INVESTING IN UGANDA'S FORESTRY INDUSTRY

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OVERVIEW OF THE FORESTRY INDUSTRY

TREND/PERFORMANCE

Forestry is of high economic importance to Uganda due to its household uses. The energy sector is characterized by a heavy dependence on Bio-mass resources, which provide more than 90% of the national total energy needs. Bio- mass is the dominant energy resource for households and small scale industries like lime, brick and tile making and a number of agro- based industries like tea, tobacco and fishing.

FAO estimates that forest cover in Uganda has halved during the past century, and currently is shrinking at a rate of 55,000 ha per year. Others estimate the rate of land clearance to be between 70,000 and 200,000 ha per year. The combined effects of deforestation and high consumption result in an accelerating imbalance between national demand and supply of forest products. Even under the most optimistic scenario, Uganda moved into net national fuel wood deficit in the year 2000. This decline will particularly affect the poorest Ugandans, who are least able to respond to shortages, choose alternative livelihoods or accommodate the loss of natural assets and safety nets.

Tropical High Forests are particularly important as they provide disproportionately high values of forest products, environmental services and biodiversity. The quality of the Tropical High Forest (THF) has declined over time, losing productive capacity and biodiversity. Well over 30% of the THF is now degraded, with private forests shrinking more rapidly than forests managed by the government.

The major factors in the loss of forest cover and forest degradation are conversion of forest into agricultural and grazing land, and over-harvesting for firewood, charcoal, timber and. non-wood forest products.

The National Forest Plan (NFP) is the sectoral plan for forestry development in Uganda that was developed through extensive consultative process. The Uganda forestry policy (2001) sets out the following policy objectives, which the NFP will turn into action the above situation.

1. The **permanent forest estate** under government trusteeship will be protected and managed sustainably.

2. The development and sustainable management of **natural forests on private land** will be promoted

3. Profitable and productive **forestry plantation** business will be promoted

4. A modern, competitive, efficient and well regulated **forest products processing industry** will be promoted in the private sector

5. **Collaborative partnerships** with rural communities will be developed for the sustainable management of forests.

6. **Tree growing on farms** will be promoted in all farming systems, and innovative mechanisms for the delivery of forestry advisory services will be developed.

7. Uganda's **forest biodiversity** will be conserved and managed in support of local and national social economic development and international obligations.

8. **Watershed protection forests** will be established, rehabilitated and conserved

9. **Urban forestry** will be promoted

10. The government will support sustainable forest sector development through appropriate **education, training and research**

11. Innovative mechanisms for the supply of **high quality tree seed and improved planting stock** will be developed.

Wood Production

Total wood production (monetary and non- monetary) has registered a steady increase over the years. Fuel wood used by households constitutes a big percentage of all wood used. The trends are indicated in table 1 below.

Table 1. Fuel wood and other wood uses by percentage of Total 1995-1999

Category	**1995**	**1996**	**1997**	**1998**	**1999**	**2000**	**2001**
Wood used as fuel by households	65.9	65.4	64.8	64.3	64.0	62.0	61.3
Wood for other uses	34.1	34.6	35.2	35.7	36.0	38.0	38.7
Total	**100**	**100**	**100**	**100**	**100**	**100**	**100**

SOURCE: Forestry Department, Ministry of Water, Lands and Environment.

The annual consumption of wood in Uganda is estimated to be around 25 million tonnes or approximately 1.1 tonne per capita. About 95% of this is consumed as fuel wood: 16 million tonnes (65%) as household firewood, and about 4 million tonnes each as charcoal and as commercial and industrial firewood (16% and 14% respectively). The remaining 5% is consumed in the form of poles and timber.
The demand for forest , products is expected to increase with economic growth and a rapidly t increasing population. The demand for charcoal, saw logs and poles in particular is expected to increase more than the demand for firewood, due to increased urbanisation. However, fuel wood is still expected to be the most important energy source for the foreseeable future.

Production of round wood for timber has also been on the increase. Table 2 shows the trends in production over the last decade.

Table 2: Total production ('000 tonnes)and value of out put (Million Shillings) of round-wood timber

