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Financing for Sustainable Forest Management in Uganda

Country Case Study

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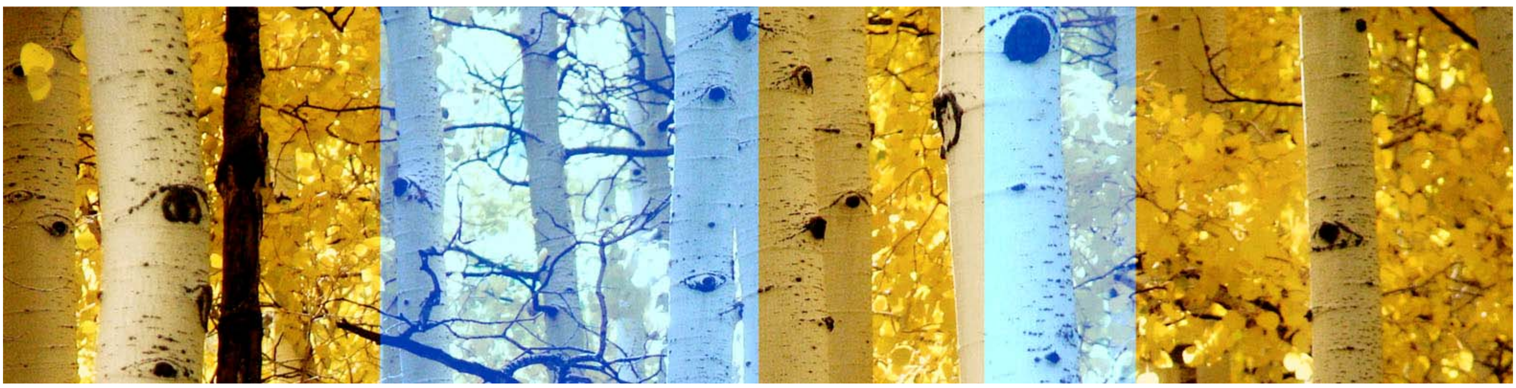

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ABBREVIATIONS

AAC	Annual Allowable Cut
AF	Agro-forestry
A/R	Afforestation/Reforestation
AWP&B	Annual Work-plan and Budget
BC	Budget Conference
BFP	Budget Framework Paper
BG	Block Grant
BP	Business Plan
BP1	NFA Business Plan (2004 – 2008)
BP2	NFA Business Plan (2008 – 2013)
CF	Consolidated Fund
CFM	Collaborative Forest Management
CFR	Central Forest Reserve
CG	Conditional Grant
CITES	Convention on Trade in Endangered Species
CoC	Chain of Custody
CPF	Collaborative Partnership on Forests
CSO	Civic Society Organisation
DDI	Domestic Direct Investment
DDP	District Development Plan
DEAP	District Environment Action Plan
DFO	District Forestry Office
DFS	District Forestry Service
DLG	District Local Government
DMA	Dual Management Area
DRC	Democratic Republic of Congo
DSO	Departmental Standing Orders
DTPC	District Technical Planning Committee
DTS	Development Transfer System
EAC	East African Community
ECOTRUST	Uganda Environment Conservation Trust
EG	Equalisation Grant
EI	Exploratory Inventory
EIA	Environment Impact Assessment
ENR	Environment and Natural Resources
EPPU	Environment Protection Police Unit
FAO	Food and Agriculture Organisation
FCF	Forest Carbon Finance
FCPF	Forest Carbon Partnership Fund
FD	Forest Department
FDI	Foreign Direct Investment
FIEFOC	Farm Income Enhancement and Forest Conservation Project
FLEG	Forest Law Enforcement and Governance
FM	Forest manual
FMP	Forest Management Plan
FR	Forest Reserve
FSSD	Forest Sector Support Department
FY	Financial Year
GDP	Gross Domestic Product
GHG	Greenhouse Gas
GOF	Global Objectives on Forests
GoU	Government of Uganda
GSO	Government Standing Orders

ICT	Information Communication Technology
IFF	Inter-governmental Forum on Forests
IPF	Inter-governmental Panel on Forests
IRR	Internal Rate of Return
ISSMI	Integrated Stock Survey and Management Inventory
LDC	Least Developed Countries
LFR	Local Forest Reserve
LGBFP	Local Government Budget Framework Paper
LLG	Lower Local Government
MBIFCT	Mugahinga-Bwindi Impenetrable Forest Conservation Trust
MEA	Multilateral Environment Agreement
M&E	Monitoring and Evaluation
MoLG	Ministry of Local Government
MTEF	Medium Term Expenditure Framework
MWE	Ministry of Water and Environment
NAADS	National Agricultural Advisor Service
NAP	National Action Plan to Combat Desertification
NAPA	National Action Plan for Adaptation to Climate Change
NBFP	National Budget Framework Paper
NBS	National Biomass Study
NDP	National Development Plan
NEMP	National Environment Management Policy
NFA	National Forest Reserve
NFP	National Forest Plan
NFP1	National Forest Plan (2001 – 2011)
NFP2	National Forest Plan (2011 – 2021)
NFTPA	National Forest and Tree Planting Act
NGO	Non-Governmental Organisation
NLBI	Non-Legally Binding Instrument on Forests
NP	National Park
NPA	National Planning Authority
NSSF	National Social Security Fund
NTSC	National Tree Seed Centre
ODA	Official Development Assistance
PA	Protected Area
PDAE	Paris Declaration on Aid Effectiveness
PFE	Permanent Forest Estate
PPP	Public Private Partnership
PRSP	Poverty Reduction Strategy Paper
SFM	Sustainable Forest Management
SIP	Sector Investment Plan
SLM	Sustainable Land Management
SP	Strategic Plan
SPGS	Saw-log Production Grant Scheme
SWAp	Sector-Wide Approach
SWG	Sector Working Group
TF	Tree Fund
THF	Tropical High Forest
UBOS	Uganda Bureau of Standards
UCG	Unconditional Grant
UFA	Uganda Forestry Association
UFWG	Uganda Forestry Working Group
UGX	Uganda Shillings
UIA	Uganda Investment Authority
UNCCD	United Nations Convention to Combat Desertification

UNDP	United Nations Development Programme
UNFCCC	United Nations Framework Convention on Climate Change
UNFF	United Nations Forum on Forests
URA	Uganda Revenue Authority
USD	United States of America Dollars
UTGA	Uganda Tree Growers Association
UWA	Uganda Wildlife Authority
VAT	Value Added Tax
WCA	Wildlife Conservation Area
WR	Wildlife Reserve

EXECUTIVE SUMMARY

Sound policy framework for Sustainable Forest Management (SFM)
Uganda has implemented most of the goals of the global forest policy dialogue as far as possible. The country has a new forest policy, National Forest Plan (NFP) and new forestry legislation, all of which have internalised key decisions emerging from the dialogue. The country has also adopted a sector-wide approach for the environment and natural resources. Governance of the sector has been restructured to embrace decentralisation and attract private sector investments and stakeholder participation.

The NFP has been mainstreamed in the National Development Plan (NDP) in which it is prioritised as a core area of "*primary growth*", together with agriculture and oil, among others. Forestry is adequately articulated in the national Constitution and policies on environment, agriculture and energy and land as an inter-sectorial issue. The Forest Policy and National Forest Plan both reflect the cross-sectorial nature of forestry, and relevant regional and international forest-related agreements have been internalised in forest management in the country. Overall, Uganda has a conducive environment for SFM.

Scattered institutional mandates
The public mandate to manage forests is scattered between different government agencies (National Forestry Authority, Uganda Wildlife Authority, National Environment Management Authority and District Local Governments) and in different ministries. This creates overlaps which in turn result in agencies competing for resources, wasting time in institutional conflict, duplication and spreading resources thinly. The institutions are weak and unable to fully deliver on their mandates. Private sector institutions, including non-profit and profit-making, have recently gained prominence in the sector, the former in the form of community–based organisations engaged especially in agro-forestry. Many of them are also working in partnership with the National Forestry Authority and Uganda Wildlife Authority implementing collaborative forest management initiatives with forest-edge communities. On the other hand, profit-making private sector businesses are engaged mainly in wood processing and growing of commercial industrial plantations.

Cross-sectoral approach in planning and budgeting
Uganda has elaborate and participatory planning and budgeting procedures at both the national and regional levels and impressive fiscal transfers that favour forestry. **Planning and budgeting are implemented through a "*sector-wide approach*" by the "*environment and natural resources sector working group*".** The working group comprises the forestry, wildlife, land, water and climate sub-sectors. This approach emphasizes single-sector objectives and priorities and has shifted focus from institutional to cross-sectorial/inter-sectorial interests, thereby imposing new norms of institutional behaviour on stakeholders as they have to share responsibilities. Through the planning process, the "sector investment plan" is developed and the government is supposed to use it to allocate financial resources through the "*medium term expenditure framework*".

Disconnect between various planning modalities and lack of implementation
In theory, and to some extent in practice, the planning and budgeting procedures are adequate and could improve SFM. **The main problems arise from the disconnect between the sector investment plan, the National Forest Plan, the National Development Plan and the "*medium term expenditure framework*".** Furthermore, **implementation does not seem to actually follow any of the plans**. For instance, the National Forest Plan (2011 – 2022) projects financial demand of USD416 million over the plan period shared almost equally between the government (41%), private sector (44%) and civil society organisations (15%). The National Development Plan (2010 - 2015) neither reflects this distribution nor uses these projections. It estimates the share of the environment and natural resources sector of the national budget to be 3.5% per year, which could go a long way in financing SFM. However,

this is not followed at the allocation stage, thus resulting in a financing gap of 98% for the forestry sub-sector.

Total forestry expenditure largely unknown

Apart from expenditure by the Uganda Wildlife Authority (UWA) and National Forestry Authority (NFA), it is difficult to determine with certainty what the country spends on forestry. The amount of donor funds and to some extent the financing from the UWA and NFA are known. However, the only information readily available is the demand budget while what is actually spent and what revenue is collected tends to be shrouded in some secrecy. The problem is worse at the regional level, where local governments have been unable to determine the actual financial needs for the forestry sub-sector due to inadequate capacity. The trend, however, is that **public finance (domestic and donor) has been declining while financing from the private sector (mainly for industrial forest plantations) has been growing**.

Main challenges in financing forests

Financing forestry in Uganda is beleaguered by a number of connected issues that combine to disrupt progress. They include:

(i) Negative political interference which discourages private investment in the sector.
(ii) Limited functional and organisational capacity to present the potential of the sector as an attractive destination for investment.
(iii) Fragmented forestry mandate leading to resources spread too thin, duplication of effort, resource wastage and inter-institutional conflicts.
(iv) Poor forest law enforcement leading to forest destruction and loss of revenue.
(v) Mutual ignorance between forest managers and domestic financial institutions.
(vi) Weak private sector unable to seize the opportunities offered by SFM.
(vii) Limited domestic public expenditure.
(viii) Low absorption capacity.
(ix) Overdependence on woodfuel for energy (meets over 90% of aggregate national demand). Electricity and fossil fuels are not readily available and appliances and tariffs remain unaffordable by the majority. This is one of the main causes of deforestation and forest degradation.
(x) Limited extension services to support industry, private sector and local communities.
(xi) Limited revenue capture and collection.

Recommendations

A number of recommendations have been made to improve financing of forestry in Uganda, including:

(i) Improve coordination of agreed plans and their greater implementation. The National Forest Plan should feed into the sector investment plan and this into the medium-term expenditure framework. Consistency between the planning processes is essential. Innovations and systems must be allowed to mature and lessons learned through active implementation. In this regard, the sector-wide approach demonstrated its suitability as a good entry point into cross-sectorial issues, especially in terms of priority setting and earmarking funding, and should be consolidated. It must, however, be expanded to reflect lower level plans and budgets, and integrated with the higher level plans.
(ii) The capacity of the Forestry Sector Support Department to coordinate, facilitate and follow-up the "paper trail" to the final point of ensuring that the earmarked funding is actually disbursed, and to evaluate and monitor expenditure needs to be urgently built.

(iii) Forest law enforcement should be supported and re-energised as a matter of urgency, not only to restore the physical and ecological health of especially the natural forests, but also to protect the businesses of law-abiding investors.

(iv) The roles of the public and private sector need to be reconstructed with a view to limiting the public sector role to policy, legislation, standards setting, regulation and monitoring and evaluation.

(v) The Uganda Investment Authority should gather empirical data to better guide private investment in the sector and should re-define incentives to investors to reflect the unique circumstances of forestry.

(vi) Measures should be taken to gather all ”collectable” forestry revenue. Given that the contribution of forestry to the economy of Uganda was USD519 million in 2011 (USD209 million of which was monetary), the potential to finance the sector from internally generated finance exists.

(vii) Institutions responsible for forestry should be allowed to collect, retain and use their revenue, not only as an incentive for improved collections but also because it has been seen to be more efficient.

(viii) The Government of Uganda and donors should initiate and engage domestic financial institutions with a view to encouraging them to avail affordable credit to forestry investments.

(ix) The ”Tree Fund” should be operationalized to be the main predictable source of domestic forest finance.

1. OVERVIEW AND KEY FACTS

1.1 Introduction

For over two decades, financing sustainable forest management (SFM) has been an issue in the global forest policy dialogue. The Inter-governmental Panel on Forests (IPF), Intergovernmental Forum on Forests (IFF) and the United Nations Forum on Forests (UNFF) have been the main arenas for the dialogue. Financing SFM gained more prominence when it found expression in the fourth global objective on forests (GOF4) of the "Non-Legally Binding Instrument on "*all types of forests*" (NLBI) w was agreed at the Seventh Session of the UNFF in 2007. The objective specifically focuses on financing SFM to achieve the other three GOFs. Within the context of this dialogue, a number of conclusions and recommendations have been made (Box 1.1). More specifically, the NLBI behoves countries to develop financial strategies for "... *short, medium and long term"* financing to achieve SFM "*taking into account domestic, private sector and foreign funding sources*".

Box 1.1 Highlights in Global Dialogue on Forest Finance

<u>Conclusions</u>

(i) Country demand for official development assistance (ODA) in Poverty Reduction Strategic Papers (PRSP) is weak;
(ii) SFM should in the long term be self-financing;
(iii) There is fragmentation of funding sources, leading to duplication and competition;
(iv) Conditionalities are barriers to access, yet donor funds have to be used for stated objectives;
(v) Public funding is dependent on demonstrating that SFM will address national priorities and that forestry is one of the basic infrastructures of development;
(vi) Effective governance, institutions and law enforcement are key in attracting investment for SFM;
(vii) There is increasing role of private sector in SFM resulting in shifts in obligations of all stakeholders;
(viii) Forest inventories are outdated and hence countries do not know the resource and needs thereof;
(ix) Existing sources of forest finance are not effectively utilised; and
(x) Forest financing has to operate within national plans, budgets and fiscal management procedures.

<u>Recommendations</u>

(i) Collaborative Partnership on Forests (CPF) organizations should increase finance for SFM;
(ii) Forest financing should be mainstreamed in development strategies;
(iii) States should be supported to collect revenue;
(iv) A distinct fund dedicated to SFM should be created, to meet challenges of implementing the NLBI;
(v) A facilitative mechanism should be created to mobilize existing and emerging funds, facilitate access to other sources of forest finance and improve co-ordination and coherence of existing funding;
(vi) National Forest Programmes (NFPs) should be developed and mainstreamed in PRSPs to make SFM an element of development;
(vii) Financing should be aligned to national needs expressed in NFP and PRSP;
(viii) Long-term financing should be secured from revenue capture at national level for sustainability;
(ix) Effectiveness of forest finance should be on the basis of the Paris Declaration on of Aid Effectiveness (PDAE); and
(x) Woodland/dryland forests and forests and trees outside Protected Areas (PAs) should be prioritised.

Source: UNFFS (2009)

To the extent possible, Uganda has implemented most of the goals of the global forest dialogue. The country has a new forest policy, NFP, new forestry legislation, has restructured

forestry governance and has taken measures to attract private sector investments and stakeholder participation in the sector. The NFP has been mainstreamed in the National Development Plan (NDP) (2010) (Uganda's equivalent of PRSP). Uganda has decentralised its civic governance and has elaborate planning and budgeting procedures and impressive fiscal transfers that favour forestry. The foregoing notwithstanding, there is a mismatch between the priority targets and the actual finance channelled and disbursed to the sector. Box 1.2 shows the constraints in the sector as recognised in the NDP.

Box 1.2 Key Constraints in the Forest Sector

- Limited access to alternative sources of heating energy leading to dependence on woodfuel. Electricity supply and distribution is still very limited and appliances and tariffs remain unaffordable by the majority of the population
- Pressure on forest resources from other economic activities like agriculture, urbanization and mining leading to deforestation. The pressure is due to growing population and the inability by the economy to absorb labour from rural areas
- Encroachment on forests
- Limited extension services to support private sector and local community.

Source: NDP (2010)

In the 1990s, the government of Uganda (GoU) embarked on a process of public sector reforms aimed at promoting accountable governance, and increasing the roles of civil society organisations (CSOs) and the private sector, using sector-wide approaches (SWAp). The forestry sector is among those that were reformed. It is 10 years since the sectorial reforms were carried out and a new NFP (2012 – 2022) has been developed. Private sector interest in forestry is growing and there is greater awareness on environmental issues and the role of forests in this context, especially with regard to climate change and variability and desertification. Non-traditional forest products and services that were not generators of revenue are now more marketable and are a promising source of income. These include, revenue from ecotourism, carbon sequestration, biodiversity and corporate social responsibility. It should, therefore, be instructive to undertake a systematic examination of the impact of all these developments on Uganda's matriculation to SFM.

