



## **ANNUAL PERFORMANCE REPORT FOR FY 2014/15 (JULY 2014 – JUNE 2015)**



**NATIONAL FORESTRY AUTHORITY**

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**JULY 2015**

### STATEMENT BY THE EXECUTIVE DIRECTOR

The Annual report highlights the achievements of FY 2014/15 against planned activities, targets and performance indicators derived from NFAs Business Plan. During FY 2014/15 NFA generated UGX 19.770bn as compared to anticipated UGX 21.406bn represented 92.4% budget performance which constituted UGX 12.936bn as Non Tax Revenue (NTR), UGX 0.299bn from development Partners mainly ICRAF & Norway through the FK Partnership Exchange Programme and UGX 6.534bn Government of Uganda (GoU) contribution towards the wage bill and other development and recurrent activities.

Key achievements included procurement of 53 computers, seven (7) Motor vehicle sand thirty five (35) 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 (1260ha), pruning (1901ha)& fire breaks (151Km). Establishment of plantations 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 748ha of forest plantations in various Central Forest Reserves (CFRs) as follows; Mafuga (223ha), Mbarara (251ha), Mwenge (21), South Busoga (45ha), Lendu (200ha), and NTSC (7.9ha). NFA made significant efforts towards forest restoration and maintaining the legal and physical integrity of the CFRs including re-opening a total of 392.5km of forest boundary and marking with concrete pillars in addition to securing over 30,000ha of encroached forest land and enrichment planting of 193ha 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 22 research licenses.

In addition 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.

Lastly, 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 2014/15.

Forests for Prosperity



Michael Mugisa

**EXECUTIVE DIRECTOR**

## REPORT OF THE DIRECTORS

The Board of Directors present their report and financial statements for the year ended 30<sup>th</sup> June 2015 in accordance with the National Forestry and Tree Planting Act, 2003.

### Directors

The Board of Directors who held office during the financial year are as shown below;

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

### Principal activities

NFA is mandated to manage 506 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 and World Bank. The end of this financial year also marks the end of the first 11 years of the Business Plan over which NFA has been established.

The authority has performed adequately towards the 5 performance objectives on which it is measured which include; Management of central forest reserves where 360km of forest boundary was resurveyed; 392.5ha of formerly encroached area was replanted; a total of 13.2million seedlings were raised for both commercial and community tree programme; 748ha of new plantation was established; 8,740ha of existing plantation managed through thinning, pruning & fire breaks and 225 stakeholder engagements with partners were held.

### Donor Funds

Funds have also been obtained from the private sector through corporate partnerships in restoration of degraded Central Forest Reserves of their choice. The notable ones include; Standard Chartered Bank, Uganda Breweries Ltd and Serena.

### 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 6.534billion directly to NFA through its vote 157.



**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 30<sup>th</sup> June 2015.

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. Gershom Onyango**  
**CHAIRPERSON, BOARD OF DIRECTORS**



**Michael Mugisa**  
**SECRETARY/EXECUTIVE DIRECTOR**

## ACRONYMS

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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
EM	ENVIRONMENTAL MANAGEMENT
FBEs	FOREST BASED ENTERPRISES
FK FIS	FREDS KORPSET 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
MWE	MINISTRY OF WATER AND ENVIRONMENT
NaFORRI	NATIONAL FORESTRY RESOURCES RESEARCH INSTITUTE
NFA	NATIONAL FORESTRY AUTHORITY
NTSC	NATIONAL TREE SEED CENTRE
REDD	REDUCING EMISSIONS FROM FOREST DEFORESTATION AND DEGRADATION
SHS	SHILLINGS
Ushs	UGANDA SHILLINGS
URA	UGANDA REVENUE AUTHORITY
UWA	UGANDA WILDLIFE AUTHORITY

### **Background**

The Annual Report presents the achievements of Financial Year 2014/15 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

### **Planned activities targets and performance indicators**

#### **Improved management of CFRs**

This reporting period; 359.9km of forest reserve boundaries were re-surveyed and 360km 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 225 stakeholder sensitization meetings held. 1,877 encroachers were evicted and over 93,539 Ha freed.

The main investment by NFA is the establishment and maintenance of plantations. 748ha of forest plantations were established during the period. 392.5ha 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 Standard Chartered Bank. Regrettably 112hectares of plantation were lost as a result of forest fires in various forest reserves including; North Rwenzori (109ha) and (3ha) in Natural Forest.

150.8 km of Fire breaks were established and 126km of forest roads maintained in plantations and natural forests to facilitate easy management of the Plantations and Natural forests. 5,579.3 ha were weeded, 1,901 ha pruned and 1,260.14ha thinned in plantation areas.

NFA finalized Forest Management Plans (FMP) for Massege and Pakwach 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 sixteen (16) Memorandums of Understanding. This was aimed at augmenting NFAs capacity to effectively manage the CFRs. 22 licenses were issued across the country to promote research in various CFRs.

Collaborative Forest Management (CFM) arrangements took place throughout the period and 23 CFM agreements were initiated. 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 14,843,215 high quality tree and fruit seedlings; against a target of 15,250,983 from the NTSC and regional nurseries for community tree planting program (6,217,989), sale (7,047,279) and own planting (3,155). 15,910 bamboo calms were sold, sale and distribution to communities and approximately 2,104m<sup>3</sup> of round wood from the existing mature plantations was harvested under various concessions in addition to 177 m<sup>3</sup> of round maked in Budongo CFR for Electricitywayleave. A total of 165.5 m<sup>3</sup> of round wood was converted by NFA into 49.800m<sup>3</sup> during the year and 12 m<sup>3</sup> from West Nile CFR.

The number of tourists received increased from 3,145 to 3,214 in the major ecotourism sites of Mabira, Busingiro, Mpanga and Kalinzu compared to the previous financial year 2013/14.

## **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 2014/15 financial year, NFA operated with a new set fully constituted Board of Directors to guide in key policy decisions. 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 fourteen(14) new staff to augment the staffing gaps. 55 staff were trained in different fields in order to enhance staff capacities and abilities. NFA procured 35 motorcycles, 53 Computers and seven (7) vehicles.

## **Constraints lessons learnt and recommendations**

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, national biomass study and environment protection police, expedite the proposed urban forest degazettement, 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, investments and procure additional motor vehicles, motorcycles and replace obsolete firefighting equipment and material



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# CHAPTER ONE: INTRODUCTION

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## 1.1 Background

The Annual (July 2014 - June 2015) performance report for FY 2014/15, presents achievements against the planned targets for the reporting period under the four strategic objectives:

- a) Improving management of Central Forest Reserves (CFRs);
- b) Expanding partnership arrangements,
- c) Supplying high quality products and services, and
- d) Attaining organizational sustainability.

