



NGP Study Tour - Uganda 2018 - Think Piece

How can we use responsible plantation forestry as an engine for sustainable development at scale?



Uganda - an introduction

Uganda is part of the Great Lakes region of Africa, and has a crucial position within the Nile River Basin.

Uganda lies right on the equator so it benefits from two rainy seasons per year. Its high altitude gives it a pleasant climate that rarely goes above 30°C or below 15°C. The beautiful landscape stretches from Lake Victoria to the snow capped Rwenzori mountains. Lake Victoria is one of the largest lakes in the world, but the Nile River that runs through the country is unnavigable, leaving Uganda landlocked, having to go through Kenya or Tanzania for access to an ocean port.

Annual economic growth in Uganda reached a high of 7% in the 1990's and early 2000's, but reduced to 4.5% from 2010-2015, and is now approximately 3.5%. Reasons for this decline include instability in South Sudan and parts of Kenya, drought and inconsistent weather and the delivery of some public sector projects.

Uganda achieved independence from the British on October 9, 1962, but struggled from the minimal education, lack of infrastructure and colonial legacies that the British left behind. The country went through a particularly challenging period under Idi Amin in the 1970s. During and after Idi Amin, the country suffered from instability until Uganda's current president, His Excellency Yoweri Museveni, overthrew the previous regimes in 1986. Since then Ugandans have benefitted from peace, except for the Lord's Resistance Army rebel activity isolated in northern Uganda from 2000 – 2010.

Since 2002, the proportion of people living in extreme poverty has fallen from 62.2% to 34.6% in 2012/13, which represents one of the fastest reductions in poverty in sub-Saharan Africa, and meant that Uganda surpassed the Millennium Development Goal of halving poverty by 2015. This is particularly impressive given that Uganda has the 7th fastest growing population in the world, with 50% of its 42 million people below the age of 15. This creates a huge opportunity for continued economic growth, but also a challenge if youth unemployment is not a key priority.

Uganda's proximity to South Sudan, the Democratic Republic of the Congo and Burundi and its extremely progressive policy on refugees means that it has one of the fastest growing refugee populations in the world, currently hosting 1.34 million displaced people, more than 3% of the population of Uganda. Approximately 1,800 new South Sudanese refugees arrive every day.

The fertility of the soil and good growing conditions are essential to Uganda's growth and economic development, as the Ugandan National Anthem says –

***Oh Uganda!
The land that feeds us
By sun and fertile soil grown
For our own dear land
We'll always stand
The Pearl of Africa's Crown***

FURTHER READING

Asking Questions

Only by asking questions and seeking different opinions can we begin to understand complex issues.

The NGP study tours offer a unique opportunity to ask lots of questions and to hear lots of different answers and create lots of different possible solutions.

