



KENYAN FORESTRY SECTOR

Introducing innovative technologies and models to transform Kenya's commercial forestry sector, protect the environment, and benefit millions of Kenyan citizens

THE OPPORTUNITY

Demand for wood is accelerating rapidly in Kenya but domestic supply is not keeping pace – with serious consequences. Alarming, even with wood imports rising dramatically, the country lost 10% of its tree cover between 2001 and 2018.

Population and economic growth will ratchet the pressure further – projections show the current supply gap will double in the next decade without action. This threatens further increases in costs for wood fuel that have already significantly hit Kenyan households and industries.

Transforming the commercial forestry sector thus holds huge potential to help protect natural forests and spur significant job and wealth creation. Kenya has clear opportunities to unlock land for planting while introducing game-changing technologies and radically upgrading models for sourcing timber, including through farm-forestry.

Crucially, these innovative technologies and models could be deployed so that the sector expands in an

inclusive way, with smallholder growers developing win-win relationships with pioneering processors. The impact on Kenya's environment and economy would be striking.

POTENTIAL IMPACT

Detailed analysis of the sector's potential across different Kenyan regions has shown that by 2035, the country could see:

- **More than 1 million households generating a collective annual income of US\$50 million from tree-growing**
- **11,000 new formal skilled jobs created in wood value chains**
- **Processing adding US\$261 million of value to finished products per year**
- **Nearly 200,000 hectares of additional commercial forestry coverage**
- **Long-term carbon sequestration of 28.7 M tCO₂ equivalent**



ENVIRONMENT IS THE FOUNDATION OF DEVELOPMENT, AND IT CAN NO LONGER CONTINUE BEING TAKEN FOR GRANTED. I CHALLENGE ALL OF US TO STEP UP AND ENSURE THAT BY 2022 THE NATION ACHIEVES AND EVEN SURPASSES 10 PER CENT FOREST COVER.

KENYAN PRESIDENT UHURU KENYATTA



WITH THE MONEY I GET FROM SELLING MY TREES, I HOPE TO SEND MY CHILDREN TO SECONDARY SCHOOL AND THEN UNIVERSITY.

JOSEPHINE MASHA, FARMER SUPPORTED BY KOMAZA IN KILIFI COUNTY, KENYA

THE JOURNEY SO FAR

In 2016, Gatsby established the Kenya Commercial Forestry Programme to analyse the opportunities within the sector; test innovative models, bring in international learning and support stakeholders to kickstart growth.

The sector is at an early stage in its journey, with the processing industry struggling to attain take-off. Coordination in the sector, productivity and quality remain at relatively low levels with room for improvement, but a few dynamic firms are becoming established and leading the way.

Most importantly, critical stakeholders are becoming convinced of the sector's potential and excited by its opportunities, with this translating into clear action towards building a shared sector vision. The government is fully considering commercial forestry within its broader forestry plans, and is working to develop a clear commercial forestry policy.

KCFP has contributed to this excitement within the sector through a series of analytical pieces to generate evidence and outline opportunities. This has included developing a tool - the first of its kind

in Africa - that uses data on soil, rainfall, altitude and species performance to help inform growers and investors about what species and varieties of trees to plant in different locations. This tool has been backed up with a comprehensive analysis of different production and processing models, offering tailored recommendations about which can deliver the biggest impact for each of Kenya's regions.

KCFP has also linked key stakeholders to international expertise, bringing in global timber processing specialists to help local companies think through how they could improve operations, and organising visits to South Africa and Swaziland to help officials and business leaders learn from world-class forestry facilities.

In addition, KCFP has developed pilot partnerships with a range of different players to build momentum and demonstrate the potential behind different ways of working. These have included working with One Acre Fund to design high impact commercial forestry services with the potential to benefit approximately 500,000 farmers it works with in Western Kenya.



FOUR PROGRAMME HIGHLIGHTS IN 2019/20

POSITIVE SIGNS TOWARDS MAJOR POLICY REFORM

KCFP has been appointed by the Ministry of Environment & Forestry onto both national forestry policy and commercial forestry policy task-forces. KCFP is also partnering with the Kenya Forestry Research Institute to develop an evidenced-based and prioritised National Commercial Tree Improvement Strategy.