## 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 2014/15, 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 PERFORMANCE INDICATORS

### 2.0 PHYSICAL PERFORMANCE

This Chapter outlines planned activities under each strategic objective, physical achievements against targets and performance indicator as provided in the 2014/15 Annual Operation Plan as detailed below;

#### 2.1 Improved Management of Central Forest Reserves

##### 2.1.1 Plantation establishment:

748 ha (115 %) of forest plantations were established, in Mafuga (223ha), Mbarara (251 ha), Lendu (200), Mwenge (21), NTSC (7.9) and South Busoga (30ha). It should be noted that establishment of more forest plantations was affected by the December-mid March dry spell, therefore few new plantations were established between January and March 2015.

**Table 1: Increase in area of forest plantations in CFRS**

Performance Indicators	2013/14 Achieved	Target 2014/15	Achieved 2014/15	Percentage%
Area in CFRs with new private plantations (ha)	11,437	5,000	4,875	97.5
Area of industrial timber plantation established by NFA (ha)	1,091	651	748	115
Area of industrial charcoal plantation established by NFA (ha)	0	0	0	0
Demonstration plantations established	96	241	42.5	17.65
Area of forest plantations	4,094	4250	5579.3	131.3

weeded (ha)				
Area in CFRs with silvicultural tending (Thinning). (ha)	2,063	1395	1,260.14	90.3
Area in CFRs with silvicultural tending (Pruning, Climber cutting). (ha)	1,770	800	1,901	237.6
Distance of Firebreaks maintained (Km)	193	264	150.8	57.1
Area demarcated for plantation development by private sector (ha)	307	0	0	0
Area of private plantations on CFRs verified and mapped (ha)	8,437	30,729.2	32,893.6	107.04



*Fig.1:A well Managed pine plantation in Mwenge CFR*



*Fig.2: Eucalyptus Mother Trees managed for high quality seeds after thinning.*

### 2.1.2 Boundary opening and marking with pillars:

Re-opened 359.9 Kms of boundary length, 6 Kms opened in Kulobia CFR, 70 Kms in Luwunga CFR, Ibambaro(10Km), Kitechura (12Km), Matiri (28.1Km), Namwasa (79.8Km), Kanaga (13.2Km), Kikonda (98Km), Alungamosimosi (29.6Km) and Soroti (13.2Km). The over performance at 199% was as a result of the supplementary funds carried forward from Financial Year 2013/14.

Additionally, boundary verification exercise was undertaken in Mpanga and Lwamunda CFRs to assess and establish the correct boundary lines. 239 boundary pillars were planted Alungamosimosi (30), Ibambaro (10), Kikonda (93) and Matiri (26), Namwasa (80) and 332 boundary pillars supplied. Verification of Mpanga and Lwamunda CFRs was undertaken

**Table 2: Physical and legal integrity of CFRs restored**

Performance Indicators	2013/14 Achieved	Target 2014/15	Achieved 2014/15	Percentage%
Length of Forest Boundary re-survey/ re- opening (km)	285	179	359.9	201.1
Length of Forest Reserve boundaries maintained	-	120	9.6	8.0

A total area of 557.6Ha was restored through restoration/Encroachment planting. 100 ha in Gangu under UETCL offset planting, 23 ha with SERENA, 12.6 ha by NFA/ CFM, 109 ha with UBL, 109 ha with Standard Chartered bank and 38 ha Bamboo planting in Lwamunda, 20 ha in Kyampisi CFR, 10 ha in Kasenyi, 50 ha inBuhungiro and 60 ha in Ibambaro CFR and 15 ha in Budongo range.





*Fig.3: These are some of concrete pillars planted to mark the boundary of Matiri CFR*

*Fig.4: The bore-hole abandoned after eviction in Matiri CFR which can be put in use by NFA as water source*

### **2.1.3 Tending:**

Slash weeding of 5579.3ha was undertaken in plantations of Mafuga (1,599), Mbarara (135), Mwenge (355), South Busoga (142), Lendu (845), North Rwenzori (163), NTSC (365) and Natural forests of Muzizi Range (268.8) Kyoga (43ha) Nyakunyu CFR (6.5), West Nile (10) and NTSC (13). Slash weeded 2,491ha in plantations of Mafuga (900ha), Mwenge (239ha), Katugo (11ha), North Rwenzori (163ha), South Busoga (262ha), NTSC (13ha) and Lendu (645ha) and Natural forests of Kyoga (86ha), Nyakunyu CFR (6.5 ha), West Nile (10ha) and Lakeshore (155.5ha). Thinned 1,260.14 ha, in Mwenge (761.14), South Busoga (113), Lendu (35), Muzizi (311), West Nile (10) and 30 in Lakeshore in Kifu. in Mwenge (680ha), South Busoga (113ha), Lendu (145ha), Muzizi (343.86ha), West Nile (10ha), 30ha in Lakeshore in Kifu CFR and Kyoga (43ha). Pruned 793ha in Mafuga (500ha), Kasana-Kasambya (102ha), Lukuga (93ha) and Nakwaya CFR (98).

## 2.2 Expand partnership arrangements

Through Collaborative Forest Management (CFM), NFA continued to demonstrate to forest-dependent communities the relevance of forests to their livelihoods. Meetings were held with forest-adjacent communities in Muzizi Range, Southwest with Bitooma and MPECA CFMs around Kasyoha-Kitomi CFR, Budongo sector, Lakeshore Range with Mabira communities, Buvuma, Sango Bay, Mujuzi, Navugulu and Lwamunda CFRs, Omier in West Nile Range, Apac and Kachung in AchwaRange and discussed issues relating to encroachment, fire awareness and four (4) CFM plans/agreements were negotiated for Lwamunda, Buto-Buvuma, Wantayi and Katabalulu CFRs). CFM agreements were initiated in Navugulu (5), Masaka (6), Lwamunda, Buto-Buvuma, Wantayi and Katabalulu CFRs.