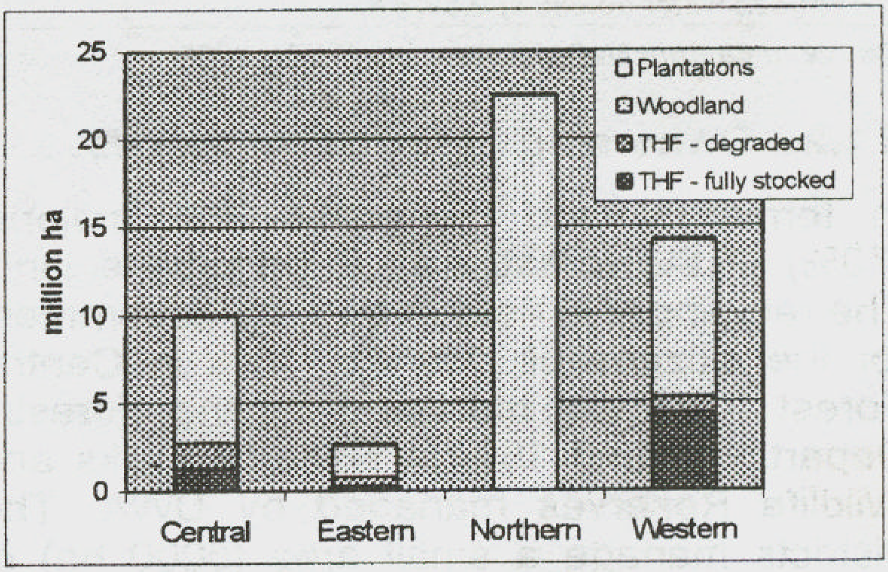
Category	1990	1992	1994	1996	1998	1999	2000
Production of wood and value in brackets	**Monetary**						
For sawn timber	317 *(3,931)*	366 *(9,077)*	434 *(12,239)*	503 *(16,080)*	584 *(21,024)*	546 20202	610 23180
For poles	120 *(684)*	135 *(1,486)*	151 *(2,021)*	170 *(2,720)*	193 *(3,200)*	201 (3493)	213 (3842)
For fuel wood – Household	501 *(1,202)*	529 *(2,243)*	555 *(2,853)*	584 *(3,590)*	639 *(4,079)*	678 (4529)	731 (5073)
For fuel wood – commercial	336 *(806)*	372 *(1,579)*	410 *(2,107)*	452 *(2,782)*	493 *(3,147)*	523 (3495)	619 (4293)
For fuel wood – industrial	486 *(1,166)*	620 *(2,631)*	697 *(3,579)*	783 *(4,816)*	875 *(5,585)*	966 (6451)	1376 (9544)
For charcoal	2,376 *(6,843)*	2,644 *(13,464)*	2,971 *(18,312)*	3,305 *(54,385)*	3,784 *(28,981)*	3862 (30957)	4093 (34070)
Total	**4,136 *(14,633)***	**4,666 *(30,480)***	**5,219 *(41,109)***	**5,797 *(61,089)***	**6,568 *(82,016)***	**6776 69128**	**7643 80001**

Production of wood and value in brackets	**Non – monetary**						
For poles	318 *(1,813)*	344 *(3,791)*	365 4,868	387 *(6,186)*	411 *(6,810)*	421 (7305)	429 (7723)
For fuel wood – Household	11,250 *(13,500)*	11,871 *(25,185)*	12,533 *(32,184)*	13,232 *(40,700)*	13970 *(44,584)*	14247 (47589)	14507 (50311)
For fuel wood – commercial	1,290 *(3,096)*	1,361 *(5,776)*	1,437 *(7,381)*	1,517 *(9,334)*	1602 *(10,225)*	1632 (10906)	1662 (11530)
For fuel wood – industrial	152 *(365)*	160 *(681)*	169 *(870)*	179 *(1,100)*	189 *(1,205)*	192 (1285)	196 (1356)
Total	**13,010 *(18,773)***	**13,737 *(35,432)***	**14,505 *(45,303)***	**15,315 *(57,320)***	**16172 *(62,824)***	**16493 (67085)**	**16793 (70922)**

Production of wood and value in brackets	**Total**						
For sawn timber	317 *(3,931)*	366 *(9,077)*	434 *(12,239)*	503 *(16,080)*	584 *(21,024)*	546 (20202)	610 (23180)
For poles	438 *(2,497)*	479 *(5,277)*	516 *(6889)*	557 *(8,906)*	604 *(10,010)*	622 (10798)	642 (11564)
For fuel wood – household	11751 *(14,702)*	12400 *(27,428)*	13089 *(35,037)*	13816 *(44,290)*	14609 *(48,663)*	14925 (52119)	15238 (55383)
For fuel wood – Commercial	1626 *(3,902)*	1733 *(7,354)*	1847 *(9,488)*	1970 *(12,116)*	2095 *(13,372)*	2156 (14401)	2281 (15822)
For fuel wood – industrial	638 *(1,531)*	781 *(3,312)*	866 *(4,448)*	962 *(5,916)*	1064 *(6,790)*	1158 (7736)	1572 (10902)
For charcoal	2376 *(6843)*	2644 *(13,464)*	2971 *(18312)*	3305 *(24,397)*	3536 *(28,981)*	3862 (30957)	4093 (34070)
Total Wood Production	**17146 *(33,406)***	**18403 *(65,912)***	**19724 *(86,412)***	**21112 *(111,705)***	**21900 *(128,840)***	**23268 (136214)**	**24436 (150922)**

SOURCE: Forestry Department, Ministry of water, Lands and Environment

Figure 2.2 Forest areas by region



Source: based on National Biomass Study 1999.