SUPPORTING GLOBAL EXPERTISE TO ENTER EAST AFRICA

KCFP is working with a leading South African forestry training and consulting firm to develop a market entry strategy for East Africa.

PIONEERING SITE SPECIES MATCHING TOOL SUPPORTING HIGH-LEVEL DISCUSSIONS ON SECTOR

KCFP has collated data on altitude, rainfall, soil and species performance to develop a tool that helps inform what tree species will grow well in different areas of Kenya. This is generating high levels of excitement within the sector; and KCFP is now using the tool to aid high-level discussions, such as with the Ministry on national sector planning.

COMPLETING COMPETITIVENESS ANALYSIS

KCFP has completed a detailed analysis of the relative competitiveness of different production and processing systems in Kenya and has identified priority competitive forest models in each region of Kenya. This is helping the team to identify viable opportunities and support stakeholders to develop a more robust vision for the sector.



CURRENT MOMENTUM

The past year has been significant in the sector. A logging ban within government plantations has limited many processors' operational capacity, and several are closing shop. This is partly due to difficulties in adopting the innovative models and technologies needed to source and process the low quality wood that is available from farm forestry and small woodlots.

More positively, forestry company Komaza - which currently works with 20,000 growers - has secured US\$30m of investment for a modern saw-mill supplied with farm-forestry timber in Central Kenya.

Access to high quality inputs also continues to increase, with One Acre Fund further investing in its forestry strategy to incorporate improved technologies into its tree kit package for farmers.

In addition, a leading South African forestry training and consulting firm with additional expertise in software solutions for managing out-grower schemes is preparing to enter the Kenyan market.

Significantly, there have been major shifts in government commitment towards improving the sector, including the Cabinet Secretary forming a task-force to spearhead development of a standalone commercial forestry policy.



IN OUR INITIAL DISCUSSIONS WITH GATSBY, YOUR TEAM HAD EXPRESSED WANTING TO SUBSTANTIALLY SHORTEN THE LEARNING CURVE FOR ACTORS AIMING TO INCREASE FORESTRY IMPACT FOR SMALLHOLDER FARMERS. I CAN DEFINITELY SAY THAT YOU HAVE DONE JUST THAT. LOOKING FORWARD TO OUR CONTINUED WORK TOGETHER!

PATRICK BELL, PHD
SENIOR DIRECTOR - RESEARCH AND DEVELOPMENT, ONE ACRE FUND | KENYA

WHERE NEXT?

- The opportunity for commercial forestry in Kenya is significant. Investment in new technologies and models could radically transform the sector and bring vast numbers of small growers into wood supply chains delivering high-value products.
- Government commitment is strong, with the forthcoming development of a distinct policy for commercial forestry offering the potential to rally stakeholders around a shared vision for the sector.
- Over the coming year, KCFP will share analysis and learning - both local and global - aiming to help stakeholders set out a pathway to rapidly grow the sector in a way that benefits hundreds and thousands of Kenyan citizens.
- KCFP will also look to catalyse pioneering investments in high technology saw milling, while helping to increase the supply of improved planting material for growers of all sizes, including by working with partners on seed import regulations.
- By 2021 we hope to see shifts in attitudes and policy - particularly around concessions - that would unlock significant amounts of land for commercial forestry and trigger serious investment interest.
- If successful, the sector will have shifted through the gears, with strong prospects for fulfilling its potential and bringing positive change to Kenya's economy, environment and people.



COMMERCIAL FORESTRY NOT ONLY HAS ECONOMIC BENEFITS BUT ALSO CONTRIBUTES TO CONSERVATION BY REDUCING PRESSURE ON NATURAL FORESTS AS WELL AS ENHANCING THE INCREASE OF FOREST COVER TOWARDS ACHIEVEMENT OF THE 10 PER CENT RECOMMENDED COVER.

BENSON KANYI, SECRETARY GENERAL OF THE KENYA TREE GROWERS ASSOCIATION