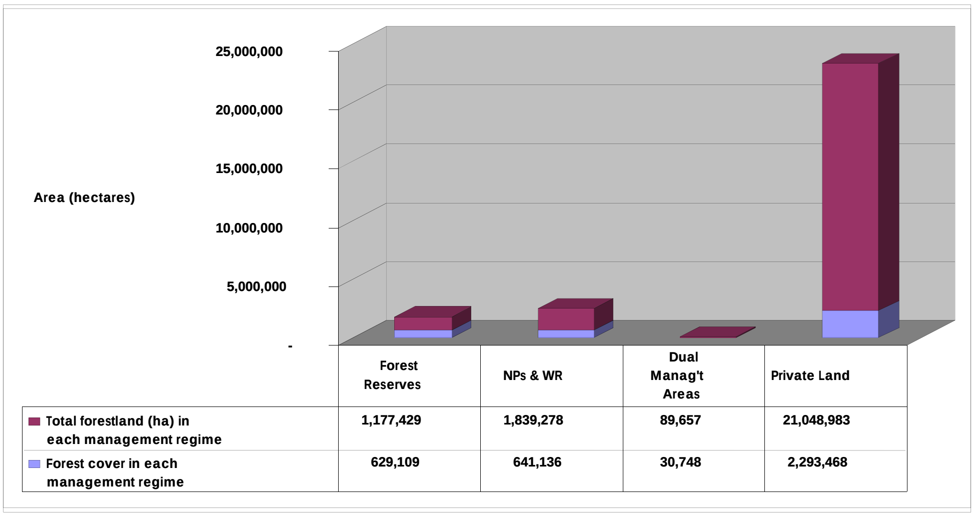
1.2 Basic Facts on Forestry Sector in Uganda

Uganda covers a total surface area of just over 24 million hectares (ha), 17.3% of which is covered by open water and swamps (Uganda Bureau of Statistics [UBOS], 2009). Uganda's population has been increasing at an average of 3.2% annually, rising from 24.2 million in 2002 to 31.8 million people in mid-2010. Gross Domestic Product (GDP) grew at an average of 7.5% between 2002 and 2008 (*ibid*). In 2008, imports cost the country USD3.98 billion while exports fetched USD2.67 billion indicating a trade deficit of USD1.31 billion (49% of exports). Uganda's "human development index" (HDI) value for 2011 is 0.446, positioning the country at 161 out of 187 countries. Between 1985 and 2011, Uganda's HDI increased by 52% (average annual increase of about 1.6%).

In 2005, forests and woodlands covered over 3.6 million ha or 18% of the land area. Forest cover comprises natural forests, which include tropical high forests (THF) and woodlands, industrial plantations and farm forests. THFs covered 924 000 ha (about 5% of Uganda's land area), woodlands 3 974,102 ha (19%) and plantations 33 527 ha. About 70% of the total forest cover is on private land (registered and customary tenure). The remaining 30% is owned by the state and found in Protected Areas (Pas) as Central Forest Reserves (CFRs) managed by National Forestry Authority (NFA), Local Forest Reserves (LFRs) managed by District Local Governments (DLGs) and Wildlife Conservation Areas (WCAs) comprising National Parks

(NP) and Wildlife Reserves (WR) managed by Uganda Wildlife Authority (UWA). Figure 1.1 shows forest cover across current tenure regimes. About 38 343 ha of the area in CFRs are managed jointly with UWA in dual management areas (DMAs) (NFA, 2005).

Figure 1.1 Forest Cover under Existing Tenure Regimes



Source: NFP (2011)

Mean yield rates for THFs stand at about 1.5m^3/ha/year and for plantations at 13 m^3/ha/year (pine) and 16 m^3/ha/year (eucalypts). No figures are available on woodlands as generally there is no technical management of them beyond protection from fire and encroachment. Woodlands on private land are the main source of woodfuel.

Although Uganda is considered forest rich, there has been a rapid decline in forest cover. During 1990 – 2005, the annual rate of deforestation averaged at just over 1.8% (GoU, 2011) (Table 1.1). The main direct drivers of deforestation are uncontrolled harvesting (for timber and woodfuel) and encroachment for agriculture and human settlement.

Table 1.1 Trends in Forest Cover (1990-2005)

Management Responsibility	Forest area 1990 (ha)	Forest area 2005 (ha)	Loss (ha)	Loss as %
LFRs (DLGs)	1 628	1 211	417	25.6
CFRs (DLGs)	752 143	627 951	124 192	16.5
WCA (UWA)	679 724	643 148	36 576	5.4
Joint NFA and UWA	37 560	30 747	6 813	18.1
Private land	3 462 923	2 301 117	1 161 806	33.5
Total	**4 933 978**	**3 604 174**	**1 329 804**	**27**
%age of Total Land Area	**24%**	**18%**		

Source: National Forest Plan (2011)

1.3 Forests and Trees in the National Economy

The forestry sector's contribution to GDP at 2011 prices was estimated at UGX1038 billion (USD519 million), of which UGX418 billion (USD209 million) was monetary and UGX619 billion (USD310 million) non-monetary (subsistence and informal utilisation) (UBOS, 2009). Based on this, the percentage share of GDP averaged 3.5% (1.4% monetary and 2.1% non-monetary). This calculation does not include values of benefits from forestry services like

watershed protection, biodiversity conservation, sequestration of greenhouse gases and control of soil erosion. In addition, there are other forestry contributions which can be monetised but are attributed to other sectors, such as ecotourism to tourism and timber to construction and manufacturing sectors (UBOS, 2009). Latest studies estimated the “total economic value” (marketable and non-marketable values) of Uganda's forests at UGX593.24 billion (USD300 million) and hence a contribution to GDP of 6% at that time (GoU, 2001.)

1.4 Forest Products Demand and Supply in Uganda

About 38 million m^3 of woodfuel and 3.5 million m^3 of industrial round-wood were produced in Uganda during 2008 (FAO, 2008). The country registered a steady increase in total round-wood production over the period 2003 - 2007 and this trend is likely to continue. The bulk of the supply still comes from natural forests. The growing construction industry and inadequate supply of alternative sources of fuel continue to push up demand for forest products. The volume of recorded timber produced and moved by licensed operators jumped from 55 000 m^3 during FY 2004/05 to 100 000m^3 during FY 2005/06 (NFA, 2006). When timber that goes unrecorded is factored in, timber consumption in the country during 2005/06 was estimated at around 300 000 m^3. This was equivalent to approximately 900 000 m^3 of round-wood annually generating about USD50 million. These figures reflect demand for timber on the domestic market and do not include imports.

Annual allowable cut (AAC) from natural forests in CFRs stood at about 53 000 m^3 in 2008. Currently, timber production from natural forests has declined significantly and the softwood plantations that were established in the 1960–70s have almost all been harvested while most of the new plantations are less than 10 years old. The timber market is still dominated by hardwood timbers from natural forests and woodlands. There are pine and eucalyptus harvested from the few remaining plantations in CFRs, pine and cypress imported from Kenya, Tanzania and South Africa, and mahogany (*Entandrophragma* spp and *Khaya anthoceca*), mvule (*Melicia excelsa*) and nkalati (*Aningeria spp*) imported from the Democratic Republic of Congo (DRC). The country faces a significant gap in timber supply until 2025 when the first of the recently established plantations will be harvestable and come on stream.

Demand for treated transmission poles is increasing in response to government intensification of rural electrification. Annual consumption of transmission poles (wet poles) rose from 7 500 in 1999 to 25 000 in 2008. Round-wood production in 2007 was used mainly as woodfuel, timber and poles. Wood-fuel (firewood and charcoal) accounted for the majority (94%), while sawn timber and poles each accounted for 3% of the total wood used.

According to the then Forest Department (FD), charcoal consumption in urban centres was estimated at 270 000 tonnes annually in 1995, growing to 11 million m^3 in 2007 while estimates for firewood stood at 32.8 million m^3 in 2010 (NDP, 2010). As alluded to above, biomass is the dominant energy source, accounting for about 92% of the energy used in Uganda by households and small and medium scale industries (bakeries, brick-making, breweries, hotels, schools, *sauna* clubs, tile, tea and lime factories and hospitals) (GoU, 2010). In general, the total value for all wood used in Uganda has been growing, with the highest value registered for firewood use at the household level.

The main drivers of the spike in demand for firewood and charcoal are increasing urbanisation, prohibitively high cost of cooking gas and electricity and the necessary appliances. A deeper appreciation of the value of using sources of energy that are “cleaner” than firewood drives increased demand for charcoal. Regulation of production and trade in woodfuel is a responsibility of local governments.

1.5 Forest Industries

Forest-based industries in Uganda are largely artisanal, characterised by low technology and dominated by informal business practices. They are wholly owned by the private sector. Timber is produced through pit-sawing, mobile sawmills and one stationary sawmill. Pit-sawyers provide the bulk of sawn-wood on the market. The sawmill industry comprises cheap mobile sawmills operated by low-skill personnel, resulting in wasteful harvesting techniques, low recovery rates (20-35%) and low quality timber. There is poor storage and no quality grading of sawn timber, resulting in low value products. Only six drying kilns are in operation and these are owned by industrial furniture manufacturers. There are only five pole treating plants in the country and one wood-based factory, manufacturing plywood, blockboard and flush doors for the domestic market and export to S. Sudan, Eastern DRC, Rwanda, Burundi and N. Tanzania. In 2001 (GoU), it was estimated that the forest sector employed about one million people, 10% of these in the formal sector.

2. NATIONAL POLICIES AND INTER-SECTORIAL LINKAGES

2.1 Constitution

The Constitution of Uganda (1995) gives ownership of natural resources, including forests, to citizens of Uganda while GoU holds them in trust for them. In its Objectives XIII and XXVII and other related ones such as IX, X and XI, as well as in the statement on "National Objectives and Directive Principles of State Policy" and Article 237(b), GoU recognises the value of forests in "*sustainable and progressive national development*". Article 237, clause 2 (b) further authorizes GoU or DLG to hold forests in trust for the people and protect them (forests) for the common good of all citizens. The Sixth Schedule of the Constitution gives GoU responsibility to manage forests.

2.2 Environment Policy

The National Environment Management Policy (NEMP) (1994) sets out the overall policy goal as "*sustainable social and economic development, which maintains or enhances environmental quality and resource productivity on a long-term basis that meets the needs of the present generation without compromising the ability of future generations to meet their own needs*." The NEMP recommended, among other actions, revision and modernization of especially policies relating to land-based sectors and life-support systems. Specifically, the NEMP seeks to:

- Promote long-term and sustainable socio-economic development through sound environmental and natural resource management and use.
- Integrate environmental concerns in all development policies, planning and activities at national, district and local levels, with full participation of the people.
- Conserve, preserve and restore ecosystems and maintain ecological processes and life support systems, especially conservation of biological diversity.
- Optimize resource use and achieve a sustainable level of resource consumption.
- Raise public awareness to understand and appreciate linkages between environment and development.

2.3 Forestry Policy

<u>Specific Content</u>

The first forest policy of Uganda was adopted in 1929, marking the beginning of organised forestry development and management in the country. The policy prescribed an ecosystem approach and set a stage for the creation of the *permanent forest estate* (PFE). An era of planned forest management ensued, with a conceptual orientation and function that survive to date. The policy stressed, *inter alia,* the:

- Inter-generational equity, to manage forests to meet needs then and for posterity
- Role of forests as habitats and in maintaining life-support systems, providing direct economic goods and preventing excessive soil erosion
- Need for Uganda to have greater forest cover than it had at that time, hence the widespread forest protection and an early start on afforestation
- Peasant-based tree growing and involvement of DLGs as the best guarantee for provision of firewood, poles and sawn timber for local consumption.

No substantive policy revisions were made until 2001. While the old policy had "eternal objectives", the current one is alive and has a system to monitor gains and keep the policy

abreast of changes and new developments. It has a vision and a mission and aims to enhance governance of the forest sector through "partnerships", with a pointer to a new institutional setup, enhanced efficiency, transparency, accountability and professionalism and building confidence in all stakeholders.

The policy proposes to maintain and manage the PFE and reform GoU roles with a view to managing forest resources through devolved responsibility to DLG, the private sector and local communities. It emphasises public involvement in SFM with a focus on equity and defined rights, roles and responsibilities of partners for sharing forest benefits. With specific reference to financing, the policy proposes, *inter alia*, to:

- Promote innovative financing mechanisms, such as a "forestry fund", and fiscal incentives in order to encourage investment and ensure sustainable sources of operational and re-investment funds
- Introduce competitive bidding for harvesting concessions in government plantations to improve transparency, increase revenues to government and reflect the real values of the resource
- Support the private sector to establish commercial tree nurseries to support farm forestry.

Cross-Sectoral Policies

"Policy Statement" 6 of the Forestry Policy prioritises agro-forestry (AF). The policy commits GoU to promoting and supporting farm forestry in order to boost land productivity, increase farm incomes, alleviate pressures on natural forests and improve food security. Policy Statement 7 has a strategy to "*promote the development of biodiversity-related tourism..."* In the 1960s, Uganda had a prosperous tourist industry. This ground to a halt due to the political instability that characterised the late 1970s. By the time political stability was re-established, the country had lost a sizeable proportion of its wildlife in its previously popular tourist destinations and hence its market share. It could not compete with similar tourist attractions in neighbouring Kenya and Tanzania.

Uganda then refocused its tourist industry to its tropical forests, which these neighbours do not have. It increased the number of National Parks from 4 to 10 by converting six tropical FRs (Bwindi, Kibale, Mt. Rwenzori, Mugahinga, Mt. Elgon and Semuliki) into National Parks for tourism. In 2010, Uganda earned USD662 million from almost one million foreign tourists. Most of the tourism in Uganda is based on forests, woodlands and their constituent fauna and natural beauty. Income from tourism is spent on sustainable forest management activities except those relating to productive functions. Policy statement 9 commits GoU to improving the livelihoods and well-being of urban people by supporting urban forestry and improving the urban landscape and environment. The private and non-government sectors are supposed to play a major role in the development of urban forestry and be given adequate support and incentives, in collaboration with urban authorities.

2.4 National Forestry Plan

To implement the policy, GoU prepared a sector-wide 10-year NFP (NFP1) for managing forestry resources in Uganda. NFP1 identified priority strategies and set out a new institutional framework for the sector. It was approved by Cabinet in 2002 and was revised in 2011 and Uganda now has a new NFP (NFP2). NFP2 (2012 – 2022) has 13 programmes (Table 2.1 and Table 2.3).

Table 2.1 NFP2 Programmes

Core Programs	Support Programs	Cross-cutting Issues
Programme 1: Development of commercial forest plantations Programme 2: Promotion and intensification of tree growing on-farm Programme 3: Restoration and conservation of natural forests Programme 4: Forest product processing and value addition Programme 5: Promotion of Urban Forestry	Programme 6: ICT in forest management and advisory services Programme 7: Forestry Education and Training Programme 8: Forestry research Programme 9: Supply of quality tree seeds and planting materials Programme 10: Forest sector institutional development and coordination Programme 11: Forest law enforcement and forest governance Programme 12: Forest financing and resource mobilization Programme 13: Forest certification	Gender HIV/AIDS Environment Climate change

Source: National Forest Plan (2011)

One of the priority programmes in NFP2 is "forest financing". It has a number of objectives including, among others:

- Mobilising "conditional grants" (CGs) for DLGs
- Operationalizing the "Tree Fund" (TF) provided for under National Forestry and Tree Planting Act (NFTPA) (2003)
- Developing economic instruments for funding SFM
- Mainstreaming tree planting in all public and private sector development programmes
- Promoting private-public partnerships to enhance forest sector financing
- Mobilising long-term low-interest finance from financial institutions for SFM.

The NFP concept is a legal requirement (*vide* Section 49 of the NFTPA, 2003) and has been mainstreamed in the NDP.

2.5 National Development Plan

The NDP is Uganda's over-arching national strategy for development. It has shifted its conceptual approach from "*poverty reduction*" to "*enterprise development*" (NDP, 2010). "*A business approach will be pursued to improve public service delivery. In addition, synergies and inter-intra sectorial linkages will be harnessed during the implementation of the NDP" (ibid)*, noted the President of Uganda in his "Foreword" to the document.

The NDP requires publicly funded activities to align with it. In this regard, forestry is now expected to pay special attention to forestry-related enterprises that contribute to economic growth, employment, prosperity and improving public service delivery. The NDP places the forestry sector at the centre of Uganda's development agenda by categorizing it as one of the "*primary growth*" areas alongside agriculture, tourism, industry and oil and gas. The NDP identifies a number of key constraints in the forestry sector (Box 2.1) while Table 2.2 proposes measures for addressing them. In addition, forestry finds support in the strategic priorities of other related sectors in the NDP (Table 2.2). The scope of forestry in the NDP is unprecedented in an upstream document of this nature in Uganda. This creates ample opportunities for investment in the sector from various sources.

