

# Forestry Investments – Driver for Sustainable Development

Indufor experiences with sustainable forestry investments in developing countries

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May 20, 2010

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# Thesis

- Adding value to economically, environmentally and socially sustainable use of forest land requires private investments
- Successful forestry investment generate incomes and wealth to communities through fair benefit sharing
  - This supports creation of long term shareholder value in companies
  - This is crucial when the company depends on community's assets
  - Reduces social conflicts



# Investment approach

- + High short term revenues
- + Good control of the asset and supply

- High investment costs
- High social risk – benefit sharing?

- + Enlargement of supply area and volumes
- + Diversification of local business opportunities
- + Increased wealth among local groups
- + Mitigation of social risks – corporate responsibility

- Technical and financial support to small holdings
- Less control on the supply chain



Large estates

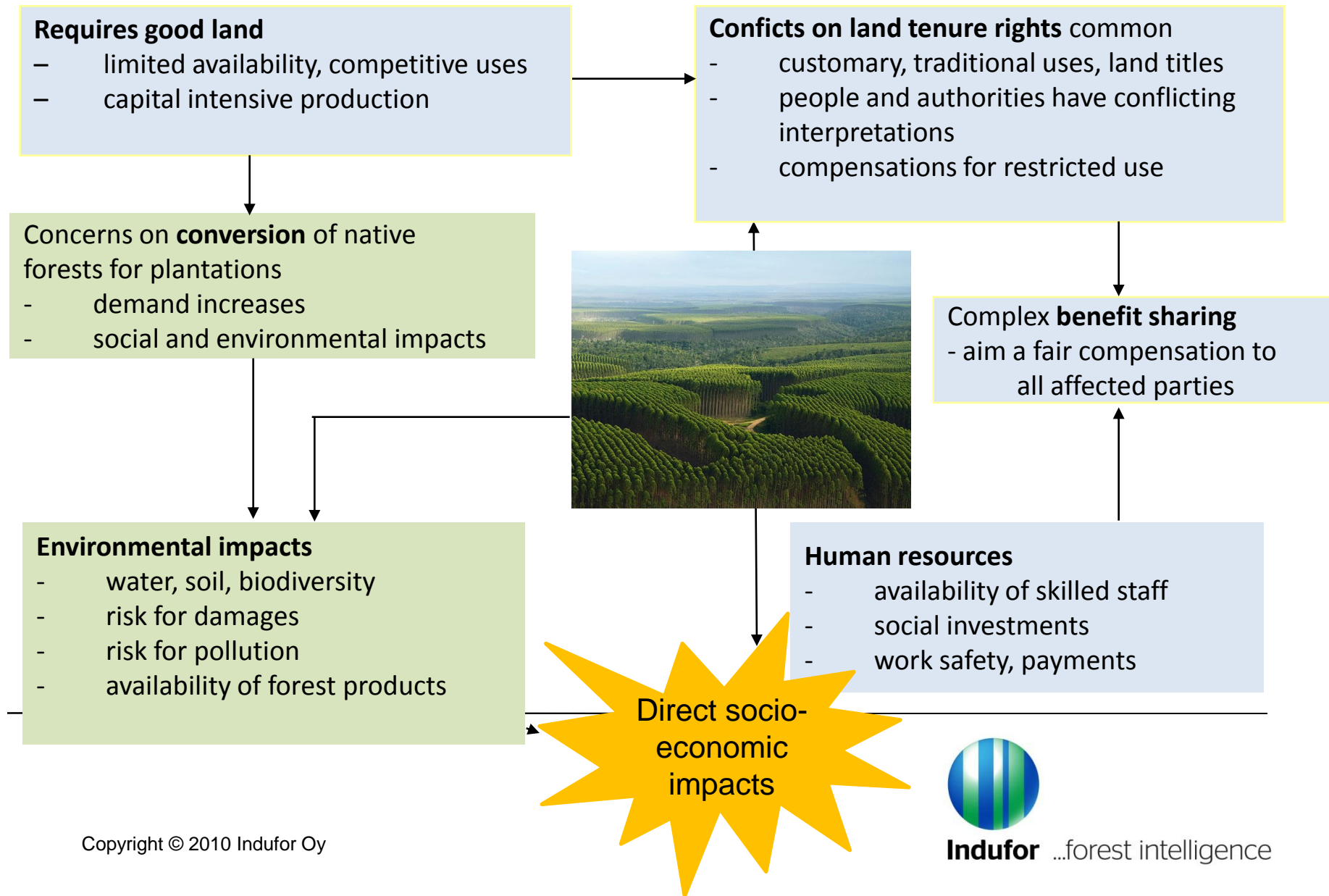


Small holdings

Ownership of forest assets

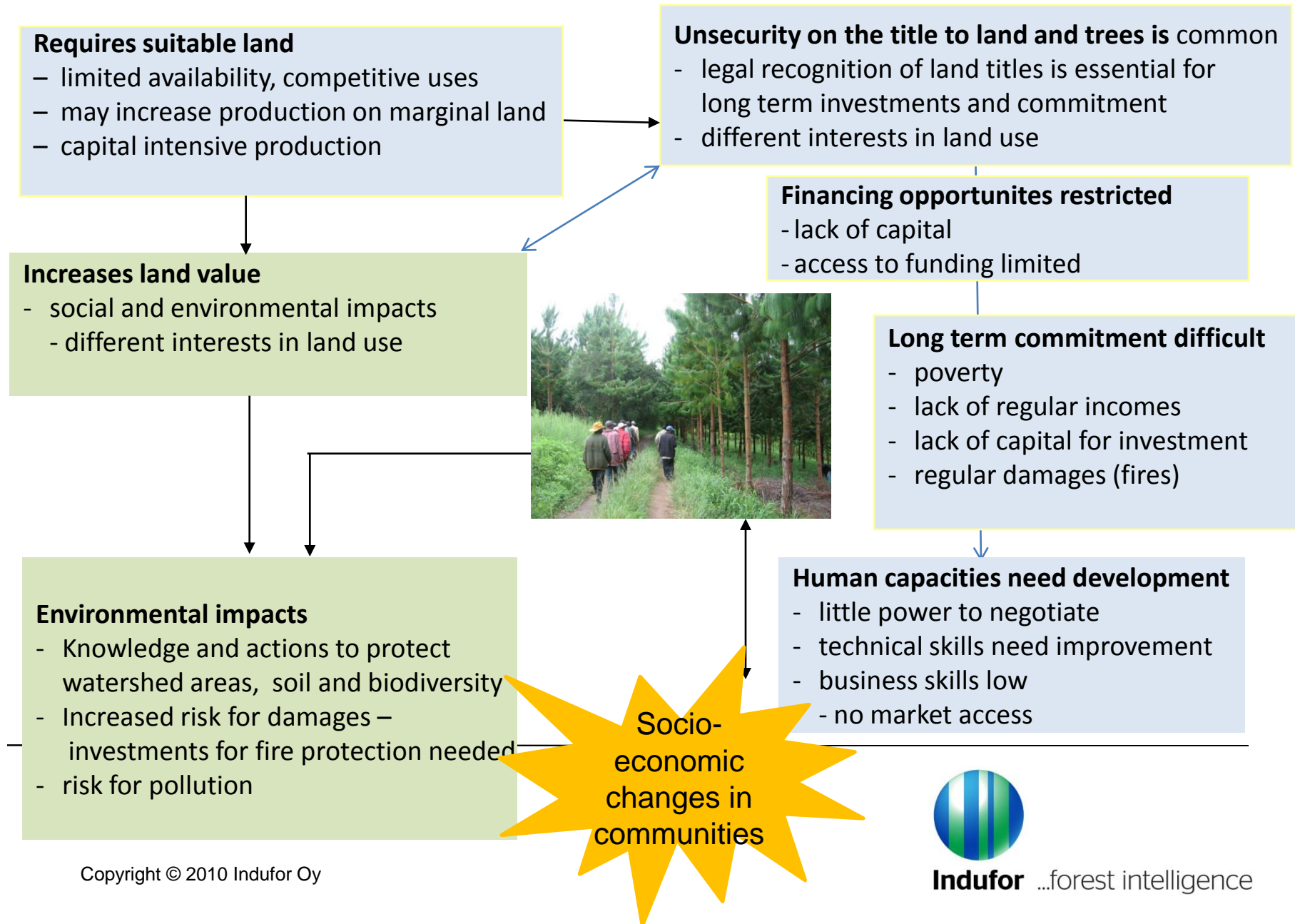


# Key elements in intensive large-scale forest investment





# Key elements in small holder based tree production



# 2. Cases



# 1. Large scale plantation forestry in Brazil

- The key issues the large scale companies phase:
  - Land concentration
  - Effects of monoculture on biodiversity
  - Lack of information / education / training
  - Conflicts on land
  - General opposition to the sector
- Informed companies are proactively developing and diversifying the supply chain
  - Support to small land owners under various outgrowing schemes
  - Contracting service providers in silviculture, logging and transport
- Links to other social and environmental investments in the community





# Large scale plantation forestry in Brazil

## Tree Growers

- **The Argument:**
  - Land concentration, rural exodus, effects of monoculture on biodiversity
- **Company's response:**
