

Linking National Forest Programmes and Poverty Reduction Strategies

Report of FAO mission to Uganda

3 March 2006

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Acronyms

CSO	civil society organization(s)
DFID	Department for International Development
DFS	District Forestry Service(s)
ENR	Environment and Natural Resources
FAO	Food and Agriculture Organization
FID	Forestry Inspection Division
FSUP	Forest Sector Umbrella Programme
GDP	Gross Domestic Product
JLO	Justice, Law and Order
M&E	Monitoring and Evaluation
MFPED	Ministry of Finance, Planning and Economic Development
MTEF	Medium Term Expenditure Framework
MWLE	Ministry of Water, Lands and Environment
NFA	National Forestry Authority
NFP	National Forest Plan
PEAP	Poverty Eradication Action Plan
PMAU	Poverty Monitoring and Analysis Unit
PMES	Poverty Monitoring and Evaluation Strategy
PRSP	Poverty Reduction Strategy Paper
SIP	Sector Investment Plan
SWAp	Sector-wide Approach
UBOS	Uganda Bureau of Statistics

Key recommendations

Issues related to the environment, forestry in particular, are more prominent in the current Poverty Eradication Action Plan (PEAP) than in past versions – an indication that the importance of the sector is gaining recognition among government officials and the public. The timing is opportune, therefore, to implement further reforms of Uganda’s forestry institutions, including establishing closer linkages with initiatives to alleviate poverty.

Enhancing coordination

The Ministry of Water, Lands and Environment (MWLE), through a strengthened Forestry Inspection Division (FID), can improve linkages between forestry and poverty alleviation by

- re-instating a means to collaborate with other government institutions on cross-cutting issues, similar to those established to formulate NFP – working groups and a multi-stakeholder structure to monitor and oversee implementation such as the former Forest Sector Coordination Committee and the National Consultative Conference
- having FID and the National Forestry Authority (NFA) establish a permanent forum for discussion, consensus building, implementation of joint tasks, and long-term strategic planning of the sector
- including FID as member of the Performance Review Contract Committee which monitors the delivery of NFA functions, including those related to the management of central forest reserves
- securing government and donor commitment for an integrated approach to forestry, harmonizing interventions with priorities of the National Forest Plan (NFP) and the wider Environment and Natural Resources (ENR) Sector Investment Plan (SIP)
- connecting SIP to district development plans to facilitate the allocation of resources to local governments for the implementation of natural resource policies, including forestry-based poverty alleviation initiatives that target poor rural communities.

Strengthening FID

Given the growing recognition of the contributions of forestry to poverty eradication, elevating the status of FID within the government hierarchy to a full department would benefit both MWLE and the sector as a whole. A higher profile would increase the chances of FID being allocated more resources to improve its capacity to:

- develop a strategic plan for the sub-sector not only to implement the NFP and prioritize activities that promote sector investments but to demonstrate the need for more staff, operational funds and technical support
- strengthen the engagement and influence of forestry in the PEAP process
- build confidence in the sector as one that is well-regulated and empowered
- give priority to strengthening District Forestry Services (DFS), including the provision of much needed support and advice – a task which is at the core of its mandate

- enable it to re-engage with partners and brief them on a regular basis on forestry priorities and on short and long-term requirements for assistance.

Increasing support to DFS

Given that the revenue base to support Uganda's forestry institutions remains weak, external support which was redirected to central agencies as a result of changes in donor policies urgently needs to be re-instated to the sector so that decentralization can occur and DFS can deliver needed services to communities.

Because PEAP identifies DFS and community forests as 1 of 3 urgent priorities that are under-funded – the other two being agriculture and health – the environment and natural resources sector should seize the opportunity to promote District Forestry Services as a priority area for the Sector Investment Plan and for conditional grants; re-apply for assistance under the Poverty Action Fund; and lobby donors, government and other partners to support the implementation of pressing reforms.

Meeting commitments to support NFA transition

Although the Government committed 1.6 billion Ugandan shillings to support the first four years of NFA operations, only 10% has been allocated after two years. Continued financial instability and under funding is undermining efforts to restore the integrity of Uganda's central forest reserves and alleviate poverty through rural-based activities. Government contributions, therefore, should be increased to meet projected requirements until NFA establishes itself as a self-financing entity.

With a stronger FID, NFA should focus on its own mandate rather than try to fill gaps that FID cannot under the current scenario.

Motivating the private sector

The Sawlog Production Grant Scheme (SPGS) demonstrated that high standards can be achieved even when plantations cover substantial areas and are privately owned. The programme should be expanded and eligibility broadened to include small-scale enterprise development so that poorer segments of the population can participate.

The private sector should also build on a successful pilot project in which small farmers planted trees for the purpose of selling carbon credits. Because NFA and donors are now lending considerable support to tree-planting, there is much scope for the private sector to expand carbon trading and establish the country's credibility in international markets.