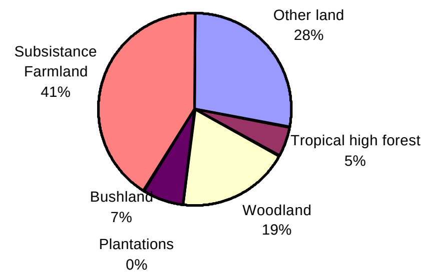
RESOURCE AVAILABILITY

Area and biomass of forest resources

There are 4.9 million hectares of natural forests and woodlands in Uganda, which cover 24% of the land area (see Figure 2.3). The majority of this forest area (81%) is woodland, 19% is tropical high forest and less than 1% is forest plantations. The distribution of these resources varies greatly by region, the northern region dominated by woodland, the majority of the tropical high forest in the western region (see Figure 2.2 above).

Although the area of tropical high forest is small (5% of Uganda's land area, Figure 2.1), it produces significant resources and is highly productive: it holds 35% of the country's total biomass resource and produces a net growth of 15 tonnes of wood on each hectare every year (Table 2.1). The plantation resource is currently very small (0.2%) but also very productive! (16 tonnes/ha/year), with great potential for expansion in area and yields.

Figure 2.3: Land Cover in Uganda



In addition to the 4.9 million hectares of natural forests and woodlands, there are also substantial forest resources on-farm. Over 40% of the land is put to subsistence agriculture (Table 2.3), and this holds 24% of national biomass .in the form of scattered trees, forest patches and agro forestry crops included within farming systems. There is thus almost as much forest biomass on-farm as in the country's natural woodlands.

Figuire 2.4: Biomass in Uganda

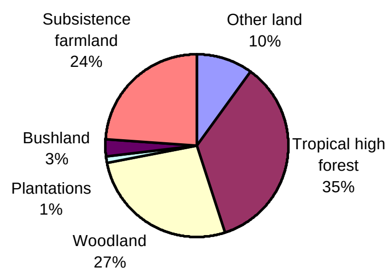


Table 2- :Area biomass and growth of forest resource in Uganda

Land Cover	Area (ha)	%	Stock ('000ton)	%	Yield (t/ha/yr)
Plantations (softwood & hardwood)	35,000	0.2	4,000	1	16
Tropical high forest (intact & degraded)	924,000	5	164,000	35	15
Woodland	3,974,000	19	126,000	27	5
Total forest	**4,933,000**				
Bushland (stunted woodland and farm fallow)	1,422,000	7	14,000	3	1
Subsistence farmland	8,401,000	41	112,000	24	2
Other land*	5,709,000	28	48,000	10	0-1
Total land**	**20,465,000**	**100**	**468,000**	**100**	
* Grass lands, wetlands, commercial mono-crop estates(tea, sugar, tobaccoo), built ur areas, rock					
**Excludes water bodiesof 3.69m ha					

Source: data from National Biomass Study (2002)

Together with the existing natural forests on private land and in government reserves, these on-farm forest resources are a major focus of the NFP, with particular reference to decentralization and the development of farmer-driven advisory services and agro forestry

Ownership of forest resources

In terms of land ownership, the majority (70%) of the forest area is on private land. The remainder is held in trust by government for the citizens of Uganda, 15% in Central Forest Reserves managed by the Forestry Department and 15% in National Parks and Wildlife Reserves managed by Uganda Wild life Authority (UWA). The districts manage a small area (5000 ha) of Local Forest Reserves. The vast majority of private forest is woodland. The total area of tropical high forest is 924,000 hectares, containing valuable hardwoods and other important forest products, and this resource is about equally distributed between private owners, and FD (Table 3).

Table 3: Area (hectares) of forest and woodland under different categories of ownership and management

Land cover	Government land		Private land	Total
	Forest Reserves	National Packs & Reserves (UWA)	Private & customary land	
Tropical High forest	306,000	267,000	351,000	924,000
Woodlands	411,000	462,000	3,102,000	3,975,000
Plantations	20,000	2,000	11,000	33,000
Total forest	**737,000**	**731,000**	**3,464,000**	**4,932,000**
Other cover types	414,000	1,167,000	13,901,000	15,482,000
Total land	**1,151,000**	**1,898,000**	**17,365,000**	**20,414,000**

Source: figures from National Biomass Study 1999

Trends in production and use of forest and tree resources

Drastic changes in the forest cover have taken place in Uganda during the past century. F AO estimated the forest cover to have been as much as 10.8 million ha in 1890, or 52% of Uganda's surface area. This has now shrunk to only 5 million ha, or 24% of the land surface area. FAO (2000) estimated the deforestation rate in Uganda to be 55,000 ha per year based on the change in the amount of bush land and woodlands from 1990 to 1995. Other official estimates of the rate of land clearance range from 70,000 to 200,000 ha (MFPED, 1994). These figures imply deforestation rates of between 0.9% and 3.15%.

