

Example project* & template guide

Project overview

Project Id.:

Example project



Present project pictures

Project statement:

To develop a sustainable community based forest project together with ethical investors to increase biodiversity, social integrated income opportunities and optimal returns by precious timber and charcoal production to become independent from external energy supply!

Please describe briefly the

- Key market – who is your target investor? (generalize if needed)
- Contribution – what kind of forest investment do you provide?
- Distinction – what makes your project unique, so that the investor would choose you?
- Motivation - what drives you to carry out the project?

(~ 2 sentences)

Investment volume:

10 000 000 \$

Project type:

**Plantation forestry;
Carbon and
ecosystem services**

Select up to two project categories characterizing your project.

Investment period:

10 Years

Country:

Peru

Project phase:

Expansion

Year of start:

2013

Project area:

5 000 ha

ROI:

320 %

**Please note: This example project contains fictitious information for demonstration purposes.*

Capital item:

To increase work efficiency we want to invest in capacity building and increase our own expertise in the following fields:

- forest management
- forest product marketing
- expertise in charcoal production

To build up a stable timber supply for precious wood, fuel wood and biomass for the charcoal production we want to reforest additional 3.000 hectares of degraded forest and agricultural land nearby the village. For the processing of timber into biochar, we want to invest into a pyrolyse facility that provides energy and biochar and by the way sequesters carbon.

Please describe the investment subject(s). (~ 4 sentences)

Production

Portion of native species:

80 %

Percentage of native species of the production area

Native timber species:

Ochroma pyramidale (Balsa)
Swietenia macrophylla (Mahogany)

List the native timber species planted for production.

Exotic timber species:

Tectona grandis (Teak)
Acacia (Acacia mangium)

List the exotic timber species planted for production.

Non-timber products:

cocoa
honey

List the non-timber product species (e.g. cocoa, Brazil nut, rubber, resin)

Investment details

Business plan:

Available

Business concept:

The need for fuel wood had forced us, a local community of Peru, to over exploit native forests nearby the village. With a community driven reforestation program, we want to recreate sustainable forest systems serving our community with fuel wood and other non-timber forest products. Our goal is to become more independent from buying black coal and hereby cover our energy demand by self-produced fuel wood and charcoal. Our community forest project provides different income streams:

- The maintenance and sustainable harvesting of 2000-hectare

Briefly introduce your project and its business concept/idea. The focus lays on how to generate the income stream. (~ 10 sentences)

already existing mixed forest plantation of an age between 8 and 15 years provides a permanent income stream through precious wood and waste wood for the charcoal production.

- To increase the income, we want enlarge the forest area by planting further 3.000 hectares with a mixed forest system. As an initial tree species, we plant Acacia mangium, which can be harvested at an early stage for biomass production.
- To optimize the output, we will install a charcoal production facility. By this, waste wood can be turned directly into energy and into charcoal.

The needed investment for reforestation, capacity building, modernization of equipment and a pyrolyse facility, can be paid off within 10 years and will provide an interest rate of 9 percent per year (IRR) for the investor.

Financial participation:

Our community is looking for a loan that will be paid back over a period of 10 years with an annual interest rate of 9 percent per year. Other forms of participation are negotiable.

How do investors participate in your project (e.g. by loan, as shareholder ...) and benefit from the returns (~ 4 sentences).

As alternative, investors can select to invest only in the reforestation or the pyrolyse facility.

Securities:

All community assets have been estimated to be 35 Mio. USD and will hedge the investments and interests. Production losses are covered by up to 80 percent by our agricultural insurance.

Which kinds of securities are provided to secure the invested funds? For example: Insurance, project assets, etc. (~ 4 sentences)

View Allocation of Investment

Position	Amount	Percentage
Overhead	1.000.000 USD	10
Management	2.000.000 USD	20
Plantation installment	4.000.000 USD	40
Infrastructure	2.000.000 USD	20
Consultation	1.000.000 USD	10

List the summarized investment positions and allocated resources (e.g. labor costs, land lease, overhead, maintenance ...).

Operating Numbers

Year	Employees	Cash-flow	EBIT	Investment needs	Turnover
2010	275	1,000,000 USD	500,000 USD		2,000,000 USD
2011	280	2,000,000 USD	570,000 USD		4,000,000 USD
2012	300	3,000,000 USD	1,200,000 USD		4,500,000 USD
2013	300	1,376,000 USD	1,009,067 USD	3,586,667 USD	4,586,667 USD
2014	305	1,616,000 USD	1,185,067 USD	3,586,667 USD	5,386,667 USD
2015	310	785,600 USD	1,361,067 USD	1,793,334 USD	6,186,667 USD
2016	315	2,794,667 USD	1,537,067 USD	896,667 USD	6,986,667 USD
2017	320	2,794,667 USD	1,537,067 USD	896,667 USD	6,986,667 USD
2018	325	2,794,667 USD	1,537,067 USD		6,986,667 USD
2019	330	3,493,334 USD	1,537,067 USD		6,986,667 USD
2020	335	3,893,334 USD	1,713,067 USD		7,786,667 USD
2021	340	4,293,334 USD	1,889,067 USD		8,586,667 USD
2022	345	4,693,334 USD	2,065,067 USD		9,386,667 USD

List your operating numbers for the entire investment period. Already initiated projects can present the operating numbers also for the past three financial years.

Impact

Protection area:

23 %

Indicate the percentage of the total project area that is protected area.

Ecological impact:

During all our project activities, we minimize the negative environmental impact. Where possible we improve biodiversity, protect the soils and avoid pesticides. Over 20 percent of the reforestation area is a protection area and will be an integrated part of our project. For more transparency on this, we apply for a certification standard that certifies a sustainable management. By the way, this will increase the market prices for our precious timber species for the international market. Our lead management will give workshops to the community on how to protect environment by waste recycling and not overexploiting non-timber forest products. A group of 5 persons is patrolling permanently to control illegal logging and hunting.

