

Uganda's Sawlog Production Grant Scheme: a success story from Africa

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SUMMARY

The Sawlog Production Grant Scheme (SPGS) has supported private sector tree planting in Uganda since 2004. The project has been the catalyst for attracting substantial investment into timber plantations from small-medium local growers to large foreign investors. Over 10,000 hectares have been already established with huge interest to do much more. Many rural jobs are being created and the foundations are being laid for a sustainable, commercial forest industry in Uganda. The SPGS has evolved into a robust model that successfully engages private growers: and this is in a country where tree planting on a commercial scale was always considered the State's business. The background and modus operandi of the project are detailed in this article as well as the challenges encountered. With the project creating considerable interest from other countries, the key elements that have contributed to making the SPGS a success are discussed to encourage its replication elsewhere.

Keywords: SPGS, Uganda forestry, timber plantations, grant scheme, private sector

Projet d'aide à la production de rondins en Uganda: histoire d'un succès venant d'Afrique

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Le projet d'aide à la production de bûches (SPGS) soutient un secteur privé de plantation d'arbres en Uganda depuis 2004. Le projet a été un catalyseur attirant un investissement substantiel dans les plantations de bois passant de planteurs locaux petits et moyens à de larges investisseurs étrangers. Plus de 10 000 hectares ont été déjà établis, et il existe un intérêt très fort d'en faire davantage. Beaucoup d'emplois ruraux sont créés, et les fondations pour une foresterie industrielle durable sont posées en Uganda. Le SPGS a évolué pour devenir un modèle robuste qui engage les producteurs privés avec succès, et cela, dans un pays où la plantation d'arbres à l'échelle commerciale était toujours considéré comme une affaire dont l'état devait s'occuper. L'origine et le mode opérationnel du projet sont détaillés dans cet article, ainsi que les défis qu'il a rencontrés. En se souvenant que ce projet suscite un intérêt considérable dans d'autres pays, les éléments clés ayant contribué au succès du SPGS sont examinés pour encourager sa reproduction ailleurs.

Programa de Subsidios para la Producción de Maderos: un éxito ejemplar en África

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El Programa de Subsidios para la Producción de Maderos (SPGS) ha apoyado la plantación de árboles por parte del sector privado en Uganda desde el año 2004. El proyecto ha servido de catalizador para atraer inversiones importantes en plantaciones de madera, de cultivadores locales de escala pequeña y mediana hasta grandes inversionistas extranjeros. Ya se ha plantado más de 10 000 hectáreas, y existe mucho interés en extender el programa. Se está creando mucho empleo en zonas rurales, y se está estableciendo los fundamentos para una industria forestal comercial y sostenible en Uganda. El SPGS ha llegado a ser un modelo robusto que atrae con éxito a los cultivadores del sector privado, y esto se ha logrado en un país donde la plantación de árboles en escala comercial se había considerado hasta ahora trabajo del estado. Los antecedentes y el modus operandi del proyecto se describen en este artículo, además de los desafíos que se ha tenido que afrontar. El proyecto ha suscitado un gran interés en otros países, y se analizan los elementos clave que han contribuido al éxito del SPGS con el fin de promover su duplicación en otros lugares.

INTRODUCTION

Uganda's Sawlog Production Grant Scheme (SPGS) does what you might expect: it gives grants to people establishing tree plantations primarily for timber production. It is a joint

European Union (EU) and Government of Uganda project that officially started in 2004, though it was a few years in the planning phase prior to that. In just four years, over 10,000 hectares (ha) have been established by private growers (both large and small scale) and the demand has been created

to multiply this many times over. The project has not just stimulated the planting of timber crops throughout the country but has kick-started the development of many areas which are essential to support the emerging sector – especially commercial forestry research, training and larger nurseries. In doing this many thousands of rural jobs are being created, both directly in plantation establishment and maintenance and indirectly in the support services mentioned.

