



Republic of Kenya
Ministry of Environment, Climate Change and Forestry

Kenya National Forest Financing Strategy (2023-2032)

Promoting Sustainable Forestry Through Innovative Financing Mechanisms



Food and Agriculture
Organization of the
United Nations



Kenya Forestry Research Institute (KEFRI)



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Acronyms and Abbreviations

BETA	Bottom-Up Economic Transformation Agenda
CBD	Convention on Biological Diversity
CFAs	Community Forest Associations
CIDPs	County Integrated Development Plans
COGs	Council of Governors
CSR	Corporate Social Responsibility
EAC	East African Community
EMCA	Environment Management and Co-ordination Act
ESIA	Environment and Social Impact Assessment
ESP	Environmental Soldier Programme
FAO	Food and Agriculture Organization
FCMA	Forest Conservation and Management Act
FCMTF	Forest Conservation and Management Trust Fund
FGD	Focus Group Discussion
FSC	Forest Stewardship Council
GCF	Green Climate Fund
GDP	Gross Domestic Product
GEF	Global Environment Facility
GHG	Green House Gas
GrEYAP	Green Economy Youth Activation Program
JICA	Japan International Cooperation Agency
KAM	Kenya Association of Manufacturers
KCCAP	Kenya Climate Change Adaptation Programme
KCIC	Kenya Climate Innovation Centre
KEFRI	Kenya Forestry Research Institute
KEPSA	Kenya Private Sector Alliance
KFC	Kenya Forestry College
KFEET	Karura Forest Environmental Education Trust
KFS	Kenya Forest Service
KII	Key Informant Interview
KLRF	Kenya Landscape Restoration Forum
KRA	Key Result Areas
KWTA	Kenya Water Towers Agency
KWS	Kenya Wildlife Service
MECC&F	Ministry of Environment, Climate Change & Forestry
MDAs	Ministries, Departments and Agencies
MoU	Memorandum of Understanding
NACOSTI	National Commission for Science, Technology, and Innovation
NCCAP	National Climate Change Action Plan
NBSAP	National Biodiversity Strategy and Action Plan
NCCC	National Climate Change Council
NDCs	Nationally Determined Contributions
NECC	National Environmental Complaints Committee
NEMA	National Environment Management Authority
NETFUND	National Environment Trust Fund
NFRA	National Forest Resources Assessment

NGOs	Non-Governmental Organizations
NTFPs	Non-Wood Forest Products
PES	Payment for Ecosystem Services
PFM	Participatory Forestry Management
PFM	Public Finance Management
PPAs	Programme Priority Areas
PPPs	Public- Private-Partnerships
SAGAs	Semi-Autonomous Government Agencies
SFM	Sustainable Forest Management
TORs	Terms of Reference
UNCBD	United Nations Convention on Biological Diversity
UNCCD	United Nations Convention to Combat Desertification
UNDP	United Nations Development Programme
UNEP	United Nations Environment Programme
UNFCCC	United Nations Framework Convention on Climate Change
UNSDCF	United Nations Sustainable Development Cooperation Framework

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Executive Summary

The **Kenya National Forest Financing Strategy** aims to provide a comprehensive roadmap for unlocking sustainable financing mechanisms to support the growth, conservation, and management of Kenya's forest resources. This strategy comes in response to the increasing recognition of forests as vital to Kenya's socio-economic development, environmental sustainability, and climate resilience.

Forests play a crucial role in Kenya's socio-economic development by offering a wide range of ecological, social, and economic benefits. However, despite their significance, the forestry sector has been underfunded, limiting its potential for sustainable management and growth. This strategy has been developed to address these funding gaps and ensure that the sector receives adequate financing to achieve its full potential.

A situational analysis of Kenya's forestry sector reveals that the current forest cover stands at approximately 8.83%, which is below the recommended 10% target. Financing mechanisms for the sector have proven insufficient to meet the country's forestry needs, with a heavy reliance on external funding sources. The analysis identifies the trends, gaps, and opportunities for forest financing at both national and county levels, underscoring the necessity for innovative solutions to meet these challenges.

The forestry sector's financing needs have grown considerably, with the majority of funding currently coming from the national government, development partners, and external donors. However, these funding sources have been inconsistent and insufficient over the years. The strategy emphasizes the need to explore additional funding opportunities, particularly from the private sector, county governments, and innovative financing models. This approach will be crucial for ensuring the sector's long-term sustainability and resilience.

A review of the existing policy, legal, and institutional frameworks highlights the importance of aligning forest financing with national strategies such as the **Forest Conservation and Management Act 2016** and the **National Forest Policy 2023**. The strategy also emphasizes Kenya's commitment to international agreements, including the **United Nations Framework Convention on Climate Change (UNFCCC)** and the **Paris Agreement**, and regional initiatives such as the **African Forest Landscape Restoration Initiative (AFR100)**. Strengthening coordination and enhancing these legislative frameworks are essential to facilitating forest financing.

To attract investments in the forestry sector, the strategy proposes various incentive mechanisms, such as **Public-Private Partnerships (PPPs)**, **Payment for Ecosystem Services (PES)**, **REDD+ Programs**, **Green Bonds**, and government incentives. By implementing these mechanisms, the sector can unlock potential investments and establish sustainable financing pathways that support conservation and sustainable forest management.

Kenya's forestry sector offers immense investment potential, presenting numerous opportunities across the value chain, including **timber production**, **non-timber forest products (NTFPs)**, **eco-tourism**, **carbon credits**, and **commercial forestry**. National success stories like **Kakuzi PLC** and **Ol Pejeta Conservancy**, alongside international examples like **Green Resources AS** in East Africa, demonstrate the profitability and viability of forestry investments. The strategy emphasizes value addition, job creation, youth involvement, and addressing challenges such as the long gestation periods of forest plantations to make the sector more attractive to investors.

The strategy explores innovative financing models that can help ensure the sustainability of forest financing. These models include **Payments for Ecosystem Services (PES)**, **Forest Carbon Offsets**, **Green Bonds**, **Forest Impact Investments**, **Forest Certification and Eco-labeling**, **Community-Based Forest Management (CBFM) Enterprises**, **Forest Investment Funds**, **Carbon Financing**, and **Diaspora Remittances**. These approaches have been successfully implemented in countries such as

Costa Rica (PES), Nigeria (Green Bonds), and Kenya's own Mikoko Pamoja Mangrove Conservation Project.

Recognizing the need to strengthen institutions involved in forestry financing, the strategy proposes enhancing the capacity of key institutions, improving stakeholder coordination, and establishing a **Forest Conservation Fund** to ensure sustainable financing for forestry activities. This will enable institutions to be more effective in managing and mobilizing resources for the sector.

In conclusion, the **Kenya National Forest Financing Strategy** sets out a clear plan to mobilize resources and align incentives for sustainable forest management. It recommends the adoption of innovative financing mechanisms, strengthening policy and institutional frameworks, leveraging public-private partnerships, and encouraging youth involvement in forestry. The successful implementation of this strategy will require the active participation of government agencies, development partners, private sector players, communities, and civil society.

By creating a sustainable financing environment, the strategy aims to help Kenya achieve its forestry sector goals, thereby contributing to the country's economic growth, environmental conservation, and overall social well-being.

Chapter 1. Introduction and Background

1.1 Introduction

Kenya's forests are integral to the country's environmental, economic, and social well-being. They provide essential ecosystem services, such as clean water, climate regulation, and soil stabilization, which are critical for the sustainability of agriculture and water supply. Additionally, forests are home to a rich diversity of flora and fauna, supporting biodiversity that is vital for ecological balance and resilience against environmental changes. These forests also offer livelihoods to millions of Kenyans, particularly in rural areas, through activities like forestry, tourism, and non-timber forest products.

The growth in the forestry sector has the potential for acceleration through the supportive sectors in construction, manufacturing, and value-added sectors. Commercial forestry is the cornerstone of driving this growth. There is increased timber demand both domestically and internationally, offering opportunities for expansion in commercial forestry. The emerging opportunity for carbon sequestration projects, with some forest plantations already participating in carbon credit schemes and especially the storage of carbon through wood products underscores the importance of commercial forestry. Investments in value-added products such as plywood, furniture, and paper have the potential to increase the economic benefits derived from forestry. Incentivizing both the supply and demand side of the forestry sector products and services will have a ripple effect of creating increased funding into the sector through a mix of public, and private community-led initiatives as proofed climate-proofed financial models.

While Kenya, Uganda, Tanzania, and Rwanda share similarities in their reliance on exotic tree species and the growing importance of commercial forestry, their approaches and challenges vary. Kenya and Uganda have more established commercial forestry sectors, Tanzania places a greater emphasis on natural forest conservation, and Rwanda focuses on agroforestry due to land constraints. Balancing commercial interests with environmental sustainability remains a critical concern across all these countries.

Despite their importance, Kenya's forests face significant threats from deforestation and forest degradation. Rapid population growth, agricultural expansion, illegal logging, and unsustainable land use practices are major drivers of forest loss. The consequences of deforestation are severe, including increased soil erosion, reduced water quality, loss of biodiversity, and heightened vulnerability to climate change impacts such as droughts and floods. The urgency of these challenges is underscored by Kenya's current forest cover, which stands at only about 8.83%, far below the global average, and insufficient to meet the ecological and economic needs of the country.

To address these challenges and achieve ambitious targets, such as increasing tree cover to 30% by 2032, Kenya requires a robust and strategic approach to forest financing. A comprehensive forest financing strategy is essential to attract and mobilize the significant resources needed for sustainable forest management, conservation, and restoration initiatives. This strategy must encompass various funding sources, including government allocations, private sector investments, international grants, and innovative financial mechanisms like carbon credits and payment for ecosystem services.

A dedicated forest financing strategy is justified by several critical needs. Firstly, achieving the national targets for tree cover requires substantial investments in afforestation, reforestation, and sustainable forest management practices. These activities are resource-intensive and necessitate continuous funding for planting, maintenance, and protection of forests. Secondly, the strategy will help align financial resources with national and international environmental commitments, such as the Paris Agreement and the Convention on Biological Diversity, ensuring that Kenya meets its obligations while benefiting from international support.

Furthermore, a well-defined financing strategy will enhance coordination and efficiency in the utilization of funds, minimizing redundancies and maximizing the impact of every dollar spent. It will also foster transparency and accountability, building trust among stakeholders, including local communities, government agencies, donors, and investors. By prioritizing and strategically directing financial resources, Kenya can ensure that its forest sector contributes significantly to national development goals, poverty reduction, and climate resilience.

In conclusion, the development and implementation of a forest financing strategy are imperative for Kenya to safeguard its forests and harness their full potential. This strategy will not only help combat deforestation and degradation but also enable the country to achieve its ambitious tree cover goals, enhance biodiversity, and secure the myriad benefits that forests provide to society and the environment.

1.2 Contribution of Kenya's Forestry Sector to the GDP

Kenya is home to an array of forest ecosystems that take the form of among others, rainforests, savannah woodlands, dry forests, coastal forests, and mangroves. There is collective appreciation by state, and non-state actors as well as communities that these ecosystems serve fundamental ecological, social, cultural, and economic functions. The Kenya National Bureau of Statistics (KNBS) Economic Survey, 2023, estimated that the Forestry and Logging sector contributes 3.6% to the country's Gross Domestic Product (GDP), with an approximate economic output estimated at KES 218.1 billion. In comparison, the (formal) forest sector directly contributed more than USD 663 billion to world GDP in 2015.

Taking into account the total economic effects (i.e. direct, indirect, and induced economic contributions), including demand on other sectors and expenditure on labor income, the forest sector contributed more than USD 1.52 trillion to national economies in 2015. The estimated direct and total economic contribution of Africa's Forest sector to GDP in 2015 was USD. 22,468 million and USD. 48,296 million respectively. In the period 2017-2019, the total direct formal and informal employment in the forest sector was 4.75 million in Africa and 33.31 million globally.

This contribution underscores the sector's importance in driving economic growth and providing livelihood opportunities for thousands of Kenyans. The formal forest sector alone directly employs between 18,000 to 50,000 people, with an additional 300,000 to 600,000 individuals employed indirectly, particularly in rural areas.

The contribution of forests in water catchment is critical to Kenya's rural and urban water supplies. Approximately 70% of power in the country is hydrogenerated. Further, much of Kenya's biodiversity and wildlife resources depend on forests, woodlands, and dry land forests, and are a major factor in attracting tourism. The forest coverage in Kenya is a critical source of economic well-being for rural communities across the country. A significant rural population critically depends on woodland and bush resources to provide firewood, charcoal, and other forest products. The plantation resources make a substantial contribution to economic development in the country and are an important source of raw materials for economic development in the wider region. Furthermore, forests and trees play a crucial role in meeting energy needs, supplying over 90% of rural and peri-urban energy requirements.

It is essential to accurately assess the forestry sector's contribution to GDP independently of broader agricultural sectors. This evaluation is crucial for ensuring adequate resource allocation from public funds and attracting innovative funding mechanisms that reflect the sector's true value. Urgent action is necessary to address environmental challenges affecting forests, including deforestation, forest de-gazettement, climate change, and associated extreme weather events such as floods, droughts, and landslides.

Moreover, unsustainable management of 140,000 hectares of public forest plantations necessitated a logging moratorium in 2018 which caused the closure of over 300 sawmills resulting in loss of 50,000 direct and 300,000 indirect jobs, in addition to creating timber scarcity, which greatly affected sectors such as construction. Furthermore, unsustainable management has led to severely diminished investments and creating uncertainty in the forestry sector. These factors have negatively impacted industry growth. Deforestation in Kenya is estimated at 5,000 hectares annually, resulting in an annual economic loss exceeding USD 19 million.

To further enhance the forestry sector's contribution to GDP, there is a need to promote commercial forestry and implement tree improvement programs aimed at increasing tree productivity per unit area of land. By investing in these initiatives, Kenya can unlock the full potential of its forestry resources and drive sustainable economic development while addressing key socio-environmental challenges.

Enhancing the contribution of Kenya's forestry sector to the GDP requires a multifaceted approach, with a key focus on implementing an effective financing strategy. One crucial aspect involves investing in sustainable forestry practices, such as reforestation and agroforestry, which can increase forest cover and productivity over time. This investment should be coupled with capacity building initiatives to train forest management professionals and local communities, ensuring that sustainable practices are effectively implemented and maintained. Additionally, promoting value addition processes, such as timber processing and manufacturing, can boost the value of forestry products and create higher-value markets domestically and internationally, thereby increasing revenue streams and economic returns.

Furthermore, incentivizing private sector participation through financial incentives like tax breaks and subsidies can encourage investments in commercial plantations, eco-tourism ventures, and sustainable forest management projects. Additionally, promoting renewable energy sources derived from forestry resources, such as biomass energy and biogas production, can diversify revenue streams and contribute to energy security while reducing dependency on fossil fuels. Collaborative partnerships between government agencies, development partners, financial institutions, and the private sector are also essential for leveraging additional funding, expertise, and resources to support forestry projects and initiatives, ensuring their sustainability and scalability. By integrating these strategies into a comprehensive financing strategy, Kenya can harness the full potential of its forestry sector, driving sustainable economic growth and achieving its socio-environmental development objectives.

1.3 Background of Developing the Kenya National Forest Financing Strategy

The forestry sector in Kenya has witnessed tremendous growth over the past few decades occasioned by the Country's rapid population growth, economic growth, and urbanization. The growing demand has not been able to match the local supply of forestry products making Kenya a timber-deficit country (GoK, 2013). The growth of the sector is hindered by competition in forestry from alternative land uses, inadequate technologies and infrastructure, and lack of adequate information and data forestry investment. The sector is further constrained by limited funding from the exchequer. This necessitates the need to put in place mechanisms and strategies to address the above gaps to improve the performance and competitiveness of the forestry sector in Kenya. Proposals to broaden and diversify financial basis have been outlined to stimulate forestry, investment, rapid commercialization, and sustainable forestry management. Accordingly, a need for a national forest financing strategy that establishes the criteria and guidelines for obtaining and channeling financial resources, identifies, develops, and puts into operation financing mechanisms composed of sources, instruments, and operators that promote Investment.

Kenya provides an enabling environment for the development and adoption of forest financing strategy through a secure and stable governance, institutional, and legal environment for forest financing. The country has put in place key legislation including the national forest policy that promotes the integration of forestry into national accounts to leverage resources for the sector. The Kenya Kwanza bottom-up

economic transformation agenda and the national strategy for achieving and maintaining over 30% tree cover promotes the development of policy and regulatory framework to attract climate finance funds for job and wealth creation. The strategy also along with key development partner objectives that support the initiative including the Food and Agriculture Organization (FAO) objectives, especially the Programme Priority Areas (PPAs) and Betters of the FAO Strategic Framework 2022-31 which promotes Enhanced equitable access to small-scale producers and family farmers to economic and natural resources, markets, services, information, education, and technologies ensured through improved policies, strategies, and programs. The country mutilator's coordination and collaboration at various levels and scope to ensure a participatory approach to actualize the forest finance strategy.

1.4 Rationale for Developing the Financing Strategy

Attracting financing for forestry, like any economic activity, hinges on its viability and whether the returns justify investment. Communities in Kenya are more likely to invest in forests if they can expect enhanced incomes and job creation, which can prevent migration in search of work. Farmers will plant trees if they yield higher income than traditional agriculture, while investors seek comparable returns to other ventures with similar risks.

A key barrier to scaling restoration efforts is the lack of funding, as public budgets are often insufficient and compete with numerous commitments. Private actors can play a significant role in enhancing restoration by complementing public sector activities through their investment decisions.

Recognizing the pivotal challenges confronting Kenya's forestry sector, including financial constraints, competition from alternative land uses, and technological inadequacies, our comprehension underscores the paramount objective of formulating a national forest financing strategy. Aligned with the government's ambitious 30% tree cover target by 2032, the approach encompasses an exhaustive analysis of current financing needs, the intricacies of policy frameworks, the nuances of incentive mechanisms, and the exploration of innovative financing models.

This extends to the imperative of robust stakeholder engagement, incorporating a diverse array of perspectives from governmental bodies to local communities. We emphasize the importance of inclusivity, recognizing the need for strategies that actively involve the youth demographic, ensuring their meaningful participation in forestry initiatives. Furthermore, our grasp of the assignment underscores the value of integrating indigenous and respecting traditional practices within local communities.

1.5 Objectives of the Kenya National Forest Financing Strategy

1.5.1 Overall objective

Developing the Kenya National Forest Financing Strategy will lead to improved financial sources to drive forest development. This will supplement government efforts in raising funds towards the implementation of the 30% tree cover strategy through growing 15 billion trees by 2032. The strategy will aim at raising funds from domestic (public and private), bilateral, and multilateral development partners.

To make sustainable forestry attractive to diverse investors, it is essential to create a supportive policy and legal environment that reduces investment costs, risks, and gestation periods while increasing returns. A national strategy for forest financing should envision the future of forest resources, outline the necessary finances for their sustainable management, and identify funding sources. Long-term sustainability relies on engaging all socio-economic stakeholders, particularly local communities and the private sector, in profitable investments in forestry.

This strategy will address existing disincentives, such as inconsistent logging policies, technological barriers, illegal timber importation, and inadequate policy frameworks. Aligning this strategy with Kenya's development path and related sector plans will ensure coherence and effectiveness. The Kenya

National Forest Financing Strategy (KNFFS) aims to guide policymakers and stakeholders in financing sustainable forest management while meeting national and international objectives.

1.5.2 Specific Objectives

1. To enhance sustainable financing mechanisms for the forestry sector in Kenya, ensuring the industry can access a diversified range of funding sources for conservation, management, and expansion activities.
2. To promote commercial forestry as a viable investment opportunity, encouraging public and private sector participation to increase forest cover, create employment, and contribute to national economic growth. This will also provide a framework for forest certification and eco-labeling for an enhanced competitive edge and global positioning of Kenya forest products.
3. To strengthen institutional frameworks and build capacity for effective coordination, governing both forest financing monitoring at national and county levels.
4. To develop and implement incentive mechanisms that will stimulate investments in sustainable forestry practices, including innovative financial instruments, public-private partnerships (PPPs), and community-based initiatives.
5. To mainstream forestry financing within key national and county-level policy frameworks, ensuring alignment with broader environmental, social, and economic policies, as well as enhancing Kenya's commitment to international multilateral agreements.
6. To leverage education systems and academic institutions to promote research, innovation, and awareness in forest financing, ensuring that forestry education and training are integrated into national curricula and that forestry becomes a recognized and attractive career path.
7. To strengthen partnerships and collaboration with local communities, development partners, and the private sector to foster sustainable forest management practices and ensure the equitable distribution of benefits arising from forest resources.
8. To enhance the development and utilization of carbon financing mechanisms, including carbon credits and carbon offsets, to generate additional revenue streams for the forestry sector. This will involve building the capacity of stakeholders to engage in carbon markets, establishing transparent systems for measuring, reporting, and verifying carbon emissions reductions, and promoting investment in afforestation, reforestation, and sustainable forest management projects that contribute to carbon sequestration. It will also mainstream forest certification and eco-labelling

1.6 Process of Developing the Kenya National Forest Financing Strategy

Our methodology encompassed a multifaceted, participatory, and interdisciplinary approach, aiming to unravel the complexities of the forestry sector and forge a transformative path forward. This intricate process is divided into several key components, each tailored to provide comprehensive insights and ensure that the resultant forest financing strategy is not only robust but adaptive to the dynamic landscape of the sector.

The development of the Kenya National Forest Financing Strategy was highly informed by the Terms of Reference (TORs). The data collection exercise entailed a comprehensive review of relevant documents and an analysis of existing government reports and policies, academic publications, economic and financial reports, international reports and guidelines, industry documents, project reports, and case studies, allowing us to distill key insights into the historical context, current challenges, and emerging trends within the forestry sector. It identified the financing needs and gaps as well as funding sources and expenditure.

Stakeholder Mapping and Analysis was conducted to identify the key players ranging from government agencies and private sector entities to NGOs, community forest associations, financial institutions and development partners, local communities, and international partners. They were engaged through Key Informant Interviews to understand priorities and challenges which also guided the comprehensive analysis of the financing trends within the forestry sector over the past five years discern patterns, identify areas of success, and pinpoint challenges that require targeted intervention.

The data gathered informed the development of the Kenya National Forest Financing Strategy which comprises 4 sections.

1.7 Mission, Vision, and guiding principles

1.7.1 Mission.

To establish a sustainable, diversified, and inclusive financing framework that enhances forest conservation, restoration, and sustainable management, contributing to national development goals and climate resilience.

1.7.2 Vision

A well-financed forestry sector that supports environmental sustainability, socio-economic development, and climate change adaptation and mitigation that ensures a thriving forest ecosystem for present and future generations.

1.7.3 Guiding Principles

1. **Sustainability:** The strategy ensures the long-term sustainability of forests by supporting projects that promote sustainable land use, forest conservation, afforestation, and reforestation. It encourages a balance between economic activities and environmental preservation.
2. **Inclusivity and Equity:** The strategy prioritizes the inclusion of diverse stakeholders, including local communities, marginalized groups, indigenous peoples, women, and youth, ensuring equitable benefit-sharing from forest resources.
3. **Public-Private Partnerships (PPP):** The strategy promotes collaboration between the government, private sector, civil society, and international donors. This ensures diversified sources of funding and expertise in forest management.
4. **Innovative Financing:** The strategy aims at encouraging the development of innovative financing mechanisms, such as green bonds, carbon credits, payment for ecosystem services (PES), and biodiversity offsets to attract both public and private investments.
5. **Resilience to Climate Change:** The strategy focuses on building climate resilience by promoting climate-smart forestry practices, reducing deforestation, enhancing carbon sinks, and addressing forest-based mitigation and adaptation strategies in line with Kenya's climate commitments.
6. **Accountability and Transparency:** The strategy aims to ensure that all funds and resources are transparently managed and accounted for. It establishes monitoring and reporting frameworks to track progress, impacts, and proper use of resources.
7. **Community and Stakeholder Engagement:** The strategy emphasizes the active involvement of local communities and stakeholders in decision-making processes. This principle ensures that local needs and knowledge are integrated into forest management and financing projects.
8. **Capacity Building and Knowledge Sharing:** The strategy aims to build technical capacity among forest managers, local communities, and other stakeholders. The strategy encourages knowledge transfer, research, and education to strengthen forest governance.

9. **Alignment with National and International Policies:** The strategy is designed to align with Kenya's Vision 2030, the Forest Conservation and Management Act, 2016, and international agreements such as the Paris Agreement, Sustainable Development Goals (SDGs), and Medium-Term Plan IV.

Chapter 2. Situational Analysis

2.1 Global Forest Cover

Analysis of global forest area distribution across different world regions reveals that Europe, predominantly through Russia, claims the largest portion of global forests, accounting for nearly 25% of the total. South America follows with approximately 20% of the world's forested areas. Overall, forests cover approximately 38% of habitable land area globally, equivalent to about 26% of total land area, including both habitable and uninhabitable regions. This represents a significant decrease over time, largely attributed to the expansion of agricultural activities. Presently, half of habitable land worldwide is allocated to agriculture, with livestock farming alone occupying an area equivalent to the world's forests.

As of 2024, several countries exhibit significant forest area coverage per capita. According to data from the World Bank and other sources, Canada leads with nearly 95,000 square meters of forest per person, followed by Russia with approximately 56,000 square meters per capita. Brazil follows closely with nearly 24,000 square meters per person. The United States trails behind with approximately 10,000 square meters per capita. For Kenya, the forest area per capita is considerably lower, estimated at 1,400 square meters per person.