Greening national accounts

The Environment and Natural Resources Sector Working Group needs to sensitize policymakers and planners about the extent to which green accounting can demonstrate the importance of forestry to the national economy and its role in alleviating poverty. In this regard, further research on economic valuation of the sector is required, as are efforts to develop and apply methodologies that assess the impacts of different policy options and measure the role of forestry in poverty alleviation in both qualitative and quantitative terms. Training in the use of environmental economic tools for accounting purposes is also required.

Awareness and communications

By identifying key entry points, establishing rapport, and pooling skills both within and outside government, the Forestry Inspection Division could convey forestry's

importance to the country, including in terms of alleviating poverty. Although lack of hard data continues to be a major constraint, FID could become a significant and credible player in decision-making circles by working with NFA and civil society to more aggressively market the pro-poor and development aspects of forestry to a wider audience, especially politicians.

Building M&E capacity

Given that the National Forest Plan has been in place for four years, monitoring and evaluation (M&E) of its implementation should be undertaken at the earliest opportunity. Before beginning this task, FID needs to align the M&E framework with the framework of the current PEAP and its Poverty Monitoring and Evaluation Strategy. It also needs to have sufficient resources to train key stakeholders to be part of the M&E teams, including the National Bureau of Statistics, civil society and local government.

1. Introduction

Uganda is one of two countries that participated in a pilot study to examine the extent to which national forest programmes and other sectoral processes are linked to poverty reduction strategies. The team focused on processes related to the National Forest Plan (NFP) and the Poverty Eradication Action Plan (PEAP) to identify factors that fostered or hindered the establishment of effective linkages. The study also attempted to determine ways to enhance the presence and influence of forestry in wider planning instruments with a view to strengthening financial, institutional and policy support for forest-based poverty alleviation.

The team consisted of a staff member of FAO, a senior officer of the Forestry Inspection Division (FID) of the Ministry of Water, Lands and Environment (MWLE), an international consultant, and a national consultant. During the 2-week mission to Kampala, from 7 to 18 November 2005, information was obtained from more than 40 people from key government institutions, the private sector and civil society. (See annex 1 for the list of persons met.)

The timing of the mission was such that contributions could be made to two important policy documents that are due for publication in 2006: the 4th Poverty Status Report that the Ministry of Finance, Planning and Economic Development (MFPED) is preparing; and the Sector Investment Plan (SIP) that the Sector Working Group of environment and natural resources is drafting.

2. Policy Processes in Uganda

2.1 Overview

Uganda aims to become one of Africa's first middle income countries. The economy continues to register impressive growth, averaging 5% over the past 10 years, and the delivery of social services has improved remarkably. Because of the country's geographical position and strong though vulnerable natural resource base, the agriculture sector remains at the core of Uganda's development.

The proportion of people living below US\$1 a day rose from 34% in 2000 to 38% in 2003. Reasons include a slowdown in agricultural growth, declines in farmers' prices reflecting world market conditions, insecurity, high population growth and the effects of HIV/AIDS on productive capacity. Regional and gender inequalities are wide, with the East suffering a marked decline in living standards in the last three years (MFPED, 2004).

The dependence of poor people on forest resources and their ability to improve their livelihoods through forestry have not been adequately recognized in Uganda until recently. The poorest 35% of the population who live below the poverty line are mostly rural and marginalized – unemployed youth, women, and the elderly. They are without land or other assets, unable to buy fuelwood or access alternative sources of energy, thus greatly depend on forest resources for their survival.

2.2 Poverty Eradication Action Plan

Vision 2025 brings into focus the Government of Uganda's aspirations and directions for long-term development. Poverty eradication, as expressed in PEAP, is at the core of its national agenda. PEAP is coordinated by MFPED and is revised every three years through a participatory process involving all sectors, civil society organizations (CSO), the private sector, and international development partners, among others.

The objective of PEAP 2004 is to reduce absolute poverty from 44% in 1996/97 to 10% by 2017. Associated challenges include: (i) the restoration of security (ii) sustainable growth in the incomes of poor people, (iii) human development and (iv) transparent and efficient use of public resources to eradicate poverty. The most recent PEAP is organized around five pillars:

- economic management
- production, competitiveness and incomes
- security, conflict-resolution and disaster-management
- good governance
- human development

The first version of PEAP (1997) and its subsequent revision (2000) paid limited attention to the environment and natural resources which meant that the latter sectors received limited budget allocations and found it difficult to engage in central policy and decision-making processes. The Participatory Poverty Assessment Report 2003 outlined progress in implementing PEAP and was used to inform the drafting of PEAP 2004, in addition to workshops, studies and research initiatives. As a result of these consultations, PEAP now places greater emphasis on the environment and pays closer attention to cross-cutting issues that affect livelihoods. The document formally recognizes forestry's contributions to the economy and to poverty alleviation, notes the NFP as a strategic framework, and identifies forestry as an under-funded priority. However, given that many activities fall under the environment and natural resources sectors, questions remain as to whether this special status for forestry can influence budget allocations.