Table 2.2 NDP Provisions for Forestry

Objective	Strategies
Restore forest cover from 3,604,176ha (2005) to 4,933,746ha by 2015	(i) Re-forestation and afforestation of 2 million ha in PAs (ii) Promote greening along and around public infrastructure and establishments (iii) Promote commercial tree planting on private land (iv) Increase involvement of the population in tree planting (v) Support research and development to promote high yielding tree varieties (vi) Strengthen the capacity of relevant sector institutions to effectively enforce forest and environmental laws and regulations
Restore degraded natural forests in FRs and private forests	(i) Improve low stocked natural forests using the landscape approach (ii) Protect the government permanent forest estate
Reduce pressure on forest cover as a source of woodfuel and construction materials	(i) Speed up implementation of the rural electrification programme (ii) Scale up incentives to promote investment in generation and use of alternative energy (iii) Promote the use of efficient energy saving stoves (iv) Invest in research and development for alternative energy sources (v) Promote efficient use of timber in the construction and furniture industries (vi) Regulate forestry activity on private land in line with the land use policy
Promote forestry based industries and trade	(i) Promote forest habitat-based livelihoods and products (ii) Promote ecotourism (iii) Popularise the use of timber and timber product substitutes and processing technologies (iv) Strengthen participation of local private sector in the global carbon credit market

Source: NDP (2010)

Table 2.3 Relationship of Forestry with Other NDP Sectors

Sector	Strategy
Energy	(i) Promote and facilitate the use of renewable energy technologies at household and institutional levels (ii) Promote and facilitate the use of bio-fuels
Water	(i) Manage water resources at catchment areas (ii) Foster partnerships with relevant agencies to ensure proper use and protection of catchments to minimise degradation of water resources
Environment	(i) Restore forest cover to the 1990 levels (ii) Restore wetlands, rangelands, and monitor restoration of all ecosystems (iii) Support environmental improvement initiatives (iv) Develop national, regional & international partnerships & networks to enhance trans-boundary environmental management (v) Increase public awareness and environmental education (vi) Promote compliance with environmental laws and regulations (vii) Increase and enhance access to environmental information for investment and environmental management
Climate Change	(i) Address legal and institutional frameworks necessary for the implementation of the United Nations Framework Convention on Climate Change (UNFCCC) (ii) Re-define climate change as a development issue (iii) Provide and promote incentives for clean environment (iv) Implement climate change conventions
Urban Development	(i) Develop & implement urban beautification and landscape plans for selected urban areas (ii) Carry out urban greening

Source: NDP (2010)

2.6 Agricultural Policy

Uganda's National Agriculture Policy (2011) notes that some agricultural activities can, among other things, lead to loss of forests, rangeland ecosystems, water catchments and biodiversity". Such losses have significant negative implications for the performance of the sector itself. In this regard, "Objective 5" of the policy sets out, *inter alia*, to ensure sustainable use and management of agricultural resources and this will depend on "*the extent to which the environment and natural resources … are sustainably managed and utilized*". In this regard, GoU shall, *inter alia*, regulate the exploitation of agricultural resources to ecologically sustainable levels and promote sustainable land management (SLM) practices to prevent further land degradation, restore degraded lands and reduce the need for further conversion of natural forests. This policy is to be implemented through the "Agriculture Sector Development Strategy" (2010/11- 2014-15). Component 1.4.1 of this strategy aims to scale up SLM through proven best practices including, among others, AF, conservation agriculture, watershed management and rehabilitation of degraded sites/micro-catchments, conventional soil and water conservation practices and biomass energy/charcoal saving technologies. The foregoing notwithstanding, there is no systematic follow-up and agriculture remains the main cause of deforestation in Uganda.

2.7 Energy Policy

The Energy Policy of Uganda (2002) has goal "*to meet the energy needs of Uganda's population for social and economic development in an environmentally sustainable manner*" (GoU, 2002). Biomass (firewood, charcoal and crop residues) is recognized as the dominant source of energy, and providing almost all (over 90%) the energy used to meet basic needs of

cooking and water heating in rural and most urban households, institutions and commercial buildings. One of the objectives of the policy is to develop the use of renewable energy resources for both small and large-scale applications. More specifically, "Policy Objective" 6 aims to utilize biomass energy efficiently so as to contribute to the management of the resource in a sustainable manner. Box 2.1 shows strategies for achieving the objective:

Box 2.1 Forestry-Related Strategies in the National Energy Policy

1. Promoting, in collaboration with NFA and MAAIF, the growing of energy crops
2. Providing incentives for farmers to establish commercial woodlots
3. Integrating biomass energy production and efficient utilization and its impacts on climate and health into the formal education system
4. Licensing charcoal production and transportation and encourage commercial production in an efficient and sustainable manner
5. Scaling-up efficient charcoal stoves from 20,000 currently to 2,500,000 households by 2017
6. Increasing the adoption of efficient fuel-wood stoves from 170,000 currently to 4,000,000 by 2017
7. Promoting inter-fuel/inter-technology substitution in households, commercial buildings and industry
8. Promoting efficiency in intensive wood burning industries
9. Promoting biomass fired cogeneration in industries and institutions
10. Training artisans for manufacture, installation and maintenance of efficient cook stoves
11. Licensing encroached FRs to investors.

Source: National Energy Policy (2002)

2.8 Land Policy

Uganda's National Land Policy (2011) emphasizes the importance of land as a determinant of the health and vitality of sectors that depend on it for productivity such as agriculture, livestock, energy, water, wildlife and forestry. As a basic cross-sectorial resource, land plays a vital role by providing leverage for other sectors. However, it lacks effective cross-sectorial institutionalization as well as integration into overall macro-level planning. Furthermore, there is a need to identify and articulate effective linkages with other productive sectors in order to ensure increased contribution to economic growth, commercial competitiveness and development.

The policy further acknowledges that Uganda is a signatory to the UNFCCC (1992) and the Kyoto Protocol (1997) both of which require collective domestic, regional and international action to stabilize greenhouse gas (GHG) emissions to levels which would allow ecosystems to adapt naturally to climate change and variability. The issues of greatest concern in the policy include deforestation, wetland degradation and land degradation. The policy notes that "*Uganda is already suffering from impacts of climate change and variability and these are hampering development. The country's social and economic development and people's livelihoods depend almost entirely on sustainable utilization of the natural resource base*". Accordingly, the policy commits government to, *inter alia*:

- Mainstream sustainable management of the environment and natural resources in development strategies
- Eradicate anthropogenic GHG emissions such as deforestation and forest degradation
- Mitigate destruction of forests and similar phenomena, as forests act as sinks for GHG
- Promote efficient use of renewable energy resources
- Facilitate operations of CSOs concerned with ecosystem protection and preservation
- Ensure sound management of natural resources
- Integrate urban agriculture and forestry, into overall urban development planning.

2.9 Regional Policies

At the regional level, Article 105 of the East African Community (EAC) Treaty commits the community to, *inter alia,* ... "*ensure .... increase in the production of … forest products"*. Article 111 requires partner states to … "*ensure sustainable utilisation of … forests*", ... "*promote ... adoption of common measures and programmes of training in AF, tree planting, afforestation and reforestation and soil conservation"*, undertake … "*joint promotion of common forestry practices … and establish … "agro-forestry systems*". Among the priority "strategic interventions" in the EAC 4th "Development Strategy" is the plan to have a "forest management strategy developed by 2014". Box 2.2 depicts provisions for forestry in the EAC Protocol on "*environment and natural resources*" (ENR).

Box 2.2 Forestry Content of the EAC Protocol on ENR

- Manage biological resources outside conservation areas in a sustainable manner
- Establish a system of PAs and develop common guidelines for selection, establishment and management
- Co-operation in development, conservation, sustainable management and utilisation of all types of forests, trees, and trade in forest products
- Regularly review effectiveness of national forest policies, programmes and plans and develop common *criteria and indicators* for SFM
- Undertake assessment of forests encompassing all forest resources, regardless of ownership
- Protect ecologically viable forests and those that have cultural, traditional, aesthetic, historic and spiritual value and also to protect endangered or threatened forest species
- Encourage local people to grow and conserve trees and to integrate this into farming systems
- Promote capacity building and public awareness on forests and forest related activities and strengthen research and promoting data and information exchange of all types of forests and trees
- Harmonise and enforce national policies, laws and programmes to promote SFM and
- Cooperate, and where necessary, enter into agreements or other arrangements, in the management of trans-boundary forests ecosystems and PAs.

2.10 Multilateral Environment Agreements (MEAs)

The National Biodiversity Strategy (1999) is explicit on the role "forests and trees" play in conservation, especially of terrestrial biodiversity. Maintaining and/or increasing forest and tree cover can help mitigate climate change, not only by preventing emissions and sequestering carbon but also through prevention of soil degradation and hence contribution to sustainable agricultural production and food security and avoidance of deforestation and forest degradation. Indeed Uganda's "National Action Plan for Adaptation" (NAPA) for climate change acknowledges the role "forests and trees" play in both adaptation to and mitigation of climate change. One of the "Priority Programme Areas" of the National Action Plan for Combating Desertification (NAP) is afforestation and AF. Planned actions include to:

(i) Plan and implement afforestation and AF programmes
(ii) Promote AF programmes especially the use of multi-purpose trees
(iii) Establish community tree nurseries and improve management of trees
(iv) Encourage tree planting on hill-tops and sides, and along river banks and roads and
(v) Publicise and enforce by-laws that discourage deforestation.

3. FOREST LEGISLATION

3.1 Legal Framework

A new legal framework for forestry is set out in the NFTPA (2003). The Act is an enabling law that provides new opportunities for better management of the forestry sector, balancing the traditional "*regulatory*" and "*normative*" functions of government. The NFTPA clarifies institutional roles and responsibilities. The Minister with the forestry mandate remains with the overall responsibility to ensure that forests in the country are managed responsibly. The NFTPA saved all the Subsidiary Legislation from the repealed Forests Act (1964) to the extent that it was consistent with the new framework.

There are two types of other laws relevant to forestry, namely those that relate to land-based functions/tenure (Table 3.1) and those that relate to forest law enforcement. The latter include the Inspector General of Government Act (Cap. 167), Leadership Code (Cap. 168), Magistrates Act (Cap. 16), Police Act (Cap. 303), Evidence Act (Cap. 6) and Agricultural Research Act (2005).

Table 3.1 Other Legislation

Legislation	Provisions Relevant for Forestry
Land Act (Cap. 227)	Requires all landowners to utilize their land in accordance with the Forests Act. Empowers GoU, including DLGs, to hold in trust for the people, and protect FRs and other land for the common good of the citizens of Uganda. Prohibits the Government from leasing out or alienating any natural resource mentioned in the Act (including FRs), without the approval of Parliament. Encourages DLGs to request GoU for authority to manage any of the resources that are held by GoU.
National Environment Act (Cap. 53)	Links into the NFTPA by providing for management of all forests in accordance with the principle of sustainable development. Has power to issue guidelines and prescribe measures and standards for the management and conservation of natural resources and the environment in general. Provides for ensuring that renewable resources are used through reduced waste, use of appropriate technology and finding alternatives to present use of resources
Uganda Wildlife Act (Cap. 200)	Centralizes and provides for management of all wildlife in the country A GoU institution responsible for forestry shall be an "ex-officio" member of the Board of Trustees of Uganda Wildlife Authority
Local Governments Act (Cap. 243)	Assigns the management of forest resources to local government councils.
Mining Act	No prospecting license allows the holder to prospect over an area of land that is, or forms part of … a FR, game reserve, or NP… unless the holder of the license has first given notice to and obtained permission from the relevant authorities and complies with any conditions imposed thereof The holder of a mineral right shall not exercise any of his or her rights under that mineral right …. within an FR … without the written consent of the authority having control of the FR There shall be included in an exploration license or a mining lease … a condition that the holder shall submit an environmental restoration plan of the exploration or mining area that may be damaged or adversely affected. The environmental restoration plan shall include a detailed time table of the accomplishment of each major step to be carried out under the restoration plan which may include .. re-vegetation, reforestation ... of the affected land;

Source: NFP (2011)

Regarding finance, the NFTPA, *inter alia*, established the TF to promote "*tree planting and growing at national and local level*" and support tree planting and growing of a "*non-commercial nature*". The Act also established the NFA, which is supposed to be financed from its own revenue and fiscal transfers and has power to "*borrow from any source*" funds for performance of its mandate and is free to invest any "*surplus funds in any manne*r" that may not be immediately required.

One of the 13 "programmes of the NFP (2012-2022) is "forest law enforcement". It has objectives that include developing standards and guidelines, creating partnerships with CSOs and other law enforcement agencies, promoting "collaborative forest management" (CFM), maintaining discipline among government officials and information dissemination. This is unprecedented and a major innovation. Previously, forest laws indicated prohibitions and penalties thereof without mechanisms for enforcement, beyond what is in the Penal Code.

3.2 Licensing Procedures for Forest Harvesting

Uganda has long had a rather "technocratic" approach to forest law enforcement (FLE), based largely on "*forest management plans*" (FMPs) and licensing systems to guarantee revenues from the sector. Uganda has had a tradition of using FMPs as a tool for decision making in forest management dating back to 1931. The procedure and art of preparing FMPs is near-perfect. FRs, either individually or in a group, are by law supposed to be managed according to a 10-year FMP. FRs with natural forests are "zoned" under the principle of "Man and Biosphere" where the zones constitute "management circles" and harvesting is done only in "production" and "buffer zones", following an inventory and "stock-mapping".

Regulation of forest harvesting begins with the award of a harvesting license. In the license, the volume, species and physical location of the trees to be harvested and dues to be paid are specified. Licensing is preceded by determination of the AAC following an inventory. Harvesting is not supposed to exceed the AAC. "Guidelines" for both natural forests and plantations have been developed to regulate harvesting and conversion of timber. According to the NFTPA (2003), all forests in Uganda are supposed to be harvested following this procedure irrespective of ownership status. For timber from outside FRs, the Forest Sector Support Department (FSSD) of the Ministry of Water and Environment (MWE) issues licenses based on estimated biomass in each district. Auctioning/bidding follows the steps below.

For Tropical High Forest

- Exploratory inventory (EI) to establish the total standing timber volume and the AAC
- Integrated Stock Survey and Management Inventory (ISSMI) followed by stock-mapping to identify trees to be harvested
- Logging and log grading by a trained logging gangs
- Establishment of reserve prices for species on basis of cost recovery and a 10% profit
- Advertising the "auction lots" through the media
- Auctioning and sale of the logs and award of licenses to saw the logs.

For Forest Plantations

- Inventory (total enumeration) and demarcation of "felling coupes"
- Establishment of reserve prices for species on basis of cost recovery and a 10% profit
- Preparation of the bidding document and approval by the NFA top management team
- Advertising in the media in accordance with the "Public Procurement and Disposal Act"
- Receiving sealed bids and public opening of the bids
- Evaluating bids using technical and financial criteria and awarding licenses.

3.3 Forest Law Enforcement

Illegal logging and trade in timber increased sharply during the 1970s and 1980s. From 1995, the country implemented rigorous law enforcement activities and had achieved almost 80% compliance by 2000 (NFA, 2005). Policy, legal and institutional reforms that were carried out during 2000 – 2004 created a transition period during which executive authority was largely absent. During 1999 – 2004, the top executive of the then FD was changed five times and over six senior staff were interdicted allegedly for their involvement in illegal forest harvesting. This unleashed a spate of uncertainty and corruption that rolled back previous achievements.

During 2004 – 2008 effective law enforcement was again restored through creation of the "Law Enforcement Unit" by NFA with a mandate, *inter alia*, to inspect, survey and stop trade in illegal timber nationwide. Forest harvesting was controlled through technical guidelines, licence conditions and field inspections using a well-documented "*chain of custody*" (CoC) system. Monitoring of the performance of the harvesting licenses (payment, technical conditions) was done by officers in charge of the given forest and/or district. The unit maintained a database for licenses and legally and illegally acquired timber. The licensing procedures were reviewed annually in consultation with the clients. All the procedures were followed to the letter and the main results of this were restoration of the legal and physical integrity of all forests in the country and increased income for all stakeholders (Table 3.2). The country witnessed compliance that surpassed previous levels.

Table 3.2 Impact of Law Enforcement on Revenue (UGX: million)

Year	Total Revenue	Impounded Timber Revenue	As %
1995/06	148.2	36.8	25
1996/07	602.8	33.6	6
1997/08	760.4	111.2	15
1998/99	812.9	78.9	10
1999/00	1,044.7	134.1	13
2000/01	1,518.0	57.2	4
2001/02	1,159.5	18.9	2
2002/03	1,408.6	3.7	0
2003/04	2,563.0	184.7	7
2004/05	3,075.0	247.9	8
2005/06	4,223.0	317.8	8

Source: NFP (2011)

There was negative political interference relating to excision of over 8000 ha of THF from one CFR (Mabira) for growth of sugar-cane without following the procedure outlined in the law in late 2006. This led to resignation of all top senior staff (five of them) and this unleashed a spate of illegalities in the sector. The "Law Enforcement Unit" was disbanded and currently being witnessed is unprecedented degradation of the forest resources due to all manner and kind of illegal activities, including harvesting forests without any license.