In a country with massive rural poverty and rampant deforestation, the SPGS is proving to be a winning formula. It is also attracting substantial private investment into the sector, from both within and beyond Uganda's borders. The project is poised to receive substantial further support from both the EU and the Norwegian Government from mid-2009 to 2013. It is not really surprisingly, therefore, that many other countries in the region are now asking how the SPGS is achieving such results within a modest budget (*ca.* US\$5.5M to date). This article describes briefly how the project works but focuses more on what the author considers are the key reasons for its success. Whilst every country (even within Africa) is different, the SPGS has developed a model which could be transplanted to other countries provided some of the fundamental issues described here are taken on board.

BACKGROUND

Before describing the *modus operandi* of the SPGS it is important to understand the background situation in the country. Around 20% of Uganda's land area is classified as forest, though the majority of this is woodland. The forest that remains is severely threatened largely from clearance for agriculture (subsistence and commercial) and charcoal production (>90% of Ugandan's depend on wood for energy). A recent study showed that Uganda lost 92,000 ha of forest in 2007 alone. The country's economy is growing fast (albeit from a low base) and this, coupled with a very high population growth rate (3.4%) is creating a demand for timber predicted to be 1M m³ per year by 2025. There are also fast developing markets in neighbouring countries – notably Rwanda, Kenya and Southern Sudan.

Despite the Ugandan Forest Dept.'s (UFD) warning-bells that started ringing well over 50 years ago, the country is now in dire straits with regard to timber plantations. The plantation establishment efforts of the late 1960's and early '70's (when some 15,000 ha of pine was planted) were unfortunately never built on. These over-mature plantations are now almost finished (<1,000 ha left) and the sad fact is that serious new planting (or replanting) only started around five years ago, with the EU support to the UFD. The generally accepted target for Uganda is 150,000 ha of timber plantations by 2020 - the bulk of which will be established by the private sector. There are currently only around 20,000 ha of plantations countrywide, and >80% of these are under five years old. Whilst this scenario is worrying at a national level, however, it is a great opportunity for those investing in timber plantations right now in Uganda.

One of Uganda's USPs (Unique Selling Points) is the

phenomenal growth rates achievable in many parts of the country. The combination of a bimodal rainfall pattern and generally fertile soils in many areas, results in some Mean Annual Increments (MAIs) that many visiting foresters cannot believe. On good sites MAIs of 60 and 30 m³/ha/yr are possible with *Eucalyptus grandis* and *Pinus caribaea* respectively. Of course, this is only the case where the right silvicultural techniques are applied – especially good weed control and the use of improved genetic material. In a country where there had been virtually no planting for 35 years this presents quite a challenge, with little experience of many 'modern' commercial plantation practices.

FOREST SECTOR REFORMS

The reform process in Uganda's forest sector has been written about exhaustively in Turyahabwe and Banana (2008) so here I offer a more personal view on the process and highlight where it has impacted on tree planting and on the SPGS.

The weaknesses of the UFD became clear in the 1990's, with rampant deforestation and many failed initiatives to expand the plantation resource. The Government of Uganda (GoU) and the donors who had supported the UFD for many years (notably EU and Norway) called time and insisted on a reform of the whole forest sector if they were to continue their funding. By 2004 - a long five years after the reform process began (funded largely by the UK's DFID) – the UFD was axed and a new, semi-autonomous National Forest Authority (NFA) created. Additionally, a District Forest Service (DFS) and a GoU watch-dog – the Forest Sector Support Division (FSSD) – were also created.

The NFA's core role is to manage the country's 1.2M ha of Central Forest Reserves (CFRs). There are 506 CFRs across the country, ranging from Tropical High Forest (including the famous Budongo and Mabira Forests) to highly degraded or sparsely wooded areas suitable for commercial planting. Long-term tree-planting licenses (permits) are being made available to private investors in some of these CFRs. The NFA has planted *ca.* 5,000 ha itself since 2004 and has plans to establish up to 50,000 ha if it can source sufficient funding. The NFA also has commercial nurseries and offers private growers other services such as mapping and writing management plans.