Gazzeted Forest reserves

Uganda has approximately 14,900 Km^2 of gazzeted forest reserves of which 7,500 km^2 is savanna woodland and forest plantation, 5,900km^2 is Tropical High Forest and 1500Km^2 is montane catchment forest.

The principal forest reserves, location and sizes are shown in table 3a and 3b. Table 3a shows the principal reserves where concessions can be sought while table 3b shows forest reserves in gazetted National Parks.

Table 3a Principal Forest Reserves, Location and Sizes

Reserve	Location	Area Km^2
Budongo	Masindi	793
Bugoma	Hoima	365
Kalinzu-Maramagambo	Bushenyi/Rukungiri	580
Kasyoha-Kitomi	Bushenyi/Mbarara	399
Kibaale	Kabarole	560
Mabira	Mukono	306
Sango Bay	Rakai	151

Source: Forestry Department

Table 3b Principal Forest Reserves, Location and Sizes, in Gazetted National Parks

Reserve	Location	Area Km^2
Bwindi	Kabale/Kanungu	321
Mt.Elgon	Kapchorwa/Mbale	1,145
Rwenzori	Kasese/Kabarole/Bundibugyo	996
Semliki	Bundibugyo	212

The reserves listed above are all indigenous forests with many hard wood species. The high altitude forests of Bwindi, Mt. Elgon, Rwenzori, and Semliki have hard wood species that include; *Podocarpus milanjianus*, *Khaya anthotheca*, *Prunus africana*, *Entandrophragma* sp and *Celtis* sp.and *Olea welwitschii* among others. Investment opportunities in highland forests remain in recreation and tourism.

The rest of the listed principal reserves are tropical high forests with the species that include; *Chlorophora excelsa*, *Celtis* sp, *Maesopsis eminii*, *Entandrophragma* spp, *Cynometra alexandrii*, *Lovoa brownii*,and *Newtonia buchanani* among others.

There are many other reserves of varying sizes scattered throughout the country in which the forestry department issues concessions for utilisation. Table 4 shows the reserves with the "Annual Allowable Cut (AAC) "values as at 17/5/2000.

Table 4: Annual Allowable Cut Approved In Forest Reserves As At 17/5/2000

RESERVE	DISTRICT	AAC(m^3)	BAL (m^3)	FOREST TYPE
Okavu-Reru	Arua	2,900	6,100	Plantation
Opit	Apac	1,500	400	Savanna woodland
Olwal	Apac	1,200	0	Savanna woodland
Abera	Apac	-	2,900	Savanna woodland
Mukihani	Hoima	6,200	300	Plantation
Namafuma	Iganga	-	1,200	Plantation
Namasiga	Jinja	1,800	-	Plantation
Muko	Kabale	1,600	-	Plantation
Mafuga	Kabale	14,900	4,700	Plantation/Montane
Kikumiro	Kabarole	7,100	-	Plantation
Kagorra	Kabarole	2,300	1,400	Plantation
Oruha	Kabarole	7,200	-	Plantation
Kyehara	Kabarole	2,300	700	Plantation
Kikonda	Mubende	3,100	1,700	Plantation/Savanna

Nakwaya	Mubende	3,200	-	Plantation/Savanna
Zimwa	Mubende	900	-	Plantation/Savanna
Kachung	Lira	2,000	-	Moist Savanna
Lukuga	Mubende	-	1,800	Plantation
Nyabyeya	Masindi	1,300	-	Plantation
Bugamba	Mbarara	6,200	14,400	Plantation
Rwoho	Mbarara	9,100	29,300	High forest/Savanna
Katugo	Luwero	7,500	6,300	Pine Plantation
Awang	Nebbi	1,300	1,600	Savanna woodland
Lendu	Nebbi	8,200	15,100	Savanna woodland
Usi	Nebbi	1,300	5,800	Savanna woodland
Pingire-Kateta	Soroti	2,600	1,800	
Bugoma	Hoima	2,000		High forest/ Grassland
Budongo	Hoima/Masindi	7,500	5,500	High forest
Towa	Kalangala	1,500		High forest
Mwola	Mukono	2,500		Savanna
TOTAL		**110,200**	**101,000**	

Source: Forestry Department.

By early 1970s, sawmills had been established in most of the principal reserves. Those relatively inaccessible were harvested by pit sawyers. Other forest products include; bamboo, fibre, resin, gum, glue, latex, tannin, dyes, oils, and pharmaceutical products.

