



## The Forests Dialogue

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New Zealand

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Forest Peoples Programme

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The Forests Dialogue

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International Tropical Timber  
Organization (ITTO)

## The Forests Dialogue

# Investing in Locally Controlled Forestry 29 Nov–5 Dec, 2010 | Mombasa, Kenya Background Paper

by Dominic Walubengo and Mwangi Kinyanjui

## INTRODUCTION

This paper was prepared for The Forest Dialogue's (TFD) multi-stakeholder field dialogue to be held at Mombasa, Kenya from 29 November to 2 December 2010 as part of its dialogue initiative on *Investing in Locally Controlled Forestry (ILCF)*. In this undertaking the TFD is working in collaboration with the Growing Forest Partnerships.

The Forests Dialogue (TFD) is a group of individuals from diverse interests and regions that are committed to the conservation and sustainable use of forests. Through a shared understanding of forest issues from their own dialogues, members of The Forests Dialogue work together in a spirit of teamwork, trust, and commitment. They believe that their actions and relationships can help catalyze a broader consensus on forest issues and encourage constructive, collaborative action by individual leaders that will improve the condition and value of forests.

The TFD, which is *ad hoc*, seeks to support and reinforce existing efforts related to forest management. Members of TFD participate as individuals, not organizational delegates, and they aim to speak for a diversity of perspectives. The TFD processes and activities are transparent, complement the actions of others, and seek to advance progress by creating leadership cadres on key issues based on individuals with broader personal consensus.

The TFD has held five dialogues on ILCF, starting with a scoping dialogue in Brussels in June 2009 followed by three field dialogues that same year in Panama, Nepal and Macedonia. The first three field dialogues focused on locally controlled forestry from the perspective of the rights holders and specifically on Indigenous Peoples' forest management, community forestry and small, family forest owners. In May 2010 a dialogue was held in London that focused on the perspective of investors, defined not only as traditional, financial investment (also referred to as "hard") but also investments whose outcomes are somewhat abstract or difficult to monetize, such as capacity building or tenure reform (also known as "soft"). For more on the development of the initiative and background materials expanding on these definitions please visit TFD's website at [www.theforestdialogue.org](http://www.theforestdialogue.org).

The London dialogue defined locally controlled forestry as: *the local right for forest owner families and communities to make decisions on commercial forest management and land use, with secure tenure rights, freedom of association and access to markets and technology*. The main objective of the London dialogue was to find common ground between forest rights-holders and investors in order to improve the prospects of attracting productive investment into the locally controlled forestry sector. The dialogue attempted to unpack the issues that concern all forestry stakeholders and identify the pre-conditions, obstacles and opportunities that define locally controlled forestry.

The London dialogue agreed that there should be a set of principles or guidelines for ILCF projects that would be useful to both investors and rights holders. Such a set of guidelines could eventually be developed into a code of conduct. The guidelines would have two principal functions:

- ➔ to provide an operational basis for ILCF projects that would aid both investors and land-owners in defending their rights throughout the process; and,
- ➔ enable project developers to gain the support of investors and local leaders and their communities by allowing both to present to their constituencies the set of principles / guidelines to which the other side has agreed.

The dialogues in Panama, Nepal and Macedonia concluded that the three major themes that should be explored in the subsequent dialogues are: partnerships, markets, and government's role. Further, these dialogues recognised that Locally Controlled Forestry involves three groups of rights holders, namely: indigenous peoples, community forestry groups, and forestland smallholders—who own or manage a significant part of the world's forest resources.

In the case of Kenya the indigenous peoples of interest here are forest dwellers found in four forests: Mau, Mt. Elgon, Cherangany and Mukogodo. Many years ago, these people were hunter-gatherers. However, their lifestyle has changed and now they also keep livestock and practice a little agriculture. Community forestry groups are those people who live adjacent to forests but depend on the forest for a variety of goods and services, for example medicinal herbs, honey, firewood and vegetables. Forestland smallholders refers to farmers who may not be close to a forest but hold titles to their land and have made a decision to establish forests on their land. The land this group of people owns ranges in size from 1 to 5 ha.