SPGS

The idea of a Plantation Fund (which evolved into the SPGS) to attract the private sector interest into commercial tree planting, was originally part of a larger EU initiative – the Forest Resources Management and Conservation Programme (FRMCP). The FRMCP was a 5-year, €12M programme which started in 2002. It was the culmination of over 10 years of EU support to the Ugandan forest sector, all of which had been directed at conservation of those CFRs considered to be biodiversity 'hot-spots'. For the

first time, however, the important link between plantations and conservation was made and the FRMCP included a component of *ca.*€2M for 'compensatory timber plantations' to be established by the private sector.

It took nearly two years to come up with the right formula for the SPGS: after the inevitable stakeholder workshops and much deliberation, it was decided that the best approach was conditional grants rather than loans. Initial attempts to get an external body to run the initiative had failed, with financial institutions nervous about commercial forestry (having no experience of it and alarmed by the time-scale). Eventually it was decided that the FRMCP should run the SPGS, under the supervision of a separate Steering Committee. It took some time for people to consider investing in tree planting, since it had always been considered the State's business. However, after a slow start in 2004, the interest from the private sector took off exponentially, even threatening to swamp the newly launched ship, with questions being raised in Parliament about why the project does not support more growers throughout Uganda.

The SPGS initially operated within the NFA but it was considered inappropriate for the organization to be also controlling a fund for private sector planting, especially given that they were actively seeking funds themselves to finance their own commercial planting. Although the SPGS was always kept separate from core NFA operations, the project officially moved from the NFA in 2006 and was placed under the supervision of FSSD, within the GoU's Ministry of Water and Environment. In practice, however, the SPGS team has been left to run their business, reporting to a Steering Committee every three months, which has representatives of GoU, EU and the private sector.

HOW THE SPGS WORKS

The protracted gestation period of the project turned out to be a blessing in disguise since it gave time to consult with many people – from both inside and outside the country. When the SPGS was officially launched in 2004, it had clear guidelines for potential tree growers. The main components of the Scheme are as follows:

- Support is only for private sector individuals, associations and/or companies.
- The SPGS contracts are for a minimum 25 ha and maximum 500 ha.
- The land for planting can be privately owned or CFR land from the NFA.
- A formal Contract must be signed before support can be given.
- The Contract must include an approved Forest Management Plan (FMP).
- The SPGS only supports trees grown primarily for timber and/or large poles.
- The Contract includes basic standards that must be achieved – e.g. species planted as per FMP; use of approved seed sources only; minimum 80% stocking after three months; basic 1m diameter ring-weeding;

protection from livestock and fires etc.

- The project's support period covers the first two years of establishment only.
- The grant is set at a fixed rate countrywide (UGX600,000 – *ca.*US\$350 – per ha).
- The rate was calculated at 50% of the average full establishment cost.
- Payment is split into three tranches over the two-year contract period.
- No grant funds are paid up-front: SPGS 'clients' must thus start with their own resources.
- Payments are only made after a site inspection has confirmed the area planted and the standards achieved.
- Technical support is largely free – in terms of advice given on-site (or in the office) and many useful publications.

The current SPGS team comprises a Project Manager (a non-forester) with five young forestry graduates and administrative support staff. There are two long-term TAs (Technical Advisors, the author included) attached to the project, both seasoned by many years experience of commercial pine and eucalypt plantations in Southern and East Africa. The young graduates had little or no experience of commercial forestry when recruited but have been intensively trained and 'mentored' by the TAs as well as being exposed to the commercial forestry culture in other countries. Over a four year period, the SPGS has achieved substantial results and learned some valuable lessons which will be of interest to anyone considering starting a similar project elsewhere. These thoughts are summarized over the following sections.

PLANTATIONS ESTABLISHED

Ten thousand hectares of plantation have been directly supported (i.e. financially and technically) by the project to date (Sept 2008). Of the 10,000 ha total, 79% was planted on public (CFR) land, 21% on private land. The breakdown by size of planter is shown in Table 1. There has also been substantial (to date not quantified) private planting outside of the SPGS and many of these have benefited from the project's advisory and training support.

