Inclusion of Forestry, Forestry products and Services in Sustainable Procurement and integration into National Procurement Systems for Uganda

A policy paper

Developed by:

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Submitted to:

The Commissioners,

Procurement Policy and Management Department

Ministry of Finance, Planning and Economic Development

January 2021

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1 The Forest Stewardship Council ™(FSC™).
2 Forest Support Services Division (FSSD), Ministry of Water and Environment (MWE).
3 Environment Alert and Uganda National FSC Standards Group Secretariat.
4 Makerere University; and Uganda Forestry Working Group (UFWG)
5 Worldwide Fund for Nature (WWF).
6 Uganda Timber Growers Association (UTGA).
7 The New Forests Company (NFC).
8 Busoga Forestry Company Ltd (BFC)-A Subsidiary of Green Resources.
9 Tree Talk Plus Uganda; and Uganda Forestry Working Group (UFWG)
10 World Agroforestry Centre (ICRAF).
12 Busoga Forestry Company Ltd (BFC).
1.0 Overview

This policy paper presents proposals to Ministry of Finance, Planning and Economic Development for consideration to explicitly include forestry, forestry products and services in sustainable procurement and integration into national procurement systems. This policy paper was developed following a request by Ministry of Finance, Planning and Economic Development at their stakeholders consultation workshop on: ‘Integration of Sustainable Procurement into National procurement systems’ held on 16 December 2020 at Imperial Royale Hotel, Kampala. The Ministry’s request was for stakeholders in the forestry sector to provide technical information as basis to justify inclusion of forestry into the ongoing review of the procurement legal framework.

Hence, this paper was developed by technical specialists in forestry (indicated on the cover page and annex 2), representing: Forest Support Services, Ministry of Water and Environment; Environmental Non-Governmental organizations; Forestry associations and working groups; Forest certification schemes, Uganda National FSC Standards Group, Certified forestry companies and Academia; and being coordinated by the Forest Stewardship Council (See annex 1 for the full names of organizations and institutions represented).

Prior engagement meetings conducted in quarter 4, 2019 with the Commissioner, Ministry of Finance Planning and Economic Development; the Chief Executive Officer and Directors at Public Procurement and Disposal of Public Assets (PPDA); and the Chair, Parliamentary Committee on Finance, about inclusion of forestry in sustainable procurement, provided invaluable guidance to the team on how to contribute to the ongoing review process and has also further informed the development of this paper.

The paper underpins the importance of forestry in achieving Uganda’s development agenda and the current state of the forests. It highlights the problem/issue at hand, that require targeted interventions with regard to sustainable procurement of forest products. The paper further proposes to the Ministry, key forestry products to consider on preference and reservation schemes and highlights key stakeholders and their roles in increasing sustainable forest products on the market.

1.0 Introduction

Forestry is one of the key sectors at the core of Uganda’s economic transformation and industrial development agenda. Government of Uganda’s infrastructure development projects such as construction of roads, power dams, electricity transmission, schools, to mention a few, depend on the country’s forests for provisioning of required wood and wood associated products. The Government procures 20% of all the timber on the Ugandan market to execute these projects (Tumushabe et al., 2014). Uganda’s goal to reduce acute deficit of affordable and quality housing units by 20% by 2025 currently estimated at 2.2 million units (National Planning Authority, 2020), is dependent on the supply of quantities and
quality of wood and associated products from forests required by the Government for the construction, flooring and furnishing works of the planned units.

Similarly, private sector businesses mainly in construction, furniture, pulp, paper and packaging are utilizing high quantities of wood materials to provide products and services required by Uganda’s growing population. The hotel and restaurant industry, confectionary, vegetable oil processing, fish smoking, tea drying, brick baking and lime production are lucrative businesses in the country, utilizing 86% of the energy from wood and charcoal for their operations (Walter and Aubert, undated). Fuel wood (firewood and charcoal) extracted from the forests contribute over 90% of the energy required by Ugandan urban and rural homes for cooking (Ministry of Water and Environment, 2015; National Planning Authority, 2020). Besides, 60% of Ugandans solely rely on herbal medicines extracted from forests for treating numerous diseases—up to over 70 ailments in some districts (Tabuti et al., 2012).