## FORESTS OF KENYA

### Forest types

The forests of Kenya are scantily distributed in the country (Figure 1) comprising only 2% of the total land cover. Beentje (1994) classified the forests into three categories based on forest formations; rain-forests, moist forests, and dry forests. This categorisation was generalised by KIFCON (1994) which categorised the forests into four zones based on where they occur; coastal, dry forests, montane forests and western rain forests. Montane forests cover the largest area and are dominated by a variety of ever-green broad leaved tree species. They include the Mau, Mount Kenya, Aberdares, Cherangany and Mt.

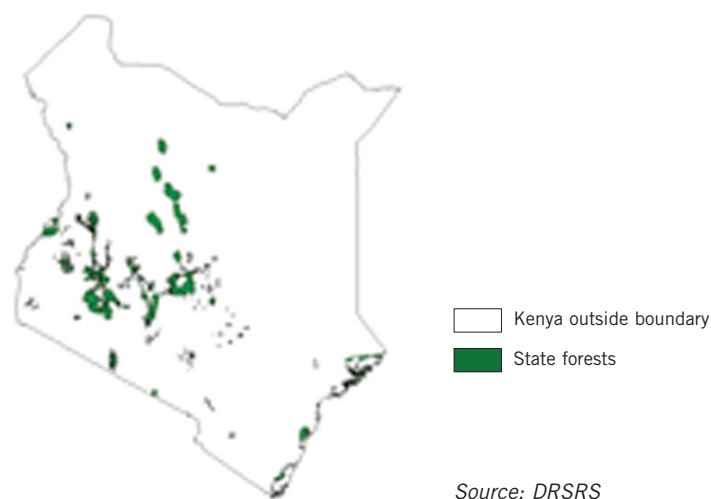
Elgon forests. These forests form the major water catchment areas of the country and are commonly referred to as the water towers. They are surrounded by a large population of forest adjacent communities and most of the forest stations are found here. The coastal forests (e.g., Arabuko Sokoke) are a component of the Eastern Arc forests which extended along the coast of East Africa but have been degraded remaining with only a few patches. Kakamega is the only western rain forest and is an extension of the Guineo-Congolese forest type, very similar to the equatorial forests with high stocking in density and size and highly productive.

Beentje (1994) identified other categories of natural vegetation in Kenya and separated them from forests. Woodlands were identified as those with scattered trees interspersed with bush vegetation and with only two distinct canopy levels. Bushlands which are a more common vegetation type in Kenya comprise short trees up to 5–10m tall dominated by *Acacias*.

Forest plantations are found in the high potential areas and were mainly carved from the montane forests. The plantations are dominated by *Cupressus lusitanica* and *Pinus patula* and are managed by KFS mainly for sawn wood and pulp wood.

There is also rapidly growing private farm forestry. This is based on farmer's objectives but large plantations of Eucalypts have sprung up in all high and middle potential areas. The eucalypts are fast growing and have a ready market. Other common farm forestry trees include *Grevillea robusta*, *Casuarina equisetifolia* and *Melia volkensii*.

FIG 1: THE DISTRIBUTION OF STATE FORESTS IN KENYA



### Extent of forests

Out of the total 58 million hectares, Kenya has about 3.47 million ha of forest made up of natural forests, open woodlands, and plantations. This accounts for about 6% with closed canopy forests taking only 2% and forest plantations accounting for about 120,000 ha. There are about 24.5 million ha of “bush-land”<sup>1</sup> which comprises about 42% of the total land cover in Kenya. Farmlands constitute only 17% of the total land cover and this is where agricultural production and farm forestry are concentrated.

With a population of about 40 million people of which more than half depends on agriculture and only 17% of the 58 million hectares being arable, Kenya's land resource is highly constrained. This may explain the high pressure on the forests which some people have always considered as idle land.

### Forest ownership

On the basis of ownership the forests of Kenya are classified into gazetted (state forests), community (formerly county council forests) and private forests.

Gazetted (state/public) forests are forest reserves managed by the state agency, the Kenya Forest Service (KFS).

Private forests are found on land owned by individuals or companies and the owners have full rights to manage them for their own purposes.

Community forests are found on community land, which has often been held in trust by a local authority. They used to be called county council forests.

