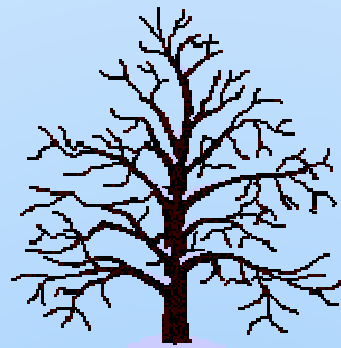


Major trends in Financing forestry sector in the Republic of Uzbekistan



Khusanov B.A.
17 November 2011,
Center of Investment and Financial Analysts (CIFA)

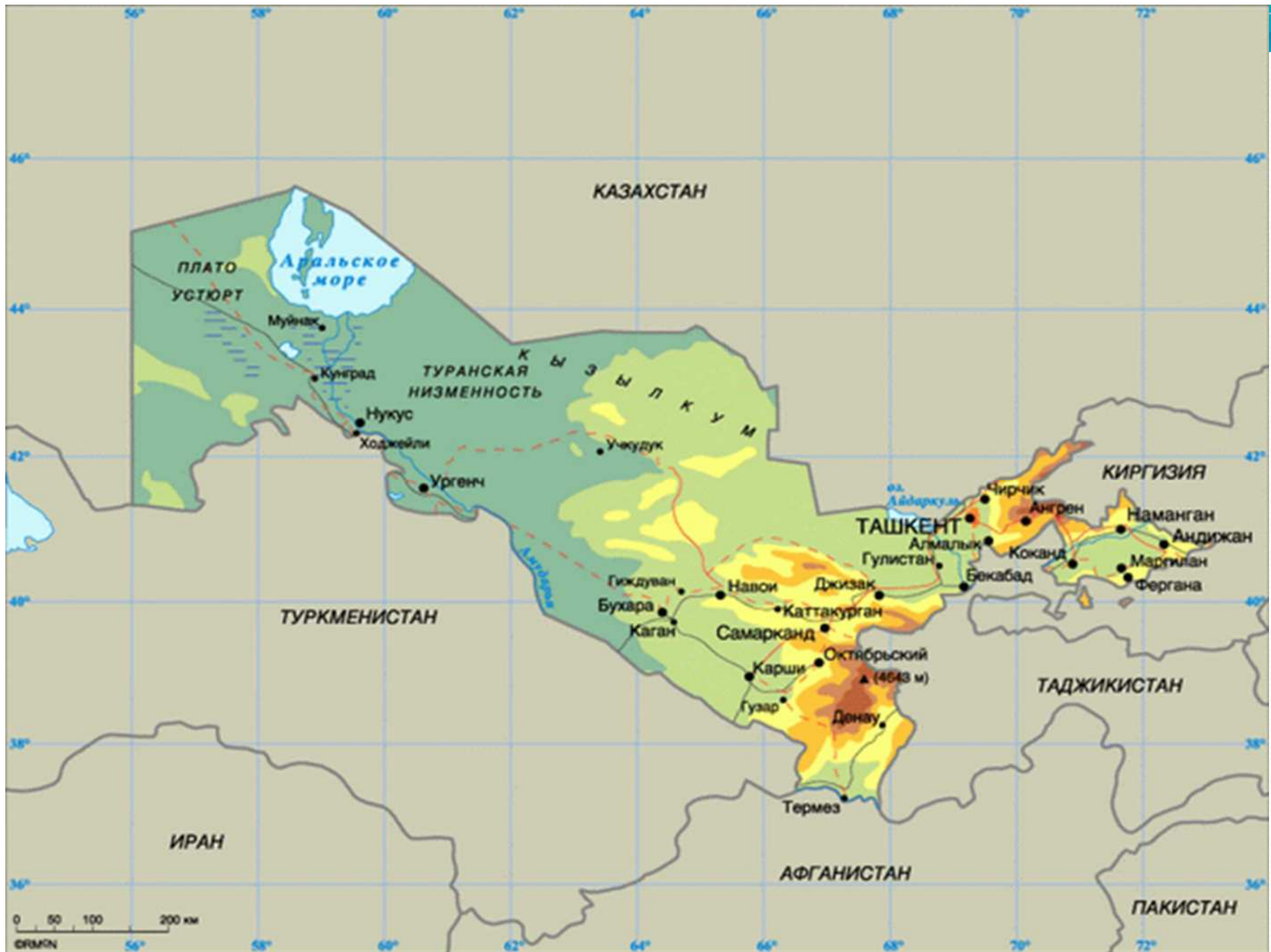




- **«Forests were the first temples of the Divinity, and it is in the forests that men have grasped the first idea of architecture»**