2.2 Forest and Tree Cover in Kenya

Kenya's forest and tree cover has seen gradual growth over the years, with the 2021 National Forest Resources Assessment (NFRA) Report indicating a tree cover of 12.13% and a forest cover of 8.83%. This marks an increase from previous years, where forest cover stood at 6.3% in 2018, up from 5.9%. Despite this progress, achieving the national target of 10% forest cover has been challenging due to ongoing degradation. Notably, 37 out of 47 counties have surpassed the 10% tree cover target, with regions such as Nyeri, Lamu, and Kilifi leading in forest cover percentages, while areas like Siaya, Migori, and Busia have the lowest.

To address the need for increased tree cover, the Kenyan government launched a campaign in 2022 to plant 15 billion trees over the next decade, aiming to achieve 30% tree cover. This initiative seeks to rehabilitate and restore 10.6 million hectares across 290 constituencies, focusing on reducing greenhouse gas emissions, halting deforestation, and restoring critical ecosystems and water towers, especially in the drier ASAL (Arid and Semi-Arid Lands) regions where wooded grasslands dominate.

2.3 Current Forest Financing Landscape in Kenya

Kenya's forest financing landscape is supported by multiple funding agencies, including the Kenyan government, international donors, financial institutions, and private sector investments. Key government players, such as the Ministry of Environment, Climate Change and Forestry, and the National Treasury, allocate funds for forest management and conservation efforts, while commercial banks and SACCOs provide financial support for forestry ventures. Despite these efforts, government funding for forestry has been insufficient, with the 2022/2023 and 2023/2024 budgets allocating Ksh 10.15 billion and Ksh 14.3 billion, respectively, which is far below the Ksh 600 billion required to achieve the 30% tree cover target.

Development partners such as UNDP, JICA, the Finnish Embassy, FAO, the European Union, GIZ, and Gatsby Africa play a crucial role in forest financing in Kenya by offering technical expertise, funding, and capacity-building support for sustainable forest management, reforestation, and climate change adaptation projects. These organizations contribute to the implementation of forestry projects, focusing on biodiversity conservation, sustainable land management, and enhancing community livelihoods.

Notably, the Kenya Forest Service (KFS) initiated a plan in 2019 to rehabilitate over 4 million acres of degraded forest land, aiming to increase forest cover from 7.2% to 10% by 2022, though the funding requirements were not fully met.

While there has been a growing trend toward increased investment in forestry due to the sector's importance for environmental sustainability and economic development, funding fluctuations and resource constraints remain significant challenges. Addressing these issues will require innovative financing mechanisms, strengthened public-private partnerships, and enhanced collaboration with international donors to ensure consistent funding and support for forestry initiatives in Kenya.

2.4 Overview of Forestry Financing Sources in Kenya

In Kenya, forestry financing comes from a diverse range of sources, each playing a critical role in supporting conservation, reforestation, and sustainable land management. International aid and grants from bilateral agreements, multilateral organizations, and international NGOs provide significant funding for projects focused on halting deforestation and promoting forest restoration. Climate finance mechanisms, such as the REDD+ program and the Green Climate Fund (GCF), also contribute to Kenya's efforts by providing financial incentives for reducing emissions and undertaking climate adaptation and mitigation initiatives.

The Kenyan government, through its national and county budgets, allocates funds to support forestry initiatives, while the private sector is actively involved through Corporate Social Responsibility (CSR) initiatives, public-private partnerships (PPPs), and commercial forestry investments. Companies like Kakuzi PLC have taken the lead in large-scale commercial forestry, providing both economic benefits and conservation support. Additionally, innovative financing mechanisms such as eco-tourism revenue sharing, payment for ecosystem services (PES), and biodiversity offsets are being explored to create sustainable funding sources for forest conservation.

Local communities also contribute significantly to forest conservation through community-based projects supported by grants or microfinance. Their involvement ensures the integration of traditional knowledge and practices in conservation efforts, further enhancing the effectiveness and sustainability of forestry financing in Kenya. By combining international support, government funding, private sector engagement, and local contributions, Kenya has developed a comprehensive approach to financing its forestry sector.

2.5 Overview of Financing Needs and Gaps in the Forestry Sector

Kenya's forestry sector requires significant funding for forest conservation, sustainable management, restoration, and community engagement. Key areas include protecting forest ecosystems, law enforcement against illegal activities, capacity building, research, and rehabilitation of degraded landscapes. Community involvement, such as participatory forest management, also demands financial resources to support livelihood programs and collaborative governance. However, current financing mechanisms fall short due to limited government budgets, unpredictable international funding, and a lack of coordinated efforts among stakeholders.

To address these financing gaps, a comprehensive approach is needed, focusing on diversifying funding sources and enhancing stakeholder collaboration. This includes leveraging public-private partnerships, climate finance instruments, and innovative financing mechanisms to attract more private capital and ensure sustainable funding. By strengthening coordination and promoting community participation, Kenya can effectively mobilize the financial resources necessary to achieve its forestry conservation and management goals.

2.6 Financing Trends in the Forestry Sector in Kenya

2.6.1 Trends in Budget Estimates

To develop and justify the need for a comprehensive financing strategy, it is crucial to analyze the trends in forest financing over the past five years. Over this period, Kenya's total budget has experienced significant fluctuations, reflecting the country's shifting economic priorities and fiscal challenges. The country's total budgets in the last five years have been as follows:

- 2019/2020: The total budget was approximately Ksh 3.08 trillion.
- 2020/2021: The budget increased to about Ksh 3.2 trillion.
- 2021/2022: The budget saw another rise to Ksh 3.6 trillion.
- 2022/2023: The total budget further increased to Ksh 3.4 trillion.
- 2023/2024: The budget was set at Ksh 3.7 trillion, representing an 8.7% increase from the previous year.

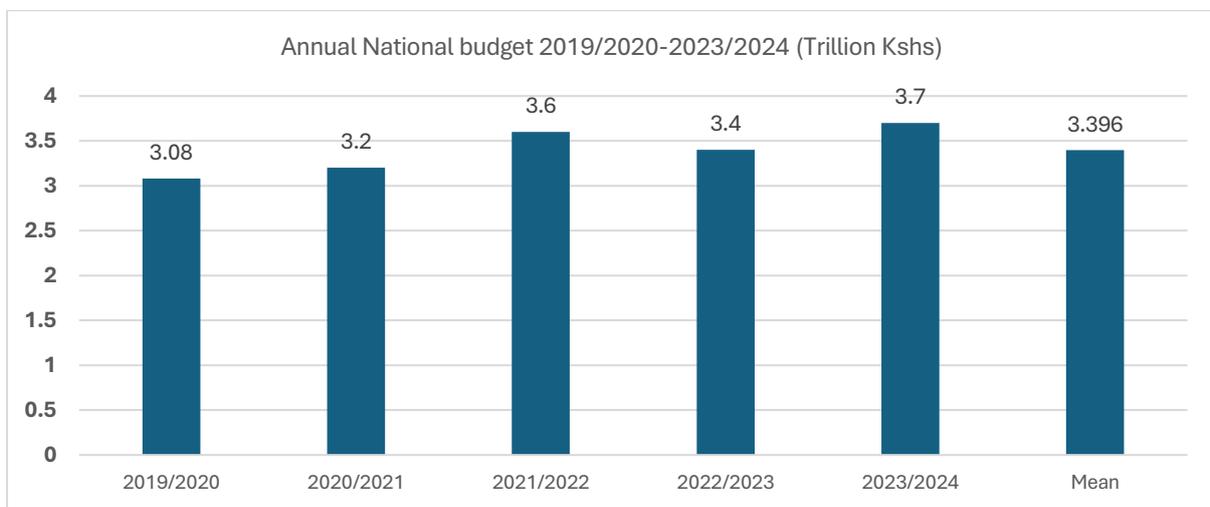


Figure 2-1: Annual National budget 2019/2020-2023/2024 (Trillion Kshs)

Comparatively, the Budget Estimates from 2019/2020 to 2023/2024 fiscal years for the Forest & Water Towers Conservation have been as follows:

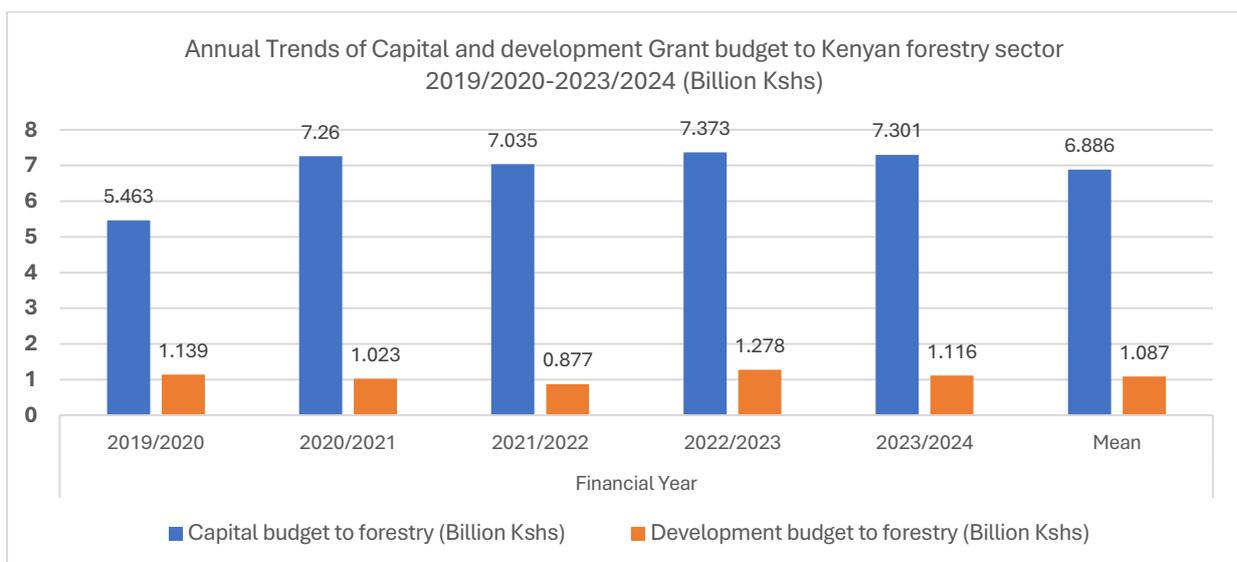


Figure 2-2: Budget estimates for Forest & Water Towers Conservation: 2019/2020 - 2023/2024

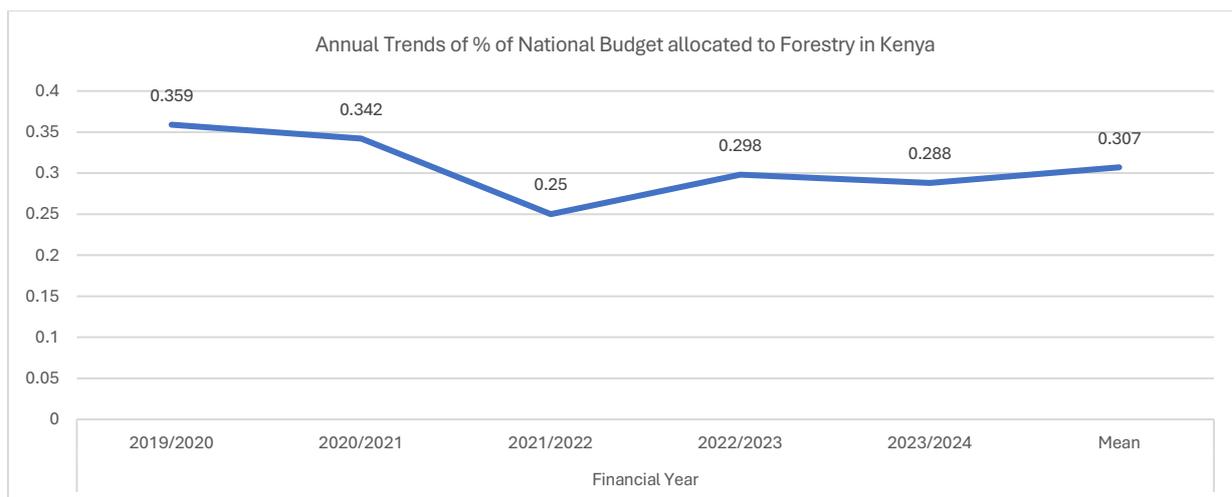


Figure 2-3: Annual Trends of % of National Budget allocated to Forestry in Kenya

The Forestry sector in Kenya has consistently received less funding compared to other sectors. From the budget estimates, we observe that the total expenditure on Forest & Water Towers Conservation has been relatively modest when compared to the total national budget.

The focus within the Forestry sector has also been on current expenditure over capital expenditure. From 2019/2020 to 2023/2024, total expenditure on the sector reached Kshs 51.87 billion, averaging Kshs 12.97 billion per year whereas annual national budgets were in the trillions.

In contrast, funding for forestry during the same period totaled only Kshs 16.98 billion, averaging just Kshs 3.4 billion annually, which represents a mere 0.026% of the national budget. Additionally, development grants essential for project expansion and innovation showed considerable variability over the years.

The consistency in current expenditure underscores Kenya's commitment to maintaining the essential functions and operations of forest and water tower conservation, ensuring ongoing activities such as forest management, conservation programs, and administrative support. In contrast, the variability in capital expenditure reflects the nature of project-based funding, with higher investment periods corresponding to major projects or infrastructure developments and lower periods indicating project completions or shifts in funding priorities. Despite these fluctuations, the overall budget for the sector has remained robust with only minor variations, suggesting that the sector has managed to maintain a relatively stable financial footing, which is vital for long-term planning and sustainability.

Low funding to the forestry sector in Kenya can be attributed to several factors:

1. **Economic Priorities:** The government prioritizes sectors that directly drive economic growth and development, such as infrastructure, education, and healthcare. These sectors are perceived to have immediate and visible benefits, which can overshadow long-term environmental investments
2. **Revenue Constraints:** Kenya has faced challenges in revenue collection, leading to a tighter fiscal environment. The need for fiscal consolidation has meant that sectors perceived as less critical to short-term economic stability, like forestry, receive lower funding.
3. **Debt Servicing:** A significant portion of the national budget is allocated to servicing public debt. High debt repayment obligations limit the funds available for other sectors, including forestry.
4. **Political Priorities:** Political decisions often influence budget allocations. Sectors with more immediate social and political returns tend to receive more attention and funding. Forestry, often seen as a long-term investment, may not be a political priority.
5. **Lack of Awareness and Advocacy:** There may be insufficient awareness and advocacy regarding the importance of forestry, its value in the economy, and its role in environmental

sustainability and climate change mitigation. This lack of visibility can result in lower prioritization in budget allocations.

6. **Competing Environmental Issues:** Other environmental issues, such as water resource management, waste management, and urban pollution, might be competing for the limited environmental funds available, reducing the share allocated to forestry.
7. **Dependency on External Funding:** There is a tendency to rely on external donors and international organizations for funding forestry projects. This can lead to inconsistent funding levels as external aid can be variable and dependent on global economic conditions and donor priorities.
8. **Project-Based Funding Nature:** Forestry projects often depend on specific project-based funding, which can fluctuate significantly. High investment periods align with large-scale projects, while periods of lower funding might coincide with project completions or shifts in funding priorities.

2.6.2 Trends in Disbursements and Development Grants

To provide a comprehensive overview of the funding trends in Kenya's forestry sector, the following table presents detailed data on total disbursements and development grants allocated to various forestry-related entities and programs over the past five years (2019-2023). This data highlights the financial commitment to the sector and sheds light on the distribution and variations in funding across different organizations and projects within the forestry sector:

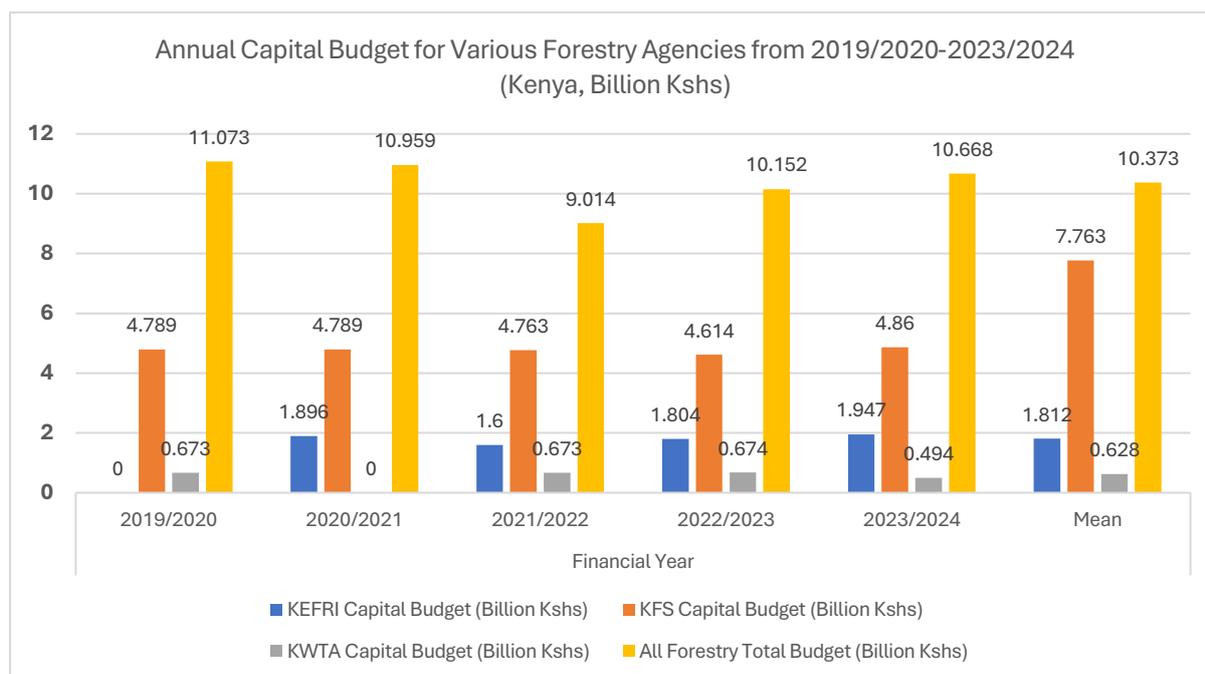


Figure 2-4: Annual Capital Budget for Various Forestry Agencies from 2019/2020-2023/2024 (Kenya, Billion Kshs)

The total disbursements over the five-year period from 2019 to 2023 show notable fluctuations across different years and entities. In 2019, the total disbursement was 5,462,859,039 KES, which then increased to 7,259,792,386 KES in 2020. This upward trend continued into 2021 with 7,035,456,335 KES, and further into 2022 with 7,373,000,000 KES. By 2023, the total disbursement slightly decreased to 7,300,939,205 KES. The consistent disbursement to entities like the Kenya Forest Service (KFS) highlights a sustained commitment to forest management and conservation efforts. However, the fluctuations observed in the overall totals indicate variations in annual budget allocations and funding priorities.

Development grants, which are critical for project expansion and innovation, also exhibited significant variability across the years. In 2019, development grants totaled 1,139,250,000 KES, which then decreased to 1,022,741,418 KES in 2020. The grant amount further declined in 2021 to 877,084,000 KES, before rising again to 1,278,000,000 KES in 2022. In 2023, development grants amounted to 1,115,939,205 KES. These fluctuations reflect the changing focus and funding availability for specific developmental initiatives within the environmental sector. Notably, the Kenya Forest Service and Kenya Forestry Research Institute (KEFRI) received substantial development grants, indicating targeted support for forestry research and development projects.

The data underscores the importance of stable and predictable funding mechanisms for maintaining and advancing environmental initiatives in Kenya. While total disbursements and development grants have shown variability, the strategic allocation of these funds has enabled significant progress in forest conservation, water tower protection, and biodiversity preservation. A well-defined financing strategy that ensures consistent funding flows will be critical for sustaining momentum, implementing long-term conservation strategies, and enhancing resilience to environmental pressures. By leveraging development grants effectively and ensuring equitable distribution of resources, Kenya can continue to make strides towards its sustainable development goals on both national and global scales.

2.6.3 Financing Gaps

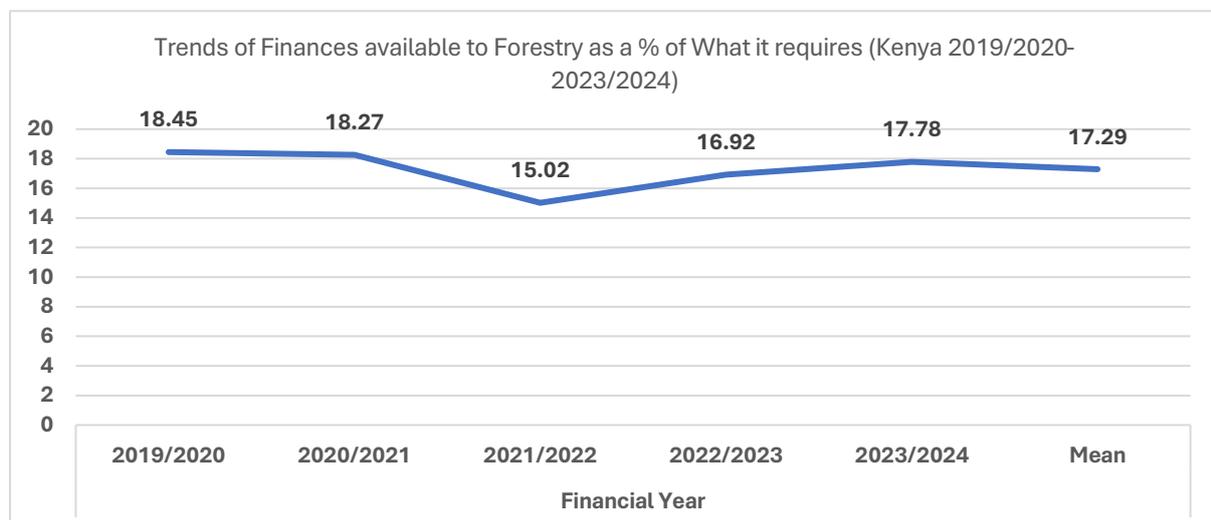


Figure 2-5: Trends of Finances available to Forestry as a % of What it requires (Kenya 2019/2020-2023/2024)

The chart illustrates the trends in available finances for the forestry sector in Kenya as a percentage of the required funding from the financial years 2019/2020 to 2023/2024. In every year depicted, the available finances as a percentage of what the sector requires are below 20%. This indicates a consistent funding gap, where less than one-fifth of the necessary funding has been met, suggesting that the forestry sector is underfunded throughout the period.

The mean percentage of **17.29%** across the five years shows that, on average, the forestry sector is receiving only about 17% of the required financing. This is a clear indicator of the chronic underfunding of the sector, suggesting that budgetary allocations need significant enhancement to bridge the gap. The funding gap of 83% poses challenges to sustainable forestry management, conservation, and the sector's overall economic contribution. Addressing these gaps through increased and more consistent funding will be crucial for the forestry sector to meet its full potential and support broader environmental and economic goals.

2.6.4 Private Sector Finance Flows for Green Growth and Climate Action in Kenya

For the period 2017/2018, Investment from the private sector totaled KES 98.9 billion (\$979 million), 34.4% originating domestically from Kenyan companies through their own resources and 65.6% from overseas private companies investing into projects located in the country. Most private sector finance flows in Kenya are directed towards the energy sector, with limited investments towards other sectors that are important for effective climate action and green growth.

Slightly more than 79% of climate finance in Kenya in the period 2017/2018 was directed to the implementation of climate mitigation measures such as those involving investments in renewable energy and energy efficiency. These investments were driven by foreign private sector actors invested who directed 99.7% or Ksh. 64.9 billion (\$643 million) of their investments for the 2017/2018 period towards renewable energy projects. Further, according to CPI, only 11.7% of climate finance in Kenya was directed to adaptation. Most of this financing is driven by philanthropic foundations who are considered private sector actors. This presents an economic risk due to the cost of climate events such as drought and flooding. Within the mitigation sector, climate finance is disproportionately targeting the renewable energy sector, while other key sectors, like agriculture, forestry and land use, transport, and water management, are dramatically underfunded.

2.6.5 Donor Funding in the Forestry Sector (2018/2019-2023/2024)

Donor funding plays a crucial role in supplementing national budgets and advancing forestry initiatives in Kenya. Various international donors, non-governmental organizations, and development partners contribute to the forestry sector to support conservation, reforestation, and sustainable management efforts. This donor financial assistance often comes in the form of grants, loans, and technical support, which are essential for achieving large-scale environmental goals and addressing climate change impacts.

