



Pre-Conference meeting

Unlocking finance for sustainable and inclusive wood value chains

A dialogue toward collaboration on innovative financing opportunities and mechanisms to promote sustainable wood production and consumption in East Africa, including smallholder forest and farm producer organizations

6 November 2023

(proposed venue: Conference Hall, ICRAF, Nairobi, Kenya)

An event to be organized by FAO and the Forest and Farm Facility together with the Government of Kenya, and with the technical collaboration of the World Agroforestry Centre (ICRAF), the Kenya Forest Service (KFS), The Kenya Forest Research Institute (KEFRI), the Swedish Embassy of Kenya, and Gatsby Africa Foundation.

DRAFT FOR DISCUSSION - 23 June 2023

Contact persons: Marco Boscolo (marco.boscolo@fao.org); Jhony Zapata (Jhony.ZapataAndia@fao.org); Phosiso, Sola, (P.Sola@cgiar.org); Jorum Kagombe (jokagombe@kefri.org); Philip Kisoyan (Philip.Kisoyan@fao.org)

Background

The East Africa region presents enormous opportunities to promote sustainable production and consumption of wood products. On the production side, for example, the Kenya Government has committed to plant 15 billion trees to achieve 30% of tree cover by 2032 (at an estimated cost of Sh600 billion, about USD 4.5 billion). On the processing side, improvements in sustainability and efficiency are being sought in the region, and especially in Uganda, where planted forests could potentially play an important role in the development of a regional forest sector. On the end market side, various initiatives are underway to promote the use of wood-based products instead of more carbon intensive materials in sectors such as building and construction. The coordinated support to various segments of wood value chains, from wood production to processing to the development of markets for sustainable wood can have significant positive effects on the environment, biodiversity and development.

Yet, scaling up such value chains requires further investments, both public and private. Several obstacles prevent larger investments to reach forest value chains in general, and small forest and farm producers and SMEs in particular: the perception of forestry as a high-risk business, informal and fragmented value chains, unattractive investment conditions (e.g., weak governance, inadequate infrastructure, high transaction costs, lack of financial literacy in the sector), and limited capacity by SMEs and local market participants to attract and access finance (lack of bankable projects).

To address these challenges, FAO, the Forest and Farm Facility (FFF) co-organized with CIFOR-ICRAF, the Kenya Forestry Research Institute (KEFRI) and the Kenya Forest Service (KFS) the regional exchange “Unlocking finance for smallholder forest and farm producers: Lessons and practices for landscape restoration and sustainable production in Africa.” The event, which took place 18-20 April 2023 in Nairobi, Kenya, brought together two-hundred participants including representatives of smallholder Forest and



Farm Producer Organizations (FFPOs), governments, technical support partners, development agencies and financial institutions in Africa, as well as other stakeholders from Asia and Latin America. The regional event delivered important lessons and recommendations¹, including:

1. Better linkages between smallholders, their organizations and SMEs are critical to scale up production, improve market positioning, and enhanced access to technologies and finance.
2. Opportunities should be sought to strengthen the whole wood value chain. Some value chain actors such as smallholders and their organizations are not being sufficiently considered when seeking to improve access to finance. On the other hand, SMEs can be important partners for smallholders to access to markets, inputs, know-how, and finance. Yet, for these linkages to be effective and fair support is needed in their selection, design, and implementation.
3. Accessing levels of finance that are larger than microfinance, and yet lower than \$3-5 million (what many investors and financing institutions provide), remains a challenge for POs and SMEs alike. Local finance institutions play a key role in financial intermediation – delivering to local realities from large funds. Few but interesting examples exist in engaging them.
4. Governance and governments play a key role in promoting inclusive forest value chains. They can contribute to this role through a catalytic use of public finance, adequate incentives, appropriate rules and regulations, attention to safeguards, and proper monitoring of ESG indicators. All these factors contribute to improve markets for sustainable products and facilitate their access.
5. The provision of knowledge exchanges by development partners is an effective way to reducing information asymmetries, generate innovative solutions, and build opportunities for networks and collaboration. Opportunities for replications and follow up should be explored and promoted.
6. Innovative financing opportunities and modalities are being developed and it is important to continue investing in better understanding to be ready to connect with promising opportunities.
7. Capacity building in business and enterprise management and development is a major barrier to access finance and needs to be improved. Business and financial illiteracy among communities is a major barrier not only to access commercial finance but also to qualify for restoration funding for restoration projects, thus capacity training is essential. Capacity building works best if linked to mentoring opportunities.
8. A business advisory service model beyond current capacity of civil society is needed to move enterprises forward (Re-tooling); Capacity building opportunities become even more effective when business advisory services can be directly linked (or possibly even provided by) financing sources. This can help establish and build trust between and providers and recipients of finance, an essential ingredient of success.