The forestry sector contributes approximately 4% to Uganda’s gross domestic product (GDP) (UBOS, 2020) and provides gainful employment to about one million Ugandans (Ministry of Water and Environment, 2015), in addition to supporting other most productive service sectors such as Agriculture (through soil fertility improvement and protection from erosion); Fisheries, Water and Environment (through protection of watersheds and biodiversity ecosystems in Uganda’s productive landscapes, replenishing water aquifers, carbon sequestration and reducing the effects of climate change). Bush et al., (2004) estimated the value of ecosystem services from Uganda’s forests at Uganda shillings 222 billion (USD 88.8 million) in 2004, a figure re-quoted by the Ministry of Water and Environment (2015), in its report of 2015 on the state of Uganda’s forestry.

Moreover, Uganda’s forests generate 61% of the total income obtained from tourism (National Planning Authority, 2020), the fact that the forests are home to vast and unique species of plants and wildlife, including the mountain Gorillas and Chimpanzees that are significant tourist attractions for the country. Thus, Uganda’s forests are crucial towards achieving the country’s Agenda 2063 target: to increase the contribution of tourism to GDP.

### 2.1 Current status of Uganda’s forests

The FAO Global Forest Resources Assessment 2020 report for Uganda estimates Uganda’s total forest area at 2.3 million hectares in 2020, while data by the National Forestry Authority (2015) indicates that Uganda’s forest area was 1,829,779 hectares in 2015. However, both sources approximate Uganda’s forest area to be 9% of the country’s total land size (240,000 Square kilometres).

Compared to 24% forest cover in 1990, Uganda lost over 3 million hectares of forest in 25 years. Josephat M. (2018), attributes the alarming forest loss to growing demand for forest products for domestic and industrial use, unsustainable/illegal harvesting and trade in forest products, illegal settlement, expansion for agriculture and weak forest management capacity, among other factors. Table 1 shows the
available data on forest types and their respective sizes. It also shows the forest cover changes between 1990-2015.

Table 1: Forest area and change (in hectares) for the period 1990 to 2015.

<table>
<thead>
<tr>
<th>Forest ownership</th>
<th>Forest type</th>
<th>1990</th>
<th>20000</th>
<th>2005</th>
<th>2010</th>
<th>2015</th>
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</thead>
<tbody>
<tr>
<td>PRIVATE</td>
<td>THF well stocked</td>
<td>172,274</td>
<td>127,022</td>
<td>79,789</td>
<td>50,662</td>
<td>20,439</td>
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<td></td>
<td>THF degraded</td>
<td>175,052</td>
<td>160,883</td>
<td>149,008</td>
<td>50,423</td>
<td>35,400</td>
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<td>Woodland including montane</td>
<td>2,971,763</td>
<td>2,258,873</td>
<td>1,948,534</td>
<td>945,221</td>
<td>605,146</td>
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<tr>
<td></td>
<td>Plantation</td>
<td>12,000</td>
<td>7,000</td>
<td>11,000</td>
<td>19,000</td>
<td>37,000</td>
</tr>
<tr>
<td>Sub total</td>
<td></td>
<td>3,331,090</td>
<td>2,553,778</td>
<td>2,188,331</td>
<td>1,065,306</td>
<td>697,986</td>
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<tr>
<td>PROTECTED</td>
<td>THF well stocked</td>
<td>419,456</td>
<td>549,140</td>
<td>419,972</td>
<td>431,259</td>
<td>410,449</td>
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<tr>
<td></td>
<td>THF degraded</td>
<td>83,911</td>
<td>57,792</td>
<td>36,536</td>
<td>55,160</td>
<td>100,880</td>
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<td>Woodland including montane</td>
<td>1,028,027</td>
<td>842,756</td>
<td>907,752</td>
<td>703,113</td>
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<td>Plantation</td>
<td>18,000</td>
<td>15,000</td>
<td>21,000</td>
<td>38,000</td>
<td>64,000</td>
</tr>
<tr>
<td>Sub total</td>
<td></td>
<td>1,549,394</td>
<td>1,464,688</td>
<td>1,385,260</td>
<td>1,227,532</td>
<td>1,131,793</td>
</tr>
<tr>
<td>Grand total</td>
<td></td>
<td>4,880,484</td>
<td>4,018,466</td>
<td>3,573,597</td>
<td>1,292,838</td>
<td>1,829,779</td>
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</table>

% of total land area

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<tr>
<th></th>
<th>1990</th>
<th>20000</th>
<th>2005</th>
<th>2010</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>PRIVATE</td>
<td>24</td>
<td>20</td>
<td>17</td>
<td>11</td>
<td>9</td>
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<tr>
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<td></td>
<td></td>
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</table>


2.2 The problem/issue and required action

If the current rate of deforestation and degradation of Uganda’s forests persists, coupled with the current uncontrolled illegal harvesting and trade in forest products; and if no responsive and commensurate forest restoration & sustainable management interventions are taken, Uganda is projected to have no forests by 2050 (The Independent, 2016; Global Landscapes Forum, 2018).