Under the new Forests Act of 2005, communities living adjacent to a forest (including indigenous people) are recognised as active co-managers of the state forest resource. They have to form a Community Forest Association (CFA) which is supposed to sign a management agreement with KFS before they can be allowed to co-manage a state forest. However they do not have tenure rights to the land.

Some of the forests of Kenya have been declared nature reserves, game parks and national parks. These are managed by the Kenya Wildlife Service (KWS) for the wildlife resource in the forest. However, under the new Forest law, the forest reserves belong to KFS and the two government State corporations share management of the forest based on the "objective of management". KWS manages for conservation of the wildlife resource while KFS manages for the conservation of the forest resource.

### Traditional roles of forests in Kenya

Kenya's forests provide various services depending on their location.

1. They are catchment areas for the major drainage systems, e.g., the Mau (Figure 2)

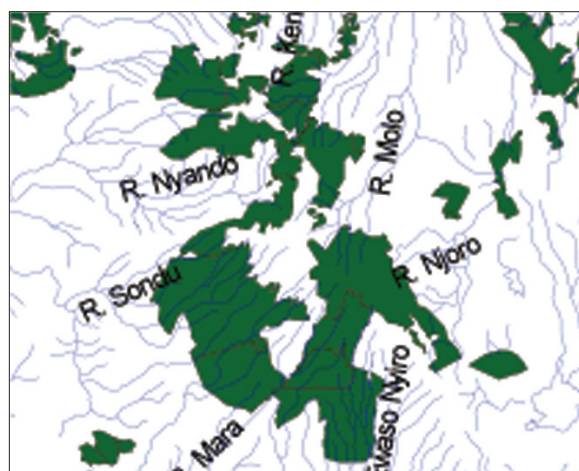
PLATE 1: SOME TRADITIONAL ROLES OF FORESTS—FIREWOOD AND HONEY



Source: NACOFA

2. They are habitats for wildlife providing dispersal areas for animals from adjacent game reserves and national parks
3. They provide wood for large and small scale industries, e.g., the timber industries
4. They provide a variety of services to the forest adjacent communities, e.g., medicinal herbs, firewood and honey
5. They provide water for agricultural and pastoralist livelihoods close and far downstream, e.g., irrigation projects along the Tana river.
6. They provide water for the production of hydro-electricity, which is a major source of power for Kenya.

FIG 2: RIVERS ORIGINATING FROM MAU FOREST COMPLEX



Source: DRSRS

### Pressure on forests

The forests of Kenya are threatened with conversion to agriculture<sup>2</sup> and settlement. For example, the Mau forest complex which was originally over 400,000 ha had over 65,000 ha excised in 2001 for settlement and agriculture. Such an excision makes the remnant forest susceptible to further degradation. In addition, forests are degraded through other forms of utilisation like illegal logging, grazing, charcoal making and firewood harvesting. Such factors of degradation are expected to increase with the rising human population. Table 1 illustrates that there has been a decline in the extent of the natural vegetation in the period 1990–2010 but the planted private forests have increased. One of the reasons for increased tree planting in farms is the fact that trading in trees is a good business and tree farmers always have a good market for their trees.

Due to degradation of forests and illegal logging, there has been a partial ban in logging even from plantation forests since the 1990s with only the very large scale sawn wood and plywood manufacturing companies allowed to log. This left the small scale traders with no option but to buy from private farms and this could be a contributing factor to the growth of farm forestry.

TABLE 1: CHANGES IN FOREST COVER IN THE PERIOD 1990–2010

Forest Types	Area 1990 (000 ha)	Area 2010 (000 ha)	Annual Change 1990–2010	Percent Change 1990–2010
Indigenous Closed Canopy Forest	1,240	1,140	-5	-0.4
Indigenous Mangroves	80	80	0	0
Open Woodlands	2,150	2,050	-5	-0.23
Public Plantation Forests	170	107	-3.17	-1.85
Private Plantation Forests	68	90	+1.1	+1.61
Bush-land	24,800	24,510	-14.5	-0.32
Farms with Trees	9,420	10,385	48.25	+0.32

Source: FAO Forest Resource Assessment 2010—Country Report for Kenya

## FOREST CONSERVANCIES

In 2007, a new forest law came into effect to enhance the management of forests in Kenya. The Kenya Forest Service (KFS) was established and the country's forests divided into ten management units, known as conservancies. These forest conservancies are administered by Forest Conservancy Committees (FCCs) and are named thus: Central Highlands, Coast, Eastern, Ewaso North, North Eastern, Mau, Nairobi, North Rift, Nyanza, and Western (Figure 3). The chief executive officer at the forest conservancy is employed by KFS but the chair of the conservancy committee is a civil society member appointed on the basis of qualifications.