UGANDA'S COMPETITIVE ADVANTAGE

Uganda is the richest in biodiversity among the East African countries and globally is regarded as one of the important centres of biodiversity. It has a diverse of ecological communities because of overlapping between the dry East African savanna and those of West African rain forests. This means that a wide range of forest products can be developed at a lower cost and environmental risks.

Land: Most of the land in the country is suitable for tree plantations and has better soils than in many other countries.

Water: Uganda is a well watered country richly endowed with renewable natural resources and water shortage is not a constraint especially in tree plantations.

Climate: With a temperature range 15 -30^{o}C, and a rainfall range of 750 - 2000 mm, Uganda is best suited for forest production in the East African region.

Human Resource: There is abundant skilled and unskilled labour. Makerere University has a well established Faculty of Forestry and Nature Conservation and had been the leading centre for forestry studies in East Africa prior to the establishment of universities in Kenya and Tanzania. Nyabyeya Forestry College also produces technical cadres in forestry management. There are a number of technical and vocational colleges, which produce artisans that add value to forestry products in the fields of carpentry, building and craft making.

The National Agricultural Research Organisation (NARO), has a Forestry Research Institute (FORI), that develops technologies in forestry management and production.

Uganda's competitiveness as a foreign investment attraction is emphasized by the ry Credit Ratings for sub-Saharan Africa (SSA) as indicated in table 5.

Table 5a: Trends Institutional Investor's country Credit Ratings 1993-2000

Comparison of Institutional Investor's county Credit Ratings for Sub Saharan Africa						
Countries	1993	1995	1997	1998	1999	2000
Botswana	41.1	48.5	51.2	51.9	56.0	57.0
Mauritius	38.4	45.4	51.9	53.0	53.9	52.4
South Africa	39.6	42.5	46.4	46.6	45.6	45.2
Namibia	…	…	…	…	38.0	39.7
Seychelles	20.7	23.7	29.5	28.9	29.6	31.9
Swaziland	22.2	28.5	33.3	32.0	30.3	29.7
Kenya	24.7	24.9	28.6	25.6	24.8	26.6
Zimbabwe	27.7	30.7	33.8	29.8	25.1	24.1
Uganda	7.3	12.8	20.1	19.9	21.7	22.9
Malawi	16.2	18.8	21.0	19.8	19.5	19.5
Mozambique	8.4	12.6	14.6	17.9	19.3	19.2
Tanzania	12.9	15.5	18.7	19.9	19.5	19.1
Nigeria	20.3	17.5	15.3	16.4	17.9	18.3
Zambia	11.7	14.6	16.0	17.2	14.9	15.1
Angola	13.7	10.9	13.6	12.3	11.6	12.6

Source: The Institutional Investor: Various issues 1993-March 2000

Table 5b: Analysis of changes in investor's perceptions of investment locations

Institutional Investor's Country Credit Ratings as of March 2000				Annual Average Credit Ratings Improvements			
Countries	African Ranking (March 2000)	Global Ranking (March 2000)	Overall improvement 1993-2000	1993-1997		1998-2000	
				Absolute points	Percent	Absolute points	Percent
Botswana	1	39	15.9	2.0	4.9	1.7	2.0
Mauritius	2	44	14.0	2.7	7.0	-0.2	-0.2
South Africa	5	58	5.6	1.4	3.4	-0.5	-0.6
Namibia	6	67	n.a	n.a	n.a	n.a	n.a
Seychelles	7	78	11.2	1.8	8.5	1.0	2.1
Swaziland	10	86	7.5	2.2	10.0	-0.8	-1.4
Kenya	13	95	1.9	0.8	3.2	0.3	0.8
Zimbabwe	15	98	-3.6	1.2	4.4	-1.9	-3.8
Uganda	17	101	15.6	2.6	35.1	1.0	3.0
Malawi	19	104	3.3	1.0	5.9	-0.1	-0.3
Mozambique	21	108	10.8	1.2	14.8	0.4	1.5
Tanzania	22	109	6.2	1.2	9.0	-0.3	-0.8
Nigeria	23	112	-2.0	-1.0	-4.9	0.6	2.3
Zambia	29	124	3.4	0.9	7.4	-0.7	-2.4
Angola	32	130	-1.1	0.0	-0.1	0.1	0.5

Source: Institutional Investor: Various issues 1993-March 2000

The improvement in Uganda's competitiveness as a foreign investment attraction comes out of its overall investment policies that include transferability of funds, the favourable political and business environment and the low cost of labour. These factors continue to prevail.