2.3 National Forest Plan

Uganda's NFP was developed following a participatory approach during the forestry sector reform process under a government-led and donor-supported initiative between 1999 and 2004 – the Forest Sector Umbrella Programme (FSUP). In launching NFP, the government established a strategic plan for forest sector development and formed the basis for a sustainable policy and institutional framework. In doing so, it helped to re-establish public trust and confidence in the policy reform process. In 2003, it established the Forestry Inspection Division (FID) in the Ministry of Water, Lands and Environment (MWLE) and charged it with overseeing the implementation of NFP through formulating national forest policy; coordinating national activities related to forestry across sectors; and supporting district forestry services, among other responsibilities.

During the last five years, MWLE (through NFP) has provided leadership that has made it possible for government and other stakeholders to undertake a comprehensive Forest Sector Review (2000) and prepare the Uganda Forestry Policy (2001), the National Forest Plan (2002), and the *National Forestry and Tree Planting Act* (2003). In 2004, the National Forestry Authority (NFA) became the parastatal body that manages the central forest reserves and District Forestry Services (DFS) are now being formed under local government.

2.4 Environment & Natural Resources Sector-wide Approach

Committed to rationalizing public expenditure through more effective planning and budgeting, the Ministry of Finance, Planning and Economic Development (MFPED) established a sector-wide approach to environment and natural resources in which 3 ministries participate: 1) Trade, Tourism and Industries; 2) Agriculture, Animal Industries and Fisheries; and 3) Water, Lands and Environment. MFPED has raised the profile of the sector as a key player in PEAP in terms of poverty eradication and brought to light the need to develop a Sector Investment Plan (SIP).

MFPED also established the ENR Sector Working Group to plan, budget and monitor resource allocation for programmes as well as their implementation. When in place, these policy instruments will play a key role in identifying priorities and allocating resources in 7 sub-sectors: lands, forests, wetlands, climate/meteorology, environmental management, fisheries and wildlife.

3. Linkages, benefits, constraints & opportunities

3.1 Mainstreaming

3.1.1 PEAP and forestry

In 1997, Uganda was the first country to have developed a poverty reduction strategy. During the NFP process, considerable effort was put into influencing PEAP and aligning the strategies for forest sector development with its pillars. As a result, the current document outlines in some detail the sector's contributions to the economy, the problems it faces, its potential to help alleviate poverty, and external influencing factors such as land ownership, energy consumption, decentralization and urbanization. It also makes reference to the NFP strategic framework and is consistent with the forest sector's new institutional setting.

The current PEAP notes that forests provide an annual economic value \$360 million (6% GDP) of which only \$112 million is captured in official statistics. It explains how trees (through fuelwood and charcoal) provide 90% of energy demands (18 million tons per annum) and are expected to still contribute 75% in 2015. The PEAP also describes the ecological services of forests: biodiversity, climate regulation, soil and water conservation, and nutrient recycling.

PEAP forest-related priorities regarding enhanced implementation of NFP include:

- increased support to the Forestry Inspection Division for sector oversight
- promotion of private sector investment in private forests through information and technical advice on forest management; permits to grow trees in central forests reserves with secure land and tree tenure; review of tax and other disincentives; continued operation of the Sawlog Grant Scheme and the establishment of a Tree Fund in accordance with the *National Forestry and Tree Planting Act*
- increased support to District Forestry Services to provide forestry advisory services for private and community forestry to establish woodlots and planted forests and manage natural forests
- development of the National Tree Seed Centre and decentralized seed production
- identification of potential markets for ecological services such as carbon trading.

As one would expect in any iterative process, priorities for the sector have changed since forestry was included in PEAP as a result of a review undertaken in 2002. After 3 years of persistent lobbying, PEAP now regards forestry not only as a sector, but as an “urgent short-term priority” for funding (section 8.4) which suggests that forestry could qualify for increased allocations.

3.1.2 NFP and poverty

Uganda’s NFP contains several references to PEAP and recognizes that poverty is complex and multi-dimensional, the perception of which varies with geographic location, community, age, gender and levels of service and infrastructure.

The Honorable State Minister for Environment explains in the document’s foreword that “...the NFP demonstrates the contribution of forestry to people’s livelihoods. There has been a deliberate effort to ensure that throughout the seven NFP programmes pro-poor strategies are developed for the improvement of their livelihoods. Also important is the mainstreaming of gender and HIV/AIDS concerns in the forest sector.”

In terms of outlining forestry-poverty linkages, the NFP process analyzed significant amounts of data and commissioned studies to show that:

- forests provide an estimated 850,000 jobs, most in the informal sector related to the collection of domestic fuelwood
- incomes from the sale of non-wood forest products are estimated at US\$38 million per year, with poor households in forested areas earning up to US\$75 to fill gaps in other income sources such as labor and farm produce
- more than 92% of Ugandans use fuelwood as their main or only source of energy, consuming 16 million tons of firewood and 4 million tons of charcoal each year
- forests provide free goods on which poor households rely for shelter, food and medicines and act as safety nets in times of emergency and sudden shocks
- forests can provide a source of income and development for many communities through eco-tourism (MWLE, 2002).