To deal with this rather disturbing situation, GoU established the so-called "Environment Protection Police Unit" (EPPU) in December 2011 to support, *inter alia*, FLE. In March 2012, GoU put a ban on logging, ostensibly to re-organise the forestry industry. Both these measures are of marginal effect as the political will to implement them is still lacking. Today, therefore, these policies, laws and procedures are not being followed. The situation has been exacerbated by the pressure from DLGs on FSSD to allow them more licenses and to print

their own stationery and hence have easier control over its use. Quite often, local government officials allocate the licenses to themselves to gain from not only doing the business but also from under-declaration of the timber produced and defaulting payment of dues. This is in spite of the existence of strong laws on “conflict of interest”.

4. FOREST MANAGEMENT AND INSTITUTIONS

4.1 National Level

GoU is responsible for the formulation and implementation of national forestry policies, standards and legislation, and monitors them according to agreed principles of forest management. It also provides sector oversight and promotion, focusing on mobilising investment and co-ordinating resources to support forestry at the national and international levels, and undertakes regulatory functions. On a day-to-day basis, GoU's responsibilities are exercised through the FSSD. In theory, day-to-day decision-making on administrative and technical issues should be guided by the FMP within the context of "Government Standing Orders" (GSOs), "Departmental Standing Orders" (DSOs,) and the "Forest Manual" (FM) (internal instruments that guide management and administration). In practice this system is no longer adhered to and/or respected. Annex 2 shows the main stakeholders in the forestry sector and their roles.

4.2 Sub-National Level

As noted earlier, DLGs are mandated to manage 5000 hectares (ha) of forests scattered all over the country in 191 LFRs, oversee forests on private land and provide forestry extension through the National Agricultural Advisory Services (NAADS). Forest management in Uganda has been decentralised and recentralised since 1962. The changes often came as a result of policies adopted by GoU in the management of public affairs. Before 1967, there was a vibrant local government forestry service. At that time, DLGs had powers to decide on development priorities for their areas. In 1967, the GoU centralized all government decision-making powers, including for forestry.

In 1993 all forest management was re-decentralised. The then FD urged against this, contending that DLGs had no capacity to manage forests and were more interested in revenue generation, which was likely to lead to destruction of production CFRs and neglect of protection CFRs (accounting for over 50%). It was noted that in its form then, decentralisation was an undifferentiated overlay of delegation and devolution and, hence, not well understood in the country. While the efficacy of decentralisation in evoking responsiveness to local needs could not be denied, this was more of deductive logic than reality. DLGs had neither capability to identify broad sectorial needs nor the commitment to devote scarce resources to meet these. Indeed, in being more responsive to local needs, respective politicians were likely to respond to the needs of their more clearly defined voting constituency than the broader and multiple roles of forests. The Ministry of Local Government (MoLG) agreed and accordingly issued SI #52 of 1995 re-establishing LFRs and ceding the mandate of forest management back to the central administration.

In spite the foregoing, the Constitution (1995) and the Local Government Act (#1 of 1997), returned forests to the decentralised system. When NFTPA was enacted, the double-tier management system that existed before 1967 was re-introduced, *albeit* contrary to relevant provisions in the Constitution. However, only LFRs that were smaller than 100 ha and were not of high biodiversity value, peri-urban or urban, catchment mountains/hills, islands or wetlands were decentralised. This represented a fundamental shift of the principle of LFRs. Originally, LFRs were intended to generate revenue to finance local development activities and expand the PFE. They were also aimed at getting regional levels involved in forest management. The Constitution, the supreme law of the land, has since been amended to bring it in line with the *de facto* situation created by the NFTPA.

4.3 Private Sector

There are two major categories of private sector institutions in forestry in Uganda, namely non-profit making and profit-making. There is a myriad of the former in Uganda largely in the form of community–based organisations (CBOs) engaged especially in AF in rural areas. Many are also working in partnership with NFA and UWA implementing CFM initiatives with forest-edge communities. Uganda Forestry Association (UFA) was initiated in 1985 as a national non-governmental organisation (NGO) to bring together individual foresters and people working or interested in forestry. UFA was initially registered as an NGO in 1986, and then later re-registered in 2005, in compliance with the Non-Governmental Organizations Registration Statute (1989). Since 2008 UFA has been undergoing reforms to strengthen itself as a professional body. The reform includes enactment of the relevant law, establishment of a Code of Ethics and Standards to guide performance of its members. When this is done, UFA will become an independent body for enforcing standards.

Uganda Timber Growers Association (UTGA) was formed in 2006 by individuals and private firms with an interest in developing commercial industrial plantations. Largely private sector led, the members of the association were driven by the opportunities in investing in fast-growing and high-yielding timber plantations to address the eminent shortage of timber in Uganda. UTGA originated from studies conducted by the Sawlog Production Grant Scheme (SPGS) which proved industrial forest plantations as profitable investment ventures. The need was identified for investors to have a collective voice and to influence policy. Since its establishment, membership has grown from 20 to over 100 and the area planted has increased to 15 000 ha.

The Uganda Forestry Working Group (UFWG) is a network of CSOs and academic and research institutions engaged in the forestry sector in Uganda. It was formed in 2001 to provide a platform for stakeholders in forestry to deliberate on and influence developments in the sector as well as independently monitor the implementation of the forestry policy, legislation and NFP. The mission of the network is to promote the development of the forestry sector and stimulate all forestry stakeholders to respond appropriately to changes and challenges within the sector.

4.4 Institutional Collaboration

Policy and Legal Level

The sectorial reforms of 2001 – 2003 addressed the seven thematic elements of SFM (NLBI, 2007), *albeit* spread across the policy, in NFP1 and NFTPA as appropriate. This had occurred prior to the NLBI being agreed. As already seen, SFM also finds expression in policies of other sectors to the extent that those sectors affect or are affected by SFM or lack of it. In this context, the Forest Policy (2001) reformed, *inter alia*, GoU and DLG roles with a view that more forest resources should be managed through devolving responsibility, wherever practical and advisable, to appropriate stakeholders. Indeed the policy decentralised decision-making, resource mobilisation and allocation, regulation and arbitration, with appropriate systems of accountability to requisite stakeholders. This was a fundamental paradigm shift from the previous "*command–and–control*" and accountability only to the GoU. Recognition of the multiple stakeholders in the forestry sector, including the government, allowed development of new and more sophisticated institutional arrangements and functional relationships. This spirit found expression in NFP1 and was later amplified in the NFTPA (2003).

Planning and Budgeting Level

As the reforms progressed, SWAp emerged. It shifted focus from institutional to cross-sectorial/inter-sectorial interests, thereby imposing upon stakeholders new norms of institutional behaviour as they had to share responsibilities. SWAp emphasized single-sector objectives and priorities, government leadership and common implementation in line with the PDAE. Under SWAp, a participatory process defines sectorial priorities and plans inter-institutional contributions to realize them on the basis of the comparative advantages possessed by the stakeholders.

The SWAp allows institutions to reach consensus on distribution of funds within the budget ceilings, provides a mechanism for rational strategic resource allocation and a checkpoint for ensuring conformity with the strategic objectives of the sector. It offers an instrument of accountability, results in greater efficiency and equity in resource distribution, as well as offers recipients more flexibility and promotes effective partnerships between stakeholders. It promotes synergies and consolidates prioritization to make the best use of the limited financial resources while reaping optimal results.

In view of the foregoing and the fact that the ENR sector contributes about 54% of Uganda's GDP (NFP, 2011), GoU created the ENR - SWAp known as the ENR Sector Working Group (ENR-SWG) in 2001, comprising wildlife, wetlands, land, forestry, environment, climate and fisheries sectors (public, private and donor entities). Its duties include setting priorities, approving programmes/projects, sensitizing DLGs on ENR issues and priorities, monitoring resource allocation and implementation of ENR programmes/projects, developing ENR-Sector Investment Plan (SIP), mainstreaming ENR-SIP into PRSP/NDP and vetting new projects for compliance with SIP priorities. SIP budget proposals inform the allocations in the so-called "*Medium-Term Expenditure Framework*" (MTEF), which are in turn influenced by budget ceilings. While SIP projections cannot override MTEF allocations, the Ministry of Finance will not accept proposals unless they are endorsed by the SWG and included in the SIP. The latter is construed to reflect actual needs of the sub-sectors since it (SIP) is developed by implementing stakeholders.

5. PRESENT FINANCIAL DEMAND AND FLOWS FOR SFM

5.1 Background

The planning and budgeting process in Uganda directs the ultimate channelling and disbursement of finance. At the national level, the National Planning Authority (NPA) prepares the NDP, which is implemented through a rolling three-year Medium Term Expenditure Framework (MTEF). The MTEF hinges on resources available and expenditure priorities. It is a strategic budgeting framework that is reviewed during the annual budgeting cycle, starting with review of the National Budget Framework Paper (NBFP). The national annual budget is based on the MTEF and DLG inputs. Initially a workshop (Budget Conference) for all stakeholders is held to discuss objectives and budget ceilings. This is followed by preparation of Budget Framework Papers (BFPs) and approval of the NBFP by Cabinet and of budget estimates by Parliament. Budget ceilings are top limits set rather "arbitrarily" by the finance Ministry on the basis of resource envelopes available for expenditure. The purpose of the fiscal control is to ensure macro-economic stability so as to qualify for debt relief, especially from the World Bank. The budgets determine how much finance is actually allocated to a given sector and are usually set low.

DLG planning and budgeting procedures basically follow the same pattern outlined above. The District Technical Planning Committee (DTPC), comprising heads of departments, including forestry, co-ordinates and integrates sectorial and lower local governments (LLGs) plans into the DDP. DLGs are mandated to facilitate development from the grassroots level and to mobilise local revenue and allocate it in accordance with objectives and priorities in the DDP. Like the NPA, the DLG, through its DTPC, prepares a three-year rolling DDP (actually the DLG MTEF) from which the Annual Workplan and Budget (AWP&B) is developed. In December of each year, the DLG prepares Local Government Budget Framework Papers (LGBFP), based on a midterm review of current AWP&B, emergent issues and DDP priorities. Each department in the DLG makes inputs to the LGBFP for the Budget Conference (BC) to be held the following March. The BC is a meeting of all stakeholders. It develops and reviews policy and priorities. The DDP is subsequently revised to reflect outcomes of the BC and a new AW&B is prepared and approved by the DLG parliament by the end of June for implementation.

GoU funds DLGs through the "*Development Transfer System*" (DTS) comprising of three types of fiscal transfers. The "Block Grant" (BG), also known as the "Unconditional Grant" (UCG) is based on the population in a given DLG, and is given to every district to meet recurrent costs such as salaries and other decentralised services such as forestry. UCGs are the minimum paid annually from the Consolidated Fund (CF) (repository for all "tax revenue") to a DLG and are part of DLG revenue. For development the DLGs are funded through CGs and "Equalisation Grants" (EGs). The CGs consist of moneys disbursed to finance specific programmes agreed between GoU and the DLG and are expended only for the purposes for which they are made. CGs are not part of DLG revenue and are annexed to the main budget. Accountability and reporting follows the conditions agreed in advance. CGs are paid from the CF and are the main channel for ODA to DLGs. EGs are subsidies to least developed districts and are based on the degree to which a district lags behind the average national standard for a particular service. It is also paid from the CF.

5.2 Domestic Public Sector Financing

Forest Revenue

Revenue sources in the forest sector in Uganda have traditionally included:

(i) Sales of sawlogs, timber, tree seeds and seedlings, sand and clay (royalties/stumpage, fees)

(ii) Licences (woodfuel, registration, trading, grazing, cultivation and eco-tourism, research)
(iii) Consultancy and technical services (forest inventories, mapping, EIAs)
(iv) Value-added tax (VAT)
(v) Land rents (tree growing, transmission masts).

These remain unaltered even today. Up to until 2003, the FD collected revenue, of which it retained a small portion as "*appropriation-in-aid*" (spend at source) for emergency operations (fires, law enforcement). It then disbursed 40% of the gross revenues collected within the area of jurisdiction of a given DLG to the DLG, without the latter bearing any of the investment costs or the costs of collecting the revenue, and remitted the remainder to the CF. Sharing revenue with DLGs was intended to be an incentive for re-investment by the DLG into the forest sector. With the creation of the NFA, all the revenues from CFRs are collected and retained by NFA. DLGs were left to collect and retain all the revenues from forestry activities outside CFRs, except VAT which remained the responsibility of the Uganda Revenue Authority (URA). It was estimated that after building up revenue collection systems over 5 years, and after deducting collection costs, DLGs could receive UGX6.7 billion per year. This would be more than a ten-fold increase in forest revenues for DLGs. This capacity was not built and there are no records of worthwhile forestry revenue at most DLGs.
Table 5.1 shows the potential revenue estimates (mostly proxies) from key forest products, excluding revenues for UWA. Table 5.2 shows what NFA actually collected during the indicated period while Table 5.3 indicates revenue projections by UWA. It is clear the bulk of the would-be revenue remains uncollected. For the small proportion of the potential revenue that is officially collected, most is not recorded in official documents. Hence it does not reach the treasury. In addition, there are so many "leakages" that even the revenue that is officially collected is negligible in official accounts. The situation is particularly bleak at the DLG level. For UWA, forestry-related revenue would accrue largely from gorilla and chimpanzee "tracking", mountaineering and research. However, the manner in which accruals are clustered does not allow easy attribution to these.

Table 5.1 Value of Output Key Forest Products

Category	2003	2004	2005	2006	2007
Monetary	**UGX million**				
Sawn timber	33 062	35 280	37 648	40 174	42 870
Poles	4 399	4 575	4 758	4 948	5 380
Woodfuel	52 578	55 559	58 513	61 651	65 787
Sub-total	**90 239**	**95 414**	**100 919**	**106 773**	**114 037**
Non-monetary					
Poles	9 633	10 018	10 419	10 835	11 269
Woodfuel	115 851	119 778	123 863	128 092	133 216
Sub-total	**125 484**	**129 796**	**134 282**	**138 927**	**144 485**
Grand Total	**215 723**	**225 210**	**235 201**	**245 700**	**228 522**

Source: Statistical Abstract (UBOS, 2008)

Table 5.2 NFA Revenues (UGX 000)

Financial Years	2004/05	2005/06	2006/07	2007/08
UGX million				
Internal Revenue	5 420 077	6 438 911	8 262 837	10 981 990
GoU Subvention	163 939	194 155	23 965	42 356
ODA Grants	6 679 431	7 281 306	6 012 607	3 582 183
Total	**12 263 447**	**13 914 372**	**14 299 409**	**14 606 529**

Source: NFA Business Plan (BP) (2008)

Table 5.3 UWA Projected Revenues

Source of Revenue	2007/8	2008/09	2009/10	2010/11	2011/12	Total
	UGX million					
UWA Endowment Fund	-	720	749	779	810	3 057
Internally Generated income	11 550	12 705	13 976	15 373	15 373	68 977
Performance Agreement with GOU	708	743	781	820	861	3 912
Fundraising	551	579	608	638	670	3 046
Partnerships	110	116	122	128	134	609
ODA	551	579	608	638	670	3 046
Research Grant Collaboration	28	29	30	32	34	152
Technical / Consultancy	55	58	61	64	67	305
Total	**13 553**	**15 529**	**16 935**	**18 472**	**18 619**	**83 104**

Source: UWA Strategic Plan (SP) (2006)

Sources of Financing

Public finance for SFM in Uganda currently comprises non-tax revenue retention, direct budget support by GoU from the CF, loans and grants to forestry institutions, in-kind support such as long term licenses to private investors, subsidies such as those extended to investors in forest plantations, provision of extension services and technical support to rural tree farmers by the District Forestry Office (DFO) and NGO funding. NFA, DLGs and UWA retain their forestry revenue, receive some government subvention, the latter on the basis of a "Performance Agreement" and often implement projects financed through ODA. SSD is financed through ordinary GoU budget allocation and ODA. Forestry education and research are funded by GoU allocations, small streams of ODA and in the case of education, private sponsorship.

Mugahinga-Bwindi Impenetrable Forest Conservation Trust (MBIFCT) and Environmental Conservation Trust of Uganda (ECOTRUST) are special NGOs leveraging funds for finance conservation of the Mountain Gorillas and tree planting projects, respectively, the latter mainly for forest carbon finance (FCF) using the "*Plan Vivo*" standard. FCF is emerging as a major source of forest finance in the country, especially for afforestation and reforestation (A/R) projects (Uganda is 4th as recipient of carbon finance in Sub-Saharan Africa), thanks to the pioneering work between the "Face Foundation" from the Netherlands and the then FD around 1994 (Box 5.1). NFA is piloting two FCF projects in partnership with the Forest Carbon Partnership Fund of the World Bank. The country is currently implementing REDD+ "*readiness*" activities.

Channelling and Expenditure

Reliable income/expenditure data are not readily available for all the stakeholders in NFP1. Accordingly, frequent reference will be made to NFA and UWA as the two are core public participants in the sector and accounted for 57% of the allocations in NFP1. It will suffice it to note, however, that both NFA and UWA manage only 30% of the PFE while DLGs and the private sector are responsible for 70%. Apart from the projections in NFP, ENR-SIP and NFA/BP, it is difficult to disaggregate projections in MTEF and UWA/SP and attribute amounts to SFM. ENR-SIP has an additional problem because during its tenure, land, water and wildlife have been in-and-out without corresponding adjustments in the projections, which directly confounds the MTEF allocations. It is also noted that while NFP1 was specific on institutions and themes, NFP2 is silent on institutions and budgeted only for generic themes. Thus, linking allocations in NFP2 to budgets of institutions responsible for SFM is difficult. Nevertheless, it is assumed that NFP earmarks are the official indications of demand for finance for SFM.

