

National Forestry Authority

Annual Report

(Jul 2013-June 2014)

FOREWORD

STATEMENT BY THE EXECUTIVE DIRECTOR

The Annual Report highlights achievements for the financial year 2013/14 against planned activities, targets and performance indicators derived from the NFA Business Plan 2009-2014. During FY 2013/14, NFA generated UGX 20.011bn as compared to anticipated UGX 25.915bn represented 77% budget performance which constituted UGX 8.042bn as Non Tax Revenue (NTR), UGX 0.769bn from development Partners mainly ICRAF & Norway through the FK Partnership Exchange Programme and UGX 11.2bn Government of Uganda (GoU) contribution towards the wage bill and other development and recurrent activities.

Key achievements included procurement of forty one (41) computers and ten (10) motorcycles to support ICT and forest based operations respectively for both field offices and headquarters. Investments were done in forest plantations mainly maintenance of the existing crop, where thinning, pruning & fire breaks establishment, covering 3,516ha of plantation especially in Mafuga, Mbarara, South Busoga, Lendu, North Rwenzori Opit/Abera, Mwenge, Katugo and other small plantations across the country. Management focused on development of new plantations as a priority registering 1,091ha of forest plantations in various Central Forest Reserves (CFRs) as follows; Mafuga (300ha), Mbarara (267ha), Mwenge (126), South Busoga (8ha), Lendu (200ha), and North Rwenzori (190ha). NFA made significant efforts towards forest restoration and maintaining the legal and physical integrity of the CFRs including re-opening a total of 285km of forest boundary and marking with concrete pillars in addition to securing over 30,000ha of encroached forest land and enrichment planting of 569ha of degraded forest and conducted various forest inventory studies. Demand driven research continued to be carried out in both plantations and natural forests by NFA, National and International students registering 37 research licenses.

Further to this NFA doubled its efforts towards stakeholder engagements including Central and Local Governments, Private Sector, Civil Society, International and non-Government Organizations, forest edge communities among others to foster responsible forest management through civic education, advocacy, networking, learning and skills transfer in addition to strengthening forest governance, transparency and accountability.

Finally, I would like to express my warmest appreciation of NFA's highly committed Board of Directors, stakeholders and hardworking staff for their great contributions and achievements in FY 2013/14.

Forests for Prosperity



Michael Mugisa

EXECUTIVE DIRECTOR

REPORT OF THE DIRECTORS

The following people served as the Board of Directors of the NFA during the year up to September 2013;

Prof. Buyinza Mukadasi	Chairman
Ms. Sarah Nkonge Muwonge	Member
Mr. Posiano Besesa	Member
Hon. Ebong David	Member

A new Board of Directors was appointed effective 1st September 2014 which occasioned continued operations of NFA without fully constituted Board of Directors. It is therefore on this back ground that the newly appointed Board acknowledges the operations of the authority for the financial year 2013/14. Below is the current Board composition;

Mr. Gershom Onyango	Chairman
Dr. Maggie Kigozi	Member
Hon. Ebong David	Member
Mr. Langoya C.Dickson	Member
Mr. Bagonzya Mugumya Stephen	Member
Mr. Michael Mugisa	Executive Director/Secretary

Principal activities

NFA is mandated to manage all Central Forest Reserves (CFRs) throughout the country. Over the last ten years NFA has managed to implement this mandate using internally generated revenue and support from the Government of Uganda, Norwegian Government, grants from the IUCN and World Bank. The end of this financial year also marks the end of the first 10 year of the Business Plan over which NFA has been established.

The authority has performed adequately towards the 5 performance indicators on which it is measured which include; Management of central forest reserves where 285km of forest boundary was resurveyed; 569.5ha of formerly encroached area was replanted; a total of 13million seedlings were raised for both commercial and community tree programme; 1,091ha of new plantation was established; 3,516ha of existing plantation managed through thinning, pruning & fire breaks and 23 CFM partnership agreements were implemented.

Donor Funds:

Funds received from development partners were from the Norwegian Government funding the FK Partnership Exchange Programme. It is a capacity building program for NFA participants whereby knowledge/experience is shared in these areas; plantation & Forest management, forest protection & conservation, community participation, forest inventory and Ecotourism Development.

Funds were also received from ICRAF (UGX 25m) to develop and propagate tree species those are resilient to climate change and can provide food and income to the communities. Currently NFA is putting up trial gardens.

Government of Uganda Funds:

As part of the commitment of Government of Uganda (GOU) to the forestry programs during the year, the government channeled UGX 11.2billion directly to NFA through its vote 157. This includes UGX 5bn received through a Supplementary request towards the last quarter of the financial year which has greatly contributed to increased revenue generation as well as implementation of the authority's mandate.


— —

Mr. Gershom Onyango
Chairperson Board of Directors


— —

Michael Mugisa
Secretary/Executive Director

STATEMENT OF BOARD OF DIRECTORS' RESPONSIBILITIES

The Board of Directors is responsible, under the National Forestry and Tree Planting Act, for the proper management of the funds of the NFA. Section 71 of the Act mandates the Board to perform its functions in accordance with sound financial and commercial practice and ensure that revenue is sufficient to meet expenditure. The Board accepts responsibility for general direction and supervision of the NFA including its finances.

It is the responsibility of the Board to prepare financial statements each financial year that give a true and fair view of the state of affairs of the NFA at the end of each year and of the surplus or deficit for the year. The Board is also responsible for maintaining proper books of account, safeguarding the assets of the NFA, and putting in place adequate systems and internal controls in order to minimize errors, fraud and other irregularities.

The Board accepts responsibility for the Annual Financial Statements set out on pages 7 to 21, which have been prepared using appropriate accounting policies supported by prudent judgment and estimates, in conformity with International Financial Reporting Standards and the requirements of public sector accounting. It is the view of the Board that the financial statements give a true and fair view of the state of affairs of NFA and of the results of its operations for the year ended 30th June 2014.

Nothing has come to the attention of the Directors to indicate that the NFA will not remain a going concern for the next twelve months from the date of this statement.

Signed on behalf of the Board by:



Mr. Gershon Onyango

Chairperson Board of Directors



Michael Mugisa

Secretary/Executive Director

ACRONYMS

ACODE	ADVOCATES COALITION FOR DEVELOPMENT AND ENVIRONMENT
AOP	ANNUAL OPERATING PLAN
BN	BILLION
CFM	COLLABORATIVE FOREST MANAGEMENT
CFR	CENTRAL FOREST RESERVE
CSOs	CIVIL SOCIETY ORGANISATIONS
CTPP	COMMUNITY TREE PLANTING PROGRAMME
EU	EUROPEAN UNION
EMCBPII	ENVIRONMENTAL MANAGEMENT CAPACITY BUILDING PROJECT II
FBEs	FOREST BASED ENTERPRISES
FK	FREDS KORPSET
FIS	FORESTRY INFORMATION SYSTEM
FRMCP	FOREST RESOURCE MANAGEMENT AND CONSERVATION PROGRAMME
FY	FINANCIAL YEAR
GIS	GEOGRAPHICAL INFORMATION SYSTEMS
GOU	GOVERNMENT OF UGANDA
IFM	INTERGRATED FINANCIAL MANAGEMENT
IUCN	INTERNATIONAL UNION FOR CONSERVATION OF NATURE
MOU	MEMORANDUM OF UNDERSTANDING
MTN	MOBILE TELECOMMUNICATION NETWORK
MWE)	MINISTRY OF WATER AND ENVIRONMENT
NaFORRI	NATIONAL FORESTRY RESOURCES RESEARCH INSTITUTE
NFA,	NATIONAL FORESTRY AUTHORITY
NTSC	NATIONAL TREE SEED CENTRE
PCRC	PERFORMANCE CONTRACT REVIEW COMMITTEE
REDD	REDUCING EMISSIONS FROM FOREST DEFORESTATION AND DEGRADATION
RFM	RESPONSIBLE FOREST MANAGEMENT
SHS	SHILLINGS
TMF	TROPICAL MOIST FORESTS
Ushs	UGANDA SHILLINGS
URA	UGANDA REVENUE AUTHORITY
UWA	UGANDA WILDLIFE AUTHORITY
WCS	WILDLIFE CONSERVATION SOCIETY
WWF	WORLD WILD FUND

EXECUTIVE SUMMARY

Background

The Annual Report presents the achievements of Financial Year 2013/14 for activities planned under the four strategic objectives namely: improving management of Central Forest Reserves; expanding partnership arrangements, supplying high quality products and services and attaining organizational sustainability.

Planned activities targets and performance indicators

Improved management of CFRs

This reporting period; 285km of forest reserve boundaries were re-surveyed and 116km marked with permanent pillars especially in formerly encroached areas.

