Project snapshot

Type	Forests
Region of interest	Southeast Asia
Blueprint owner	Nb Lestari
Financial instrument	Debt (5-10-year term)
Proof of concept	In progress

In a nutshell

Indonesia has one of the highest rates of primary forest loss in the tropics, with small-scale agriculture accounting for one fifth of total deforestation. At the same time, smallholder farming and community forestry in Indonesia plays an important role in achieving sustainable forest management as well as reducing poverty in rural areas. The Nb project sells timber sourced from smallholder forestry plots and community collectives. It provides a fair price to primary producers and helps them to produce timber sustainably, in accordance with Forest Stewardship Council (FSC) guidelines.

Investment and operating model

The revenue model is based on selling FSC-certified timber at a premium to large manufactures supplying international markets. A timber hub is set up at the district level to identify suitable forestry plantations, purchase and harvest standing trees, and process timber. The timber is then sold to various international markets (North America, Japan, potentially Europe) or on the domestic market, providing a return to repay investors. The hub can also provide technical support, administer FSC Group Certification for the local smallholders, and provide better seed stock for smallholders. Debt investors can expect returns of around 7.5%, with various options for repayments, such as an interest-only repayment period before principal repayments set in.
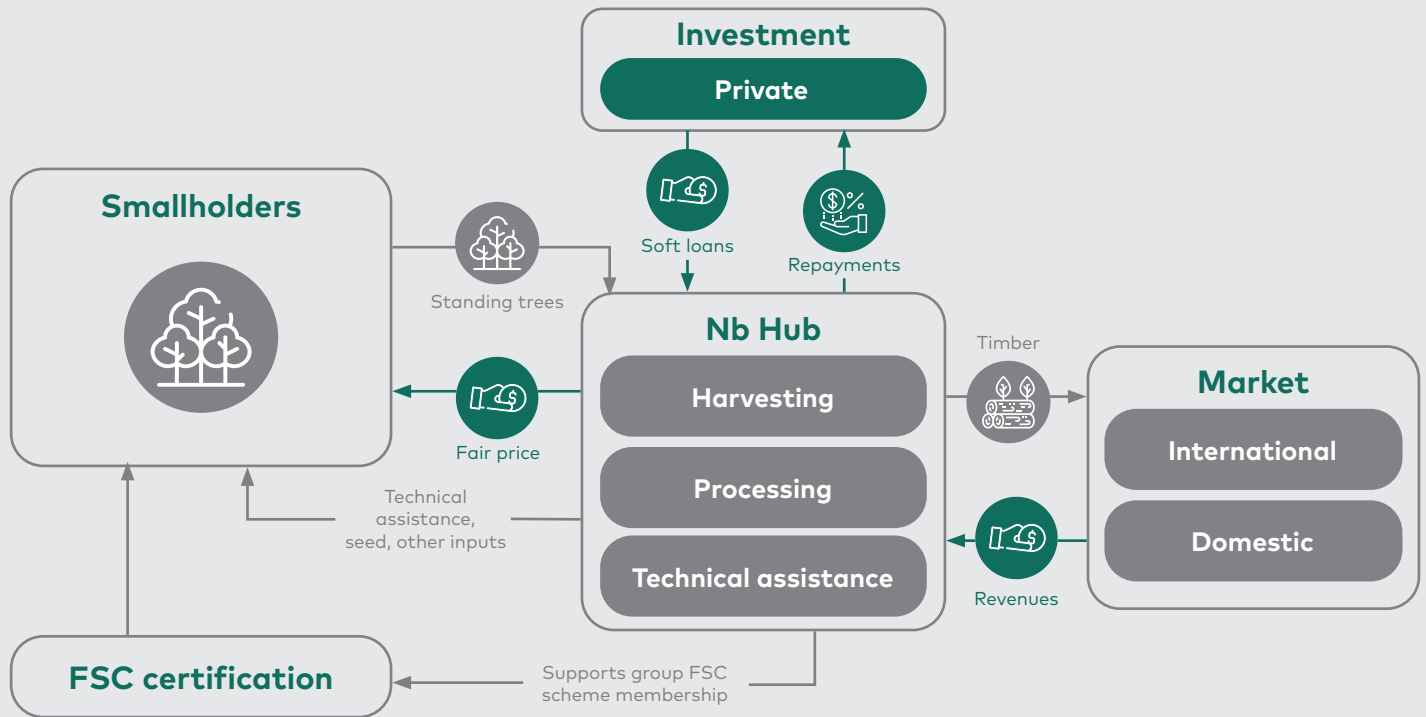
Impact measurement