Using such findings in PEAP and NFP has raised awareness among policy-makers as well as the public of the importance of forestry to the wider economy.

3.1.3 Allocations to forestry

In the past 5 years, the PEAP process has made substantial effort to link Uganda’s Medium Term Expenditure Framework (MTEF) – its three year rolling budget system – with PEAP goals and management. Sector working groups of central ministries, technical agencies, NGOs and donors are consulted in the yearly preparation of budget framework papers. In deliberations, however, sector performance is still discussed in terms of money spent or absorptive capacity rather than contributions to poverty reduction.

Through the preparations of MTEF and budget papers, forestry made a concerted effort to engage institutions and stakeholders more closely. However, judging by the decline in resources of the Forestry Inspection Division and National Forestry Authority – compared to those of the previous Forestry Department, particularly for operational costs – the sector does not yet appear to be a national funding priority.

Because it is only since early 2005 that some district offices, through the new District Forestry Service, have managed to secure funds from non-MWLE sources, including

local government budgeting processes, it is premature to conduct an expenditure analysis. Eventually, this type of information will be fundamental for influencing the Ministry of Local Government.

The lessons from Uganda show that expectations for increased budgets as a result of a comprehensive National Forest Plan need to take into account: (i) the maturity of the MTEF budgeting and allocation process (Uganda exceeds many countries on this point), (ii) the significance and development of other budget processes such as the sector-wide approach and the recent Sector Investment Plan, (iii) the capacity of the Ministry of Water, Lands and Environment, as the parent ministry, to make the case for additional government funds; and (iv) the wider socio-economic and political climate. In Uganda, for example, budgets are cut on a regular basis to fund emerging priorities such as security issues, natural disasters and epidemics.

A recent study in Uganda suggests that by adding informal and non-marketable forest goods and services when calculating forestry's contribution to GDP, the figure should be adjusted from 4.2% to 5.2% in current terms. Whilst lower than the 6.1% that economic studies advocated in 1999, in absolute terms, the 5.2% represents an increase of about \$66 million per annum (Bush et al, 2004).

Forests often provide important services to other sectors, for example by providing habitat for wildlife which forms the basis for tourism – one of Uganda's most promising industries. Although these values are included in national accounts, tourist revenues are mostly captured through Uganda's Wildlife Authority, not attributed to forestry.

Suggested follow-up action:

Based on advice from international experts on greening national accounts, the ENR Sector Working Group needs to sensitize policymakers and planners about the extent to which environmental accounting can demonstrate the importance of forestry and its role in alleviating poverty. Further research on economic valuation of the sector is required, as are efforts to develop and apply methodologies that assess the impacts of different policy options and measure the role of forestry in poverty alleviation in both qualitative and quantitative terms. Training in the use of environmental economic tools for accounting purposes should also be offered.

3.2 Creating linkages

The five years of experience using the NFP process as a reform vehicle, combined with seven years experience with PEAP have provided many useful lessons.

3.2.1 Coordination

Various mechanisms were used to bring stakeholders together to formulate Uganda's NFP and forestry reforms in a coordinated manner.

The *Forest Sector Coordination Committee* is a high-level forum that was established to direct the implementation of NFP and FSUP in particular. Although it has not been active in the recent past, it was instrumental in integrating forestry into PEAP and contributed significantly to the drafting of the new forest policy. It is chaired by the Permanent Secretary and membership consists of senior officials from seven ministries (agriculture, tourism, local government, public service, finance, energy, and education), the private sector and civil society.

The NFP *Steering Group* and six technical *working groups*, representing diverse interests, assisted in broadening participation in the formulation of NFP beyond

forestry circles. Important contributions from the working group on forestry and poverty, for example, resulted in their inputs being incorporated in the Forestry Policy and NFP.

A *Forest Sector Coordination Secretariat* functioned as the sector's planning unit, coordinating wider reforms and supporting the Coordination Committee, including its working groups, consultations and participatory processes. Because resources were made available at the time of its inception, the Secretariat was able to effectively engage stakeholders from other sectors. However, current lack of funding prevents FID – the institution that replaced the Secretariat – from performing these tasks to the same extent.

The NFP process brought together donors whose priority was poverty alleviation and, beginning in 1999, a *Donor Coordination Group* contributed to forestry through the Medium Term Expenditure Framework. Since the termination of Forestry Sector Umbrella Programme, 3 donors are channelling funds to the National Forestry Authority. In a coordinated approach, they are raising the profile of forestry amongst the macro-economists with regard to PEAP monitoring. As well, they convinced the Work Bank to include a forestry indicator in the Poverty Reduction Support Credit Matrix in 2002. Donors were also instrumental in preparing PEAP 2004 and a forestry advocate helped to draft Pillar 2 (Enhancing Production, Competitiveness and Incomes).

Since the establishment of the Environment and Natural Resources Sector Working Group, a *PEAP Sub-Committee* and a *Sector Sub-Committee* have influenced policy and decision-making, including allocations within the Medium Term Expenditure Framework. However, many delays in finalizing the Sector Investment Plan are preventing the environment and natural resources sector from working more effectively for poor and vulnerable people.