Table 5.4 shows the budget projections for NFP1, providing almost UGX270 billion over a 10 year period. Earmarked for NFA was UGX28.41 billion for 2003 – 2013 inclusive. The NFA Business Plan (BP1) for the first 5 years projected expenditure of nearly UGX51 billion. Actual NFA expenditure in 4 of the 5 years (2004/5 – 2007/8) topped UGX62 billion, exceeding its own (NFA) projection for 5 years and more than doubling the NFP1 earmark for 10 years. IN NFP1 the UWA earmark was just over UGX123 billion for which it had a strategic plant for FYs 2002 – 2007 to use this allocation. Figures for expenditure during the period are not readily available. A new SP was developed and implemented during FYs 2007 – 2012. Demand was estimated at nearly UGX77 billion although NFP1 had allocated UGX55 billion for the period.

NFP1 allowed UGX31 billion for DLGs (Table 5.6). This is just 12% of the total budget for NFP1 yet DLGs are mandated to “manage” 70% of the PFE and provide for forestry extension services. This low share of the budget could be due to the low intensity of activities DLGs are supposed to undertake compared to the NFA and UWA. It is also possible that the earmark was just an informed estimate without actual inputs from the DLGs. Despite the very elaborate system for planning and budgeting at the DGL level, most of them lack capacity to follow the procedure as written. They lack the needed financial and logistical resources to collect the required information and to carry out the consultations. Many are under-staffed and others have no staff at all. The recent proliferation of DLGs has exacerbated this problem. Even then, there is no evidence that DLGs received even the little that had been earmarked for them. It is also instructive to note that the CG for ENR agreed in 2003 for the express purpose of financing forestry under DLGs has never been operationalized. It is likely that the actual volume of finance needed for forestry activities at the DLG has never been established with certainty.

Table 5.6 is a sample of MTEF for a DLG that is actually well forested and derives a sizeable proportion of its revenue from forestry licenses. In its narrative, the DDP notes “*Masindi District has a diversity of natural resources, which when properly utilized provide a high potential for sustainable development. …. The opportunity cost of not investing in environmental management will be the continued degradation and exhaustion of natural resources, the mainstay of the people*”. This understanding translated into the ENR receiving only 2% of the total budget, perhaps because the ENR is taken for granted.

Overall, it appears supply of finance during NFP1 was adequate for NFA and UWA compared to the recorded demand. Even when corrected for inflation, currency fluctuations and other externalities, still expenditure seems to outstrip demand projections and yet the profile of activities has remained the same. Possibly there was gross under-estimation of the required expenditure. It is significant that both NFA and UWA managed to nominally spend more than what was provided for in both NFP1 and SIP. As both retain their revenue, which is non-taxed and extra-budgetary, they can spend all they collect, and more, MTEF ceilings notwithstanding. Indeed there is evidence that by instituting more robust internal governance, discipline and accountability, intensifying law enforcement and freeing market forces with regard to licensing, NFA collected 77% (UGX5.4 billion) of the revenue projected for 3 years (UGX7 billion) in its first year of operation (*vide* Table 5.2 and NFA Business Plan, 2003).

NFP1 total demand was projected at UGX270 billion and the MTEF ceiling for the period (2006/7 – 2009/10) (40% of the plan period) was UGX109 billion (40.4%). This looks healthy especially given that the MTEF came towards the end of NFP1. It is not clear, however, whether the 60% of the projections was disbursed in the first 6 years of NFP1. The ENR-SIP (2008/09 - 2017/18) demands for SFM over the plan period are estimated at over UGX260 billion (USD104 million) (Table 5.4).

The first four years of the SIP provisions for forestry (UGX84 billion) coincide with the last four of NFP1 (UGX91 billion). SIP estimates for the FYs 2012 – 2018 (60% of the plan period) stand at UGX176 billion (47% of the total budget) while NFP2 (Table 5.8)Table 5.8 NFP2

Financial Demand Projections (excluding salaries) (UGX: million) projects UGX372 billion for the same period, indicating a significant deficit of UGX196 billion (53%). NFA has a new BP (Table 5.9) (BP2). The final year of its implementation (2012/13) is the first year of NFP2 implementation. Table 5.10 compares expenditure estimates across planning instruments. Positive narrative in NDP notwithstanding, only "*community tree planting*" was catered for in the overall NDP budget at only 2% of the total budget of UGX4 010 000 million for forestry (NDP, 2010).

- It is not clear how the various frameworks (NDP, NFP, NFA/BP, UWA/SP and SIP) relate to each other in terms of the volume of finance provided therein and there seems to be a mismatch between mandate and volume of financial allocations, the case of the DLGs being the most glaring example. Whether the NFA/BP1, the UWA/SP and DLG/MTEF are guided by the NFP and SIP is difficult to tell, given especially the discrepancies (Table 5.10). The NDP found an existing MTEF and this should have been phased into the NDP yet the two years of overlap have allocations that are starkly different. The level of "discipline" and "internal consistency" in this context are not easy to ascertain. Apparently, there is inadequate coordination between the planning and budgeting processes, despite the vertical logic on paper. The timing horizons for the frameworks are uncoordinated and matching of input/uptake of one process into another is impossible.

- A firm point of convergence between the various planning frameworks and financial allocations is MTEF since it sets out the budget ceilings and the MTEF is the only mandatory instrument that all those depending on public finance MUST take into account. This would be the appropriate point to harmonise the NFP/SIP interface and revise the two as appropriate but there is no evidence of this happening. Also, the expected vertical and horizontal consistency supposed to be engendered by SWAp is not discernible and seems to get lost in the complex planning and budgeting processes.

GoU runs on a cash budget, meaning disbursement depends on the tax revenue as and when it is collected in a given fiscal year and the cash actually available in the CF. This system is dogged with excessive unpredictability, leakages, poor cash flows, and uncertainties and is haphazard. Implementing plans as agreed is, therefore, difficult. The various strategic plans are not carried out in cooperation and are rarely followed during implementation. They are developed and end up as "paper tigers". Running a cash budget is a negative core factor in implementing plans and managing public budgets in Uganda. It could easily be at the heart of the financial impediments to SFM in Uganda, which are seemingly endemic. The fact that both UWA and NFA, who are self-accounting and hence legally and functionally apart from the system, do better than DLGs and FSSD in terms of cash-flow timeliness and volume is indicative of the difficulty running a cash budget is to SFM.

Table 5.4 NFP1 Investment Budget for the Forest Sector (UGX: million)

	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13	Total	%
Ministries (2)	5 076	1 262	910	953	1 040	1 063	1 008	1 073	984	1 065	14 435	5
NFA	10 854	5 912	2 893	1 848	1 150	1 150	1 150	1 150	1 150	1 150	28 407	11
UWA	16 600	13 300	14 300	13 100	11 000	11 000	11 000	11 000	11 000	11 000	123 300	46
District Offices	3 946	3 576	3 548	3 380	2 995	3 155	2 735	2 705	2 555	2 505	31 099	12
NAADS contracts	2 240	4 480	6 720	6 720	6 720	6 720	6 720	6 000	4 800	3 600	54 720	20
Private Sector	641	1 113	1 115	1 073	314	320	287	278	278	278	5 692	2
Urban Forestry	11	22	40	33	50	26	26	26	26	26	286	0
Forestry Research	645	859	923	1 223	1 239	1 223	1 223	1 239	1 223	1 223	11 024	4
Forestry Education	362	310	193	217	189	184	217	189	184	217	2 261	1
Total	38 425	30 834	30 642	28 546	24 697	24 840	24 365	23 660	22 200	21 063	269 273	100

Source: NFP (2002)

Table 5.5 UWA Expenditure Budget Projections (2007 – 2012) (UGX: 000)

PROJECTED EXPENDITURE	
A. Strategic Program Costs	
SP1. Conservation and Natural Resources Management	6 170 000
SP2. Planning Policies and Procedures	990.000
SP3: Business Development and Marketing	14 660 000
SP4: Capacity Development and Management	5 750 000
SP5: Financial Sustainability	1 011 000
SP 6: Research and Ecological Monitoring	780 000
SP7: Performance Monitoring Evaluation and Accountability	190 000
SP8: Coordination and Collaboration with Stakeholders and Partners	458 000
SP9: Governance	750 000
SP10: Corporate Image and Public relations	276 000
Sub-Total	**31 035 000**
B. Staff Cost	
Payroll costs	34 432 000
10% National Social Security Fund (NSSF) (employers contribution)	3 443 000
Gratuity (15% of gross salary)	5 165 000
Medical Insurance	2 700 000
Sub Total	**45 740 000**
GRAND TOTAL	**76 775 000**

Source: UWA Strategic Plan (2007)

Table 5.6 Masindi DLG MTEF (UGX: 000)

Department	2006/07 (Actual)	%	2007/08 (Budget)	%	2008/09 (projected)	%	2009/10 (projected)	%	2010/11 (projected)	%
Administration	743 099	5.8	1 568 003	8.9	731 548	3.9	768 125	3.9	806 532	3.9
Finance	368 174	2.9	416 438	2.4	430 341	2.3	451 858	2.3	474 451	2.3
Statutory Bodies		0.0	528 966	3.0	527 993	2.8	554 393	2.8	582 112	2.8
Production	373 104	2.9	1 056 765	6.0	791 249	4.2	830 811	4.2	872 352	4.2
Health	2 333 744	18.2	2 899 038	16.5	2 940 767	15.6	3 087 805	15.6	3 242 196	15.6
Education	6 555 929	51.2	6 830 060	38.8	7 562 248	40.1	7 940 360	40.1	8 337 378	40.1
Works	1 411 580	11.0	2 655 155	15.1	2 078 163	11.0	2 182 071	11.0	2 291 175	11.0
ENR	69 242	0.5	122 309	0.7	379 037	2.0	397 989	2.0	417 888	2.0
Comm. Services	149 926	1.2	426 747	2.4	241 122	1.3	253 178	1.3	265 837	1.3
Planning Unit	746 562	5.8	994 945	5.7	592 800	3.1	622 440	3.1	653 562	3.1
Internal Audit	43 372	0.3	82 294	0.5	94 250	0.5	98 963	0.5	103 911	0.5
Transfers (LLGs)		0.0		0.0	2 491 740	13.2	2 616 327	13.2	2 747 143	13.2
	12 794 732	100	17 580 720	100	18 861 258	100	19 804 321	100	20 794 537	100

Source: Global Mechanism (2009)

Table 5.7 ENR-SIP Projections for Forestry-Related Demand (UGX: 000)

Strategic Area	2008/9	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18
SFM	11 535 000	12 220 000	13 290 000	13 803 000	14 778 000	15 794 000	17 021 000	18 039 000	19 500 000	20 666 000
Wildlife	6 648 000	7 327 000	7 840 000	8 389 000	8 976 000	9 591 000	10 187 000	10 900 000	11 663 000	12 479 000
Ecosystems	606 000	649 000	694 000	744 000	796 000	852 000	910 000	974 000	1 042 000	1 117 000
Total	**18 789 000**	**20 196 000**	**21 824 000**	**22 936 000**	**24 550 000**	**26237000**	**28 118 000**	**29 913 000**	**33 205 000**	**34 262 000**

Source: ENR-SIP (2008)

Table 5.8 NFP2 Financial Demand Projections (excluding salaries) (UGX: million)

Programme	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	Total	GoU	Private	CSOs
Development of commercial forest plantations	8 400	16 800	25 200	33 600	42 000	50 400	58 800	67 200	75 600	84 000	462 000	108 900	353 100	0
Promotion and intensification of tree growing on farm	4 160	8 320	12 480	16 640	20 800	24 960	29 120	33 280	37 440	41 600	228 800	11 7040	22 000	89 760
Restoration and conservation of natural forests	825	1 650	3 000	4 425	5 900	7 775	9 450	11 725	13 600	16 750	75 100	52 000	9 575	13 525
Forest product processing and value addition	70	120	240	317	504	926	1 023	1 465	1 695	1 835	8 195	1 494	6 636	65
Urban Forestry	770	1 122	1 474	1 827	2 179	1 700	1 910	2 120	2 330	2 540	17 972	8 552	9 420	0
Forest Information and Advisory Services	800	1 132	1 627	1 827	2 395	2 310	2 395	2 310	2 395	2 310	19 500	10 378	290	8 915
Forestry training	1 790	1 880	1 900	1 960	2 020	2 120	2 140	2 300	2 260	2 320	20 580	10 460	2 100	8 020
Forestry research	1 805	2 009	2 014	2 015	2 215	2 085	2 085	2 085	2 085	2 085	20 482	18 482	0	2 000
Supply of quality tree seeds and planting material	290	530	770	975	1215	265	265	265	265	265	5 105	4 620	485	0
Forest sector institutional development and coordination	862	920	412	400	100	100	100	100	600	900	4 494	3 070	0	1 424
Forest Law Enforcement and Forest governance	2 790	2 945	3 376	3 656	4 338	3 672	3 897	3 762	3 762	3 987	36 412	27 778	970	7 663
Forest financing	1 110	2 110	2 030	2 020	320	320	320	320	320	320	9 190	6 550	0	2 640
Forest Certification	300	650	700	850	800	850	870	790	790	790	7 390	5 225	1 275	890
Total (UGX)	23 962	40 188	55 222	70 512	84 785	97 483	112 375	127 622	143 367	159 702	915 219	374 550	405 851	134902
Total (USD)	11	18	25	32	39	44	51	58	65	73	416	170	184	61
Contribution Share (%)												41	44	15

Source: NFP (2011)

Table 5.9 Financial Projections for NFA/BP2 (UGX: million)

FY	2008/09	2009/10	2010/11	2011/12	2012/13	Total
Revenue projections						
Own Revenue	15 713	17 194	18 661	20 833	23 229	95 629
Public Good – funding committed	8 589	7 441	7 3856	7 387	200	31 002
Ecosystem Services	29 462	31 230	33 104	35 090	37 196	166 082
Total revenue projections	53 763	55 865	59 150	63 310	60 624	292 713
Expenditure projections	25 038	50 371	54 255	57 375	60 870	247 909
Surplus / Funding Gap	28 725	5 494	4 895	5 935	-245	44 804

Source: NFA Business Plan (2008)

Table 5.10 Demand for Forest Financing Across Frameworks (UGX: million)

Instrument	FY						
	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13
NFA/BP2	-	-	25 038	50 371	54 255	57 375	60 870
NFP1	-	-	24 840	24 365	23 660	22 200	21 063
NFP2	-	-	-	-	-	-	23 962
SIP	-	-	18 789	20 196	21 824	22 936	24 550
MTEF (ENR)	23 000	30 000	49 000	55 000	16 000	19 000	-

Source: Compiled from NFP1 (2001), NFP2 (2012), ENR-SIP (2008), NFA/BP2 (2008)

5.3 Public Financing Of SFM through ODA

In the past three decades, forestry in Uganda has depended on ODA for a larger proportion of its budget. Norway, the World Bank, the US, the UK, the Netherlands, the United Nations Development Programme (UNDP) and the European Union have been the main providers of ODA. Table 5.11 shows levels and range of activities that have been financed through ODA in the recent past. Since 2007, however, there has been a decline in ODA (Figure 5.1) largely due to issues of governance and accountability in the traditional ODA recipient institutions (UWA, NEMA and NFA) and apparently inadequate commitment to the sector by the GoU. This has had a negative effect with many donors now shifting to more topical global themes such as carbon sequestration/climate change and fighting poverty and to institutional arrangements that have far more transparent financial management and accountability systems. Norway has had challenges in supporting the NFA and is shifting funding to programmes that directly support the private sector including the SPGS and the budding UTGA. The African Development Bank/Nordic Fund funded “Farm Income Enhancement and Forest Conservation” (FIEFOC) Project is currently the largest donor supported project.

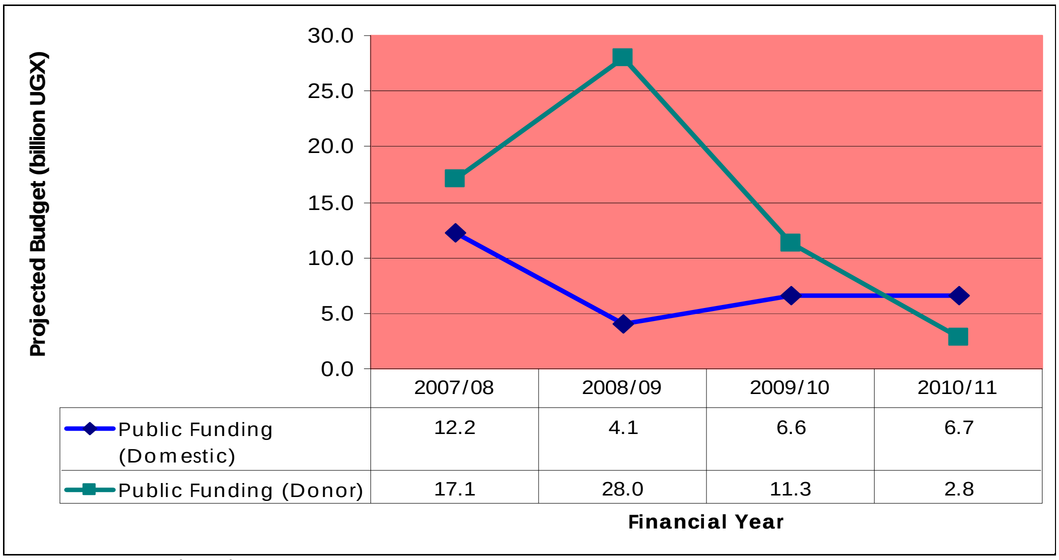
At the DLG level, the technical capacity to develop bankable projects for ODA funding is limited and most DLGs depend on GoU to access ODA. There is also a serious problem of low absorption capacity at this level. This emanates largely from lack of human capacity with the required range and diversity of skills and competencies to implement programmes and hence apply the available resources to the right use.