Francois-Rene de Chateaubriand (1768-1848)





Current situation in the forestry sector of the Republic of Uzbekistan

- **Forest Fund of the Republic - 8.5 million ha, 19.2% from the total area of the Republic**
- **Forested area - 2.6 million ha**
- **Percentage of forest land - 6.3%**
- **Average percentage of forest land is 0.1 ha per capital**



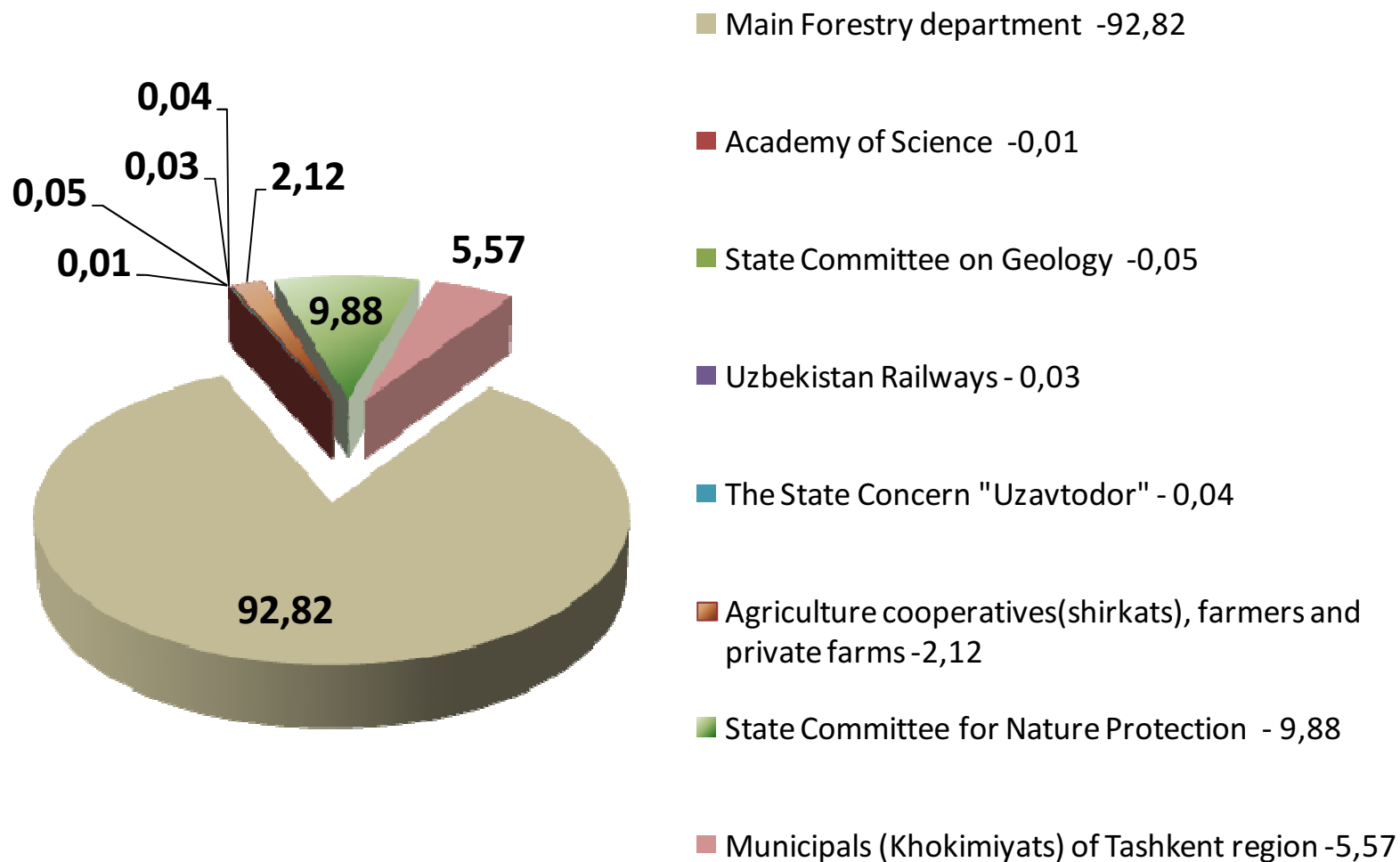


- ***Functions of forests in Uzbekistan:*** Protective, Nature conservation
- The proportion of forest that perform industrial functions is equal to zero
- Each year have been created new forests in the area of 40.0 thousand ha., of which more than 80% is in the desert area
- At the bottom of the dried Aral Sea over the past 20 years created protective forest plantations in the area of 500. 000 ha