  - Company signed a partnership with the ENGO Apremavi and developed the “Matas Legais” program in 2005 with 40 pilot cases.
  - Educates the tree farmers on various cultivation methods in a sustainable way.
  - Company is responsible for the planting and silviculture.



# Large scale plantation forestry in Brazil

## Tree growers



- **The project:**
  - Promotes partnership with NGO and local farmers
  - Educates locals about their land and alternative uses
  - Keep families in rural areas and in their land
  - Addresses the problem of land concentration
  - Independent NGO facilitated the trust building with the farmers
- **Outcomes:**
  - The company have the guarantee of high quality logs
  - The company has the guarantee that the property is complying with legal requirements
  - The farmers maintain their property, learn about alternative uses to the land

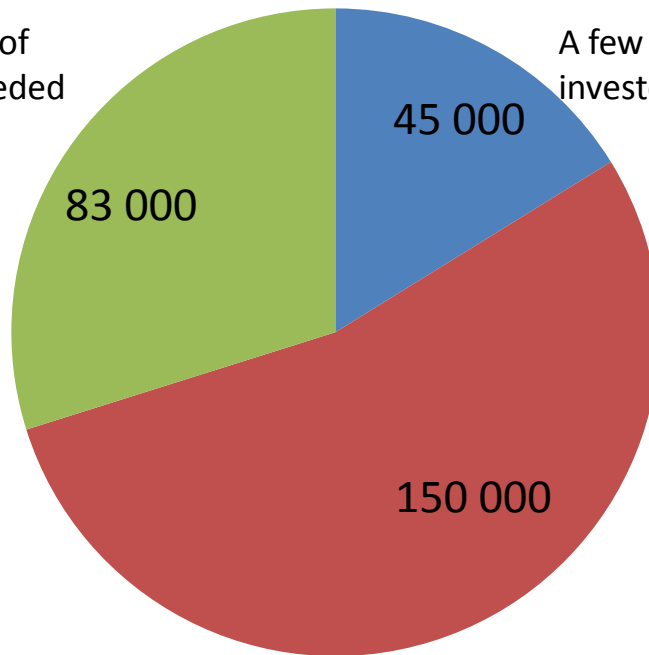


## 2. Strengthening private forestry in Tanzania

### Theoretical land availability for forestry investments

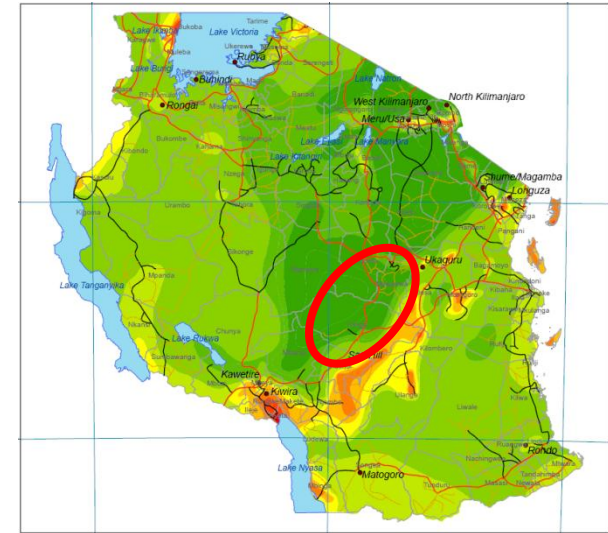
#### Potential land areas for forestry investments, ha