In a bid to come up with lasting solutions to the encroachment problem, task forces were established in selected Districts across the country and 255 stakeholder sensitization meetings held. 2,479 encroachers were evicted and over 30,000 Ha freed.

The main investment by NFA is the establishment and maintenance of plantations. 1,661ha of forest plantations were established during the period. This includes 1,091ha and 570ha established in plantations and Natural forests respectively. 569ha of encroached forests were restored by planting indigenous tree species. This was successfully achieved through partnerships with corporate organizations such as Serena hotels, Uganda Breweries Limited and Makindye Rotary club. Regrettably 778 hectares of plantation were lost as a result of forest fires in various forest reserves including; North Rwenzori (721ha), Mafuga (13), Mwenge (2ha) and Lendu (42)

193 km of Fire breaks were established and 67 km of forest roads maintained in plantations and natural forests to facilitate easy management of the Plantations and Natural forests. 4,094 ha were weeded, 1,260 ha pruned and 2,063ha thinned in plantation areas.

NFA finalized Forest Management Plans (FMP) for Kasyoha – Kitomi, Kalinzu, Echuya, Mt Kei, Budongo, Bugoma, Otze-Zoka and Itwara CFRs, awaiting management consideration and approval. Forestry related information was disseminated to different stakeholders through participation in workshops, meetings and radio & TV shows, spot messages across the country.

Expand partnership arrangements

NFA continued to partner with numerous stakeholders, which led to the signing of five Memorandums of Understanding. This was aimed at augmenting NFAs capacity to effectively manage the CFRs. 37 licenses were issued across the country to promote research in various CFRs.

Collaborative Forest Management (CFM) arrangements took place throughout the period and 2 CFM agreements were signed. Through CFM, NFA continued to demonstrate to forest dependants communities the relevance of forests to their livelihood.

Equitable Supply of forest products and non-forest products and services

During the financial year under review the capacity of NTSC was expanded putting all seedling production under the Management of NTSC to ensure effective and efficient supply of quality tree seed and planting materials to meet the increasing demand for afforestation/reforestation programs in the country. NFA raised 13,344,869 high quality tree and fruit seedlings; against a target of 10,964,511, from the NTSC and regional nurseries for community tree planting program (6,725,358), sale (6,122,011) and own planting (487,500). 4,111 bamboo calms were raised for own planting, sale and distribution to communities and approximately 15,937m³ of round wood from the existing mature plantations was harvested under various concessions in addition to 752 m³ of *Maesopsis* round wood licensed in Manwa CFR; NFA own saw milling realized 13m³ of sawn wood from activities in natural forests where 43.3 m³ of thinnings in Kifu were harvested.

The already existing 120 bee hives were maintained, producing 0.047 tons of honey in Kalinzu and Mubuku CFRs. This was aimed at promoting honey harvesting and acting as a model for local communities.

The number of tourists received increased significantly from 459 to 3,145 in the major ecotourism sites of Mabira, Busingiro, Mpanga and Kalinzu compared to the previous financial year 2012/13.

Organizational sustainability

NFA continued to improve its corporate governance portfolio through observing its core values of integrity, excellence and transparency.

It should be noted that during the 2013/14 financial year, NFA did not have a fully constituted Board of Directors to guide in key policy decisions. Notwithstanding significant efforts were made towards improved corporate governance through targeted engagements and dialogue with stakeholders to address issues related to forestry governance. In addition NFA developed a Client Service Charter, initiated mobilization and sensitization for the establishment of Forestry Committees in key areas for improved management and accountability and transparency and participated in the finalization of the good governance action plan for the forest sub-sector.

Management recruited seventy four (74) new staff to augment the staffing gaps. 77 staff were trained in different fields in order to enhance staff capacities and abilities.

NFA procured 5 motorcycles, 37 desktop and 2 laptop Computers, 01file/domain server and 01 mail server. 06 UPSs and 01 server to support the IFMS system to strengthen financial management of the organization were also procured. Notably procurement process for seven (7) new vehicles and ten (10) motor cycles is on-going.

Constraints lessons learnt and recommendations

Notwithstanding, during the Financial Year, numerous constraints were experienced and lessons learnt; challenges such as increasing conversion of forestland into agricultural land, Illegal timber trade exacerbated by distortion in licensing regimes, unclear forest boundaries which continue to encourage encroachment of forests and increase the cost of law enforcement and litigation, unpredictable weather resulting into unexpected fires given that NFA has limited field equipment and materials to respond e.g. fire towers, underground water tanks and other fire-fighting equipment. Other challenges include outdated forest cover data which continues to undermine informed planning, decision making and management of forest resources and inadequate infrastructure, transport requirements, stakeholder participation coupled with insufficient human and financial capacity thus limiting effective and efficient forest management in all central forest reserves.

In conclusion the following recommendations will form the main key result areas for the subsequent financial year, including but not limited to; finalizing the establishment of forest committees at forest management area level in consultation with the respective local government, lobbying government to finance forest boundary re-surveying & marking and national biomass study, increase allocations for community tree planting and environment protection police, expedite the proposed urban forest degazettement, initiate the process of revision of NFA Business Plan, operationalize and implement the Client Service Charter, Eco-tourism Development Plan, National Tree Seed Centre Business Plan, Develop, revise and approve additional forest management plans and identify measures to strengthen licensing private commercial tree farming in central forest reserves; in addition, NFA proposes to study the feasibility of public private partnership and develop fundable and bankable proposals to secure financing for forest management operations and investments and procure additional motor vehicles, motorcycles and replace obsolete firefighting equipment and material.

TABLE OF CONTENTS

FOREWORD.....	I
ACRONYMS	V
EXECUTIVE SUMMARY	VI
TABLE OF CONTENTS	IX
LIST OF TABLES	X
LIST OF FIGURES.....	X
CHAPTER ONE:	1
INTRODUCTION.....	1
CHAPTER TWO:	2
PLANNED ACTIVITIES, TARGETS AND PERFROMANCE INDICATORS	2
2.1.1 RESTORE THE PHYSICAL AND LEGAL INTEGRITY OF CFRS	2
2.1.2 RESPONSIBLE FOREST MANAGEMENT OF CFRS.....	3
2.1.3 RESTORE DEGRADED NATURAL FORESTS	3
2.1.4 DEVELOP FOREST PLANTATIONS	4
2.1.5 DEVELOP, MAINTAIN AND DISSEMINATE FORESTRY INFORMATION	6
2.1.6 DEVELOP INFRASTRUCTURE FOR EFFECTIVE MANAGEMENT OF CFRS	6
2.2.1 IMPROVING THE SANCTITY OF CFRS THROUGH PARTNERSHIP ARRANGEMENTS	7
2.2.2 PARTNERSHIPS FOR IMPROVEMENT OF LOCAL COMMUNITY LIVELIHOODS FROM FOREST-BASED ENTERPRISES	8
2.2.3 PARTNERSHIP FOR IMPROVEMENT OF KNOWLEDGE AND SKILLS IN FOREST RESOURCE MANAGEMENT.	8
2.2.4 PRIVATE-PUBLIC SECTOR PARTNERSHIPS FOR INCREASED SOCIAL AND ENVIRONMENTAL SERVICES FROM CENTRAL FOREST RESERVES	9
2.3 SUPPLY FOREST AND NON FOREST PRODUCTS AND SERVICES	9
2.3.1 SUPPLY OF QUALITY TREE SEED AND PLANTING MATERIALS	10
2.3.2 SUPPLY OF WOOD PRODUCTS FROM CFRS.....	11
2.3.3 SUPPLY OF NON-WOOD PRODUCTS AND SERVICES FROM CFRS.....	12
2.3.4 SUPPLY OF NON-FOREST-RELATED PRODUCTS AND SERVICES	13
2.3.5 BUSINESS PARTNERSHIPS WITH THE PRIVATE SECTOR TO INCREASE SUPPLY OF FOREST PRODUCTS AND SERVICES	13
2.4 ORGANIZATIONAL SUSTAINABILITY	13
2.4.1 CORPORATE GOVERNANCE FOR ORGANIZATIONAL SUSTAINABILITY	14
2.4.2 RESOURCE MOBILIZATION FOR SUSTAINABILITY	14
CHAPTER THREE:	16
FINANCIAL STATEMENTS	16
3.1 STATEMENT OF FINANCIAL POSITION AS AT 30TH JUNE 2014	16
3.2 STATEMENT OF COMPREHENSIVE INCOME	17
3.3 STATEMENT OF CASH FLOWS	18
3.4 STATEMENT OF CHANGES IN EQUITY	19
3.5 NOTES TO THE ACCOUNTS	20
CHAPTER FOUR:.....	28
CONSTRAINTS, LESSONS LEARNT AND RECOMMENDATIONS.....	28