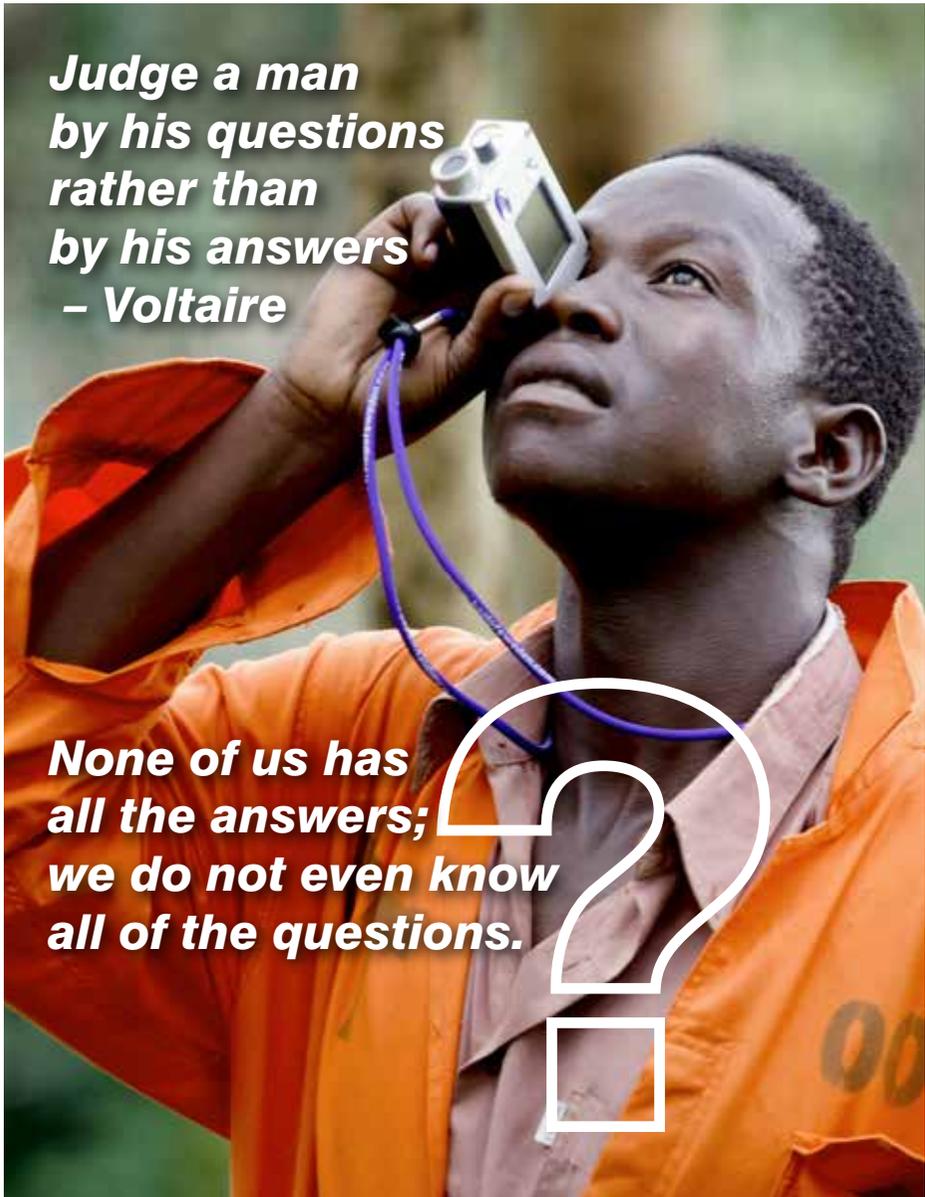
The aim of this think piece is to help you consider what some of those questions might be, to hopefully stimulate more questions and to assist in you gaining a wider understanding of the issues.

During the study tour the main questions in this think piece will form the background for the group work that we will do. ***By the end of the week we will together have begun to develop some answers.***

Asking questions is a powerful way of learning but often we stop asking questions, or even if we do ask questions, we simply don't listen to the response. ***Why?***

- Some people assume they already know the answer. They stick to their beliefs and are certain about their assumptions.
- Some people are afraid that by asking questions they will look stupid or uninformed. They may be concerned that if asking questions it will introduce uncertainty into an issue.
- Some people may simply be in too much of a hurry to take the time to ask questions and to really listen to the response.

Good questions can stimulate, provoke, inform, inspire, focus thinking, and can help us gain deeper insights and develop more innovative solutions.



***Judge a man
by his questions
rather than
by his answers
– Voltaire***

***None of us has
all the answers;
we do not even know
all of the questions.***

Main Questions for the study tour

1 - What are the barriers to sustainable greenfield plantation forestry in East Africa?

East Africa is one of the most fertile places in the world and the growing economies fuel demand for timber products through construction (sawn timber) and rural electrification (poles). So why then is it not taking the lead in developing sustainable timber plantations?

In the last 20-30 years, there has been a rapid expansion in plantation forestry in Latin America with over 5 Million hectares of Eucalyptus plantation in Brazil alone. However there has been relatively limited development of plantation forestry in Africa, with only 3.8 million hectares on the whole continent.

