

African Forest Lodges

Okavango
Capital

Inspiring local environmental stewardship in Nairobi's key water tower.

- **PORTFOLIO:** AWF Conservation Bonds
- **COUNTRIES:** Kenya
- **INVESTMENT DATE:** 2013
- **TRANSACTION:** \$1.4M Senior Debt
- **CAPITAL USE:** Seed stage investment to set up company and construct key business assets.
- **REVENUE: (Entry):** \$US 0 Mn
- **REVENUE (2018):** \$US 1.1 Mn
- **INVESTOR VALUE-ADD:** Product design and development, CEO recruitment, executive coaching, conservation marketing.

Context

The World Bank describes the growth trajectory of Africa's middle class as 'unstoppable'. By 2060, it is estimated to grow to 1.1 billion or 42% of the predicted population. There is an unfulfilled opportunity to develop new nature tourism products for the urban middle class with disposable income to spend on leisure activities.

Though most of the world knows Africa for its iconic species and stunning landscapes, urban Africans are often disconnected from their natural heritage. They have limited awareness of the critical role it will play in their future wellbeing resulting in an absence of public advocacy for environmental protection. Meanwhile, the forests are hotbeds for logging and illegal charcoal production and the forest management authorities have limited resources to protect it.

Strategy

AFL runs an adventure center with forest-based activities including a zip line, archery, as well canopy and forest walks. It has a restaurant on site and two eco-lodges and a conference center will be built in 2019. Proximity to Nairobi and an accessible price point have made it a popular destination amongst locals.

The company operates in the Aberdares forest ecosystem- one of Kenya's five critical water towers which has been rapidly declining due to illegal logging, charcoal, settlement encroachment and agriculture. By facilitating inspirational experiences with nature, the company raises domestic awareness of the forest's value and the importance of its conservation. The company also generates critical finance for forest management.





Protecting Kenya's Lifeline: Water Towers

Though Kenya's water towers cover less than 2% of the country's land area, **they provide invaluable services to people, the economy and wildlife**, including:

- Contribute to over 50% of Kenya's GDP, supporting key economic sectors.
- Support the livelihoods of the majority of Kenyan's in a multitude of ways from income generation, energy, fertile soil for food production, clean water, to climate protection.
- Are rich in biological diversity and provide important habitat- hosting 70% of threatened mammal and 50% of threatened bird species.
- Provide climate regulation services- not only storing and sequestering carbon but also water storage, recharge of groundwater, flood mitigation and control of soil erosion.

85% of Kenya's natural tree cover has been destroyed in the last 50 years with 5.6 Million trees lost daily. In order to ensure long-term food and water security for all Kenyans, it is critical that citizens and governments, alike, take actions to protect the water towers.

African Forest Lodges provides a new model of doing business in critical forest landscapes-generating revenue from sustainable activities that promote education and awareness while generating finances for forest management.

1000 COMMUNITY

,In what is likely an Africa-first for community based conservation, the local community formed an investment holding company through which 1,000 local families invested in the company.

75% CLIMATE

AFL has a 22.5Ha tourism concession in the water tower that provides 75% of Nairobi's water.

Impact



CONSERVATION 45K

45000 people visited the Forest in 2019, 95% of which were locals. On average visitor spend > 5 hours on forest based activities, creating an unparalleled opportunity promote conservation to a highly relevant emerging market sector

COMMERCIAL 1st

AFL's tourism concessions are the first within the area managed by Kenya Forest Services.