4.1 CONSTRAINTS AND LESSONS LEARNT	28
4.2 RECOMMENDATIONS	28

LIST OF TABLES

TABLE 1: PHYSICAL AND LEGAL INTEGRITY OF CFRs RESTORED	2
TABLE 2: CFRs MANAGED RESPONSIBLY.....	3
TABLE 3: DEGRADED NATURAL FORESTS RESTORED	4
TABLE 4: INCREASE IN AREA OF FOREST PLANTATIONS IN CFRs	5
TABLE 5: FIS DEVELOPED, MAINTAINED AND DISSEMINATED.....	6
6: LEVEL OF INVESTMENTS IN FOREST ASSETS AND INFRASTRUCTURE INCREASED.....	6
TABLE 7: IMPROVED SANCTITY OF CFRs THROUGH PARTNERSHIP ARRANGEMENTS	7
TABLE 8: AREA UNDER COLLABORATIVE FOREST MANAGEMENT INCREASED	8
TABLE 9: PARTNERSHIPS DEVELOPED AND IMPROVING KNOWLEDGE AND SKILLS IN RFM.....	8
TABLE 10: AREA OF PLANTATIONS MANAGED ON LICENSE	9
TABLE 11: QUALITY TREE SEED AND PLANTING MATERIALS SUPPLIED	10
TABLE 12: VOLUME OF WOOD PRODUCTS SUPPLIED FROM CFRs.....	11
TABLE 13: VOLUME OF NON-WOOD PRODUCTS AND SERVICES SUPPLIED FROM CFRs	12
TABLE 14: RESOURCES MOBILIZED FOR NFA SUSTAINABILITY	14
TABLE 15: HUMAN RESOURCES EFFICIENCY IMPROVED	14

LIST OF FIGURES

FIG. 1: A DELEGATION LED BY HON. MINISTER FOR MWE AT MATIRI CFR INITIATING BOUNDARY OPENING PROCESS.....	3
FIG. 2: BOUNDARY OPENING MARKED WITH CONCRETE PILLARS IN KAGOMBE CFR IN KYENJOJO DISTRICT	3
FIG. 3: PART OF DEGRADED KAGOMBE NATURAL FOREST IN KYENJOJO DISTRICT	4
FIG. 4: THE PR TEAM AND FIELD STAFF IN A RESTORED SECTION OF KITIBULU CFR ENTEBBE.....	4
FIG. 5: TAUNGYA SYSTEM IN MBARARA AND MAFUGA.....	5
MANAGEMENT AREAS	5
FIG. 6: INAPPROPRIATE THINNING IN RWOHO PLANTATION	5
DUE TO LACK OF CLOSE SUPERVISION.	5
FIG. 7: EUCALYPTUS SEEDLINGS FOR COMMUNITY TREE PLANTING PROGRAM IN MBARARA NURSERY	11
FIG. 8: NFA. PLANTATION ESTABLISHMENT ACTIVITIES	11
FIG. 9: BAMBOO STAND IN ECHUYA THAT IS FACING EXTINCTION DUE TO SECONDARY COLONIZATION ..	13
FIG. 10: BEE HIVES MANAGED BY KANABA DEVELOPMENT ECHUYA CONSERVATION ASSOCIATION (KADECA) CFM IN ECHUYA CFR	13
FIG 11: REVENUE COMPARISON FOR SALE OF FORESTRY PRODUCTS FOR THE PERIOD 2012/13 & 2013/14	26
FIG 12: COMPARISON OF EXPENDITURE PERFORMANCE FOR FYs 2012/13 & 2013/14	27

CHAPTER ONE: INTRODUCTION

1.1 BACKGROUND

This Annual Report covers the period 1st July 2013 to 30th June 2014, follows the indicators outlined in the Business Plan 2009-2014 and Performance Contract between the Government of Uganda (GOU) represented by the Ministry of Water and Environment (MWE) and National Forestry Authority. It provides progress registered towards planned activities against targets and performance indicators as stated in the Annual Operations Plan (AOP 2013/14) and budget estimates approved by the NFA Board of Directors and the Minister responsible for Water and Environment.

1.2 VISION

The vision of NFA is “*a sufficiently forested, ecologically stable and economically prosperous Uganda*”.

1.3 MISSION

Central Forest Reserves sustainably managed and high quality forestry related products and other services supplied to government, local communities and the private sector.

1.4 VALUES

To guide its operations, the Authority believes in:

- i. **Integrity** – being honest, reliable and truthful at all times.
- ii. **Excellency** – producing highly professional work, outstanding, and exceptional at work.
- iii. **Transparency** – openness and non-tolerance to sectarian tendencies and corruption.

1.5 OBJECTIVES

During the financial year 2013/14, NFA continued implementation of activities that contribute to the four (4) strategic objectives outlined hereunder:

- i. **Improved Management of all Central Forest Reserves** – resulting in improved conservation of biodiversity, sustainable yield of forest products and environmental health through agreed plans, research, investments, and responsible management.
- ii. **Expanded Partnership arrangements** – substantial increase of the area of forest reserves under joint management through partnership arrangements, with Private Sector, CSOs, NGOs, Government Institutions and local communities to promote new investments, benefit sharing, and efficient resource utilization.
- iii. **Equitable supply of Forest and non-forest products and services** – supply of quality forest and non-forest products and services, like timber, trees planting materials, forest services, maps and technical advice to both public and private consumers on a contractual basis.
- iv. **Organizational sustainability** – To be self-sustaining and engender environmentally conscious, economic and social progress through sound technical forestry activities.

CHAPTER TWO: PLANNED ACTIVITIES, TARGETS AND PERFROMANCE INDICATORS

This Chapter outlines planned activities under each strategic objective, physical achievements against targets and performance indicator as provided in the 2013/14 Annual Operation Plan as detailed below;

2.1 IMPROVED MANAGEMENT OF ALL CENTRAL FOREST RESERVES

Nine priority activity areas were implemented to contribute towards improved management of Central Forest Reserves as described in this section.

2.1.1 Restore the physical and legal integrity of CFRs

This reporting period a total of 285km of forest reserve boundaries were re-surveyed, out of the targeted 196km in CFRs of Matiri, Nkera, Rwensambya, Buhungiro, Kyewaga, Kikonda and Bukaleba. In addition a total of 116km of re-surveyed forest boundary were marked with permanent pillars especially in formerly encroached forest reserves. The high performance was attributed to the increased vigilance in sensitizing encroachers through affirmative action from government, law Enforcement, networking with CSOs and public awareness and education and the supplementary budget from Government of Uganda (GOU).

Performance Indicator	2012/13	2013/14	2013/14	2014/15	2013/14
	Actual	Planned	Actual	Planned	%Performance
Length of Forest Boundary re-survey/ re-opening (km)	103	196	285	179	145.41
Length of Forest Boundary surveyed and installed with pillars (km)	33	50	116	96	232



Fig.1: A delegation led by Hon. Minister for MWE at Matiri CFR initiating boundary opening process



Fig.2: Boundary opening marked with concrete pillars in Kagombe CFR in Kyenjojo District

2.1.2 Responsible forest management of CFRs

The Forest Management Plans (FMP) for Kasyoha – Kitomi, Kalinzu, Echuya, Mt Kei, Budongo, Bugoma, Otze-Zoka and Itwara, were finalized and awaiting consideration and approval. Notably the FPM for Kalinzu was prepared based on FSC Standard for Responsible Forest Management which is expected to lead to the first case of forest certification in natural forests in the country.

Forest degazetment verification exercise was conducted in 13 Urban CFRs and proposed land exchange for the reserves of Mbarara, Ntungamo, Rukungiri, Fort Portal, Namanve, Banda, Mbale, Arua, Gulu, Kitgum, Soroti, Nebbi, and Kitubulu. Subsequently reports were prepared for action by the NFA Board of Directors and Minister of Water and Environment.

Indicator	2012/13	2013/14	2013/14	2014/15	2013/14
	Actual	Planned	Actual	Planned	%Performance
Kalinzu CFR in Bushenyi and Towa CFR in Kalangala	0	1	2	2	200
Develop criteria and indicators for CFRs	0	1	1	2	100

2.1.3 Restore degraded natural forests

Due to increased population pressures and poverty, several groups in Uganda have migrated to various areas and have ended up resettling in Central Forest Reserves. In a bid to come up with lasting solutions to the encroachment problem, task forces were established in the Districts of Kyegegwa, Kyenjojo, Kibale and Hoima for addressing encroachment challenges. 255 stakeholder meeting were held in Moyo, Adjumani, Kyegegwa, Mpigi, Busia, Mayuge, Mukono, Hoima, Masindi, Kibale, Nebbi, Mukono, Buvuma, Amuria, Soroti, Mbale, Bushenyi, Rukungiri and others, to secure support of the districts for removal of encroachers and control of all illegal activities

Removal of encroachers was successfully done in the CFRs of Mt Kei, Buhungiro, Ibambaro, Matiri, Ruzaire, Rwensabya, and sensitization done in Kagombe, Muhangi, Namatale, Bukaleba, Alungamosimos, Akileng, Soroti and Kibale Forests in collaboration with the District authorities and Security Agencies. 2,479 encroachers were evicted and over 30,000 Ha freed.