Restoration planting of 392.5 ha was undertaken through partnerships with corporate organisations such as Uganda Breweries Limited, Serena Hotel and Standard Chartered Bank; in Navugulu CFR and NFA own planting in Kakonwa and Lwamunda CFRs. 415ha was restored by enrichment planting in Mabira (315Ha) and Navugulu (100Ha) CFR, was also undertaken through partnerships with corporate organizations namely; Uganda Breweries Ltd, Serena Hotel and Standard Chartered Bank; in Navugulu CFR and NFA own planting in Kakonwa and Lwamunda CFRs.

**Table: 3: Partnership Arrangements**

Performance Indicators	2013/14 Achieved	Target 2014/15	Achieved 2014/15	Percentage%
No of Private tree farmers (Licencees) whose crop is mapped (No.)	0	0	12,646	-
Area of forest plantation established by Private Sector in CFRs (cumulative).	60,437	62,404	25,609.2	41.04
Partnerships for carbon trade established.	0	0	0	0
Pilot partnerships for integrated water resources management established.	0	0	0	0

### 2.3 Equitable supply of forest and non-forest products and services

**Seed and seedlings:** NFA raised 14,843,215 seedlings, 7,047,279 seedlings were raised for sale, 1,577,947 for NFA own planting and 6,217,989 for Community Tree Planting Program. NFA raised 12,792,525 seedlings. 5,473,288 seedlings were raised for sale, 2,787,147 for NFA own planning and 4,532,090 for the Community Tree Planting Program.

**Table 4: Seed and seedlings**

Performance Indicators	2013/14 Achieved	Target 2014/15	Achieved 2014/15	Percentage %
Area of seed sources orchards and stands established. (ha)	15	25	28.9	115.6
Area of seed sources & stands marked & maintained in CFRs by the NTSC (ha)	336	70	77.25	110.4
Thin seed stands (ha)	-	70	52.25	74.6
Amount of quality tree seeds collected (Kg) Imported	380	454	25	5.5
Amount of seed collected locally (Kg)	4,891	6,143	4,305	70.1
No. of quality tree seedlings and other planting materials produced.	13,344,869	15,250,983	14,843,215	97.3



*Fig.5: Monitoring progress of Bamboo seedlings in the Nursery at NTSC Namanve*



*Fig.6: The Monitoring Team is looking at the crone nursery beds and how they are raised at NTSC.*

**Round wood:** 2,104m<sup>3</sup> of round wood were harvested; [2,073m<sup>3</sup> from way-leaves for electricity and expansion of roads in CFRs of Mpigi (607.2ha), Zirimiti (30.7ha), Nkenda-Hoima (831.6ha), Budongo (34ha) and Kawanda-Masaka (569.7ha). A total of 1,716 trees with a volume of 633m<sup>3</sup> of round wood were marked for thinning and milling in Kifu CFR.

**Table 5: Round wood & Timber**

Performance Indicators	2013/14 Achieved	Target 2014/15	Achieved 2014/15	Percentage%
Volume of timber harvested in plantations under license (m3)	13,000	100	633	633
Volume of timber harvested in Tropical High Forests under license (m3)	2,937	435.3	2,104	483.3
Volume of sawn timber supplied from NFA sawmill	13	-	61.8	
Volume of timber confiscated law (enforcement)	844.717	-	761.9775	



Performance Indicators	2013/14 Achieved	Target 2014/15	Achieved 2014/15	Percentage%
No of utility poles	-	-	177	
No. of construction poles	1,040		-	
Treated fencing posts	2,492	14,000	2,168	15.5
Volume of fire wood sold (stacked M3).	94	0	0	0
No. of charcoal permits cleared for transportation	0	-	19,358	-

1 harvesting license was issued to harvest cypress in Ozuba CFR, West Nile Range. West Nile issued permits to charcoal transporters.



*Fig.7: Thinning activities in Kyehara CFR*



*Fig.8: Timber converted from thinning in Kikumiro plantation*

**Ecotourism:** 4,136 tourists were received in the different ecotourism sites (Lakeshore 2,042 tourists; Budongo 1,910 tourists and Kalinzu CFR 184 tourists). A total of 795 guided walks were undertaken in the ecotourism sites of Lakeshore (607), Budongo (146) and Kalinzu- Nkombe (42).

**Table 6: Non-wood products and Services from CFRS**

Performance Indicators	2013/14 Achieved	Target 2014/15	Achieved 2014/15	Percentage%
Maps	786	320	117	36.6
No of ecotourism sites managed by NFA	4	4	4	100
No of ecotourism sites managed by private	5	7	5	71.4
No of Bamboo culms sold	4,111	40,000	15,910	39.8
Apiary (Honey, beeswax and propolis) (tons)	0.047	0	0	0

## 2.4 Organizational sustainability

**Human Resources:** The staffing levels of NFA as at 30<sup>th</sup> March 2015, was at 322 staff; Management recruited 14 staff to fill up the vacant positions. (9 Forest Supervisors and 5 Sector Managers were recruited in Q1); advertised the vacant positions including; Directors (Finance, Natural Forests and Plantations), Coordinator Planning, Legal Manager, Procurement Manager, Internal Audit Manager, Transport Officer, Administration Specialist, IT Officer, Stores Supervisor, Public Relations Supervisor, Legal Officer and Legal Clerk. The recruitment process is still on-going. Staff undertook trainings as part of capacity building in different disciplines such as corporate governance, and risk management, human resource management and development and project management.

**Table 7: Organization Sustainability**

Performance Indicators	2013/14 Achieved	Target 2014/15	Achieved 2014/15	Percentage%
Organizational structure reviews (No).	0	0	0	0
Staff trained in various short	77	20	55	275

Performance Indicators	2013/14 Achieved	Target 2014/15	Achieved 2014/15	Percentage%
courses				
Human resource Manual reviews.	0	0	0	0
Number of Environment Protection Force personnel employed	50	50	50	100
Number of interns taken up annually	112	-	212	-

**Infrastructure:** Management procured 7 vehicles, 7 motorcycles and two motor boats to ease transport both at headquarters and in the field. The procurement process of 35 motorcycles and 7 more vehicles was initiated and is on-going. In addition, 55 computers and 13 UPSs were procured for use in the various units at headquarters and the field.

**Financial performance:** NFA generated UGX 14.389bn (67%). Out of which, Non-Tax Revenue contributed UGX 9.033bn from sale of forest products, supply of seeds and seedlings, eco-tourism, sundry incomes and other products and services. Government contributed a subvention of UGX 5.064bn [wage (UGX 4.050bn), Non-wage recurrent (UGX 0.098bn) and Development (UGX 0.916bn)]; UGX 0.292bn was received as grants. The total expenditure for the quarter amounted to UGX 10.412bn; of which UGX 5.289bn was spent on Payroll and related overheads, UGX 2.186bn on Forest-Based Costs, UGX 1.901bn on Administrative and Operating expenses, UGX 0.769bn on depreciation and UGX 0.267bn on capital expenditures.