Table 2-1: Donor Funding in the Forestry Sector (2018/2019-2023/2024)

	Exchequer	External			Total	Funding Source
		Grant	AIA	Loan		
2023/2024	Kshs. 000	Kshs. 000	Kshs. 000	Kshs. 000	Kshs. 000	
Green Zones Development Support Project Phase II.	100,000	-	476,000	714,000	1,290,000	African Development Fund (ADB/ADF)
Tree Growing and Sustainable Forestry Finance Management for Kenya	-	150,000	-	-	150,000	United Nations Development Programme (UNDP)
Supply of Forest Fire Fight. Equip & Assoc. Services-Kenyan Forest Service	-	-	1,310,000	-	1,310,000	Government of France (AFD-FRANCE)
	100,000	150,000	1,786,000	714,000	2,750,000	
2022/2023	Kshs. 000	Kshs. 000	Kshs. 000	Kshs. 000	Kshs. 000	
Tree Growing and Sustainable Forestry Finance Management for Kenya	-	130,000			130,000	United Nations Development Programme (UNDP)
Kenya's Water Tower Protection & Climate Change (Water) Programme	20,000	30,000			50,000	European Development Fund (EDF/EEC)
Forest Fire Protection Management Project	-	915,000			915,000	Government of France (AFD-FRANCE)
Implementation of the FCPF REDD+Readiness	120,000	30,000			150,000	United Nations Development Programme (UNDP)
Green Zones Development Support Project Phase II.	-		261,500	517,000	778,500	African Development Fund (ADB/ADF)
Subtotal	140,000	1,105,000	261,500	517,000	2,023,500	
2021/2022	Kshs. 000	Kshs. 000	Kshs. 000	Kshs. 000	Kshs. 000	
Development of Drought-Tolerant Trees for Adaptation to Climate Change	40,000	337,000			377,000	International Development Association (WORLD BANK/IMF)
Kenya's Water Tower Protection & Climate Change (WATER) Programme	20,000	100,000			120,000	European Development Fund (EDF/EEC)
Capacity Development Project for Sustainable Forest Management.	63,000	295,000			358,000	Government of Japan (JAPAN)
Implementation of the FCPF REDD+Readiness	50,000	150,000			200,000	United Nations Development Programme (UNDP)

	Exchequer	External			Total	Funding Source
		Grant	AIA	Loan		
Green Zones Development Support Project Phase II.	84,000		261,500	394,500	740,000	African Development Fund (ADB/ADF)
Subtotal	257,000	882,000	261,500	394,500	1,795,000	

	Exchequer	External			Total	Funding Source
		Grant	AIA	Loan		
2020/2021	Kshs. 000	Kshs. 000	Kshs. 000	Kshs. 000	Kshs. 000	
Development of Drought-Tolerant Trees for Adaptation to Climate Change	40,000	437,000			477,000	Government of Japan (JAPAN)
Kenya's Water Tower Protection & Climate Change (WATER) Programme	35,000	1,279,000			1,314,000	European Development Fund (EDF/EEC)
Capacity Development Project for Sustainable Forest Management.	63,000	295,000			358,000	Government of Japan (JAPAN)
Implementation of the FCPF REDD+Readiness	50,000	150,000			200,000	United Nations Development Programme (UNDP)
Green Zones Development Support Project Phase II.	84,000		261,500	394,500	740,000	African Development Fund (ADB/ADF)
Subtotal	272,000	2,161,000	261,500	394,500	3,089,000	
2019/2020	Kshs. 000	Kshs. 000	Kshs. 000	Kshs. 000	Kshs. 000	
Development of Drought-Tolerant Trees for Adaptation to Climate Change	-	100,000	-	-	100,000	Government of Japan (JAPAN)
	-	-	370,353	-	370,353	International Development Association (WORLD BANK/IMF)
Kenya's Water Tower Protection & Climate Change (WATER) Programme	30,000	1,279,000	-	-	1,309,000	European Development Fund (EDF/EEC)
Capacity Development Project for Sustainable Forest Management.	89,000	335,000	-	-	424,000	Government of Japan (JAPAN)
Implementation of the FCPF REDD+Readiness	-	130,000	-	-	130,000	United Nations Development Programme (UNDP)
Green Zones Development Support Project Phase II.	-	-	300,000	200,000	500,000	African Development Fund (ADB/ADF)

	Exchequer	External			Total	Funding Source
		Grant	AIA	Loan		
Subtotal	119,000	1,744,000	670,353	200,000	2,733,353	
2018/2019	Kshs. 000	Kshs. 000	Kshs. 000	Kshs. 000	Kshs. 000	
Capacity Development Project for Sustainable Forest Management.	267,000	388,000	-	-	655,000	Government of Japan (JAPAN)
Kenya's Water Tower Protection & Climate Change (WAER) Programme	-	1,279,000	-	-	1,279,000	European Development Fund (EDF/EEC)
Subtotal	267,000	1,667,000	-	-	1,934,000	

In the 2018/2019 period, Kenya's forestry sector received significant external funding, with 655 million KES from the Government of Japan for the Capacity Development Project for Sustainable Forest Management and 1.279 billion KES from the European Development Fund for the Water Programme. The funding focused on enhancing sustainable forest management through training, technology, and community engagement, as well as protecting vital water towers and addressing climate change impacts. The combined external funding of 1.934 billion KES highlights the crucial role of international collaboration in advancing Kenya's forestry and environmental conservation efforts.

In the 2019/2020 fiscal year, Kenya's forestry sector received substantial external funding from various international partners. The Government of Japan contributed Kshs.100 million towards the Development of Drought Tolerant Trees for Adaptation to Climate Change. The World Bank and IMF, through the International Development Association, provided Kshs.370 million in Appropriation in Aid (AIA) for the same project. The European Development Fund granted Kshs.1.279 billion for Kenya's Water Tower Protection & Climate Change (WATER) Programme, with an additional Kshs.30 million from the Government of Kenya (GoK). For the Capacity Development Project for Sustainable Forest Management, Japan gave Kshs.335 million, supplemented by Kshs.89 million from the GoK. The United Nations Development Programme (UNDP) supported the FCPF REDD+Readiness program with Kshs.130 million. The African Development Fund (ADF) allocated Kshs.300 million in AIA and provided a loan of Kshs.200 million for the Green Zones Development Support Project Phase II, totaling Kshs.2.733 billion in external funding.

In the 2020/2021 fiscal year, the Government of Japan increased its support to Kshs.437 million for the Development of Drought Tolerant Trees, with an additional Kshs.40 million from the GoK. The European Development Fund maintained its grant of Kshs.1.279 billion for the WATER Programme, with Kshs.35 million from the GoK. Japan also provided Kshs.295 million for the Capacity Development Project, supplemented by Kshs.63 million from the GoK. UNDP contributed Kshs.150 million for the FCPF REDD+Readiness program, with Kshs.50 million from the GoK. The ADF allocated Kshs.261.5 million in AIA and a loan of Kshs.394.5 million for the Green Zones Development Support Project, with Kshs.84 million from the GoK.

In the 2021/2022 fiscal year, the International Development Association granted Kshs 337 million for the Development of Drought Tolerant Trees, with Kshs 40 million from the GoK. The European Development Fund provided Kshs 100 million for the Water Programme, with Kshs 20 million from the GoK. Japan continued its support with Kshs 295 million for the Capacity Development Project, and Kshs 63 million from the GoK. UNDP again provided Kshs 150 million for the FCPF REDD+Readiness program, with Ksh 50 million from the Gok. The ADF maintained its support with Kshs 261.5 million in AIA and a loan of Kshs 394.5 million for the Green Zones Development Support Project, with Kshs 84 million from the Gok.

In the 2022/2023 fiscal year, UNDP gave Kshs 130 million for tree growing and sustainable forestry management, while the European Development Fund provided Kshs 30 million for the Water Programme, with Kshs 20 million from the GoK. France contributed Kshs 915 million to the Forest Fire Protection Management Project. For the FCPF REDD+Readiness program, UNDP provided Kshs 30 million, with Kshs 120 million from the GoK. The ADF allocated Kshs 517 million in loans and Kshs 261.5 million in AIA for the Green Zones Development Support Project.

In the 2023/2024 fiscal year, the ADF gave Kshs 476 million in AIA and a loan of Kshs 714 million for the Green Zones Development Support Project, with Kshs 100 million from the GoK. UNDP contributed Kshs 150 million for tree growing and sustainable management forestry and France provided Kshs 1.310 billion in AIA. This continued support underscores the importance of international cooperation in advancing Kenya's forestry sector and addressing climate change challenges.

2.6.6 Usage of Funds for Forest and Water Towers Conservation in 2020/2021 – 2021/2022

The usage of funds for forest and water towers conservation between 2020/2021 and 2021/2022 demonstrates significant efforts and achievements in environmental restoration and sustainability in Kenya:

Table 2-2: Usage of funds for Forest and Water Towers Conservation in 2020/2021 – 2021/2022

No	Period	Utilization
1.	2020-2021	<ul style="list-style-type: none"> • 100.3 million tree seedlings produced and planted • 919 Ha of forest rehabilitated • 433.55 Ha of Bamboo Forest developed • 12,324 Ha of commercial forests rehabilitated • 19,836.44 Ha of forest gazette • 2.6 million Ha of existing canopy forest protected • 45,920 Kgs of seeds processed and distributed • 142,101 Ha of water towers protected • 391 Ha of degraded water tower landscape rehabilitated • 100,000 bamboo seedlings propagated and planted • 38 Ha of bamboo stock established within water tower eco-systems
2.	2021-2022	<ul style="list-style-type: none"> • 135 million tree seedlings were produced and planted • 5,284.5 Ha of bamboo forest rehabilitated • 248 Ha of bamboo forest developed • 5,000 Ha of farm forests established • 2,000 Ha of commercial forest established • 13,190 Ha of forest established • 2.6 million existing closed canopy forests protected • 75,000 Kgs of seeds produced • Raised 74,723 mate difficult-to-propagate tree species • 142,101 Ha of water towers protected • 285 Ha of degraded water towers rehabilitated • 4 Ha of bamboo stock established within water tower ecosystems

These achievements highlight a comprehensive approach to environmental conservation, focusing on reforestation, rehabilitation of degraded lands, protection of biodiversity-rich areas like water towers, and sustainable management of forest resources. The utilization of funds has enabled tangible progress in mitigating environmental degradation and promoting sustainable practices crucial for Kenya's ecological health and resilience to climate change.

2.7 National and County-Level Financing Opportunities

2.7.1 National-Level Financing Opportunities

The Global Environment Facility (GEF) offers significant funding opportunities for forest conservation and management in Kenya, particularly through programs like the GEF Small Grants Programme (SGP). This initiative provides grants of up to \$50,000 per project to support civil society organizations, including NGOs, CBOs, and scientific communities. The projects focus on themes such as biodiversity, climate change, and sustainable land management, promoting environmental conservation while enhancing livelihoods. The Kenyan government also plays a vital role through budget allocations that fund reforestation projects, sustainable forest management practices, and research and development efforts aimed at protecting and expanding forest ecosystems.

The National Environmental Trust Fund (NETFUND) provides financial and technical support for forest conservation projects, emphasizing community-based initiatives, capacity building, and the adoption of

innovative technologies. Similarly, the Green Climate Fund (GCF) offers funding for climate change mitigation and adaptation, supporting projects such as REDD+ (Reducing Emissions from Deforestation and Forest Degradation), sustainable agriculture, and enhancing the resilience of forest ecosystems. These programs enable Kenya to access global funds dedicated to addressing climate change and promoting sustainable forestry practices.

Public-Private Partnerships (PPPs) present another valuable opportunity for forest financing at the national level. Through PPPs, the government can collaborate with private companies on initiatives such as conservation projects, eco-tourism development, and sustainable timber production, leveraging private sector resources to enhance forest conservation efforts. In Kenya, Public-Private Partnerships (PPPs) in forestry are emerging through initiatives such as Kakuzi PLC's commercial tree plantations, which support both timber production and environmental conservation. Another example is the collaboration between the Kenya Forest Service (KFS) and private companies to manage forest plantations through lease agreements, fostering sustainable timber production. Additionally, partnerships in Karura Forest involve corporate sponsors working alongside the government and community groups to support conservation and eco-tourism efforts. Additionally, international donor agencies like the World Bank, USAID, and the European Union provide funding for large-scale conservation projects, capacity-building programs, and biodiversity conservation initiatives, offering crucial financial support for Kenya's forestry sector.

Commercial forestry offers immense potential for economic growth, environmental sustainability, and social development in Kenya. However, it is important to acknowledge that this potential can only be fully realized if forestry practices comply with sustainable management standards. Without proper oversight, there is a risk of non-compliance, which could lead to environmental degradation and loss of biodiversity. By incentivizing investments in certified sustainable forestry, Kenya can ensure that job creation, revenue generation, and value-added processes in tree planting, timber production, and processing industries are aligned with sustainability goals. Certification and eco-labeling play a crucial role in verifying that these activities contribute to environmental benefits such as afforestation, reforestation, carbon sequestration, and soil and water conservation. Additionally, sustainable commercial forestry can support social development through community programs, capacity building, and improved fuelwood and energy security, reinforcing Kenya's objectives for sustainable land use and a green economic transition.

2.7.2 County Level Financing Opportunities

County governments in Kenya have a pivotal role in financing local forest conservation efforts through various mechanisms. One of the primary means is through county budget allocations that can support Community Forest Associations (CFAs), local reforestation projects, and awareness campaigns to educate communities on the importance of forest conservation. Additionally, County Environmental Committees can play a significant role in mobilizing resources, coordinating local projects, leveraging community contributions, and ensuring the effective monitoring and evaluation of forest conservation initiatives.

Local eco-tourism initiatives also present a promising opportunity for forest financing at the county level. By developing eco-friendly lodges, nature trails, and other attractions, counties can generate revenue for conservation while engaging communities in these ventures to ensure economic benefits and support for conservation efforts. Payment for Ecosystem Services (PES) schemes can further incentivize communities to conserve forests by providing compensation for maintaining water quality, protecting biodiversity, and participating in carbon credit markets. Additionally, local NGOs and Community-Based Organizations (CBOs) offer funding opportunities for forest conservation through small grants, capacity building, and advocacy campaigns that mobilize support for forest protection efforts.

In summary, both national and county levels in Kenya present numerous opportunities for forest financing. By combining government budget allocations, international donor funding, public-private partnerships, and innovative mechanisms like PES and eco-tourism, Kenya can secure the financial resources needed for sustainable forest management. Effective collaboration between national and county governments, local communities, NGOs, CBOs, and the private sector is essential to maximize these opportunities and ensure the long-term health and sustainability of Kenya's forests.

2.8 Analysis of the Forestry Sector Value Chain in Kenya

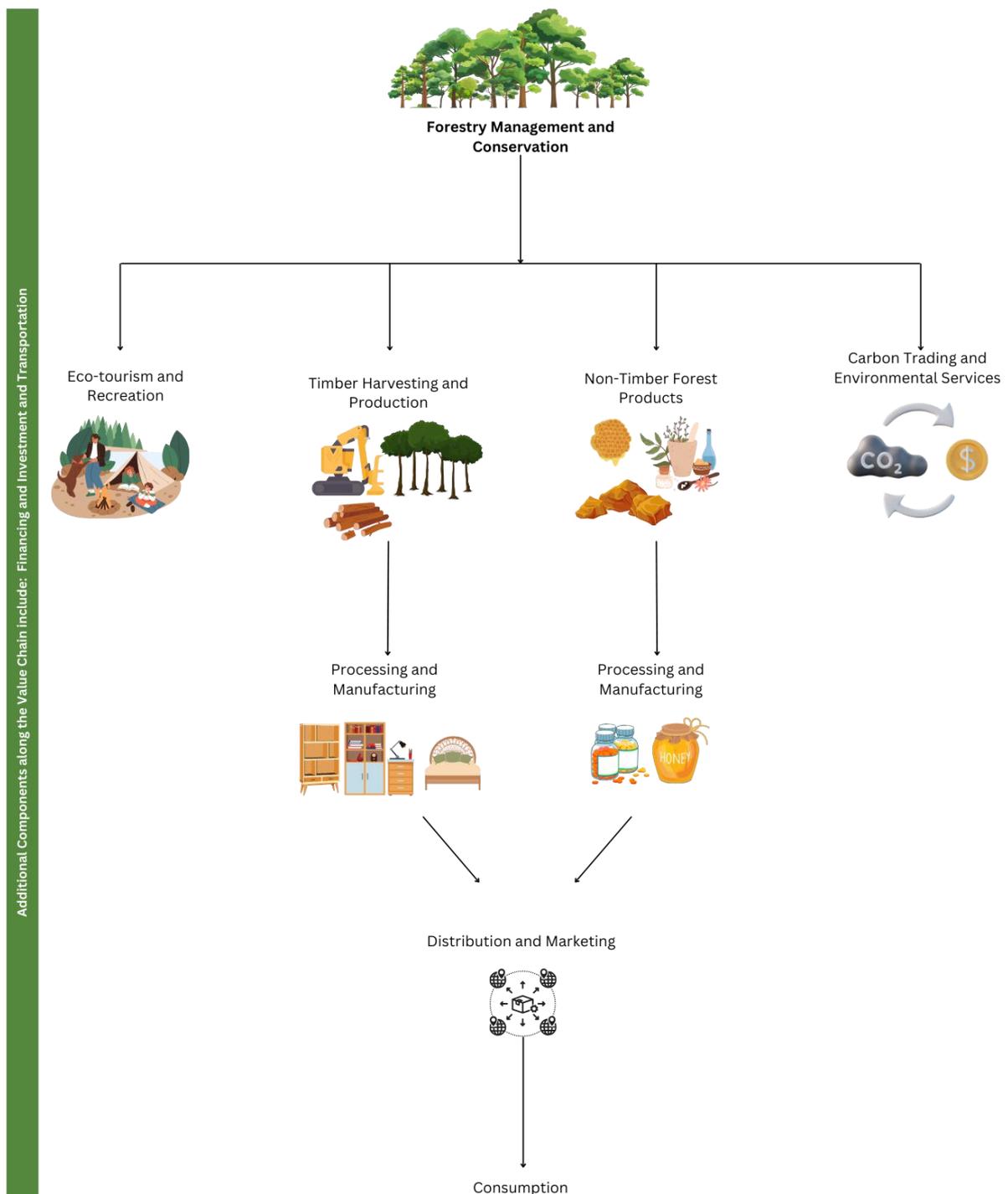


Figure 2-6: Forestry Value Chain

The forestry sector value chain in Kenya comprises interconnected stages that range from forest management and conservation to the production, processing, distribution, and marketing of forest products and services. The value chain begins with sustainable forest management, which includes activities like forest inventory, biodiversity conservation, habitat restoration, and fire prevention. Key stakeholders in this phase include the Kenya Forest Service (KFS), County Governments, Community

Forest Associations (CFAs), environmental NGOs, SMEs, and other private sector companies involved in forestry, all of which play vital roles in overseeing and implementing conservation practices.

Following forest management, timber harvesting involves the extraction of trees for commercial purposes, where the timber is processed into various products such as sawn timber and fuel wood. This stage sees participation from timber merchants, loggers, and small-scale harvesters, who are responsible for complying with regulations and managing sustainable practices. Consumers at this stage include sawmills, furniture manufacturers, construction companies, and exporters who utilize the harvested timber for further production and sales.

In addition to timber, the forestry sector also includes non-timber forest products (NTFPs) like medicinal plants, fruits, and honey. Local communities often serve as primary harvesters of these products, which are processed and marketed by cooperatives and small enterprises. NTFPs provide significant economic benefits and contribute to local livelihoods, making their sustainable management crucial. The stakeholders in this phase ensure that harvesting practices comply with regulations to preserve forest ecosystems.

The processing and manufacturing stage focuses on converting raw forest products into value-added goods such as furniture, paper, and wood-based panels. This stage involves various stakeholders, including sawmills, furniture manufacturers, and non-wood processors, who work to meet specific quality standards and contribute to the overall value chain.

Distribution and marketing play essential roles in ensuring that processed forest products reach consumers. Various channels, such as wholesalers, retailers, and exporters, are utilized to market timber and NTFPs, which helps in promoting the benefits of these products to target customers. Organizations like the Kenya Timber Manufacturers Association (KTMA) facilitate trade and ensure quality in the market.

Eco-tourism and recreation also represent a significant component of the forestry value chain. This stage encompasses activities like nature walks, camping, and wildlife safaris that contribute to local economies and enhance conservation efforts. Stakeholders, including the Kenya Wildlife Service (KWS) and local communities, engage in ecotourism initiatives, providing economic benefits while promoting sustainable practices.

Carbon trading and environmental services are increasingly recognized for their role in climate change mitigation. Forests provide vital ecosystem services and carbon sequestration, enabling forest owners to generate revenue through carbon credits. Stakeholders, including NGOs and international donors, support carbon offset projects, aligning financial incentives with environmental goals.

Financing is integral to all stages of the forestry value chain, providing essential capital for sustainable management, processing infrastructure, and market access. Institutions such as the National Treasury, banks, and agricultural finance corporations play crucial roles in supporting investments in forestry initiatives.

Transportation is another vital element of the forestry value chain, facilitating the movement of raw materials and finished products across various stages. It is essential for accessing remote areas for forest management and plays a central role in timber harvesting, as well as linking small-scale producers of NTFPs to markets. Effective transportation systems help reduce costs and enhance the sustainability and profitability of forestry activities, ensuring that products reach consumers in good condition and on time.

2.9 Market Analysis of Forestry Products and Services in Kenya

Kenya's forestry sector is characterized by both timber and non-timber forest products (NTFPs), eco-tourism, carbon credits, and commercial forestry, each offering significant economic opportunities. The timber industry faces challenges such as illegal logging and supply shortages, leading to a reliance on imports. However, there is great potential for value addition in the sector through processing and manufacturing finished wood products, which can bridge the supply gap and stimulate economic growth. Similarly, NTFPs like medicinal plants, honey, and fruits have growing demand, especially for sustainably sourced products. Sustainable management practices and value addition, such as processing, packaging, and branding, can enhance the income of local communities and promote conservation efforts.

Eco-tourism is a burgeoning sector in Kenya, driven by the nation's diverse biodiversity and increased interest in sustainable travel. Despite challenges such as inadequate infrastructure, eco-tourism potential can be enhanced by diversifying offerings, integrating cultural experiences, and promoting sustainable practices. Carbon credits represent another area of opportunity, as Kenya's forestry sector can significantly contribute to global climate change mitigation efforts. Despite challenges in project financing and verification, engaging in carbon trading platforms and aggregating smaller projects can enhance the financial viability of forestry initiatives.

Commercial forestry contributes approximately 3.6% to Kenya's GDP and has immense potential to support the economy through timber production, employment generation, and contributions to various industries. With an estimated 31.4 million m³ of wood supply against a 41.7 million m³ demand, private sector investments are crucial in expanding forest plantations. Commercial forestry can generate significant income for tree growers and contribute to climate change mitigation by sequestering carbon. The sector's success depends on innovative approaches, public-private partnerships, and policies that enhance competitiveness, and infrastructure, and incentivize investments, enabling it to realize its full socioeconomic potential.

2.10 SWOT Analysis in Forest Financing

This section explored the environmental analysis of the forestry financing dynamics within the country. It outlined the strengths, weaknesses, opportunities, and threats presented in the forest financing landscape in Kenya. It also formed the basis for developing the forest financing goals to be implemented in the action plan.

Table 2-3: SWOT Analysis in Forest Financing

STRENGTHS	WEAKNESSES
<ul style="list-style-type: none"> • Availability of land for investment • Labour (plenty of unemployed manpower) • Institutions in place (CFAs, research institutions, KFS/KWS & training institutions) • Enabling legal environment (new Forest Bill, Constitution, Vision 2030) • A sense of corporate social responsibility in society backed by a strong desire for the implementation of sustainability reporting principles by most corporate entities. • Strong and broad participation in the development process of national forest policies, strategies, and legal frameworks by stakeholders (communities, CSOs, county government, central government, etc.) • Favorable climate in the highlands for the production of wo-timber forest products (NTFP) • Increased interest in tree growing. 	<ul style="list-style-type: none"> • Forest investment pathways and finance mechanisms are underdeveloped • Poor implementation and awareness of previous strategies in forest management • Lack of capacity in counties to manage forests • Beneficiaries' interests are not always protected • Weak forest-focused civil society and professional bodies advocating for forest financing • Lack of prioritized forest programs • Limited awareness and communication on the importance of forest conservation at all levels • Lack of access to databases for forest resource funding • Inadequate involvement of the private sector • Poor accounting, certification, and standards • Undervalued forest -recognition of the total contribution of forests • Insufficient commitments to long-term programs • Unclear forest benefits/cost-sharing policies.
OPPORTUNITIES	THREATS
<ul style="list-style-type: none"> • Increasing per capita income and associated interest in forest investments • Promotion of legal/tax/partnership incentives • Carbon market mechanisms, e.g. REDD+ funds, green bonds, and other climate finance mechanisms • Rising demand for forest products and services • Avenues for accessing finance from international conservation funds and instruments available • Development of a national forest trust fund open for applications from all stakeholders • Involve financial institutions in forest investments • Ensure forest benefits are shared reasonably • Development of PPP frameworks. • Increased demand for forest products occasioned by growth in other sectors like manufacturing and construction through affordable housing programs. • Enhances vigor for access to climate-proofed funds. 	<ul style="list-style-type: none"> • Charcoal production and illegal cutting of trees • Lack of existing standard for governance • Climate change.

2.11 Stakeholder Mapping and Analysis of the Forestry Sector in Kenya

The stakeholder analysis outlined below offers a comprehensive overview of the roles, expectations, and influence exerted by various actors on Kenya's Forest financing strategy. By examining the diverse array of stakeholders involved in forestry management, this analysis underscores the necessity of engaging with multiple sectors to foster collaboration, mobilize resources, and promote sustainable practices. Recognizing the interconnected nature of forestry initiatives, effective engagement with stakeholders from governmental bodies, private enterprises, civil society organizations, and development partners is paramount for devising a robust financing strategy that addresses the multifaceted challenges facing Kenya's forestry sector.