What factors are preventing an expansion of greenfield forestry plantations?

- Patient, affordable capital, which understands the risks.
- Availability of large areas of unencumbered land, with clarity of land title.
- Experienced companies who are pro-active in working closely with communities to manage risks.

However there has been a rapid increase of agricultural development particularly of commodity crops such as cocoa and palm oil, and sub-Saharan Africa has seen some of the fastest rates of expansion anywhere in the world; it is predicted that cropland will expand by more than 10% by 2025.

Are forestry plantation companies more cautious than agricultural developers? Or is it simply a factor of risk multiplied by time scale, with a shorter and higher return on investment available for crops that can be harvested in 1 year rather than 10-15 years?

Many lessons have hopefully been learnt from the creation of forestry plantations in Latin America and in South East Asia, particularly from working with communities, government and in tackling deforestation.

How can we learn from those lessons and avoid repeating those mistakes?

FURTHER READING

2 - What innovative financing solutions can scale up sustainable plantation forestry in Africa?

NGP believes that existing forestry companies in Africa are likely to be the quickest and lowest-cost way to expand forests. There are significant afforestation and reforestation opportunities on under-utilised land, often adjacent to or part of the current ownership (or leasehold) of existing forestry companies.

NGP has demonstrated a concept of large-scale Forest Landscape Restoration (FLR) that works, establishing that well-managed plantations in the right places can help conserve biodiversity and meet human needs, while contributing to sustainable economic growth and local livelihoods. This model is inclusive for smallholder tree planting and natural forest restoration, including agroforestry for non-wood products.

Investors in African greenfield forestry will need to be:

- Long term, trees take 12-25 years to reach maturity
- Comfortable with risk and understand the realities of operating in Africa
- Value blended returns, including social development and natural capital in addition to financial.
- Willing to work with private companies, and invest with NGOs and smallholders.

In line with this thinking, The Sustainable Trade Initiative and NGP established a collaboration fund to speed up innovation and learning around scalable business approaches in the timber sector in Africa, that contribute to increasing forest cover in the landscape and increased participation of smallholders, SMEs and communities in commercial tree planting schemes.

In neighbouring Kenya, there are suggestions that investors could purchase “bonds” from the Kenyan government to fund the forestry development, which could include small-holder’s forest management and improve the governance in the forestry sector. What assurances does the government need to provide to encourage this type of investment?

In the recent World Resources Institute and The Nature Conservancy publication “The Business of Planting Trees” – there are 14 case studies from (from 8 countries) of businesses that are making profits from landscape restoration, which often includes plantation development. All the examples provided are small-scale. We need new ways to invest to encourage forestry plantation development at a much bigger scale.

Are there other examples in Africa of innovative finance solutions and “blended returns” which we could learn from? Why are there so few options for private companies to receive equity financing to plant forests in Africa?

FURTHER READING

FURTHER READING



3 - How can plantation companies partner with communities to Create Shared Value, by reducing business risk and improving rural livelihoods?

Two of the four principles of New Generation Plantations are that sustainable plantations are:

- Developed through effective stakeholder involvement process
- Contribute to economic growth and employment

What are the opportunities for forestry plantation companies in Uganda to not just create jobs, but also to “Create Shared Value”? Are there business opportunities in finding new and innovative solutions to those challenges?

New Forest Company’s (NFC) business model is based on a strong commitment to social and economic development, environmental stewardship and keen business acumen. NFC is founded on the three pillars of community, conservation and commerce and believes that if any of these three pillars falter, the whole company suffers.

If small holders invested in small-scale plantations would that be enough to provide a buffer for years in which drought or pests impacted other agricultural crops? Is there potential to develop community owned charcoal plantations to reduce the pressure on Uganda’s forests from charcoal production, and to better regulate the trade?