## CHAPTER THREE:

# FINANCIAL STATEMENTS

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### 3.0 Accounting Policies

#### **(a) - Basis of Accounting**

The financial statements are prepared in accordance with International Financial Reporting Standards (IFRS), using the accrual and historical cost conventions.

NFA management treats donor funds that are channeled through the Government as a grant. This is because the funds are given as a loan to the Government which bears the repayment liability. NFA therefore implements the related activities on behalf of Government.

#### **(b) - Income and Expenditure**

Income is recognized in the Income and Expenditure statement in the year in which it is earned and expenditure is recognized in the year in which it is incurred. Income consists of Non Tax Revenue (NTR) collected at source, subventions from Government and disbursements from development partners.

#### **(c) - Stock**

Items in stock are stated at the lower of cost or net realizable value.

#### **(d) - Non Current Assets**

All Non- current assets are stated at cost less depreciation except fleet (Motor Vehicles) which are held at revalued amount less depreciation. The cost of purchased non-current assets is the value of consideration given to acquire the assets and the value of other directly attributable costs which have been incurred in bringing the assets to the location and condition necessary for their intended use.

**(e) - Biological Assets**

The Plantation growing stock has been measured in line with IAS41-Agriculture. The assets have been measured at their fair values less point of sale costs. The biological assets meet the basic recognition requirements of control as a result of past events, probable that future economic benefits shall flow and fair value of the asset can be measured reliably.

**(f) - Depreciation**

Depreciation is provided to write-off the cost of non- current assets on a straight-line basis using annual rates determined by considering their estimated useful lives. The annual rates used are:

Buildings	4%
Vehicles	20%
Plant and machinery	10%
Computer and IT equipment	33%
Furniture, fittings & office equipment	25%

Fixed assets are depreciated in the year of acquisition commencing in the quarter following acquisition.

**(g) - Foreign Currencies**

The financial statements are expressed in Uganda shillings. Assets and liabilities expressed in foreign currencies are translated into Uganda shillings at the rate of exchange ruling on the Statement of Financial Position date. Transactions during the period are translated at the rates ruling on the date of the transactions. Gains and losses on exchange are dealt with in the Comprehensive Income and Expenditure account for the year.

**(h) - Bad and Doubtful Debts**

Specific provision is made for all known bad and doubtful debts. Debts are written off when all reasonable steps to recover them have been taken without success.

**(i) - Components of Cash and Cash Equivalents**

For the purpose of the Statement of Cash flows, cash and cash equivalents comprise cash at hand and all deposits held at call with banks.

**(j) - Use of Estimates**

The preparation of financial statements in accordance with IFRS requires management to make estimates and assumptions that affect the amounts and balances reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

**(k) - Grants**

All grants received directly from Government or indirectly through donors are recognized as income in the period in which the grants are utilized. The revenue from the grant is matched with the expenditure or commitments for which the grant was given. The unutilized balance of the grant is accounted for as Deferred Income to be recognized as revenue in future periods.

**(l)-Prior Year Comparison**

It is the authority's policy to present the accounts with prior year comparative figures.

**(m)-Non-Current Assets held for sale**

Non-current assets that have been identified for disposal have been reclassified as held to sale and disclosed as current assets. These assets will be available for immediate sale and the intention and ability to transfer the asset to a buyer in its present condition has been approved.

# STATEMENT OF FINANCIAL POSITION AS AT JUNE 2015

Assets:		Note	Jun-15	Jun-14
			Shs (000)	Shs (000)
Non-Current Assets	Property, Plant and Equipment	1	6,002,748	4,440,965
Biological Assets	Plantation Investment	2	104,303,594	13,352,456
	<b>Total Non- Current Assets</b>		<b>110,306,342</b>	<b>17,793,421</b>
Current Assets	Inventory	3	792,783	1,502,722
	Trade and other Receivables	4	10,095,623	7,542,912
	Cash and Bank balances	5	776,103	1,263,733
			<b>11,664,509</b>	<b>10,309,368</b>
	Non-Current Assets held for Sale		15,440	65,780
	<b>Total Current Assets</b>		<b>11,679,949</b>	<b>10,375,148</b>
Total Assets			<b>121,986,291</b>	<b>28,168,569</b>
Financed by:				
Government Equity and Reserves:	Government Equity	6	104,529,660	13,186,906
	Revenue Reserves		6,443,255	6,443,255
	<b>Total Capital and Reserves</b>	<b>6</b>	<b>110,972,915</b>	<b>19,630,161</b>
Non-Current Liabilities	Deferred Income	7	520,000	570,294
	<b>Total Current liabilities</b>		<b>520,000</b>	<b>570,294</b>
Current Liabilities				
	Accounts Payable and Accruals	8	10,493,376	7,968,114
	<b>Total Current Liabilities</b>		<b>11,013,376</b>	<b>8,538,407</b>
Total Equity and Liabilities			<b>121,986,291</b>	<b>28,168,569</b>

The financial statements which appear on pages 6 to 18 were approved by the Board of Directors on .....2015 and were signed on its behalf by;



**Gershom Onyango**  
CHAIRPERSON, BOARD OF DIRECTORS



**Michael Mugisa**  
EXECUTIVE DIRECTOR

## STATEMENT OF COMPREHENSIVE INCOME

		June 2015	June 2014
	Note	Shs (000)	Shs (000)
<b>Income</b>	<b>9</b>	<b>19,770,358</b>	<b>20,013,039</b>
<b>Operating Expenses</b>			
Administrative expenses		15,684,889	18,043,499
Depreciation		1,092,456	974,118
<b>Total Operating Expenses</b>	<b>9</b>	<b>16,777,345</b>	<b>19,017,616</b>
<b>Operating surplus (Deficit)</b>		<b>2,993,013</b>	<b>995,423</b>
Finance costs	<b>9</b>	24,915	21,836
<b>Net surplus (Deficit) for the period</b>	<b>9</b>	<b>2,968,097</b>	<b>973,586</b>