FIG 3: THE FOREST CONSERVANCIES OF KENYA



Source: Kenya Forest Service

## MARKETS FOR FOREST PRODUCTS

Forest products have a huge market in Kenya: timber for construction, wood-fuel (including charcoal) for industries and domestic use. Table 2 illustrates this.

Because of the logging ban, Kenya imports timber from as far as the Democratic Republic of Congo, Tanzania and South Sudan.



TABLE 2: FOREST PRODUCTS AND THEIR VALUE

Solid Products	Wood Consumption Per Year	Number of People Employed	Economic value (million KSh per year)
Saw Mill Timber including Plywood	500,000 m <sup>3</sup> before timber ban	14,000 before timber ban	12,000
Wood Curving Supplies	18,000 m <sup>3</sup>	80,000	1,600
Pulp and Paper	500,000 m <sup>3</sup>	30,000 (direct and indirect)	7,000
Biomass for Furnaces	615,000 m <sup>3</sup> tea industry	–	1,600
Domestic Charcoal	1,600,000 tonnes charcoal	200,000	32,000
Domestic Fuel Wood	12,900,000 tonnes	–	26,000
Herbal Medicines	–	–	2,300
Honey and Beeswax	4,500 t honey/280 t beeswax	–	48
Gum Arabic	5,000 tonnes of gum	–	–

*A study carried out by IIED and FAN in 2006*

## FOREST ADJACENT COMMUNITIES AND INDIGENOUS PEOPLES IN FOREST MANAGEMENT

Forest communities (mainly living adjacent to the forests) comprise a major portion of Kenya's population. Since they own small portions of land, the forest is a major source of their livelihoods. Therefore the Forest law played a great role in enhancing their participation in forest conservation with the hope that they would accrue tangible benefits from the forest

Part IV of the Forests Act 2005 deals with community participation in managing forests (mainly state forests).

Article 46 states that:

“(1) A member of a forest community may, together with other members or persons resident in the same area, register a community forest association (CFA) under the Societies Act.

(2) An association registered under subsection (1) may apply to the Director for permission to participate in the conservation and management of a state forest or local authority forest.”

The forest law therefore allows communities living adjacent to the forest (local communities) and those living in the forest (indigenous people) to participate in forest management and reap accrued benefits. The law is not clear on how indigenous communities differ from local communities.

The position of indigenous people living in Kenya's forests is precarious. The view of many development workers is that forest dweller/indigenous communities are good environmental managers as they do not degrade the forest. However, this may have been in the past, when these forest dwellers lived apart from agrarian communities. Things have changed now and it is difficult to tell the interface between forest dwellers and other communities. Some of the livelihood activities that maintained the communities in the forest, e.g., hunting, are not allowed by law. This means that hunter-gatherer communities are legally obliged to live on fruits, berries, honey and roots. These are not enough to sustain a growing

population. To be sure, some hunter-gatherer communities have taken up livestock keeping and practice a little agriculture. However, in October 2010, the KFS acting under pressure from the National Environment Management Authority (NEMA), banned grazing and cultivation in state forests. On 17 November, 2010 the National Association of Community Forest Associations (NACOPA) filed a petition at the National Environment Tribunal (NET) praying that the NET reverses the KFS decision.

The benefits for Community Forest Associations as defined by the law are very minimal and have not been developed. Article 47 (2) states that:

“the management agreement between the Director and the association shall confer on the association all or any of the following forest user rights—

- (a) Collection of medicinal herbs;
- (b) Harvesting of honey;
- (c) Harvesting of timber or fuel wood;
- (d) Grass harvesting and grazing;
- (e) Collection of forest produce for community based industries;
- (f) Ecotourism and recreational activities;
- (g) Scientific and education activities;
- (h) Plantation establishment through non-resident cultivation;
- (i) Contracts to assist in carrying out specified silvicultural operations;
- (j) Development of community wood and non-wood forest based industries; and
- (k) Other benefits which may from time to time be agreed upon between an association and the Service.”