Proper screening of suitable areas needed



A few large scale investors, interest high

- Major Industrial Plantations
- Small, medium woodlots
- State land for plantations



# Strengthening private forestry in Tanzania

Creating partnerships with tree growers, service providers and timber users

- Fast growing plantation forests in Southern Highlands, Tanzania 2009 –
  - Objective 1: to attract more private investments and business in forest sector
  - Objective 2: promote cooperation among individual small-scale tree growers, service providers and timber users through establishing eleven tree growers' associations (TGA). TGAs
    - I. enhance the bargaining power of tree growers' in the value chain
    - II. provide training for members on lobbying, tree growing techniques, business skills and entrepreneurship
    - III. provide a tree growers an access to service providers and timber markets.
    - IV. activities for continuous income generation
  - Government supports to the process and creates enabling environment.
- 



# Strengthening private forestry in Tanzania

Creating partnerships with timber producers, service providers and timber users

- Drivers

- Tree farming the most preferred activity after agriculture (for domestic use and cash crops)
- Current timber prices high enough to increase the interest in tree farming (government administers timber prices)
- Familiarity with growing of exotic tree species exist, based on previous activities

- Urgent development needs

- 1) Awareness of the quality of seeds and availability of quality seedlings <sup>1)</sup>
- 2) Site selection and use of appropriate silvicultural regimes <sup>2)</sup>
- 3) Development of market negotiations and economies of scale in sales
- 4) Contracting procedures on service providers
- 5) Cooperation between tree growing associations to establish regional and national organization

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•TTSA- Tanzanian Tree Seed Agency

2) Risk for premature harvesting





# Future activities to strengthen private forestry in Tanzania

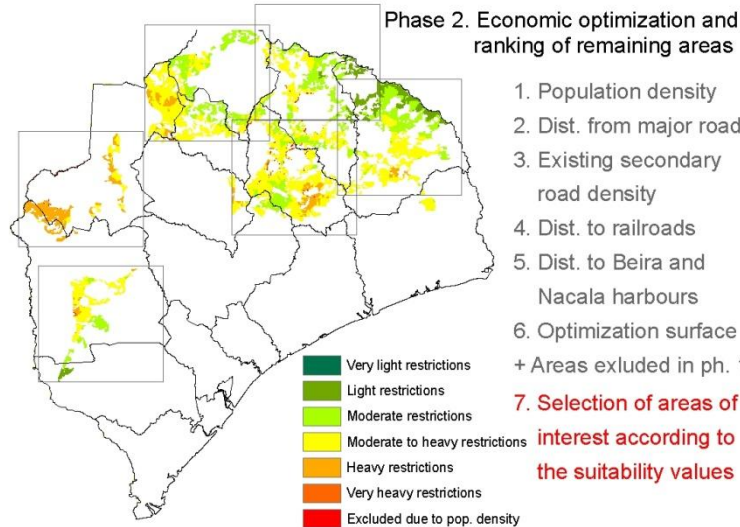
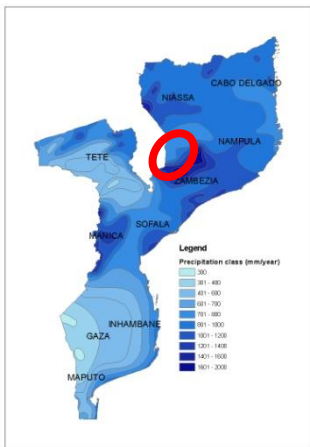
- Ministry for Foreign Affairs, Finland is currently preparing a long term project on the development of private forestry and carbon trade in Tanzania.
- The purpose is to
  - Widen the scope of private forestry from fast-growing wood lots in the Southern Highlands to natural resource management on Miombo woodlands including carbon trading and other commercialization
  - Further develop the ongoing initiatives to strengthen the private forestry.



### 3. Mozambique – Screening of suitable land for plantations

Forest companies have high interest to for forestry land in Mozambique. Suitable land areas are screened and acquired.

Development of small holder tree farming schemes is seriously considered by the companies planning to invest in the country.



