



**International
Finance Corporation**
World Bank Group

IFC - PENSA

Sustainable Wood Programme

Access to Materials, Access to Markets

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PENSA
PENGEMBANGAN USAHA
PROGRAM FOR EASTERN
INDONESIA SME ASSISTANCE



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 assistance – 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 approach
 - 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



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

Activities

- 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 retailers (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

Activities

- 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 equipped 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 assistance
 - 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



Technical Assistance facilitating
Access to materials, Access to markets
for small-medium sized furniture manufacturers