



Seeing the Forest through the Trees: Innovative Financial Services for Forestry Value Chains

Speakers:

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ADA's Forestry Value Chain programme

WHAT ADA DOES

Leverage **inclusive finance** to **strengthen the autonomy and improve the living conditions of vulnerable people** such as small forest owners and SMEs in developing countries.

WHY FORESTRY VALUE CHAINS

To **increase the resilience of small forest owners through adoption of agroforestry and sustainable forest management, and the development of local value chains**

WHERE

Central America, Rwanda (in the short-term)

HOW WE WORK

- Theory of Change based on a **value chain approach**, with **focus on impact for small-scale producers**
- In **partnership / collaboration** with different types of **local organisations and companies** (MFIs, SMEs, Incubators, Technical centres)

ACHIEVEMENTS SO FAR

- Supported a microfinance institution in Rwanda to develop a dedicated loan product for forestry plantations
- Trained producers and in increased entrepreneurial capacity of SMEs in Guatemala
- Initiated collaborations with different types of partners to reach producers and SMEs in Guatemala, Costa Rica and Rwanda



HEADQUARTER & STAFF OF INKUNGA FINANCE



BACKGROUND OF INKUNGA FINANCE Plc

- ✓ INKUNGA FINANCE PLC is microfinance institution operating in Rwanda from 2005
- ✓ Services: saving and loans specifically to the farmers
- ✓ It has 7 branches and 65 employees and almost 30 thousands of the clients



CURRENT SITUATION OF THE INSTITUTION-KEY INDICATORS (FIGURES in USD)

	SEPT. 2023
Number of the clients	27,465
Total Loan Portfolio	4,324,225
Total Loan Disbursement	3,572,188
Total saving	3,124,504
Total Equity	878,899
Total Asset	5,511,076

FORESTRY VALUE CHAIN PRODUCTS AND THE RESULTS OF THE PILOT PHASE



Institutional analysis



Market research and forestry value chain product development



Testing of two products chosen for the pilot phase



Evaluation of the pilot phase

FORESTRY VALUE CHAIN PRODUCTS-THE RESULTS OF THE PILOT PHASE

- 2 types of the forestry value chain products were tested (Loan for bulk inventory of forest products and Loan for forest management)
- 120,000 USD for 30 Entrepreneurs
- Loan Management tools were developed and 42 staff were trained.





MAIN LESSONS LEARNT FROM THE PILOT AND OUTLOOK/PERSPECTIVES

LESSONS LEARNT

1. High interest rate;
2. Short term for loan repayment;
3. Lack of financial resources to respond to the loan demands;
4. Limited Technical skills of the staff to manage forestry products.

OUTLOOK/PERSPECTIVES

1. **Mobilization of the long-term financial resources**
2. **Expansion of the products in other branches**
3. **Increasing the skills of the staff**