Table 2-4: Stakeholder Mapping and Analysis

Stakeholder	Role in the Forestry Sector	Influence on Financing Strategy
Ministry of Environment, Climate Change and Forestry (MECCF)	Responsible for policy formulation, regulation, and oversight of the forestry sector.	Sets the agenda for forestry financing through budget allocations and policy decisions.
The National Treasury	Allocates funds for forestry projects and programs.	Determines the availability of financial resources for forestry initiatives through budget allocations.
Ministry of Interior and Coordination of National Government	Coordinates forest-related activities at the national level.	Provides support for forest management and conservation initiatives.
Ministry of Water, Sanitation and Irrigation	Manages water resources, which intersect with forestry activities.	Funds projects related to water resource management and agroforestry.
Ministry of Agriculture and Livestock Development	Promotes agroforestry and provides support to farmers in the forestry sector.	Allocates resources for agroforestry programs and sustainable land management practices.
Office of the Attorney General	Provides legal advice and oversight on forestry-related matters.	Ensures compliance with forestry laws and regulations.
Climate Change Council (Office of the President)	Coordinates climate change initiatives, which include forestry projects.	Advocates for climate-resilient forestry practices and funding for climate change adaptation projects.
Kenya Forestry Service (KFS)	Implements forestry policies and regulations, and manages forest resources.	Influences the allocation of funds for forest management and conservation efforts.
Kenya Forestry Research Institute (KEFRI)	Conducts research to support sustainable forest management practices.	Provides evidence-based recommendations for forestry financing strategies.
Kenya Wildlife Service (KWS)	Manages wildlife conservation areas, which may overlap with forested areas.	Advocates for integrated conservation approaches and funding for protected areas.
National Environment Management Authority (NEMA)	Regulates environmental impact assessments and compliance with forestry regulations.	Ensures sustainable use of forest resources and adherence to environmental standards.

Stakeholder	Role in the Forestry Sector	Influence on Financing Strategy
National Environment Trust Fund (NETFUND)	Provides funding and support for environmental conservation projects.	Offers grants and financing mechanisms for community-based forestry initiatives.
Kenya Plant Inspectorate Services (KEPHIS)	Regulates the quality of forest tree seedlings and plant materials.	Supports initiatives to improve the quality and productivity of tree planting programs.
Council of Governors (CoG)	Represents county governments' interests in forestry matters.	Advocates for devolved funding and support for county-level forestry initiatives.
Kenya Private Sector Alliance (KEPSA)	Represents the private sector's interests in forestry-related activities.	Mobilizes private sector investment and supports sustainable forestry practices.
Kenya Climate Innovation Center (KCIC)	Promotes green entrepreneurship and innovation in climate change mitigation.	Provides funding and support for climate-resilient forestry projects and startups.
National Research Fund (NRF)	Funds research initiatives in various sectors, including forestry.	Supports scientific research and innovation in sustainable forestry practices.
Community Forest Associations (CFAs)	Represent local communities involved in forest management and conservation.	Advocate for community-led forestry projects and access to financing for sustainable livelihoods.
Karura Forest Environmental Education Trust	Manages and conserves the Karura Forest, promoting environmental education.	Supports community engagement and fundraising for forest conservation efforts.
Kenya Forestry College	Trains forestry professionals and provides technical expertise to the sector.	Produces skilled workforce for forestry management and capacity-building initiatives.
Echo-tourism Schemes	Promotes sustainable tourism initiatives in forested areas.	Generates revenue and supports conservation efforts through ecotourism activities.
Tree Growers (James Finley/KTDA/Tim sales/WETPA... etc)	Engaged in commercial tree planting and timber production.	Invest in forestry projects and provide revenue streams through timber sales.
Development Partners (UNDP/FAO/Gatsby Africa/JICA/EU/Rainforest Alliance... etc.)	Provide funding, technical support, and expertise for forestry projects.	Influence policy decisions and funding priorities through partnerships and collaboration.
Financial Institutions (Commercial Banks/SACCOs/Pension Funds/Insurance Companies)	Offer financial services and investment opportunities for forestry ventures.	Provide loans, grants, and investment products for forestry projects and initiatives.
Research Institutions of higher learning (UoN/ UoE/Egerton/KALRO... etc.)	Conduct research and training in forestry science and management.	Contribute to knowledge generation and capacity building in the forestry sector.
NGOs/NSA	Advocate for forest conservation, community empowerment, and policy reform.	Mobilize public support, provide technical assistance, and lobby for funding for forestry initiatives.

Stakeholder	Role in the Forestry Sector	Influence on Financing Strategy
Business Community (Kakuzi Ltd/Better Globe Ltd/Komaza Ltd)	Engaged in commercial forestry operations and value-added processing.	Invest in sustainable forestry practices and contribute to value addition in the forest value chain.
Processors, Manufacturers, and End Users	Involved in the processing and utilization of forest products.	Drive market demand for sustainably sourced timber and non-timber forest products.
Forest Society of Kenya	Promotes forest conservation, research, and public awareness.	Advocates for policies and funding to support sustainable forest management.

2.12 Policy, Legal and Institutional Frameworks and Multilateral Agreements for Forestry Financing

2.12.1 Policy and Legal Frameworks

The following summarizes various legal frameworks in Kenya, highlighting their strengths and weaknesses regarding forest financing. Each framework is assessed for its specific contributions or challenges related to forest financing.

Table 2-5: Gaps and Opportunities in Policy and Legal Frameworks

Framework/Legislation	Gaps	Opportunities
Constitution of Kenya 2010	<ul style="list-style-type: none"> Lacks specific guidelines for structuring and implementing forest financing. Broad environmental obligations without mechanisms for adequate financing. Challenges in monitoring and accountability. 	<ul style="list-style-type: none"> Devolution framework allows for localized forest financing and management. Specialized environmental courts enhance enforcement of financial commitments. Equitable resource sharing promotes balanced forest management.
Forest Conservation and Management Act 2016	<ul style="list-style-type: none"> Challenges in implementing and monitoring financial mechanisms. Lack of detailed coordination guidelines among stakeholders. Ensuring the long-term sustainability of financial mechanisms. 	<ul style="list-style-type: none"> Forest Conservation and Management Trust Fund supports diversified financing. Public-Private Partnerships (PPPs) and Community Forest Associations (CFAs) enhance community and private sector involvement. Payment for Ecosystem Services (PES) provides financial incentives for conservation.
Kenya Vision 2030	<ul style="list-style-type: none"> Challenges in translating targets into actionable plans. Lack of coordination among stakeholders. Insufficient focus on the sustainability of financial mechanisms. 	<ul style="list-style-type: none"> Integrates forestry into economic growth strategies. Promotes innovative financing mechanisms like carbon credits and PES. Public-Private Partnerships (PPPs) to mobilize resources for forest conservation.
National Forest Policy (2023)	<ul style="list-style-type: none"> Lack of detailed implementation frameworks. 	<ul style="list-style-type: none"> Fiscal incentives like tax breaks, subsidies, and grants.

Framework/Legislation	Gaps	Opportunities
	<p>Insufficient coordination mechanisms among stakeholders.</p> <ul style="list-style-type: none"> Limited emphasis on the long-term sustainability of financial mechanisms. 	<ul style="list-style-type: none"> Payment for Ecosystem Services (PES) and carbon credits. Public-Private Partnerships (PPPs) and community participation to attract investments. Innovative financing mechanisms like green bonds.
Climate Change Act 2023 (Amended 2023)	<ul style="list-style-type: none"> Need for clearer guidance on resource allocation and prioritization. Improved coordination mechanisms among stakeholders. Strategies for the long-term sustainability of financial mechanisms. 	<ul style="list-style-type: none"> Carbon trading schemes and PES provide financial incentives. Capacity building and institutional strengthening for governance. Climate finance instruments and green bonds enhance funding.
National Forest Program (2016-2030)	<ul style="list-style-type: none"> Lack of explicit mechanisms for the long-term sustainability of forest financing. Need for enhanced coordination among stakeholders. 	<ul style="list-style-type: none"> Diversification of funding sources, including private investments and international support. Advocacy for PPPs and climate finance. Strengthening financial resilience through innovative mechanisms.
Bottom-Up Economic Transformation Agenda (BETA)	<ul style="list-style-type: none"> Limited financial resources in rural areas. Need for substantial capacity building. Effective coordination and governance structures are lacking. 	<ul style="list-style-type: none"> Community empowerment for sustainable forest management. Economic diversification through forest financing initiatives. Enhancing ecosystem services and climate resilience.
Kenya Green Economy Strategy and Implementation Plan (GESIP 2016-2030)	<ul style="list-style-type: none"> Limited funding and resource constraints. Need for capacity building and institutional strengthening. Gaps in policy and regulatory frameworks related to forest financing. 	<ul style="list-style-type: none"> Investment in sustainable forest management and forest-based enterprises. Leveraging climate finance and green growth investments. Enhancing ecosystem and community resilience.
Public Finance Management Act, 2012	<ul style="list-style-type: none"> Lack of specific provisions tailored to forestry financing. Potential bureaucratic hurdles in fund allocation. 	<ul style="list-style-type: none"> Establish dedicated budget lines for forestry. Ensure consistent and reliable funding for forest projects.
Retirement Benefits Act, 1997	<ul style="list-style-type: none"> Pension funds may prioritize low-risk, high-return investments, overlooking forestry. Lack of awareness about forestry investment benefits. 	<ul style="list-style-type: none"> Encourage pension funds to invest in forestry. Diversify investment portfolios with stable returns from forestry projects.
Insurance Act	<ul style="list-style-type: none"> Lack of specialized insurance products for forestry. Insufficient coverage for risks specific to forestry investments. 	<ul style="list-style-type: none"> Develop and promote forestry-specific insurance products. Provide coverage against risks like fire and extreme weather.
Capital Markets Authority Act	<ul style="list-style-type: none"> Limited issuance of forest-focused financial instruments. Insufficient market awareness about green bonds and other instruments. 	<ul style="list-style-type: none"> Facilitate issuance of green bonds and forest-focused financial instruments. Attract local and international investment through sustainable financial instruments.

Framework/Legislation	Gaps	Opportunities
Medium-Term Plan IV (MTP-IV)	<ul style="list-style-type: none"> Lack of specific forestry targets No dedicated financing mechanisms for the sector 	<ul style="list-style-type: none"> Opportunity to set measurable goals for forest cover expansion Potential to incorporate forestry-specific funding tools Leverage climate financing, green bonds, and international funding for sustainable forest management
National Trade Policy (2017)	<ul style="list-style-type: none"> No specific incentives for sustainable certification Limited market access mechanisms for sustainably sourced products 	<ul style="list-style-type: none"> Facilitates access to international markets for timber and non-wood forest products Potential to develop stronger trade finance mechanisms and incentives for sustainably sourced products
Industrialization Policy (2018-2023)	<ul style="list-style-type: none"> Lack of financing mechanisms specifically targeted at forestry-based industries 	<ul style="list-style-type: none"> Encourages investments in forest-based industries Supports development of local processing infrastructure and value-added products Aligns with sustainable industrial growth and forest conservation goals
Housing Fund Regulations 2018	<ul style="list-style-type: none"> Limited incentives directly linking affordable housing projects to sustainably sourced timber Small-scale commercial forestry operations face financing challenges 	<ul style="list-style-type: none"> Potential for commercial forestry to supply sustainable building materials Tax benefits for companies involved in sustainable forestry (Finance Act 2023) Integration with Bottom-Up Economic Transformation Agenda (BETA) to enhance commercial forestry
Community Land Act 2016	<ul style="list-style-type: none"> Limited awareness among communities about land registration and management Complex land tenure systems Underdeveloped mechanisms for sustainability and equitable benefit-sharing 	<ul style="list-style-type: none"> Community lands can increase areas available for afforestation Potential for new financing models such as Payment for Ecosystem Services (PES) or Public-Private Partnerships (PPPs) Enhances local ownership and conservation efforts
National Land Policy (2009)	<ul style="list-style-type: none"> Limited focus on financial benefits for communities involved in forestry Implementation challenges in rural areas Lack of integration with modern policy frameworks 	<ul style="list-style-type: none"> Opportunities to prioritize underutilized community lands for afforestation Integration into broader land-use strategies Potential for linking with international climate and sustainable development frameworks
Climate Change Carbon Markets Regulations	<ul style="list-style-type: none"> Limited scope for private land in social contributions Potential delays in project approval (up to 14 months) 	<ul style="list-style-type: none"> Increased transparency and structured support for carbon projects Clear alignment with Kenya's climate goals Opportunities for local economic empowerment through mandated social contributions

Framework/Legislation	Gaps	Opportunities
Carbon Credits Trading and Benefits Bill, 2023	<ul style="list-style-type: none"> Challenges in ensuring equitable benefit-sharing, especially in marginalized communities Risk of bureaucratic delays in project registration and permitting 	<ul style="list-style-type: none"> Mandates community development agreements and equitable benefit-sharing Establishes a Carbon Trading and Benefit Sharing Authority and Tribunal Aligns with international frameworks like the Paris Agreement Enhances local community benefits and environmental sustainability

2.12.2 Institutional Frameworks

The following table provides a comprehensive overview of the gaps and opportunities related to forest financing across various institutions in Kenya. It highlights the critical challenges these organizations face, such as insufficient financial resources, coordination complexities, and capacity constraints. At the same time, it identifies potential avenues for improvement, including leveraging international climate finance, fostering public-private partnerships, and promoting innovative financing mechanisms. By addressing these gaps and capitalizing on the outlined opportunities, stakeholders can enhance forest management and financing strategies, ultimately contributing to sustainable development and environmental conservation in the region.

Table 2-6: Gaps and Opportunities in Institutional Frameworks

Institution	Gaps	Opportunities
Ministry of Environment, Climate Change and Forestry (MECCF)	<ul style="list-style-type: none"> Insufficient financial resources. Coordination complexities among stakeholders Capacity constraints. Regulatory barriers. 	<ul style="list-style-type: none"> Leverage international climate finance. Foster public-private partnerships. Promote community-based forest management. Explore innovative financing mechanisms. Strengthen institutional capacity.
Kenya Forest Service (KFS)	<ul style="list-style-type: none"> Insufficient financial resources. Ineffective coordination among stakeholders. Capacity constraints in financial management and innovative financing. 	<ul style="list-style-type: none"> Leverage international climate finance. Foster public-private partnerships. Promote community-based forest management. Explore innovative financing mechanisms (e.g., green bonds). Invest in institutional capacity building.
Kenya Forestry Research Institute (KEFRI)	<ul style="list-style-type: none"> Limited financial resources for R&D. Capacity constraints in technical expertise and infrastructure. Regulatory barriers hindering the implementation of research findings. 	<ul style="list-style-type: none"> Leverage international funding. Foster public-private partnerships. Promote community-based forest management. Explore innovative financing mechanisms (e.g., green bonds, PES). Strengthen institutional capacity.
National Environment Management Authority (NEMA)	<ul style="list-style-type: none"> Resource constraints. Bureaucratic delays in project approvals. Limited awareness among stakeholders. Difficulties in enforcing environmental laws. 	<ul style="list-style-type: none"> Leverage climate finance mechanisms. Foster public-private partnerships. Enhance regulatory frameworks. Invest in capacity building.

Institution	Gaps	Opportunities
		<ul style="list-style-type: none"> Promote innovative financing mechanisms (e.g., green bonds, carbon credits). Strengthen monitoring and evaluation systems.
National Environment Trust Fund (NETFUND)	<ul style="list-style-type: none"> Limited availability of funding. Bureaucratic hurdles in accessing funds. Challenges in comprehensive monitoring and evaluation. 	<ul style="list-style-type: none"> Leverage international climate finance mechanisms (e.g., Green Climate Fund, Global Environment Facility). Foster public-private partnerships. Explore innovative financing mechanisms (e.g., green bonds, PES). Strengthen capacity-building programs. Enhance monitoring and evaluation systems. Expand outreach efforts.
National Climate Change Council (NCCC)	<ul style="list-style-type: none"> Limited financial resources. Coordination challenges among stakeholders. Capacity constraints in implementing projects. regulatory barriers. 	<ul style="list-style-type: none"> Leverage international climate finance mechanisms (e.g., Green Climate Fund). Foster public-private partnerships (PPPs). Explore innovative financing instruments (e.g., green bonds, PES). Enhance monitoring and evaluation systems. Invest in capacity building and regulatory framework improvements.
County Governments	<ul style="list-style-type: none"> Limited financial resources allocated to forestry. Capacity constraints in technical expertise and infrastructure. Coordination challenges with national agencies. 	<ul style="list-style-type: none"> Develop county-specific forest funds. Foster public-private partnerships (PPPs). Engage local communities in sustainable practices. Access national and international climate funds. Strengthen capacity through training. Enhance monitoring and evaluation systems.
Kenya Climate Change Innovation Center (KCIC)	<ul style="list-style-type: none"> Limited financial resources for supporting climate-smart projects. Challenges in scaling innovative solutions. Need for better coordination with other institutions. 	<ul style="list-style-type: none"> Leverage international climate finance mechanisms (e.g., Green Climate Fund). Promote public-private partnerships (PPPs). Explore innovative financing mechanisms (e.g., green bonds, PES). Strengthen capacity building programs. Enhance monitoring and evaluation systems. Expand public awareness efforts.

Institution	Gaps	Opportunities
The National Treasury	<ul style="list-style-type: none"> Limited prioritization of forestry in national budgets. Weak integration of forestry financing into broader national development plans. 	<ul style="list-style-type: none"> Leverage innovative financing options (e.g., green bonds). Secure international climate funds. Mainstream forestry financing into national economic agenda. Enhance alignment of forestry with sustainable development goals.
Ministry of Lands, Public Works, Housing, and Urban Development	<ul style="list-style-type: none"> Lack of integration of forestry needs into broader land use and urban planning. Insufficient collaboration between housing and forestry sectors. Potential conflicts between conservation and development goals. 	<ul style="list-style-type: none"> Create incentives for private investments in commercial forestry. Link forestry to housing construction through initiatives like BETA and MTP IV. Develop financing mechanisms that promote sustainable timber production and agroforestry.
Agricultural Finance Corporation (AFC)	<ul style="list-style-type: none"> Lack of focus on agroforestry. Limited financial products tailored to long-term forestry investments. 	<ul style="list-style-type: none"> Develop specialized financial products for agroforestry and commercial forestry. Collaborate with National Treasury, KEFRI, and Kenya Forest Service to enhance financing programs.
Kenya Investment Authority (Ken Invest)	<ul style="list-style-type: none"> Limited promotion of forestry as a viable investment sector. Lack of integration between forestry projects and broader economic development goals. 	<ul style="list-style-type: none"> Enhance visibility of forestry projects as profitable investments. Facilitate Public-Private Partnerships (PPPs) for large-scale reforestation and sustainable forestry.
Kenya Wildlife Service (KWS)	<ul style="list-style-type: none"> Limited financial support for forest conservation outside protected areas. Separate management of financing streams for wildlife and forestry. 	<ul style="list-style-type: none"> Access international biodiversity financing mechanisms for both wildlife and forestry. Expand eco-tourism initiatives to include forest restoration and conservation activities.

2.12.3 Regional Frameworks

2.12.3.1.1 East African Community (EAC) Forests Policy

The East African Community (EAC) Forests Policy is essential for enhancing Kenya's forest financing by fostering regional cooperation and coordination among member states, which helps align national efforts with regional goals for sustainable forest management and conservation. While it offers opportunities for improved access to regional funding and technical support, gaps such as inadequate implementation at the national level, financial constraints, and coordination challenges among member states hinder its effectiveness. To optimize the policy's impact, Kenya can leverage regional partnerships to access funding, engage with international climate finance mechanisms like the Green Climate Fund, promote sustainable forest product trade, and explore innovative financing approaches such as payment for ecosystem services (PES) and green bonds. Strengthening institutional capacities and community involvement will be crucial for maximizing the long-term benefits of the EAC Forests Policy for forest sustainability in Kenya.

2.12.3.1.2 African Forest Landscape Restoration Initiative (AFR100)

The African Forest Landscape Restoration Initiative (AFR100) is vital for Kenya's strategies to address deforestation, land degradation, and biodiversity loss through comprehensive forest landscape restoration (FLR) efforts. By facilitating collaboration among African nations, international organizations, and stakeholders, AFR100 enables Kenya to mobilize resources and access international

funding from mechanisms like the Global Environment Facility (GEF) and the Green Climate Fund (GCF), while aligning national FLR commitments with global initiatives such as the Bonn Challenge. However, challenges such as limited implementation capacity, insufficient community participation, and inadequate monitoring and evaluation systems hinder effective execution. To enhance forest financing and FLR implementation, Kenya can strengthen institutional capacities, encourage private sector engagement through public-private partnerships (PPPs), engaging the finance sector and promote integrated landscape approaches that align FLR with sectors like agriculture and water management. By addressing these gaps and leveraging available opportunities, Kenya can significantly contribute to regional and global conservation goals while advancing sustainable development within its forest landscapes.

2.12.4 Global Frameworks

2.12.4.1 United Nations Framework Convention on Climate Change (UNFCCC)

The United Nations Framework Convention on Climate Change (UNFCCC) is essential for Kenya's forest financing and sustainable management efforts, particularly through initiatives like REDD+ (Reducing Emissions from Deforestation and Forest Degradation), which incentivizes emission reductions and biodiversity conservation. While the UNFCCC provides mechanisms to support developing countries in forest conservation, Kenya faces challenges such as limited access to climate finance, complex application processes, and insufficient implementation support. However, there are significant opportunities for enhancement through international cooperation, integrating forest activities into national climate policies, and leveraging innovative financing mechanisms like carbon markets and green bonds. By focusing on capacity-building and emphasizing the co-benefits of forest financing, Kenya can strengthen its resilience to climate change and advance its forest conservation goals in alignment with global objectives.

2.12.4.2 Convention on Biological Diversity

The Convention on Biological Diversity (CBD) is a crucial global framework for conserving biodiversity and promoting sustainable practices in Kenya's forest ecosystems. It emphasizes an ecosystem approach to resource management, advocating for the protection of forest biodiversity through sustainable practices and the establishment of protected areas. Despite the CBD's focus on promoting sustainable finance and equitable benefit-sharing, challenges such as limited funding and weak enforcement mechanisms hinder effective implementation of its objectives in Kenya. However, opportunities exist for Kenya to enhance forest financing by integrating CBD principles into national policies like the National Biodiversity Strategy and Action Plan (NBSAP), exploring innovative financing mechanisms such as payments for ecosystem services (PES) and green bonds, and strengthening institutional capacities and community engagement to achieve its biodiversity conservation goals.

2.12.4.3 Sustainable Development Goals (SDGs)

The Sustainable Development Goals (SDGs) offer a comprehensive framework for promoting sustainable development, with Goal 15 specifically targeting the protection, restoration, and sustainable management of terrestrial ecosystems, including forests. This goal is vital for Kenya, as forests provide essential ecosystem services, support biodiversity conservation, and play a key role in climate change mitigation through carbon sequestration. However, challenges such as limited financing for forest conservation, gaps in data and monitoring, and fragmented institutional coordination impede effective implementation of these targets. Nonetheless, Kenya has substantial opportunities within the SDGs framework to enhance forest financing by integrating climate finance mechanisms like REDD+ into national strategies, fostering public-private partnerships, and investing in community-based forest management approaches. By capitalizing on these opportunities, Kenya can advance its SDG commitments and ensure the long-term sustainability of its forest ecosystems.

2.12.5 Multilateral Agreements and Initiatives

2.12.5.1 Green Climate Fund (GCF)

The Green Climate Fund (GCF) is crucial for supporting Kenya's climate change initiatives through sustainable forest management and conservation by providing access to significant funding for projects like REDD+, afforestation, and sustainable land management. While the GCF emphasizes country ownership and alignment with national priorities, Kenya faces challenges in navigating complex application processes and competition for resources. To optimize benefits from the GCF, Kenya can enhance partnerships with international organizations and the private sector to improve technical capacities and mobilize additional resources. By focusing on innovative financing mechanisms and strengthening institutional capacity for project implementation and monitoring, Kenya can effectively address climate change impacts while advancing its forest conservation and resilience goals.

2.12.5.2 Global Environment Facility (GEF)

The Global Environment Facility (GEF) is vital for Kenya's environmental initiatives, providing funding and technical assistance to address challenges like biodiversity loss and climate change through forest conservation and sustainable management. By offering various funding mechanisms, the GEF empowers Kenya to align projects with national strategies and sustainable development goals, fostering partnerships among governments, international organizations, and local communities to enhance project effectiveness. However, accessing GEF funding can be challenging due to complex application processes and competition for limited resources. Nonetheless, opportunities for technical assistance, innovative financing, and knowledge sharing within the GEF framework can help Kenya strengthen its environmental management and mobilize additional resources for sustainable forest initiatives, advancing its conservation efforts and long-term sustainability.

2.12.5.3 The Paris Agreement

Kenya's Nationally Determined Contributions (NDCs) under the Paris Agreement demonstrate a robust commitment to increasing forest cover to at least 10% of its land area by 2030 as part of its climate change mitigation and adaptation strategies. This initiative focuses on sustainable forest management, agroforestry, afforestation, and reforestation, aiming to absorb carbon emissions, enhance biodiversity, protect water catchment areas, and improve livelihoods through sustainable enterprises. To support these forestry activities, Kenya's NDCs highlight the importance of mobilizing domestic and international resources, utilizing climate finance mechanisms like the Green Climate Fund (GCF), public-private partnerships, and innovative instruments such as green bonds and payment for ecosystem services (PES), making forest financing a critical element in achieving the country's climate objectives.

