



## DECLARATION OF MAIN PRIORITIES for upscaling of commercial reforestation in Forest Landscape Restoration.

... Resulting from the Working Conference 'Forests for the Future – New Forests for Africa', held in Accra 16-17th March 2016, organised by Nyenrode University and Form International in partnership with the Forestry Commission of Ghana (FC), the Dutch Entrepreneurial Development Bank FMO, the Finish development bank FinnFund and the World Resources Institute. The declaration consists of four parts:

1. Short introduction to the Conference;
2. Recognition of the importance of forestry and reforestation;
3. The business case for commercial reforestation projects;
4. Key findings of the Conference and call to action.

### **Conference 'Forests for the Future – New Forests for Africa'**

Recently the working conference 'Forests for the Future – New Forests for Africa', was held in Accra 16-17<sup>th</sup> March 2016. The aim of this conference was to discuss the need for new forests for Africa to meet COP21 agreements regarding forests and climate change mitigation and adaptation, which was signed by 175 parties (174 countries and the European Union) on 22 April 2016, 'International Mother Earth Day'. The conference audience and speakers consisted of African Leaders and leaders of various institutions like developments funds, plantation companies, national forestry commissions, NGO's and representatives of local communities.

### **Recognition of the importance of forestry and reforestation**

The conference organisers and their key partners are aware of the tremendous importance of reforestation as:

1. Forests are a vital element for the wellbeing of flora, fauna and humanity on our planet. Although many initiatives are taken to create new forests, the pace of reforestation still does not measure up to the annual loss of forests.<sup>1</sup> The urgency to take action to reforest degraded land is now felt by many (as witnessed during the 2015 World Forestry Conference in Durban).<sup>2</sup>

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<sup>1</sup> The Global Forest Resources Assessment 2015 (FRA 2015) of the Food and Agriculture Organization of the United Nations: Results indicated that total forest area declined by 3%, from 4,128 Mio hectares in 1990 to 3,999 Mio hectares in 2015. Natural forest area declined from 3,961 Mio hectares to 3,721 Mio hectares between 1990 and 2015, while planted forest (including rubber plantations) increased from 168 Mio hectares to 278 Mio hectares. From 2010 to 2015, tropical forest area declined at a rate of 5.5 Mio hectares yearly – only 58% of the rate in the 1990s – while temperate forest area expanded at a rate of 2.2 Mio hectares yearly.

<sup>2</sup> Nearly 4,000 participants from 142 countries met at the XIV World Forestry Congress on 7–11 September 2015 in Durban, South Africa, where these concerns have been discussed and a



2. Deforestation and forest degradation, through agricultural expansion, conversion to pastureland, infrastructure development, destructive logging, wildfires etc., account for nearly 20% of global greenhouse gas emissions, more than the entire global transportation sector and second only to the energy sector<sup>3</sup>. In Africa, 33% of emissions are due to agricultural, land use change and deforestation (Comesa 2014). Such forest degradation and deforestation needs to be curbed and forests restored to mitigate climate change and prevent further release and even increased storage of GHG.
3. Up to 250 million people on the African continent will live in areas of high water stress by 2030. Population growth and resource scarcity due to degradation will inevitably exacerbate these conditions: 65 per cent of land in Africa is already affected by degradation, and the continent loses 3 per cent of agricultural GDP annually due to soil and nutrient loss on farmland.
4. As a result of the above developments the population of many African countries are facing serious problems. The consequences of this alarmingly unstable and unbalanced situation are clearly visible in Africa, but also in Europe which is experiencing a major impact through the enormous flow of migrants, which is partly related to environmental degradation.
5. Forest landscape restoration in Africa can contribute significantly to the global effort to address climate change, resource scarcity (fibre and fuel), bolster local economic development and accelerate progress in achieving the new sustainable development goals, particularly SDG15. These activities will also contribute to the Bonn Challenge - a global goal to initiate restoration on 150 million hectares of land by 2020; and the New York Declaration on Forests - a plan to initiate restoration on 350 million hectares by 2030. Research shows that restoring these 350 million hectares could generate \$170 billion/ year globally in net benefits from watershed protection, improved crop yields and forest products while also reducing the emissions gap by up to 15%.<sup>4</sup>
6. During COP21 in Paris, a new initiative called the "African Forest Landscape Restoration Initiative" (AFR100) was endorsed by key stakeholders: 13 African countries, nine finance organizations and ten technical partners. The goal is to initiate restoration on 100 million hectares of degraded and deforested land in Africa by 2030.
7. AFR100 countries have already committed to restore more than 46 million hectares and partners, including the World Bank, are earmarking more than \$1 billion in development finance and private sector impact investor partners have earmarked \$540 million to support these activities.<sup>5</sup>
8. During the conference, several African leaders, including Hon. Kofi Annan, ministers, past presidents, CEO's of forestry companies, NGO and African community leaders

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declaration was signed.

[http://www.fao.org/fileadmin/user\\_upload/wfc2015/Documents/Durban\\_Declaration\\_draft.pdf](http://www.fao.org/fileadmin/user_upload/wfc2015/Documents/Durban_Declaration_draft.pdf)

<sup>3</sup> <http://www.un-redd.org/aboutredd>

<sup>4</sup> <http://2014.newclimateeconomy.report/land-use/>

<sup>5</sup> source: World Resources Institute



stressed the high importance of the AFR100 commitments for the African people and called for immediate action to translate commitments into practice now.