The key test and challenge for a company like NFC is whether a business, which is focussed on “Creating Shared Value”, is more attractive to external investors. Does such a company demonstrate a better understanding of risk and reward, when working in a developing country like Uganda?

What is the role of Forest Management certification? For example could FSC act as an audited management standard of sustainability, and provide assurance that the company works and collaborates with communities effectively.

Vera Santos, who is responsible for FSC’s “New Approaches to Smallholders and Communities Project”, said that they are trying to transform the system, to meet the reality and concerns of small producers in a spirit of partnership and achieving common goals.

Are certification schemes like FSC the answer? Is there enough consumer demand for certified products to provide a “market pull”?

On this tour we’ll get to see the New Forests Company’s more traditional approach to community engagement that was modeled off the ecotourism sector in East Africa at Namwasa plantation. We will then get to compare it to the Forests for Prosperity programme that is community designed and led and adapted from the Payments for Ecosystem Services model. NFC contracts with community associations for risk mitigation services and the communities are paid for their performance which they use as capital for a revolving loan fund. In its pilot year, it led to a 42% reduction in incidences of risk on plantation and the communities turned the Uganda Shillings 16 million loan fund capital they received as a down payment into Uganda shillings 24 million capital (50% increase) within 8 months.



“Shared value is not social responsibility, philanthropy or sustainability, but a new way for companies to achieve economic success”

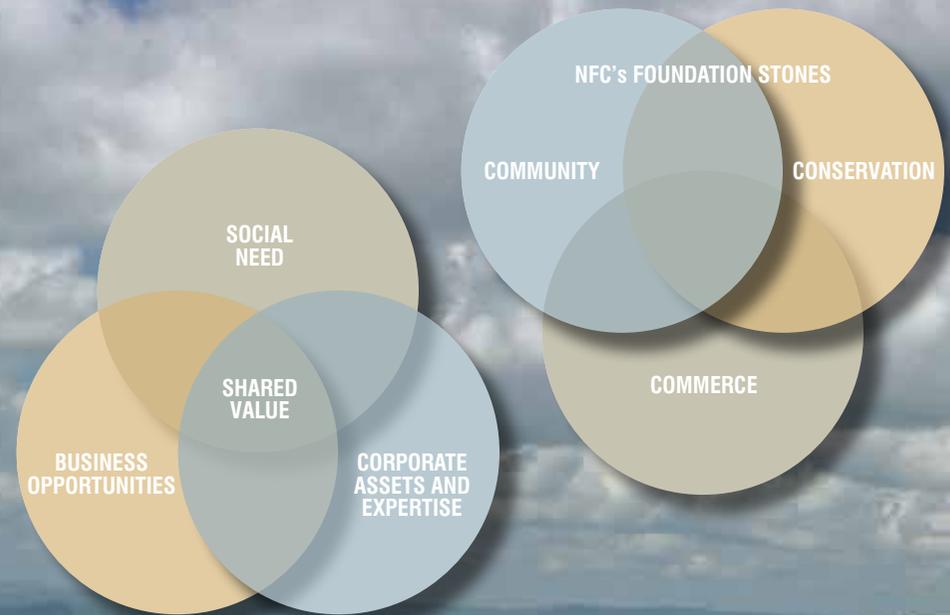
Porter & Kramer in the Harvard Business Review

Shared value is a type of management strategy that focuses on companies creating measurable business value through addressing and identifying social problems that impact their business.

New opportunities are created by this shared value framework for businesses, governments and civil society organizations to leverage the power provided by market-based competition in order to effectively address social problems.

This is called “shared value” because it encourages companies to create strategic partnerships with its stakeholders to create more value than either party could create alone and shares that additional value across a broad spectrum of stakeholders, rather than solely focusing on company profit. Within shared value, these partnerships create win-win symbiotic relationships where social, environmental and economic impacts contribute to the commercial viability of the business and vice versa.

The forestry sector is uniquely well suited for shared value strategies because it naturally creates many opportunities for symbiotic partnerships.



