



# Towards a USD 150 million Sustainable Forestry Finance Platform

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# Timeline



2016

AfDB approves USD 24 million to the *Public-Private Partnership for the Afforestation of Degraded Forest Reserve Project*

2017

In partnership with Form Ghana Ltd., AfDB organizes the *African Forestry Investment Conference*

2018

With the support of the CIF and WWF, AfDB commissions a report entitled *Towards Large-Scale Commercial Investment in African Forestry*

2019

AfDB actively pursuing the establishment of a USD 150 million Sustainable Forestry Platform

2020

Financial Close and Start of Operations

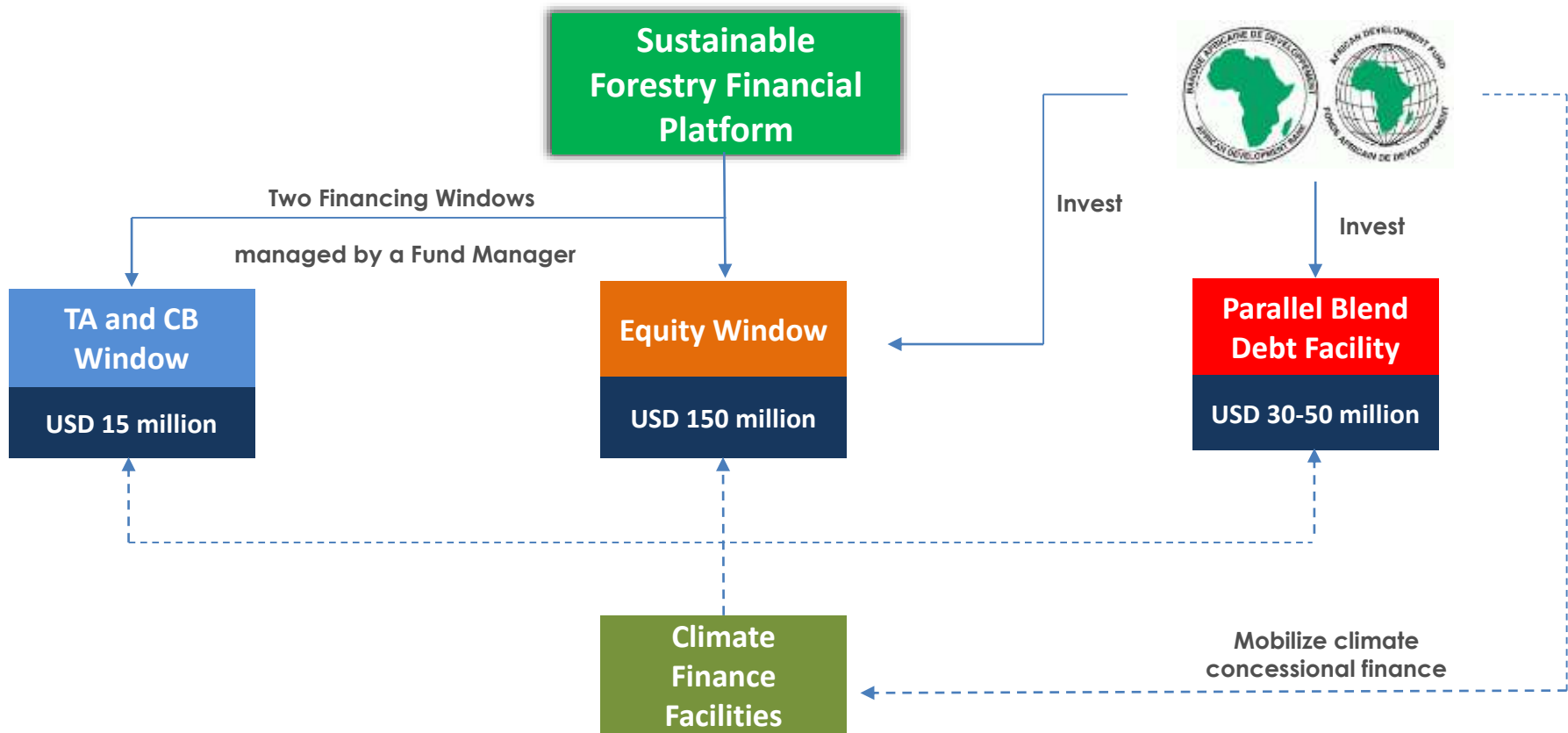
# Objectives of the Platform



In line with our mandate of contributing to the sustainable economic development and social progress of its regional member countries, AfDB wants to achieve the following:

- Establish an **Equity Fund** that invests in private sector brownfield and greenfield sustainable forestry projects that contribute to afforestation.
