

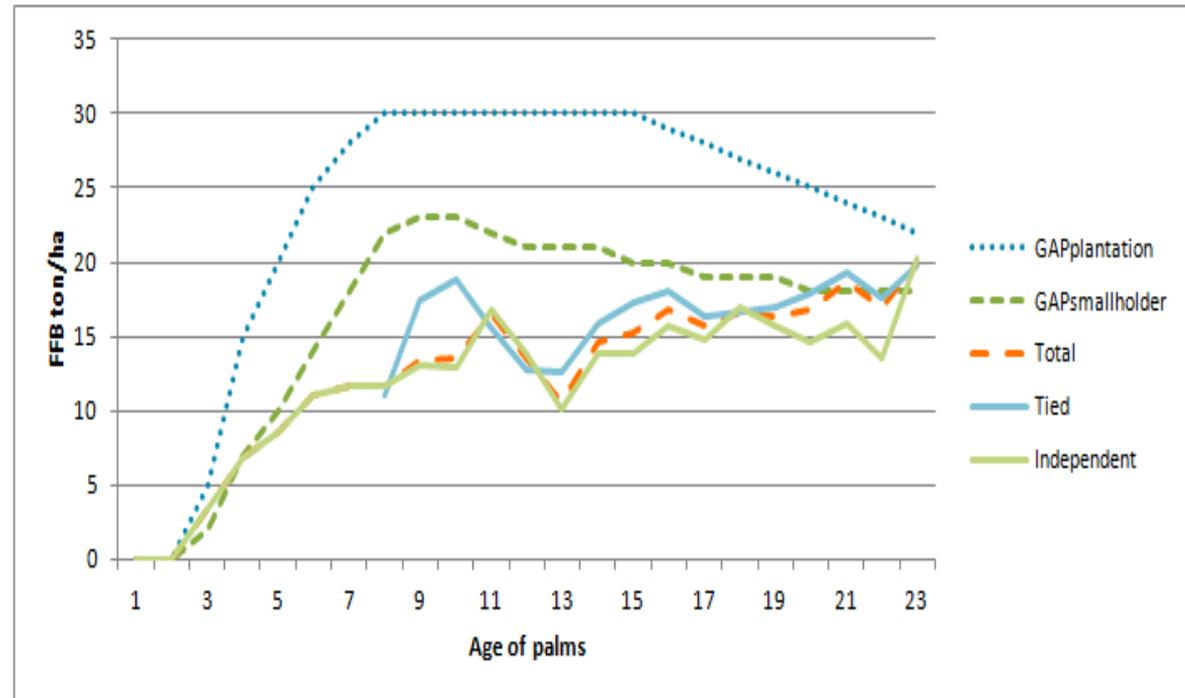


NMI Climate Smart Fund

The Problem for Smallholder Oil Palm Farmers in Indonesia

Yields on smallholder plantations are far below what can be achieved with Good Agricultural Practices (GAP).

Faced with low and declining yields, it is very tempting for farmers to expand their plots by encroaching on the rainforest.



Productivity at smallholder farms is low for several reasons:

1. Only access to very inferior planting material, fertilizers, etc.
2. Weak land tenure
3. Poor farm management practices
4. Old oil palms, giving rapidly declining yields after 15 years
5. Lack of capital for replanting.

The Idea

The solution is obvious: **help smallholder farmers increase the output and income from their existing plots of land**, i.e., intensifying their farming:

1. Long-term replanting loans (10 year tenor).
2. Training and assistance to improve plantation management and routines
3. Ensure that farmers commitments towards conservation are made and strictly monitored, in close cooperation with farmer associations, buyers and from both local and central authorities
4. Improved traceability can give better market access and prices for farmers and mills.

Short-term ambitions:

Provide loans and working capital to 3,000 farmers - in total 6 mill. USD - in the Fund's first phase
A generous facility for Technical Assistance will complement the financial offering, addressing issues like "best practice" for replanting and plantation management, as well as the monitoring systems for deforestation compliance and loan management

Next phase:

After ensuring "Proof of Concept", investors will be invited to commit in a Second Close of the Fund.
Preliminary target for total commitments is 100 mill. USD.