

# Private Sector Investments in Sustainable Forestry – How It Can Be Scaled Up

And how it can contribute to legality and sustainability of timber



# The Fund Manager's Role

## Brokering climate finance solutions



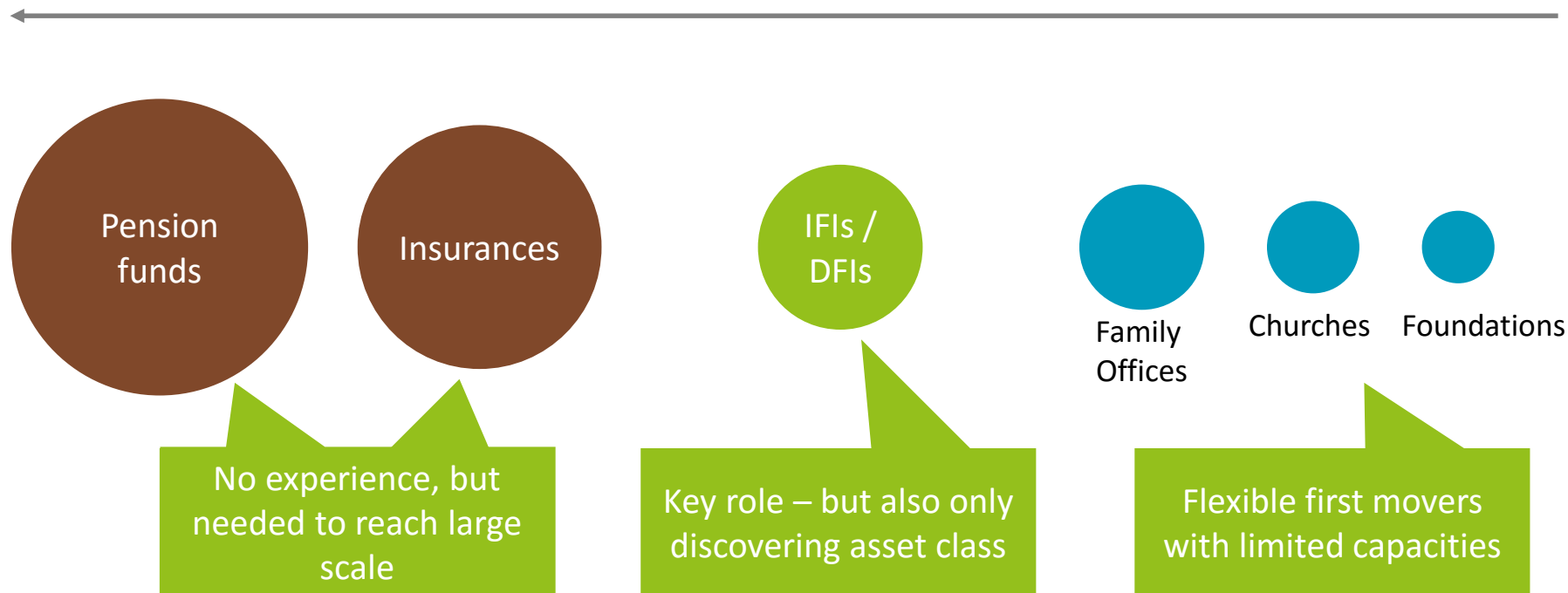
- Launch of Arbaro Fund in November 2017
- Filling a gap: providing long-term “smart” money and patient financing for sustainably run forest plantations in Sub-Saharan Africa and Latin America
- Working with a broad range of investors