SECTOR PRODUCTS

Uganda is still rich in the various species that provide all the desired categories of timber. The common hard wood species include:

Chlorophora excelsa	Muvule (Luganda)
Khaya anthotheca	African mahogany
Entandroprhagma cylindricum	Muyovu (Luganda)
Entandrophragma utile	Feather sepele
E. angolense	Budongo mahogany
Maesopsis eminii	Musizi (Luganda)
Olea welwitschii	Elgon teak/Elgon olive
Lovoa brownii	Uganda walnut
Cynometra alexandri	Uganda ironwood
Newtonia buchanani	Newtonia

The volumes of merchantable growing stock of some of the hard wood has reduced. The forestry department offers guidelines on how much of the remaining hard woods can be harvested.

There are various trees that are currently grown in plantations and available at different stages of maturity. The forestry department encourages investors in plantations as a way of increasing the country's tree cover, reducing the pressure on indigenous forests and increasing supply to meet the increasing demand for forest products.

The species currently grown include:

Pinus patula- an evergreen tree up to 35m and good for growing in pure stands. The wood is easily worked, fairly light and soft.

Pinus caribaea- an evergreen tree with a straight bole up to 30m high with a straight bole. It is fast growing, the timber is strong, moderately light weight and fairly durable, easy to season, saw and preserve. The tree can be used as pulp for the paper industry and matures within 20 years.

Cupressus lustanica- an evergreen tree up to 35m and good for growing in pure stands. The wood is easily worked, fairly light and soft.

Eucalyptus grandis- a tall ever green tree growing up to 40 – 55 m tall. The bole can reach a diameter of 2m with excellent straight trunk. The timber is easily worked and can be used for heavy and light construction, furniture, boxes, veneer, plywood and pulp for paper. In Uganda this is best suitable for moderate to high rainfall areas.

Eucalyptus globulus- a tall tree to 55m. The wood is hard, heavy and strong. Best suitable for upland and high rainfall areas of Uganda.

INVESTMENT OPPORTUNITIES

Uganda is endowed with favourable conditions for tree growth. The projected future increase in demand for timber, coupled with a likely shortage of supply of sawlogs from plantations and natural forests, make forest production a promising enterprise. Even though tree growing involves long-term investment, it promises high rates of return for those who put in place proper management structures and technical standards.

Planting of soft wood plantations for timber and poles
Production of round wood for timber from plantations has increasingly become an important alternative to indigenous timber in Uganda because of the increasing demand. There is demand for electric and building poles and these have a wide market.

Planting of soft wood plantation for pulp
Most of the paper products in Uganda are imported. With the available investment climate in Uganda and the potential to produce timber for pulp at lower costs, investing in paper industry is an attractive investment.

Value added products from both hard and soft wood
Furniture The demand for high quality furniture in Uganda is high. Furniture imports in 1999 alone was about $5 million.

Flooring and panelling, The construction industry in Uganda has expanded over the years and the demand for good flooring is growing.

Veneer and plywood, Ply wood manufacture in Uganda needs to be expanded to meet the increasing demand.

Particle board mill from saw dust, The saw dust from most of the saw mills is wasted and is one cause of fires in forest reserves. A particle board mill will add value to the saw dust.

Match factory, A match factory is another area that will utilise the timber not suitable for construction.

Pencil factory, A pencil factory is also another investment opportunity that will trap the ever increasing demand from schools in line with the government policy on Universal Primary Education.

Tourism and recreation
Uganda's rain forests offer magnificent scenery and are habitat for a variety of wildlife such as; mountain gorillas at Bwindi, forest birds, insects, that give an ideal opportunity in eco-tourism. The Recreation Development Plan in the forest reserves by the Forestry Department offers opportunities for concessions.

Planting palm trees and processing of palm oil
Uganda has a potential for palm oil that still needs to be tapped.

Planting for medicinal purposes. Medicinal plants such as the Neem tree, have a very high potential in Uganda.

Investment Incentives

Investment incentives are covered under the Income Tax Act 1997. These incentives are administered by the Uganda Revenue Authority as part of the taxation system. The investment incentives are indicated in the following tables:

Table 6: Capital Allowances

• Initial allowances on plant and machinery located in Kampala, Entebbe, Namanve, Jinja and Njeru	50%
• Initial allowances on plant and machinery located outside Kampala, Entebbe, Namanve, Jinja and Njeru	75%
• Start up costs spread over the first 4 years	25%
• Scientific research expenditure	100%
• Training expenditure	100%
• mineral exploration expenditure	100%

Table 7. Deductible annual allowances

Depreciable assets specified in 4 classes under declining balance method		
Class 1	Computers and data handing equipment	40%
Class 2	Automobiles, construction and earth moving equipment	35%
Class 3	Buses, goods vehicles, tractors trailers, plant & Machinery for farming, Manufacturing and Mining	30%
Class 4	Railroad cars locomotives, vessels, office furniture, fixtures etc.	20%