Description of measures that are/will be implemented to increase the ecological value of the project. (~ 4 sentences)

Social impact:

This project is carried out by the cooperative and all measures try to serve the needs of our members and the associated community. 10 Percent of the profit made by the cooperative is used for the improvement of the village infrastructure. Our democratic elected board decides about the distribution of these funds. The application of funds is for education, the medical center, a water treatment facility and other necessary community related issues. We are in the process to certify the management processes (e.g. work safety) and our compliance with the standard of the International Labor Organization (ILO).

Description of social measures implemented in the project. (~ 4 sentences)

Targeted certification categories:

carbon
ecosystem systems
management

List all fields for which the project is targeting a certification by a recognized standard like FSC, PEFC, VCS, Gold Standard, CarbonFix, ISO, HACCP, Organic certification, FairTrade, etc.

Achieved certification categories:

fair trade

List all fields for which the project has been certified by a recognized standard like FSC, PEFC, VCS, Gold Standard, CarbonFix, ISO, HACCP, Organic certification, FairTrade, etc.

Project analysis

Market environment:

With multiple forest products, we reach different markets. This makes us more resilient to price fluctuations. One market is the community itself. The substitution of imported and expensive black coal by self-made charcoal will make us competitive also as energy supplier for nearby villages (local market). The market for our timber is mainly for the local furniture and construction industry. Some valuable tree species like Teak and Mahogany will be sold on the international market to achieve higher prices. The generated carbon certificates will be traded on international markets. The connection of the project area to a well-developed road network and to an international harbor allows us easily to reach local, national as well as international markets. The energy and timber demand will increase during the next years and we see a great chance to enlarge our operations and to connect with neighbor communities to establish synergies by scale in this market.

Description of the position of the project/company within the market environment (competition, access to local/international markets, market development ...) (~ 10 sentences)

Political and economic situation:

Peru is a developing country with a market-oriented economy; its 2010 per capita income is estimated by the IMF at US\$5,195, and it has a high Human Development Index score of 0.723 based on 2010 data. Historically, the country's economic performance has been tied to exports, which provide hard currency to finance imports and external debt payments. As Peru is still a developing country, working with the institutions and state authorities is not always straightforward. Partners with extensive experiences in the Peruvian jurisdiction are necessary to guide the business formation during the early stages. With the new forestry law of 2000, Peru acknowledges to a sustainable use of forest resources and supports them by tax subsidies for reforestation activities. Peru still have a negative trade balance in foreign trade with timber products. Therefore the development of the forest sector is far away from being saturated and holds a great potential.

Describe political and economic threats and opportunities that may affect the project. (~ 10 sentences)

Project history:

The cooperative has been founded 10 years ago only for agricultural activities. Since 5 years, the cooperative has expanded their activities also into the forestry sector. The jointly management of former state owned and already existing forest plantations had become the focus of the cooperative. Until today, the cooperative had grown steadily from 20 founding members to 300 active members. It's main goals are the production of precious woods and biomass for the charcoal production. Currently the foundation is managing 2000 hectares of mixed forests. 700 hectares of this have been planted by own funds and labor.

If the project is already initiated, then please describe the past development and present situation of the project and the background of the company (track record, motivation, company background, visions...). (~ 10 sentences)

Management experience:

Our current forest operation unit exists out of 2 forest engineers and 20 permanent field workers with extensive working experiences. During large-scale operations, like reforestation activities, up to 200 inexperienced members of the cooperative support the forest operation unit. For the expansion of our project, capacity building is necessary in the fields of forest data management and project controlling. Further, we need more expertise in how to optimize the efficiency of the charcoal production and in the field of the international marketing of our forest products.

Describe the expertise and experience of the lead professionals (e.g. track record, special skills, experience ...)(~ 4 sentences)

SWOT:

Strengths

- stable project structures since 10 years
- engaged members through personal and financial involvement

Weaknesses

- only small financial funds
- outdated equipment
- mid to low expertise lever

Opportunities

- demanding market for forest products
- large areas for expansion of the project
- increment of efficiency

Threats

- forest fires during the dry season
- political related threats
- theft of timber
- hazards

Analyze the major strengths, weaknesses, opportunities and threats out of the perspective of an investor. Please pay special attention to the weaknesses and Threats affecting the security of the investors' funds.

Land tenure and use rights:

10 years ago, there was only a traditional land use right and parts of project properties were state owned. Since 9 years, the cooperative holds the legal land titles of all project areas. There are no land disputes or conflicts. The property tax is paid regularly and land titles are free of mortgages. All necessary permits like forest register, environmental impact studies, etc. are in place. The permits needed for all current and future project activities are in place. The owner of the land and all use rights is the cooperative. All members have the right to harvest the non-timber forest products (e. g. cocoa, honey) in a sustainable way that will not affect the timber production in a negative way.

Describe land tenure and use rights:

- *Does the project area have an uncontested legal land title for the minimum run-time of the investment?*
- *Can evidence be given that all necessary permits (e.g. forestry register, environmental impact study, permits for the establishment of infrastructure, harvesting permits ...) for the investment project implementation are in place for the entire run-time of the investment?*
- *Who is the owner of the land and of all use rights (e.g. timber, non-timber forest products, carbon rights, etc.)?*

Additional information:

- There is the opportunity to subsidize the investment with a Public Private Partnership!
- You are invited to visit our operations in Peru and make your own impression!

Any type of information that does not fit in any of the other fields for completion of the project details (e.g. specific contractual terms, legal restrictions, possible subsidies, partners, corporations, goals, invitation to visit the project site ...).

Project maps: Available