- **In all plantations felling is prohibited for major utilization by the legislation**
- **All forests classified as forests of the first group with a particular mode of care, as with the environmental, nature protection functions**
- **They are only allowed felling in a purpose of care and sanitary felling**

Main Forest fund keepers in Uzbekistan (%)



Types of property in forestry sector

- **Forests in Uzbekistan are the property of the state**
- **Legislation allows the transfer of forest areas for rent from 3 to 10 years**
- **Term of leasing for pasture livestock - 3-5 months**
- **Leasing for vineyards and gardens - 5-10 years**



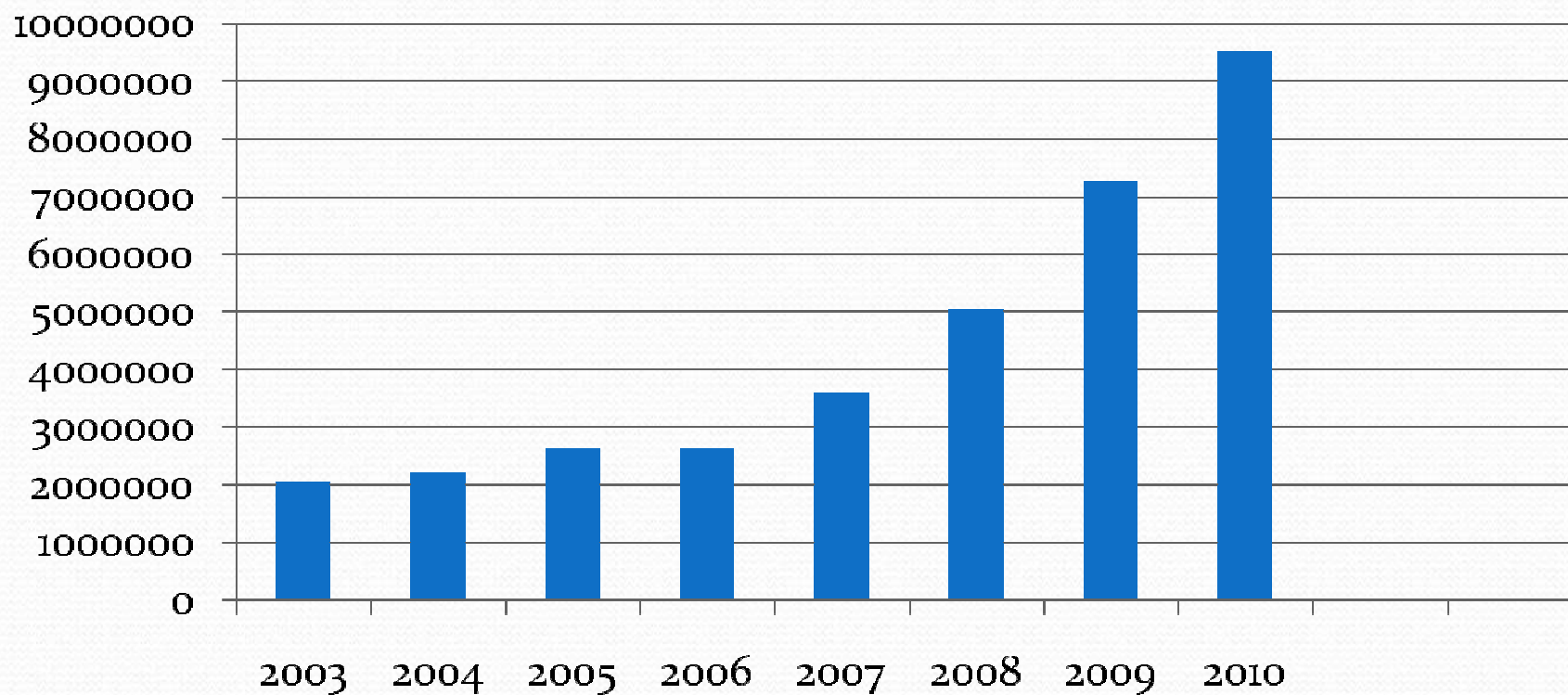
Sources of financing forestry sector

1. Internal sources

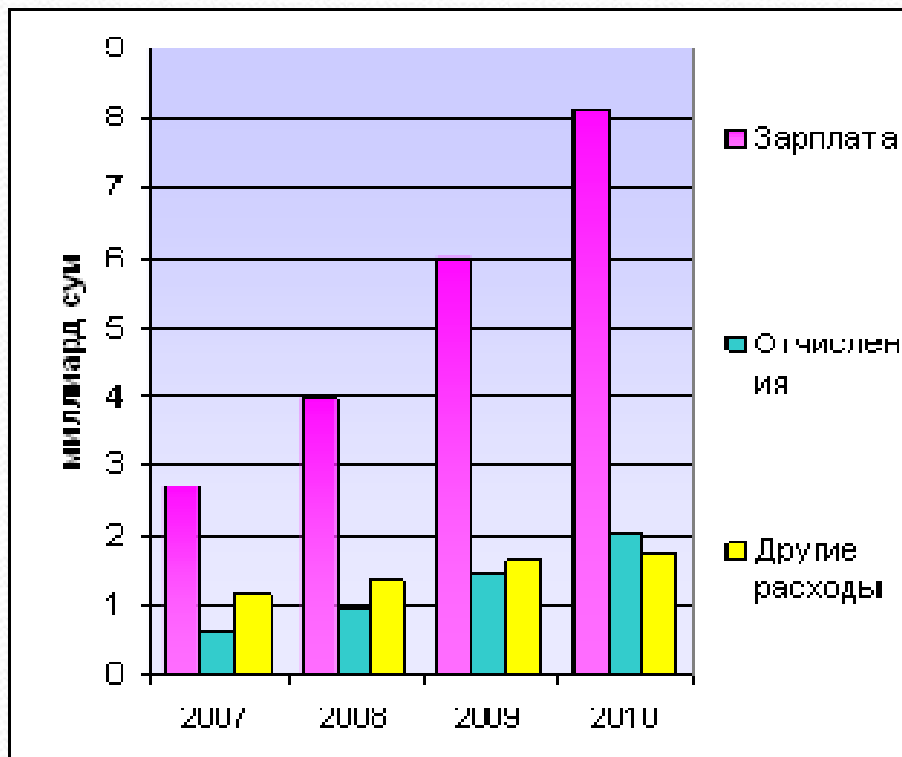
- State budget
- Collateral forestry utilization (realization of seedlings, beekeeping, agriculture and etc.)