Table 8. Other annual depreciation allowances

• Industrial buildings, hotels and hospitals	5%
• Farming general farm works (declining balance depreciation)	20%

Table 9: Priority Investment Areas

• Crop processing	• Storage
• Education	• Forestry and processing of forest products
• Fish processing	• Steal industry
• Electronics	• Cotton and textiles
• Floriculture	• Edible oil
• Metal and Metal products	• Mining industry
• Construction and building industry	• Ceramics industry
• Energy	• Manufacture of industrial spare-parts
• Tourism industry	• Meat processing
• Manufacture of building materials industry	• Iron and steel
• Transport and communications	• Real estate development industry
• Pharmaceutical industry	• Packaging industry
• Dairy and Dairy products	• Financial services
• High-technology industry	• Health care
	• Fruits and vegetables

Other incentives

In addition to the incentives listed in tables 6-8, Uganda offers the following:

- **Import Duty Exemptions.** Apply to motor vehicles, personal effects and plant and machinery.
- **Duty drawback facilities.** Allows exporters to claim taxes on inputs used to manufacture exportable products.
- **Corporation tax.** With the exception of mining there is a uniform corporation tax rate of 30%, which allows the "carry forward of losses". Practically, this means, profits are not taxable until, previous years' losses are fully covered.

Investment protection

- **Investment guarantees-**Uganda is a member of the Multilateral Investment Guarantee Agency (MIGA) of the World Bank and VAT deferred payment agreements.
- **Externalization of funds-**Foreign investors are allowed to externalize funds for:
    - Loan repayment in a foreign country
    - Payment of financial earnings to foreign personnel
    - Payment of royalties or fees
    - Payment of profits or proceeds on disposal of assets.
- **Protection against compulsory acquisition**. Compulsory acquisition can only be made in accordance with the Constitution of Uganda. Should compulsory acquisition take place, the investor must be compensated within 12 months from the date of acquisition, based on fair market value of the enterprise .

MARKETS

The market for timber products is mainly internal. The export market for round wood timber is restricted in order to avoid depleting the indigenous forests. However timber based products such as furniture can be exported.

Within the country, timber is bought by traders from the pit sawyers and saw millers and traded in urban centres for construction and furniture.

The destinations for sawn timber and round wood until the imposition of export restrictions were mainly Kenya, UK, Rwanda, Egypt, UAE and Jeddah.

FOREST PRODUCE FEES AND LICENCES

The Forestry Department levies fees on forest products and regularly revises the fees and licences payable by concession holders. Table 10 shows the latest revised forest fees and license order of 1999.

Table 10. Timber Royalty, Forest Produce, Fees And Licenses

Item	**Produce**		**Fees**	**Remarks**
1	TIMBER			
	Class One			
	A- Hardwoods		100,000.00	Per M^3 True Measure
	B- Hardwoods &Cypress		45,000.00	Over-bark
	Class Two			
	Hard woods and pines		28,100.00	Over- bark
	Class Three			
	Hardwoods		17,000.00	Over- bark
	POLES			
2	A- Plantation			
	Class	Diameter		
	I	05-09 cm	800.00	Per standing pole
	II	10 -14 cm	1,400.00	Per pole in the rest
	III	15- 19 cm	1,400.00	Per running metre of length
	IV	20-24 cm	1,800.00	Per running metre of length
	B-Natural Forest - Bush			
	Class	Diameter		
	I	05-09 cm	900.00	Per pole
	II	10-14 cm	1,600.00	Per Pole
	C-Cutting Charges		200.00	Per pole-class 1
3	FAGGOTS (WITHES)		1,000.00	Per Head Load
4	FENCING POSTS			
	A-Treated Posts			
	Class	Diameter		
	II	10-14 cm	1,400.00	Per running metre of post
	III	15-19 cm	1,800.00	Per running metre of post
	IV	20-24 cm	2,700.00	Per running metre of post
	B- Untreated Posts (Plantation)			
	II	10-14 cm	700.00	Per running meter of post
	III	15-19 cm	1,400.00	Per running meter of post