Table 5.11 Donor Funded Forestry Programmes/Projects

Program/Project	Implementing Agency	Total Cost	Location	Donor	Remarks
Forest Resources Management and Conservation Programme	FD/NFA	€12 million	Mainly CFRs	EU	Ended in Dec 08
Sawlog Production Grant Scheme	MWE	€10 million + USD10 million	Whole country	EU & NORAD	Renewed in 2009
Sustained development of Northern Uganda	NFA		Kampala	NORAD	On-going
FIEFOC	MWE		33 districts (100 subcounties)	AfDB	On-going
Preparation of NFM & community forests Guidelines	FSSD		Kampala	FAO	Ended 2007
National Forestry Programme	UFWG			FAO	On-going
Wildlife, Landscapes and Development for Conservation	WCS		Northern Uganda	USAID	Ends June 2011
Participatory Env. Mgt project	Nature Uganda/ WWF		Kasyoha Kitomi	DANIDA	On-going
MERCEP	NFA		Mt. Elgon watershed	Norway	On-going
Albertine Rift Forest Conservation Project	MWE/WF		Northern Section of Albertine Rift	GEF	On-going
SFM and Forest Certification, Climate change and Energy	WWF	$ 199,000	Kampala	DANIDA	Design phase
Ecotourism	JGI			GEF	possibly Ended
EMPAFORM	CARE	€2.8 million	East Africa	EU	Ended 2009
REDD Preparation Proposal	NFA		Whole country	World Bank & Norway	
Carbon Pilot Project	NFA		Rwoho CFRs	World Bank	On-going
Carbon Pilot Project	NFA		Kasagala & Mt. Rwenzoori CFRs	World Bank	On-going
Review of NFP	MWE	USD41 000	whole country	FAO	On-going
L. Victoria Environment Management Project	MWE		Lake Victoria Catchment Area	possibly World Bank	On-going
Agroforestry Enterprise Development	Vi-Agroforesty		Masaka, Mpigi, Mubende, Sembabule	Sida	

Source: NFP (2012).

Figure 5.1 Public Sector Funding for ENR for 2007/08 – 2010/11



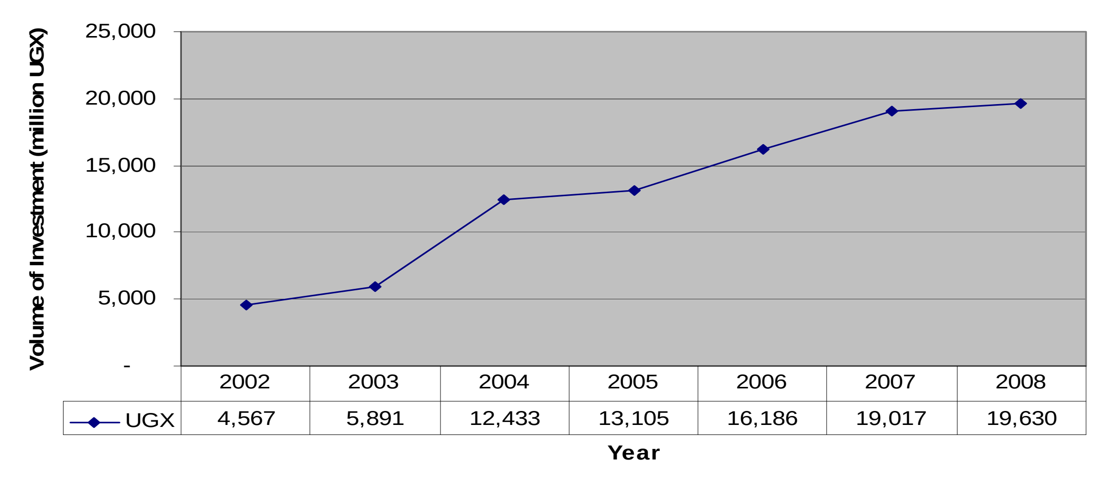
Source: MoFPED (2009)

5.4 Private Sector Sources

For natural forests, there are no records on investment by the private sector but anecdotal information indicates that the private sector invests very little in deliberate management of natural forests. Most of the production natural forests have been stripped of the most marketable species, some of which such as mahogany have become locally extinct. Thus it has not been possible to run meaningfully profitable concessions in these in the last two decades. Further, cheaper and readily available natural forest timber can be accessed from the Democratic Republic of Congo (DRC) and S. Sudan. Some NGOs under the umbrella of UFWG have been supporting private forest owners to develop forest-based enterprises as an incentive towards planned management of their forests but this is still on a very small scale.

There has been unprecedented growth of interest in industrial forest plantations during the period of NFP1. The larger portion of investment is from ODA, but there have also been capital injections by the private sector, both domestic and foreign. In 2002 - 2008, the private sector invested UGX90 billion (over USD50 million) in commercial forestry (NDP, 2010). The trend in private sector investment in industrial forest plantations is shown in Figure 5.2. This growth has been spawned by an innovative and successful "public-private-partnership" (PPP) through the SPGS (Box 5.1). NFA, some donors and the private sector, through SPGS, have been the major partners. By the end of 2010, the country had total of 62 230 ha of plantation forests. NFA had 14 140 ha (23%) while the private sector owned 48 090 (77%). The annual rate of planting is 13 000 ha (public 2 000 ha and private 11 000 ha).

Figure 5.2 Trends in Private Sector Investment in Forestry



Source: Financing Forestry in Uganda (Global Mechanism, 2009)

Box 5.1 Public-Private-Partnership Project in Uganda

In the late 1980s, the FD piloted a project where individuals were given licences to establish woodfuel forest plantations in peri-urban CFRs. They paid a small ground-rent per unit area used. The land remained the property of government while the trees belonged to the licensee. The project was very successful and was later extended to production of sawlogs given the imminent shortage of these in the country. In 2003, a €2 million up-front stimulus grant that refunds 50% of tree farmers' costs, provided certain technical standards are followed, was received from the European Union. An additional €10 million was approved in 2009 by the European Union and another 36 million Norwegian Kroner to take the scheme to 2013. The funds are part of ODA although the actual activities funded are carried out by private tree farmers. The combined effects of the subsidy, technical support and availability of large pieces of land in CFRs at a nominal charge generated massive interest from the private sector to the extent that today, there are several participating farmers who do not receive the subsidy and are using their own funds and others are using their own private land. SPGS has co-funded 16 000 ha since 2004 (24 000 ha planned to 2013). With an internal rate of return (IRR) of 7-10% for which IRR increases to between 10 and 14% with the SPGS grant, forest plantation development has become a prominent and growing private sector investment destination for the first time in Uganda.

5.5 SFM as a Fiscal Priority

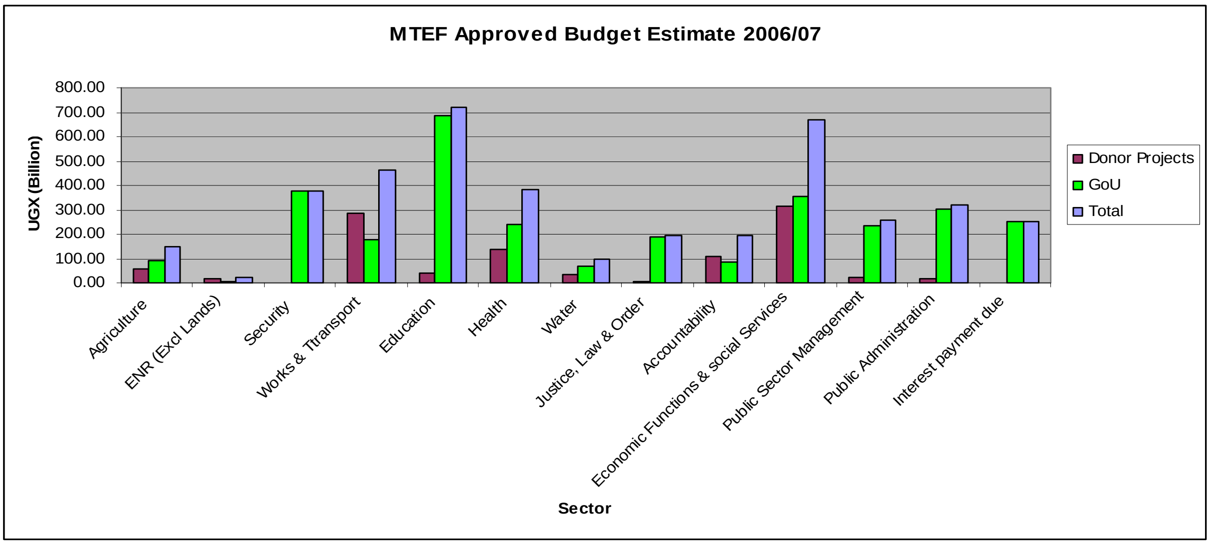
It has been noted that the ENR sector in general and forestry in particular are not given the level of priority expressed in the MTEF (Box 5.2) (Ruhombe, 2009) in terms of expenditure. Over the currency of the NDP, the MTEF/ENR share of the annual national budget averages 3.5% (NDP, 2010). Figure 5.3 and Table 5.12 show that the budget share of ENR in comparison with other sectors is extremely low and even this is probably never fully disbursed nor in time. It has been demonstrated that the lead agencies in SFM (NFA and UWA) spend more than is requested. While it has not been possible to get relevant data, anecdotal evidence seems to indicate that DLGs, who are supposed to manage all forests and trees outside PAs (constituting 70% of the PFE) and provide forestry extension, never demand nor allocate adequate financing to forestry. It seems, therefore, there is a problem with the ability of the FSSD to mentor the DLGs to "demand" adequate funding and/or leverage ODA as a priority.

Box 5.2 MTEF (2006 – 2009) Forest Priorities

(i) Strengthen institutional capacity and regulatory/fiscal framework for forest management;
(ii) Provide operational resources for national, district and sub-county teams;
(iii) Carry out in-service training for national and sub-national teams;
(iv) Promote tree planting in private/communal lands, LFRs and in degraded areas;
(v) Mobilize farmers into tree planting groups in sub-counties;
(vi) Form, train field teams, and carry out boundary surveying and demarcation of FRs;
(vii) Control illegal activities in CFRs;
(viii) Systematically remove encroachers from CFRs;
(ix) Train/sensitise timber traders and sawmillers;
(x) Develop and implement forest management plans;
(xi) Monitor production, processing and movement of timber products;
(xii) Right size the NFA payroll; and
(xiii) Identify seed sources, mark the resources and produce seedlings to sell to the public.

Source: NFP (2011)

Figure 5.3 ENR Sector in the MTEF Approved Budget for 2006/07



Source: Financing Forestry in Uganda (Global Mechanism, 2009)

Table 5.12 MTEF for the Water & Environment Sector, 2009/10 - 12 (UGX: million)

Vote Function	2009/10	2010/11	2011/12
Rural Water Supply & Sanitation	52 370	51 440	64 260
Urban Water supply & Sanitation	26 260	26 450	41 850
Water for Production	23 230	22 050	20 400
Water Resources Management	8 440	4 820	5 900
Natural Resource Management	9 580	2 000	2 440
Policy, Planning & Support	5 230	8 520	5 640
Climate & Climate Change	4 750	6 450	7 360
Environment Management	6 340	6 690	7 770
Forestry Management	1 200	1 200	1 260
Total for Water & Environment	**137 400**	**129 620**	**156 880**
Total National Budget	**5 790 000**	**6 423 000**	**6 823 000**
Total for ENR (Forestry, Wetlands, Climate, Environment)	21870	16340	18830
% of ENR of National Budget	0.38	0.25	0.28

Source: Ministry of Finance, Planning and Economic Development: Budget Framework Paper (2009)

6. FINANCING GAPS AND KEY CHALLENGES

6.1 Nature and Scope of the Gaps

The NDP has "*investment priorities and national core projects*" selected for their potential to drive transformation of the economy. Forestry is notably absent despite having earlier been categorized in the same NDP as a "*primary growth area*". The financing requirement for SFM of just over UGX4 trillion (USD157 million) for the period 2010 – 2015 was indicated in the NDP but only 2% of this was shown as available, indicating a financing gap of 98%. NFP1 and NFP2 together provide for nearly UGX190 billion (USD75 million) for the same period but there was no indication of what is available, save for "*cash-brought-forward*" from the last 2 years of MTEF (FY2010/11 – 2011/12) totalling UGX35 billion (USD14 million). In theory, therefore, SFM in Uganda today has no budget allocation from the CF, save for expenditure of non-tax revenue by UWA, the NFA and some DLGs. Even ODA is "not requested" in the NDP since donors have to align with recipient priorities in accordance with the PDEA.

The NFP and NDP are the two most important national strategic plans relevant to forestry, the latter bearing signature of the "Head of State" of Uganda and seal of state. Accordingly, it would be expected that the priorities and allocations in the two instruments should correspond. The fact that they do not is indicative of a systemic flaw in the actual planning and budgeting process. Also the fact that only 2% of the provision for forestry in the NDP was indicated as available, despite the apparent NDP mandate, suggests that GOU is not supporting its own policies. This is a symptom of the laxness within the institutions responsible for national budget management and SFM. From available information, it is not clear whether even the 2% or the MTEF "*cash-brought-forward*" funds, which together are quite significant, were ever disbursed.

The NLBI identified seven core elements of SFM:

(a) "*extent of forest resources*"
(b) "*forest biological diversity*"
(c) "*forest health and vitality*"
(d) "*productive functions of forest resources*"
(e) "*protective functions of forest resources*"
(f) "*socio-economic functions of forests*".

Anecdotal evidence indicates that from a thematic point of view, elements (a), (e) and (f) receive least budgetary attention while for (d) budget allocation is almost entirely limited to industrial forest plantations. From a management point of view, it has already been shown that forest activities under the purview of DLGs are severely starved of resources. The four elements together with DLGs bear the brunt of the problem of under-funding.. While, the actual allocations would significantly move the sector towards SFM, the ultimate disbursements are dismally low and inadequate.

6.2 Challenges to Forest Financing in Uganda

Financing SFM in Uganda encounters a number of challenges in the functional and operating environment. SFM will not progress in the country until these challenges are met.

Politics

By influencing the functioning of governance systems, politics can either facilitate or obstruct resource mobilization and channelling. In Uganda, forest managers tend to misunderstand the interests of politicians and are reluctant to engage them, yet ultimately it is the politicians that allocate budgets. “Political interference” is invariably cited as a major problem in forest governance. This attitude denies the national political system the information and understanding it needs in order to fully appreciate the resource needs of the sector and hence match them with the budget allocation.

The advent of SWAp was accompanied by basket funding and direct budget support by donors. Under the MTEF, financing forestry depends on the will of the political system to identify forestry as a national priority. Despite according forestry high priority this has not led to actual and adequate financial flows to the sector. The typical politician in Uganda will want to spend on sectors that will easily garner votes namely roads, schools and hospitals, sectors that forestry cannot easily compete with. Furthermore, for forestry it is not only the volume of finance but also the timeliness of the disbursement, given the seasonal nature of some forestry operations. In view of the foregoing, it is necessary to build a coalition of political players at various levels of governance to leverage strong political goodwill and commitment to forestry in order to develop robust financing. To wait until budget comes to parliament and hence receive political attention is probably too late. Relevant parliamentary committees need to participate in and internalise the process from the outset.

Organisational Capacity

This includes ability to (i) recruit and retain human resources with the necessary variety of skills, competencies and technical qualifications that can identify and formulate “bankable” projects, apply for the needed resources and implement, monitor and evaluate programmes, (ii) initiate minimum programmes and activities for fulfilling their mandate, and (iii) build fully-functioning and effective forestry institutions. The institutional framework that came with the forest sector reform has not delivered in many of the functions as had been envisaged. FSSD is still struggling to recruit staff, and is poorly funded and equipped. NFA did well during its first four years, but later it became dogged with problems of governance and failed to achieve financial self-sufficiency in its 4^{th} year of existence as previously planned. DLGs are still struggling to find means of effectively implementing their mandate. They are under-staffed and severely under-funded. UWA has been experiencing serious problems in financial management and NEMA has been dogged with debilitating staff-turn-over. There is still a cloud of “transition” shrouding these institutions and all them are weak and unable to deliver on their respective mandates. Also, it had been envisaged that private forest owners with titled land would operate as “Responsible Bodies” (RB) in accordance with NFTPA, along with the other RBs (NFA, UWA, DLGs) and communities would register communal forests. To-date no private or community forests have been registered, although as aforementioned, the private sector is now more vibrant than it was in 2002.