1. Population density
  2. Dist. from major roads
  3. Existing secondary road density
  4. Dist. to railroads
  5. Dist. to Beira and Nacala harbours
  6. Optimization surface
- + Areas excluded in ph. 1

**7. Selection of areas of interest according to the suitability values**

Zambezia district most promising  
 - Of the 1.2 mill ha only 0.7 mill ha were identified technically feasible for plantation forestry.

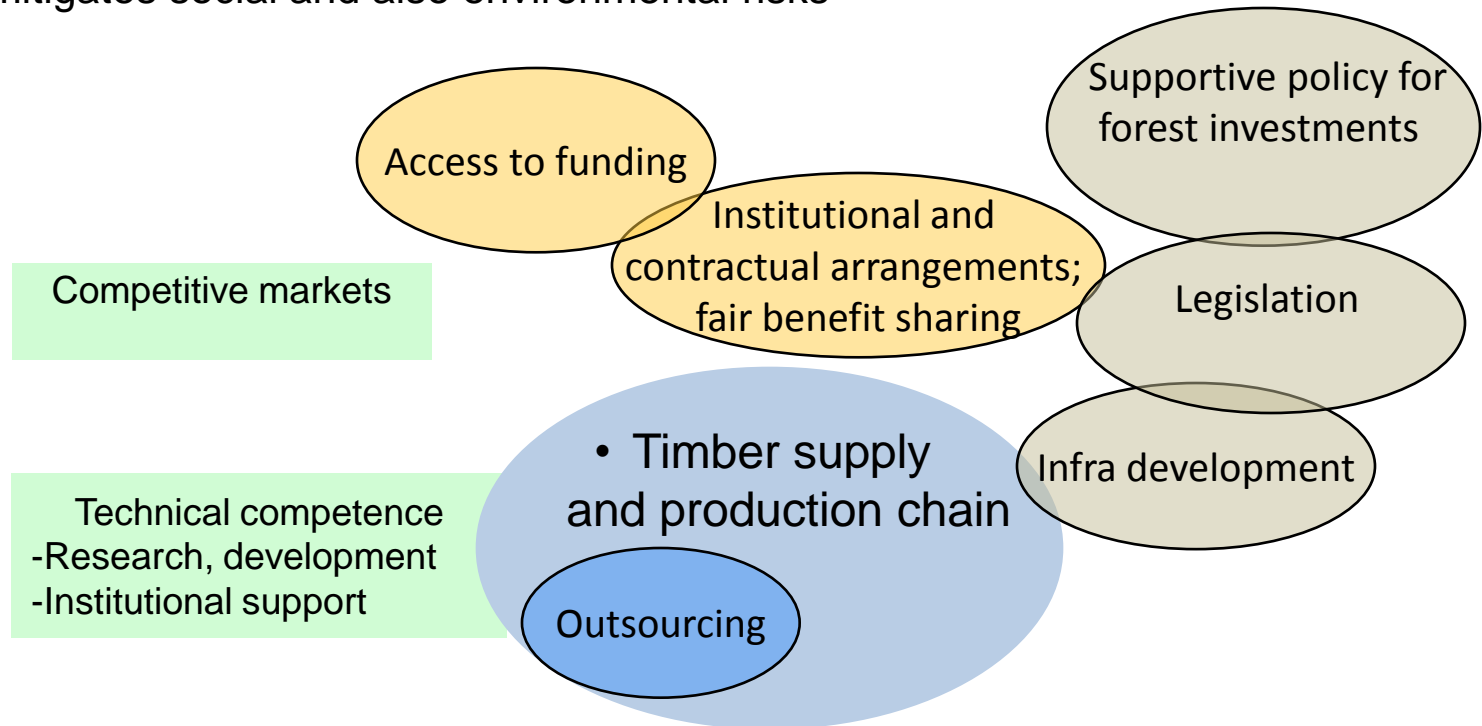
Process outcomes:  
 - improved forest data  
 - identification of feasible areas  
 - improved forest policy and strategy  
 - higher investors' interest



### 3. Summary of the key elements of successful forestry investment

Integration of private sector and small scale timber producers in commercial timber production

- I. provide sustained long term benefits and increases the development possibilities of business
- II. mitigates social and also environmental risks



- Thank you for your attention!

