NGP Study Tour - Uganda 2018 - *A Journey Without a Map*

Insights from the NGP study tour to Uganda

NEW GENERATION PLANTATIONS platform

FOR PEOPLE, PLANET AND PROSPERITY

In June 2018, the New Generation Plantations (NGP) platform held a study tour in Uganda. Hosted by the New Forests Company (NFC) and WWF-Uganda, this was NGP's first African study tour outside South Africa. It brought together more than 50 participants from Uganda and six other African nations, as well as from Europe, China and the Americas. They included representatives from forestry companies, NGOs and the finance sector.

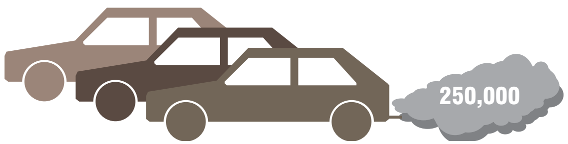
The five-day tour included a one-day workshop in Kampala, visits to NFC plantations, conversations with outgrowers and community members, and opportunities for reflection and guided discussion. This document provides the context for these discussions, and summarizes some of the insights we gleaned.

The Opportunity

Plantations have the potential to play a major role in sustainable development in Uganda and other parts of East Africa, in a variety of ways:

Conserving and restoring natural forests
Before 1950, around half of Uganda was forested. By the 1990s, this had fallen to a quarter. Now, it's less than 10%, and still falling – even as the remaining forests suffer degradation, and trees outside forests are cut down too. The main driver of forest loss is the widespread use of charcoal and fuelwood among a rapidly growing population, along with illegal logging and clearing land for agriculture. Plantations can take pressure off natural forests by providing an alternative timber source and acting as buffers around forest reserves. They can also support forest restoration as part of a mosaic landscape that combines native forest with intensively managed planted areas.

Combating climate change
Recent research suggests that land-based solutions can provide up to a third of the global emissions cuts needed by 2030 – and nothing makes a bigger contribution than planting trees. East Africa is one of the regions with the biggest potential for afforestation, which as well as contributing to climate mitigation can support adaptation, for example by protecting soils and watersheds.



NFC's plantations have removed 1.2 million tonnes of carbon dioxide from the atmosphere over the last three years – equivalent to the emissions of almost 250,000 cars. At a cost of US$5 per tonne, this is one of the most cost-effective ways to reduce carbon emissions.

Providing strategic timber resources
Along with the demand for fuelwood, Uganda and other East African countries have a growing need for timber as populations increase and economies develop – and timber can be a more sustainable alternative to materials such as concrete and steel in construction and infrastructure projects. However, the region faces a timber deficit, and will be increasingly dependent on costly imports if it doesn't act now to develop its own timber resource.

Supporting poverty alleviation and sustainable economic development
Plantations can foster inclusive development in rural areas with limited economic opportunities – by providing forestry-related jobs, by enabling smallholders to grow timber, and by supporting community projects. They can contribute towards a range of sustainability goals (NFC's sustainability report details the contributions the company has made toward all 17 Sustainable Development Goals).

The Challenge

Despite their numerous potential benefits, plantations have yet to be established at scale in Africa, outside South Africa. NFC and Green Resources (also represented on this study tour) are the two companies with the largest plantations, but their combined planted area across Uganda, Tanzania, Rwanda and Mozambique is only around 70,000 hectares. To put that in perspective, around 300,000 hectares of plantations were destroyed in forest fires in Chile in 2017, as seen on **the last NGP study tour.**

Meanwhile, African governments have made ambitious commitments to begin the restoration of 100 million hectares of land by 2030 under **AFR100** (the African Forest Landscape Restoration Initiative). Uganda's own commitment is 2.5 million hectares, through agroforestry, woodlots and natural regeneration. Nevertheless, despite support international donors like the World Bank, it will take a colossal effort to make these ambitious pledges a reality.

Experience to date suggests that neither purely commercial investment nor donor funding will deliver tree planting on the scale that's needed. So what can we do to unlock the full potential of plantations to contribute to sustainable development in Africa?

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

Before this study tour, we published a **Think Piece** posing the above question, and five key underlying questions. During the study tour, the participants worked together to try to find some answers: we discussed ideas in groups, we spoke with local communities, we listened and we made suggestions.

On the final day of the study tour we held a "Marketplace of Ideas" where we traded suggestions, and asked the participants to prioritize their three most important responses for each question. Over the following pages, we summarize these suggestions.

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

- Initial capital needed is high, returns are long term, there is limited availability of finance/funding, and a lack of flexibility in that finance/funding.

The typical initial investment for a greenfield forestry plantation is East Africa is circa US$6,000 per hectare, and the typical return period is 10-20 years. Many "for profit" investors are looking for a return of 10-15% per annum; when combined with the risk of unclear land tenure (see below) this makes plantation forestry unattractive to many mainstream investors. Meanwhile, with a few exceptions such as **Finnfund**, development finance institutions (DFIs) have so far appeared suspicious of investing in forestry projects in Africa.