Of the 347 registered CFAs, 12 have developed management plans for their forests and negotiated management agreements with the KFS. However, although the KFS has approved the forest management plans, none of the management agreements have been signed. It should be noted that management agreements allow CFAs to benefit from the forest but do not give them tenure rights.

## CASE STUDIES OF INVESTMENTS BY LOCAL COMMUNITIES

### 1. Plantation establishment through non-resident cultivation

The Kenya Forest Service has been piloting the Plantation Establishment and Livelihood Improvement Scheme (PELIS). A Community Forest Association (CFA) is allocated a piece of forest land where plantation trees are intended to be raised. The CFA shares it out among its members with each paying a small royalty. The farmers grow annual crops for food and for sale. In the second year (season), the farmers plant preferred trees with the aid of KFS managers on the same pieces of land. The trees grow together with the crops until the trees are big enough to keep the farmer away.

In this way, farmers improve their food security, have some surplus for sale to get income and their livelihoods improve. The fertile forest soils ensure a good produce. The scheme also creates jobs for unemployed youth. On the other hand, KFS benefits from improved survival rates of the planted trees



and reduced supervision costs. This is a relief for KFS since there is a big backlog in plantation re-establishment schedule and presence of extensive grasslands in former plantation areas. The use of chemicals and fertilisers is not allowed in these farms.

With the hope that the final product (planted trees) will benefit them, forest adjacent farmers in many parts of Kenya have been very supportive of this scheme and it has been successful where piloted. In Kamae area of Kikuyu escarpment, the cabbages produced fetch very good prices in the nearby urban market of Nairobi and the struggle to get these farms has been very high.

PLATE 2: AN AERIAL VIEW OF CABBAGES AND CARROTS GROWING IN KAMAE FOREST STATION UNDER PELIS



Source: DRSRS February 2010

### Opportunities for Investment

The farmers can form marketing cooperative societies for their crops. These are mainly “organic foods” which should fetch better prices in the market than other farm produce. Such societies can help set prices for the produce and reduce exploitation by middlemen.

### Challenges to investment

There are only a few forests with such opportunities, thus making it impossible to replicate PELIS to all forest adjacent communities of Kenya. The forest land is limited and in some cases, demand for these lands far exceeds the available land in terms of space and time.

## 2. Ecotourism and recreational activities

The best example for this type of investment will be illustrated by the visit and report from Arabuko Sokoke butterfly farming project. Communities living adjacent to Arabuko Sokoke forest capture butterflies from the forest, get them to breed and export pupae to museums in the USA and Europe.

Another example is the Snake Park at Kakamega forest managed by the Kakamega Environmental Education Programme (KEEP). The CFA captures snakes from the forest and keeps them in the snake park for tourists to see. Apart from the income the CFA receives from visitors who come to the park, it has got accommodation for those who wish to spend a few nights in the forest.

### Opportunities for investment

Due to the rich potential for tourism in Kenya, CFAs can establish ecotourism projects in state forests and gain from the many tourists who visit the country. They can also establish lodges which can accommodate the tourists.

### Challenges to this investment

The unclear policies of participatory management and the lack of tenure rights may deny communities full benefits and the required motivation. The large capital outlay required may not be available to the communities.

## 3. Contracts to assist in carrying out specified silvicultural operations

The Kenya Forest Service has been contracting Community Forest Associations to carry out silvicultural operations. This is because there are many poorly managed plantations as a result of a failed plantation management system. Good case studies have been seen in Hombe (Mt Kenya), Dundori (Mau) and Elgeiyo (Cherangany) forest stations. Here, CFAs were contracted to carry out commercial thinning of plantations. KFS does the marking of the trees to be removed while the CFA is tasked with the thinning. The revenue collected from the sale of the thinning is shared equally between KFS and the CFA. As a result some CFAs have been able to raise up to KShs. 1 million (10,000 Euros) from a single plantation.

### Opportunities for investment

The CFAs need to create small scale timber processing factories that can process the logs to make the product more profitable. Such logs can be used for the furniture industry, making packaging material, e.g., for the growing flower industry. Such small scale industries will also promote employment of local youths and enhance forest conservation.