**Forestry and Climate
Change Fund**



European Microfinance Week

Forest Value Chains

November 2023



Disclaimer

Important information

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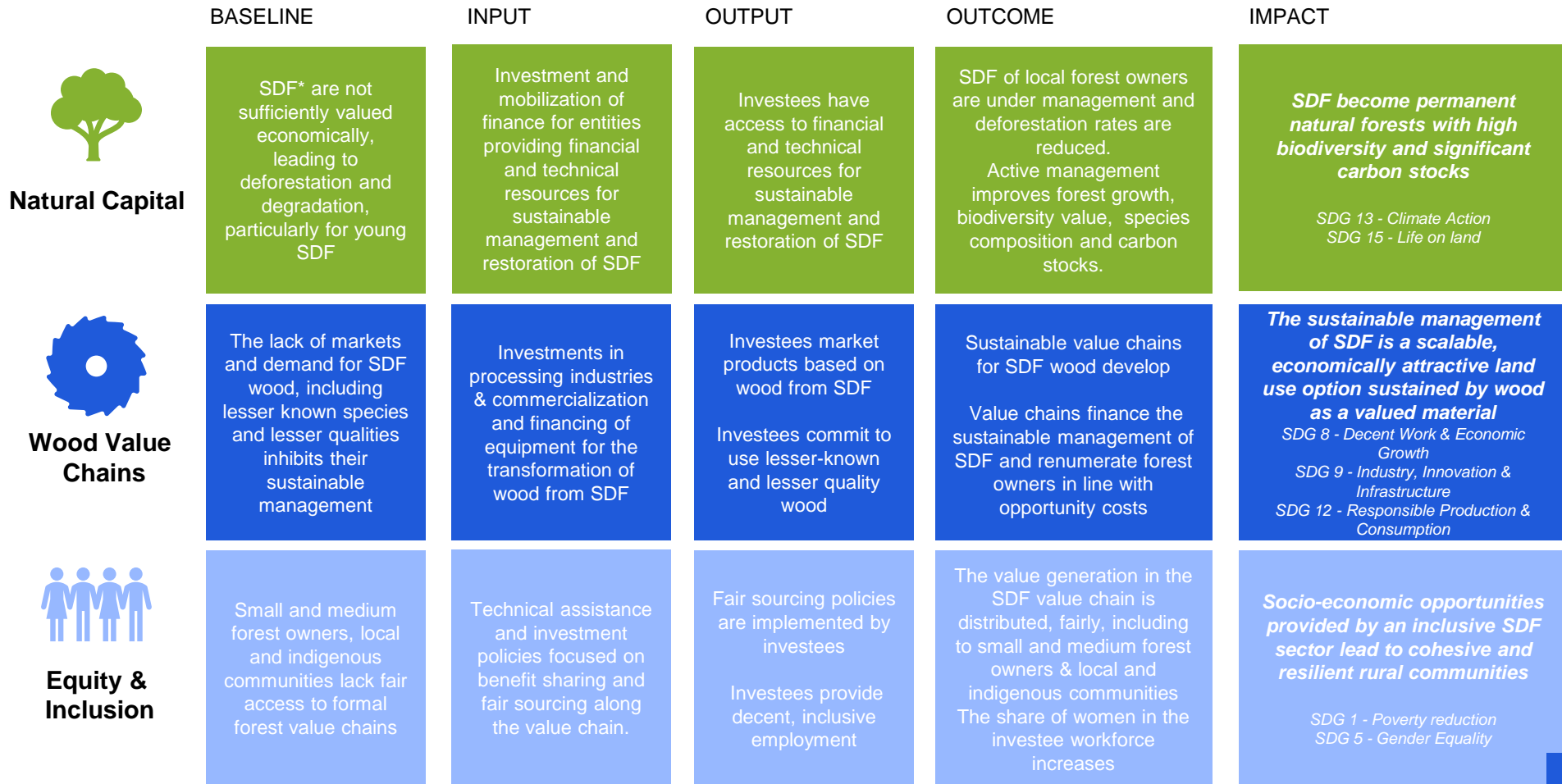
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Abbreviations IforD, Fund, FCCF

References in this document to “IforD” refer to the Investing for Development SICAV, a société d’investissement à capital variable incorporated under Luxembourg law and registered with the Registre de Commerce et des Sociétés au Luxembourg (RCSL) under number B.148 826. Reference to Fund or FCCF refer to the Investing for Development SICAV – Forestry and Climate Change Fund, a Sub-Fund of IforD.



What FCCF is about... our Theory of Change



SDF: Secondary and Degraded Forests



FCCF's Investments 2018 - 2023

Fundación NPV



Naturaleza Para la Vida (discontinued)
Petén, Guatemala

BluWood



Bluwood Industries
Nandayure, Guanacaste, Costa Rica

In The Woods by Fundecor



In the Woods by Fundecor
San José, Costa Rica



Fundecor Bosques



Fundecor Bosques
Puerto Viejo de Sarapiquí, Heredia, Costa Rica

1st community credit Coop. Carmelita



Cooperativa Carmelita
San Andrés, Petén, Guatemala



Restructuring BluWood / Woodpecker



Woodpecker de Nandayuré
Nandayure, Guanacaste, Costa Rica



2018

2019

2020

2021

2022

2023

Simplemente Madera Marketplace



Simplemente Madera Marketplace (discontinued)
Managua, Nicaragua – Central America