Fig.3: Part of degraded Kagombe natural forest in Kyenjojo District



Fig.4: The PR team and field staff in a restored section of Kitibulu CFR Entebbe

NFA restored 569ha of encroached forests by planting indigenous tree species such as Fagara, Newtonia, Markhemia and Prunus. Several corporate organizations continue to participate in the restoration of the degraded CFRs and among them was Serena hotels restoring 8ha in Navugulu CFR, Uganda Breweries Limited launched the restoration of 109ha in Nuvugulu CFR, and Makindye Rotary club also launched the restoration of 20ha in Butobuvuma CFR;

Indicator	2012/13	2013/14	2013/14	2014/15	2013/14
	Actual	Planned	Actual	Planned	%Performance
Area of woodlands and TMFs restored (ha).	0	0	110	0	
Affirmative silviculture for Bamboo regeneration	2	0	0	0	
Encroachment planting	581	232	569	180	245.26

2.1.4 Develop forest plantations

During the reporting period, NFA established a total of 1,091ha in various plantation areas, as follows; Mafuga (300ha), Mbarara (267ha), Mwenge (126), South Busoga (8ha), Lendu (200ha), and North Rwenzori (190ha). The total area established for industrial timber plantations surpassed the target attributed to use of the taungya system and the supplementary budget from GOU. In addition other plantations were established in Natural Forests as follows; Lakeshore (367ha), Muzizi (190ha) and Kyoga (13ha). Overall the area of forest plantations in CFRs increased by 1661 hectares in both plantations and natural forests in the reporting period.

A total of 4,094 ha were weeded compared to 5,387 ha targeted while 1,260 ha were pruned and 2,063ha thinned in plantations of Mafuga, Mbarara, South Busoga, Lendu, North Rwenzori Opit/Abera, Mwenge and Katugo. Regrettably 778 hectares of plantation were lost as a result of forest fires in various forest reserves including; North Rwenzori (721ha), Mafuga (13), Mwenge (2ha) and Lendu (42). A total of 193 km of Fire breaks were established and maintained in Oruha, Kyehara, Mafuga, Katuugo, South Busoga and Opit CFRs; and 67 Km of roads maintained in plantations of mafuga (41) and Mwenge (26).



Fig.5: Taungya system in Mbarara and Mafuga management areas



Fig.6: inappropriate Thinning in Rwoho plantation due to lack of close supervision.

Performance Indicator	2012/13	2013/14	2013/14	2014/15	2013/14
	Actual	Planned	Actual	Planned	%Performance
Area in CFRs with new private plantations (ha)	0	7,500	11,437	7,500	152.49
Area of industrial timber plantation established by NFA (ha)	822	925	1,091	651	117.95
Area of industrial charcoal plantation established by NFA (ha)	0	25	0	20	-
Demonstration plantation	39	7,021	96	4,039	1.37
Area of forest plantations weeded (ha)	7,016	2,425	4,094	2,195	168.82
Area in CFRs with silvicultural tending (Thinning,). (ha)	386.3	294	2,063	315	701.7
Area in CFRs with silvicultural tending (Pruning, Climber cutting). (ha)	1326.6	3,300	1,770	1,050	53.64
Distance of Firebreaks maintained (Km)	62.2	6,000	193	4,780	3.22
Area demarcated for plantation development by private sector (ha)	790	3,300	307	3,500	9.3
Area of private plantations on CFRs verified and mapped (ha)	3,924	4,000	8,437	6,000	210.93

2.1.5 Develop, maintain and disseminate forestry information

NFA disseminated forestry related information to different stakeholders through participation in workshops, meetings and radio & TV shows, spot messages across the country. Newsletters, quarterly & annual reports, management plans and all other related information was disseminated to stakeholders. NFA is in a process of developing an appropriate Forestry Information System (FIS) in addition to the website in a bid to improve data storage and dissemination.

Further to this dialogue meetings were held with partners covering different audiences at national, district and community levels. A total of 255 stakeholder meeting were held in the districts of Moyo, Adjumani, Kyegegwa, Mpigi, Busia, Mayuge, Mukono, Hoima, Masindi, Kibale, Nebbi, Mukono, Buvuma, Amuria, Soroti, Mbale, Bushenyi, Rukugiri and others, to secure support of the districts for removal of encroachers and control of all illegal activities

Performance Indicator	2012/13	2013/14	2013/14	2014/15	2013/14
	Actual	Planned	Actual	Planned	%Performance
Level of FIS developed and operational (%).	0%	30%	0%	30%	40%

2.1.6 Develop infrastructure for effective management of CFRs

A total of 67 km of forest roads were maintained for easy management of the Plantations and Natural forests; procured 5 motorcycles, 37 desktop and 2 laptop Computers, 01file/domain server and 01 mail server. NFA also procured 06 UPSs and 01 server to support the IFMS system to strengthen financial management of the organization. Notably procurement process for seven (7) new vehicles and ten (10) motor cycles is on-going.

Performance Indicator	2012/13	2013/14	2013/14	2014/15	2013/14
	Actual	Planned	Actual	Planned	%Performance
i. Length of Forest roads constructed (Km).	0	0	0	0	
ii. Length of Forest road maintained (km)	104	250	67	424	26.8
iii. Motor cycles procured.	3	30	5	30	16.67
iv. Motor vehicles procured	1	0	0	5	
v. Motor boats procured	0	2	0	0	
vi. Motor cycles maintained and running	100	-	30	15	
vii. Motor vehicles maintained and running	69	-	40	15	
viii. Motor boats maintained and running	0	-	0	2	
ix. No. of new buildings built-office.	1	0	0	0	

Performance Indicator	2012/13	2013/14	2013/14	2014/15	2013/14
	Actual	Planned	Actual	Planned	%Performance
x. No. of new buildings built-Ecotourism	0	0	0	0	
xi. No. of new buildings built-Staff accommodation.	2	0	0	0	
xii. No. of new buildings built-Store.	1	0	0	0	
xiii. No. of new buildings built-Latrines.	1	2	0	0	
xiv. No. of old buildings renovated and/or maintained-Bandas.	0	3	0	2	
xv. No of new computers procured	14	25	41	75	164
xvi. No Photocopier machines	0	3	0	0	
xvii.No of printers procured	0	0	0	0	
xviii. No PBX	0	0	0	0	
xix. No Scanners procured	0	0	0	0	
xx. UPSs	14	25	6	20	24
xxi. GPSs	0	0	0	0	
xxii.Voltage Stabilizers	0	0	0	0	
xxiii. Fire beaters	0	0	0	0	

2.2 EXPAND PARTNERSHIP ARRANGEMENTS

NFA continued to partner numerous stakeholders namely, UWA, NAFORRI, Uganda Forestry Association (UFA), Nyabeyya Forestry College, Makerere University, Faculty of Nature Conservation, NEMA, IUCN, ACODE, FK Norway, Nature Uganda, WWF, JESE, CARE, Jane Goodall in order to augment its capacity to effectively manage the CFRs. NFA worked closely with Makerere university to promote research in various CFRs, 37 research licenses were issued across the country.

2.2.1 Improving the Sanctity of CFRs through Partnership Arrangements

NFA continued to sign more Memorandums of Understanding and continued to implement the exiting MoUs and Agreements with partners such as, Uganda Forestry Association, WWF, Jane Goodall Institute, Ministry of Defense, Standard Chartered Bank, Nature Uganda among others to improve the sanctity of the CFRs.

During FY 2013/14, NFA signed five Memorandums of Understanding with stakeholders; such as Makindye Rotary Club, African Union of Conservationist, New vision, Uganda Breweries Limited and Serena Hotel, in order to augment its capacity to effectively manage the CFRs.

Performance Indicator	2012/13	2013/14	2013/14	2014/15	2013/14
	Actual	Planned	Actual	Planned	%Performance
No. of MoUs signed with partners	8	5	5	5	100

2.2.2 Partnerships for Improvement of Local Community Livelihoods from Forest-Based Enterprises

Partnerships were established with Districts, CBOs, NGOs and Private organizations to improve Forest Management; five (5) CFM agreements were reviewed in Budongo Range and the communities were engaged in contracts on the biking trail in Budongo CFR and are undergoing training to make carvings from waste wood.

Two forest supervisors were seconded to the 6th Cycle of FK staff exchange program with Ngorogoro Conservation Area Authority-Tanzania and Directorate of Forestry and Environment of Burundi.