- Land issues are complex: uncertain land tenure, lack of availability, customs and culture, conflicts and conflicting land uses, inaccurate maps and inadequate records all present challenges. There is often too much bureaucracy involved in resolving land title.

There are four types of land tenure in Uganda – mailo, customary, freehold and leasehold. These often overlapping claims and rights can make negotiating and agreeing long-term leases for forestry plantations complex and expensive. Lack of clarity inevitably means additional risk for all stakeholders and is a potential source of future disagreement. Land tenure is a particular issue in countries with rapidly growing populations, where competition for land and natural resources is intensifying.

Some land may not be as "available" as it appears. New Forest Company's Namwasa plantations were established on a degraded forest reserve leased from the government. This looked like an ideal opportunity to restore a deforested landscape. However, the government had to remove hundreds of people who had illegally settled in the area. This had major financial and reputational repercussions for the company.

- Enabling conditions for successful forestry are largely absent: there is limited government support for forests/forestry, a failure to identify/categorize priority areas, and a lack of overall (national and sub-national level) land-use plans. Infrastructure, especially transportation, is limited. Responsible companies aren't competing on a level playing field: policy frameworks fail to enforce/regulate taxation and illegal logging distorts markets.

Successful models for plantation forestry and subsequent development of sawmills and forest product facilities nearly always involve government interventions. This can be in the form of national land-use planning and tax support, as in Uruguay, or by direct investment in plantations themselves, as in the UK. Without government support and fair regulation then other forms of land use (particularly agricultural) and speculative development will always be more attractive than forestry investment.

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

- Blended finance – using development and philanthropic funding to mobilize private capital. Donor funding could focus particularly on extension and outreach work. Combining agricultural and forestry investment and land-use models could provide some return on investment in a shorter timeframe. Consider giving equity to medium-sized projects e.g. 25 hectares.

Restoring native forests and developing new plantations, if done well, should deliver a wide range of public and private goods. However, many investors and donors are often interested in funding particular aspects rather than in wider landscape-level solutions. Blended finance could enable projects to get off the ground on a scale that matters – for example, by combing NGO investment in forest restoration, with DFI investment in community development through smallholder agroforestry, and private finance for commercial plantation development.

- Public-private partnerships – forestry companies could access dedicated public funding to help governments meet their objectives (for example their commitments under the Paris climate agreement and the UN Sustainable Development Goals). Combine government, community, private investor and NGO resources.

There is a well-known African proverb – ***If you want go fast go alone, if you want to go far go together.*** This seems particularly appropriate for plantation development in Africa. Many private sector investors want to move quickly, acquire land and get trees planted. To ensure long-term sustainability and broad stakeholder support, there is a need to engage a wider range of actors; this will, however, inevitably slow down the initial stages of any project. In addition, there is often a perception of increased risk from some investors by working too closely with governments in developing countries. It's also important to ensure public money is used for the public good, and isn't seen as being appropriated by private companies.

- Government can spur market creation (and hence help attract investment) via ring-fenced procurement, timber trade regulation, and enforcement of regulations.

In many emerging economies, governments (and their agencies) are major purchasers of natural resources, including timber. This can be directly via public spending, or through the support of DFIs funded by international governments. In Uganda the roll out of electrification and the subsequent need for electricity poles has created a major market for the plantation industry. If the government (and its international backers) insisted on wooden poles from certified sources grown in Uganda, this could be a significant "signal" for timber growers and investors. Governments also have a major role in regulating trade, and ensuring that illegal operators do not undercut legitimate companies.

3 - How can plantation companies partner with communities to create shared value, by reducing business risk and improving rural livelihoods?

- Transparent and documented collaboration, based on fair partnerships and trusting relationships, is key to creating shared value. Companies need to recognize the value of training and support for communities. Partnerships could include payments for ecosystem services as well as more mainstream commercial services.

The concept of creating shared value (CSV) should make a company more attractive to external investors by demonstrating a better understanding of community-level risk and reward. It is important that all parties understand what is included in any agreement; the value of outreach services, and of management services (e.g. fire prevention and general security), needs to be fully costed and understood.

At Kirinya, NFC has been testing a new CSV model, Forests for Prosperity. Here, local communities effectively provide the company with risk mitigation services, and are paid for the results they achieve. Every year, community associations representing each of the four neighbouring parishes receive a performance payment based on how successful they've been in preventing risks like fire, timber theft, grazing and cultivation within the plantations, and hunting of wild animals.
The communities invest these payments into their own income-generating initiatives.

- Well-designed objectives and agreed expectations are vital. This requires planning – both of the business and of land use – and clear understanding of the market. Pilot projects, trials, monitoring and evaluation, supported by long-term agreements, can strengthen shared value initiatives. Benefits may be based on agreed performance and/or service delivery.

Any agreements must be easily understood and based on a fair contract, which acknowledges the potential for power imbalance and in which all parties benefit fairly. Plans and objectives are likely to change and evolve over time; it is important that projects are iterative and have the flexibility to adapt. Developing closer relationships between companies and communities also makes "exit strategies" more complex: there needs to be trust and understanding regarding the duration of contracts.