Operaciones Forestales Sostenibles



Operaciones Forestales Sostenibles
San José, San José, Costa Rica



Izabal Wood Company



Izabal Wood Company
Buenos Aires, Izabal, Guatemala



Forestal Naj-Ché



Forestal Naj-Ché
Flores, Petén – Guatemala



2nd community credit Conjunto Predial



Conjunto Predial
Nuevo Béal, Campeche, Mexico



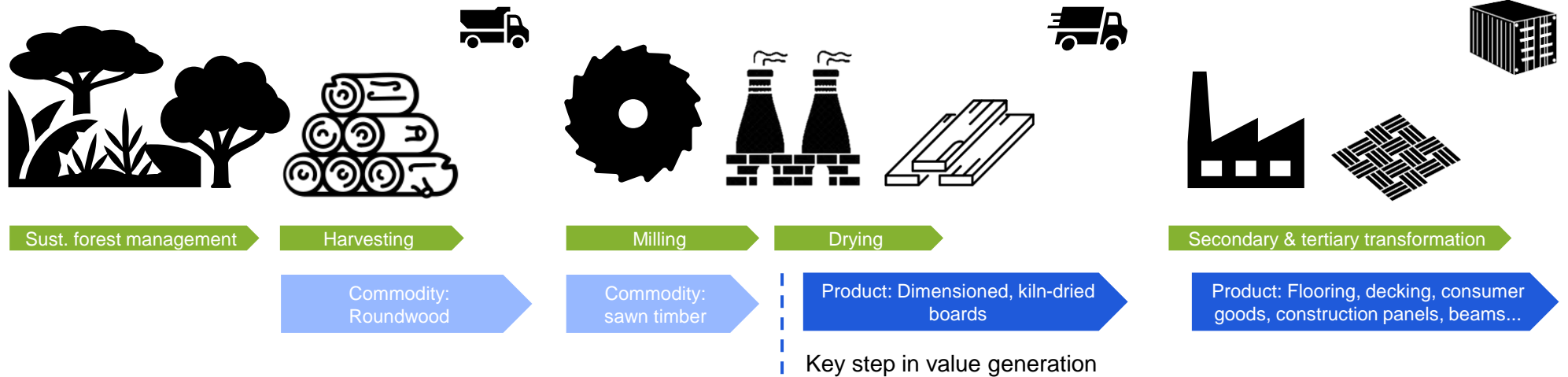
“Such large areas of damaged forest and land are cause for concern, but they also represent a potential resource of immense value.”

International Tropical Timber Organization

Forest value chains

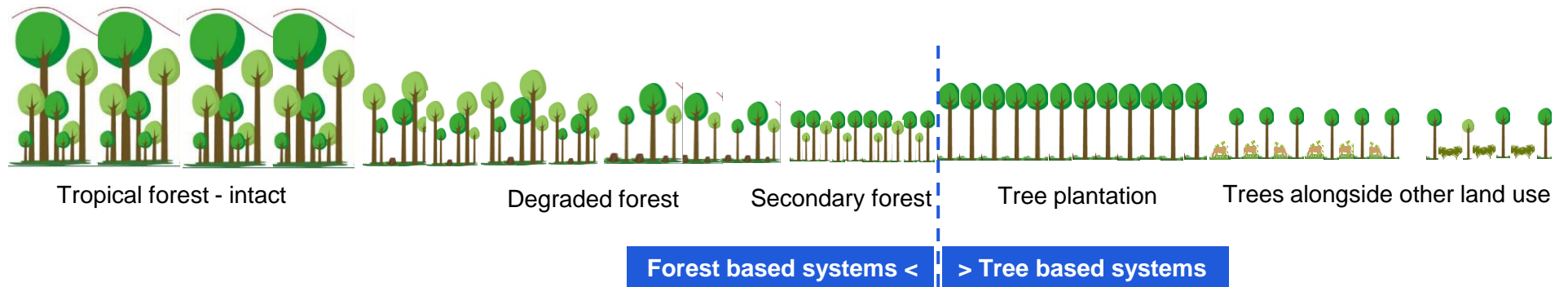


The value chain...



Predominance of informality

Forests versus trees



Diversity (species, qualities ...)

More uniform

- Challenge to “market” lesser known species
- Higher unit costs if management is sustainable (lower harvest intensity)



Making round trees square ... the efficiency puzzle



The product cascade requires partners to address many markets in parallel and makes business models very complex. But without a working cascade, businesses are not viable.



Who do you work with?

Forest communities

Forest concession
companies

Agricultural companies
committing to 0 deforestation

Timber traders
Timber processors

Plantation enterprises
TIMOs

MFIs / FIs financing
plantations

Value chain – processors
& traders

Cooperatives / value chain
actors

TIMOs

MFIs / FIs financing tree
planting

FIs financing commodities
and considering trees

Offtakers / processors

This document is accurate as of November 2023

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