One of the interesting things about the SPGS has been the way it has appealed to a wide cross-section of investors.

TABLE 1 *Breakdown of SPGS Planters 2004-08*

Plantation Size (ha)	No. Planters Contracted	% Total (10,000ha)
25-99	70	29
100-199	24	28
200-500	12	43

The project's main beneficiaries are the small-medium entrepreneurs, many of whom had no background experience of tree growing: the SPGS incentives were enough to get them started with what they see as a good investment. The larger growers (four companies) would probably have started planting without the project's support but the SPGS's other roles (especially technical support and general promotion of the industry) have been more important to them. These larger growers are now planting beyond the SPGS supported areas.

The SPGS only funds plantations grown for timber and/or large poles. The main species promoted are *Pinus caribaea* var. *hondurensis* (PCH), *Eucalyptus grandis* and the indigenous *Maesopsis eminii*. Limited areas are also being planted with *P. patula*, *Araucaria cunninghamii* and *Terminalia superba* and (from early 2008) *Eucalyptus* hybrid clones. *P. oocarpa* was planted at the start but the seed quality available in Uganda is so poor that the project does not now promote it. Expected rotations are 18-20 years for PCH and 12-15 years for *E. grandis*, provided the heavy, early thinning regimes recommended by the SPGS are followed.

RAISED AWARENESS

During the project's lifespan enormous interest has been created in growing trees for timber in Uganda. This has been achieved through numerous communication and training initiatives - namely:

- A highly regarded, quarterly Newsletter: this is a glossy, full colour publication used to keep people informed about the project and the sector. It is also used as educational and motivating tool, with pictures of good and bad practices from Uganda and beyond.
- Field-based clients' meetings are organized every three months: these have become immensely popular and a great way for people to share experiences. After a full day's tour of various plantations, there is a half-day formal meeting always with a lively question and answer session.
- Many SPGS Plantation Guidelines have been printed and freely disseminated: these are practical, well illustrated publications.
- The project saw the need early on to provide practical training courses aimed at the clients' supervisors and field managers. These are mostly 4-day, residential courses, only partly subsidised by the project and run by the project staff: the key ones being Plantation Planning and Establishment and Plantation Maintenance. All clients are strongly advised to send their key staff to attend such courses.
- The project has for the last three years organized a national Commercial Forestry Seminar in order to raise the profile of the business. Importing high profile Guest Speakers has helped immensely here (in 2008 - John Spears, ex-World Bank Senior Forestry Advisor; in 2007 - Mike Edwards, ex-ED of Forestry South Africa).

All the above publications (and Seminar proceedings) are available to download at www.sawlog.ug

COMMUNITY SUPPORT

The SPGS has always had a very commercial outlook, which is believed to be the best way to help develop a sustainable forest industry in Uganda. It was intended from the outset, however, that it would be prudent to extend the project's support to some of the smaller growers in the vicinity of the main commercial growers, thereby 'sensitizing' these communities about tree growing. For these small, community-based people, the project developed a different approach than that for its main clients. Interested communities with some spare land for growing timber trees are encouraged to form an Association. SPGS staff then conduct on-site training in the basics of tree establishment and provided these community groups prepare the land adequately, the project then delivers seedlings at a time coinciding with the rains. No funds are given to the community planters - just free advice and seedlings.

The interest in this community planting initiative took us by surprise and over 500,000 seedlings have been delivered from 2005-08. The demand is there for much more support in the future too. Given that the people have already shown interest and put in some effort to prepare the land for planting, it is a reasonable assumption that most of these trees were subsequently planted out (the project is currently following up on this), which adds up to a significant contribution to the cause (and of course, important income for the growers in time too).

HOW IS THE SPGS SUCCEEDING?