- Partnership arrangements with NGOs/governments/banks etc. must include project management (e.g. the business case), capacity building (e.g. on financial literacy and business management) and governance. Access to information is also crucial – e.g. market prices, weather, pest control, silviculture, research and development.

The greatest asset of any company is its employees and their knowledge and expertise. However, communities may lack the structures and capacity to maximize the value of working closely with private sector companies. Local farmers who are used to working with seasonal crops may lack the financial literacy or means to invest and benefit from growing timber on a 10-year rotation. The challenge of CSV is to combine a variety of skills, assets and resources to maximize the return for all. The greatest value from a partnership arrangement such as an outgrower scheme might not be in the crop produced but in developing the community.

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

- Fair markets are needed to reduce trade barriers and eliminate illegal timber.

Illegal timber in the marketplace skews that market for legitimate companies. If it is possible to easily, and cheaply, purchase timber, firewood or charcoal which has been “stolen” from protected forests, then it will never be profitable to invest in plantations. Governments at a national and international level have a crucial role in agreeing and enforcing legislation to protect forces and limit the flow of illegal timber across borders and within countries. Uganda’s newly launched national Forest Stewardship Council (FSC) standard can provide assurance that timber comes from legal, sustainable sources (particularly if the government decides to lift the current ban on timber exports).

- Enforce taxation (VAT) consistently across all businesses in the timber supply chain.

VAT (Value Added Tax) is 20% in Uganda, so a company that doesn’t charge VAT on timber will be 20% cheaper than one that does. Poor enforcement creates a profitable incentive for companies to operate in the “grey market”. Failure to recover VAT from companies means that the government has less money to invest in regulation and enforcement (among other things), further tipping the balance against legitimate operators.

- Form a task force/platform, using The Forests Dialogue as a model, which would include social voices, private finance, donors and “voluntary regulators” like FSC.

There is widespread support to tackle many of the issues related to deforestation and development, but how do these actors work together to develop common policies and create deliverable objectives? Dialogue platforms have been successfully used in countries such as Brazil and Chile to generate wider understanding and strengthen working relationships. The inclusion of civil society is important to ensure wider stakeholder engagement. Many of the key participants in such a platform were represented on this study tour, and should take the opportunity to harness the momentum created.

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

- A coalition of actors is needed to lobby and advocate for law enforcement, taxation and an overall level playing field.

Illegal logging is often entwined with wider illegality and corruption. Uneven law enforcement, weak democratic institutions and insecure/unclear land tenure are also major factors, which need to be tackled. This requires a national (and international) approach; tackling the illegal timber trade may simply be a low priority for a developing country which is dealing with a wide range of challenges, including a rapidly growing population. A broad-based coalition is needed to raise attention to the issue and advocate for a strategic, joined-up approach – this is potentially a role for the task force/dialogue platform identified above.

- Improved efficiency in charcoal production using sustainable methods would reduce illegal deforestation/forest degradation.

Charcoal production is often a very inefficient process. A range of species and sizes of material are used, which means that the resulting charcoal is often of variable quality, and charcoal-making techniques are often inefficient. Greater consistency of species and in production techniques can significantly increase the quality and quantity of charcoal from the same area of land. The supply chain between producer and consumer is often lengthy and opaque, with the fuel traded through various consolidators. Shortening and legitimizing this supply chain will mean better and fairer returns for the producer. More plantations dedicated to charcoal and fuelwood would also take pressure off natural forests.

- Promote local community participation and incentives to protect the forests.

Regulation and legitimization of the timber trade isn't just an issue for governments and law enforcement agencies. It is important to ensure that communities are engaged and are able to participate in any initiatives. If underlying issues of poverty and of access to land and energy are not addressed then regulation and enforcement alone are unlikely to be successful.

Concluding thoughts

Forestry plantations in many developed countries are perceived as a safe long-term investment; they are attractive to pension funds and others willing to wait 20-30 years for a return. However, in developing countries, forestry investment is seen as challenging and risky, despite the rotation length being reduced to 10-12 years.

Governments, NGOs and development funders have invested heavily in forest initiatives such as REDD+ to tackle deforestation in parts of Africa, Southeast Asia and Latin America. However, these initiatives have had mixed success, and the investment is often for a limited time period.

Well-designed and sustainably managed forest plantations have enormous potential to tackle some of the biggest global challenges. However, they will only be successful if they are supported and valued by a wide range of stakeholders – if not they risk being perceived as part of the problem and not a potential solution.

Investing in African greenfield plantation forestry has been described as “like going on a difficult journey without a map”. The challenge is to combine public finance support and commitment, with private sector investment and entrepreneurial ability, for the benefit of as many people as possible – not least for the local communities in rural areas who are often marginalized and disconnected.

We may not yet have a map – but we hope this study tour has at least provided some signposts to help us on the journey.

newgenerationplantations.org

www.newgenerationplantations.org

NGP Study Tour - Uganda 2018 - Insights

Acknowledgements:

Images courtesey of Thomas Hogben and
New Forest Company www.newforests.net

Words: Andrew Heald at www.andrewheald.com
Barney Jeffries at barney@ngomedia.org.uk

Design by: Richard Heald at www.richardheald.com
design@richardheald.com