Sustainable Wood for a Sustainable World
Investment Forum in Africa

Setting the scene

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Forest Investment Forum

Aims to catalyze investments in sustainable and inclusive forest value chains in the region

- platform for market participants
- share best practices, learn from peers
- greater exposure of bankable projects in the region to interested investors
Vicious circle of forestry

- Investments in value added production are too risky
- Resources continue degrading
- Trade deficit of wood products increasing
- Employment and income generation stagnated

Demand of wood products and bioenergy is growing

Potentially expandable resource base to generate energy, variety of products and services is in place
Why investments in forestry are not taking place?

Lack of knowledge and data on potential investments
Unfavourable policy environment
Limited universe of bankable projects
Underdeveloped industrial infrastructure

Lack communication among different market participants
Weak governance
Lack of appropriate financial instruments
Weak linkages between forest producers and value chains

All these factors are related to the business environment

Lack of a holistic approach to deliver integrated solutions
De-risking investments

- Investments in value added production are too risky
- Resources continue degrading
- Trade deficit of wood products increasing
- Employment and income generation stagnated

- Improving business environment
- Improving market participant’s capacities and information
- Increasing opportunities for capital markets with bankable projects

- Investments in value added production accelerated
- Resources maintained and expanded
- Trade deficit of wood products turning to surplus
- Employment and income generation increased
Rationale

International and local capital markets

• A growing share has strategic target to promote sustainable investments
• Limited deal flows of potential business cases especially in forest sector
• Many project proposals they encounter do not meet their investment criteria

 Risks and particularly the perceived risks are too high to overcome the investment criteria

Smallholders, producer organizations and SMEs

• Access to land, labour and ability to organize local production
• Potential local and regional markets for their products
• Lack of technology, access to markets, poor integration to local or global value chains, capital and inability to scale up the production

 Limited capacities to create bankable projects that comply with investor’s criteria
Financing a private sector driven value chain

<table>
<thead>
<tr>
<th>Phase</th>
<th>Core Activities</th>
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<tbody>
<tr>
<td>P1: Proof of concept</td>
<td>Management competence, Land security, Tree planting started, Value chain strategy</td>
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<td>P2: Plantation expansion</td>
<td>Scale-up of planting, R&amp;D; proven growth, Smallholder expansion, Market visibility</td>
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<td>P3: Industrial development</td>
<td>Value chain development, Markets, products, Infrastructure, Processing facilities</td>
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<td>P4: Industrial expansion</td>
<td>Significant investments to industrial processing (vertical integration or JVs?), Sales and marketing</td>
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Critical phases with insufficient funding:
- Development financing
- Impact investors
- (Climate funding)
- (Private funding)
- (Financial investors)
- Financial investors
- Strategic investors
- Project financing
- Banks

- Plantation company
- Forest industry company

Source: finnfund
Thank You

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