The project takes the pressure off natural forests by producing sustainable timber in accordance with FSC guidelines. FSC certification is the main means of impact verification under this model. Nb also encourages smallholders to plant 40+ agroforestry species in their plantations to support important bird, monkey, and insect populations. A STAR analysis conducted in the pilot region has shown that abating threats to species within their existing habitat can contribute to a reduction of approximately 0.16% of Indonesia's total STAR threat abatement score. Restoring lost habitat for threatened species can reduce that score by approximately 0.08%. Social impacts, such as local employment, are also expected.
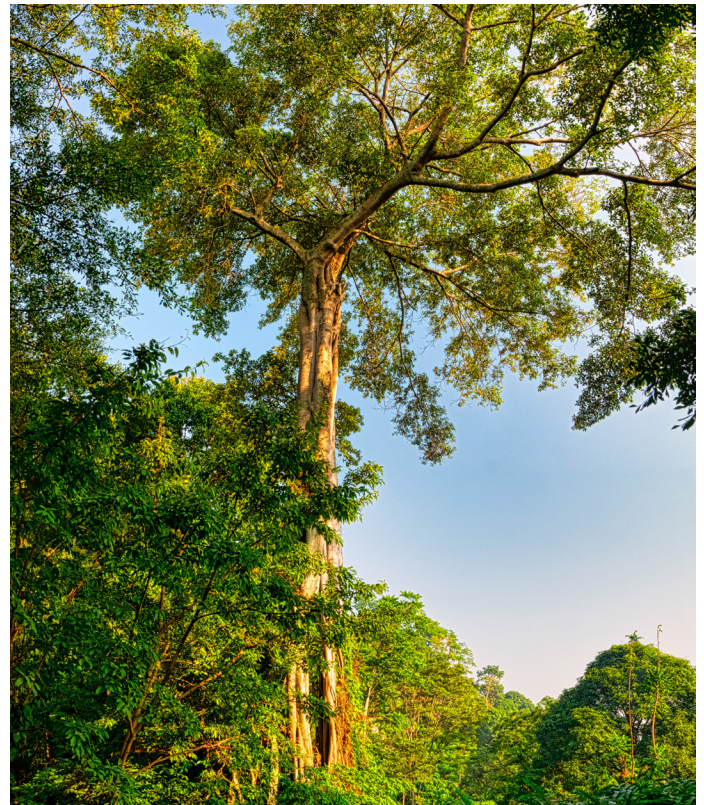
Scalability and replication

Tens of thousands of communities in Indonesia and Southeast Asia are growing commercially valuable trees, but don't have access to markets. The Nb model has shown that it is possible to establish international value chains, linking smallholders to multinationals. Because the model is simple, it can easily be replicated across the region, for example in Vietnam, Thailand, and the Philippines, where various government policies are encouraging the planting of trees on smallholdings.

Investment and operating model

Investment
Private

Soft loans

Repayments

Smallholders

Standing trees

Fair price

Nb Hub
Harvesting
Processing
Technical assistance

Technical assistance, seed, other inputs

Timber

Market
International
Domestic

Revenues

FSC certification

Supports group FSC scheme membership

Would you like to know more?

The Coalition for Private Investment in Conservation (CPIC) is a global, multi-stakeholder initiative with a mission to enable conditions that support a material increase in private, return-seeking investment in conservation. These blueprints support this mission by providing replicable investment models that incorporate innovative finance solutions to encourage the participation of private investors.

More information on this blueprint is available here.