2. External sources (multilateral and bilateral donors in the form of grants)

The amount of financing forestry sector at the expense of the state budget



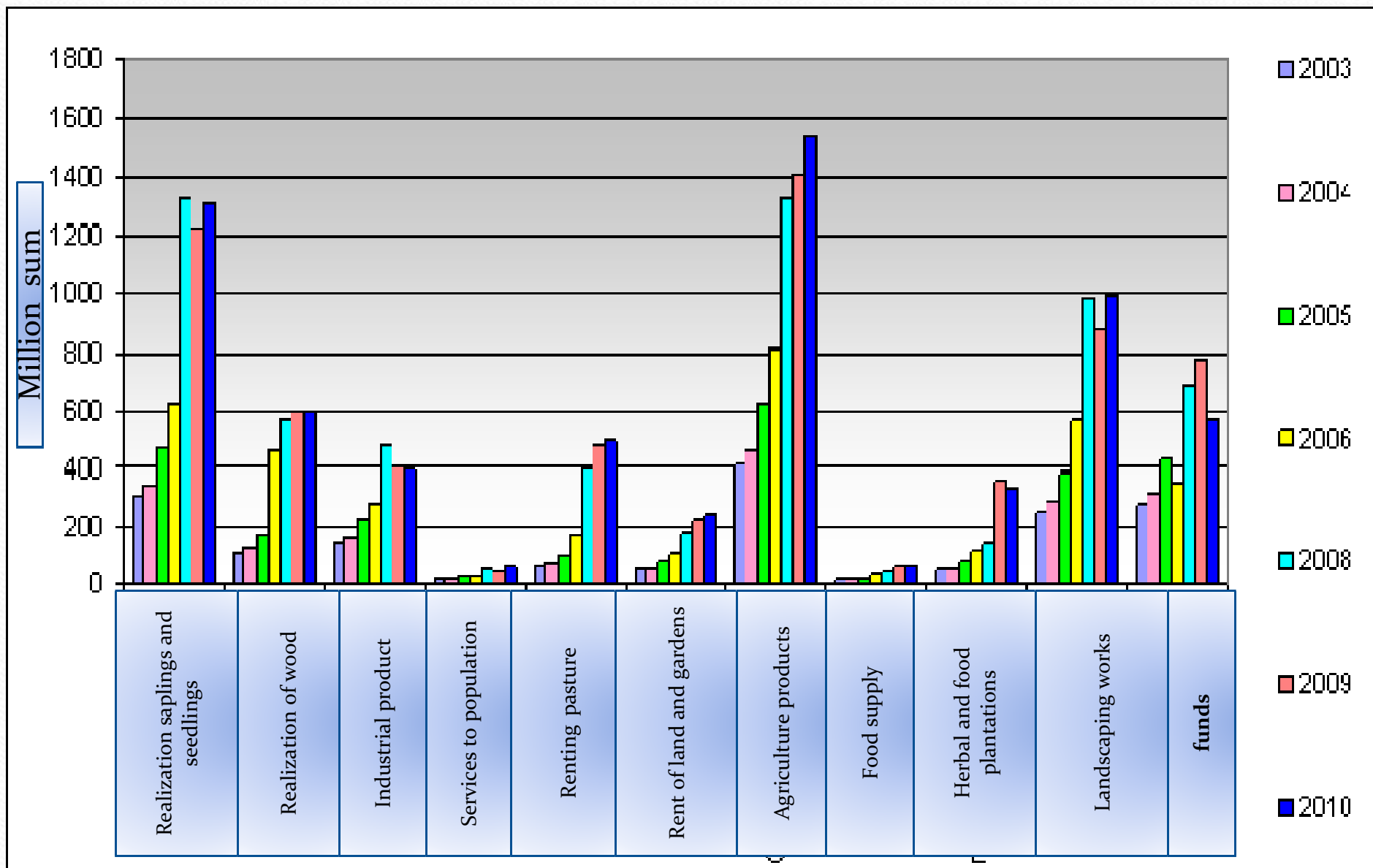
Expenditures according to group of items for the last 4 years (Billion sum)



- The main expenditures is maintenance of staff (about 70%)
- social deductions – 17-20%
- other expenditures 10-15 %

- Salary
- Deduction
- Other expenses

List of forestry products that are the source of non-budget financing



Main share of the non-budget financing



- **In 2010, agricultural production - 23.4%**
- **Realization of saplings and seedlings - 19.8%**
- **Landscaping work - 15.1%**
- **Realization of the wood - 9.1%**



External resources of sector financing

- During the period (2006-2014)
- External donors - 5.6 million USD, including
 - Multilateral donors - 4.5 million USD (81% of total)
 - Bilateral - 1.1 million USD (19% of the total)
- Assistance from external donors has been done in the form of grants
- Loan project hasn't been implemented yet
- These large scale financial institutions such as ADB, World Bank have not been involved in projects in the forestry sector

Innovative financing mechanisms

- In Uzbekistan, innovative financing mechanisms are not widely used
- There is hope that the development of FS for the forestry sector will ensure possibilities to mobilize resources through innovative financing mechanisms



Financial restrictions of the forestry sector:

- **Insufficient financing**
- **Lack of funding mechanisms**
- **Weak link between funding and the needs of the sector**
- **The low level of understanding of sustainable forest governance**
- **Poor financial planning and administration**

Development of financial strategy for the forestry sector

- In 2011 has been launched the development of financial strategy for the forest sector with the assistance of FAO
- Currently many stakeholders have been involved in this process
- A draft of FS has been prepared for the forestry sector



**Currently MFD and CIFA and other
stockholders working on FS development,
with particular emphasis on partnerships**



Thanks for your attention!



Forests are our home
Increase, use and
conserve forests for
people