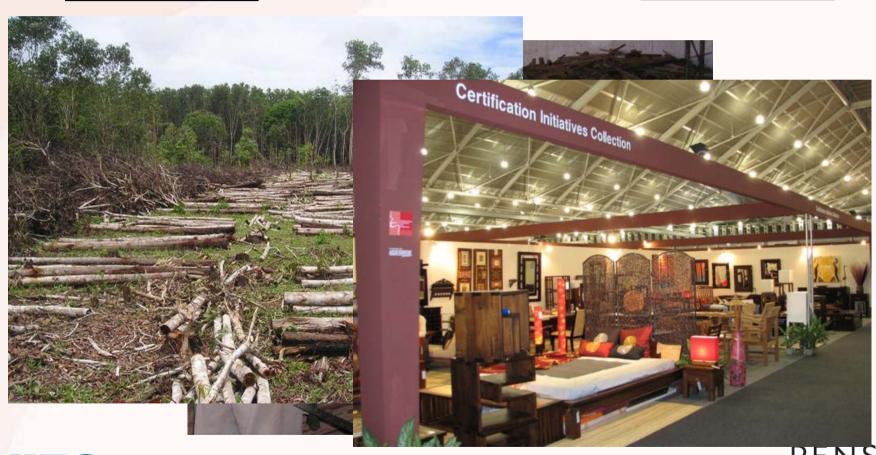


FURNITURE MANUFACTURER



OVERSEAS MARKET

INDONESIA SME ASSISTANCE





Goals, Activities and Results



Goals

- Create sources of sustainable/certified wood, to supply furniture industry
- Increase production of sawn timber from fast growing plantation species

Activites

- Assisted 50 000 Ha Acacia mangium plantation into GFTN membership, then FSC
- Assisting company to produce more sawn timber, capturing greater value added than chipping for pulp

Results

- Massive increase in demand for and sale of companies' sawn timber
- Interest from international retaliers (IKEA) with potential for investment





Goals, Activities and Results



Goals

- Facilitate business benefits for SME partners through access to appropriate (green) materials and markets
- Keep business alive through use of alternative, faster growing species

Activites

- Created reliable drying schedules for various Acacia mangium thicknesses
- Developed and 'trained trainers': 4 modules in working with Acacia (drying, laminating,design and finishing)
- 191 individuals trained in trends and design for international market
- Production Planning and Inventory Control basic CoC

Results

- Manufacturers equiped to work with raw material they previously couldn't
- 20 partner manufacturers now using Acacia timber
- >\$500 000 acacia furniture sales, repeat orders





Goals, Activities and Results



Goals

- Fuel demand for products made from certified timber
- Increased acceptance of 'non traditional' species

Activites

- Promoted certified Acacia products with 20 partner manufacturers at international furniture fairs
- Demonstrating Acacia as an acceptable (if partial) substitute for teak
- Working closely with NGOs

Results

- Increased market acceptance of Acacia furniture products
- Convinced many that Indonesia can produce responsibly, retained business
- Great interest in Acacia for flooring





What next?

- Find more sources of certifiable Acacia
- Create a 'Timber Yard' method to ensure regular, affordable supply of Acacia available to the SMEs we've assisted
- Provide further technical assistence
 - Niche marketing
 - Design and quality control
 - Production Planning and Inventory Control
- Provision of financing through local banks
 - To encourage production/use of certified wood
- Exit!





Summary

Chain Chain of Custody of Custody **FURNITURE OVERSEAS FOREST MANUFACTURER MARKETS**

- Producing sustainablyFast growing species
- Using new speciesProducing quality productsImproving business

- Demanding certified products
- Paying premium



Technical Assistance facilitating

Access to materials, Access to markets

for small-medium sized furniture manufacturers