Worldwide Fund for Nature (WWF) studies (2011; 2012) recommended that procurement entities should specify that wood products should be from legal or certified sources, however, this has not been realized. Turyahabwe et al., (2015) indicates that 80% of the wood on the Ugandan market is from illegal sources and of poor quality, traded informally i.e without complying with official procurement procedures and regulations of Uganda. This not only continues to cause massive destruction to the remaining forests and accelerating the effects of climate change, but also continues to lead to losses of revenue for the country. Turyahabwe et al. (2015) and WWF (2020) indicate that as a result of illegal trade and the high level of informality in wood trade, Uganda loses revenue worth Uganda shillings 23 billion (USD 8 million) annually through unpaid taxes.

In the quest for legal and good quality wood and associated products, most entities including Government sometimes rely on imports of similar products from neighboring countries e.g. Democratic Republic of Congo (DRC), that would otherwise be produced locally in Uganda. For example, in 2019, Uganda imported over 265 million tonnes of wood products worth USD 228 million up from 192 million tonnes in 2015 worth USD 139 million (FAOSTAT,2021) Relying on imports of wood products further deprives Ugandan citizens of revenue. More importantly, if it
continues in the stated magnitude, it is likely to jeopardize implementation and achievement of set targets under the Buy Uganda Build Uganda (BUBU) policy, (2020) that aims to: promote the consumption of local goods and services; promote the use of and conformity to standards to guarantee quality goods and services; and provide capacity building programs to local suppliers of goods and services.

More so, illegal trade in forest products has continued to undermine sustainable forest management investment. Forestry businesses that are committed to responsible forestry practices are continually facing stiff competition from counterparts who access illegally sourced wood, making it very expensive and difficult for legal business operations to break-even regardless of their commitment to comply with existing national laws and regulations and/or nationally adapted standards, such as, the FSC™ National Forest Stewardship Standard of the Republic of Uganda (NFSS) (2018)\textsuperscript{13} being operationalized to advance forest certification in Uganda.

At the current rate of deforestation and illegalities in wood/timber trade, Uganda is likely to lag behind with regard to fulfilling its international commitments/agreements and obligations connected to forestry which include among others; Climate Change Paris agreement whose goal is to limit global warming to well below 2, preferably to 1.5 degrees Celsius (UNFCCC, 2021) the Convention on International Trade in Endangered Species (CITES) which ensures that international trade in specimens of wild animals and plants does not threaten their survival (CITES, 2021) Convention on Biological Diversity which aims to conserve biological diversity and sustainable use of components of biological diversity (CBD, 2021) and Sustainable Development Goals (SDGs) or Global Goals that are a call to action for governments to end poverty, protect the planet and ensure that all people enjoy peace and prosperity by 2030 (UNDP, 2021)

Not only does deforestation and illegal trade in forest products disrupt achieving Uganda’s international commitments and obligations, but also national level obligations by the Government such as meeting the Nationally Determined Contributions (NDCs), Bonn Challenge on restoring 2.5million hectares of degraded forest landscapes by 2030, Land degradation neutrality and the priorities of the third National Development Plan (NDP 111) 2020/21-2024/25 especially those in chapter 8 (tourism development), chapter 9 (climate change, natural resources, environment, and water management) and chapter 10 (private sector development).

To reverse the trend, the ongoing reforms to Uganda’s Procurement Policy, Law and regulations-integrating sustainable procurement into national procurement systems, are expected to incentivize sustainable forestry investment, emphasize and promote legal trade in legal forestry products and in turn, reverse the current deforestation and degradation rates of Uganda’s forests.

\textsuperscript{13} The NFSS was developed by the Standard Development Group (SDG) composed of a group of Ugandan forestry professionals representing Government, reputable NGOs, academia, and private sector through a highly consultative and participatory process. The standard was approved by the Forest Stewardship Council (FSC) and launched in partnership with the Ministry of Water and Environment (MWE) in 2018. The NFSS can be used by all forest managers/owners in Uganda seeking forest management certification for their natural and plantation forests.
Sustainable procurement has been included in the recently revised law and is expected to be well captured in the policy that is underway. This provides a launch pad for Ministry of Finance, Planning and Economic Development to ensure that:

a. Sustainable procurement for forestry products is well integrated into all the relevant national procurement systems.

b. Procurement regulations being developed prioritize forestry products inclusion on the preference and reservation schemes of Government; and

c. Public works/projects by Government and/or private sector working individually and/or in partnership with Government of Uganda are compelled to use only legal or certified wood and associated products for such works/projects.