- Strong **E&S, Sustainability** and **Climate Change** focus.
- Provide **Technical Assistance** and **Capacity Building** for Communities in and around project areas.
- Develop a **Parallel Blend Debt Facility** to leverage equity

# Platform Diagram



# Some details



## TA and CB Window

- Implemented by the Fund Manager
- Technical Feasibility
- Capacity building for Communities on: (i) E&S, (ii) forestry, (iii) climate change and gender, and (iv) development of smallholder programs

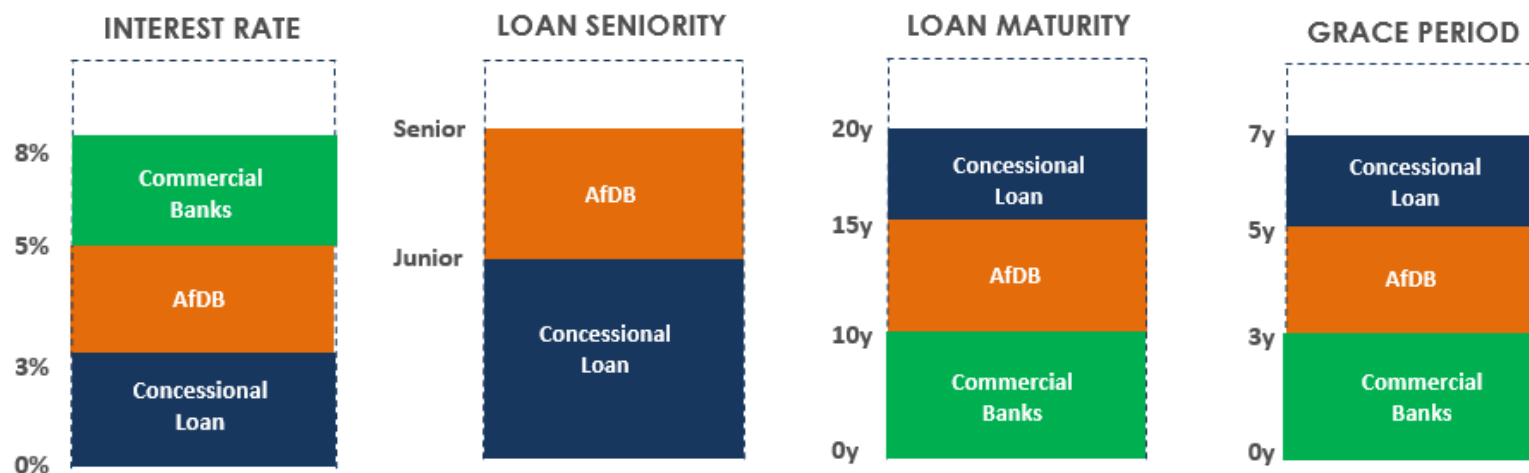
## Equity Window

- Implemented by the Fund Manager
- A tiered equity structure including a first-loss tranche, a capped return tranche and a commercial tranche
- Fund duration of 15-years
- FSC (or similar) certified companies only

# Some details

## Parallel Blend Debt Facility

- Financed by Global Climate Finance Facilities and implemented by AfDB in parallel with the Fund
- Target brownfield projects at time of Fund's investment or later on in the case of greenfield projects
- To deploy highly concessional debt instruments that meet the needs of the borrowers.





