AD HOC EXPERT MEETING ON FOREST FINANCING SECOND MEETING
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FINANCING FORESTRY IN AFRICA

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Africa’s forest cover:
- 635 million ha
- 21.4% of Africa’s land area
- **450 million ha in E&S Africa**
- annual deforestation -0.62% (4 million ha per year (2000-2005) **E&S contribution 50%**
- US$ 1-1.5 trillion in lost revenue (TEEB 2010)
- 17% of GHG emissions (global)
- < 6% under management
Forest financing requirements

• Global estimates
  • Eliasch review: $11-19 billion p.a.
  • UNCED (1992): $70 billion per year
  • UNFF (Pretoria-1996)- $33 billion per year
  • UNFF (Tomaselli-2006)- $69.3 billion
  • UNFCCC 2007: US$21 billion per year (excluding costs of capacity building and other upfront costs)
    – Africa needs about $2.7 billion per year

• Current funding falls far short of any of these estimates
Sources of finance

- **Domestic Public**
  - National governments budget allocations
  - Forest revenues
- **Official Development Assistance (ODA)**
  - Bilateral Donors
  - Multilateral agencies
- **Private sector investment**
  - Domestic
  - FDI
  - Small-scale enterprises
  - Individuals (e.g. subsistence farmers)
Sources of finance

• **Philanthropists**
  – Foundations
  – Individuals

• **NGOs**
  – International conservation NGOs
  – Local NGOs and CBOs

• **Payment for Environmental Services**
  • Carbon sequestration
  • Biodiversity conservation
  • Watershed protection services
Domestic public financing

- Government budgetary allocations
- Forest revenues from state owned forests
- Taxes, Licenses, concession fees/royalties

Inadequate

Low prioritisation of forests
  - Barely covers administrative costs of PFIs

Low revenue collection from informal sector
  - Charcoal and NTFPs
Official Development Assistance (ODA) to Forestry

- **Global- $1.9 billion/year**
  - Multilateral: $0.8 billion;
  - Bilateral: $1.1 billion/yr
  - A small fraction of the $11–19 billion p.a. recommended in the Eliasch review

- **Africa’s share: 20%**
  - Declined from 33% (1973-1988)
  - Uneven, Concentrated in 10 countries
  - 5 countries not supported (2010),
  - 95% from 9 Donor countries
  - Dominant source in more than 12 countries e.g. Malawi
  - Major catalytic and leveraging role
Multilateral sources

**AfDB:**
- Now major player in Africa: 21 countries majority in East and southern Africa
- $352 million forestry portfolio; $72.7 Million/year (2000-2005)
- **$0.8 -2 billion** earmarked for forestry projects from 2010
- Hosts Congo Basin Forest Fund
Multilateral sources

- **GEF**: 300 forestry projects 79 in Africa since 1991
  - ($1.6 billion since 1991): Leveraged $5b
  - 28 countries (2009)
  - SFM and REDD+ programme (2007)
    - Tropical Forest Account ($50m. Congo Basin)
  - GEF-5 (2010-2014), separate funding envelope for SFM/REDD+: estimated at $1b
    - *Reallocation from Biodiversity, Climate Change and Land Degradation*

- **Key challenges:**
  - Complicated procedures and long project cycle
  - Lack of capacity to prepare proposals and co-finance
  - Very few Low forest over countries have benefited
Major multilateral sources

- **World Bank group**
  - main source of multilateral financing to forestry at Global level (72.7%)
  - Supported 20 countries in Africa (2007-2009)
    - IFC supported 14 countries
      - Largest investments in tropical forests (DRC, Gabon and Liberia)

- **ITTO**
  - 10 African members 6 financed (2005-2007)
  - Main recipient countries are Cameroon, Congo, Cote d’Ivoire, DRC, Gabon and Ghana
Other multilateral sources

- FAO-NFP Facility
  - 35 African countries
- Global Mechanism (GM)
- International Fund for Agriculture Development (IFAD)
- UNEP, UNDP, World Food Programme (WFP)
Private Financing

• Africa’s industrial forestry level is low.
  – 19% of global roundwood
    90% - fuelwood.
  – Trade in wood products $4 billion compared to $200 billion Global (2006).