### Challenges to the investment

While this is an investment with a very high potential, the capacity of CFAs must be enhanced to ensure equitable benefit sharing and sustainability.

## 4. Collection of medicinal herbs

A survey carried out in 2006 by FAN, in conjunction with the Kenya Malaria Working Group,<sup>3</sup> revealed that Kenyans extract medicine from some 204 plant species, most of them found in forests. The value of the medicinal herbs collected from the forests of Kenya is unknown. However, there have been a few attempts at converting the herbs into a profitable business. The best example is that of *Mondia whytei* collected from Kakamega forest. The production of this aphrodisiac has been regulated to ensure sustainability, its medicinal contents analysed and clear value addition and marketing systems put in place. This has resulted job creation for the forest adjacent community thus improving livelihoods.

## Opportunities for investment

There are many other forest products that have been analysed and the market for such herbal products has very high potential. An example is the *Prunus africana* bark known for its suppression of complications the prostate gland. There are brochures produced by the World Agro-forestry Centre (ICRAF) on how to sustainably exploit the bark of a single tree without killing it. Since *P. africana* can be domesticated and grows in many in forests of Kenya, a sustainable exploitation procedure can be initiated to benefit local communities.

## Challenges to the investment

The existing ban on exploitation of natural forests places a limit on the amount of *Prunus africana* bark that would be available for commercial exploitation. In addition, it is not clear from the management agreements how much communities can exploit from the forests for medicinal purposes. In the case of *Mondia whytei*, farmers have started domesticating it to ensure a sustained production. While there is a lot of use of natural products from plants for medicinal purposes, not much analysis has been made of their chemical and curative components. Finally, there is a growing competition for medicinal products from overseas specifically China and USA where they introduce marketing chains (marketing by net-working). This eliminates the “well off” buyers from the local products.

## Other challenges

As mentioned earlier on, the KFS has banned grazing in forests. This ban has been imposed in spite of the fact that grazing in forests is a “user right” of forest adjacent and forest dwelling communities. Further, the KFS has negotiated forest management agreements with CFAs which stipulate that there will be grazing in forests. Such directives do not support or encourage communities to invest in forest management.

## PUBLIC PRIVATE PARTNERSHIPS

The Forests Act 2005 provides for public-private partnerships. Here, a private company can obtain a lease to manage a state forest over a long period of time. This partnership is subject to agreements/ contracts between the forest service and the private entity. Before such an agreement is reached, the forest service is required to develop a forest management plan for the forest to be leased out. The management plan should state what activities are to be carried out in that forest, how the forest resources will be used or conserved and how the forest will be improved. Since the law came into effect in 2007, no such agreements have been signed. Instead, the forest service has licensed four major timber companies to log certain forests.

There is another possible partnership, between private forest industries and farmers. It is possible for the forest industries to contract farmers to produce trees for pulp or timber.

## CASE STUDIES OF PUBLIC PRIVATE PARTNERSHIPS AND INVESTMENTS BY PRIVATE FARMERS

### 1. Western Tree Planters Association (WETPA)

In October, 2006, FAN working closely with the Kenya Forestry Research Institute (KEFRI) the Forest Department (now KFS) supported tree farmers in Western Kenya to establish the Western Tree Planters Association (WETPA). Using €20,000 provided by a Dutch NGO, the Inter-Church Christian Organisation for Development (ICCO), FAN carried out the following activities:

- i) support to 50 farmers to grow 25 acres of trees (25,000 trees);
- ii) support to 40 young people to start or improve 5 tree nurseries, to supply 25,000 seedlings to targeted tree farmers and 35,000 seedlings to farmers outside the pilot project;
- iii) training for 40 young people in tree nursery management;
- iv) linking 100 potential tree farmers with the Pan Paper Mills, a paper and pulp company willing to do business with farmers;

In 2008, ICCO invested a further €100,000 to enable WETPA to reach 1,000 tree farmers.