	IV 20-24 cm	1,800.00	Per running metre of post
	C-PALMS (*P. Reclinata*)	4,000.00	Per running metre of post
5	FIREWOOD		
	A-Plantation	6,000.00	Per stacked cubic metre
	B-Natural Forest	7,500.00	Per stacked cubic metre
	C-License fees (Trade in produce from outside Forest Reserves-per month)		
	I Petty Trade	22,000.00	Per Month per person
	II Large Scale Wood Cutting & Trade	225,000.00	Per Month Per person
	D- Licence for firewood transportation		
	I Lorry	45,000.00	Valid for Date of issue of Licence
	II Pick ups/Canoe	17,000.00	Valid for Date of issue of Licence
	III Bicycle	12,000.00	Per month per person
6	CHARCOAL		
	A-Licence to Burn/Sell	36,000.00	Per Month per person
	B-Licence for Charcoal Transportation		
	I Lorry	62,000.00	Valid for 3 days w.e.f date of isue
	II Pick ups/Canoe	40,000.00	Valid for date of issue of Licence
	III Bicycle	22,000.00	Per Month per person
7	BAMBOO		
	Wild/Plantation Species	500.00	Per Pole
8	CHRISTMAS TREE		
	Below 3m High	7,000.00	Per Tree
	3-5m High	10,000.00	Per tree
	Over 5m High	14,000.00	Per Tree
9	SEEDS AND SEEDLINGS		
	A Seeds	Min 10,000.00	Per kg. Depending on species
	B Seedlings (including planting materials raised		
	Forest Tree Species	Min 50.00	Depending on species & size
	Ornamentals	Min. 500.00	Shade/foliage tree/shrub/indoor plants Depending on species & size
	C-Fruit plants	Min 1000.00	Depending on species & size
	D- Wildings	Min 50.00	Depending on species
10	PALMS		
	Borassus palm & Other Palms	12,000.00	Per tree
11	RATAN CANES	45,000.00	Per Person per month

12	Timber Grading Fees	22,000.00	Per cubic metre
13	FELLING FEES	4,500.00	Per tree
14	SAWMILLING LICENCE FEES	1,400.00	Per sawmiller per year
15	PITSAWYERS REGISTRATION FEES	350,000.00	Per year per pitsawyer
16	FOREST FEES ON SAWN TIMBER forest	15% of the value of sawn timber for which Movement permit is issued	To be paid by sawmillers without VAT and Pitsawyers on private land dealers buying timber from such sources depending on the timber species.
17	CASUAL TRADE LICENCES (Petty Trade)		
	Beds and Chairs	45,000.00	Per year per person
	Walking Sticks, Stool, Wood carvings, Wooden tools &Tool Handles, Morta/Pestle	45,000.00	Per year per person
	Non Wood Products e.g. products of grasses, palm fronds forestlianans and climbers Mats, Baskets, Winnowers	45,000.00	Per year per person
	Forest Based Food Bamboo shoots, palm oil & other forest fruit trees & vegetables	45,000.00	Per Year per person
18	WILD COFFEE	25,000.00	Per month per person
19	GUM ARABIC	800.00	Per Kg
20	RESINS	150.00	Per Kg
21	FOREST MINERALS (licences per month per person)		
	A- Bricks	300,000.00	Mpigi/Entebbe/Kampala areas
	B- Bricks	100,000.00	Other Areas
	C- Sand	300,000.00	Mpigi/Entebbe/Kampala areas
	D- Sand	100,000.00	Other Areas
	E- Stones	68,000.00	All Areas
	F- Murram	11,250.00	Per tonne

SOME KEY PLAYERS IN THE SECTOR

Budongo Saw Mills	19, Buganda Rd Kampala	Tel 41 - 236223
Buwa Saw Mills	97A, seventh St, Kampala	Tel 41 – 230077
Bukenya Estates Ltd,	305, Gaba Rd, Kampala	Tel 41 - 268609
Ama Ply Saw Mills	182, Kalitunsi Rd, Kampala	Tel 41- 341099
Kapkwata Saw mills	99/101, Seventh St, Kampala	Tel 41 – 232196 233411 254705
Capital Saw mills Ltd.	14/16, Muhumuza Rd, Kabale	Tel 486 – 23460
Nile Ply woods (U) Ltd.	7/11, Gailey Rd, Jinja	43- 30126 43- 20574
	12/16 Nkrumah Rd, Kampala	Tel 41 – 234042
Associated Paper Industries Ltd.		
	12, Madhvani Rd, Jinja	Tel 43 – 21250 43 – 20271 43 – 20078 43 - 21733

USEFULL CONTACTS

Name	Address	Telephone	Fax
Ministry of water, Lands and Environment	P.O. Box 7122, Kampala	41 – 342931 41 – 342933 41 – 258191	41 – 230891
National Research Organisation (NARO), Forestry Research Institute (FORI)	P.O Box, 1752, Kampala	41 – 255163 41 – 255164	41 – 255165
Ministry of Tourism Trade and Industry	P.O. Box 7103, Kampala	41 – 343947 41 – 256395	41 – 251578
National Environment Management Authority (NEMA)	P. O. Box 22255, Kampala	41 – 251064 41 – 251065 41 – 251068	41 – 257521
Forestry Department	P.O Box 7122, Kampala	41 – 233485	41 – 251918
Uganda Wildlife Authority	P.O Box 3530 Kampala. ``	41 – 346287 41 – 346288 41 – 346290	
Uganda Investment Authority (UIA)	P.O Box 7418, Kampala.	41-251562/6	41-342903

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