• Poor infrastructure, small domestic markets, insecure tenure, political instability
**FDI**

- **Plantations**
  - 467 000ha 2000-2009
  - E.g. Green Resources
    - Wood processing and natural forests concessions
  - Limited to tropical forests
  - Both northern and southern countries (S. Africa, Kenya, Zimbabwe)

Africa’s share $0.5 billion low

Many low forest cover countries in dry regions have not been able to attract FDI
Domestic Private finance

- Most forestry activities >70% in **informal sector**
- Major sources of financing
  - Corporate financing and financial institutions
  - Re-investments
- Informal sector
  - own savings,
  - reinvestment of profits,
  - own labour and remittances.
  - Microfinance
- Need for improved linkages with formal finance sector
Payment for environmental services

• **Watershed Services**
  – Still very few in Africa, increase in pilot projects (Ke)
    • Working-for-Water Programme in S. Africa
    • Low income levels,
    • Low demand, small markets and weak institutional capacity

• **Conservation and Ecotourism**
  – Conservation concessions Limited –DRC pilot
  – Ecotourism based on forest reserves, wildlife and national parks
  – Community based ecotourism
  – Ecotourism incomes growing
    • Up to 15-20% GDP
Payment for environmental services

- **Debt-for-nature swaps**
  - Just 2 examples in Africa at initial stages (Botswana, DRC)
- **Bio-prospecting**
  - systematic search for sustainable commercial uses of the genetic and biochemical elements of biodiversity
  - No documented examples in Africa
  - Opportunities of raising significant funds low
Conclusion

• PES mechanisms have potential but....
  – Weak institutions and fragmented responsibilities
  – Lack of financial and technical capacity
  – High upfront costs
  – Poverty which limits markets and in-country resource mobilization.
  – High transaction costs due to proliferation of sources and
  – Complicated lengthy administrative procedures
Carbon Finance

• Global concern about climate change
  – Carbon market total value for 2008 estimated at US$125 billion

CDM:
  • By end of 2007 only 1 forest carbon project, Guangxi Watershed Project in China
  • 2 out of 13 A/R projects in pipe line are from Africa
  • Uganda-Nile Basin Reforestation Project (1/7 projects approved and registered this year)

  – Challenges:
    – complex application procedures and
    – lack of capacity
Voluntary carbon markets

• Value of market 2007: $331mil. 3x 2006 level
  – Africa’s share low
    • Distribution of projects uneven, E. Africa dominating. Examples:
      – Humbo, Ethiopia
      – Nhambita, Moz.
      – Acacia community plantations-Niger
  – favourable for smaller off-set projects
Reduced Emissions from Deforestation and Forest Degradation (REDD)

- UN-REDD pilot countries in Africa
  - Tanzania, Zambia, DRC
  - WB Forest Carbon Partnership Facility (FCPF).
    - E.g. Mozambique
    - Readiness fund and Carbon Fund
  - Few Biocarbon fund projects in Africa
    - Ibi Bateke carbon sink project in the DRC
    - Acacia Senegal plantations in Niger and Mali
    - The Greenbelt Movement, in Kenya
    - The Biodiversity corridor in Madagascar,
    - The Humbo assisted regeneration project in Ethiopia
    - Nile Basin Reforestation project in Uganda

- Few countries involved in Africa
Other Emerging Instruments for Forest Financing

• Eco-securitisation and forest-backed bonds
• Endowment funds
  – Bwindi
• Regional initiatives
  – East Africa Commission, COMIFAC, ECOWAS and SADC
    • Congo Basin Forest Fund
    • SADC Fire management programme
Thematic Financing Gaps

- **Upfront financing**
  - Analytical work
  - Planning, projects design
  - Capacity building
  - Implementation of policy reforms,
  - Strengthening of governance,
  - Market creation for environmental services,

- **Management of forests outside protected areas**

- **Trees outside forests/ Agroforestry**

- **Land-use planning and zoning**

- **Research and Development**
Geographic and other gaps

• Concentration of ODA in a few countries
  – Countries not receiving support (15 )

• Focus of climate financing especially REDD+ on forest rich countries
  – Reduced role/benefits in LFCCs

• Dry forest areas with low potential for plantations and commercial timber
National

- Develop comprehensive National Forest Financing strategies including National Forest funds as part of nfps
- A combination of financing instruments required to mobilise adequate resources
- Better integration of the forest sector within national development frameworks
- Create an enabling environment for investment in SFM
- Strengthen microfinance to improve access to resources for smallholders
Private sector

- Mobilisation investments for and from the smallholder sector – especially CBFG
- Improved access to finance
  - formal and microfinance
- Improve Security of forest tenure and governance
- Partnerships with communities and financial institutions
International

- Strengthen role of regional economic bodies and networks – brokering and capacity development
- Partnerships with regional development banks e.g., AfDB and DBSA
International

• Facilitative Process
  – Strengthen and give resources to UNFFS to implement the FP
  – Removal of barriers to accessing funds from existing sources and
  – Building the capacity of developing countries to be able to access the existing funds.
  – Monitor results and report on impact
International Level

• Establish Forest Instrument - specific Global Forest fund to cover
  – Countries with special needs and thematic areas not covered by existing funding mechanisms:
    – upfront financing
      • Planning,
      • Analytical work
      • Research and development and
      • National capacity building
  – Promote implementation of the Forest Instrument
THANK YOU