**Gershom Onyango**  
CHAIRPERSON, BOARD OF DIRECTORS



**Michael Mugisa**  
EXECUTIVE DIRECTOR

## STATEMENT OF CASH FLOWS

	June 2015	June 2014
	Shs (000)	Shs (000)
<b>Operating activities:</b>		
Surplus (Deficit) for the period	2,968,097	973,586
Net amount debited directly to Reserves	88,374,656	(136,279)
Profit on disposal of assets	(33,630)	0
<b>Adjustments not involving movement of cash:</b>		
Depreciation	1,092,456	974,118
Fair value increase in plantation growing stock	(89,863,577)	
<b>Cash generated from operations before working capital changes</b>	<b>2,538,003</b>	<b>1,811,425</b>
<b>Working capital changes:</b>		
(Increase)/decrease in debtors and prepayments	(2,552,711)	78,225
(Increase)/Decrease in inventories	709,939	(672,169)
(Decrease)/increase in creditors and accruals	2,525,262	(835,893)
(Decrease)/Increase in deferred income	(50,294)	0
<b>Cash generated from operations after working capital changes</b>	<b>3,170,199</b>	<b>381,588</b>
<b>Investing activities:</b>		
Purchase of fixed assets	(2,700,422)	(731,600)
Proceeds from assets held for sale	83,970	0
Impairment of assets	46,183	
Investment in plantation stock	(1,087,561)	0
<b>Net cash outflow during the period</b>	<b>(487,631)</b>	<b>(396,197)</b>
Cash and cash equivalents at the beginning of the period	1,263,733	1,659,931
<b>Cash and cash equivalents at the end of the period</b>	<b>776,103</b>	<b>1,263,733</b>

# STATEMENT OF CHANGES IN EQUITY

	Government	Grants &	Revenue	
	Contribution	Donations	Reserve	Total
	Shs (000)	Shs (000)	Shs (000)	Shs (000)
Balance at 1 <sup>st</sup> July 2014	0	13,186,906	6,443,256	19,630,162
Prior year adjustment	0	0	88,374,656	88,374,656
Surplus for the year	0	0	2,968,097	2,968,097
<b>Balance at 30th June 2015</b>	<b>0</b>	<b>13,186,906</b>	<b>97,786,009</b>	<b>110,972,915</b>

	Government	Grants &	Revenue	
	Contribution	Donations	Reserve	Total
	Shs (000)	Shs (000)	Shs (000)	Shs (000)
Balance at 1 <sup>st</sup> July 2013	0	13,186,906	5,605,949	18,792,855
Revaluation	0	0	0	0
Prior year adjustment	0	0	(136,279)	(136,279)
	0	0	973,586	973,586
Surplus for the year				
<b>Balance at 30th June 2014</b>	<b>0</b>	<b>13,186,906</b>	<b>6,443,256</b>	<b>19,630,162</b>



### 3.1 NOTES TO THE ACCOUNTS

#### Note 1 – Property, Plant and Equipment

					Furniture		
		Plant &	Motor	Computer	Fittings &		
	Buildings	Machinery	Vehicles	& IT Equip.	Off. Equip.	Capital Work in Progress	Total
Cost/Valuation:	Shs (000)	Shs (000)	Shs (000)	Shs (000)	Shs (000)	Shs (000)	Shs (000)
<b>Opening balance</b>	3,058,660	1,211,588	5,774,244	2,117,300	948,606	147,192	<b>13,257,590</b>
<b>Additions during the period</b>	0	0	2,660,451	154,375	5,595	(120,000)	<b>2,700,433</b>
<b>Impairment</b>	0	(46,183)	0	0	0	0	<b>(46,183)</b>
At 30 June 2015	<b>3,058,660</b>	<b>1,165,405</b>	<b>8,434,695</b>	<b>2,271,675</b>	<b>954,201</b>	<b>27,192</b>	<b>15,911,829</b>
Depreciation:							
<b>Opening balance</b>	975,521	508,454	4,691,981	1,824,327	816,341	0	<b>8,816,625</b>
<b>Disposal</b>	0	0	0	0	0	0	<b>0</b>
<b>Charge for the period</b>	124,590	112,126	585,132	206,806	63,803	0	<b>1,092,456</b>
At 30 June 2015	<b>1,100,111</b>	<b>616,392</b>	<b>5,277,113</b>	<b>2,036,491</b>	<b>878,974</b>	<b>0</b>	<b>9,909,081</b>
Net Book Value							
At 30 June 2015	<b>1,958,549</b>	<b>549,013</b>	<b>3,157,582</b>	<b>235,185</b>	<b>75,227</b>	<b>27,192</b>	<b>6,002,748</b>

## Note 2 – Biological Assets (Plantation Investment)

### Reconciliation of changes in the carrying amount of biological assets

	Shs (000)
<b>Opening balance at July 2014</b>	13,352,456
<b>Add: Gain from changes in fair value less costs to sell-reserves</b>	89,863,577
<b>Increases in area planted during the year (229.9ha)</b>	1,087,561
<b>Less :Decreases due to harvest</b>	0
<b>Decreases attributable to assets classified as held for sale</b>	0
<b>Total deferred at 30th June 2015</b>	<b>104,303,564</b>

Significant assumptions made in determining the fair value of biological assets are;

1. The average maturity period of plantations is twenty (20) years of all the species planted.
2. The survival rate per hectare of a plantation is 75%.
3. The initial spacing of all the trees is 3metres by 3 metres giving 1,111 seedlings planted per hectare. The plantations are thinned twice; 1<sup>st</sup> thinning at 3-4 years (34%) and 2<sup>nd</sup> at 9-10 years representing 24%.
4. Management's objective of establishing and maintaining plantations is for generation of timber or round wood.
5. A discount rate of 10% per annum is applied to the expected net cash flows arising from the assets.

The Authority does not anticipate that round wood prices will decline significantly in the foreseeable future and, therefore has not entered into derivative or other contracts to manage the risk of a decline in round wood prices. NFA reviews its outlook for round wood prices regularly in considering the need for active financial risk management.