2.13 Incentive Mechanisms for Unlocking Forest Financing

Kenya's forests are vital for maintaining ecological balance, supporting economic development, and providing livelihoods for communities. Despite their significance, financing for forest conservation and sustainable management remains inadequate. To address this challenge, innovative incentive mechanisms are essential for unlocking funding and ensuring the sustainability of these critical resources. This chapter explores various strategies, including public-private partnerships, commercial forestry, payment for ecosystem services, REDD+ programs, green bonds, eco-tourism, and government incentives, to mobilize financial resources for forest conservation in Kenya.

Table 2-7: Incentive Mechanisms for Unlocking Forest Financing

Incentive Mechanism	Description	Examples/Prospects
Public-Private Partnerships (PPPs)	Mobilizes resources by leveraging the efficiency of the private sector and public sector support.	<ul style="list-style-type: none"> • Joint Forest Management • Concession Agreements
Commercial Forestry	Encourages private investments while addressing environmental challenges.	<ul style="list-style-type: none"> • Sustainable Forest Management • Sustainable Supply/Value Chains • Sustainable Production • Sustainable Consumption e.g. combining commercial tree plantations and forest restoration • Increased Private Sector Participation • Green Energy • Climate Change Adaptation
Payment for Ecosystem Services (PES)	Mechanism where beneficiaries of ecosystem services pay for their maintenance.	<ul style="list-style-type: none"> • Water Services • Carbon Sequestration
REDD+ Programs	Financial incentives for reducing emissions by conserving forests.	<ul style="list-style-type: none"> • Accessing International Funds • Community-Based Forest Management
Green Bonds	Fixed-income instruments earmarked for climate and environmental projects.	<ul style="list-style-type: none"> • Issuing Green Bonds • Attracting Institutional Investors
Eco-Tourism	Provides financial incentives for forest conservation through sustainable tourism initiatives.	<ul style="list-style-type: none"> • Creating Eco-Tourism Ventures • Community Involvement
Government Incentives	Policies promoting forest financing through financial benefits for conservation efforts.	<ul style="list-style-type: none"> • Tax Incentives • Subsidies and Grants • Setting Eco Levy

2.14 Value Proposition for Making Forestry an Attractive Investment

Forestry holds immense potential for sustainable economic development in Kenya, supported by successful national and global business cases. Companies like **Kakuzi PLC** and **Komaza Ltd.** exemplify the viability of forestry investments, showcasing a multitude of benefits such as job creation, value addition, and active youth engagement in sustainable practices. These examples underline how strategic investment in the forestry sector can drive economic growth while promoting environmental stewardship.

2.14.1 Strategies for Attracting Investment

To attract investment in the forestry sector, several key strategies should be employed. First, addressing land tenure issues is crucial, as secure land tenure provides certainty for stakeholders and is essential for attracting investment. Legal frameworks that recognize community and customary land rights, such as Kenya's Community Land Act, can empower local communities and enhance sustainable forest management. Additionally, collaboration with tree growers' associations and the implementation of out-grower schemes can further strengthen the resource base. These initiatives not only promote local participation in forestry but also foster a sense of ownership and commitment to sustainable practices, making the sector more appealing to investors. By integrating these approaches, Kenya can create a more conducive environment for investment while ensuring the long-term viability of its forestry resources.

Second, **promoting value addition** is vital. Enhancing the processing of timber and non-timber forest products (NTFPs) adds significant economic value. Investments in technologies and facilities for processing can transform raw materials into higher-value products, such as furniture, plywood, and crafts, thereby increasing profitability along the value chain.

Third, **incentivizing youth participation** is essential for sustainable management and innovation in the sector. Creating pathways for youth involvement through educational programs, mentorship, and financial support mechanisms can cultivate a new generation of forestry professionals.

2.14.2 Addressing Challenges in Forestry Investment

While the potential for forestry investment is substantial, several challenges persist, particularly the long gestation periods for forestry plantations, which can delay returns and heighten financial risks. To address these challenges and increase the value added to wood products, strategies should focus on diversifying revenue streams beyond timber. Exploring **alternative revenue sources** such as eco-tourism, bioenergy production, and non-timber forest products (NTFPs) can enhance resilience and provide immediate income opportunities while waiting for plantations to mature. Furthermore, emphasizing the value-added potential of wood products, such as processed timber, furniture, and other derivatives, can create additional revenue opportunities and attract investment by showcasing the profitability of sustainable forestry practices. By integrating these strategies, investors can benefit from a more robust and dynamic forestry sector.

Additionally, **enhancing awareness** about the benefits of forestry investment and the innovative financing mechanisms available is essential. Targeted educational outreach, workshops, and digital platforms can bridge knowledge gaps, thereby attracting more investors.

2.14.3 Insights from Case Studies

The analysis of forestry financing case studies highlights common themes, best practices, challenges, and recommendations applicable to Kenya. Successful initiatives emphasize **sustainable practices** certified by recognized bodies, such as the **Forest Stewardship Council (FSC)**, which not only enhance marketability but also ensure environmentally sound practices. Moreover, effective financing strategies integrate diverse funding sources, including public funds, international support, and private investments, creating a robust financial ecosystem for forestry.

Additionally, **community engagement** is critical. Addressing challenges such as community relations and market volatility can be achieved through robust engagement strategies. Involving local communities in decision-making processes can gain broader support and enhance sustainability.

2.14.4 Legal Reforms and Land Tenure

Land tenure is a critical factor influencing investment and sustainable management within the forestry sector. Legal reforms recognizing community rights are essential for fostering local stewardship and improving forestry outcomes. Models from countries such as Brazil, Uganda, and Guatemala showcase effective tenure systems that empower communities, leading to improved forestry practices and conservation outcomes.

2.14.5 Youth Engagement and Capacity Building

Youth engagement in Kenya's forestry sector faces numerous barriers, including limited awareness, inadequate education and training, and access to land. To overcome these challenges, reforms should focus on **educational enhancements**, and developing curricula that emphasize sustainable forestry practices and career opportunities in the sector.

Additionally, providing **financial support mechanisms** such as grants, loans, or subsidies specifically for youth-led forestry initiatives can help alleviate financial barriers to entry. Establishing **mentorship**

programs to connect young individuals with experienced professionals can foster skill development and encourage innovation within the sector. Celebrating youth contributions to forestry through recognition initiatives can further enhance visibility and inspire greater engagement.

2.14.6 Mitigating Long Gestation Periods

The long gestation period for forestry plantations presents significant challenges, including delayed returns and heightened financial risks. Addressing these issues requires a multi-faceted approach that includes innovative financing mechanisms. Tools such as **green bonds** and impact investing can provide the necessary capital to manage long-term investments effectively, while **equity instruments** offer an alternative to traditional debt financing, facilitating long-term growth and risk sharing among investors. Additionally, exploring **venture capital** can help support early-stage forestry projects and promote innovation. Developing comprehensive risk management strategies that account for market fluctuations, natural disasters, and policy changes can further safeguard investments. Furthermore, promoting collaborative knowledge sharing among stakeholders can facilitate the exchange of best practices and innovations in sustainable forestry management. By leveraging these financial tools and strategies, the forestry sector can enhance its resilience and attractiveness to investors.

Developing comprehensive **risk management strategies** that account for market fluctuations, natural disasters, and policy changes can help safeguard investments. Furthermore, promoting **collaborative knowledge sharing** among stakeholders can facilitate the exchange of best practices and innovations in sustainable forestry management.

2.14.7 Enhancing Awareness and Investor Confidence

Awareness levels within forestry investment can vary significantly, influenced by several factors such as limited educational outreach, perceptions of risk, and the availability of tailored financing mechanisms. To enhance awareness and attract investment, strategies may include implementing targeted educational programs, workshops, and seminars focused on the potential returns and risks of forestry investments.

Creating **supportive policy environments** that offer tax breaks and other incentives for forestry investments can enhance investor confidence. Additionally, providing comprehensive databases and market analyses can help potential investors make informed decisions, addressing misconceptions about forestry investment risks. Showcasing successful forestry initiatives as case studies can further demonstrate the sector's viability as a sustainable investment option.

2.14.8 Information Flow Across the Forestry Value Chain

In Kenya, effective information flow across the forestry value chain is essential for efficient operations and informed decision-making. However, the sector faces significant challenges, including fragmented data collection, limited transparency, inadequate communication channels, and varying data quality. These issues make it difficult for stakeholders, including potential investors, to access comprehensive and reliable information on forestry resources, market trends, and investment opportunities, ultimately hindering capital flow into the sector.

Reliable access to information is critical for attracting investment in forestry projects. Without accurate data on market demand, resource availability, and regulatory requirements, investors may be hesitant to allocate capital, perceiving heightened risks. Conversely, improved information flow can mitigate these risks by providing stakeholders with insights into market dynamics and environmental factors, enabling more informed decision-making. Enhanced transparency allows investors to assess the economic viability and social or environmental benefits of forestry ventures, potentially attracting diverse sources of capital.

To overcome existing challenges, Kenya can adopt strategies exemplified by successful international case studies. Strengthening data collection and management, enhancing communication channels through digital platforms, and promoting transparency can build trust among stakeholders. Investing in capacity-building initiatives will empower forestry professionals and local communities to effectively utilize information for decision-making. By addressing these challenges and adopting best practices, Kenya can create a conducive environment for sustainable forestry investment and development.

2.14.9 Profiling the Competitive Edge of Forestry: Economic, Environmental and Social Perspectives

Economically, forestry significantly contributes to national economies through timber production, non-timber forest products (NTFPs), ecotourism, and carbon sequestration services. It provides employment opportunities along the entire value chain, from forest management and harvesting to processing and marketing. Additionally, revenue generated from the sale of wood products and ecosystem services contributes to GDP growth and foreign exchange earnings, reinforcing the sector's economic importance.

From an environmental perspective, forests are vital for ecological balance and biodiversity conservation. Sustainable forest management practices help preserve habitats, protect watersheds, and promote soil conservation while acting as carbon sinks that mitigate climate change impacts. Investing in forestry aligns with global sustainability goals and regulatory requirements, offering opportunities to support conservation efforts and enhance environmental stewardship. The social impact of forestry is also significant, particularly for rural communities that rely on forest resources for their livelihoods. By promoting community-based forest management and sustainable practices, forestry investments can empower local populations, alleviate poverty, and foster inclusive growth.

Forestry also boasts a renewable and diversified resource base, providing various products beyond traditional timber, such as medicinal plants, fruits, nuts, and fibers, which enables value addition and product innovation. The long-term investment potential of forestry, characterized by timber rotations that can span decades, offers steady growth and resilience against economic downturns. Furthermore, advancements in forestry science and technology enhance productivity and sustainability, allowing stakeholders to remain competitive in a changing global marketplace. To fully harness these competitive advantages, strategic investments, policy support, and collaboration are essential for driving sustainable development and inclusive growth in the forestry sector.

2.15 Innovative Financing Models in the Forestry Sector

This section examines the various innovative financial models in the forestry sector that can significantly contribute to generating funds for smallholders, community communities, and youth empowerment. These models aim to align economic incentives with sustainable forest management, conservation, and social development. Here are some notable ones

2.15.1 Payments for Ecosystem Services (PES)

Payment for Ecosystem Services (PES) is a market-based mechanism that incentivizes the conservation and sustainable management of ecosystem services provided by forests. These services include carbon sequestration, water regulation, biodiversity conservation, soil conservation, and recreational opportunities. By compensating landowners and communities for maintaining or enhancing these services, PES programs align economic interests with environmental conservation. Various funding models exist, such as government payments, voluntary markets, cap-and-trade systems, and public-private partnerships. For successful implementation, it is crucial to assess feasibility on the ground, gauge community willingness to participate, and create supportive roadmaps for pilots and policy integration.

A notable example of a successful PES program is Costa Rica's "Pago por Servicios Ambientales" (PSA), established in 1997 to combat deforestation and promote sustainable land use. Funded through sources like fuel taxes, water tariffs, and international carbon markets, the program compensates landowners for ecosystem services such as carbon sequestration and biodiversity protection. The PSA has significantly increased forest cover, protected critical ecosystems, and provided income to rural communities, particularly small farmers and indigenous groups. While the program has been effective, challenges remain in ensuring sustainable funding, equitable access for marginalized groups, and balancing conservation with development. Overall, Costa Rica's experience serves as a global model for implementing PES as a means to achieve sustainable development and environmental conservation.

2.15.2 Forest Carbon Offsets and Carbon Financing

Forest carbon offsets and carbon financing are integral mechanisms aimed at mitigating greenhouse gas (GHG) emissions by funding projects that either reduce or remove carbon dioxide (CO₂) from the atmosphere. Carbon offsets are quantified as carbon credits, each representing one metric ton of CO₂ equivalent (tCO₂e) sequestered or avoided through activities such as forest conservation, reforestation, afforestation, and improved forest management. These credits can be bought and sold in both voluntary and compliance markets, allowing entities—from individuals to corporations—to purchase offsets to achieve carbon neutrality while supporting sustainable practices.

Key stakeholders in forest carbon offset projects include project developers, buyers, carbon offset registries, and verification bodies. Project developers design and manage the initiatives, ensuring their effectiveness and integrity, while buyers purchase offsets to meet their emission reduction goals. Carbon offset registries facilitate the certification and tracking of projects, ensuring transparency and preventing fraud, and verification bodies assess project compliance with established standards. Notable examples of projects in voluntary markets include Komaza, which focuses on sustainable tree planting in Kenya, TIST (The International Small Group and Tree Planting Program), and the Kasigau Corridor REDD+ Project, which leads in generating carbon credits from forest conservation. While forest carbon offsets provide numerous benefits, such as biodiversity conservation and support for local communities, challenges like additionality, permanence, and leakage must be addressed to maintain the effectiveness and integrity of these projects. Regulatory frameworks and international standards are evolving to tackle these challenges and enhance sustainable forest carbon offsetting.

In Kenya, carbon financing is gaining momentum due to the country's commitment to reducing GHG emissions, as outlined in the National Climate Change Action Plan (NCCAP) and Nationally Determined Contributions (NDCs). The government aims to increase forest cover to at least 10% of the total land area and is leveraging mechanisms like REDD+ (Reducing Emissions from Deforestation and Forest Degradation) to support reforestation efforts. Kenya actively participates in both voluntary and compliance carbon markets, with projects like Komaza, TIST, and the Kasigau Corridor REDD+ Project leading the way in generating carbon credits from forest conservation.

Despite its potential, the carbon financing sector in Kenya faces challenges such as regulatory gaps and limited access to global carbon markets. However, there are significant opportunities for growth, particularly in community-based projects that can generate carbon credit through sustainable practices. With increasing demand for carbon credits driven by global net-zero emissions targets, Kenya has the potential to expand its carbon financing efforts, benefiting local communities while advancing national climate goals. By harnessing innovative financing mechanisms, addressing regulatory challenges, and promoting collaborative knowledge sharing, Kenya can further enhance its carbon financing landscape and contribute meaningfully to global climate change mitigation efforts.

2.15.3 Green Bonds

Green bonds are specialized financial instruments aimed at raising capital for projects with positive environmental impacts, such as forest conservation, renewable energy, and sustainable resource management. Issued by a variety of entities, including governments, corporations, and financial institutions—these bonds attract investors seeking to support environmental sustainability while potentially earning competitive financial returns. The structure of green bonds typically involves using proceeds for specific environmentally friendly projects, bond features tailored to forestry initiatives, and strict environmental safeguards to ensure positive outcomes.

The lifecycle of a green bond includes several critical steps: identifying eligible projects based on their environmental impact and financial viability, conducting thorough due diligence, and issuing bonds to investors. Funds from green bonds finance activities like reforestation, sustainable logging, and biodiversity conservation. However, in the case of sovereign bonds, it's important to recognize that the same rules apply as with sovereign loans, including compliance with IMF regulations. Organizations that borrow through bond issuance must demonstrate their ability to service their debt, which poses a challenge for forest or conservation finance: determining the revenue sources for repaying investors.

Successful examples of green bonds in action include Nigeria's first sovereign green bond, which focused on funding renewable energy and infrastructure projects, Acorn Holding's green bond aimed at affordable housing, and South Africa's Nedbank green bond that supports renewable energy and sustainable infrastructure. Continuous monitoring, reporting, and verification are essential to maintain transparency and ensure that environmental claims made by issuers are credible. Metrics for success often involve measuring carbon sequestration, biodiversity improvements, and socio-economic benefits, which can help validate the bonds' impact.

Operationalizing green bonds in Kenya involves establishing a robust regulatory framework, creating a transparent market for issuance, and expanding the pipeline of eligible green projects. Collaboration with international and local development finance institutions can facilitate this process, along with capacity-building initiatives to educate stakeholders about green financing. Effective monitoring and reporting systems will help maintain investor trust, while aligning green bonds with Kenya's Sustainable Development Goals (SDGs) can further enhance their relevance and impact on sustainable development and climate action in the region.

2.15.4 Forest Impact Investments

Forest Impact Investments aim to generate positive environmental and social outcomes related to forests while also providing financial returns. These investments encompass various approaches, including equity investments, debt financing, venture capital, and public-private partnerships, each targeting sustainable forestry management, reforestation, and community development. Assessing their impact requires a comprehensive evaluation of environmental benefits, social outcomes, stakeholder engagement, financial performance, risk factors, and long-term sustainability. The growing demand for sustainable investing, coupled with technological advancements and supportive policies, presents significant opportunities to leverage forest impact investments to bridge financing gaps in the forestry sector.

A prime example of forest impact investment is the Gola Rainforest project in Sierra Leone, which focuses on sustainable forest management and community development. Covering approximately 75,000 hectares, this biodiversity hotspot is part of a REDD+ initiative aimed at preventing deforestation and generating carbon credits. The project emphasizes community involvement, promoting sustainable agricultural practices, eco-tourism, and community-based enterprises that provide alternative livelihoods to logging and hunting. Through these efforts, the project has improved local community

engagement in forest management and ensured that they benefit from conservation activities, thereby enhancing long-term sustainability.

The success of the Gola Rainforest project highlights significant environmental and socio-economic impacts. It has successfully protected vast areas of forest, preventing the release of millions of tons of CO₂, and improving the livelihoods of over 24,000 households through jobs in sustainable agriculture and eco-tourism. While facing challenges such as land tenure disputes and illegal logging, the project's innovative financing mechanisms, including carbon credits, showcase the potential for forest impact investments to integrate conservation with socio-economic development. This model serves as a replicable blueprint for similar initiatives across Africa, illustrating how effective investment strategies can lead to both environmental protection and community empowerment.

2.15.5 Forest Certification and Eco-labeling

Forest certification and eco-labeling are critical tools for promoting sustainable forest management by ensuring transparency and credibility in the marketplace. Various systems, such as the Forest Stewardship Council (FSC) and the Programme for the Endorsement of Forest Certification (PEFC), set sustainability standards that assess forest management practices through rigorous assessment and independent auditing. The certification process includes evaluating environmental, social, and economic factors, ultimately providing consumers with eco-labels that indicate responsibly sourced forest products. Greater utilization of these mechanisms can bridge gaps in forest financing, although challenges like market differentiation, costs, and consumer awareness persist.

A notable example of effective forest certification in Africa is the Viphya Plantation and Raiply Malawi initiative. Located in northern Malawi, the Viphya Plantation is one of Africa's largest man-made forest reserves, managed by Raiply Malawi Limited. The company sought FSC certification to demonstrate compliance with strict sustainability standards, which included reduced impact logging, forest regeneration, and community engagement. By obtaining certification, Raiply's timber products were eco-labeled, allowing access to new markets and enhancing the livelihoods of local communities through job creation and social investments in infrastructure and alternative livelihoods.

The success of the Raiply Malawi initiative has had significant economic, environmental, and social impacts. Economically, it increased market access and premium pricing for certified products, leading to job creation and local poverty reduction. Environmentally, it contributed to reduced deforestation, biodiversity conservation, and forest regeneration efforts, thereby mitigating climate change effects. Socially, the initiative improved community livelihoods and provided better access to essential services. Despite facing challenges such as financial constraints and community conflicts, the project has positioned Malawi as a leader in sustainable forestry, offering a model for other countries to follow in promoting sustainable development through certification and eco-labeling.

2.15.6 Community-Based Forest Management (CBFM) Enterprises

Community-Based Forest Management (CBFM) enterprises focus on empowering local communities to sustainably manage forest resources for their economic and social benefits. By aligning economic incentives with conservation goals, these enterprises ensure that communities benefit financially from maintaining healthy forest ecosystems. Key components include community involvement through legal recognition of land rights and active participation in decision-making; sustainable management practices such as agroforestry, selective logging, and harvesting non-timber forest products; and economic incentives like revenue generation from sustainable forestry, ecotourism, and payments for ecosystem services. Additionally, capacity building and institutional support are vital, involving training, government policies, and partnerships with NGOs and the private sector.

A prominent example of a successful CBFM initiative is the Duru-Haitemba Forest project in Tanzania, which covers approximately 9,000 hectares and was implemented to address severe degradation caused by illegal logging and agricultural encroachment. This project decentralized forest management

by granting local communities the rights to manage the forest through established Village Forest Management Committees (VFMCs). These committees developed sustainable forest management plans, enabling communities to benefit from timber sales and alternative livelihoods such as beekeeping and eco-tourism. Furthermore, by implementing monitoring and enforcement mechanisms, the project curtailed illegal activities and encouraged compliance with established regulations.

The Duru-Haitemba project has led to significant environmental, social, and economic impacts. Environmentally, it resulted in reduced deforestation, restored biodiversity, and revitalized degraded areas through reforestation efforts. Socially, communities experienced improved livelihoods, empowered governance structures, and enhanced access to essential services like education and healthcare funded by revenues from sustainable forest practices. Despite initial resistance, limited financial resources, and challenges posed by climate change, the project's success has inspired similar CBFM initiatives across Tanzania and beyond, showcasing the potential for community-led forest conservation and development.

2.15.7 Forest Investment Funds

Forest Investment Funds are financial mechanisms designed to mobilize resources for sustainable forest management, conservation, and restoration. They are structured as public, private, or blended finance models. Public funds, often allocated by governments or international organizations like the World Bank and GEF, support conservation initiatives. Private funds include impact investment funds, which focus on projects with measurable environmental impacts, and Timber Investment Management Organizations (TIMOs), which manage forestland investments for institutional investors. Blended finance funds, such as public-private partnerships and climate finance funds, combine various capital sources to enhance investment returns and mitigate risks. Key components of these funds include capital mobilization, project selection, monitoring and evaluation, and robust governance structures.

One notable example of a successful Forest Investment Fund is the Althelia Climate Fund, which supports projects like the Mikoko Pamoja Mangrove Conservation Project in Kenya. This project addresses the degradation of mangrove forests in Gazi Bay, which are vital for biodiversity and carbon sequestration. The Mikoko Pamoja initiative focuses on restoring mangrove ecosystems, generating carbon credits, and promoting community development by reinvesting revenue from carbon sales into local initiatives. The project encourages community involvement in forest management, providing alternative livelihoods that reduce reliance on unsustainable practices like illegal logging.

The Mikoko Pamoja project has demonstrated significant environmental, social, and economic impacts. Environmentally, it has successfully sequestered over 3,000 tons of CO₂ annually and restored large areas of degraded mangrove forests, enhancing ecosystem resilience and biodiversity. Socially, it has improved community well-being through investments in education and clean water, while also creating jobs related to forest management. Economically, the project has generated steady income through carbon credit sales and attracted further investment, showcasing the potential for climate finance to drive sustainable development and conservation in Africa. However, challenges such as market volatility, maintaining community engagement, and climate-related risks remain, necessitating ongoing support and capacity building.

2.15.8 Diaspora Remittance

Diaspora remittances have proven to be a valuable source of funding for forest conservation and sustainable management, providing financial resources, technical expertise, and support for community-based projects. In countries like Mexico, the Philippines, and Nepal, remittances have helped fund forestry enterprises and conservation initiatives that benefit both the environment and local economies. These funds can serve as seed capital, attract additional investments, support infrastructure development, and fund training programs that enhance sustainable forestry practices.

Ethiopia offers a compelling case study, showcasing how diaspora remittances have been channeled into large-scale reforestation and forest management projects, such as the Green Legacy Initiative. Ethiopian diaspora communities have raised millions of dollars through formal channels, funding tree planting, nursery management, and agroforestry projects. These initiatives have resulted in increased forest cover, restoration of degraded landscapes, job creation, and support for biodiversity in regions like Tigray, Amhara, and Bale Mountain. Additionally, diaspora members have contributed technical expertise, helping implement advanced forest monitoring technologies.

The impact of diaspora-funded forestry initiatives is significant, as they contribute to climate change mitigation, community empowerment, and rural development while fostering a sense of cultural identity and pride. However, challenges like sustaining long-term engagement, coordinating stakeholders, and scaling impact remain. Ethiopia's experience demonstrates the transformative potential of leveraging diaspora remittances for sustainable forestry development, offering valuable lessons for other countries seeking to engage their diaspora communities in environmental conservation efforts.

2.15.9 Pension Schemes and SACCOs

Pension schemes and SACCOs can significantly mobilize funds for forestry initiatives in Kenya, leveraging their structures to ensure long-term sustainability. Pension schemes, with their large capital bases, are well-suited for long-term investments such as reforestation and forest conservation. Notably, pension funds have a significant stake in global timberland portfolios, making them the primary institutional investors for Timberland Investment Management Organizations (TIMOs). By investing in green bonds, carbon credits, and forestry projects, pension funds can generate returns while contributing to environmental sustainability.

