







# IFC in Indonesia - Adding Value along the Furniture Supply Chain

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## What is the International Finance Corporation?

- the private sector arm of the World Bank Group.
- mission to strengthen the private sector to alleviate poverty
- through
  - providing financing to private sector..... at commercial rates
  - providing technical assistance and advisory services
- "frontier" markets
- "demonstration effect" leading the way in defining and implementing better management practices
  - Corporate governance
  - Financial management
  - Environment and social



## **Environmental and Social Performance Standards**

- The standards we require and assist our investees to attain
- example of best practice
- 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, 3<sup>rd</sup> party certification scheme

http://www.ifc.org/ifcext/enviro.nsf/Content/EnvSocStandards



### **Development Impact**

- Sustainable development of the Forest Products Sector (FPS) can:
  - Drive economies
  - Provide employment
  - Alleviate poverty





#### But...

- Projects in tropical natural forests are risky, difficult, and time-consuming
- IFC can only invest where the enabling environment for private sector investment is conducive

So, where enabling environment is not yet conducive to direct investment

- IFC & donor-funded programs for SME support
- Direct capacity building in small firms
- Some facilitation of lending
- Improvement of enabling environment for the private secctor (overlap with World Bank)



## Adding value along the Indonesian furniture supply chain

Creating business opportunities for Small and Medium sized enterprises (SMEs), through



¬> run efficient, innovative businesses

> /reach the right market



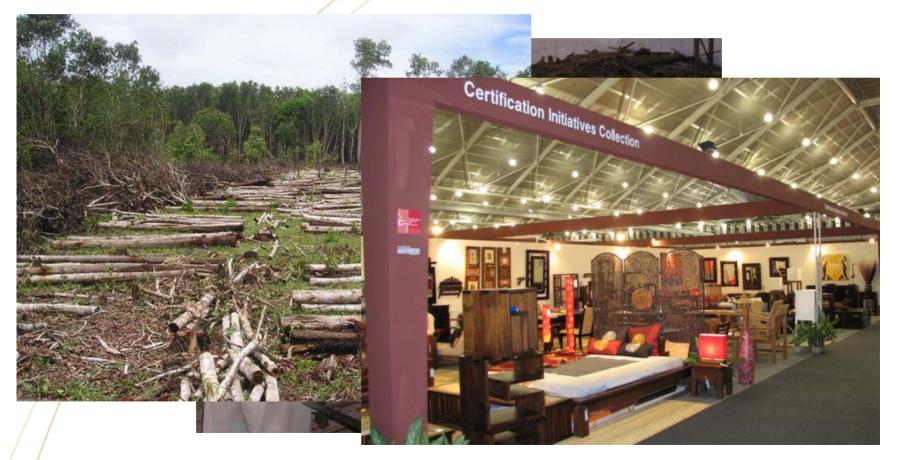
## Value Chain Approach

FOREST

Chain of Custody
FURNITURE MANUFACTURER

OVERSEAS MARKET

OVERSEAS MARKET





## 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 SMEs 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
- >\$1 000 000 acacia furniture sales, repeat orders



## Goals, Activities and Results



#### Goals

- Fuel and meet 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 sustainable/certified sources
- Encourage increased production of sawn wood
- Create a 'Timber Yard' method to ensure regular, affordable supply of green timber available to SMEs
- Provide further business assistance
  - Niche marketing
  - Design and quality control
  - Production Planning and Inventory Control
- Provision of financing to SMEs through local banks
  - to encourage production/use of certified wood
- Exit!