Suggested follow-up action

Improving linkages between forestry and poverty alleviation entails

- re-instating a means for the Forestry Inspection Division to collaborate with other government institutions on cross-cutting issues – working groups and a multi-stakeholder structure to monitor and oversee implementation such as the former Forest Sector Coordination Committee and the National Consultative Conference
- having FID and the National Forestry Authority establish a permanent forum for discussion, consensus building, implementation of joint tasks, and long-term strategic planning of the sector
- including FID as member of the Performance Review Contract Committee which monitors the delivery of NFA functions, including those related to the management of central forest reserves
- securing government and donor commitment for a sector-wide approach to forestry and harmonizing interventions with priorities of the National Forest Plan and the wider Sector Investment Plan
- connecting the ENR Sector Investment Plan and conditional grant to district development plans to facilitate the allocation of resources to local governments in order to implement natural resource policies, including forestry-based poverty alleviation measures that target poor rural communities.

3.2.2 Evidence-based policy formulation

A lack of quantitative facts makes it difficult to argue the importance of forestry to poverty alleviation and, by the same token, to influence budget allocations. Methods used in the NFP and PEAP processes to collect data and to inform the formulation of forest policy and legislation include:

- *a forest sector review* which was carried out in 1999-2000 to assess the state and use of the resource, its contributions to livelihoods and poverty alleviation and the institutions charged with its management
- commissioned studies, including the *Review of Initiatives*, which reflected the views of the grassroots and were expressed in soft qualitative terms rather than hard quantitative evidence led to a better understanding and appreciation of forest sector development in Uganda
- the inclusion of forest related questions in *various routine surveys* (such as National Household Survey, National Service Delivery Survey, Permanent Agricultural Statistics Survey) to determine, for example, the impact of forest degradation on livelihoods; the degree to which forestry contributes to poverty reduction; the number and species of trees planted; the value of forest labour; and consumption and cost of charcoal and firewood
- the *Uganda Participatory Poverty Assessment Programme* which, for the first time, reflected concerns expressed by poor people; led to a better understanding of poverty, including forestry dimensions; and served to revise the 2000 and 2004 PEAP
- *an economic study on valuation of the forest sector* to provide a basis on which to increase forestry's estimated contribution to Uganda's gross domestic product (GDP) beyond the value of timber calculated at the forest gate, taking into account formal and informal activities, value-addition processing, and environmental values.

The NFP process confirmed that the forestry's contribution to GDP is difficult to measure because of unrecorded data on (i) ways in which forest resources meet the subsistence needs of rural populations; (ii) informal or illegal trade in forest products; and (iii) the value of ecological services (Falkenberg and Sepp, 1999). Lessons may be learned from the way that fisheries dealt with a similar problem (Box 1).

Box 1. Raising the profile – experiences from fisheries

Over the past decade, fish has become the leading non-traditional export in Uganda, earning an estimated US\$ 45 million in 1996. In 2001/2002, capture fisheries alone accounted for 12 per cent of GDP – higher than any other sub-sector. An estimated 200,000 people are engaged in capture fisheries and related activities. Another estimated 800,000 are employed in making boats and nets.

Primarily considered to be a form of household subsistence, the economic potential of fisheries has not always been recognized in Uganda. PEAP 2004, however, notes that “in FY2001/2002 capture fisheries had an annual economic value of US\$301 million – equivalent to around 6 per cent of GDP”. This figure is in contrast to the US\$130 million used in national accounts.

As a result of increased exports, the ability to translate household fishing into economic terms and show that investments in fishing reduce poverty in fishing communities, policy makers – guided by PEAP – have focused their attention on key fishery institutions.

Source: Mugenyi, O et al, 2004.

3.2.3 Civil society

Prior to reforms in the forest sector, civil society did not engage effectively with government. With the establishment of the Uganda Forest Sector Working Group (UFWG) in 2001, more than 60 civil society organizations, individuals, academic and research institutions promoted and developed forestry activities to ensure that poverty eradication and good governance remain over-arching objectives.

The working group's involvement in the NFP process highlighted the need to enhance stakeholder participation in order to address the marginalization of poor people and to overcome difficulties associated with their access to resources in central forest reserves and their lack of negotiating power. Members took part in various task forces, providing critical inputs into the business plan of NFA and the *National Forestry and Tree Planting Act* and regulations to ensure that reforms focused on poverty issues. UFWG also provided input into the bill and regulations on transparency and accountability and, with support from the National Forest Programme Facility, is promoting the establishment of District Forestry Services.

3.2.4 Awareness and communications

As a result of concerted communication efforts, Uganda's NFP process has increased understanding of the role forestry plays in poverty alleviation and in the livelihoods of marginalized groups. Politicians, the media, opinion leaders and others who were prepared to publicly demonstrate their commitment to the sector and to the reforms were identified at an early stage and were informed of progress in implementation through regular briefings.