### **The business case for commercial reforestation projects**

*The conference organisers and their key partners realize that in order to reach AFR100 targets, upscaling of reforestation and forest restoration is needed urgently. The private sector, with strong support of other stakeholders, is the driver of successful and sustainable reforestation and forest restoration. Hereby taken into account that:*

1. There are several initiatives, projects and companies that are successful with reforestation and forest landscape restoration on the African continent, as presented during the conference. Clear business cases were presented that are financially sound, well-managed and are contributing significantly to social, ecological and local economic development, building on broad support from local communities, governments, NGO's and financial institutions. A clear denominator in successful cases is the lead role of the private sector (companies, farmers) that have a strong business case. Returns on forestry investments on the African continent are now estimated at 8.6-17.9% Internal Rate of Return (IRR) according to RISI's world's leading Global Tree Farms Economic Review.<sup>6</sup>
2. It is recognised that the successful examples of forest landscape restoration require significant upscaling to meet AFR100 targets. The pace of restoration work needs to accelerate dramatically to reverse degradation and meet COP21 and AFR100 targets.
3. The opportunities for upscaling have been evidenced by thorough research (WRI / IUCN research, FSC, WWF, etc.) and restoration successes that have been achieved throughout Sub-Saharan Africa. A new analysis, carried out by the World Resources Institute (WRI) and South Dakota State University, in partnership with the International Union for Conservation of Nature (IUCN) and the Global Partnership on Forest and Landscape Restoration, (GPFLR), found that about 450 million hectares of degraded land in Africa offer opportunities for forest restoration. This is an area the size of the entire European Union<sup>7</sup>. The benefits of forest landscape restoration have been well documented and recognised, business cases have been proven for different kinds of restoration and strong political commitments at international, regional and national level have been made.
4. There are significant advantages of investments in reforestation and forest landscape restoration for multiple stakeholder groups - if managed sustainably:
  - Restoration of degraded land: regain microclimate, soil improvement, improve biodiversity and ecosystem services, improve watershed management, and make land productive again for forestry and agriculture;
  - Creation of permanent long term employment;
  - Supply of timber, firewood and biomass for energy for local and export markets;

<sup>6</sup> RISI, the leading information provider for the global forest products industry.

<sup>7</sup> <http://www.wri.org/blog/2011/05/restoring-forests-opportunity-africa>



- Enhance smallholder income and boost out grower schemes where farmers plant trees for own use/sales, or as intercropping in an agro-forestry scheme. Plantation companies can contribute because of their knowledge and long term presence.

## **Key findings of the Conference and call to action**

Despite all the recent developments, the speed of reforestation (by far) does not match the loss of forests. The Working Conference New Forests for Africa and similar preceding and ongoing platforms have shown us that the private sector can take the lead, provided they have sufficient access to finance, but also access to good science and access to community champions. At the conference, it was concluded that if we really want to boost reforestation, the private sector first and foremost urgently needs to have access to larger funds with appropriate financing conditions. , like the climate funds, next to clearing the aforementioned barriers. The importance of “platforms”, such as AFR100, that can efficiently pull together companies with financiers, technical experts and community leaders to ensure all key stakeholders are at the table was also highlighted.

## ***In order to improve financial instruments targeted for commercial reforestation the conference organisers and their partners urge for:***

- a. Expanding current lending opportunities to include long-term finance, extending to 20 - 25 years;
- b. Promoting coverage by blended finance (e.g. climate finance to take highest risk – this is now taken at small scale by risk capitalists and high net worth individuals);
- c. Adapting the definition of return: more focus and valuation of social, environmental return, which are high in this sector compared to other asset classes.
- d. Allowing for negotiations on lower interest rates (debt) and return expectations (equity);
- e. Addressing risk/return profiles: what is required to change risk perception or risk acceptance from finance institutions?
- f. Show and replicate successful business cases and build a robust reforestation and forest restoration industry. This will provide more comfort to investors, a reduced risk profile, which will lead to lower cost of finance;
- g. Designing amenable security packages: e.g. first loss guarantee, state backed securities.

The organisers recognize that a bio-based economy is the future of the continent. To get there, we also need to **bridge the gap from an immature to a mature restoration sector: a growing number of players, reaching economies of scale, continuous and shared innovation, building the required value chain industry/infrastructure.** This would mean a number of interwoven elements:

- incubation funds and grants;
- technical assistance and capacity building;
- government incentives / enabling environment;
- PPP as a strong concept to innovate/grow/incubate, reach private and public goals;
- build strong platforms to exchange knowledge and joint efforts to remove barriers.



**Key challenges:** *In order to reach AFR100 targets, upscaling of reforestation and forest restoration is needed urgently. It should be recognised that the private sector, with strong support of other stakeholders has been an important driver of successful and sustainable reforestation and forest restoration. There is a need to stimulate and facilitate private sector initiatives intensively and upscale successful forest restoration models with sound and sustainable business cases. Yet the private sector has great difficulties to attract the necessary funding and support to scale up, which is related to the complexity of forest finance and the immature state of the reforestation and forest restoration sector. Main barriers that have to be addressed are: 1) current financing instruments available from the financial sector are not sufficiently aligned with the long financing periods, risk/return profile and acceptable cost of capital of reforestation and forest restoration projects; 2) insufficient availability of and access to finance and support instruments for greenfield reforestation and forest restoration initiatives such as incubation funds, grants, technical assistance and government incentives. Development of improved instruments is needed to overcome these main barriers, upscale successful organisations and assist serious new initiatives to become successful. New instruments should lead to a robust forest restoration sector across Africa able to reach AFR100 targets. With firm political and multi-stakeholder backing and restoration successes to draw from, the time is right to achieve these important goals.*

**A significant first step can be taken to implement these steps through development of a (NFFA) FUND with BLENDED FINANCE, allocating significant funding for GREENFIELD investments that can be used as incubator funds for larger impact investments.**