NFA partnered with a number of organizations to support forest activities and these included; USAID, CARE, JGI and WWF-CO, Eco-trust, Nature Uganda, Tree Talk Foundation, Environment Alert, District Local Governments, DFS, FSSD and UWA. WWF- Sustainable Forest Management and Forest Certification Project supported the process of preparation of Kalinzu FMP and continued with Piloting of Forest Certification in Kalinzu and Towa CFRs. During the period under review, 2 CFM agreements were signed with two communities around Kalinzu CFR with support of funding from WWF; this was geared towards improving community livelihoods and protecting forests from encroachers. Restoration planting was done with support of Partners in West Bugwe and Navugulu CFRs. The corporate organisations involved were Standard Chartered Bank, Serena Hotel, Uganda Breweries Ltd, Coca Cola and Barclays Bank. 15 CBOs were also initiated into collaborative Forest Management but progress was being slowed by limited funding;

Performance Indicator	2012/13	2013/14	2013/14	2014/15	2013/14
	Actual	Planned	Actual	Planned	%Performance
No. of CFM agreements signed	3	20	2	18	10
Area of CFRs managed under CFM agreements (Ha)	0	230,000	230,000	230,000	100
No. CFRs managed under CFM agreements	15	54	54	42	100
No. of HHs participating in CFM agreements.	2,013	13,000	13,000	13,000	100
No of community groups supported with grants	5	6	6	7	100
No of groups initiated in CFM	23	13	15	15	115.38

2.2.3 Partnership for Improvement of Knowledge and Skills in Forest Resource Management.

In order to build responsible Forest Management (RFM), good knowledge base and skills were attained through carrying out research in various CFRs. 37 licenses were given to Makerere and other international universities to carry out research in the different CFRs.

Performance Indicator	2012/13	2013/14	2013/14	2014/15	2013/14
	Actual	Planned	Actual	Planned	Projected
No. of partnerships and/or licenses issued out for research in forest resources management.	37	30	37	30	123.3

NFA worked with research institutions such as Makerere University, NaFORRI and individuals to carryout research in forest ecology and management, on evasive species, pests and diseases; in CFRs of Mpanga, Mabira, Kalinzu and South Maramagambo; Furthermore, NFA pledged to bring on board local and regional/international organizations, especially in areas of research, training, technology transfer, GIS and map production.

2.2.4 Private-Public Sector Partnerships for Increased Social and Environmental Services from Central Forest Reserves

Partnerships were established with CBOs, NGOs and Private organizations to improve Forest Management: WWF provided direct funding of **44,250,000** for Forest Certification activities to Kalinzu and Towa CFRs. Funding of US \$ **100,341** was approved for the 6th round of FK staff exchange programme with Ngorogoro Conservation Area Authority-Tanzania and Directorate of Forestry and Environment of Burundi. The exchange is ongoing with 2 Forest Supervisors in Burundi and Tanzania.

Performance Indicator	2012/13	2013/14	2013/14	2014/15	2013/14
	Actual	Planned	Actual	Planned	%Performance
No. of active licenses issued out for private tree growing in CFRs (cumulative).	0	0	0	382	0
Area of forest plantation established by Private Sector in CFRs (cumulative).	1,927	52,000	60,437	70,000	116.23
Partnerships for carbon trade established.	1	1	0	0	0
Pilot partnerships for integrated water resources management established.	0	0	0	0	0

2.3 SUPPLY FOREST AND NON FOREST PRODUCTS AND SERVICES

GIS Unit provided services and produced products for both internal and external consumption. This was in the form of various map products for officers especially for use in the field and outside

customers. The major work done was to map planted areas indicating ownership in addition to mapping existing natural belts.

GIS unit designed and laid out maps showing different thematic areas in different parts of the country for external clients. Clients bought maps covering the Karamoja region, Lango, Acholi while others were interested in Central or Eastern Uganda. Other clients requested high resolution imagery.

2.3.1 Supply of quality Tree seed and planting materials

During the financial year under review the capacity of NTSC was expanded putting all seedling production under the Management of NTSC to ensure effective and efficient supply of quality tree seed and planting materials to meet the increasing demand for afforestation/reforestation programs in the country.

During FY 2013/14, NFA raised 13,344,869 high quality tree and fruit seedlings; including; including pine, eucalyptus, indigenous species and other planting materials against a target of 10,964,511, from the NTSC and regional nurseries. Upcountry nurseries contributed 4,702,966, NTSC produced 2,032,392; in total 6,725,358 seedlings, of both coniferous and broad leaved tree seedlings were raised mainly for community tree planting program (CTPP); NFA also raised 6,122,011 and 487,500 seedlings for sale and own planting respectively. 4,891 Kg of indigenous seed of various species were procured while 380 Kg of pine seed were imported from Brazil; 1,658kgs of seed were supplied on the international market while 1,028kgs were supplied locally.

Performance Indicator	2012/13	2013/14	2013/14	2014/15	2013/14
	Actual	Planned	Actual	Planned	%Performance
Area of seed sources orchards and stands established.	22	10	15	20	150
Area of seed sources & stands marked & maintained in CFRs by the NTSC (ha)			336		
Thin seed stands (ha)	8	397	-	70	
Amount of quality tree seeds collected (Kg) Imported	178	0	380	12,844	
Amount of seed collected locally (Kg)	6,499.50	8,367	4,891	7,256	58.46
No. of quality tree seedlings and other planting materials produced.	11,395,296	10,850,831	13,344,869	15,250,983	1.23



Fig.7: Eucalyptus seedlings for community tree planting program in Mbarara nursery



Fig.8: NFA.Plantation establishment activities

2.3.2 Supply of wood products from CFRs

Approximately 15,937m³ of round wood from the existing mature plantations was harvested under various concessions in addition to 752 m³ of Maesopsis round wood licensed in Manwa CFR; NFA own saw milling realized 13m³ of sawn wood from activities in natural forests where 43.3 m³ of thinnings in Kifu CFR were harvested.

Performance Indicator	2012/13	2013/14	2013/14	2014/15	2013/14
	Actual	Planned	Actual	Planned	%Performance
Volume of timber harvested in plantations under license (m ³)	24,825.92	24,000	13,000	10,000	54.16
Volume of timber harvested in Tropical High Forests under license (m ³)	1,424	9,420	2,937	9,540	31.18
Volume of sawn timber supplied from NFA sawmills	17.758	2,000	13	1,742	0.65
Volume of timber confiscated law (enforcement)	374.25	750	844.717	880	112.63
No of utility poles	1,773	22,450	-	20,870	0
No. of construction poles	115	28,000	1,040	30,600	3.71
Treated fencing posts	3,908	89,531	2,492	98,241	2.78
Volume of fire wood sold (stacked M ³).	50	169	94	150	55.62
of charcoal cleared for transportation	40	50	74	50	148

2.3.3 Supply of non-wood products and services from CFRs

The number of tourists received increased significantly from 459 to 3,145 in the major ecotourism sites of Mabira, Busingiro, Mpanga and Kalinzu compared to the previous financial year 2012/13. Additional funds are required to develop this sector given that NFA is migrating from old traditional methods of revenue collection of (timber cutting) to a service based industry.

USAID Tourism for Biodiversity Project was launched to support development of Ecotourism infrastructure in Kalinzu and Budongo CFR and strengthening community participation in Forest based enterprise development. T4B Project commenced work in Budongo and Kalinzu sites. Kalinzu has indication of high potential for attractions like canopy walks to boost tourism.

Performance Indicator	2012/13	2013/14	2013/14	2014/15	2013/14
	Actual	Planned	Actual	Planned	%Performance
Maps	427	500	786	320	157.2
No of ecotourism sites managed by NFA	4	5	4	4	80
No of ecotourism sites managed by private	6	1	5	1	500
Cummulative no. of Carbon credits - afforestation (tons) by end of 2012	3145		24,903	0	
Annual Carbon credits-charcoal (tons) Kasagala.	25,931	10	0	10	
No of Bamboo culms sold	0	55,000	4,111	55,000	7.47
Apiary (Honey, beeswax and propolis) (tons)	10,006	1	0.047	1	4.7

During the reporting period 4,111bamboo calms were raised for own planting, sale and distribution to communities under the tree planting programme. NFA maintained the already existing 120 bee hives which produced 0.047 tonns of honey in Kalinzu and Mubuku CFRs to promote honey harvesting and act as a model for local communities.



Fig.9: Bamboo stand in Echuya that is facing extinction due to secondary colonization



Fig.10: Bee hives managed by Kanaba Development Echuya Conservation Association (KADECA) CFM in Echuya CFR

2.3.4 Supply of non-forest-related products and services

During FY 2013/14, NFA was expected to generate a total of 25,931 carbon dioxide equivalents (CO₂e) (sometimes called “carbon credits” from its 5 Rwoho CFR Carbon projects (Uganda Nile Basin Reforestation Projects 1-5) with a potential to earn US \$ (25,931 * 4.15) giving a total US \$ 107,613.65. However, by June 2014, 24,903 emission reductions (carbon dioxide equivalents (CO₂e valued at US \$ 103,347.45 was realized from only two projects out of five. These projects were being undertaken with five CFM groups. Out of 24,903 emission reductions generated by the project, communities have 1186 emissions reductions equivalent to US \$4923. In addition to money due to communities, were advanced 50 million shillings.