Using the results of a survey on awareness of forestry issues, a communication strategy was developed to inform the public of the linkages with poverty alleviation in a format that was accessible and timely. Slogans such as "forests to fight poverty" on calendars, newsletters, school newspapers, and bumper stickers were all part of the effort. NFP also effectively linked up with the publicity campaign that was mounted under the auspices of the Participatory Poverty Assessment Programme.

Suggested follow-up action

The Forestry Inspection Division and its partners need to resume and, in some cases, step up efforts to convey forestry's importance to the country, including in terms of alleviating poverty. Although lack of hard data continues to be a major constraint, FID could become a significant player in decision-making circles by working with NFA and civil society to more aggressively market the pro-poor and development aspects of forestry to a wider audience, especially politicians.

3.2.5 Monitoring and evaluation

Several institutions, notably the Poverty Monitoring and Analysis Unit (PMAU) in MFPED, are involved in the monitoring and evaluation (M&E) of Uganda's PEAP. The PMAU monitors the implementation of poverty reduction strategies in all sectors and reports on the extent to which poverty is being reduced, informing MFPED of spending allocations and revisions to PEAP. These national reports are based on (i) Participatory Poverty Assessment Reports (1999 and 2003), (ii) UBOS statistical surveys, (iii) management information systems, and (iv) annual budget framework papers prepared by ministries.

A poverty monitoring and evaluation strategy guides M&E and outlines institutional responsibilities. It is supplemented with a Policy and Results Matrix which indicates progress on an annual basis and is fully consistent with the World Bank's Poverty Reduction Support Credit. The strategy identified 33 indicators for priority implementation for which a systematic effort was made to establish a baseline and target. Information is available on these indicators, albeit to a varying degree of regularity and accuracy.

The study team witnessed part of the preparations of the Poverty Status Report for 2006 and noted the seriousness with which the review was done. Two strategic objectives in the PEAP matrix relate to the performance of the forestry sector under *Pillar 2: Enhancing Production, Competitiveness and Incomes*. The relevant outcomes are "increased forest cover and improved forest management" and the 3 indicators are "% of land under forest cover, distance traveled by villagers to firewood source, and % of forest land covered by sustainable forest management plans".

As noted in the draft Poverty Status Report (2006), the distance traveled to collect firewood increased between 2002 and 2005, rising from 0.9 to 7 km in Lira and Gulu districts, for example. In these areas, women and children spend 8 hours gathering a head load of approximately 0.25m³ – an amount that will last 3 days for a family of 4 if it cooks 2 meals per day (World Food Programme, 2005).

Since the inclusion of forestry in PEAP, indicators have shifted from implementation of NFP and establishment of FID and NFA to those which assess private sector involvement (grant schemes and tax reform) and the strength of local government (DFS). While the current PEAP has captured NFP priorities, it does not emphasize the need to build capacity within FID. This omission may send a signal that the issue has been resolved when in fact the opposite is the case.

Four years after NFP was approved, progress in its implementation has neither been monitored nor evaluated, including in terms of its effects on poverty. Moreover, the M&E framework which contains indicators for each of the seven programme areas is built on PEAP pillars but is no longer consistent with the framework to assess the current PEAP.

Revisions to the M&E for NFP would:

- improve data collection, storage, reporting and use for informed policy and decision-making
- align the monitoring of indicators to the new focus on PEAP pillars, including on cross-cutting issues
- strengthen institutional arrangements by identifying gaps and building on lessons learned from implementing the current M&E system
- provide a mechanism for FID, in collaboration with other partners, to evaluate PEAP strategies
- promote the integration of PEAP and MDG targets.

Suggested follow-up action:

The Forestry Inspection Division needs to update the M&E framework of NFP, align it with the current PEAP and with the Poverty Monitoring and Evaluation Strategy. It also needs to begin monitoring and evaluation of NFP at the earliest opportunity and to be given sufficient resources to involve and train key stakeholders to be part of the M&E teams, including the National Bureau of Statistics, civil society and local

government.

3.3 Constraints to establishing linkages

3.3.1 Forest management

Estimates suggest that forest cover in Uganda has halved over the past century and is shrinking at a rate of 55,000 to 200,000 ha per year or 0.9% to 3.15%. High consumption is widening the imbalance between supply and demand of forest products (MWLE, 2002), including sawlogs. Moreover, the situation is likely become worse over the next ten years if replanting does not keep pace with the harvesting of mature plantations which now cover only about 2 000 ha. The current supply situation implies that future domestic demand will have to be met from imports and the felling of indigenous forests.

The pressure on central forest reserves in Uganda will increase as the remaining natural forest on private land is exhausted and as more forest cover is lost to agriculture and grazing. In addition to protecting natural forests, NFA will be expected to exercise tighter control over those seeking to exploit the remaining forest illegally and to allocate leases in a transparent and equitable way so that all interests are met, especially those of poor people who depend on these resources.

Although deforestation has caused an increase in fuelwood costs and in some areas triggered more investments in tree planting, markets fail to respond to the loss of environmental values such as soil and water conservation. As importantly, forestry institutions and governance structures are finding it difficult to regulate the use of forest resources or to make pro-poor policies and programmes work.