# Sustainable Wood for a Sustainable World Regional Dialogue

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# Case Study



In 2017, AfDB approved its first ever blended transaction to a private sector forestry project allocating USD 14 million of its own resources plus a climate concessional loan of USD 10 million from the Climate Investment Funds..

The objective of the *Public-Private Partnership for the Afforestation of Degraded Forest Reserve Project* was to expand a teak commercial plantation from 5,000 ha to 11,700 ha.

<b>Type:</b>	Brownfield
<b>Native Species / Teak</b>	90%/10%
<b>Total Investment Size:</b>	USD 24 million
<b>Concessional Loan All-in Interest Rate:</b>	1%
<b>Interest Payments during Grace Period:</b>	Deferred
<b>Tenor:</b>	15 years
<b>Grace Period:</b>	7 years
<b>Repayment Profile:</b>	Sculpted
<b>Security:</b>	Corporate Guarantee



Goal	Sub	Sustainable Forestry's Contribution
 7 AFFORDABLE AND CLEAN ENERGY	7.1	› Increases sustainable utilization of wood-based biofuels, which account for a major portion of household energy use in Africa
	7.2	› Industrial, wood-based biofuel and cogeneration are renewable energy and energy efficiency opportunities unlocked by forestry
 8 DECENT WORK AND ECONOMIC GROWTH	8.2	› Enables high-value added and labour-intensive diversification, especially in rural areas in Africa that have limited diversification potential
	8.4	› Directly decouples economic growth from environmental degradation
	8.5	› Provides decent, long-term labour opportunities for women and men
	8.6	› Provides decent, long-term labour opportunities for youth, as well as skills development opportunities and knowledge transfer
 9 INDUSTRY, INNOVATION AND INFRASTRUCTURE	9.2	› Promotes sustainable industrialization and industrial jobs › Increases industry's share of employment; increases GDP
	9.3	› Integrates smallholders and smaller producers into global value chains › Creates smallholder assets that can be collateralized › Promotes creation of rural enterprises to support value chain
	9.4	› Increases overall adoption of industry to sustainable standards › Increases resource-use efficiency through the use of timber products and timber-based biofuel
	9.A	› Increases sustainability and resiliency of associated infrastructure in Africa/Least Developed Countries
 12 RESPONSIBLE CONSUMPTION AND PRODUCTION	12.2	› Greatly increases sustainable management of forests › Increases afforestation and reforestation of degraded forest reserves › Encourages use of timber in local markets in place of high GHG products
	12.A	› Facilitates technology/knowledge transfer of sustainable forest management to developing countries › Increases skilled forest management labour pool in developing countries
 13 CLIMATE ACTION	13.1	› Greatly increases resilience of forest resources to climate-related hazards › Increases adaptive capacity of nearby infrastructure, agriculture and other land uses
	13.3	› Increases human capacity for climate change mitigation and adaptation achieved through sustainable forestry
	13.A	› Provides a relatively straightforward opportunity to mobilize private capital towards climate finance › Provides a funding opportunity for GCF, CIF, GEG and other climate funds
	13.B	› Creates a tangible opportunity to invest locally in skills and capacity for climate-change-related planning and management
 15 LIFE ON LAND	15.1	› Greatly enhances the active, sustainable management of forests and associated land near sustainable plantations
	15.2	› Links profit incentives with sustainable management practices - the best performing plantations are among the most sustainable
	15.7	› Reduces demand for illegally harvested natural forest materials through local engagement and development of timber product value chains
	15.8	› Aligns profit incentives with management of invasive plant and pest species
	15.A	› Provides a key opportunity to mobilize private investment alongside public resources to sustainably use forest (and reforested) ecosystems