

Photo by Komaza

Project snapshot

Type	Forests
Region of interest	Africa
Blueprint owner	Komaza
Financial instrument	Debt and private equity
Proof of concept	In progress

In a nutshell

In Africa, 65% of land has been affected by degradation and 3 million hectares of forest are lost annually. Wood consumption is the leading cause of forest degradation, driven by urbanization and increasing local demand for wood products. Smallholder forestry presents a critical opportunity for meeting the growing demand for domestic wood consumption and mitigating the threat posed by deforestation and ecosystem degradation. Komaza has developed plans for a Smallholder Forestry Vehicle (SFV), which seeks to reduce the overall cost of capital by separating the risks of the longest, least risky growth stage from the risks of the establishment and harvesting stages.

Investment and operating model

The Operating Company (i.e. Komaza) works with smallholders and provides them with training, planting inputs, maintenance support, harvesting services, and a guaranteed market for trees. It then sells a portfolio of tree production contracts to the SFV, in exchange for an upfront payment which helps the Company to recycle the initial investments made in planting. Each SFV portfolio will comprise 1–3 vintage years of tree contracts.

The SFV is financed by debt and equity investors. The proceeds from the investors finance the maintenance of the trees until harvest time, as well as enable the Company to scale its operations. Cash flows are driven by the tree vintages included in the SFV, as well as by the thinning regime and harvesting cycles.

The SFV is a closed-end vehicle with a duration of 12 years, with a possible extension of 2–3 years. The Company buys back the tree production contracts prior to final harvest at a fair price, calculated using valuation methods agreed at initial investment. The Company is then responsible for the harvest, farmer compensation, transport, processing, and final market sales.

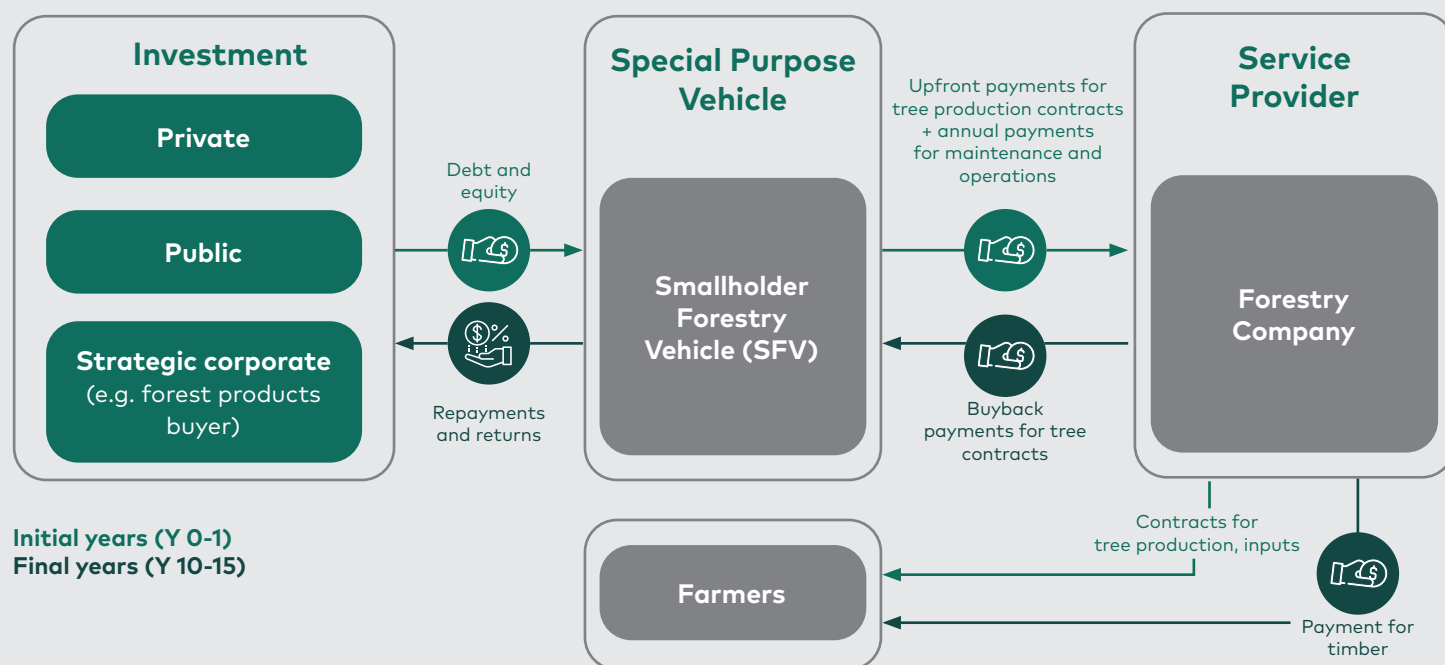
Impact measurement

The SFV will enhance climate resilience and biodiversity benefits by restoring degraded land, and will improve socioeconomic resilience by helping smallholder farmers to absorb the shocks of climate events. Key outcome indicators include the number of farmers employed, trees planted, hectares of land under cultivation, the reduction of deforestation (including loss of mangroves), farmer income, and farm income.

Scalability and replication

The instrument will first be deployed in Kenya. Following the successful implementation of the proof of concept facility, the Company will seek to launch follow-on vehicles every 3–5 years, each around USD 50–100 million in size and covering 7,000–15,000 hectares of planting at a time. Increased operations in Kenya and expansion into neighboring markets such as Ethiopia, Mozambique, Rwanda, Tanzania, and Uganda is possible.

Investment and operating model



Would you like to know more?

The Coalition for Private Investment in Conservation (CPIC) is a global, multi-stakeholder initiative with a mission to enable conditions that support a material increase in private, return-seeking investment in conservation. These blueprints support this mission by providing replicable investment models that incorporate innovative finance solutions to encourage the participation of private investors.



More information on this blueprint is available [here](#).

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