

# BANK OF UGANDA

OFFICE OF THE DIRECTOR  
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**Our Ref: BAN.307.6A**

September 16, 2008

The Executive Director  
National Forestry Authority  
10/20 Spring Road  
**Kampala.**

Attn: Mr. Ernest Kadu



**Request for Guidance on Policy and Practice of Financing Long term Forestry Projects**

We refer to your letter NFA/FA/05/08 of 10<sup>th</sup> September, 2008

Bank of Uganda is not involved in the financing you mention in your letter. It does not also participate in the investments you highlighted.

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S. Matanda  
**Director Banking**

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**NFA**  
National Forestry Authority



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NFA/FA/05/08

10<sup>th</sup> September 2008

The Director of Banking,  
Bank of Uganda  
P.O.Box 7120,  
Kampala

**REQUEST FOR GUIDANCE ON YOUR POLICY AND PRACTICE OF FINANCING LONG-TERM FORESTRY PROJECTS**

The National Forestry Authority (NFA) presents its compliments to you and requests your guidance with regard to the following developments.

1. The National Forestry Authority is implementing a small scale afforestation /reforestation Clean Development Mechanism (CDM) project in South west Uganda. The project name is called, "Uganda Nile Basin Reforestation Project". This project involves growing timber and medicinal trees on five small-scale CDM Reforestation projects sites totaling 2,137 hectares within Rwoho Central Forest Reserve. The project will cost US\$ 1,209,800 (approx. US\$ 750 per ha including road construction) to establish and an additional US\$ 437,800 as operational costs (including Materials, Labour, Administration and Monitoring costs). The NFA is able to raise equity of US\$ 1,065,500 and will be seeking the balance from other sources.
2. We would therefore seek your guidance with regard to the policy and practice of your Banks involvement in long-term financing commensurate to forestry activities. In particular, NFA would be interested in ascertaining the following:
  - a) Does the bank accept to lend to Government parastatals such as the National Forestry Authority (NFA);
  - b) Is the bank itself willing to jointly or individually invest in forestry?
3. Could you kindly specify the basic terms and conditions under which the bank would be willing to participate in any or all of the proposed service and investment opportunities including but not limited to interest rates, credit ratings of offering such a facility, and acceptable period of recovery.

Once again, NFA avails itself of this opportunity to renew to you the assurances of its highest consideration and cooperation.

Yours sincerely,

  
Ernest Kaddu

**FOR: EXECUTIVE DIRECTOR**