Fragmented Forestry Mandate

The mandate to manage forests is scattered in different government agencies (NFA, UWA, DLG, NEMA) and in different ministries (MWE, Tourism, MoLG, Office of the Prime Minister). This creates avoidable overlaps which in turn results in agencies competing for resources (including financial), wasting time in institutional conflicts, duplication and spreading resources too thinly. Such an environment is unattractive for donor and private sector investments. Uganda needs to streamline its forestry administration with a view to clarifying and consolidating the forestry mandate in a single institution to avoid the foregoing difficulties and elicit cumulative positive impact through harnessing synergies.

Deforestation and Forest Degradation

At an average annual rate of 1.8%, deforestation continues almost unabated. In Uganda, deforestation and forest degradation generally occur in natural forests, which are taken for granted as "commons", yet these forests are the source of biodiversity, mainstay of eco-tourism, supply almost all the woodfuel and many protect vital watersheds. The value of these forests is skewed towards "intangibles" (aesthetics and environmental services), tourism (viewed largely as a foreign vice) and energy (mainly an informal business). Rampant deforestation and forest degradation are largely a result of weak governance and inadequate protection. Thus, while deforestation and forest degradation may not appear to have a direct bearing on forest finance and investments, the two negatively impact the physical and ecological health of forests and hence reduce their attractiveness for investment of resources over time. The detrimental loss of natural capital and with it the loss of future flows of the benefits has to be halted and reversed as a matter of urgency. Unless this is done attainment of SFM will continue to be delayed.

Forest Law Enforcement and Governance

Effective FLEG creates a "level-playing" field, removes contrary incentives and enhances returns on investment for those engaging in legitimate business. Uganda has a good forest policy and legal framework to stimulate, attract and/or absorb investment. The main problem is its inability to implement them to the fullest extent. Failure of forest governance, characterized by illegal logging, illegal trade and corruption[1], is directly undermining the country's attempt to achieve sustainable economic growth in the forestry sector and is a disincentive to investment. This is as result of poor revenue collection, unfair competition due to price distortions, commercial uncertainty and destruction of forests.

Currently, the net revenue from forestry in the formal economy is too low to make SFM a competitive land-use option or an attractive investment opportunity. However, within one year of establishing a simple "chain of custody" mechanism for timber tracking in 1995, Uganda demonstrated a revenue increase of 300% (pers. com.). This stimulated emergence of timber prices that the market was ready and willing to pay and attracted massive private sector investments, especially in forest plantations and ecotourism. To attain effective FLEG, GoU should provide strong, consistent and open political support to the forest management authorities, who in turn need to cooperate with the law enforcement agencies.

Domestic Financial Institutions

It is still difficult to access investment finance for forestry businesses in Uganda from traditional sources of credit (banks) and the forestry sector is poorly served by the formal financing institutions. Financial institutions grant loans to enterprises that are legally constituted, can prove their economic solvency and credit-worthiness, have security/collateral and equity and a viable business proposal and can demonstrate potential income to service loans. To be legally constituted is often a long, tedious and expensive exercise and technical capacity to demonstrate solvency is not readily available to especially small and medium size enterprises (SME) who dominate the forestry sector in the country. Most financial service providers in Uganda lack experience to serve forestry and hence are unable to design appropriate financial products (30% interest rate in Uganda), just as many would-be clients lack the experience of working within strict contractual arrangements.

There is also a challenge of limited knowledge by the forestry and financial sectors about each other. Because of its long gestation, forestry is construed as a very risky business and this perception has made the financial institutions excessively "risk-averse", a feature that makes access to credit almost impossible. Unlike other land-based economic activities like farming,

[1] See a recent high profile case e.g. http://www.guardian.co.uk/global-development/2012/nov/16/uk-suspends-aid-uganda-misuseand http://www.irishtimes.com/news/eu-freezes-aid-to-uganda-over-graft-1.75256

investment in forest management involves a relatively long gestation period. The long rotation period of most forest crops creates investment uncertainties, because of biological and market risks. A forest (especially natural) can be liquidated rather quickly, but replacing it is difficult and uncertain. This uncertainty creates problems in setting credit terms by financial institutions. Uncertainties in growth and yield from forests, due to factors such as climate, diseases, fire, and technical knowledge also affect the willingness to invest in the sector.

Weak Private Sector

Generally, the private sector in Uganda is still in its infancy and in forestry where it is a recent entrant, and the corporate culture is still under-developed. The incremental up-front costs of infrastructure, research and information, and human resources development, that this relatively weak private sector is expected to bear for SFM, is prohibitively high. This makes investments into starting or transitioning from a largely informal to formal forestry business appear too risky. In this regard, PPPs are essential. The public sector should create enabling conditions, especially through concessionary public financing including up-front investments and risk mitigation, and ensure that private capital is used in a responsible manner (e.g. SPGS). Forest management agencies need to embrace and nurture the private sector. Many are reluctant to privatise some aspects of their work simply because they do not want to cede authority and influence. The private sector is still portrayed as being "*interested only in profit*" and yet it is responsible profit that makes the private sector sustainable.

Domestic Fiscal Support

As demonstrated earlier, there is limited public financial investment in the sector and SFM in the country is almost entirely dependent on ODA and private investment, leaving a huge financing gap. ODA should play only a catalytic role as a leveraging and pioneering function to boost the quality and quantity of otherwise domestically generated public and private sector finance for SFM.

Absorption Capacity

This is the ability to attract and utilize finance for the intended purpose, that in turn spurs sector growth and development, which then drives further expansion and depth. Absorption capacity is a key determinant of the growth of both domestic direct investment (DDI) and foreign direct investment (FDI). It depends on many factors including, human resources with the required mix of competencies and skills, the depth and efficiency of the financial system and the overall institutional and policy environment. A competent human resource base will develop and implement programmes that can absorb available finances while the financial system will play the role of attracting capital inflows and harnessing their direct and indirect effects. The more efficient the financial system, the broader the range of investment opportunities, the higher the incentives, the lower the transaction costs and the better the information systems - all of which facilitate investment operations.

The combined effect of the challenges outlined above coupled with the problems relating to management credibility and accountability severely limit the absorption capacity of the forest sector in Uganda. Corruption is endemic in Uganda and tends to pervade all spheres of public finance in the country, eroding investor confidence and indeed absorption. These need to be addressed for the sector to attract increased funding not only through the budget process but also from the private sector and development partners. NFA and UWA have relatively better absorption because they are quite well staffed with qualified and experienced personnel. DLGs have extremely low absorption and yet they have a larger, wider and more frontline mandate, touching on almost all the seven thematic elements of SFM.

7. ENABLING ENVIRONMENT FOR FINANCING SFM

7.1 Private Sector

The investment environment is a function of a number of interrelated factors that either deter or enhance and promote investment. The World Economic Forum's Country Competitiveness Index (2009) ranks Uganda 108 out of 133 countries while the World Bank ranks it 143 out of 185 on the "*starting a new business*" indicator. Table 7.1 depicts some of the factors characterising the investment climate in the forestry sector in Uganda. The categorisations (good, fair, poor) are arbitrary but are based on anecdotal observations in addition to some facts established in the foregoing analyses.

Table 7.1 Factors Affecting Investment in Forestry in Uganda

VARIABLE	STATUS			REMARKS
	Good	Fair	Poo r	
Growth of GDP				High leading to high demand for timber and other forest products. An opportunity.
Exchange rate				Freely responds to supply and demand
Interest rate				30% - prohibitively high
Free trade agreements				Forest products are traded freely on domestic market and abroad
Political stability				Negative interference
Transparency				A serious problem in the country
Governance				Weak in the forestry sector
Fiscal policy				Conducive
Transportation				Difficult in remote forest areas but trunk roads are good
Energy				Not so reliable from the grid. Have to depend on own-generation which is easy for the forestry sector
Water				Country is well endowed with abundant water resources
Education				Well educated people readily available but many lack practical skills
Licenses and permits				**Uganda Investment Authority** (UIA) facilitates these
Labour				Unskilled - readily available
Laws				Largely conducive to investment
Wages				Affordable
Labour qualification				Has to be on-the-job
Access to credit				No credit for forestry in Uganda except for tree nurseries and wood processing
Justice and law and order				Courts of law are independent
Forest law enforcement				Very poor and a severe handicap
Capital gain policy				Free trade and no price restrictions
Forest resource tenure				Very secure
Land tenure				Once acquired under the law - secure
Land market				Free
Land use as collateral				Easy and acceptable in all banks
Environment policies				Conducive. Only EIAs
Agricultural policies				Subsistence agriculture leading to encroachment
Forest resources (availability)				Opportunity for investment
Subsidies and financial mechanisms				SPGS, TF under consideration

VARIABLE	STATUS			REMARKS
Trade restrictions (on forest products)				Free trade like all other commodities
Markets				Free and available both locally and in the region
Entrepreneurial development service				Has to be worked on
Forest land (land suitable and available for forest)				Abundant
Relevant Institutions				Exist but are weak in terms of function

Source: Adapted from “Forest Plantations and Woodlots in Uganda (AFF, 2011)

Discussion of “investment” in Uganda is incomplete without understanding the role of the Uganda Investment Authority (UIA). This is a parastatal agency and is the “first call” for anyone wishing to invest in the country. It caters for investment opportunities and advocacy in the country, as well as designs and oversees investment incentives as covered under the Income Tax Act (1997). These incentives are administered by the URA as part of the taxation system. The incentives include capital allowances (on plant and machinery), import duty exemptions and deductible annual allowances (computer and data handling equipment, vehicles). Forestry and processing of forest products have a high ranking among the country’s investment priorities.

One of UIA’s core mandates is to promote private sector investments. In this context, it acts as a “*one-stop-shop*”, providing relevant information and servicing the needs of all potential investors in all sectors, including on issues like taxation, registration, immigration and legal requirements. It also issues potential investors with the “Investment License” which enables access to the relevant sector agencies. UIA maintains an up-to-date profile of every sector, including advice on why the given sector should be an attractive investment option. The “Forestry Sector Profile” points out a number of attributes that are conducive for investment, including:

(i) Modern and enabling policy and legal framework
(ii) Institutional set up that is capable of giving material, technical and functional support to investors
(iii) Growing demand for forest products in both the domestic and regional markets
(iv) A commanding contribution to economic growth of the country (3.5% of GDP per year)
(v) Plantation yields avaraging 20-35m^3/ha/year, which are some of the best in the world, due to favourable bio-physical conditions
(vi) Attractive rates of return on investment in the order of 15-18% on industrial plantations
(vii) Availability of skilled human resources
(viii) Established research support capabilities
(ix) A mega-biodiversity country
(x) Low cost-base in the sector
(xi) Forestry is a core national development priority sector
(xii) Incentives such as SPGS grants, training and mentoring and technical assistance, large tracts of cheap and secure land especially in CFRs (50 year licenses)and tax rebates and
(xiii) Opportunities for large-scale value addition as currenty the industry is largely artisanal.

Overall, there is an enabling environment for vibrant private sector investment in the country and even the few impediments are not insurmountable. One major impediment is high uncertainty. Reliable information to assess the financial potential of investments is lacking. The investor guidelines available through the UIA serve as general orientation but do not address the needs of serious forestry investors. The existing data about market structure, prices and volumes is often missing or very fragmented and not up-to-date. This in turn results in ‘best-

guess'-scenarios for market opportunities in the sector. Corruption and negative political interference also continue to be at the heart of poor performance of the sector.

7.2 Planning and Budgeting

The planning and budgeting procedures are adequate, given especially that they are rooted in the law. The main problem is that they are not followed as prescribed and are not coordinated. DLGs and FSSD need capacity to ensure that the process of planning and budget is implemented in its entirety, especially for collecting the necessary baseline and empirical data. Proxies and estimates of data need to be avoided as much as possible. The DLG plans should then feed into annual review of the NFP. The ENR-SIP forestry component should directly derive from NFP and the former similarly serve the MTEF.

7.3 Revenue

In Table 5.1Table 5.2 Table 5.3, it has been demonstrated that only a tiny fraction of the potential revenue is actually collected. It should be noted that the revenue that appears uncollected, it does not mean it is actually not collected. In many instances it is collected, *albeit* at "discounted" rates and goes unrecorded to recipients other than government. All RBs keep their revenue under the NFTPA. However, NFA is expected to share it with forest-edge communities through CFM agreements, while UWA shares it through a similar arrangement (UGX 1.4 billion by 2007). Because of the dominance of informal business in the forestry sector, communities also benefit from forestry revenue through non-wage employment.

Through competitive bidding for forest harvesting licenses in 2004, market distortions were removed and stumpage prices tripled. This also had a knock-on effect on and improved saw-log utilisation along the value chain since the saw-logs were relatively expensive. Competition was also applied to eco-tourism sites and clay and sand mining and the revenue collection increases were substantial. If all revenue is collected, public servants should have enough financial resources to carry out their mandate and collect yet more revenue. Private sector operators should then receive the services they need to run profitable forestry businesses. The underlying cause of revenue leakage is inadequate law enforcement.

7.4 Policy Implementation

Uganda is not short of good policies, plans, laws and systems. The main weakness is poor implementation. The main causes of this include corruption[2], poor funding and limited institutional and human capacity to patrol forests and markets, detect and deter offences, prosecute cases and/or educate stakeholders. Negative political interference, manifesting through political pressure on forest managers to ignore FMP prescriptions and written law, has had adverse effects on management of forests in Uganda over the last three decades. Another problem is that many law enforcement officers (police, magistrates, prison staff and customs officials) lack practical ability to identify legal documents (licenses and receipts) and marks on timber. As a result, practised offenders easily elude these officers in the absence of technical staff and this is common with movement of illegal timber. The law enforcement agencies do not coordinate well and they are inadequately funded, despite the fact that intense law enforcement results in increases in sustainable income for all those that are legally involved in the business.

[2] See a recent high profile case e.g. http://www.guardian.co.uk/global-development/2012/nov/16/uk-suspends-aid-uganda-misuseand http://www.irishtimes.com/news/eu-freezes-aid-to-uganda-over-graft-1.752566

8. RECOMMENDATIONS

8.1 Prologue

In the past three decades, Uganda has been in the fore-front of pioneering and "ground-breaking" innovations in governance, planning, budgeting, fiscal management and reforms in the forestry sector. Most issues that are the subject of the global dialogue on forest finance (Box 1) have been adopted and internalised in relevant national and regional instruments, even before the NLBI was agreed. **While forest finance in many countries remains an internal issue to the forest sector, Uganda has over 10 years of experience in cross-sectorial and inter-institutional collaboration in planning and budgeting** starting with the NFP1 in 2001 and later the ENR-SIP in 2008. From the national Constitution through to the NDP, various sectorial policies and laws, "sector-wide", sub-sector and district plans, SFM is appreciated and accorded priority as one of the core and basic infrastructures for development. Even as a cross-sectorial issue, SFM is explicitly and integrally internalised in the relevant policies and strategic plans.

Uganda has solid policy and legal framework. However, the country now needs to seriously address implementation of what has already been agreed, tested and proved and see this as "*work in progress*". In fact, if the country achieved even 50% compliance in implementing its current laws, plans and strategies, the forestry sector would be fundamentally and positively advanced from what it is today. Innovations and systems must be allowed to mature and lessons learnt through active implementation. The current spate of reviews and shifts in governance and planning is a frustration resulting from poor or lack of implementation, and is unproductive.

8.2 Planning and Budgeting

There is a number of issues pertaining to the planning, and budgeting and management of the plans in Uganda, including:

- Ascertaining that budget allocations translate reliably into actual expenditures is problematic, largely because of the "cash budget" issue, inadequate monitoring and evaluation (M&E), the nature of institutional reporting, and corruption. The Auditor General carries out annual financial audits without systematic checking, which does not help to determine whether the expenditure was actually on the planned activity.
- The MTEF does not reflect well on the macro-economic framework within which budgetary decisions are located. Given the dominance of subsistence and informal nature of Uganda's economy, where capture of empirical data is almost non-existent, fiscal management should probably go beyond "controlling inflation and maintaining monetary stability" through what appears to just be regular "number crunching". As the situation is now, it is almost meaningless to have a plan or budget in Uganda.
- It is difficult for observers to assess whether discrepancies between institutional budgets, the MTEF, SIP and the NDP, are efficient responses to unforeseen contingencies or whether they reflect poor budget management. A system of M&E and reporting and ascertaining the nature of these discrepancies is needed.
- Conditional grants to DLGs may in the short term be suitable and expedient to deal with capacity problems, but are ineffective in achieving a more devolved financial system.
- While there is deep thematic coherence between the various strategic plans, there is a severe disconnect between them in terms of volumes of budget allocations. It appears the various plans do not cooperate or coordinate with each other as they are developed and are rarely followed during implementation. Each is developed as "a stand-alone" instrument resulting in ineffectual overall outcomes.

Nevertheless, Uganda has appreciated the integral nature of forestry and since 2001 has had comprehensive coordination of planning, budgeting and management, accommodating the various roles and interests. More than other land use sectors, forestry has both vertical and horizontal relationships with other sectors, institutions and organizations. The sector is impacted upon by a number of cross-sectorial issues both at management and institutional levels, which require partnerships and innovative solutions. For instance, it is evident that degradation of forests in Uganda is a result of competing demands from other land uses outside the forestry sector, especially agriculture and human settlement. Inter-institutional collaboration in planning, budgeting, management and M&E is thus essential, more so at local levels to avoid interventions that do not address priority issues.

