



Menu of Forestry Investment Opportunities Findings and Recommendations

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Menu for Forestry - a Reminder



Key Attributes of Good Investment

- Product or Service with a Market opportunity
- Appropriate Rate of Return
- Risk Profile appropriate to investor
- Inputs within capacity of investor
- Time before returns accrue acceptable
- Technology within capacity of investor
- Scale of operation relevant to investor
- Resource Base available to investor
- All essential elements of a Sustainable Livelihood and a Profitable Business !

Pitfalls

- Avoid the “All singing, all dancing” answer to prayers - even from maidens - the wonder trees of the past and present seldom live up to expectations
- Don't understate risks to potential investors
- Be aware that markets can become saturated and withdraw promotional material if this looks imminent to protect initial investors and avoid misleading new investors - develop alternatives as a reserve

Information required for sound investments

- Identification of species that will grow - based on a list of ecologically possible species, products generated and markets within wider sector constraints
- Definition of timing, type and quality of inputs
- Definition of outputs
- Scope for diversification of outputs
- Management of risk

A Hierarchy of Opportunity

- What can be grown or collected in the area?
- Are land/forest/resources available in sufficient quantity and in an appropriate spatial pattern?
- Who are the potential investors in the locality and are they aware of the opportunity? Outside investors?
- Do potential investors have access to the necessary inputs?
- Do they have the necessary skills?
- What are the marketing opportunities for the products proposed?
- Can the market absorb increased supply from this locality?

What do we know?

- Existing land and forest resources? - Fair
- Current land and forest resource use? - Outdated
- Knowledge for resource creation - Variable
- Knowledge for resource management - Limited to quite simple systems
- Ability to refine approaches for different users - Poor
- Knowledge of market and price structures? - Limited, especially for less formal markets and users
- Knowledge of inputs available? - Good for formal sector, weak for smallholder and subsistence sectors

Development of local menus

- NFA has identified first stage FMAs
- The key planning level seems to be LC III, Sub-county
- Create an LC III based GIS with climate, soil, forest, ecological and social data
- Filter for “forest” and “tree” based priorities
- Enter opportunities into database - *e.g.* forest type and status, land potential & availability
- Overlay available extension services
- Consider transport links and prices for anticipated product volumes

Most of this information is unavailable or out of date

For NTFPs, also consider

For STRATEGIC species:

- Is it present in the area - if absent why ? Might the area be suitable for planting ?
- Status of species in locality (depletion – planting or buying from elsewhere, abundance - SYM)

LOCAL priorities

- Participatory evaluation of species, enterprises and opportunities

Identifying the Target audience

- Different potential investment opportunities are relevant to different players
- Identify who has access to the necessary inputs
- Investment opportunities have to be keyed and targeted
- Aim should be to build on what exists rather than from starting from a blank sheet

Brokerage

- Conceptually, we are matching opportunities to players and stakeholders
- Against a dynamic background e.g. forest conversion, conservation, tobacco and tea, illegal timber
- Focus should be on identification of good investment opportunities - location and player/stakeholder relevant
- At the same time, wider issues of quality control, fair competition, equity and wider goals must be addressed - MDGs, PEAP, *etc.*
- Avoid autarchy! - some things are better traded

Criteria for NTFP selection

- Plants
- Indigenous species
- Current high demand within Uganda
- Well developed and accessible markets
- Some knowledge of ecology or cultivation techniques
- Select examples across the country

Candidate Species List

Drawn from:

- Baldascini
- Wong

After initial screening, list reduced to 33 species.

Database of information

- Serve as a template for collating relevant information
- Identify information gaps

Database headings

- Species name
- Common name
- Local names
- Description
- Distribution in Uganda
- Habitat
- Ecology
- Products
- Harvesting methods
- Processing
- Cultivation
- Management (SYM)
- Markets
- Investment requirements
- Outstanding issues
- Information sources
- Priority

No specific market and investment information available

Basic ecological & management information lacking for many species

List then prioritised:

1 – ready for promotion now (12 spp)

2 – more investigations needed (13 spp)

3 – consider if similar products successful (7 spp)

List needs to be dynamic, change priority as market information changes, drop if approaching saturation, add if new species look promising etc.