An independent external evaluation of this project carried out in April 2010 found out that there 28 youth tree nurseries each selling at least 18,000 and at most 49,000 seedlings per year. The evaluation further established that there are 8,000 farmers who have planted trees as a result of the activities of WETPA. The evaluation then estimated that after 6–8 years, the trees planted by these farmers will be worth €2.4 million. In addition, the evaluation found out that while one of the initial aims of establishing WETPA was to enable the association to do business with Pan Paper Mills, in fact tree farmers are doing business with many entities. These include tea and sugar factories.

### Opportunities for investment

Mumias Sugar Co. Ltd, located in Western Kenya also produces electricity for the grid. Together with the four tea factories located in the same region, these companies need 600,000 trees per year for fuel. These companies participate actively in WETPA meetings urging farmers to grow more trees.

### Challenges to the investment

Tree farmers face several challenges. One of them is that financial institutions are not able to advance loans to tree farmers because they do not understand the tree markets. The second challenge is that farmers have to balance between growing food and growing trees, on their small pieces of land. The third challenge is that none of the enterprises consuming wood are willing to contract farmers to grow trees for them. This is in spite of FAN have shown these enterprises examples from South Africa, where companies work with farmers to operate out-grower tree schemes.

## 2. Tree outgrower schemes in Southwest Kenya

One entrepreneur contracted farmers to grow trees for charcoal. The investor provided the farmers with seedlings and technical advice. When the trees were mature, the farmers decided to sell to a tobacco company which needed fuel for curing their tobacco. On being asked to explain their change of mind, the farmers said that the tobacco company offered a better price.

### Challenges to this investment

The history of tree growing in Kenya includes the provision of free seedlings and free advice to farmers. As long as farmers are concerned, providing them with seedlings and technical advice does not represent a firm commitment for them to sell to a particular enterprise when the trees are mature. The trees belong to the farmer and he has all rights to them. An enterprise wishing to invest in tree outgrower schemes has to take time to educate farmers. Thereafter, a firm contract should be signed. To be sure, out-grower schemes are not unheard of in Kenya. The sugar industry has operated these schemes for years.

## 3. The Friends of the Mau watershed (FOMAWA)

Due to the degradation of the Mau forest complex, large scale farmers and tea companies around the forest initiated a programme to plant trees outside the forest to compensate for the lost roles of the forest. This was a programme aimed at planting Eucalypts whose market was assured—as electricity transmission posts and as a renewable source of energy in tea factories. They targeted to support farmers who were prepared to grow over 1,000 trees. The objective was collective bargaining for better prices when the trees are ready for marketing.

PLATE 3: A 4 YEAR OLD EUCALYPTUS PLANTATION IN MAU FOREST



Source: DRSRS

### Opportunities for investment

This is a high potential area with heavy rains and the growing of Eucalypts has not been negative to the water availability in farms downstream. The Eucalypts are ready for marketing in about 10 years. The

ready market for Eucalypts also makes the investment good. The returns from the trees far outweigh returns from subsistence crops like maize and potatoes. There are a sizeable number of farmers with big farms who can reach the lower limit of 1,000 trees. Being large scale farmers, they can also access loans from the banks using the trees as security.

### Challenges to the investment

FOMAWA does not bind the farmers to its objectives and middlemen have been buying trees from the farmers at very low prices. There are no clear records of how many trees have been planted. The political instability in some parts of this area has not made the business very attractive. The unclear government policy on growing of Eucalyptus trees on farms may make the business unsustainable. In addition logs from state forests are undervalued and might be available to middle men at far less prices. This makes the farmers have losses after counting the cost of the investment.

## THE UPCOMING CARBON MARKETS

Kenya has developed its REDD readiness strategy which was approved by the World Bank in July 2010. This is a strategy that will put in place mechanisms for REDD benefits and identify the role of different stakeholders. In the meantime there are *ad hoc* (informal) arrangements that have led to funding of REDD projects in Kenya which would provide a good learning experience for the REDD strategy.

The Rukinga and Imbirikani experiences provide such a rich learning experience. These projects are located in an area described generally as “Bush-land.” Bush-lands comprise about 42% of Kenya’s total land cover. With trees ranging from 5–10m in height, bush-lands have low tree stocking compared to closed canopy forests. The REDD readiness strategy seeks to redefine the term “forests” to become more inclusive of a wider variety of vegetation types in Kenya and not be limited to only “closed canopy forests.”