⇒ **Who are potential investors for forestry?**

# Investors – Who Are They?

A diverse group in terms of size, experience and goals

Regulation increases with size of investor

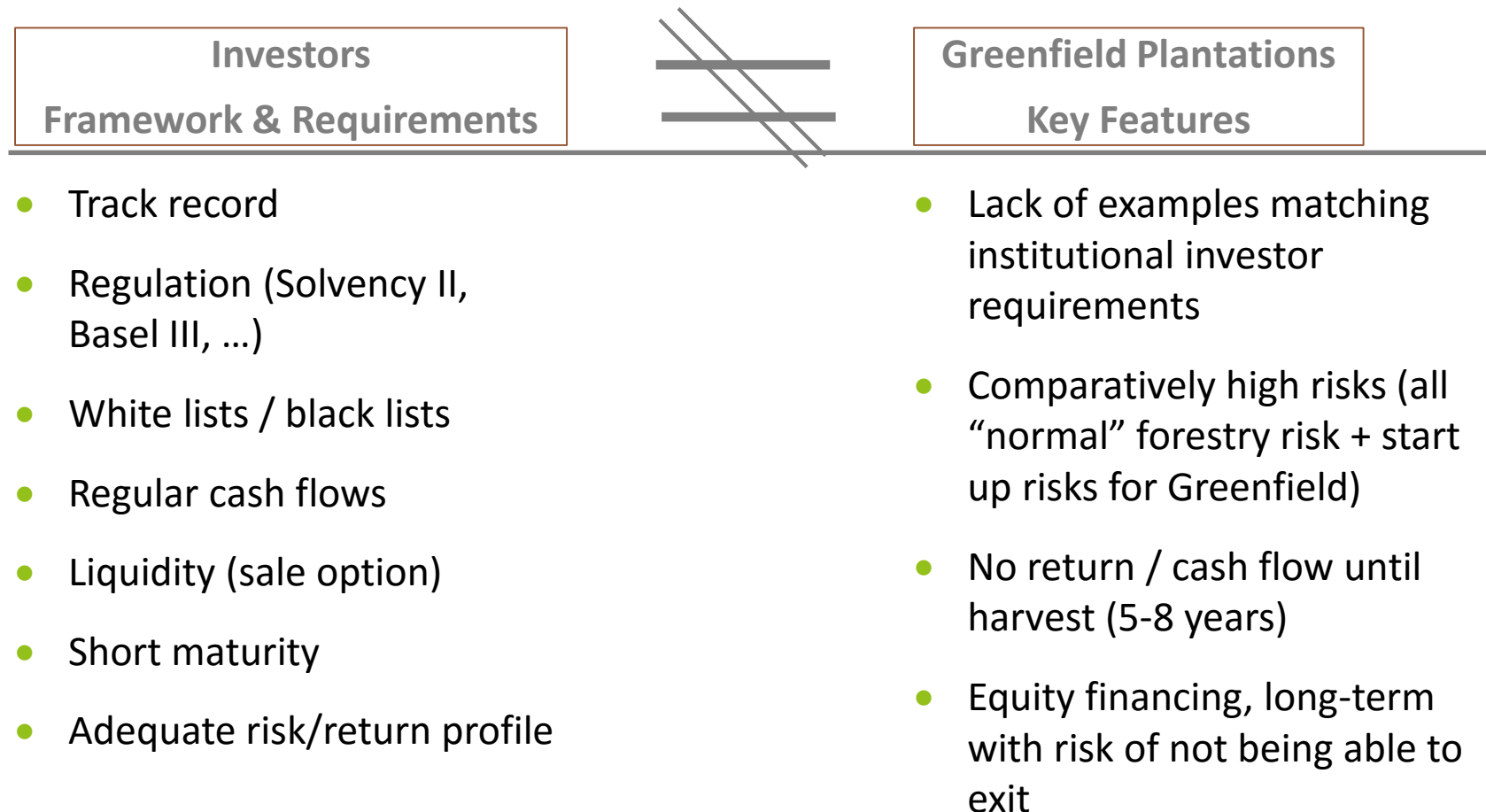


⇒ **What prevents these investors from investing in forestry?**

Bubble size indicates size of assets under management

# Investor Requirements

Little overlap between most investors' requirements and needs of Greenfields



⇒ **How can blended finance be used to increase investor interest?**

# Concept of Blended Finance

## Smart use of public funds

Blended finance is the strategic use of **public funds to mobilise private sector investment** for emerging and frontier economies.