Similarly, SACCOs can play a vital role in community-level forestry initiatives by providing savings mobilization, direct investments, and specialized loan products for forestry entrepreneurs, thus supporting small-scale reforestation and agroforestry projects. To enable this, legal, policy, and governance interventions are essential. Amending regulations to allow pension schemes and SACCOs to invest in forestry projects, introducing tax incentives, and developing a national green investment policy would create a conducive environment. Strengthening governance through transparent reporting and capacity-building programs would ensure informed and sustainable investment decisions in forestry.

The Public Investment Corporation (PIC) of South Africa provides a successful model where pension funds, through the Isibaya Fund, have invested in sustainable forestry initiatives, resulting in economic returns, climate change mitigation, and job creation. This demonstrates that, with the right framework, pension schemes and SACCOs can effectively support forestry projects, contributing to both environmental and economic objectives.

2.15.10 Modalities of Strengthening Institutions Engaged in Forest Financing

This section proposes strategies to strengthen the operational capacities of diverse institutions involved in forest financing, including government agencies, private sector entities, NGOs, community-based organizations, financial institutions, and development partners. These modalities aim to enhance coordination, resource mobilization, and financing processes, fostering sustainable forest management, policy formulation, and implementation. Emphasizing partnerships and information sharing, the approach seeks to create a cohesive framework that ensures efficient financial resource deployment, transparency, accountability, and sustainability in Kenya's forestry sector. Additionally, it focuses on promoting commercial forestry investment opportunities and inclusive participation among all stakeholders to achieve long-term financial sustainability.

2.15.10.1 Institution Strengthening Strategies

The institutions strengthening strategies for the agencies engaged in the forestry subsector would involve the following:

Table 2-8: Institution Strengthening Strategies

Category	Institution	Modalities for Strengthening
1. Government Institutions	Ministry of Environment, Climate Change, and Forestry (MECCF)	<ul style="list-style-type: none"> • Increase budget allocation to enhance forestry financing projects. • Establish a dedicated unit for stakeholder coordination. • Develop training programs to strengthen staff expertise. • Simplify regulatory processes to reduce barriers to accessing funds.
	Kenya Forest Service (KFS)	<ul style="list-style-type: none"> • Advocate for KFS to have more control over revenue. • Offer training programs on financial management. • Partner with financial institutions for forestry financing products. • Promote innovative financing mechanisms (e.g., green bonds, carbon credits).
	Kenya Forestry Research Institute (KEFRI)	<ul style="list-style-type: none"> • Establish a dedicated research fund through partnerships. • Engage private entities to commercialize research findings. • Invest in modernizing research facilities. • Create knowledge-sharing platforms for research dissemination.
	National Environment Management Authority (NEMA)	<ul style="list-style-type: none"> • Simplify bureaucratic processes for project approvals. • Implement training programs for enforcing environmental laws. • Develop platforms for issuing green bonds and carbon credits. • Improve awareness programs for stakeholders.
	National Environment Trust Fund (NETFUND)	<ul style="list-style-type: none"> • Pursue international climate finance actively. • Reduce bureaucratic hurdles for fund access. • Develop comprehensive monitoring & evaluation frameworks. • Enhance training programs in project finance management.
	National Climate Change Council (NCCC)	<ul style="list-style-type: none"> • Enhance technical expertise for implementing projects. • Strengthen inter-ministerial coordination. • Invest in developing innovative financing instruments. • Establish forums for stakeholder dialogue.
	County Governments	<ul style="list-style-type: none"> • Provide training on forest management and financing. • Establish county-specific forest funds. • Facilitate public-private partnerships for local initiatives.

Category	Institution	Modalities for Strengthening
	The National Treasury	<ul style="list-style-type: none"> • Integrate forestry financing into national development plans. • Develop innovative financial products like green bonds. • Facilitate access to international climate funds.
	Ministry of Lands, Public Works, Housing, and Urban Development	<ul style="list-style-type: none"> • Incorporate forestry in land use and urban planning. • Promote cross-sectoral policies linking forestry with housing. • Develop incentives for sustainable timber production.
2. Financial Institutions	Agricultural Finance Corporation (AFC)	<ul style="list-style-type: none"> • Create specialized financial products for long-term forestry investments. • Collaborate with forestry institutions to enhance funding programs.
	Commercial Banks/SACCOs/Pension Funds/Insurance Companies	<ul style="list-style-type: none"> • Encourage banks to develop loan products for commercial forestry. • Provide insurance schemes tailored for forestry projects.
3. NGOs & Development Partners	Gatsby Africa, UNDP, FAO, JICA, EU, Rainforest Alliance, etc.	<ul style="list-style-type: none"> • Provide technical support and capacity building for local institutions. • Offer grant funding and low-interest loans for forest projects. • Participate in stakeholder forums to share best practices.
	NGOs/Non-State Actors	<ul style="list-style-type: none"> • Offer training and financial literacy programs for Community Forest Associations. • Advocate for policy reforms promoting forest financing.
4. Private Sector & Industry Associations	Kenya Private Sector Alliance (KEPSA) & Business Community (e.g., Kakuzi Ltd, Better Globe Ltd, Komaza Ltd)	<ul style="list-style-type: none"> • Promote public-private partnerships for forestry projects. • Encourage investments in large-scale commercial forestry projects.
	Processors, Manufacturers, and End Users	<ul style="list-style-type: none"> • Encourage sustainable practices in sourcing forest products. • Invest in value addition processes like timber processing.
5. Research & Academic Institutions	Kenya Forestry College, University of Nairobi, University of Eldoret, Egerton University, KALRO, etc.	<ul style="list-style-type: none"> • Mobilize resources for forestry research. • Foster partnerships with the private sector. • Introduce forestry financing modules into academic programs.
	Kenya Climate Innovation Center (KCIC)	<ul style="list-style-type: none"> • Facilitate funding for scaling up climate-smart innovations. • Establish knowledge-sharing platforms for climate finance.
	National Research Fund (NRF)	<ul style="list-style-type: none"> • Allocate funds specifically for forestry research projects. • Engage with the private sector for co-funding opportunities.
6. Community-Based Organizations	Community Forest Associations (CFAs) & Karura Forest	<ul style="list-style-type: none"> • Provide training on sustainable forest management and financial literacy. • Develop benefit-sharing models for community participation.

Category	Institution	Modalities for Strengthening
& Local Groups	Environmental Education Trust	
	Ecotourism Schemes	<ul style="list-style-type: none"> • Promote sustainable ecotourism practices for income generation. • Train local communities in tourism management and conservation.
7. Special Interest Groups	Tree Growers (e.g., James Finley, KTDA, Tim sales, WETPA, etc.)	<ul style="list-style-type: none"> • Develop financing programs tailored for tree growers. • Establish market linkages to ensure fair prices.
8. Strengthening NETFUND		<ul style="list-style-type: none"> • Diversify funding sources by engaging with international climate finance institutions. • Train staff in innovative financing models and climate finance management. • Conduct awareness campaigns on NETFUND's services. • Implement robust monitoring & evaluation frameworks.

Effective coordination among institutions in the forestry sector is paramount for improving resource mobilization and streamlining the financing process. By fostering collaboration among government entities, financial institutions, NGOs, and community-based organizations, stakeholders can create a cohesive framework that maximizes available resources and enhances the impact of forestry financing initiatives.

2.15.11 Broad-Based Modalities for Strengthening Institutions in Forest Financing

To enhance the effectiveness of institutions engaged in forest financing, a comprehensive approach is proposed that focuses on strengthening institutional capacities, promoting collaboration, and fostering sustainable financing practices. This involves improving institutional coordination by establishing a multi-institutional framework that includes key players like the Ministry of Environment, Climate Change, and Forestry (MECCF), Kenya Forest Service (KFS), and the National Environment Management Authority (NEMA) to ensure a unified approach. Strengthening resource mobilization is also crucial, with efforts toward securing funding from diverse sources such as international climate finance, public-private partnerships, and collaborations with NGOs and development partners. Streamlining financing processes, simplifying regulatory procedures, and introducing innovative financial instruments like green bonds can further attract private sector investment.

Key modalities include building robust financial management systems to ensure transparency and accountability, as well as capacity-building initiatives that equip staff with the skills needed for effective forest management and financing. This involves comprehensive training programs, technical assistance from experts, and fostering knowledge-sharing among institutions. Establishing strong policy and regulatory frameworks will create an enabling environment for financing, with legal reforms to support mechanisms such as Payment for Ecosystem Services (PES) and REDD+. Additionally, developing reliable data and information systems will support informed decision-making, while advocacy and awareness campaigns will raise public support for sustainable forestry initiatives.

International cooperation and investment in research and innovation are also critical elements of this strategy. Engaging in global partnerships and participating in international forums can provide access to funding, technology, and knowledge essential for successful forest financing. By implementing these strategies, institutions can strengthen their frameworks, create an enabling environment for sustainable forest management, and enhance the effectiveness of financing efforts in Kenya's forestry sector.

Chapter 3. Strategies & Action Plans and Monitoring, Evaluation and Reporting Framework

3.1 Introduction

The Strategic Framework outlines the overarching direction for achieving sustainable forest financing in Kenya. This chapter presents the core Strategic Objectives designed to address current challenges, leverage opportunities, and ensure the effective mobilization of resources for forest conservation, management, and expansion. By providing a clear and comprehensive roadmap, this framework serves as a foundation for coordinated actions and interventions across various stakeholders, ensuring that Kenya's forestry sector contributes meaningfully to national development and environmental sustainability.

3.2 Action Plans

3.2.1 Strategic Objective 1: To enhance sustainable financing mechanisms for the forestry sector in Kenya, ensuring the sector can access a diversified range of funding sources for conservation, management, and expansion activities.

The forestry sector in Kenya requires sustainable and diversified financing mechanisms to support its conservation, management, and expansion efforts. This strategic objective aims to establish a range of funding sources that will ensure the sector's long-term financial stability and resilience. By tapping into various financial instruments and partnerships, the sector will be better equipped to address challenges, implement conservation programs, and promote sustainable forest management practices that contribute to national economic growth and environmental sustainability.

Action Plan for Strategic Objective 1:

Table 3-1: Action Plan for Strategic Objective 1:

Strategic Initiative	Activities	Timeline	Responsible Agencies	Expected Outcome	Risks	Key Indicators
Develop a National Forest Financing Strategy	Conduct stakeholder consultations, analyze potential funding sources, identify priority areas for funding, and develop a comprehensive financing strategy.	6 months	Ministry of Environment, Climate Change, and Forestry, NETFUND, National Treasury	A well-structured and comprehensive strategy to guide forest financing.	Limited stakeholder engagement, insufficient data for analysis	Completed strategy document, number of stakeholders engaged

Strategic Initiative	Activities	Timeline	Responsible Agencies	Expected Outcome	Risks	Key Indicators
Lobby for Increased Budgetary Allocations to the Forestry Sector	Engage with government officials and policymakers to advocate for higher budgetary allocations for forestry initiatives, focusing on the long-term benefits of forest conservation and management.	6 months	Ministry of Environment, Climate Change, Forestry, National Treasury, Civil Society Organizations	Enhanced funding for forestry initiatives through increased budget allocations.	Political resistance, competing budget priorities	Amount of additional funds allocated; number of advocacy meetings held
Establish a Forest Conservation Fund	Mobilize financial resources from government, private sector, international donors, and development partners to establish a dedicated fund.	12 months	Ministry of Environment, Climate Change, and Forestry, Development Partners, Private Sector	Sustainable financial resources for forest conservation and management.	Insufficient funding, lack of interest from the private sector	Amount of funds mobilized; number of donors and partners
Promote Innovative Financing Mechanisms	Explore and implement innovative mechanisms like green bonds, impact investment, and payment for ecosystem services (PES).	Continuous	Ministry of Environment, Climate Change, and Forestry, Financial Institutions, Private Sector	Increased funding options for forestry activities.	Low uptake of innovative financing options	Number of innovative financing mechanisms adopted
Forestry Valuation	Conduct valuation of forest resources and woodland to establish their economic value, ensuring accurate pricing and recognition of forest assets.	9 months	Ministry of Environment, Climate Change, and Forestry, Kenya Forest Service, Research Institutions, Kenya National Bureau of Statistics	Enhanced understanding of the economic value of forests, informing investment decisions.	Lack of standardized valuation methods, limited technical expertise	Number of valuation studies conducted, valuation reports produced, Satellite Forestry Resource Account developed

3.2.2 Strategic Objective 2: To promote commercial forestry as a viable investment opportunity, encouraging public and private sector participation to increase forest cover, create employment, and contribute to national economic growth.

Strategic Objective 2 focuses on promoting commercial forestry as a viable investment opportunity, recognizing its potential to significantly contribute to Kenya's economic growth and environmental sustainability. By encouraging active participation from both the public and private sectors, this objective aims to enhance forest cover, create job opportunities, and foster a thriving forestry economy. Through targeted initiatives, the strategy seeks to attract investments, facilitate partnerships, and raise awareness about the economic benefits of sustainable forestry practices, ultimately leading to a more resilient and productive forestry sector that aligns with national development goals.

Action Plan for Strategic Objective 2:

Table 3-2: Action Plan for Strategic Objective 2

Strategic Initiative	Activities	Timeline	Responsible Agencies	Expected Outcome	Risks	Key Indicators
Develop a National Commercial Forestry Investment Plan	Conduct market research, identify investment opportunities, and develop an investment guide.	6 months	Kenya Forest Service (KFS), Ministry of Trade and Industry, Investment Promotion Agencies	Increased awareness of commercial forestry investment opportunities.	Limited investor interest; Inadequate market data	Number of investment opportunities identified; Number of investors reached
Facilitate Access to Finance for Commercial Forestry Investors	Engage with financial institutions to create tailored loan products, offer low-interest loans, and provide guarantees to investors.	12 months	Financial Institutions, Kenya Forest Service (KFS)	Improved access to finance for commercial forestry ventures.	High interest rates; Limited participation of financial institutions	Amount of financing accessed by investors; Number of tailored financial products available
Provide Technical Support to Commercial Forestry Investors	Offer training on best practices, sustainable management, and financial management.	Continuous	Ministry of Environment, Climate Change and Forestry, Kenya Forest Research Institute (KEFRI), Kenya Forest Service (KFS), Ministry of Trade and Industry, Investment Promotion Agencies	Increased success and profitability of commercial forestry enterprises.	Low adoption of training by investors; Insufficient resources for training programs	Number of training sessions conducted; Percentage of trained investors implementing best practices

Strategic Initiative	Activities	Timeline	Responsible Agencies	Expected Outcome	Risks	Key Indicators
Develop a framework for certification and Ecolabelling of forest products	Develop and implement guidelines for certification and eco-labelling	Within 24 months and continuous	Kenya Forest Research Institute (KEFRI), KFS, KEPHIS, KEBS, Development partners	Robust guidelines high-quality standards of forest products and a competitive edge for global positioning.	Slow adoption of the certification requirements	Number of forest products certified Percentage increase in forestry product returns due to certification.
Link Commercial Forestry with Forest Restoration	Develop frameworks that incentivize commercial forestry operations to integrate restoration and conservation efforts, such as establishing partnerships with local communities and NGOs.	12 months	Ministry of Environment, Climate Change, Forestry, Private Sector, NGOs	Enhanced synergy between commercial forestry and conservation efforts, leading to improved forest health.	Resistance from commercial entities, lack of awareness among stakeholders	Number of partnerships formed, area of land restored or conserved, volume of private investment leveraged
	Create financial mechanisms to reward commercial forestry entities that engage in sustainable practices and contribute to restoration efforts.	Continuous	Financial Institutions, Ministry of Environment, Climate Change, and Forestry	Increased private investment in forest restoration initiatives.	Low uptake of financial incentives, insufficient regulatory support	Number of private investments mobilized for restoration projects
	Conduct awareness campaigns to educate stakeholders about the benefits of integrating commercial forestry with conservation efforts.	6 months	Ministry of Environment, Climate Change, and Forestry, NGOs	Improved stakeholder engagement and understanding of the importance of sustainable practices.	Lack of participation in awareness programs	Number of awareness programs conducted; number of participants engaged

3.2.3 Strategic Objective 3: To strengthen institutional frameworks and build capacity for effective coordination, governance, both forest financing monitoring at national and county levels.

Strategic Objective 3 aims to enhance the effectiveness of forest financing in Kenya by strengthening institutional frameworks and building capacity at both national and county levels. Recognizing the complexity and multifaceted nature of forest financing, this objective emphasizes the importance of robust coordination and governance mechanisms. By fostering collaboration among various stakeholders and providing targeted capacity-building initiatives, this strategic objective seeks to ensure that institutions are well-equipped to manage and monitor forest financing efficiently. This approach not only enhances transparency and accountability but also facilitates informed decision-making, ultimately contributing to the sustainable management of Kenya's forest resources.

Action Plan for Strategic Objective 3:

Table 3-3: Action Plan for Strategic Objective 3

Action	Activities	Timeline	Responsible Agencies	Expected Outcome	Risks	Key Indicators
Develop Institutional Coordination Mechanisms	Establish inter-agency coordination committees, develop a coordination framework, and conduct regular meetings.	12 months	Ministry of Environment, Climate Change, and Forestry, County Governments, Kenya Forest Service (KFS)	Improved coordination and governance of forest financing.	Lack of stakeholder engagement; conflicting priorities.	Number of coordination meetings held; stakeholder satisfaction surveys.
Capacity Building for Institutions Engaged in Forest Financing	Conduct training workshops, provide technical assistance, and promote institutional learning.	Continuous	Ministry of Environment, Climate Change, and Forestry, NETFUND, Development Partners	Strengthened institutional capacities in forest financing.	Resistance to change; insufficient funding for training.	Number of training sessions conducted; participant feedback.
Implement Monitoring and Evaluation Systems for Forest Financing	Develop and implement M&E frameworks, conduct regular monitoring, and publish annual reports.	Continuous	Ministry of Environment, Climate Change, and Forestry, NETFUND, Kenya Forest Service (KFS)	Transparent and effective use of forest financing.	Inadequate data collection; lack of compliance from agencies.	Quality and timeliness of M&E reports; percentage of projects evaluated.

3.2.4 Strategic Objective 4: To develop and implement incentive mechanisms that will stimulate investments in sustainable forestry practices, including innovative financial instruments, public-private partnerships (PPPs), and community-based initiatives.

This strategic objective focuses on creating a robust framework of incentive mechanisms to promote sustainable forestry investments in Kenya. By leveraging innovative financial instruments, establishing public-private partnerships, and supporting community-based initiatives, the objective aims to attract diverse funding sources and enhance the financial viability of forestry projects. Through these measures, the initiative seeks to not only increase investment in sustainable practices but also to foster a collaborative environment where various stakeholders can actively participate in the conservation and management of forest resources, ultimately contributing to the overall growth and sustainability of the forestry sector.

Action Plan for Strategic Objective 4:

Table 3-4: Action Plan for Strategic Objective 4

Action	Activities	Timeline	Responsible Agencies	Expected Outcome	Risks	Key Indicators
Establish Public-Private Partnership (PPP) Frameworks for Forestry Investments	Develop guidelines for PPPs, identify potential projects, and engage with the private sector.	18 months	Ministry of Environment, Climate Change, and Forestry, Private Sector, PPP Unit	Increased private sector investment in forestry.	Lack of interest from private sector; regulatory hurdles.	Number of PPP agreements established; investment volume.
Introduce Tax Incentives and Subsidies for Sustainable Forestry Initiatives	Engage with the National Treasury to design tax breaks, exemptions, and subsidies for forest investments.	12 months	Ministry of Environment, Climate Change, and Forestry, National Treasury	Enhanced financial attractiveness of forestry investments.	Resistance from fiscal authorities; potential budget constraints.	Number of incentives introduced; increase in investment applications.
Support Community-Based Forest Management Initiatives	Provide technical support, funding, and capacity-building for community forestry projects.	Continuous	Kenya Forest Service (KFS), County Governments, NGOs	Increased community participation in forest conservation.	Insufficient funding; community disengagement.	Number of community projects initiated; levels of community engagement.

3.2.5 Strategic Objective 5: To mainstream forestry financing within key national and county-level policy frameworks, ensuring alignment with broader environmental, social, and economic policies, as well as enhancing Kenya’s commitment to international multilateral agreements.

Mainstreaming forestry financing within key national and county-level policy frameworks is essential for creating a cohesive approach to environmental conservation and economic development in Kenya. This strategic objective aims to align forestry financing initiatives with broader environmental, social, and economic policies, ensuring that they are integrated into national development agendas. By doing so, Kenya can enhance its commitment to international multilateral agreements, leverage global funding opportunities, and foster sustainable forest management practices. This integration not only supports the growth of the forestry sector but also contributes to the overall resilience of ecosystems and the livelihoods of communities that depend on forest resources.

Action Plan for Strategic Objective 5:

Table 3-5: Action Plan for Strategic Objective 5

Action	Activities	Timeline	Responsible Agencies	Expected Outcome	Risks	Key Indicators
Integrate Forestry Financing into National Development Plans	<ul style="list-style-type: none"> Review and align national policies Engage with policymakers Incorporate forestry financing into development plans 	12 months	Ministry of Environment, Climate Change, and Forestry, County Governments	Enhanced policy alignment for forestry financing	Resistance from policymakers Inadequate stakeholder engagement	<ul style="list-style-type: none"> Number of policies reviewed Degree of integration in development plans
Promote Forestry Financing in Climate Change Policies	<ul style="list-style-type: none"> Advocate for forestry inclusion in climate policies Identify opportunities for climate financing 	Continuous	Climate Change Directorate, Ministry of Environment, Climate Change, and Forestry	Increased funding for forestry through climate initiatives	Limited awareness of forestry's role in climate change Competition for climate funds	<ul style="list-style-type: none"> Amount of climate financing directed to forestry Number of climate policies incorporating forestry

3.2.6 Strategic Objective 6: To leverage education systems and academic institutions to promote research, innovation, and awareness in forest financing, ensuring that forestry education and training are integrated into national curricula and that forestry becomes a recognized and attractive career path.

Strategic Objective 6 aims to harness the potential of education systems and academic institutions as powerful catalysts for advancing forest financing. By integrating forestry education and training into national curricula, this objective seeks to cultivate a well-informed generation that recognizes the importance of sustainable forest management and financing. Promoting research and innovation in this

field will not only enhance awareness of forestry’s economic and environmental value but also position it as a viable and attractive career path. This strategic approach is essential for building a knowledgeable workforce that can drive the forestry sector towards greater sustainability and resilience.

Action Plan for Strategic Objective 6:

Table 3-6: Action Plan for Strategic Objective 6

Activity	Activities	Timeline	Responsible Agencies	Expected Outcome	Risks	Key Indicators
Integrate Forestry Studies into National Curriculum	<ul style="list-style-type: none"> Collaborate with the Ministry of Education to develop forestry modules. Incorporate them into primary, secondary, and tertiary education. 	24 months	Ministry of Education, KEFRI	Increased awareness and knowledge of forestry among students.	Resistance to curriculum changes from educational stakeholders.	Number of schools implementing forestry modules. Student feedback and assessment scores on forestry topics.
Promote Research and Innovation in Forestry Financing	<ul style="list-style-type: none"> Establish research grants. Collaborate with universities. Create research centers focusing on forestry financing. 	Continuous	Ministry of Environment, Climate Change, and Forestry, Universities	Increased innovation in forest financing.	Limited funding for research initiatives.	Number of research projects initiated. Number of collaborations with universities. Innovations developed in forest financing.

3.2.7 Strategic Objective 7: To strengthen partnerships and collaboration with local communities, development partners, and the private sector to foster sustainable forest management practices and ensure the equitable distribution of benefits arising from forest resources.

Strategic Objective 7 emphasizes the critical importance of building robust partnerships and fostering collaboration among local communities, development partners, and the private sector to enhance sustainable forest management practices. This objective recognizes that effective forest management is a shared responsibility that requires inclusive engagement and the active participation of all stakeholders. By strengthening these partnerships, the aim is to not only improve the management and conservation of forest resources but also ensure that the benefits derived from these resources are equitably distributed. Such collaborative efforts are vital for promoting community empowerment, enhancing resilience against environmental challenges, and achieving long-term sustainability in the forestry sector.

Action Plan for Strategic Objective 7:

Table 3-7: Action Plan for Strategic Objective 7

Activity	Activities	Timeline	Responsible Agencies	Expected Outcome	Risks	Key Indicators
Establish Community-Based Forestry Cooperatives	<ul style="list-style-type: none"> Engage with local communities. Provide training on cooperative management and sustainable practices. Support the formation of cooperatives. 	18 months	Kenya Forest Service (KFS), NGOs	Enhanced community involvement in forest management.	Resistance from community members or lack of interest.	Number of cooperatives established. Community participation rates. Improvement in local forest management practices.
Develop Private Sector Partnerships for Sustainable Forest Management	<ul style="list-style-type: none"> Facilitate joint ventures for forest projects. Create co-financing arrangements with private investors. Promote technology transfer initiatives to enhance forest management. 	Continuous	Private Sector, Kenya Forest Service (KFS)	Increased investment in sustainable forest management practices.	Lack of private sector interest or commitment.	A number of partnerships formed. Investment amounts in forestry projects. Adoption of sustainable practices by private partners.