### Opportunities for investment

1. These projects can be replicated in other parts of Kenya with similar vegetation type. The fact that bush-lands dominate the vegetation of Kenya shows this vast potential.
2. The bush-lands of Kenya are often rich in wildlife and converting such areas into carbon sinks enhances wildlife conservation. In turn this will sustain the tourism potential of such areas.
3. Income generated from carbon projects in such areas though small would motivate communities living in the areas to conserve the bush-lands. This would increase the non-timber forest products which can be harvested from these areas, for example honey and gums.
4. It is possible to convert the “Kayas” (forest managed by communities at the coast of Kenya for traditional and cultural purposes) into REDD/ carbon projects. This would provide added income that would sustain livelihoods.



PLATE 4: BUSH-LAND VEGETATION AND THE RICH WILDLIFE RESOURCE



Source: DRSRS

### Challenges to this investment

1. The large capital outlay required at the start of the project
2. The rigorous approval mechanisms may discourage many investors
3. The land tenure rights may not be clear and may not specify who has a right to the carbon benefits
4. The lifestyle of the nomadic pastoralist communities with large herds of cattle may not be in tandem with conservation for carbon benefits. This calls for the communities to change/adapt to new life styles

### INVESTORS IN LOCALLY CONTROLLED FORESTRY IN KENYA

The London Dialogue defined this as: *the active allocation of resources to enhance forestry assets not only in the present but also for future benefits*. Donors and non government organisations are making “soft” investments in forests. These include supporting the writing of forest policies; building the capacity of forest governance structures like boards, forest conservation committees, community forest associations; assisting communities to prepare forest management plans; assisting communities to negotiate forest agreements with the forest service. NGOs like the Forest Action Network (FAN), the East African Wildlife Society (EAWLS), Pact-Kenya fall into this category of investors. Donors who have supported soft projects in Kenya include USAID, the government of Finland, the government of The Netherlands, ICCO, SIDA, and DFID. Research institutions like the Kenya Forestry Research Institute (KEFRI) have also made soft investments in forestry. Are there banks that have offered loans to farmers with farm trees as security?

## ACRONYMS AND ABBREVIATIONS

<b>CFA</b>	Community Forest Association
<b>DFID</b>	Department for International Development
<b>DRSRS</b>	Department for Resource Surveys and Remote Sensing
<b>EAWS</b>	East African Wildlife Society
<b>FAN</b>	Forest Action Network
<b>FAO</b>	Food and Agriculture Organisation of the United Nations
<b>FCC</b>	Forest Conservation Committee
<b>FOMAWA</b>	Friends of the Mau Watershed Association
<b>ICCO</b>	Inter-Church Christian Organisation for Development
<b>ICRAF</b>	World Agro-forestry Centre
<b>IIED</b>	International Institute for Environment and Development
<b>ILCF</b>	Investing in Locally Controlled Forestry
<b>KEEP</b>	Kakamega Environmental Education Project
<b>KEFRI</b>	Kenya Forestry Research Institute
<b>KFS</b>	Kenya Forest Service
<b>KIFCON</b>	Kenya Indigenous Forests Conservation Project
<b>KWS</b>	Kenya Wildlife Service
<b>NACOPA</b>	National Alliance of Community Forest Associations
<b>NEMA</b>	National Environment Management Authority
<b>NET</b>	National Environment Tribunal
<b>NGO</b>	Non Government Organisation
<b>PELIS</b>	Plantation Establishment and Livelihood Improvement Scheme
<b>REDD</b>	Reducing Emissions from Deforestation and Degradation
<b>SIDA</b>	Swedish International Development Agency
<b>TFD</b>	The Forest Dialogue
<b>USAID</b>	United States Agency for International Development
<b>WETPA</b>	Western Kenya Tree Planters Association

## ENDNOTES

- 1 FAO Global Forest Resources Assessment 2005, Kenya Country Report, Country Report 180.
- 2 2010 FAO State of the World's Forests
- 3 Inventory of medicinal plants used by some Kenya communities in the treatment of malaria, FAN 2006

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*All inquiries should be directed to Gary Dunning at TFD: [info@theforestdialogue.org](mailto:info@theforestdialogue.org).*