The proposed event builds on these recommendations, especially 1 – 6.

The proposal also builds on ongoing working in countries in the regions, for the example the drafting of a Forest Finance Strategy in Kenya, the establishment of a Forest Innovation and Investment Center in Kenya, and other important initiatives in the region.

Objectives of the event

- Facilitate exchange and dialogue among key players engaged in improving different segments of wood value chains in East Africa
- Take stock of recent developments related to promotion of sustainable wood value chains

¹ A policy brief is being prepared as a result of the regional exchange. It could be presented at the pre-conference event.



- Share examples, lessons, good practices and opportunities to increase finance for players that want to contribute to more sustainable wood production and consumption.
- Discuss promising opportunities and scenarios to mobilize finance for wood value chains

Expected outputs

Strategic elements and concrete activities identified and agreed to scale up results, accelerate the mobilization and sustainability of financing opportunities to promote sustainable wood production and consumption in East Africa.

Linkages to the International Congress on Planted Forests 2023

The [International Congress on Planted Forests 2023](#)² (ICPF2023) will take place in Nairobi, Kenya from 7 to 10 November 2023. ICPF2023 will focus on planted forests as “an essential nature-based solution to meet growing needs in wood products, restore forest ecosystems, and mitigate climate change.”

The proposed event will complement the ICPF session on: “**New business models: investing into wood production, restoring ecosystem services, and enhancing livelihoods**” which is expected to be organized for 7 November, the first day of the conference.

² The ICPF is a global forum focused on planted forests held under the auspices of the [IUFRO task force on resilient planted forests serving society and the bioeconomy](#), an inclusive expert group bringing together leading global scientists, private sector organizations, NGOs and IGOs. ICPF2023 is jointly organized this year by IEFCA, IUFRO, the TreeDivNet network, and CIFOR-ICRAF, with the technical cooperation of FAO. The [previous ICPF edition](#), organized in 2018, in Beijing, China, brought together more than 700 scientists, practitioners and private sector players in the field of planted forests. This year’s edition is the first to be held in Africa. will be structured around 6 complementary sessions:

1. New business models: investing into wood production, restoring ecosystem services, and enhancing livelihoods
2. Plantation perceptions in the world
3. Planted forests and trees, a critical option for and ecosystem restoration
4. Planted forests in a decarbonized bioeconomy
5. Planted forests facing global change: risks and opportunities
6. Optimizing trade-offs across ecosystem services: towards new models of management



Draft program for 6 November (to be discussed with event co-organizers)

Venue ICRAF Boardroom

The day will be organized in 5 main sessions. Session 2, 3 and 4 will address the “business case” for increased finance and investment:

- Why is more investment and finance needed, and in what form?
- What are the anticipated benefits and costs?
- What are the challenges and the opportunities?
- What are the possible ways forward? How can we have concrete collaboration? Who will lead?