3.2.8 Strategic Objective 8: To enhance the development and utilization of carbon financing mechanisms, including carbon credits and carbon offsets, to generate additional revenue streams for the forestry sector.

Strategic Objective 8 focuses on enhancing the development and utilization of carbon financing mechanisms, such as carbon credits and carbon offsets, as innovative solutions to bolster revenue streams for the forestry sector in Kenya. By capitalizing on the growing global emphasis on climate change mitigation and the associated financial incentives, this objective aims to create a robust framework that enables the forestry sector to tap into new funding opportunities. The strategic integration of carbon financing not only supports sustainable forest management and conservation efforts but also aligns with international climate commitments, fostering economic resilience and environmental stewardship within the sector. Through this objective, Kenya can establish itself as a leader in sustainable forestry practices while maximizing the financial benefits derived from its rich forest resources.

Action Plan for Strategic Objective 8:

Table 3-8: Action Plan for Strategic Objective 8

Action	Activities	Timeline	Responsible Agencies	Expected Outcome	Risks	Key Indicators
Establish Carbon Markets for Forestry Projects	Develop regulatory frameworks, engage stakeholders, and register forestry projects for carbon credits.	12 months	Ministry of Environment, Climate Change, and Forestry, Climate Change Directorate	Increased revenue through carbon financing.	Lack of stakeholder engagement; regulatory challenges.	Number of registered projects; revenue generated from carbon credits.
Build Capacity for Carbon Measurement, Reporting, and Verification (MRV)	Train stakeholders, develop MRV systems, and ensure accurate reporting of carbon sequestration.	Continuous	Ministry of Environment, Climate Change, and Forestry, NETFUND	Improved accuracy and reliability in carbon reporting.	Inadequate training resources; resistance to new systems.	Number of trained stakeholders; effectiveness of MRV systems.

This framework provides mechanisms to assess the implementation of the Kenya National Forest Financing Strategy with a view to either taking corrective actions or sustaining the positive trends during the implementation process.

3.3 Monitoring, Evaluation, and Reporting Framework

3.3.1 Context of Monitoring and Evaluation

3.3.1.1 Monitoring

Monitoring involves the routine tracking of the implementation of the NFFS activities toward achieving the outlined strategic objectives and the activities listed. The M & E consists of systematic tracking of services and action areas to report on progress. The progress of implementation of the strategy shall be measured against specific targets and indicated in the performance matrix. This will ensure:

- i. Improved Forestry Resource Wallet
- ii. The various stakeholders in the forestry sub-sector will be able to accomplish their mandates in the sector.
- iii. It provides for better utilization of human resources, infrastructure, and finances
- iv. Better management of policies, programs and the strategy implementations.

3.3.1.2 Evaluation

This involves taking a broader view while considering progress towards the implementation of the strategy. The evaluation provides a guideline on the following principles:

- Relevance
- Effectiveness
- Efficiency
- Impact Sustainability

Chapter 4. Coordination and Governance of the Strategy

This strategy is premised on inter-ministerial and inter-agency collaboration to harness synergy from the various sectors whose aims are to support forestry. Key roles are foreseen in the ministries, departments, and agencies responsible for Forestry and County governments. The partnerships with the private sector, Development partners, CFA, FF-SPAK, NGOs, CSOs, and CBOs are critical for resource mobilization for climate action through forestry development. This chapter presents the coordination and monitoring framework for the strategy

4.1 Coordination and Governance Framework for the National Forestry Financing Strategy Implementation

The section outlines the coordination framework for the implementation of the financing strategy. At the national level, the Ministry of Environment, Climate Change, and Forestry will coordinate the implementation of the strategy. The specific implementation of activities will be undertaken by various ministries, departments, and agencies. Most of the implementation will be undertaken in counties based on their needs and priorities. The strategy has four levels of coordination: Intergovernmental Committee; Planning and Steering Committee; National Technical Committee; County Implementation Committee and a Technical Coordination Committee that will coordinate the working of the other committees including data collection and information sharing between the various levels of implementation. Specific descriptions of the different committees are outlined below.

4.1.1 National Intergovernmental Committee

At the national level, coordination of the implementation of the strategy will be undertaken by the Intergovernmental committee which will be the decision-making organ and provide strategic direction on implementation of the strategy. This committee will link the National Government and County Governments towards the implementation of the strategy based on the Intergovernmental Relations Act of 2012. This committee will be chaired by the Cabinet Secretary for the Ministry of Environment, Climate Change and Forestry. Other members of the committee will be composed of cabinet secretaries responsible for the National Treasury and Economic Planning, Ministry of Agriculture and Livestock Development, Ministry of Lands, Public Works, Housing and Urban Development, Ministry of Tourism and Wildlife, Ministry of Investments, Trade and Industry, Ministry of East Africa Community and Regional Affairs, Ministry of Water, Sanitation and Irrigation, Ministry of Co-operatives and Micro Small and Medium Enterprises (MSMEs) Development, Ministry of Interior and National Administration, and the chair of the Council of governors. Other members will include KEPSA, KAM, KBA, and RBA. The secretary to this committee will be the principal secretary of, the State Department for Forestry.

4.1.2 Committee Plan steering Committee

The Planning and Steering Committee will operationalize the key decisions and strategic interventions proposed by the National Intergovernmental Committee. The Committee will be chaired by the Principal Secretary of, the State Department for Forestry. The conservation secretary at the ministry responsible for forestry will serve as secretary of the Planning and Steering Committee. Membership to the committee will be composed of Principal Secretaries responsible for: Forestry, Environment and Climate change, Interior and National Administration, Agriculture, Cooperatives, Arid and Semi-Arid Lands, Regional Development, Water, Trade, Industry, Energy, Wildlife, and Education. Non-state actors will be represented by CEOs of KEPSA, KAM, RBA, SASSRA, KBA, Donor Sector Working Group (DSWG) representatives for environment and agriculture, and Chairs of COG Technical committees of Water, Forestry and Mining, Agriculture, Livestock & Cooperatives, Legal, Constitutional Affairs & Intergovernmental relations, Environment & Climate Change, Arid & Semi-Arid Land, Land, Planning &

Urban Development, Tourism and Wildlife, Trade, Industry and Investment, and Resource Mobilization and Partnerships.

4.1.3 National Technical Committee

The National Technical Committee will coordinate the implementation of the set targets by the different agencies both at the National and County level. The committee will be composed of Secretaries from the Forestry, Environment and Climate change, Interior and National Administration, Agriculture, Cooperatives, Arid and Semi-Arid Lands, Regional Development, Water, Trade, Industry, Energy, Wildlife, and Education. County governments will be represented by representatives of COG Technical committees in charge of Water, Forestry and Mining, Agriculture, Livestock & Cooperatives, Legal, Constitutional Affairs & Intergovernmental relations, Environment & Climate Change, Arid & Semi-Arid Land, Land, Planning & Urban Development, Tourism and Wildlife, Trade, Industry and Investment, and Resource Mobilization and Partnerships. The committee will also have Chief Executive officers of state agencies responsible for forests, environment & climate change, and wildlife such as KFS, KEFRI, KWTA, NETFUND, NEMA, KALRO, RDAs, KEPHIS, KWS, and KEBS. Other members will include the DSWG chairpersons for Environment, and Agriculture and National Farmer Umbrella Organizations such as FF-SPAK, NACOFA, and KENAFF.

4.1.4 County Technical Implementation Committees

Each County will establish a County Technical Implementation Committee involving all pertinent departments within the counties implementing forestry functions. The committee will be responsible for aligning the strategies to CIDPs and delivery of set targets on forestry implementation. They will also undertake monitoring, evaluation, and reporting of progress achieved within the counties. Membership of this committee will be composed of County Executive Committee Members responsible for Forestry, Agriculture, Trade, Industry, Water, Finance, Lands, Gender, and Cooperatives. Others will include regional and county representatives of KFS, KEFRI, KWTA, KWS, KALRO, NEMA, CFA, CSO Reps, and County Farmer Umbrella Organizations. The National administration will be represented by the county commissioner or their representative. Coordinating teams will be established at the Ward level and, where specific counties find feasible, at lower levels.

4.1.5 Technical Coordination Committee

The Cabinet Secretary responsible for forestry will establish a Technical Committee to coordinate the implementation of the strategy at the National and County levels. The committee will coordinate the monitoring, evaluation, and reporting of the progress achieved in the implementation of the strategy. The committee will be chaired by the Director responsible for forestry in the State Department of Forestry. Other members of the committee will be Directors responsible for: Agriculture, Environment, Livestock Development, Water, Finance, Wildlife, Trade, Investment, Lands, Gender, Youth, Interior and National Administration, and Cooperatives within government ministries. Other members of the committee will include directors responsible for forestry in KFS, KEFRI, KWTA, NETFUND, KALRO, NEMA, KWS, and RDAs. Non-state actors in the committee will be represented by DSWG Reps, Development Partner Reps, CFA, CSOs, and the KBA.

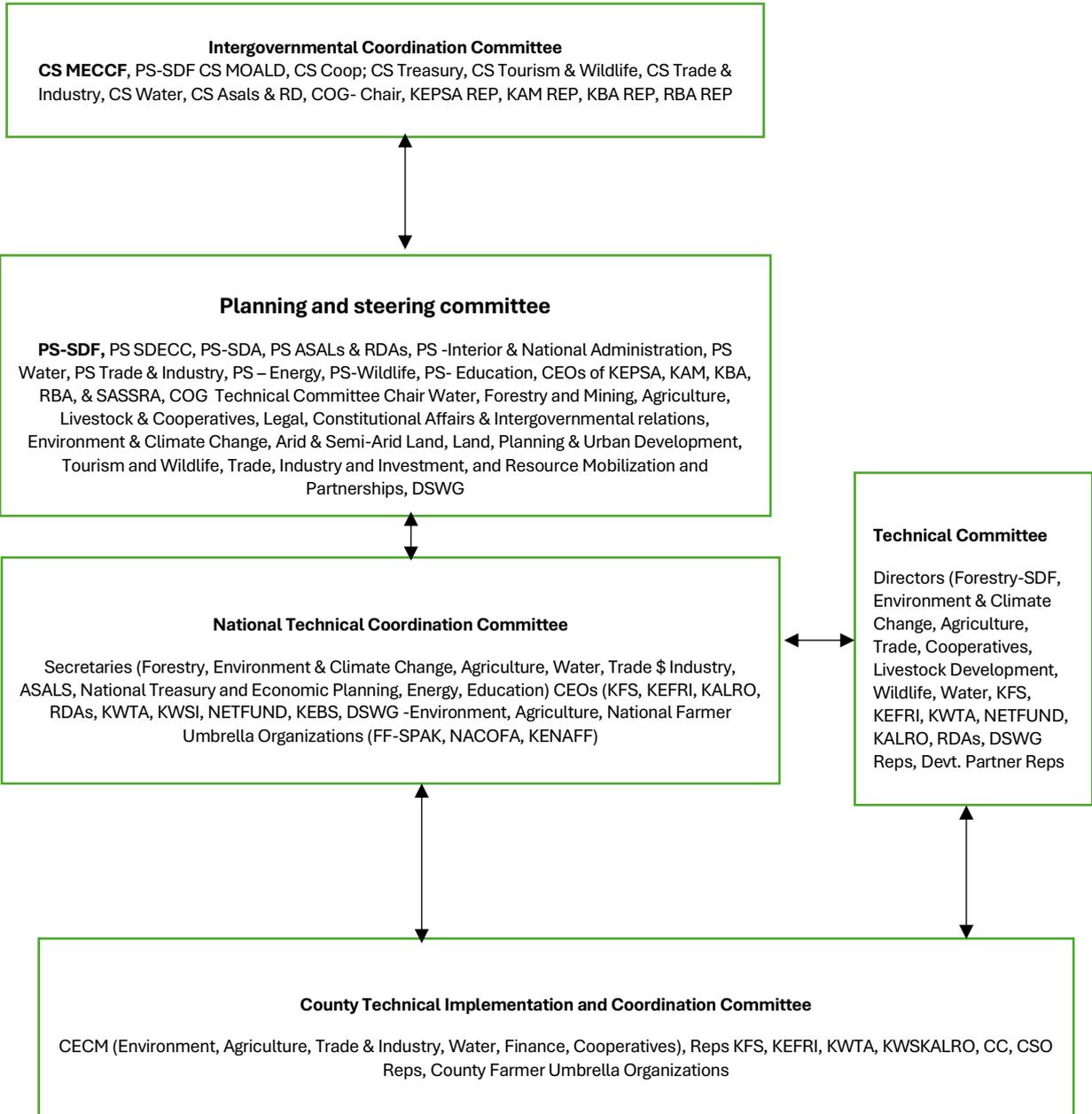


Figure 4-1: Coordination framework for the national forestry financing strategy implementation

Annexes

Annex 1: Implementation Framework

The implementation framework for the proposed strategies will run for a proposed period of 10 years period to 2032 with the expected indicators and priority levels stated.

Table 0-1: Kenya National Forest Financing Strategy Implementation Matrix

Strategic Objective	Strategic actions	Priority	Expected Results	Responsible Institution	Timelines	Estimated Cost (KES)	Source of Funding
Enhance sustainable financing mechanisms to enable access to diversified range of funding sources for conservation, management, and expansion activities	1.1 Develop a National Forest Financing Strategy.	High	<ul style="list-style-type: none"> A well-structured and comprehensive strategy to guide forest financing. 	State Department of Forestry, Kenya Forest Research Institute, National Treasury and Development partners	6 months	50 million	Government Budget, Donors funds
	1.2. Lobby for Increased Budgetary Allocations to the Forestry Sector	High	<ul style="list-style-type: none"> Mainstreamed forestry sector activities in the National Budgeting framework Increased exchequer funding to the forestry sector 	Ministry of Environment, Climate Change, Forestry, National Treasury, Civil Society Organizations	6 months	50 million	Government Budget, Donors funds
	1.3. Establish a Forest Conservation Fund.	High	<ul style="list-style-type: none"> Established framework for the establishment and administration of the fund Mobilize financial resources from the government, private sector, international donors, and development partners to establish a dedicated fund Increased resource allocation (county and national government) towards forestry sector 	State department of Forestry, National Treasury, County Governments, Development partners and private sector players	3 years	100,000 million	Government Budget, Development partners and private investors

Strategic Objective	Strategic actions	Priority	Expected Results	Responsible Institution	Timelines	Estimated Cost (KES)	Source of Funding
	1.4. Promote Innovative Financing Mechanisms	High	<ul style="list-style-type: none"> Established framework for implementing innovative mechanisms like green bonds, impact investment, and payment for ecosystem services (PES). Increased funding options for forestry activities 	Ministry of Environment, Climate Change, and Forestry, Financial Institutions, Private Sector, National Treasury, Financial sector regulators, Development partners	2 years and continuous	50,000 Million	Government Budget, Development partners and private investors
	1.5. Undertake forest sector valuation to determine the total value of forest resources and increase financing to the forest sector.	High	<ul style="list-style-type: none"> Increased investment in forestry sector TEV documented by 2027 Revised costing and pricing of goods and services from forests Willingness to pay for environmental goods and services. 	State Department in charge Forestry County Governments, National Treasury, KNBS	2 years	100 million	Government Budget, Donors
	1.6. Develop a satellite forestry resource account		<ul style="list-style-type: none"> Forest resource account to document contribution to GDP established Increased resource allocation (county and national government) towards forestry sector 	State department of Forestry, KEFRI, County Governments and KNBS	2 years	100 million	Government Budget, Development partners
Approximated Sub-Total						150,250 million	
Promote commercial forestry as a viable investment opportunity, encouraging public and private sector participation to increase forest cover, create employment, and	2.1 Develop a National Commercial Forestry Investment Plan	High	<ul style="list-style-type: none"> Documented Commercial Forestry Investment Plan. Increased awareness of commercial forestry investment opportunities 	KFS, KEFRI, State Department of Forestry, Ministry of Trade and Investments, National Treasury, NEMA, Central Bank of Kenya,	2 years	100million	Government Budget, Private Sector players Donors funding

Strategic Objective	Strategic actions	Priority	Expected Results	Responsible Institution	Timeline	Estimated Cost (KES)	Source of Funding
contribute to national economic growth.				Financial Institutions, Investment promotion agencies			
	2.2 Conduct market research, identify investment opportunities in the sector	Medium	<ul style="list-style-type: none"> Enhanced viable venture for investors e.g., bonds and national pride in the industry Documented investment opportunities in commercial forestry 	Ministry of Environment, Climate Change, and Forestry, Ministry of Trade and Investments, National Treasury, Central Bank, KFS, KEFRI, County Governments	2 years	100 million	Government Budget, Donors Private Sector funding
	2.3 Facilitate Access to Finance for Commercial Forestry Investors	High	<ul style="list-style-type: none"> Explicit pathways for accessing forest finance are established MRV system established and functioning 	State Department of Forestry, National Treasury, Financial Institutions	5 years	50,000 million	Government Budget, Donors and Private Sector funding
	2.4 Develop and Implement a framework for Providing Technical Support to Commercial Forestry Investors.	High	<ul style="list-style-type: none"> Increased success business cases and profitability of commercial forestry enterprises. Increased investments in commercial forestry Increased contribution to GDP 	Ministry of Environment, Kenya Forest Research Institute (KEFRI), Kenya Forest Service (KFS), Ministry of Trade and Industry, Investment Promotion Agencies	2 years and continuous	50,000 million	<ul style="list-style-type: none"> Government Budget, County allocations, Climate change funds Donor and development partners l funding
	2.5 Develop a framework for certification and Ecolabelling of forest products.	High	<ul style="list-style-type: none"> Robust guidelines that stimulate high-quality standards of forest products and a competitive edge for global positioning. 	Kenya Forest Research Institute (KEFRI), KFS, KEPHIS, KEBS, Development partners	2 years and continuous	1,000 million	Government Budget, International funding, private investors.

Strategic Objective	Strategic actions	Priority	Expected Results	Responsible Institution	Timelines	Estimated Cost (KES)	Source of Funding
			<ul style="list-style-type: none"> Increased public, Private, and international investments in forestry. Established certification laboratories 				
	2.6. Link Commercial Forestry with Forest Restoration	High	<ul style="list-style-type: none"> Developed frameworks that incentivize commercial forestry operations to integrate restoration and conservation efforts. Level of private investments mobilized for restoration projects. Sensitization programs on integration of commercial forestry and restoration initiatives 	Ministry of Environment, Climate Change, Forestry, Private Sector, NGOs	Within 12 months and continuous	200 million	Government Budget, International funding, private investors
Approximated Sub-Total						101,200 million	
Strengthen institutional frameworks and build capacity for effective coordination, governance, and forest financing monitoring at national and county levels.	3.1. Develop Institutional Coordination Mechanisms	High	<ul style="list-style-type: none"> Robust coordination and governance framework Implemented grievance handling framework 	Ministry of Environment, Climate Change, and Forestry, NETFUND, Development Partners	Continuous	100 Million	Government Budget, International funding, private investors
	3.2. Conduct Capacity Building for Institutions Engaged in Forest Financing	High	<ul style="list-style-type: none"> Increased number and quality of capacity-building workshop sessions Enhanced institutional capacities in sustainable forest financing 	Ministry of Environment, Climate Change, and Forestry, NETFUND, Development Partners	Continuous	200 Million	Government Budget, International funding, private investors
	3.3 Develop and Implement Monitoring and Evaluation Systems for Forest Financing	High	<ul style="list-style-type: none"> Increased transparent and effective use of forest financing. 	Ministry of Environment, Climate Change,	Continuous	200Million	Government Budget, International

Strategic Objective	Strategic actions	Priority	Expected Results	Responsible Institution	Timelines	Estimated Cost (KES)	Source of Funding
			<ul style="list-style-type: none"> Improved quality and timelines of M&E reporting for forest projects 	and Forestry, NETFUND, Kenya Forest Service (KFS)			funding, private investors
Approximated Sub-Total						500Million	
Develop and implement incentive mechanisms that will stimulate investments in sustainable forestry practices, including innovative financial instruments, public-private partnerships (PPPs), and community-based initiatives.	4.1 Establish Public-Private Partnership (PPP) Frameworks for Forestry Investments.	High	<ul style="list-style-type: none"> Robust framework position PPP and concessions as a viable venture for investors e.g., bonds and national pride in the industry. Increased private sector investment in forestry. 	State Department of Forestry, National Treasury-PPP Unit, Financial Sector Regulators Central Bank, KFS, KEFRI, County Governments	5 years	10,000million	Government Budget, Donors Private Sector funding
	4.2 Introduce Tax Incentives and Subsidy Packages for Sustainable Forestry Initiatives	High	<ul style="list-style-type: none"> Enhanced financial attractiveness of forestry investments. Increased investments in sustainable forestry Promotion of sustainable forest-based enterprises 	KFS, KEFRI, State Department of Forestry, National Treasury, KRA, County Governments, NEMA	2years	10,000 million	Government Budget, county budgets
	4.3. Support Community-Based Forest Management Initiatives	High	<ul style="list-style-type: none"> Enhanced provision of technical support, funding, and capacity-building for community forestry projects. 	State Department of Forestry, KFS, KEFRI, County Governments, NGOs	2 years and continuous	10,000 million	Government Budget, Donor funding Private Sector
	4.4. Establish Forest insurance schemes and tap into the existing government financing schemes.	High	<ul style="list-style-type: none"> Forest insurance products available Available funding mechanisms in the public and private sectors promoted 	KFS, KEFRI, State Department of Forestry, County Governments, NEMA, National Treasury	3 years	5,000 million	Government Budget, Donor funding Private Sector
Approximated Sub-Total						35,000 million	

Strategic Objective	Strategic actions	Priority	Expected Results	Responsible Institution	Timelines	Estimated Cost (KES)	Source of Funding
Mainstream forestry financing within key national and county-level policy frameworks, ensuring alignment with broader environmental, social, and economic policies, as well as enhancing Kenya's commitment to international multilateral agreements.	5.1. Review, align, and Integrate Forestry Financing into National Development Policies and Plans	High	<ul style="list-style-type: none"> Forestry Financing strategies and policies aligned to the national development plans and goals. Policy frameworks that promote the growth of the forestry sector An enabling environment to attract increased investments in the forestry sector. 	Ministry of Environment, Climate Change, and Forestry, Office of the Attorney General and State law, National Treasury, County Governments, Community Forest Associations, and Development partners	2 years	2,000 Million	National and county government allocations, Development partners, and Private sector funding
	5.2. Promote Forestry Financing in Climate Change Policies	High	Increased applications and awards of climate resilience funds	KFS, KEFRI, State Department of Forestry, National Treasury, NEMA, Central Bank of Kenya, Financial Institutions and Development partners	3 years	2,000 million	Government Budget, International funding
	5.3 Consolidate national approaches and pathways to access international climate finance for forests.	High	<ul style="list-style-type: none"> Explicit pathways for accessing forest finance are established. MRV system established and functioning 	State Department of Forestry, National Treasury, Financial Institutions	5 years	10,000 million	Government Budget, Donors Private Sector funding
Approximated Sub-Total						14,000 million	
Leverage education systems and academic institutions to promote research, innovation, and awareness in forest financing, ensuring that forestry education and training are integrated	6.1. Integrate Forestry Studies into National Curriculum from primary to post-secondary school education	High	<ul style="list-style-type: none"> Robust up to date curricula Greater impact of forest education in the sector Increased conservation and entrepreneurial skills at an early learning stage. 	State Department of Forestry, Ministry of education, KEFRI, Kenya Institute of Curriculum Development, Commission of	5 years	5,000 million	Government Budgets, County Government allocations, Donor funding, Private sector funds

Strategic Objective	Strategic actions	Priority	Expected Results	Responsible Institution	Timelines	Estimated Cost (KES)	Source of Funding
into national curricula and that forestry becomes a recognized and attractive career path.				University Education, Technical and Vocational Education Training Authority			
	6.2. Link training skills to market demands and offer outreach training programs	High	<ul style="list-style-type: none"> Increased forestry-related training programs Increased absorption of forestry program graduates. Increased forestry-related value chain entrepreneurial ventures. Increased involvement of related forestry-related trade stand 	State Department of Forestry, Ministry of education, KEFRI, Technical and Vocational Education Training Authority, State Department of Youth Affairs and Creative Economy, State Department for Labour and skills development	5 years	10,000 million	National and County government budgets, Development partners funding, private sector funding
	6.3. Mainstream Research and Innovation in Forestry Financing	High	<ul style="list-style-type: none"> Increased uptake of fintech in forest financing and conservation activities. Increased rollout of new forest products to accelerate sector growth 	of Forestry, Ministry of Education, KEFRI, Kenya Institute of Curriculum Development, Commission of University Education, Technical and Vocational Education Training Authority	1 year and continuous	10,000 million	National and County government budgets, Development partners funding, private sector funding
	6.4. Establish research grants and Research Centres	High	<ul style="list-style-type: none"> Increased rollout of research programs in the forest sector Enhanced partnership and networking in research 	of Forestry, Ministry of Education, KEFRI, Kenya Institute of Curriculum Development,	1 year and continuous	20,000 million	National and County government budgets, Development partners funding,

Strategic Objective	Strategic actions	Priority	Expected Results	Responsible Institution	Timeline	Estimated Cost (KES)	Source of Funding
			<ul style="list-style-type: none"> Increased research on Indigenous tree species Improved quality of research Increased number of human resource personnel in research dissemination 	Commission of University Education, Technical and Vocational Education Training Authority			private sector funding
Approximated Sub-Total						45,000Million	
Strengthen partnerships and collaboration with local communities, development partners, and the private sector to foster sustainable forest management practices and ensure the equitable distribution of benefits arising from forest resources.	7.1. Establish and provide technical Support to Community-Based Forestry Cooperatives	High	<ul style="list-style-type: none"> Increased number of well-established community-based cooperatives Improvement in local forest management practices. 	State Department of Forestry, State Department of Cooperatives, KEPSA, KFS, CFA and NGOS	2 years and continuous	2,000 million	National and County Governments budgets, Development partners funding, private sector funding
	7.2. Develop Private Sector Partnerships for Sustainable Forest Management	High	<ul style="list-style-type: none"> Increased investments in Sustainable Forest management practices Enhanced partnership and collaboration programs in the forestry sector Increased uptake of technological transfer initiatives and programs in forest practices 	State Department of Forestry, State Department of Cooperatives, KEPSA, KFS, CFA and NGOS	2 years and continuous	2,000 million	National and County Governments budgets, Development partners funding, private sector funding
Approximated Sub-Total						4,000Million	
Enhance the development and utilization of carbon financing mechanisms, including carbon credit and carbon offsets, to generate additional	8.1. Establish Carbon Markets for Forestry Projects	High	<ul style="list-style-type: none"> Increased number of registered projects; Increased revenue generated from carbon credits. 	Ministry of Environment, Climate Change, and Forestry, Climate Change Directorate, KFS, KEFRI,	1 year	20,000Million	National and County Governments budgets, Development partners funding, private sector funding

Strategic Objective	Strategic actions	Priority	Expected Results	Responsible Institution	Timelines	Estimated Cost (KES)	Source of Funding
revenue streams for the forestry sector.				Development Partners			
	8.2. Build Capacity for Carbon Measurement, Reporting, and Verification (MRV)	High	<ul style="list-style-type: none"> Improved accuracy and reliability in carbon reporting Enhanced the number and skills of trained stakeholders Enhanced effectiveness of MRV systems 	Ministry of Environment, Climate Change, and Forestry, Climate Change Directorate, KFS.KEFRI, Development Partners	2 years	5,000Million	National and County Governments budgets, Development partners funding, private sector funding
Approximated Sub-Total						25,000Million	
APPROXIMATED GRAND IMPLEMENTATION TOTAL						251,573 million	

Notes:

1. **Priority:** Actions are categorized as High, Medium, or Low based on their immediate impact and importance to the sector.
2. **Responsible Institution:** Main entities accountable for implementing each action.
3. **Timelines:** Estimated time frame for each action (2 to 10 years).
4. **Cost:** The figures are indicative and may vary based on actual implementation and conditions.
5. **Source of Funding:** Potential sources include County and National government budget allocations, donor contributions, and private sector investments.