2.3.5 Business partnerships with the private sector to increase supply of forest products and services

NFA continued to provide favorable operating conditions to licensed partners such Busoga forestry company (BFC) which has through innovations and development of forestry value addition put on market improved charcoal made of wood chips (brikets); an intervention that would reduce deforestation. Also they have established an electricity treatment plant that will provide market to crop established by private tree farmers in Busoga region.

2.4 ORGANIZATIONAL SUSTAINABILITY

NFA continued to improve its corporate governance portfolio through observing its core values of integrity, excellence and transparency. A total of 77 staff were trained in different fields such as; Bamboo technology, Operational Fleet Maintenance and Management for Institutions, Mapping of Resources for Development (RCMRD), procurement, finance and accounting, audit, human resource management and information technology; in order to enhance staff capacity and abilities.

2.4.1 Corporate governance for organizational sustainability

It should be noted that during the 2013/14 financial year, NFA did not have a fully constituted Board of Directors to guide in key policy decisions. Notwithstanding significant efforts were made towards improved corporate governance through targeted engagements and dialogue with stakeholders to address issues related to forestry governance. In addition NFA developed a Client Service Charter, initiated mobilization and sensitization for the establishment of Forestry Committees in key areas for improved management and accountability and transparency and participated in the finalization of the good governance action plan for the forest sub-sector.

2.4.2 Resource mobilization for sustainability

Non Tax Revenue and Government of Uganda funding remained the core financing mechanism during the reporting period and grants from FK and ICRAF. NTR financed 57% of the budget worth UGX 8.136bn; GoU financed UGX 11.4bn inclusive of a supplementary budget of UGX 5bn for FY 2013/14. Development partners mainly FK and ICRAF funded the budget at UGX 0.769bn.

Performance Indicator	2012/13	2013/14	2013/14	2014/15	2013/14
	Actual	Planned	Actual	Planned	%Performance
i. NFA internally generated ((Billion of Ugx).	6.468	14.246	8.096	14.366	56.83
ii. GoU public Good – funding committed ((billions of Ushs).	6.144	6.258	11.198	6.46	178.9
iii. Public goods and services- Grants from Development Partners (billion)	2.199	0.41	0.769	0.648	187.56
Grand Total (bn)	14.81	20.914	20.162	21.474	96.4

During FY 2013/14, NFA employed 320 staff at various levels. Despite the continuous recruitment of highly skilled and qualified personnel, NFA continues to register a high rate of staff turnover with the resultant loss of well trained and experienced personnel attributed to low salaries and unattractive benefits.

Performance Indicator	2012/13	2013/14	2013/14	2014/15	2013/14
	Actual	Planned	Actual	Planned	%Performance
Organizational structure reviews (No).	0	1	0	1	0
Staff trained in various short courses	17	25	77	25	308
Human resource Manual reviews.	0	0	0	0	0
Number of Environment Protection Force personnel employed	0	150	50	150	33.3
Number of interns taken up annually	31	35	112	115	320

Notably a total of 77 staff attended various trainings to improve skills to match the current changes in the organization and challenges of globalization including skills for working and embracing stakeholders in the management of CFRs.

During the reporting period, management recruited seventy four (74) new staff (53 Forest Supervisors, 01 Range Manager, 01 Communication and Public Relations Manager, 01 Internal Audit Specialist, 02 Personal Assistants, 03 Account and Administration Assistants, 01 Collaborative Forest Management Supervisor, 01 Coordinator Law Enforcement, 10 Transport Assistants and 01 Office Assistant) against an annual target of 20 personnel. 112 interns were received and trained in various disciplines under the supervision of various directorates.

CHAPTER THREE: FINANCIAL STATEMENTS

3.1 STATEMENT OF FINANCIAL POSITION AS AT 30TH JUNE 2014

Assets:		Note	Jun-14 Shs (000)	Jun-13 Shs (000)
Non-Current Assets	Property, Plant and Equipment	1	4,440,965	4,749,263
	Plantation Investment	2	13,352,456	13,306,270
	Total Non- Current Assets		17,793,421	18,055,533
Current Assets	Inventory	3	1,502,722	830,553
	Trade and other Receivables	4	7,542,912	7,621,138
	Cash and Bank balances	5	1,263,733	1,659,931
			10,309,368	10,111,621
	Non-Current Assets held for Sale		65,780	0
	Total Current Assets		10,375,148	10,111,621
Total Assets			28,168,569	28,167,155
Financed by:				
Government Equity and Reserves:	Government Equity	6	13,186,906	13,186,906
	Revenue Reserves		6,443,255	5,605,949
	Total Capital and Reserves	6	19,630,161	18,792,855
Non-Current Liabilities	Deferred Income	7	570,294	570,294
	Total Current liabilities		570,294	570,294
Current Liabilities				
	Accounts Payable and Accruals	8	7,968,114	8,804,007
	Total Current Liabilities		8,538,407	9,374,300
Total Equity and Liabilities			28,168,569	28,167,155

3.2 STATEMENT OF COMPREHENSIVE INCOME

		June 2014	June 2013
	Note	Shs (000)	Shs (000)
Income	9	20,013,039	15,122,289
Operating Expenses			
Administrative expenses		18,043,499	15,519,332
Depreciation		974,118	855,279
Total Operating Expenses	9	19,017,616	16,374,611
Operating surplus (Deficit)		995,423	1,252,323)
Finance costs	9	21,836	27,273
Net surplus (Deficit) for the period	9	973,586	1,279,596)



Michael Mugisa
Executive Director



Mr. Onyango Gershom
Chairman Board of Directors



Abdul Mubiru
Ag. Director Finance and Administration

3.3 STATEMENT OF CASH FLOWS

STATEMENT OF CASH FLOWS	Jun-14 Shs (000)	Jun-13 Shs (000)
Operating activities:		
Surplus (Deficit) for the period	973,586	-1,279,596
Net amount debited directly to Reserves	-136,279	41,417
Adjustments not involving movement of cash:		
Depreciation	974,118	855,279
Cash generated from operations before working capital changes	1,811,425	-382,900
Working capital changes:		
(Increase)/decrease in debtors and prepayments	78,225	30,763
(Increase)/Decrease in inventories	-672,169	342,588
(Decrease)/increase in creditors and accruals	-835,893	638,353
(Decrease)/Increase in deferred income	0	520,000
Cash generated from operations after working capital changes	381,588	1,148,804
Investing activities:		
Purchase of fixed assets	-731,600	-886,295
Investment in plantation stock	-46,186	-1,887,263
Net cash outflow during the period	-396,197	-1,624,753
Cash and cash equivalents at the beginning of the period	1,659,931	3,284,684
Cash and cash equivalents at the end of the period	1,263,733	1,659,931

3.4 STATEMENT OF CHANGES IN EQUITY

	Government Contribution Shs (000)	Grants & Donations Shs (000)	Revenue Reserve Shs (000)	Total Shs (000)
Balance at 1 st July 2013	-	13,186,906	5,605,949	18,792,855
Revaluation	-	0	0	0
Prior year adjustment	-	0	(136,279)	(136,279)
Surplus for the year	-	0	973,586	973,586
Balance at 30th June 2014	-	13,186,906	6,443,256	19,630,162
	Government Contribution Shs (000)	Grants & Donations Shs (000)	Revenue Reserve Shs (000)	Total Shs (000)
Balance at 1 st July 2012	-	12,609,068	6,844,127	19,453,195
Revaluation	-	577,838	0	577,838
Changes in the year	-	0	0	0
Prior year adjustment	-	0	41,417	41,417
Deficit for the year	-	0	(1,279,595)	(1,279,595)
Balance at 30th June 2013	-	13,186,906	5,605,949	18,792,855

3.5 NOTES TO THE ACCOUNTS

Note 1 – Property, Plant and Equipment

Cost/Valuation:	Buildings Shs (000)	Plant & Machinery Shs (000)	Motor Vehicles Shs (000)	Computer & IT Equip. Shs (000)	Furniture Fittings & Off. Equip. Shs (000)	Capital Work in Progress Shs (000)	Total Shs (000)
Opening balance	3,013,076	1,077,288	6,210,411	1,847,274	947,175	58,729	13,153,953
Additions during the period	4,979	134,300	191,795	270,026	1,431	88,463	731,600
Reclassified as held for sale	0	0	(627,962)	0	0	0	(627,962)
At 30 June 2013	3,058,660	1,211,588	5,774,244	2,117,300	948,606	147,192	13,257,590
Depreciation:							
Opening balance	852,078	400,927	4,753,991	1,648,804	748,889	0	8,404,689
Disposal	0	0	(562,182)	0	0	0	(562,182)
Charge for the period	123,443	107,526	500,173	175,523	67,452	0	974,118
At 30 June 2014	975,521	508,454	4,691,981	1,824,327	816,341	0	8,816,625
Net Book Value							
At 30 June 2014	2,083,139	703,134	1,082,262	292,973	132,265	147,192	4,440,965

Note 2 – Plantation Investment

Plantation Investment consists of softwood timber plantations established during the year. They are held as growing stock and have been valued at the actual cost incurred in their establishment and tending.