Section 3 of this paper proposes resolutions for consideration by the Ministry of Finance, Planning and Economic Development for inclusion of forestry, forestry products and services into the procurement legal framework including the Policy and the regulations.

2.3 Wood products for inclusion on preference and reservation schemes

Despite the aforementioned challenges and existing pressure to Ugandan forests, great potential exists to exclude illegal timber value chains and instead, increase sustainable/legal wood and timber products on the market through a harmonized and coordinated product traceability.

Box 1 shows priority products proposed for enlisting on preference and reservation schemes for procurement by the Government. The proposed list was agreed during a technical meeting, with representation from the Forestry Support Services Division (FSSD) at the Ministry of Water and Environment, national environmental NGOs and associations, academia, private sector forestry businesses and forestry certification schemes on 11th January 2021.

**Box 1: Proposed products for inclusion on preference and reservation schemes.**

Sawn Timber, furniture, fuelwood (wood chips, firewood and briquettes), Utility poles (transmission, building and fencing), Pallets, Plywood, Particle Boards, Block Boards, Fiber Boards, High density Fiber (HDF) and Medium Density Fiber (MDF), Engineered wood (Laminate and finger joined).

2.4 Potential to increase sustainable wood/timber products on the market: Key players and their roles.

It's important to note that, there are various key stakeholders and actors in the forestry sector in Uganda that are implementing various interventions, programs and projects targeted at reducing deforestation and forest degradation and enhancing sustainable forest management to contribute to improved community livelihoods, national economic development. They also play a key role towards increasing sustainable forest products on Ugandan market. Discussions with some tree growers indicated that they already have a mature tree crop and are capable of raising
substantial volumes of quality wood for the market including certified wood products. Thus, further targeted engagement with all the key players listed in table 2 is required moving forward. **Table 2** shows some of key players listed and their roles.

**Table 2: Key players and their roles.**

<table>
<thead>
<tr>
<th>Category</th>
<th>Key players</th>
<th>Roles</th>
</tr>
</thead>
</table>
| A) Government agencies    | Ministry of Water and Environment; Ministry of Trade Industry and Cooperative; Ministry of Finance Planning and Economic Development Forestry Sector Support Department (FSSD); National Forestry Authority (NFA); Uganda Revenue Authority (URA); Uganda National Bureau of Standards (UNBS) | a. Policy alignment, regulatory framework, standards and ensuring legal trade of forestry products  
b. Attracting Investment for production of quality products  
c. Co-designing sustainable green/wood value-chain interventions  
d. Budget support to tree growing and forest landscape restoration activities  
e. Tax incentives to spur the industry |
| B) Private sector         | The New Forests Company; Kamusiime Memorial Rural Development Pilot Scheme; Busoga Forestry Company; Kinkizi Development company; Jumol Agrotec Industries; TUNADO and World of Bees Enterprise; Nile Ply; Nile fibre; Footsteps Furniture; Global Woods Ltd; Core Woods Ltd | a. Expansion of commercial forest estates  
b. Deepening wood value-addition and processing  
c. Market development/ linkages for out-growers  
d. Co-financing the offtake of wood value-chain bankable projects  
e. Value addition through Innovation Technology development and transfer and access. |
| C) Smallholder farmers    | District based Tree Growers and Wood Value-chain Cooperatives and Associations; Individual tree farmers | a. Add the trees on farm into the bio-wood economy (Expanding the raw material base for industrialization).  
b. Ensure that Trees on farm are commercially viable  
c. Forest Based Rural Industries   |
b. Joint advocacy  
c. Piloting bankable wood value-chain projects in their areas of operation.  
d. Forest management (FM) and chain of custody (CoC) certification for treatability; timber grading standards  
e. Development and revision of forest management and traceability standards |
| E) Academia and Research  | National Agriculture Research Organization Makerere University; Nyabeya Forestry College; UTC Bushenyi. | a. Research; Product development and Skilling |
| F) Donors and Development Partners | Climate and Development initiatives; Entrepreneurial development banks e.g. FOM-Netherlands; Embassies African Forest Landscape Restoration Initiative (AFR100) | a. De-risking Bankable investments Green value chain: Extending Cheap Credit to Entrepreneurs with Bankable projects that meet the sustainability criteria and are operating on scale. |
3.0 Proposals for including Forestry, forestry products and services into sustainable procurement legal framework-policy, and regulations

1. Supply of forest products should only be by a legal entity as prescribed in Uganda’s legislative framework.

2. Government entities and subsidiaries, Non-Governmental Organizations and private companies should only procure legal or/and certified forest products for all public and corporate projects.