The total area planted to-date is 10,521.20ha in all the seven (7) Plantation areas and other plantations in the Ranges. The fair value is shown in the Table below;

<i>Management Area</i>	<i>Area Planted (Ha)</i>	<i>Fair Value('000)</i>
<b>Mbarara</b>	2,161.23	20,496,944
<b>South Busoga</b>	1,713.42	17,615,550
<b>Mafuga</b>	1,799.25	16,869,892
<b>Mwenge plantations</b>	1,135.93	11,296,711
<b>Kyoga</b>	629.50	7,262,962
<b>Lendu</b>	923.51	6,886,189
<b>Katugo</b>	501.69	6,440,313
<b>Muzizi River</b>	371.80	4,505,131
<b>North Rwenzori</b>	474.86	3,372,321
<b>Achwa River</b>	199.89	2,217,351
<b>Budongo System</b>	188.60	2,172,219
<b>West Nile</b>	183.50	2,133,758
<b>Lakeshore</b>	123.00	1,653,403
<b>South West</b>	115.02	1,380,849
<b>Grand Total</b>	<b>10,521.20</b>	<b>104,303,594</b>

The category of the plantations held comprise of mainly pines (90%), eucalypts (8%) and other species comprising of 2%. Table below illustrates the total area planted for all the species across the management units.

<i>Category</i>	<i>Total(Ha)</i>
<b>Pines</b>	9431.3
<b>Eucalypts</b>	849.4
<b>Teak</b>	193.5
<b>Terminalia</b>	15
<b>Other Broadleaved</b>	32
<b>Grand Total</b>	10521.2

Table 3 below illustrates the age of the plantation stock by clearly showing the year of planting, area planted, total standing volume, expected year of harvest (based on the rotation age of 20 years) and projected volume at harvest

**Table 3: Age of the plantation stock indicated by year of planting**

<i>Planting year</i>	<i>Age by 2015(June)</i>	<i>Area (Ha)</i>	<i>Vol per ha (m3)</i>	<i>Total standing Volume (m3)</i>	<i>Year of harvest (Rotation age of 20 years)</i>	<i>Projected Volume (m3) at harvest (335m3 per ha)</i>
1993	22	8	250	2000	2013	2,680
1994	21	37	50	1850	2014	12,395
1995	20	0	50	0	2015	-
1996	19	0	250	0	2016	-
1997	18	13	250	3250	2017	4,355
1998	17	5.1	250	1275	2018	1,709
1999	16	0	292	0	2019	-
2000	15	50.7	263	13334.1	2020	16,985
2001	14	87.2	234	20404.8	2021	29,212
2002	13	63	231	14521.5	2022	21,105
2003	12	406.3	227	92230.1	2023	136,111
2004	11	807.8	194	156309.3	2024	270,613
2005	10	1858.5	160	297360	2025	622,598
2006	9	561.3	150	84195	2026	188,036
2007	8	1135.9	140	159026	2027	380,527
2008	7	1453.7	108	156272.75	2028	486,990
2009	6	1402	75	105150	2029	469,670
2010	5	424	55	23320	2030	142,040
2011	4	619.8	35	21693	2031	207,633
2012	3	193.3	21	3962.65	2032	64,756
2013	2	494.8	6	2968.8	2033	165,758
2014	1	669.1	0	0	2034	224,149
2015	0	229.9	0	0	2035	77,017
<b>TOTAL</b>		<b>10520.4</b>		<b>1,159,123</b>		<b>3,524,334</b>

<b>Note 3 – Inventory</b>		<b>June 2015</b>	<b>June 2014</b>
		<b>Shs (000)</b>	<b>Shs (000)</b>
Seeds & seedlings		584,931	1,226,807
Office stationery & consumables		122,761	86,175
		69,620	141,953
Plantations Items stock			
Timber		15,471	47,787
<b>Total</b>		<b>792,783</b>	<b>1,502,722</b>
		15,440	65,780

Non-current assets held for sale			
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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 were not bided for. This stock shall be disposed-off in the next auction.

#### Note 4 – Trade and Other Receivables

	June 2015		June 2014
These consist of:	Shs (000)		Shs (000)
Staff salary advances	67,361		60,102
Staff imprest	261,885		560,239
Staff loans and other receivables	25,744		30,358
Trade Receivables	8,598,325		5,780,005
Sundry and other receivables	1,142,308		1,112,208
	<b>10,095,623</b>		<b>7,542,912</b>

**Included in Trade Receivables** is Shs 2.64bn in relation to compensations for way leaves and road constructions through CFRs, Shs 1.89bn due from Nile Plywood Ltd of which 0.672bn shall fall due in the next 12 months.

Also herein included is Shs 2.203bn due from Uganda Telecom Ltd in relation to license fees as at end of the period which is under litigation in the civil court awaiting judgment.

Included in Trade Receivables are;

	June 2015	June 2014
Sundry debtors include:	Shs (000)	Shs (000)
Input VAT recoverable	15,148	291,393
Withholding Tax Credits	94,714	94,714
MW&E-Farm Income Project	963,085	617,374
Others	50,869	108,727
<b>Total</b>	<b>1,123,816</b>	<b>1,112,208</b>

	June 2015	June 2014
<b>Note 5 - Cash and Bank Balances</b>	<b>Shs (000)</b>	<b>Shs (000)</b>
Petty cash	18	24
Bank balances	776,084	1,263,710
<b>Total</b>	<b>776,103</b>	<b>1,263,734</b>

#### Balances on Account per Banks

Stanbic Bank	771,303	608,475
Bank of Uganda	2,738	653,191
Standard Chartered Bank	1,606	1,606
Citi Bank	437	437
	<b>776,084</b>	<b>1,263,710</b>

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.

<b>Note 6 – Government Equity and Reserves</b>	<b>June 2015</b>	<b>June 2014</b>
	<b>Shs(000)</b>	<b>Shs (000)</b>
At 1 <sup>st</sup> July	<b>19,630,162</b>	<b>18,792,855</b>
Adjustments to opening Reserves	88,374,656	(136,279)
Movement in revenue reserves for the year	2,968,097	973,586
<b>Total Capital and Reserves as at 30th June</b>	<b>110,972,915</b>	<b>19,630,162</b>

Included in the adjustments of opening reserves are expenditure in relation to previous years' worth UGX 700million now recognized, transfers back to the Consolidated fund at the year-end (0.769bn) and fair value gain in relation to the plantation stock for the previous years. The breakdown is illustrated below;

<b>Debits</b>	
<b>Prior year expenses</b>	719,516
<b>Returned funds to GoU Consolidated fund</b>	769,405
	<b>1,488,921</b>
<b>Credits</b>	
<b>Prior year fair value of Plantation Growing Stock</b>	(89,863,577)
<b>Net credits balance</b>	<b>(88,374,656)</b>