3.3.2 Government capacity

Three of the seven NFP programmes are designed to ensure that FID, NFA and DFS improve governance through widespread institutional reforms. However, serious constraints in capacity are jeopardizing both the implementation of policies and the establishment of closer forestry-poverty linkages.

Given that the revenue base to support Uganda's forestry institutions remains weak, development partners will continue to play a critical role in the country's forestry sector, especially in the context of pro-poor reform.

Ministry of Water, Lands and Environment – Forestry Inspection Division

NFP Programme 1 identifies FID as the means by which MWLE will formulate national forestry policies, standards and legislation; monitor their implementation; and mobilize and co-ordinate support and resources for forestry nationally. FID will therefore require the resources, including skilled staff, to exert leadership; promote NFP as the sector's investment plan; and convince donors to support this plan in addition to essential elements of the reform process.

FID, as the technical arm of MWLE on forestry matters, is mandated to monitor NFA as per NFP. However, it has not been made a member of the Performance Contract Management Committee – the body which oversees the delivery of NFA functions pertaining to its management of central forest reserves. By the same token, FID lacks sufficient visibility in the ENR Sector Working Group which is the forum that aligns budgets with PEAP objectives and allocates resources within the sector.

Given the growing recognition of the contributions of forestry to poverty eradication, raising the status of FID within the government hierarchy would benefit both MWLE

and the environment and natural resources sector as a whole. A higher profile would increase the chances of FID being allocated more resources to improve its capacity to:

- develop a strategic plan for the sub-sector not only to implement the NFP and prioritize activities that promote sector investments but to demonstrate the need for more staff, operational funds and technical support
- strengthen the engagement and influence of forestry in the PEAP process
- build confidence in the sector as one that is well-regulated and empowered
- give priority to strengthening District Forestry Services, including the provision of much needed support and advice – a task which is at the core of its mandate,
- enable it to re-engage with partners and brief them on a regular basis on forestry priorities and on short and long-term requirements for assistance.

A stronger FID would also allow NFA to focus on its own mandate rather than try to fill gaps that FID cannot under the current scenario.

Suggested follow-up action

In much the same way as a temporary and autonomous secretariat assisted the Ministry of Water, Lands and Environment to implement forestry reforms from 1999-2004, a similar interim arrangement could help the Forestry Inspection Division to discharge its mandate while allowing MWLE to strengthen the delivery of other services for which it is responsible. A longer term solution would be to elevate FID to a full department so that it can engage at higher levels of policy and decision-making.

National Forestry Authority

NFP Programme 2 established the National Forestry Authority as a semi-autonomous parastatal agency, founded on the principles of corporate governance. When it was established, the Government of Uganda committed to providing it more than 1.6 billion Ugandan Shillings for the first four years of operation. Two years later, NFA had received only 10% of this amount.

Although staff has been recruited to run operations and achieve objectives in a business-like manner, other challenges besides financing remain as well – ranging from political (eviction of encroachers) to technical (sound management plans) to administrative (policies and systems). NFA has only recently been able to consider ways in which it can help to alleviate poverty through job creation. According to its first annual report, it spent 33% of its operational budget to hire workers in communities for the establishment of tree nurseries and industrial plantations, for the management of natural forests, as well as for the harvesting and processing of forest products (NFA, 2005a). Contributions, however, could be enhanced by adopting other pro-poor policies such as preferential treatment and conditions to access forest land for planting and timber concessions. Providing rural communities adjacent to forests with access to grants for afforestation would also be beneficial.

Other initiatives to help generate income in communities include FAO support for participatory forest management in Uganda (GCP/INT/808/UK) and direct budget allocations from the Directorate of Corporate Affairs.

Suggested follow-up action

The Government of Uganda and development partners should make every attempt to provide the National Forestry Authority with the financial support they promised when it was established to help pay for start-up costs, including those associated with

initial capital investments.

District Forestry Services

NFP Programme 3 sets out a clear strategy for strengthening district administrations to implement decentralized forestry functions, including forest-based poverty alleviation programmes, and to channel revenue from forests to districts and communities. NFP underscores the need for forestry staff from local government to oversee the management of local forest reserves in partnership with communities and to provide guidance on the management of community and private forests outside reserves which serve as vital safety nets for the poorest people.

Strong capacity at the district level will facilitate forestry interventions in communities where the linkages with poverty alleviation are likely to have the most impact. In much the same way as forestry advocates made their voices heard in the nation's capital, forestry needs to actively lobby for inclusion in decision-making processes in district and local government administrations, especially at the sub-county level. In this case, the entry point is the Forestry Unit within the Production and Environment Committee of the District Assembly's Natural Resources Department where DFS is housed. Local governments are also key players in raising the profile of forestry and DFS in planning and budgeting processes, including in budget framework papers which they are mandated to prepare.