3. A technical person in forestry at the District Local Government or Forestry Sector Support Department should provide guidance and input when formulating requirements for procurement of forest products to ensure compliance with relevant legal obligations.

4. For all Public Civil works or buildings works where timber or any wood product is required as a material, a technical person from District Local Government or Forestry Sector Support Department provide guidance on requirements, specifications, and evaluation of of the bid/contract.

5. A technical person in forestry at the District Local Government or Forestry Sector Support Department should provide guidance and input to ensure bid assessment processes for forest products are in tandem with all the relevant legal requirements and standards.

6. A technical person in forestry at the District Local Government or Forestry Sector Support Department should provide guidance and input in the preparation of the technical recommendation of any bid assessment report (where applicable) of forest products.

7. Public procurement of Reserved and red-listed species such as *Mvule, Afzelia, Mahogany* etc on Schedule 8 of National Forestry and Tree Planting Regulations 2016 should be done under special considerations guided by the Forestry Sector Support Department to avoid illegal extraction of the reserved species.

8. The legality of imported forest products should only be ascertained by the Forestry Sector Support Department to avoid Uganda being a consumer of illegal forest products from other countries.

9. All procurement processes of forest products should have a technical person in forestry at the District Local Government or Forestry Sector Support Department for third-party verification of legal compliance and traceability.

10. Preferential consideration be given to plantation species such as Pines, Eucalypts and Cypress as an incentive to catalyze restoration by market creation and enable Uganda to meet its global restoration targets and attain green growth pathway.
4.0 References


The Independent, (2016). Available at: https://www.independent.co.ug/uganda-will-no-forests-2050/;


United Nations Framework Convention on Climate Change (UNFCCC) (2021). Available at: https://unfccc.int/process-and-meetings/the-paris-agreement/the-paris-agreement;


Annex 1: Institutions and Organizations represented

MINISTRY OF WATER AND ENVIRONMENT
REPUBLIC OF UGANDA

UTGA
Uganda Timber Growers Association

FSC
FORESTS FOR ALL
FOREVER

WWF

THE NEW
FORESTS
COMPANY

World Agroforestry Centre
TRANSFORMING LIVES AND LANDSCAPES

Green Resources

Makerere University

Uganda Forestry Working Group

30
1988-2018

Tree Talk Plus
"Empowering Communities"
Annex 2: Participants at the 2 days technical meeting on 12&14 January 2021.

### ATTENDANCE FOR THE MEETING: INCLUSION OF FORESTRY, FORESTRY PRODUCTS AND SERVICES IN SUSTAINABLE PROCUREMENT

**HELD ON TUESDAY, 12TH JANUARY, 2021 AT UTGA OFFICE STARTING 9AM**

<table>
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<tr>
<td>1</td>
<td>Annali Agasha</td>
<td>ESC</td>
<td><a href="mailto:a-agasha@esc.co.uk">a-agasha@esc.co.uk</a></td>
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<tr>
<td>2</td>
<td>Issa Katende</td>
<td>FSU/NHE</td>
<td><a href="mailto:issakatende@nhe.co">issakatende@nhe.co</a></td>
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<tr>
<td>3</td>
<td>Alex Kyabawammy</td>
<td>New Ford CO</td>
<td>a.kyabawammy@newford</td>
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<tr>
<td>4</td>
<td>Harold Tumwesige</td>
<td>WWF</td>
<td><a href="mailto:h.tumwesige@wwf.co">h.tumwesige@wwf.co</a></td>
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<td>Dr. Joshua Zelo</td>
<td>Environment</td>
<td>j.zelo@environment</td>
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<tr>
<td>6</td>
<td>Patrick B. Kayagoba</td>
<td>UFWEI</td>
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<tr>
<td>7</td>
<td>Dennis Kamara</td>
<td>UTGA</td>
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**ATTENDANCE FOR THE MEETING ON WEDNESDAY, 13TH JANUARY, 2021 AT UTGA OFFICE STARTING 9AM**

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<td>BFC</td>
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<td></td>
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<td>2</td>
<td>Gaster Kiyangi</td>
<td>Tree Talk Plus</td>
<td>0772 446 110</td>
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