### Blended finance in the context of sustainable forestry:

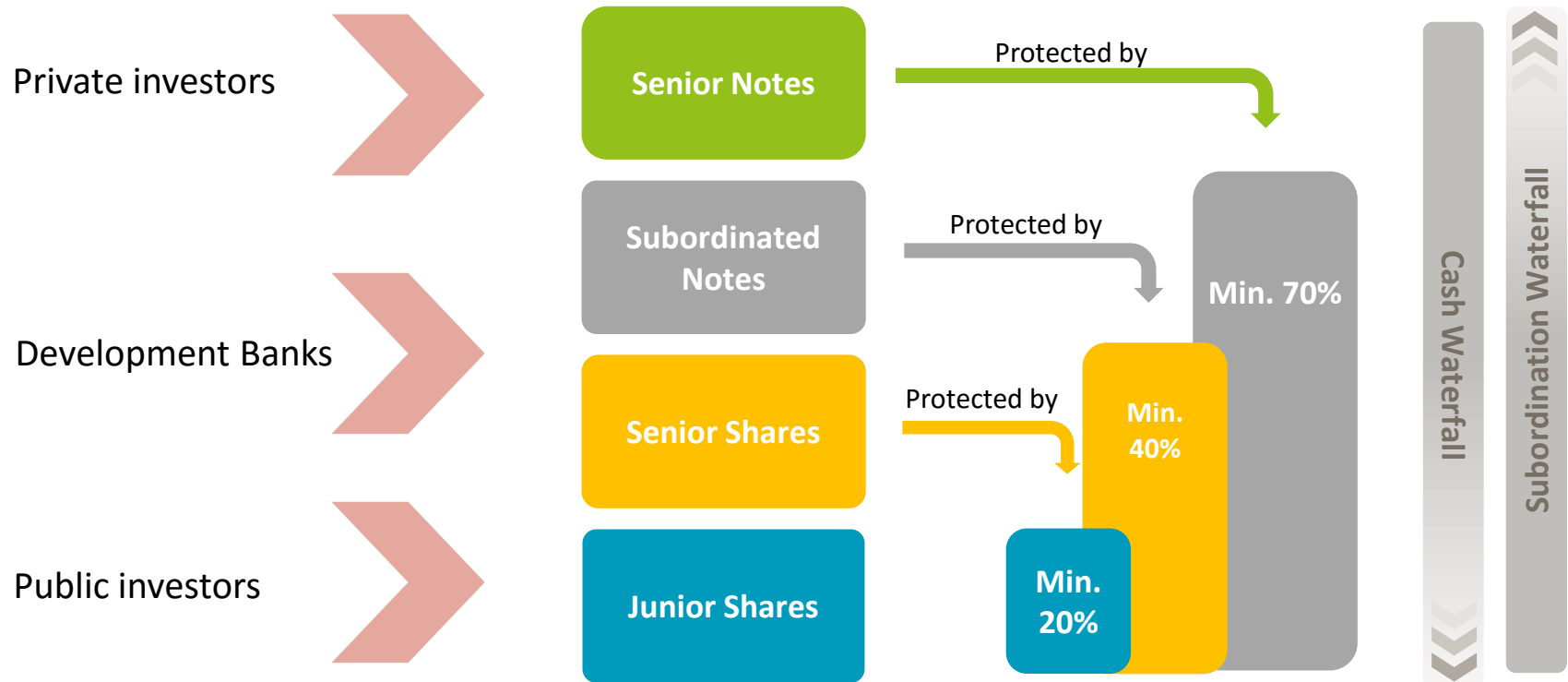
- ⇒ Provide the required scale to start “blueprint”
- ⇒ Be the first mover in high impact sector with potential to leverage large scale private investments
- ⇒ Provide quality seal and comfort for investors
- ⇒ Support liquidity and/or cash flows
- ⇒ Potentially, enhance the risk/return profile for investor
- ⇒ **Let's look at real life examples how crowding in private sector investors can work**