<b>Note 7 – Deferred Income</b>	<b>June 2015</b>	<b>June 2014</b>
	<b>Shs (000)</b>	<b>Shs (000)</b>
<b>Opening balance at July</b>	570,294	570,294
<b>Less: Amounts utilized for recurrent expenditure during the year</b>	0	0
<b>Sub-total</b>	<b>570,294</b>	<b>570,294</b>
<b>Prepaid License fees for 25 years (US\$ 200,000)</b>	0	0
<b>Less: Amounts recognized during the year</b>	(50,294)	0
	<b>(50,294)</b>	<b>0</b>
<b>Sub-total</b>	<b>520,000</b>	<b>570,294</b>



Total deferred at 30th June 2014	520,000	570,294
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<b>Note 8 - Accounts Payable and Accruals</b>	<b>June 2015</b>	<b>June 2014</b>
	<b>Shs (000)</b>	<b>Shs (000)</b>
Trade creditors	6,739,444	4,535,905
Payroll creditors	701,792	601,681
Other creditors	3,052,140	2,830,528
<b>Total</b>	<b>10,493,376</b>	<b>7,968,114</b>

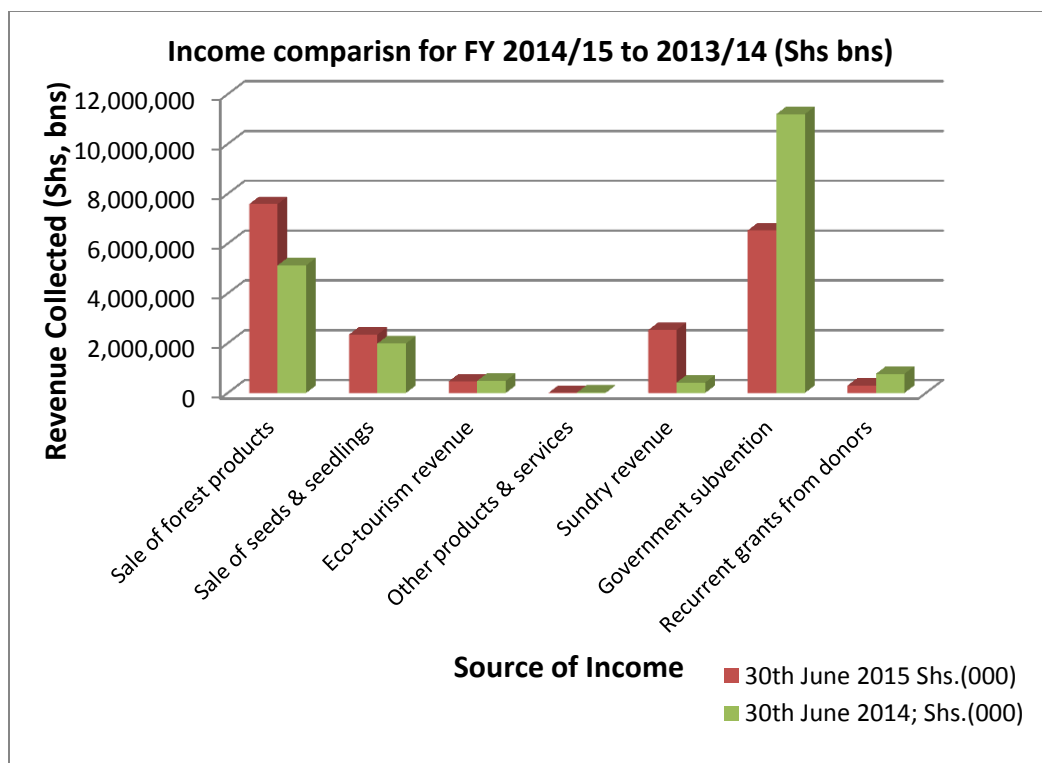
Included in other creditors is gratuity to employees of Shs 1.932billion in relation to staff contracts that have been successfully completed and pending payment.

## NOTE 9 – Comprehensive Income and Expenditure

Income and Expenditure Statement			30th June 2015	30th June 2014
		Note	Shs.(000)	Shs.(000)
<b>Income</b>				
	Sale of forest products		7,585,573	5,126,695
	Sale of seeds & seedlings		2,345,257	1,988,240
	Eco-tourism revenue		467,526	489,866
	Other products & services		8,546	19,299
	Sundry revenue		2,529,763	420,357
	<b>Non Tax Revenue</b>		<b>12,936,665</b>	<b>8,044,456</b>
	Government subvention		6,534,492	11,198,977
	Recurrent grants from donors	12	299,201	769,606
	<b>Total Income</b>		<b>19,770,358</b>	<b>20,013,039</b>
<b>Expenditure</b>				
	Administration expenses			
	Payroll costs		6,073,451	5,931,590
	Other personnel costs		1,281,065	1,304,750
	Direct forest based costs		5,331,320	3,507,709
	Printing & stationery		78,811	131,016
	Utilities		189,018	172,649
	Vehicle running costs		1,289,013	1,192,820
	Repairs and maintenance		209,493	211,605
	Advertising & promotion		195,328	3,267,799
	Consultancy & legal fees		216,865	255,295
	Other expenses		639,473	1,944,901
	Board expenses		181,051	123,367
	Audit fees & expenses		0	0
	<b>Administration expenses</b>		<b>15,684,889</b>	<b>18,043,499</b>
	Depreciation		1,092,456	974,118
	<b>Total operating expense</b>		<b>16,777,345</b>	<b>19,017,616</b>
	Finance Cost		24,915	21,836
	<b>Total Expenditure</b>		<b>16,802,260</b>	<b>19,039,452</b>
<b>Surplus for the year</b>		3	<b>2,968,097</b>	<b>973,586</b>

The following should be noted about the operating surplus:

The surplus is as a result of recognizing the gain in plantation growing stock of 1.087bn and the income expected from compensations that is to the tune of 2.64bn.



**Fig.9: Revenue comparison for the FY 2014/15 to 2013/14**

Sale of forest products was the main source of revenue in 2015, the biggest contributor being Land use fees, compensations of loss of volume in Natural Forests due to way leaves and road constructions.