FURTHER READING



4 - How can the plantation forestry industry, civil society and national governments work together to drive macroeconomic development?

“If you want to go fast, go alone. If you want to go far, go together.”

This African proverb, is very appropriate for greenfield plantation development. Sometimes for companies it can feel that working with civil society and NGO's, slows down and complicates decision making. The reality is that long term success & resilience, is dependent on co-operation and mutual understanding.

The role of Governments has changed in recent decades, traditionally it was often Government that established plantations, and it is Government that can also be a major purchaser of forestry products such as electricity poles. How can Government work more closely with private investors and by diversifying the rural economy increase resilience?

Approximately 70% of Ugandans are dependent upon agriculture for their livelihoods. A poor farming harvest has a significant impact on food prices, which in turn has a disproportionate effect on inflation and therefore ripples out across the whole of Uganda's economy.

The Ugandan economy has slowed in recent years but there is confidence that economic growth will return to 5%, improving macroeconomic stability, better efficiency in the delivery of public infrastructure and a Government commitment to tackle corruption.

However private sector investment is key to this return to economic growth. This investment relies on stable economy, stable politics and a low rate of inflation. Investing in forestry plantations is relatively long term, when compared to agricultural investment, with timber crops taking between 10-20 years before harvesting. Additional value can be achieved from forestry plantations by investing in timber and fibre processing for example in sawmills, board manufacture or a pulp mill. These facilities are a significant capital investment and require a long-term stable and expanding supply of raw material.

What evidence would an investor need to make the long-term commitment to developing large-scale plantations and possibly a timber processing facility?

How can communities work together with companies to create a stable environment that attracts and encourages that investment?

What is the role of national government in managing the overall economy, and also local government in regulating land use and illegal timber harvesting to make forestry plantations a secure and profitable source of timber?

FURTHER READING

5 - What role can plantation forests play in combatting illegal logging?

In 1990, forests covered approximately 30% of Uganda, but by 2015 this figure has fallen to 10% and illegal logging is widespread. Since 1987, the exportation of round wood harvested from natural forests has been banned, but it seems that this ban has not been tightly enforced.

Uganda and several other East African countries made a joint declaration in 2015 to tackle the illegal timber trade in the region; however current FAO estimates are that deforestation rates are currently at 5.5% per year.

The important role of plantations in tackling illegal logging was highlighted last year during the NGP Annual Encounter in London. At the encounter Aline Fabing (who is FLEGT Facilitator in the Republic of the Congo) highlighted that Voluntary Partnership Agreements can help to:

- Clarify legal requirements for plantation establishment and management
- Support independent monitoring of the forest sector, including plantations
- Provide a platform for discussing strategic choices related to timber supply and land-use in the forest sector.

FURTHER READING

Across East Africa, charcoal production is a major driver of deforestation, and often this charcoal is produced in the informal and unregulated economy. One of the main outputs of forest plantations in Uganda is electricity poles; hopefully by further developing the power network in East Africa, this will reduce the demand for charcoal for cooking and power over time.

The Ugandan government has made a number of international commitments to stop deforestation and promote landscape scale forest restoration. These commitments include the Bonn challenge, a pledge to restore 2 million of hectares of degraded forests and 0.5 million hectares of agricultural land by 2020. This would support the Uganda Vision 2040 of restoring forest cover to 24% by 2040.

Forests and plantations in private ownership are an increasingly important source of timber and charcoal.

What are the opportunities to increase investment and production in plantation forestry to reduce the pressure on natural forests? Could charcoal production be redirected to plantations and away from natural forests?

What is the role of government in regulating land management and especially timber harvesting, to ensure that there is a fair and level playing field for forestry plantation investors?

What impact does the settlement of so many displaced people have on the management of Uganda's rapidly diminishing forest resource?





www.newgenerationplantations.org

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Acknowledgements:

All images courtesy of New Forest Company www.newforests.net

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