The amount of Shs. 1.373 billion in respect of expenditure incurred during the year on establishing and maintaining the plantations was transferred from recurrent expenditure to Plantation Investment, in line with IAS41 on Agriculture, and is included within the Non-current Assets in the Statement of Financial Position. The total planted area is 10,414 ha of which 2,325ha is in Mbarara, 1,566.8ha in Mafuga, 883.38ha in North Rwenzori, 1,029.3ha in Mwenge, 501.79ha in Katuggo, 728.57ha in Lendu, 1,371ha in South Busoga, 165.8ha in Budongo, 382.4ha in Achwa, 717ha in Kyoga, 134.22ha in S West, 306.8ha in Muzizi, 171ha in West Nile, 130.75ha in Lakeshore plantation areas. However during the year fire destroyed 624.96ha in North Rwenzori worth 1.327, billion, this amount has been reduced from plantation investment due to the impairment it suffered.

Table below illustrates the different age groups and planting periods for the various investment stock; also showing the estimated present value and fair value however the limitation of not using the present value is that the majority of the investment (85%) is still in its year infancy thus adopting the cost method.

The table below is an illustration of the different ages of the crop

Planting year (FY)	Age (2013)	Area (Ha)	Vol per ha (m3)	%	Total standing Volume (m3)	Proposed Year of harvest (Rotation age of 20 years)	Projected Volume (m3) at harvest (400m3 per ha)	Remarks
2013	0	533.5	0	5%	0	2033	213,400	Tending required
2012	1	318.0	0	3%	-	2032	127,200	Tending required
2011	2	684.0	6	7%	4,104	2031	273,600	Tending required
2010	3	606.0	20.5	6%	12,423	2030	242,400	Tending required
2009	4	951.0	35	10%	33,285	2029	380,400	Tending required
2008	5	1628.6	55	17%	89,573	2028	651,440	Tending required
2007	6	900.2	75	9%	67,515	2027	360,080	Tending required
2006	7	1384.5	108	8%	80,184	2026	298,360	1.5 ha seed stand (E. grandis in Echuya)
2005	8	1941.1	140	20%	271,754	2025	776,440	63.6 ha seed stand-South Busoga & Kifu
2004	9	805.5	150	8%	120,825	2024	322,200	318.3 ha set aside for seed stand-Katugo
2003	10	264.2	160	3%	42,272	2023	105,680	Tending required
2002	11	79.9	194	1%	15,461	2022	31,960	Tending required
2001	12	91.2	227	1%	20,702	2021	36,480	Tending required
2000	13	110.5	231	1%	25,459	2020	44,180	Tending required
1999	14	14.7	234	0%	3,440	2019	5,880	Tending required
1998	15	10.4	263	0%	2,735	2018	4,160	Tending required
1997	16	22.5	292	0%	6,570	2017	9,000	Tending required
1996	17	0.0	250	0.0%	-	2016	-	Crop raised under Taungya
1995	18	37.0	250	0%	9,250	2015	9,250	Crop raised under Taungya
1994	19	0.0	250	0.0%	-	2014	-	Crop raised under Taungya
1993	20	0.4	250	0.0%	100	2013	100	Crop raised under Taungya
1992	21	6.0	250	0.1%	1,500	2012	1,500	6.0 ha Seed stand-Echuya
1991	22	9.8	250	0.1%	2,450	2011	2,450	9.8ha Seed stand-Echuya
1990	23	15.0	50	0.2%	750	2010	750	Poor scattered eucalyptus trees
		10,414		100%	807,152		3,896,910	

Note 3 – Inventory

	June 2014 Shs (000)	June 2013 Shs (000)
Seeds & seedlings	1,226,807	568,027
Office stationery & consumables	86,175	86,840
Plantations Items stock	141,953	88,617
Timber	47,787	87,069
Total	1,502,722	830,553
Non-current assets held for sale	65,780	0

Inventory consist of stocks of stationery, computer consumables; plantation items stock such as fertilizers and tools; Own milled timber all disclosed at the lower of cost and net realizable value (IAS 2).

Included in Non-current assets held for sale are Motor vehicles and cycles that are due for disposal and have been duly approved by Board.

Note 4 – Trade and Other Receivables

	June 2014 Shs (000)	June 2013 Shs (000)
These consist of:		
Staff salary advances	60,102	49,876
Staff imprest	560,239	589,907
Staff loans and other receivables	30,358	32,606
Trade debtors	5,780,005	6,235,828
Sundry debtors and other receivables	1,112,208	712,919
	7,542,912	7,621,138

Included in Trade Receivables is Nile Plywood Ltd with an outstanding of Shs 2.299bn conversely of this Shs 0.790bn will fall due in the next 12 months, the balance (Shs 1.509bn) shall fall due in the subsequent financial periods.

Also herein included is Shs 1.741bn due from Uganda Telecom in relation to license fees as at end of the period which is under litigation in the civil court awaiting judgment.

Included in Trade Debtors are;

	June 2014	June 2013
	Shs (000)	Shs (000)
Sundry debtors include:		
Input VAT recoverable	291,393	142,223
Withholding Tax Credits	94,714	94,714
Farm Income Project FIEFCO(NTSC)	617,374	423,002
Others	108,727	52,980
Total	1,112,208	712,919

Note 5 - Cash and Bank Balances

	June 2014	June 2013
	Shs (000)	Shs (000)
Petty cash	24	1,039
Bank balances	1,263,710	1,658,892
Total	1,263,734	1,659,931
Balances on Account per Banks		
Stanbic Bank	608,475	558,763
Bank of Uganda	653,191	1,093,447
Standard Chartered Bank	1,606	1,606
Citi Bank	437	435
	1,263,710	1,654,251

There 2 revenue collection (Non Tax Revenue) and 12 imprest Accounts operational with Stanbic Bank. The imprest accounts are holding accounts for funds remitted to the field offices for operational activities. Accounts held in Bank of Uganda are operational accounts and one is a forex (US\$), 3 are forex (US\$) Project and 2 UGX operational Accounts.

Note 6 – Government Equity and Reserves

	June 2014	June 2013
	Shs(000)	Shs (000)
At 1 st July	18,792,855	19,453,195
Adjustments to opening Reserves	(136,279)	619,256
Movement in revenue reserves for the year	973,586	(1,279,596)
Total Capital and Reserves as at 30th June	19,630,162	18,792,855

Included in the adjustments of opening reserves are returns to Norway of 134m of unutilized funds, expenditure for prior year that had been recorded, (44m) credit notes correcting previous year revenue.

Note 7 – Deferred Income

	June 2014 Shs (000)	June 2013 Shs (000)
Opening balance at July	570,294	50,294
Less: Amounts utilized for recurrent expenditure during the year	0	0
Sub-total	570,294	50,294
Prepaid License fees for 25 years (US\$ 200,000)	0	520,000
Less: Amounts recognized during the year	0	0
	0	520,000
Sub-total	570,294	570,294
World Bank Fund Received during the year	0	961,727
Less: Amount utilized during the year	0	-961,727
	0	0
Total deferred at 30th June 2014	570,294	570,294

Note 8 – Accounts Payable and Accruals

	June 2014 Shs (000)	June 2013 Shs (000)
Trade creditors	4,535,905	5,798,981
Payroll creditors	601,681	544,623
Other creditors	2,830,528	2,407,692
Provision for liabilities	0	52,712
Total	7,968,114	8,804,007
Bonus	0	0
Other accruals	0	52,712
Total	0	52,712

Included in other creditors is gratuity to employees of Shs 1.610billion in relation to staff contracts that have been successfully completed and pending payment.

NOTE 9 – Comprehensive Income and Expenditure

Community Resettlement relates to a one-off UGX 3 billion grant to a Community that was leaving adjacent to Luwunga CFR to improve their livelihoods. This grant was funded by Government of Uganda.

Forest Fire Losses relates to a loss of UGX 1.327billion related to wild/malicious fires that gutted down 624.96ha of a young crop in North Rwenzori CFR. The crop was ranging between 2.5 and 1 year old.

