



IFC Forestry Sector in India: Farm Forestry Reduces Pulp Shortages

India, one of the world's fastest-growing paper markets, is facing vast fiber shortages. IFC's focus in India is on forest planting, to encourage small farmers to plant fast-growing trees on unproductive land in partnership with the pulp mills they supply. IFC has approved more than \$120 million in financing to India's four leading pulp and paper companies; combined, these firms account for 60 percent of the nation's farm forestry programs, providing employment for thousands, improving the environmental profile of the pulp and paper manufacturing industry, reducing fiber shortages, and enhancing company profits.

Focus on the Triple Bottom Line: People, Planet, and Profit

IFC's clients in India's forestry sector are making a difference—in their communities, in the environment, and in the economic growth of the region. They are market leaders, profitable firms that have elevated sustainability to the level of strategy. Here's a look at results:



People

- Part-time employment for over 120,000 farmers
- Increasing farmers' income by 25-50 percent
- 60 percent of the country's farm forestry programs
- Thousands of direct and indirect jobs
- Fuel wood for local use
- Health services, education and training on sustainable forest management for poor communities
- Infrastructure improvements such as new roads and schools

Planet

- Foresting barren wasteland; doubling hectares planted by 2004-2008
- New tree growth to absorb airborne carbon dioxide, a key contributor to global warming
- Increased local wood supply to reduce transportation-related energy consumption and carbon emissions
- Use of eco-friendly elemental chlorine-free bleaching processes
- Equipment upgrades to lower energy and water consumption
- Focus on waste recycling and farm forestry to reduce national reliance on pollution-causing nonwood fiber

Profit

- Strong sustainability standards enhance brand, and increase access to international financing sources from banks that have signed on to the Equator Principles
- IFC's flexible-term financing supports rapid growth
- Reducing fiber shortages improves supply, lowers costs, improves margins
- Strong government standards mean sustainable companies gain competitive edge
- Companies report profit increases, stronger market confidence, lower operational costs, reduced political risk, and better community relations

IFC's Forestry Track Record

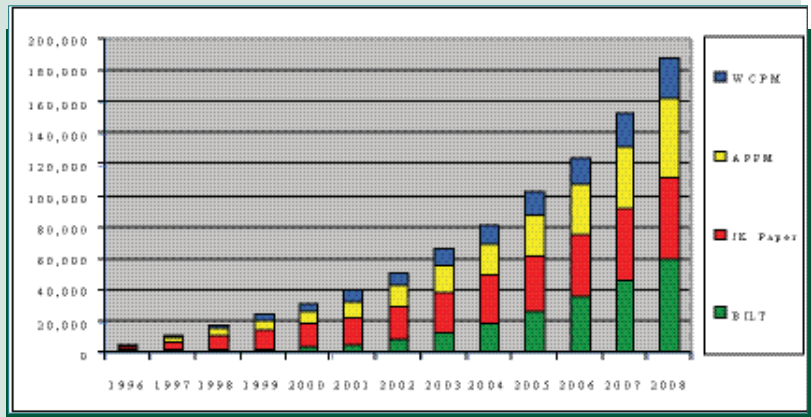
IFC's commitments in the forest products sector span the globe. Our current \$1 billion portfolio represents investments across the entire forest products value chain, with an emphasis on farm forestry, sustainable forest management, engineered wood panels, waste paper and recycling, and wood products. IFC's sectoral expertise, regional knowledge, and leadership in sustainability offer significant value to our clients, in addition to the full suite of financial products we offer.

AP Paper Mills: Farm Forestry at Work

Andra Pradesh Paper Mills has developed an extensive farm forestry program to supply its mills. Farmers purchase quality seedlings at highly subsidized prices that are not dependent on sale of produce to AP Paper. Training includes instruction on new technologies in forestry, especially in rain-fed conditions. Such improvements help farmers achieve higher productivity, lower costs, and more effective planting techniques, while improving the company's relations with the local community.

IFC Role:

- \$40 million investment in support of environmental upgrades and process improvements at the pulp mill, and to install higher margin writing and printing paper production lines
- Advisory services in support of farm forestry program and improved environmental management systems.



Snapshot India: IFC's Finest Plantation Clients Create Jobs for Poor Farmers

Ballarpur Industries Limited (BILT): Self-Sufficient Supply through Farm Forestry

India's largest pulp and paper company, BILT, is altering its supply chain, with a growing reliance on farm forestry to supply raw materials. Since the late 1980s, BILT's social farm forestry has affected and benefited nearly 30,000 farmer households, and has greened nearly 40,000 hectares of degraded or marginal land. BILT has now moved to soil-specific clonal management to improve the yields. By the end of 2008, 35 percent of fiber will come from farm forestry programs—all managed sustainably by poor farmers whose incomes have grown as a result of their contracts with the mill. IFC has also provided advisory services in terms of understanding and motivating farmers.

IFC Role:

- \$15 million investment
- Support for BILT's HIV/AIDS awareness program

JK Paper: Improved Performance, Increased Profit

Since 1990, environmental award winner JK Paper has provided income for 40,000 farmers and increased its reliance on waste recycling as a substitute for virgin pulp. The company has also improved operational performance and significantly reduced its debt burden. Net income has increased 36 percent annually, on comparatively high margins. The company attributes its ability to lower operational costs to more efficient processes, captive generation facilities, and lower-cost wood supply sources from its farm forestry programs.

IFC Role:

- \$26.5 million investment in support of a new, eco-friendly, high-end duplex board plant that will use recycled waste paper, mechanical pulp, and surplus mill pulp as the main raw materials
- Leading-edge equipment will reduce chlorinated organic pollutants

West Coast Paper Mills: Green Processes and Income for Thousands

West Coast Paper Mills, a leading paper and paper board producer in India, is installing an elemental chlorine-free fiber line to augment its existing facilities, to further improve its environmental profile and to double its paper production capacity. The company sources much of its raw material from poor farmers, through its farm forestry program, which currently provides steady income for 25,000 farm families.

IFC Role:

- \$40 million investment in support of improved environmental and social performance
- Improved access to international finance from IFC's "stamp of approval."

For more information about IFC's Financial Products and Advisory Services in the forest products sector, please contact: Sarvesh Suri 1-202-458-8578 or ssuri1@ifc.org; Monica Chander, 91-11 4111 1020 or mchander@ifc.org