As the ethos of NFP takes root, clear modalities for inter-institutional collaboration at all levels need to be entrenched. The ENR-SWG is the main and probably only official platform for cross-sectorial collaboration and coordination of ENR management in Uganda. It is particularly suitable to forest financing because its work is managed through an institutionalised and time-bound procedure, it applies at all levels of governance and is legally binding at the district level. **The lessons learnt in this regard so far suggest that the ENR-SWAp/SIP model is a good entry point into cross-sectorial issues, especially in terms of priority setting and earmarking funding,** and it should be consolidated to build on these gains. It must, however, be expanded to reflect lower level plans and budgets, and integrated with the higher level plans

For adopting cross-sectorial coordination the ENR-SWG approach is a good model that could be duplicated in most developing countries and can be recommended for LDCs and African countries. The capacity of the FSSD to coordinate, facilitate and follow-up the "paper trail" to ensure that the earmarked funding is actually disbursed and to evaluate and monitor expenditure needs to be urgently built.

8.3 Governance and Law Enforcement

From a policy point of view, forestry is clearly provided for in upstream, midstream and downstream governance instruments. The sector is represented explicitly and implicitly both as a cross-sectorial and inter-sectorial issue in all the relevant policies. This is to be expected given the pioneering experience Uganda has developed in forest policy development over the decades. Of late, the country has also adopted a strong system of stakeholder consultation on policy, legislation, programmes and plan development. As a result, policies are well rooted in the Constitution and as noted are so interwoven that it is difficult to change any one of them without directly affecting all the other relevant ones. The policy consistency and coherence are of an extremely high standard. Overall, therefore, an enabling policy environment for vibrant SFM exists in Uganda, at least on paper.

The above notwithstanding, forestry in Uganda is currently going through a severe management crisis. There is no shortage of finance be it within the sector (uncollected), GoU or ODA (un-mobilised). Even the local banks and insurance companies have shown interest in developing appropriate and suitable products (pers. com., 2010). However, the sector has a poor image and lacks credibility such that there is a general unwillingness by investors to commit money. GoU needs to review this situation with the aim of redefining its role in the sector and especially bringing all the RBs under one ministerial control.

Also, the possibility of merging the NFA and UWA needs to be explored as the two have rather cumbersome and proprietary management bureaucracies that consume an inordinate proportion of forest finance that could be better used by DLGs and/or accrue to the private

sector to manage the 70% of the PFE. From structural and functional points of view, the NFA and UWA are semi-autonomous agencies doing exactly the same work, in the same or similar locations and in the same way. For both, resource management is done with personnel with the same technical and professional qualifications and competencies and hinges on 10-year management plans developed through the same processes. Implementation of the plans is done by field staff through AWP&B. Both have grouped their respective areas into seven management plan areas but develop two separate plans for respective areas of jurisdiction in which a DMA is situated or where a WCA and FR are contiguous.

The level of functional, operational and spatial duplication (see also Annex 1) does not fit this era of simplifying, empowering and ensuring effective use of funds. GoU should pursue policy setting, legislation and regulation through a merged NFA/UWA agency and similarly merged FSSD and the unit with the same function at the ministry responsible for wildlife and tourism. It should empower DLGs to manage PAs meant for public good (watersheds, biodiversity) and privatise all "money-making" nodes in the mandate of UWA and the NFA. This streamlining will free considerable amounts of financial, material and human resources that can be deployed more productively, especially at the DLG-level. This will shorten the expensive bureaucratic red-tape to service the private sector better and sharpen and focus the role of GoU especially in coordination and forest law enforcement.

As already emphasised, inadequate forest law enforcement is at the core of all the problems afflicting the sector, especially with regard to revenue collection and private sector investments. Since this is the role of the "Executive" and it is failing, Parliament should consider taking the lead in reviewing the current situation in the sector with a view to streamlining the role of the GoU in the sector and exploring mechanisms for building all-round capacity of the DLGs that is commensurate with their mandate.

Governance issues need to be urgently addressed as they are damaging the private sector through encroachment, fuelling deforestation and forest degradation and stopping ODA flows to forestry in the country. One key feature of forest goods and services is that they flow in a manner that does not respect national borders, yet a regional approach to forest law enforcement is still lacking. **It is urgent that regional political groupings such as the East Africa Community establish regional protocols for forest law enforcement as they have done for "Customs and Excise"**.

8.4 Forest Industry

The timber value chain is characterized as a seller's market and still dominated by price. Due to the timber shortage even poor quality timber sells quickly. Vertical integration as a counter strategy is common and because of the growing timber shortage there is an increasing trend for substitution with iron/steel and plastics. To encourage local and foreign investment into processing plants with better technologies that will increase recovery rates and use otherwise wasted wood, UIA should refine its database and information to include accurate yield predictions of where, when and how much timber will be available. Well founded predictions will help to encourage investment into the processing sector.

8.5 Human Resources

Policies, laws, plans, strategies and institutions are only as good as the people implementing them. This observation has been made since the NFA was established in 2004. Staff innovated in the areas of resource mobilisation and use, and controlled leakages as they strove to "*do more with less*". The NFA performance has varied with the critical mass of the quality, competence and integrity of the personnel in charge. The DLGs are not functioning

simply because they have limited access to competent personnel. GoU should re-build and re-tool the human resource capacity (technical, practical, vocational and managerial) for all the RBs in the forestry sector, paying special attention to FSSD and DLGs. Extension services must also be expanded beyond supporting tree planting and forest management to industry and this requires a new cadre of extension workers. Concentrating on the production side without paying attention to utilisation will be counter-productive.

8.6 Sustainable Forest Financing

Operational Environment

To recap, financing forestry in Uganda has for over a decade been characterised by a number of features that must be taken into account in securing sustainable forest financing:

(i) Shift in national civic governance and fiscal resource allocation through decentralised public administration
(ii) Alignment by donors to recipient country with priorities in accordance with the PDAE
(iii) Domestic planning and budgeting through SWAps, basket funding and direct budget support and the MTEFs
(iv) Fighting poverty and now ”creating wealth”
(v) Evolution and application of the DTS (UCG, CG and EG)
(vi) Emergence of the private sector
(vii) Growing interest of domestic banks and other financial institutions in financing forest investments
(viii) Inadequate funding of agreed plans and budgets
(ix) Negative political interference largely due to lack of the relevant information
(x) Leakage of revenue through direct embezzlement, under-declaration and theft of forest products
(xi) Fragmented approaches to forest finance despite coordinated planning and budgeting
(xii) Low revenue collection compared to the potential.

Internal Revenue

It has been observed that in the past “retention of non-tax revenue”, “off-budget resources” and the private sector coupled with protection of revenue through strong forest law enforcement have proved effective sources of forest finance. These are areas of potential success that have to be capitalised on and enhanced as resources from the CF have proven inadequate and unreliable. For this to happen, it is a precondition that the bulk of the potential revenue is collected in order to ramp-up the retention of “non-tax” resources and all measures should be taken to attain this, including enhancing forest law enforcement. The sector must exhaust its own internal capacity to generate finance for its own sustainability which will allow determination of the real gap to be financed externally.

Domestic Banks

Conventional wisdom notwithstanding, banks in Uganda do not see the long gestation period of forest crops as being too risky. If anything, it is an advantage to spread any risk over a longer period (per. com., 2010). It is also true that the value chain, in the case of industrial forest plantations, includes land preparation, raising seedlings, application of inputs, weeding, harvesting and processing. These operations are the same for agricultural crops such as tea, coffee, oil-palm, cocoa and rubber trees in which banks already have experience and are deeply engaged in financing. Even the requirements are the same (providing working capital and long term lease financing for machinery and equipment) and the IRR of over 10% in forestry is competitive. All that is needed is to tailor the “grace period” to the unique needs of the forest sector. In this regard credit institutions can adjust the grace period by making it longer so that repayment is timed to coincide with the onset of harvesting the forest. If

awareness of this opportunity were raised, significant domestic financial resources could become available to forestry, and financial institutions may become formidable allies in devising solutions to problems in forest finance. The FSSD, UWA and the NFA should mobilise all other forest stakeholders to reach beyond their traditional finance networks and invest in better communication and collaboration with the domestic banks.

The Tree Fund (TF)

Implementation of the NFP has been hampered by the absence of a secure, transparent, dedicated, predictable, reliable and sustainable financial mechanism. This is an absolute necessity given the unique nature of the forestry sector and in order to garner and harness the collective effort, resources and synergies and take advantage of all existing cross-sectorial opportunities. The NFTPA (2003) established the TF as one of the legal mechanisms through which sustainable funding for forestry can be channelled and accessed. This is an opportunity that has not been taken advantage of but which has of late assumed increasing attention.

The TF should be operationalized but in sync with the current national budget allocation architecture. The NFP should be the SWAp and the TF the “basket” for financing the entire budget for forestry in accordance with the ENR-SIP priorities and budget provisions. All GoU and donor funding for the forestry sector should be deposited in this “basket”, which should be merged with the CG established in 2004 for forestry. Funds should be “ring-fenced” and disbursed to the DLGs through the DTS as CGs and to other stakeholders (NFA, CBOs, NEMA, UWA, Research) proportionally and through a system of “Performance Contracts” with the GoU, in accordance to the respective AWP&B. Unused funds can be invested in financial instruments (high interest earning accounts, Treasury Bills, stocks) to enable the endowment to grow and generate yet more resources for investment in forestry. This should secure a sustainable source of finance, and the forestry sector will increasingly become less of a burden to GoU, if anything it should become a net contributor to GDP growth.

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Annex 1

Key Institutions in the Forestry Sector

Institution	Responsibilities in the Forest Sector
Enabling Ministries, Departments & agencies	
Ministry of Water and Environment/FSSD	• Formulation/oversight of policies, standards and legislation • Co-ordination of technical support and training DLGs • Inspection and monitoring of DLGs and the NFA performance • Co-ordination of NFP implementation and cross-sectorial links • Mobilisation of funds and other resources for the forest sector • Promotion, public information and advocacy
Ministry of Finance, Planning and Economic Development	• Guiding sectorial planning, budgeting and fiscal support • Oversee the NFA performance contract • Mobilisation of funds and other resources • Provision of economic instruments for forestry development
Ministry of Wildlife and Tourism	• Promote tourism, including eco-tourism • Host CITES in Uganda • Regulations, guidelines, standards for management of wildlife
Ministry of Energy and Mineral Development	• Policies, laws, regulations, standards and guidelines for energy from various sources • Biomass energy conservation technologies • Promotion of energy substitution (solar, hydro, petroleum) • Environmental global funding relating to energy sector
Ministry of Agriculture, Animal Industry and Fisheries	• Agriculture and forestry interface • Promotion of agro-forestry • Delivery of advisory services • Enabling policies, laws, regulations and standards on SLM • Contribute forestry advice in the implementation of United Nations Convention for Combating Desertification (UNCCD)
Ministry of Education and Sports	• Integration of forestry management in formal education • Demonstration of forestry management in schools • Promotion of forestry educational institutes • Promotion of forestry-focussed school programmes
Ministry of Gender & Labour	• Enabling policies, laws and regulations related to labour and gender concerns
NEMA	• Control of forestry activities in relation to environment • Supports DLGs in the development and implementation of the District Environment Action Plans (DEAPs) • Provides guidance on forestry-related Environment Impact Assessment (EIA)
Ministry of Local Government	• Decentralised services through local government structures • Ensures coherence of forestry policy and practice • Provides support for District Forestry Services (DFS) • Performance monitoring of local governments
Ministry of Public Service	• Public sector reforms • Strengthening staffing levels of FSSD and DFS • Monitoring sector institutional performance
Ministry of Internal Affairs (Police, Prisons)	• Build capacity for enforcement of environmental laws and regulations both within Justice Law and Order Sector and within civil society for community management of ecosystems • Enforcement of forest laws
Ministry of Defence	• Supporting forest law enforcement
Uganda Revenue Authority	• Taxes on forest products, businesses and trading
Uganda Investment Authority	• Investment promotion in forestry-based businesses
National Forestry Agencies	
National Forestry Authority	• Management of CFRs • Advisory, research or commercial services on contract • Seed supply - National Tree Seed Centre (NTSC)

Institution	Responsibilities in the Forest Sector
Enabling Ministries, Departments & agencies	
	Forest inventory/related technical services - NBS Was to attain financial self-sufficiency in 4th year of operation
Uganda Wildlife Authority	• Management of the forest resources in NPs and WRs/sanctuaries (about 50% of the gazetted forests) • Protection of keystone tropical forest ecosystems • DMAs with NFA of some CFRs under this status • Lead agency on tourism
National Forestry Resources Research Institute (NaFORRI)	• Research and development • Promotion of forestry technologies • Research liaison • Advocacy
Universities & Colleges	• Forestry training and research
Decentralised forestry services	
DLGs & Urban Authorities	• Establish and operate District Forestry Services • Mainstream forestry in production and environment committees and District Development Plans (DDPs) • Mobilise funds and allocate budget to forestry • Apply for “Conditional” and “Equalisation” grants from GoU • Permits, licence fees and tax collection • Develop and enforce bye-laws • Undertake forestry extension, brokering between farmers and service providers, providing market information • Manage LFRs • Land administration and approval of “Community Forests”
Private sector and civil society organizations	
Private Sector	• Forest management and tree farming on private land • Forest investments in CFRs on rented land • Trade in forest products • Forest industry
CSOs	• Advocacy on role of forests in development • Promotion of accountability and delivery of services • Participating in partnerships for management of forests • Public education, information dissemination, • Training communities, private sector and resource managers

Annex 2

UWA/NFA overlaps

Institution	Responsibilities in the Forest Sector
Enabling Ministries, Departments & agencies	
Ministry of Water and Environment/FSSD	• Formulation/oversight of policies, standards and legislation • Co-ordination of technical support and training DLGs • Inspection and monitoring of DLGs and the NFA performance • Co-ordination of NFP implementation and cross-sectorial links • Mobilisation of funds and other resources for the forest sector • Promotion, public information and advocacy
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Universities & Colleges	• Forestry training and research
Decentralised forestry services	
DLGs & Urban Authorities	• Establish and operate District Forestry Services • Mainstream forestry in production and environment committees and District Development Plans (DDPs) • Mobilise funds and allocate budget to forestry • Apply for "Conditional" and "Equalisation" grants from GoU • Permits, licence fees and tax collection • Develop and enforce bye-laws • Undertake forestry extension, brokering between farmers and service providers, providing market information • Manage LFRs • Land administration and approval of "Community Forests"
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Private Sector	• Forest management and tree farming on private land • Forest investments in CFRs on rented land • Trade in forest products • Forest industry
CSOs	• Advocacy on role of forests in development • Promotion of accountability and delivery of services • Participating in partnerships for management of forests • Public education, information dissemination, • Training communities, private sector and resource managers

UWA/NFA FUNCTIONAL OVERLAP

(a) UWA is a statutory body responsible for wildlife management and conservation in Uganda for the benefit of the people of Uganda and the global community;

(b) UWA is responsible for the conservation and management of **WCAs** of Uganda which are PAs;

(c) NFA is a statutory body responsible for the management of **CFRs** in Uganda which are PAs;

(d) Development of partnerships with key stakeholders for effective delivery of products and services from within the CFRs is a common objective;

(e) Both manage forests and wildlife in their respective areas of jurisdiction;

(f) Both manage tourism;

(g) Many CFRs are physically adjacent to WCAs and some portions of the two, known as DMAs overlap (see B below); and

(h) Both promote consumptive and non-consumptive use of the resources under their jurisdiction, are in plantation development and carbon sequestration programmes, implement "integrated conservation and development projects ("**ICDPs"**), have each evolved CFM in their territorial jurisdictions as by law established, have community outreach programmes whose outreach messages are usually the same and more often than not directed to the same communities on different occasions, have benefit and revenue sharing schemes and irrespective of artificial gazetted boundaries maintain DMAs as a way of maintaining ecosystem functionality.

UWA/NFA SPATIAL OVERLAP

1. Budongo FR in relation to Murchison Falls NP (MFNP), Bugungu WR and Karuma WR
2. Kalinzu, North Maramagambo, South Maramagambo and Kisangi FRs in relation to Queen Elisabeth NP (QENP)
3. Kasyoha-Kitomi in relation to Kyambura WR
4. South Maramagambo FR in relation to Kigezi WR
5. Chahi FR in relation to L. Mburo NP
6. Otzi and Mt. Kei FRs, which are also wildlife Sanctuaries (WS)
7. East Madi WR in relation to Zoka FR and Wiceri FR
8. Zulia FR in relation to Kidepo Valley NP (KVNP)
9. Napak FR in relation to Iriri Community Wildlife Area (CWA) and Pian-Upe WR
10. Morongole FR in relation to KVNP
11. Era FR in relation to the proposed Lomunga WR
12. Kadam FR in relation to Pian-Upe WR and Amudat CWA
13. Nangolibwel FR in relation to Bokora –Mathieniko WR
14. Rom FR in relation to Karenga CWA
15. Nyangea-Napore in relation to KVNP and Karenga CWA
16. North Rwenzori FR in relation to Semuliki NP
17. Sango bay FR which has considerable Wildlife
18. Bugoma FR which has considerable Wildlife
19. Itwara FR in relation to Kibale NP
20. Kibale, Rwenzori and Elgon National Parks which are still Forest Reserves.

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