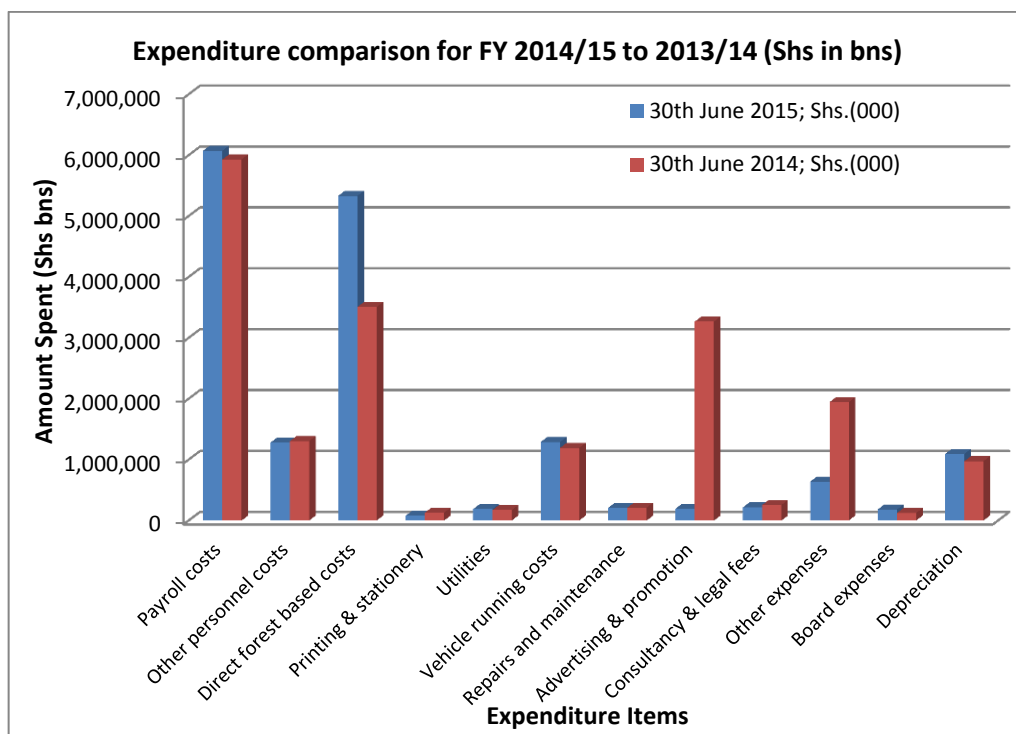
Revenue from seedlings increased over the past period as compared to 2014. The increase was as a result of selling more seedlings.

Ecotourism and other products and services have more or less remained the same over the last two periods. The potential from these two revenue lines needs to be explored further.

Sundry Income raised in 2015 due to a change in policy of valuation of plantation investment from cost method to fair value method. This gave rise to a fair value gain that greatly boosted the revenue.

Government subvention reduced in 2015, the sharp increase in 2014 was as a result of the supplementary budget. There was none of this kind in the year under review.

Recurrent grant reduced tremendously as compared to 2014 due to failure of the implementing partners to submit Audited accounts as per FK Project Agreement. This compelled none release of funds for Q3 and 4 of the financial year as planned.



**Fig.10: Comparison of expenditure performance for FY 2014/15 to 2013/14**

Payroll costs increased in 2015 as a result of Management having filled most of the vacant positions during the year. Other personnel costs remained more less the same as previous year since there no new benefits that came on board.

Direct forest based costs raised in 2015 as a result of non-capitalisation of tending and plantation establishment costs due to adoption of a new policy of valuation of plantation investments. Many more seedlings were raised during the year for both commercial and community projects.

Vehicle running cost increased in the year as compared to previous due to the old age of the fleet that requires frequent maintenance.

There was less advertising and promotions done in 2015 due to resource constraints during the course of the year; much of the resources where invested in forest based costs.

Expenses incurred for consultancy and legal fees were more or less the same as in the previous year. They were no major cases lost and all cases in the different upcountry courts were attended to.

**Note 9 (a) – Government funding**

	June 2015	June 2014
	<b>Shs (000)</b>	<b>Shs (000)</b>
<b>Wage Bill</b>	5,400,000	5,400,000
<b>Development (Taxes inclusive)</b>	1,021,131	908,447
<b>Recurrent costs</b>	113,361	133,371
<b>Supplementary (Recurrent)</b>	0	4,757,159
	<b>6,534,492</b>	<b>11,198,977</b>

**Note 9 (b) – Grants:**

	<b>Other Grants</b>	<b>June 2015 Total</b>	<b>June 2014 Total</b>
	<b>Shs (000)</b>	<b>Shs (000)</b>	<b>Shs (000)</b>
At 1 <sup>st</sup> July	0	0	0
Cash received during the year	299,201	299,201	769,606
Returned to partner	0	0	0
<b>Total Grant recognized for the year at 30<sup>th</sup> June</b>	<b>299,201</b>	<b>299,201</b>	<b>769,606</b>

**Note 10- Contingent Liability**

NFA received a demand Note from Kampala Capital City Authority (KCCA) worth UGX 280m in respect to unpaid property rates from 2004 to date. NFA is in contention with the amount charged as the assets valued cannot be identified by KCCA despite several engagements. However it is also known that NFA will have to pay property rates once the buildings have been identified and related costs/arrears inclusive properly computed and agreed upon by both parties.

## CHAPTER 5: CONSTRAINTS, LESSONS LEARNT AND RECOMMENDATIONS

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### 5.1 CONSTRAINTS AND LESSONS LEARNT

- Encroachment and illegal timber/tree extraction have continued to be the main threats to forests in protected areas leading to degradation of natural forests.
- Forestry management activities have been negatively affected by unclear forest boundaries and the encroachers have continued to use this as an opportunity to illegally claim forest land. Boundary re-opening exercise in Omier and Luwunga was interrupted by politicians in both districts, which led to delays in completing the remaining distance of 10 Kms.
- Inadequate forest management infrastructure and equipment for example forest roads, staff accommodation & forest management stations are still a challenge and continue to limit effective and efficient forest management in all central forest reserves.
- Planned activities such as Permanent Sample Plots establishment, procurement of ICT equipments including computers/UPSs and internet services were not achieved due to limited funding.
- Outdated forest cover data continue to undermine informed planning, decision making and management of forest resources.

### 5.2 RECOMMENDATIONS

- Mobilize and lobby District leaders, Communities and Development Partners to actively support forest conservation and tree-planting efforts.
- Continue encouraging people to plant trees on private and public land.
- Reduce forest illegalities such as encroachment and illegal produce harvesting through public awareness, mobilization and enforcing law.

- Develop, revise and approve additional forest management plans
- Rehabilitate infrastructure and replace equipment e.g. transport (vehicles, boats and motorcycles) and forest stations/offices.