Forestry Investments – Driver for Sustainable Development
Indufor experiences with sustainable forestry investments in developing countries
Hanna Nikinmaa
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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

Ownership of forest assets

Large estates

Small holdings

+ 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
Key elements in intensive large-scale forest investment

Requires good land
- limited availability, competitive uses
- capital intensive production

Conflicts on land tenure rights common
- customary, traditional uses, land titles
- people and authorities have conflicting interpretations
- compensations for restricted use

Concerns on conversion of native forests for plantations
- demand increases
- social and environmental impacts

Complex benefit sharing
- aim a fair compensation to all affected parties

Environmental impacts
- water, soil, biodiversity
- risk for damages
- risk for pollution
- availability of forest products

Human resources
- availability of skilled staff
- social investments
- work safety, payments

Direct socio-economic impacts
Key elements in small holder based tree production

Requires suitable land
- limited availability, competitive uses
- may increase production on marginal land
- capital intensive production

Unsecurity on the title to land and trees is common
- legal recognition of land titles is essential for long term investments and commitment
- different interests in land use

Financing opportunities restricted
- lack of capital
- access to funding limited

Long term commitment difficult
- poverty
- lack of regular incomes
- lack of capital for investment
- regular damages (fires)

Environmental impacts
- Knowledge and actions to protect watershed areas, soil and biodiversity
- Increased risk for damages – investments for fire protection needed
- risk for pollution

Increases land value
- social and environmental impacts
- different interests in land use

Human capacities need development
- little power to negotiate
- technical skills need improvement
- business skills low
- no market access

Socio-economic changes in communities

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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

- Major Industrial Plantations: 150,000 ha
- Small, medium woodlots: 83,000 ha
- State land for plantations: 45,000 ha

Proper screening of suitable areas needed.

A few large scale investors, interest high.
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
  2) Site selection and use of appropriate silvicultural regimes
  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

• 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.

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

- Timber supply and production chain
  - Technical competence
    - Research, development
    - Institutional support
  - Institutional and contractual arrangements; fair benefit sharing
  - Access to funding
- Supportive policy for forest investments
- Legislation
- Infra development
- Outsourcing
- Competitive markets
• Thank you for your attention!
Indufor: Quick Facts

• Independent advisors in forestry and forest industry development
• Global operations serving both private and public sector clients
• Founded: 1980
• 100% staff owned
• Head Office: Helsinki, Finland
• Staff: 27 professionals in Helsinki, about 80 in projects around the world
• Turnover 2009: 6.6 MEUR
Indufor’s Presence in Emerging Forest Regions 2009
Permanent HQ staff + project staff (short-term projects with no numbers are implemented by Indufor HQ staff)

Indufor has had long-term presence in:
- Brazil 1988-
- Laos/Vietnam 1996-
- Tanzania/Mozambique 1987-
- Russia 1985-93; 2003-
- Indonesia 1992-
- China 2004-