Many people have recently asked us this question and like many aspects of forestry, there is not a straight answer. It is down to a combination of factors many of which have been mentioned in this article. However, it will do no harm to reiterate the keys ones:

- The provision of grants is an obvious attraction for any grower but the provision of sound technical advice has been equally important.
- The project's field staff must have sound experience of commercial forestry plantations, preferably in the private sector environment.
- Not paying any funds up-front sorts the chancers from the serious planters pretty quickly.
- The 25-500 ha range appealed to a wide range of investors and the smaller growers have clearly benefited from the experience of the larger ones.
- The project's many communication channels and its flexible attitude have been important (with a supportive Steering Committee too). The project initially excluded Eucalypts (thinking growers would take the grant and then cut them for poles and firewood); it had a 100 ha lower limit (lowered to 25

ha early on after listening to the pleas of many smaller growers) and offered growers no support beyond the 2-year contract (small pruning and thinning grants were introduced in 2007).

- The SPGS is basically a forestry extension service: but having well trained and motivated staff has made the difference.
- The project setting and enforced clear standards from the outset, despite significant pressure to relax the rules.
- A number of 'best practice' demonstration plots were established in strategic areas close to some of the country's main arterial roads in 2002/03. These created a huge interest within just a few years (a combination of Uganda's fast growth rates with modern silvicultural practices not seen before certainly helped the cause). These plots are still valuable for training purposes.
- The project used some early successful growers as role models, which not only fostered a competitive spirit but eventually created a 'peer pressure' environment.
- From the start, the approach of the project was not to reinvent the wheel by trying out and adapting appropriate practices that had been developed successfully elsewhere. The TAs' experience and the trips with growers to Southern Africa helped foster this approach.

SUSTAINABILITY

The most frequent criticism leveled at the project has related to its sustainability. Donor-funded projects invariably have a short lifespan - unlike timber trees (even with Uganda's growth rates). This means that many potential planters have been disappointed not to get support. The SPGS however, developed a momentum of its own and the results along with the huge private sector interest, helped persuade the donors and the GoU that this project was working well and needed to be supported longer. The EU's initial funding for the two year period (2004-06) was then extended by a further two years (2006-08) and there is now a strong likelihood of an extension (and considerable expansion) up to 2013 - to be funded jointly by the EU and the Norwegian Government.

Another very important achievement has been to facilitate the formation of an independent, voluntary growers' organisation - the Uganda Timber Growers Association (UTGA). UTGA has in a very short space of time, become respected by the GoU and others as representing the private growers (they already have over 60 members signed up to date, including all the medium to large growers). UTGA will hopefully be around for a long time after the SPGS has closed.

The SPGS is aimed at helping the private sector to lead the development of a sustainable forest industry in Uganda. The focus to date has been on producing quality sawlogs and large poles, though there will inevitably be many other

by-products and end-products that will be also produced. Given the history of the sector, there is currently very little in terms of modern processing facilities in Uganda and thus the whole issue of timber processing and marketing will have to be the focus of more attention in the near future.

The project has clearly raised awareness of the great potential of commercial forestry not only as a sound investment but as a great tool for rural development. It has also left behind a permanent legacy in terms of training a new generation of foresters - and changing people's attitudes from the rigid practices of the past to a more dynamic and exciting environment that is forestry today.

SEED AND SEEDLING WOES

It will come as no surprise to hear that the recent surge of interest in commercial tree planting in Uganda has placed a severe strain on a range of support services in the sector, most notably seed and seedling supply and the need for practical research and training in commercial forestry matters. Indeed Uganda is proving to be a fascinating case study for setting up a commercial forestry industry almost from scratch.

For various reasons we don't have sufficient space to discuss, the country has lost nearly all its best genetic material, with virtually all trials and seed stands converted into planks. The SPGS made it clear from the start that the vast majority of local seed was not of sufficient quality for commercial planting. On the one hand the project was fortunate that its principle species - *Pinus caribaea* var. *hondurensis* (PCH) - was the focus of Garth Nikle's and his team's excellent breeding programme in Queensland. Thus we were able to import high quality, seed orchard PCH direct from Australia (at a price of course!). On the other hand, we have been unfortunate insofar as PCH is not a prolific seed producer and thus have not been able to source enough improved seed (a private supplier from Brazil has kept us going). Improved *E. grandis* seed has also been imported from South Africa, though this is also in very short supply.