Management has henceforth gone ahead to put up mitigating factors such that such a loss does not reoccur again and these include; awareness of the communities adjacent to the plantations whenever the dry season is setting in, maintenance of the plantations to free them from bush, timely release of funds to be used in community sensitization and mobilizing during the dry spells, procurement of fire browsers used during firefighting.

Operating Surplus

The following should be noted about the operating surplus:

The surplus is as a result of capitalizing the plantation establishment cost for the year, reduced maintenance costs on fleet and late released funds for boundary resurvey & opening received from the supplementary funds that was advanced out to staff and could not be accounted for within the remaining period of the financial year.

Note 9 (a) – Government funding

	June 2014 Shs (000)	June 2013 Shs (000)
Wage Bill	5,400,000	5,200,000
Community Tree Planting Project	908,447	798,783
Recurrent costs	133,371	111,141
IFMS Equipment received	0	245,400
Supplementary (Recurrent)	4,757,159	0
	11,198,977	6,355,324

Note 9 (b) – Grants:

	Other Grants Shs (000)	June 2014 Total Shs (000)	June 2013 Total Shs (000)
At 1 st July	0	0	0
Cash received during the year	769,606	769,606	2,002,094
Returned to partner	0	0	0
Total Grant recognized for the year at 30th June	759,606	769,606	2,002,094

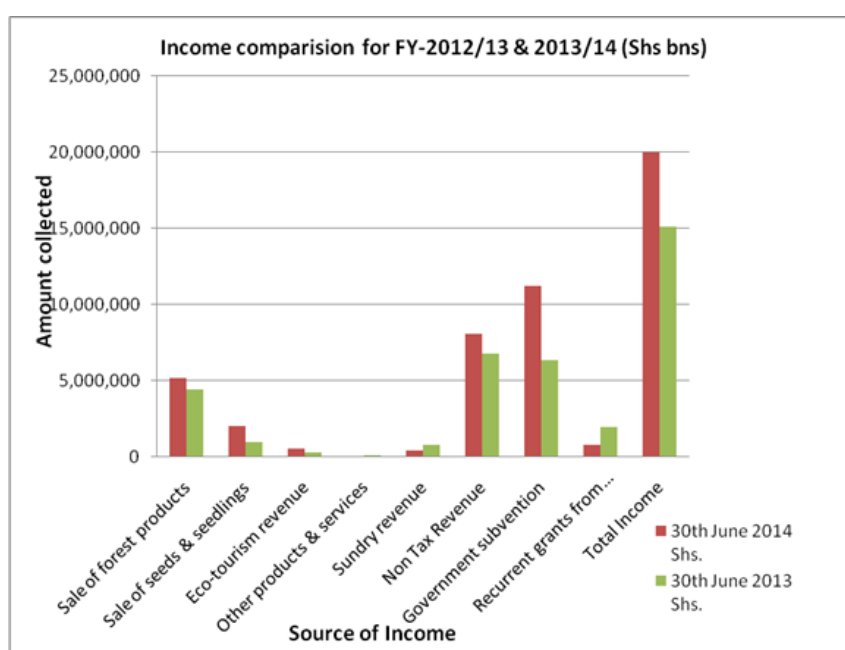


Fig 11: Revenue comparison for sale of forestry products for the period 2012/13 & 2013/14

Sale of forest products: The NTR for the financial year 2013/14 was slightly higher than that of 2012/13, due to sale of carbon credits in Rwoho and sale of 2nd thinnings at a competitive price. There was also increased fees collection from private tree farmers and occupation permits paid by Gulu University & save the children (SOS).

Sale of seed & seedlings: There was more revenue generated from sale of seed during FY 2013/14 compared to 2012/13 due to a contract signed between NFA and Ministry of Water and environment for supply of seedlings worth 0.5billion shillings.

Ecotourism services: More revenue was generated from ecotourism services due to increased vigilance and monitoring of licensees such as great safaris.

Government subvention: The government subvention of FY 2013/14 almost doubled that of 2012/13 due to supplementary budget of 5 billion meant for boundary resurvey work and improving community livelihood in Luwunga CFR in Kiboga District and salary wage bill provided.

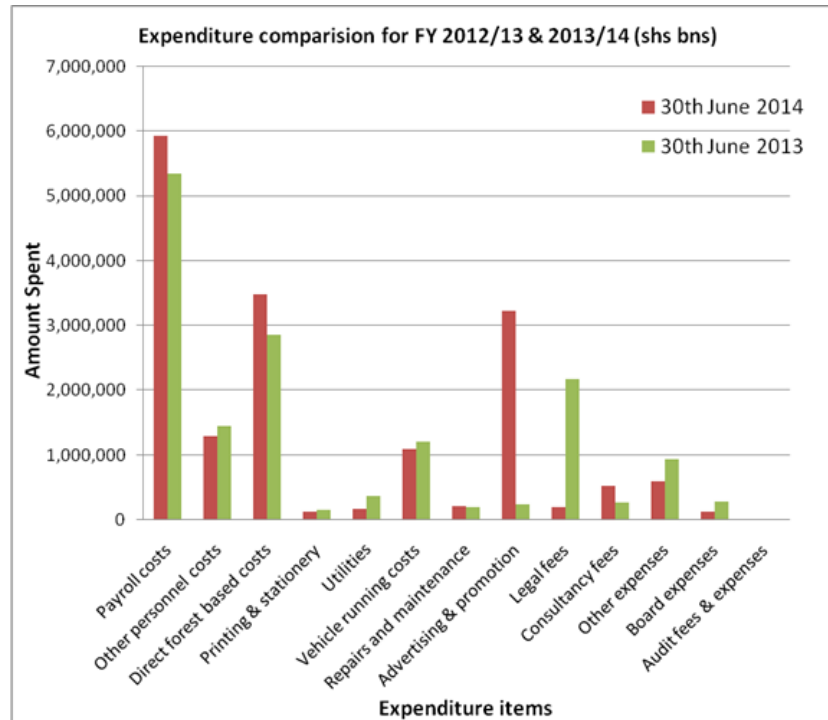


Fig 12: Comparison of expenditure performance for FYs 2012/13 & 2013/14

Payroll Costs: Payroll costs for FY 2013/14 increased compared to FY 2012/13 due to recruitment of Forest supervisors and employees on short term contract.

Direct Forest based Costs: Direct Forest based costs increased during FY 2013/14 compared to FY 2012/13 due to Boundary contracts and replanting of formerly encroached area with support of supplementary funds.

Advertising and promotion: Advertising and promotion costs for FY 2013/14 were too high compared to those of FY 2012/13 due to one off expenditure related to conditional grant towards improving livelihoods of former communities that were formerly living in Luwunga CFR, funded by government of Uganda.

Legal fees: The legal fees were too low in the FY 2013/14 compared to FY 2012/13 due to less payments compared to what was spent on Sam Kiwanuka the previous year.

Board expenses: board expenses for FY 2013/14 were almost half compared to FY 2012/13, due to absence of board for almost a whole year of 2013/14.

CHAPTER FOUR: CONSTRAINTS, LESSONS LEARNT AND RECOMMENDATIONS

4.1 CONSTRAINTS AND LESSONS LEARNT

- Forest encroachments through conversion to agricultural use continue to be the largest threat to forests in protected areas leading to degradation of natural forests and a disincentive to development of commercial forest plantations in addition to rather high cost of effective and successful evictions.
- Illegal timber trade exacerbated by distortion in licensing regimes continue to put further strain on the management of forest resources both in protected and private forests and increase expenses of curbing forest crimes.
- Unclear forest boundaries continue to encourage encroachment of forests and increase the cost of law enforcement and litigation and thus negatively affecting other forestry management activities’
- Unpredictable weather characterized by prolonged dry seasons coupled with inadequate forest plantation maintenance, limited field equipment and materials especially fire towers, underground water tanks and other firefighting equipment increase the risk of loss of forest estate through fires
- Outdated forest cover data continue to undermine informed planning, decision making and management of forest resources.
- Inadequate infrastructure, transport requirements, stakeholder participation coupled with insufficient human and financial capacity, continues to limit effective and efficient forest management in all central forest reserves.

4.2 RECOMMENDATIONS

- Finalize the establishment of forest committees at forest management area level in consultation with the respective local government
- Lobby government to finance forest boundary re-surveying & marking and national biomass study, increase allocations for community tree planting and environment protection police
- Expedite the proposed urban forest degazettement
- Initiate the process of revision of NFA Business Plan
- Operationalize and implement Client Service Charter, Eco-tourism Development Plan National Tree Seed Centre Business Plan and measures to strengthen licensing private commercial tree farming in central forest reserves
- Study the feasibility of public private partnership and develop fundable and bankable proposals to secure financing for forest management operations and investments
- Develop, revise and approve additional forest management plans
- Procure additional motor vehicles, motorcycles and replace obsolete firefighting equipment and materials