Time	Topics	Possible FAO and FFF co-organizers
08:30	Session 1: Opening and stage setting. <i>Joram Kagombe as MC</i> - CIFOR-ICRAF Africa Director, as host - Dr. Jane Njuguna, Ag. Director KEFRI - FAO Representative in Kenya - Swedish Ambassador - Alex Lemarkoko, Chief Conservator of Forest, Kenya Forest Service (KFS) for opening	ICRAF KEFRI
09:00 – 09:30	Recent developments related to promotion of sustainable wood value chains (draft policy brief)	Marco Boscolo, FAO
09:30 – 11:00	Session 2: Developing end-markets for sustainable wood ³ – the market for timber in the construction sector (moderator: Nasra Nanda) - Swedish Architecture firm (White) – experience in developing new markets for timber based construction - CPS – pioneering timber based construction in East Africa, lessons including how the project secured necessary finance - Easy Housing – pioneering timber-based construction for the affordable housing sector in East Africa, lessons including role of carbon finance in asset financing models for this segment – TBC - Panel discussion and Q&A (speakers plus Architectural Association of Kenya TBC, National Construction Authority TBC, UN Habitat TBC, and George Muthike, KEFRI)	Gatsby Africa Swedish Embassy
11:00 – 11:30	Coffee Break	

³ **Global Alliance for Buildings and Construction (GlobalABC)** as possible co-organizer? France, Gabon and Canada, in close liaison with the Forest and Climate Leaders Partnership (FCLP) and the Global Alliance for Buildings and Construction (GlobalABC), have launched the creation of an intergovernmental coalition on wood and bio-based materials in construction in order to help replace concrete and cement in the years to come and in particular to transform African urbanization strategies. Nine countries in total have decided to join this coalition (Cambodia, Ivory Coast, Republic of Congo, Uganda, United Kingdom, Zambia, France, Gabon, Canada). The Global Alliance for Buildings and Construction (GlobalABC), founded at COP21, is hosted by UNEP and have 280 members, including 38 countries, the GlobalABC is the leading global platform for all buildings stakeholders committed to a common vision: A zero-emission, efficient and resilient buildings and construction sector.



11:30 13:00	- Session 3: Processing wood for value addition, efficiency, and as an incentive to expand forest areas (moderator: James Mwai) <ul style="list-style-type: none"> - Gatsby Africa Foundation: setting the scene, drawing on CAP – GA white paper - lessons from 30 years of African forestry investments - Woodmill case study, private grower investments in value addition - New Forest Asset management, Africa Forest Investment Platform –industrial processing development strategy TBC - Panel Q&A (speakers plus Kenya Association of Manufacturers, Ministry of Ministry of Finance, Planning and Economic Development or National Planning Authority of Uganda, ABI-finance TBC or Uganda Development Bank TBC) 	Gatsby Africa Foundation
13:00 14:00	LUNCH	
14:00 15:30	- Session 4: Producing wood in a sustainable, responsible and inclusive way, with a special focus on the role of smallholder forest and farm producers (moderator: Phosiso Sola) <ul style="list-style-type: none"> - Tree Growers Association of Nyandarua (TGAN) – Benjamin Karanja, chairman TGAN - UTGA, Dennis Kavuma <p>Panel discussion and interventions from the floor: TGAN, UTGA, KFS, KEFRI, ICRAF, KENAFF, Cooperative bank TBC, FSC representative TBC, SME in the wood value chain, EcoTrust</p>	FFSPAK, ICRAF, UTGA, e.g EcoTrust, SMEs
15:30 16:00	- Coffee break	
16:00 17:00	- Session 5: Working together for scale up results, accelerate the mobilization of finance and sustainability– strategic elements and concrete next steps <ul style="list-style-type: none"> - Policies, incentives a fond institutional frameworks, aiming at strengthening sustainable climate financing in Uganda – Mugaga Denis, Ministry of Ministry of Finance, Planning and Economic Development (MoFPED) . - Mobilizing private finance through blended finance solutions (<i>Line of Credit, Guarantees, grants, TA</i>) - Lessons & experiences from financing agriculture value chains . ABI- finance (Noha) or UDB (Pius) 	KEFRI, KFS, ICRAF
17:00 17:30	- Closing <ul style="list-style-type: none"> - KEFRI Director - FAO - CIFOR-ICRAF 	KFS