Promotion needs STRATEGIC management

Priority 1 species

Arundinaria alpina
Calamus deeratus
Ficus natalensis
Ocotea usambarensis
Oxytenanthera abyssinica
Polyscia fulva
Prunus africana
Rauvolfia vomitoria
Smilax anceps
Vitellaria paradoxa var nilotica
Warburgia ugandensis
Zanthoxylum gillettii

For Commercial Timber

- Species selection - partially done
- Investment models - need to be refined, note direct and indirect inputs, IRR or similar measure, need for sensitivity analysis
- Markets, diversification - complements, alternatives
- Market limitations - size, growth rate, alternatives
- Work on currently supported species with some likely additional species
- Consideration of processing capacity and skills

Smallholders

- Many overlaps with Commercial, such as species range but also striking differences
- Need to take account of management systems
- May be less amenable to simple information as a guide
- Possible conflict over level of guidance needed versus ability to pay for it

What can be Promoted Now?

- NTFP priority 1 species
- Opportunities that provide incentives for CFM
- Plantations in FR and on larger blocks of land for commercial timber, poles and industrial wood
- Commercial and smallholder fuelwood and poles for concentrated demand - tea, tobacco, bricks, urban
- Innovative management systems for small woodlots
- Agroforestry trees

We now have a short list for leaflets

BUT

Leaflets alone unlikely to change behaviour
and give rise to innovative enterprises....

SO ...

What is needed ?

- Someone to present new ideas and critically evaluate locally identified innovations
- Local market analysis
- Focus on locally relevant opportunities
- Skills transfer for new technologies
- Facilitation to tailor adaptive SYM to locality
- Demonstrations / adaptive trials for cultivation of new species
- Facilitated access to markets
- Access to micro-credit or grants (especially to reduce risk for innovators)
- Leaflets

What is not needed

- Insistence on the formation of associations and groups as this is a slow process and could well stifle innovation
- Over reliance on written materials
- Pushing of 'miracle' species

Be aware that -

- Markets are dynamic
- “Supply push” does not work
- Dangers of oversupply - e.g. *Eucalyptus* woodlots
- How can information be updated?
- Need to have responsive system for generating material
- Must be clearly focused on users and their particular needs - land, labour, cash

So how should opportunities be packaged?

- *Simple leaflets* - good to raise awareness, inadequate for detailed advice
- *Workbooks* – for investment analysis and record keeping
- *Handbooks* – targeted at service providers
- *Consultancy* - good for commercial grower, too expensive for farmer unless in groups
- *Demonstration plots* - good and bad
- Regular advice, field days, *etc.* learning by doing and learning by example - “vision”

Existing institutions

- FID – very limited staff capacity
- NFA - new
- DFS structure and effectiveness unclear
- NAADS developing but unlikely to mainstream forestry in the near future
- CBOs active but necessarily localised
- NGOs active but impact limited
- Low capacity consultant / contractor sector
- FORRI under NARS review

Institutional framework would include:

- Strategic hub
- Public databases
- Basic public advisory service
- Support to DFS, NFA and UWA field staff
- Service providers for private sector investors
- Research and development
- Pro-active client for resource data
- Market intelligence & price tracking
- Standardised publications
- Facilitation of market linkages and access
- Local level identification of opportunities
- Grants and micro-credit

Strategic hub

- Strategic situation analysis based on sound data and maps
- Export and national market analysis and monitoring
- Maintenance of public databases
- Networking of SPs, CBO, NGO, exporters, traders, processors
- Co-ordinating research (including product development)
- Standardisation and quality control on promotional materials
- Facilitation of market linkages
- Sourcing of expertise as required by emerging enterprises
- Strategic balance - production, processing, economics, markets

Examples

- SAFIRE
- Veld Product Research and Development
- CPWild

Funding

- Will need diverse sources of funding
- Certain elements are probably easier to fund than others
- There are funds available for capacity building to support the development of business support service e.g. CBI
- Sector strategy is a key role of NFA and must be supported as a national function
- Control of the resource base
- Maintenance of level “playing fields”