Annex 2: Monitoring and Evaluation Framework

Table 0-2: Monitoring and Evaluation Framework

Strategic Objective	Strategic actions	Indicator	Baseline	Target	Means of Verification (MoV)	Frequency	Responsible Entity
Enhance sustainable financing mechanisms to enable access to a diversified range of funding sources for conservation, management, and expansion activities	1.1 Develop a National Forest Financing Strategy.	A well-structured and comprehensive strategy to guide forest financing.	A well-structured and comprehensive strategy to guide forest financing.	A well-structured and comprehensive strategy to guide forest financing	Approve documented strategy	Once	KEFRI, State Department of Forestry
	1.2. Lobby for Increased Budgetary Allocations to the Forestry Sector	% change in financial allocation to the forestry sector by national and county to the fund	Y Budgetary allocation to the forestry sector	Increase by 50% within 5 years	Financial reports	Yearly	National Treasury, State Department of forestry, County treasury
	1.3. Establish a Forest Conservation Fund.	Published framework Document	Published framework Document	A document published by 2027	Sector Reports	Yearly	KEFRI, State Department of Forestry
		% change in financial allocation to the forestry sector by national and county to the fund	Y Budgetary allocation to the forestry sector	Increase by 50% within 5 years	Financial reports	Yearly	National Treasury, State Department of forestry, County treasury
		% Change in financial resources mobilized for the fund	X Amounts of resources mobilized to the conservation fund	Increase by 50% every year	Financial Reports	Yearly	of Forestry, National Treasury, County Governments, Development partners and private sector players
	1.4. Promote Innovative Financing Mechanisms	Published frameworks	Published framework Document	A document published by 2026	Sector Reports	Yearly	KEFRI, State Department of

Strategic Objective	Strategic actions	Indicator	Baseline	Target	Means of Verification (MoV)	Frequency	Responsible Entity
							Forestry and National Treasury
		No Funding Options available in the sector	X amounts of funds generated from the funding models	10% yearly growth	Financial reports	Yearly	KEFRI, State Department of Forestry and National Treasury
	1.5. Undertake forest sector valuation to determine the total value of forest resources and increase financing to the forest sector.	No. of investments in forestry and related sectors by individuals and institutions	X Investments done annually	Increase by 50% within 5 years	Investment records, Forestry reports	Yearly	State Department of Forestry, KFS
		% change in cost and pricing of forest goods and services	Standard costs of forest goods and services	Change by a factor relative to the yearly Consumer Price Index	Economic survey reports	Yearly	National Treasury, State Department of forestry, County treasury
		TEV documented by 2027	Documented TEV	TEV documented by 2027	Economic Survey Reports	Yearly	KNBS, KEFRI, and State Department of Forestry
		Purchasing Parity Index for the Forest goods and services	X Change in the Purchasing parity Index	10% yearly increase in the PPP index	Economic Survey Reports	Yearly	KNBS, KEFRI, and State Department of Forestry
		1.6. Develop a satellite forestry resource account	Forest resource account to document contribution to GDP established	Forest Resource account	Resource account to be done by 2027	Economic Survey Reports	Yearly

Strategic Objective	Strategic actions	Indicator	Baseline	Target	Means of Verification (MoV)	Frequency	Responsible Entity
		% change in quality and quantity of data captured and stored	X amount of data captured and stored	Increase quantity and quality of forest data by 50% in 3 years	Monitoring and enforcement reports	Yearly	KNBS, KEFRI, KFS, and State Department of Forestry
Promote commercial forestry as a viable investment opportunity, encouraging public and private sector participation to increase forest cover, create employment, and contribute to national economic growth	2.1. Develop a National Commercial Forestry Investment Plan	Published framework Document on commercial Forestry Investment	Published framework Document	A document published by 2026	Sector Reports	Yearly	KEFRI, State Department of Forestry and National Treasury
		% change in awareness index on commercial forestry investment opportunities	X Awareness Index on Commercial Forest opportunities and commercial Forestry Investment Opportunities	At least a 10% yearly increase in the awareness index	Sector Reports	Yearly	KEFRI, State Department of Forestry, Ministry of Trade and Investments
	2.2 Conduct market research, identify investment opportunities in the sector	No Investment opportunities available in commercial forestry	X number of investment opportunities	At least a 10% yearly increase in the number of opportunities	Sector reports	Yearly	KEFRI, State Department of Forestry, and KFS
	2.3 Facilitate Access to Finance for Commercial Forestry Investors	No. of results-based payments flowing through established pathways	X number of pathways	Increase by 50% in five years	International Financial Flow records and reports	Annually	National Treasury, Central Bank of Kenya, State Department of Forestry
	2.4 Develop and Implement a framework for Providing Technical Support to Commercial Forestry Investors.	No successful business cases and rate of return on investments	X Number of successful business cases and % ROI	Increase of at least 10% yearly	Industry financial reports	Annually	KEFRI, State Department of Forestry, Ministry of Trade and

Strategic Objective	Strategic actions	Indicator	Baseline	Target	Means of Verification (MoV)	Frequency	Responsible Entity
							Investments, National treasury
		Percentage change in the amount of investments in commercial forestry	X Percent Investments in Commercial Forestry	Increase of at least 10% annually	Industry reports	Annually	KEFRI, State Department of Forestry, Ministry of Trade and Investments, National treasury
		% contribution of commercial forestry to GDP	X percent contribution to GDP	At least a 10% increase in the contribution rate to GDP	Economic Survey Reports, Industry Investment reports	Annually	KEFRI, State Department of Forestry, Ministry of Trade and Investments, National treasury, KFS, KNBS
	2.5 Develop a framework for certification and Ecolabelling of forest products.	Documented guidelines on forest products certification and Ecolabelling	Documented guidelines on forest products certification and Ecolabelling	Documented guidelines on forest products certification and Ecolabelling	Industry Reports	Annually	Kenya Forest Research Institute (KEFRI), KFS, KEPHIS, KEBS, Development partners
		Percentage increase in Private and International Investments in forestry	X-Percentage change in private Investments in commercial forestry	At least 10% growth in Investments rater yearly	International funds Inflows reports, Industry financial reports	Yearly	KEFRI, State department of Forestry, Ministry of Trade and Investments, National treasury, KFS,

Strategic Objective	Strategic actions	Indicator	Baseline	Target	Means of Verification (MoV)	Frequency	Responsible Entity
							KNBS, Central bank of Kenya
		No of equipped quality testing and certification laboratories	X no. of laboratories Established	Have at least one laboratory in each county	Industry Performance reports	Yearly	Kenya Forest Research Institute (KEFRI), KFS, KEPHIS, KEBS, Development partners
	2.6. Link Commercial Forestry with Forest Restoration.	Developed frameworks that incentivize commercial forestry operations to integrate restoration and conservation efforts.	Documented framework for incentivizing commercial forestry operations to integrate restoration and conservation efforts.	Documented framework for incentivizing commercial forestry operations to integrate restoration and conservation efforts.	Industry Reports	Annually	State department of forestry, Kenya Forest Research Institute (KEFRI), KFS, Development partners
		Level of private investments mobilized for restoration projects.	X-Percentage change in private Investments in commercial forestry	At least 10% growth in Investments rater yearly	International funds Inflows reports, Industry financial reports	Yearly	KEFRI, State department of Forestry, Ministry of Trade and Investments, National treasury, KFS, KNBS, Central bank of Kenya
		Number of Sensitization programs on integration of commercial forestry and	Approved number of sensitization workshops in the Annual work plans	100% achievements of the approved numbers	Capacity Building Reports	Yearly	Ministry of Environment, Climate Change, and Forestry, NETFUND,

Strategic Objective	Strategic actions	Indicator	Baseline	Target	Means of Verification (MoV)	Frequency	Responsible Entity
		restoration initiatives.					Development Partners
Strengthen institutional frameworks and build capacity for effective coordination, governance, and monitoring of forest financing at both national and county levels.	3.1. Develop Institutional Coordination Mechanisms	Documented Coordination and Governance framework	Documented Coordination and Governance framework by 2025	Documented Coordination and Governance framework by 2025	Industry and institutional reports	Yearly	Ministry of Environment, Climate Change, and Forestry, NETFUND, Development Partners
		Number of grievances handled	Zero grievances on forest financing carried forward	Zero grievances on forest financing carried forward	Industry Institutional Performance Reports	Yearly	Ministry of Environment, Climate Change, and Forestry, NETFUND, Development Partners
	3.2. Conduct Capacity Building for Institutions Engaged in Forest Financing	No. of capacity building workshops and participants	Approved number of workshops in the Annual work plans	100% achievements of the approved numbers	Capacity Building Reports	Yearly	Ministry of Environment, Climate Change, and Forestry, NETFUND, Development Partners
	3.3 Develop and Implement Monitoring and Evaluation Systems for Forest Financing	Number of M&E Audits and Quality reports produced	Approved M&E reports in the institutional annual work plans	100% achievement of the target as per the work plans	Industry Monitoring and Evaluation Reports	Quarterly	Ministry of Environment, Climate Change, and Forestry, NETFUND, Kenya Forest Service (KFS)

Strategic Objective	Strategic actions	Indicator	Baseline	Target	Means of Verification (MoV)	Frequency	Responsible Entity
Develop and implement incentive mechanisms that will stimulate investments in sustainable forestry practices, including innovative financial instruments, public-private partnerships (PPPs), and community-based initiatives.	4.1 Establish Public-Private Partnership (PPP) Frameworks for Forestry Investments.	No. of investment as a result of PPPs	X Number of Investments	Increase by 50% in five years	Institutional performance reports	Annually	State department of forestry, KFS, KEFRI, KWTA, Donor institutions and County governments
		No. of partnerships formed and maintained	X Number of Partnerships	Increase by 50% in five years	Institutional performance reports	Annually	State department of forestry, KFS, KEFRI, KWTA, Donor institutions and County governments
		No. of concessions formed	X number of concessions	Increase by 50% in five years	Institutional performance reports	Annually	State department of forestry, KFS, KEFRI, KWTA, Donor institutions and County governments
	4.2 Introduce Tax Incentives and Subsidy packages for Sustainable Forestry Initiatives	Number of tax incentives and subsidy schemes for forestry implemented	X percentage increase in investments as a result of tax incentives.	At least 10% of the approved baseline investments levels	Industry reports	Annually	KFS, KEFRI, State Department of Forestry, National Treasury, KRA, County Governments, NEMA

Strategic Objective	Strategic actions	Indicator	Baseline	Target	Means of Verification (MoV)	Frequency	Responsible Entity
	4.3. Support Community-Based Forest Management Initiatives	No of capacity building sessions for Community forestry projects	Number of capacity building sessions approved in the Annual Work Plans	100% attainment of approved sessions in the annual Work Plans	Industry Performance reports	Annually	Government State Department of Forestry, KFS, KEFRI, County Governments, NGOs
	4.4. Establish Forest insurance schemes and tap into the existing government financing schemes.	No. of insurance products developed and Taken	X number of forest insurance products taken	Increase by 50% yearly	Institutional Performance reports Insurance industry reports	Annually	National Treasury, Central Bank of Kenya, State Department of Forestry, KFS, KEFRI, IRA and county governments
Mainstream forestry financing within key national and county-level policy frameworks, ensuring alignment with broader environmental, social, and economic policies, as well as enhancing Kenya's commitment to international multilateral agreements.	5.1. Review, align and Integrate Forestry Financing into National Development Policies and Plans	No. of policy and legislative frameworks reviewed and aligned to the National Development plans and policies	X number of policy and legislative frameworks reviewed as per the work plan	100% achievement of the planned legal reviews	Parliamentary legislative performance reports	Annually	Ministry of Environment, Climate Change, and Forestry, Office of the Attorney general and State law, National Treasury, County Governments, Community Forest Associations and Development partners

Strategic Objective	Strategic actions	Indicator	Baseline	Target	Means of Verification (MoV)	Frequency	Responsible Entity
		Amount of investment attracted as a result of review and alignment of the policies	X percentage increase in investments as a result of tax incentives.	At least 10% of the approved baseline investments levels	Industry reports	Annually	Ministry of Environment, Climate Change, and Forestry, Office of the Attorney general and State law, National Treasury, County Governments, Community Forest Associations and Development partners
	5.2. Promote Forestry Financing in Climate Change Policies	Number of applications and awards of climate resilient funds	1% increase in applications and awards of climate resilience funds	At least 10% growth in access	Financial inflows reports Donor funding reports	Annually	Government Budget, International funding
	5.3 Consolidate national approaches and pathways to access international climate finance for forests.	No of pathways for accessing forest finance	% change in the forest finance accessed	At least 10% yearly growth in access	Financial Inflow reports, Industry performance reports	Annually	State Department of Forestry, National Treasury, Financial Institutions
Leverage education systems and academic institutions to promote research, innovation, and awareness in forest	6.1. Integrate Forestry Studies into National Curriculum from primary to post-secondary school education	Reviewed and integrated National forestry study in to the national	Base Rate of implementation of the reviewed curriculum as approved in the sector annual work plans	100% achievements of annual work plan targets	Education sector performance reports	Annually	State department of Forestry, Ministry of education,

Strategic Objective	Strategic actions	Indicator	Baseline	Target	Means of Verification (MoV)	Frequency	Responsible Entity
financing, ensuring that forestry education and training are integrated into national curricula and that forestry becomes a recognized and attractive career path.		Curriculum for primary to post-secondary education					KEFRI, Kenya Institute of Curriculum Development, Commission of University Education, Technical and Vocational Education Training Authority
		Change in forest investments and activities as a result of the implementation of the integrated curriculum	% change in forest investment activities	At least 10% yearly growth rate	Economic Survey Reports	Annually	State department of Forestry, Ministry of education, KEFRI, Kenya Institute of Curriculum Development, Commission of University Education, Technical and Vocational Education Training Authority
	6.2. Link training skills to market demands and offer outreach training programmes	Enrolments rate in forestry related education programs	Base enrolment rate in forestry related education programs	At least 20% growth in the enrolment rate annually	KUCCPS Students placements report	Annually	State department of Forestry, Ministry of education, KEFRI, Technical and

Strategic Objective	Strategic actions	Indicator	Baseline	Target	Means of Verification (MoV)	Frequency	Responsible Entity
							Vocational Education Training Authority, State Department of Youth affairs and Creative Economy, State Department for Labour and skills development
		Number of employed forestry related programs graduates i	Base employment rate of forestry related disciplines graduates at year 2023	At least 20% growth in the employment rate	Labour statistics reports	Annually	State department of Forestry, Ministry of education, KEFRI, Technical and Vocational Education Training Authority, State Department of Youth affairs and Creative Economy, State Department for Labour and skills development
		Number of forestry related value chain entrepreneurial ventures	Base number of forestry related value chains entrepreneurial venture at year 2023	At least 20% growth in the number of ventures	New Business formation reports	Annually	State department of Forestry, Ministry of education,

Strategic Objective	Strategic actions	Indicator	Baseline	Target	Means of Verification (MoV)	Frequency	Responsible Entity
							KEFRI, Technical and Vocational Education Training Authority, State Department of Youth affairs and Creative Economy, State Department for Labour and skills development
		Number of youths led forest related ventures	Number of youths led forest related ventures at base year 2023	At least 20% growth in the number of ventures	Employment statistics report	Annually	State Department of Forestry, Ministry of education, KEFRI, Technical and Vocational Education Training Authority, State Department of Youth affairs and Creative Economy, State Department for Labour and skills development
	6.3. Mainstream Research and Innovation in Forestry Financing	Number of fintech products adopted in forest	Number of fintech products adopted in conservation activities at base year 2023	At least 20% growth rate in development of	Fintech innovation reports	Yearly	State Department of Forestry,

Strategic Objective	Strategic actions	Indicator	Baseline	Target	Means of Verification (MoV)	Frequency	Responsible Entity
		conservation activities		fintech products in forest conservation activities			Ministry of education, KEFRI, Kenya Institute of Curriculum Development, Commission of University Education, Technical and Vocational Education Training Authority
		Number of new forest products as a result of research and innovation	Number of forests products as a result of research and innovation at base year 2023	% increase in rate of roll out of new products	Forest products innovation reports	Annually	State department of Forestry, Ministry of education, KEFRI, Kenya Institute of Curriculum Development, Commission of University Education, Technical and Vocational Education Training Authority
	6.4. Establish research grants and research Centres	Number of research programs rolled out in the forest sector	Number of research products rolled out at the base year of 2023	% increase in the rate of roll out of new research products	Forest Sector Research reports	Annually	State Department of Forestry, Ministry of education,

Strategic Objective	Strategic actions	Indicator	Baseline	Target	Means of Verification (MoV)	Frequency	Responsible Entity
							KEFRI, Kenya Institute of Curriculum Development, Commission of University Education, Technical and Vocational Education Training Authority
		Number of partnerships and networking programs initiated	Number of partnerships and networking programs initiated at the base year 2023	% change in the number of partnerships and networking initiatives rolled out yearly	Forest Sector Research reports		State Department of Forestry, Ministry of education, KEFRI, Kenya Institute of Curriculum Development, Commission of University Education, Technical and Vocational Education Training Authority
		Number of human resource personnel deployed in research	Number of personnel deployed in research in the base year 2023	% Change in personnel yearly	Forest Institutional Performance Reports		State Department of Forestry, Ministry of education, KEFRI, Kenya Institute of

Strategic Objective	Strategic actions	Indicator	Baseline	Target	Means of Verification (MoV)	Frequency	Responsible Entity
							Curriculum Development, Commission of University Education, Technical and Vocational Education Training Authority
Strengthen partnerships and collaboration with local communities, development partners, and the private sector to foster sustainable forest management practices and ensure the equitable distribution of benefits arising from forest resources.	7.1. Establish and provide technical Support to Community-Based Forestry Cooperatives	Number of well-established community-based cooperatives	Number of well-established community-based cooperatives at base year 2023	% change of well-established Community based cooperatives yearly	Cooperatives Industry Reports	Annually	State Department of Forestry, State Department of Cooperatives, KEPSA, KFS, CFA and NGOS
		Investments growth rates of the community -based cooperatives	Level of Investments growth of the community -based cooperatives at base year 2023	% change in the investment's levels yearly	Forest Sector Cooperatives Performance Reports	Annually	State Department of Forestry, State Department of Cooperatives, KEPSA, KFS, CFA and NGOS
	7.2. Develop Private Sector Partnerships for Sustainable Forest Management	% change investments in sustainable Forest management programs	% change investments in sustainable Forest management programs at base year 2023	At least 10% change with respect to base 2023 year	Forestry sector Industry Reports	Annually	State Department of Forestry, State Department of Cooperatives, KEPSA, KFS, CFA and NGOS

Strategic Objective	Strategic actions	Indicator	Baseline	Target	Means of Verification (MoV)	Frequency	Responsible Entity
		Uptake rate of technological Transfer Initiatives and programs	% uptake of technological transfer initiatives and programs in forest practices at base year 2023 Annual work Plans	At least 10% change in uptake rate in relation to 2023 base year	Forestry Sector Industry Reports	Annually	State Department of Forestry, State Department of Cooperatives, KEPSA, KFS, CFA and NGOS
Enhance the development and utilization of carbon financing mechanisms, including carbon credits and carbon offsets, to generate additional revenue streams for the forestry sector.	8.1. Establish Carbon Markets for Forestry Projects	Number of registered Projects for Carbon credits	% change in the number of registered projects for carbon credits	At least 10% growth rate yearly	Carbon Markets Performance Reports	Annually	Ministry of Environment, Climate Change, and Forestry, Climate Change Directorate, KFS.KEFRI, Development Partners
		Amounts of Revenue generated from carbon credits	% change in revenue generated from carbon credits at base year 2023	At least 10% growth rate yearly	Carbon Markets Performance Reports	Annually	Ministry of Environment, Climate Change, and Forestry, Climate Change Directorate, KFS.KEFRI, Development Partners
	8.2. Build Capacity for Carbon Measurement, Reporting, and Verification (MRV)	Number of error free carbon reports generated for funding	% of error free carbon reports generated for funding at base year 2023	At least 10% growth rate yearly	Carbon Markets Performance Reports	Annually	Ministry of Environment, Climate Change, and Forestry, Climate

Strategic Objective	Strategic actions	Indicator	Baseline	Target	Means of Verification (MoV)	Frequency	Responsible Entity
							Change Directorate, KFS.KEFRI, Development Partners
		Number and skill set of trained stakeholders on MRV systems	% change in the number and skill set of trained stakeholders on MRV systems	At least 10% growth rate yearly	Carbon Markets Performance Reports	Annually	Ministry of Environment, Climate Change, and Forestry, Climate Change Directorate, KFS.KEFRI, Development Partners
		Increase in carbon credit funding as a result of capacity building programs on MRV	% Increase in carbon credit funding as a result of capacity building programs on MRV relative to base year 2023	At least 10% growth rate yearly	Carbon Markets Performance Reports	Annually	Ministry of Environment, Climate Change, and Forestry, Climate Change Directorate, KFS.KEFRI, Development Partners

Annex 3: List of References

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Annex 4: List of Key Informant Interviews

Table: List of Key Informants

No.	Targeted Stakeholder		Date
1.	National Alliance of Community Forests Association (NACOFA)	Mr. Gerald Ngatia	Wed, 15 th May 2024
2.	Kenya Climate Innovation Centre	Mr. Felix Maganju	Thur, 16 th May 2024
3.	Family Bank	Ms. Bilha Inyanya	
4.	Kenya Association of Manufacturers	Ms. Georgina Wachuka	Mon, 20 th May 2024
5.	KEFRI- Senior Deputy Director Corporate	Mr. George Otieno	
6.	Kenya Wildlife Service	Mr. Daniel Bett	Thur, 23 rd May 2024
7.	Cooperative Bank of Kenya	Mr. Wesley Rotich	
8.	Gatsby Africa	Mr. James Mwai & Ms. Mercy	Fri, 24 th May 2024
9.	Karura CFA Rep	Prof. Karanja Njoroge	Thur, 30 th May 2024
10.	Njukiini East CFA Rep	Mr. Simon Wambua	Fri, 31 st May 2024
11.	KEFRI- Deputy Director, Socioeconomic Policy and Governance	Dr. Joram Kagombe	Mon, 10 th June 2024
12.	KEFR, Chief Research Scientist- Coordinator Tree Seed Production	Dr. Robert O. Nyambati	
13.	KEFRI- Deputy Director- Forest Products Development	Dr. George Muthike	
14.	NETFUND	Mr. Andrew & Benedict	Fri, 7 th June 2024
15.	Kenya Plant Health Inspectorate Services (KEPHIS)	Mr. Jacob Cheptaiwa	Tue, 11 th June 2024
16.	Kenya Forest Service	Ms. Charity Munyasya	Fri, 14 th June 2024



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