# Blended Finance - Example 1: Risk cushion

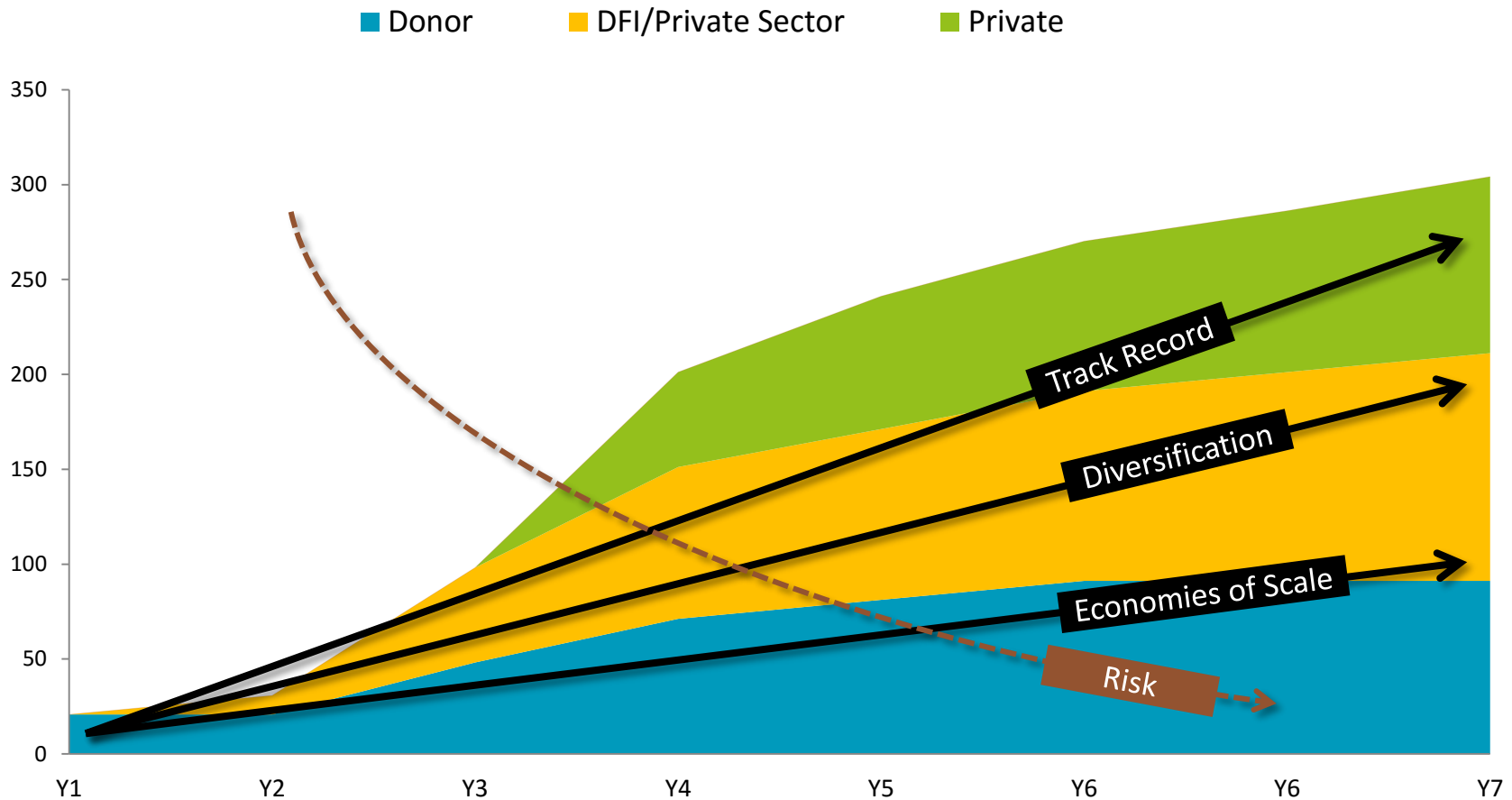
Same investment strategy, but tailored instrument for different investors

Minimum Investor Protection levels



# Blended Finance - Example 2: First Mover

How building a track record can attract private sector investors over time



# How Investors Can Support Legality & Sustainability

## Using influence on various stakeholders

- Investors can insist on FSC and other (certification) initiatives
  - ⇒ Companies won't otherwise do it as it is expensive and not needed in local context, but an international investors' requirement
  - ⇒ Align with other initiatives, e.g. FLEGT: no investments in countries that are non compatible
- Investors can require and enforce formalization (also pressure on policy makers)
  - ⇒ permits and licenses, workers have written contracts, bank-accounts for paying salaries, taxes and fees paid
- Wider industry development can be supported through e.g. associations
- Markets can be educated to require quality and sustainability (long road but possible)
- Smallholder / outgrower programmes provide education also to wider group of parties outside of immediate vicinity of investee company



Thank you for your attention!

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