The nurseries in Uganda have also struggled to cope with the rapid increase in demand. There are no large, modern nurseries here yet (though some of the larger companies have plans for them) and thus the highly inefficient poly-pot and top soil system prevails. Whilst this nursery system can produce high quality, robust plants and is certainly more forgiving than modern nurseries, as production level soar, it requires huge quantities of soil to be moved around the country. The project is looking into ways of encouraging private entrepreneurs to invest in improved, larger nurseries, which after all, have a much quicker pay-back than growing sawlogs.

RESEARCH AND TRAINING

As a consequence of no new planting for the past 35 years or so, there has been little commercial forestry research or training going on in Uganda. This is clearly evident from the

lack of many silvicultural advances considered as standard in many countries - such as 'new' species and clonal testing, detailed site-species matching techniques, weeding research, spacing and thinning trials. The need for focused, applied research is fast becoming critical. The private sector investors are increasingly worried about the lack of support too. The country's official research and training institutions are now under the spotlight but are generally not used to the results-orientated, demand-driven environment that is now prevailing in the sector.

In order to stimulate some action, the SPGS has initiated a Steering Group called COMFORT (Commercial Forestry Research and Training). This has all the key players from the sector - including public institutions and private growers' representatives. Through COMFORT, the private sector have set out their priorities and the first research projects were funded by the SPGS in 2008 - one on pests and diseases, the other a tree growth study. Another early result from COMFORT was finding field placements for students from the local forestry college (Nyabyeya) to gain valuable practical experience with private growers during their long vacation. Hopefully this will be the start of a major private sector-driven, research and training initiative that will develop as the sector expands.

THE WAY AHEAD

With the anticipated expansion of the SPGS it is a good time to reflect on the first phase and to plan carefully for the next phase. Likely changes could be: expanding the successful community support (hopefully in partnership with selected community-based organisations); raising standards of growers (the current SPGS is already piloting a small Group Scheme application under the Forest Stewardship Council); scaling up support for commercial forestry research and training facilities in the country and even bioenergy plantations. Further efforts will also have to be made to find the most appropriate ways to get the message across to the country's decision makers about the huge socio-economic potential of a sustainable forestry industry based on fast-growing tree plantations.

MANAGEMENT IS THE KEY

With the best will in the world, having a solid (and proven) project design is only part of the battle. As with all successful organisations, the key lies in the management team. To succeed the team needs to have a results-orientated, private sector approach to their business. This infers having adequate (and timely) funds and clearly defined targets. The reporting systems - financial and physical - must also be rigid and deadlines adhered to. Any grant scheme is open to abuse, with some people willing to 'persuade' project staff to sign off their plantations, even though they did not make the grade. Thus checks must be built into the system - for example, a self auditing system with random checks on

growers.

The staff must be equipped with necessary skills to confidently and professionally give sound advice to people: such skills do not come overnight (or from attending a short course on plantation forestry) so time must be allowed to build up the team's skills. They need to be well motivated to achieve their tasks: in this regard, the SPGS's trips with staff and growers to countries with a large commercial forestry sector (like South Africa and Swaziland) have paid off handsomely.

Selecting foresters based merely on their seniority from Forest Departments or Authorities will not necessarily reproduce the SPGS's results in Uganda. Experience with the private sector and also commercial tree plantations are essential: if there are few such skills in country, it would be wise to bring in proven private sector managers, supplemented with experienced forestry advisors for a period to build up the skills. The SPGS's 'catch 'em young' policy (i.e. recruiting young forestry graduates and intensively training them) is highly recommended also.

Finally, the best *Eucalyptus* plantations in Uganda for many years were those established by non-foresters from the mid-1990's onwards, in James Finlay's tea estates in Western Uganda. The vast majority of the SPGS's growers are not foresters either, but entrepreneurs with land, who are eager to learn how to grow trees well. Makes one think doesn't it?

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