Parliamentary approval was recently given to reform local government structures, thereby paving the way for establishing District Forestry Services. However, lack of funds is preventing the full staffing of the units, the decentralization of functions, and capacity building at the local level, including of stakeholders. Given the low priority that local governments generally accord many issues in the environment and natural resources sector, a weak DFS will find it difficult to manage the significant portion of national forest estate for which it will be given responsibility, including to achieve PEAP objectives. Indeed, unless the Forestry Inspection Division can play an effective monitoring and advocacy role and work to strengthen DFS, the contributions of forestry to poverty alleviation could further be undermined.

Given that forestry services have historically been administered from the centre, MWLE and the Ministry of Local Government will need to provide considerable support to assist with decentralization. Specifically, a functional DFS will require:

- better awareness and understanding of the importance of building effective partnerships with a range of stakeholders when decentralizing forestry services to local governments
- skilled staff with the capacity, tools and support to overcome local constraints, including power imbalances and inequity
- institutional capacity to develop and implement, in a participatory manner, forest plans that are coordinated with other sectors and integrated into district development plans
- adequate financial resources to support district planning and operations.

Suggested follow-up action

Support to forestry which donors redirected to central agencies urgently needs to be re-instated for the implementation of pressing reforms, especially decentralization to districts. In this regard, the ENR Sector Working Group should actively lobby to include forestry in district development plans so that local governments allocate resources to the sector.

Because PEAP identifies District Forestry Services and community forests as 1 of 3 urgent priorities that are under-funded – the other two being agriculture and health – the environment and natural resources sector should seize the opportunity to promote DFS for support under the Sector Investment Plan and for conditional grants; re-apply for assistance under the Poverty Action Fund; and lobby donors, government and other partners to support the implementation of pressing reforms.

Sub-sectoral collaboration

Since the dissolution of the Secretariat in 2004, NFP coordination and planning mechanisms – the Forest Sector Coordination Committee and NFP working groups – have suspended activities and national consultations have not been convened. As a result, the NFP process that once effectively engaged central government authorities in the design, delivery and monitoring of forestry initiatives is no longer able to do so. Weak collaboration between FID and NFA in areas of mutual interest, including data collection and analysis to inform poverty alleviation measures, is also problematic.

3.3.3 A sector-wide approach

As noted previously, the Environment and Natural Resources Sector Working Group is drafting a Sector Investment Plan and taking steps to improve planning, resource allocation, operations, and integration of the sector into the government’s macro-economic planning framework.

The complex nature of the sector, the many actors involved, and the overlapping and sometimes conflicting interests set it apart from those which have a more focused orientation such as health and education. Such diversity poses a challenge in the implementation of SIP, given that several ministries need to agree on a common vision and goals. Delays, overlaps and confusion over the roles and responsibilities of the various committees are also fueling the perception that the sector’s capacity to formulate strategies and make decisions is weak. On the positive side, the environment and natural resources sub-sectors are gradually seeing the benefits of collaboration in terms of improving linkages and building on strengths.

The recent proposal to integrate land tribunals into the justice, law and order (JLO) portfolio sends signals across government and the public that a sector-wide approach across several ministries can be managed (see Box 2). Indeed, these new arrangements call for ENR Sector Working Group to now engage with JLO to address environment and natural resources issues related to land ownership, access rights and decentralization.

Box 2: A sector-wide approach: experience in the justice, law and order sector

Between 1997 and 2000, several studies and a commission of enquiry revealed the public’s dissatisfaction with the delivery of justice, law and order services. Findings also showed that citizens worried about their personal security and about the safety of their property.

JLO administration was spread among ten ministries, each having a different view of the issues and solutions. Together, they analyzed their institutional mandates, agreed on action to foster closer collaboration and implemented changes.

A committee of ministers from all departments concerned gives overall guidance and support to the sector-wide approach and is informed by a steering committee of permanent secretaries which has links to the donor partners and CSOs participating in the reform process.

A 4-person secretariat coordinates activities and facilitates the flow of information across ministries and management bodies. It is housed in the Ministry of Justice and Constitutional

Affairs and, in addition to its other functions, services the ministry's senior managers.

A technical committee, consisting of task managers from all institutions, meets weekly and gives direction to subcommittees on commercial justice reform and on criminal justice reform. Five cross-sectoral groups support its work.

Partners meet bi-annually to review progress and discuss sector planning, budgeting, and accountability. They have also jointly developed guidelines which set out working modalities.

Source: Meeting held on December 15, 2005 with Senior Technical Advisor of JLO and text from MWLE, 2003

3.4 Strengthening forestry links to poverty alleviation

3.4.1 Expanding the Sawlog Production Grant Scheme

Uganda has a favorable climate, suitable soils and sufficient land to establish the 60-70,000 ha of plantations needed to meet domestic demand for sawn wood. If this area can be established in the next 10 to 15 years, it will help to relieve pressure on natural forests as well as provide significant economic benefits: earning a real rate of return of 10-14%; creating jobs; and saving about \$100 million a year in foreign exchange (NFA, 2005b).

During the forest sector review process, the Government of Uganda established a Sawlog Production Grant Scheme (SPGS) to encourage private sector investment in plantations. The scheme has generated significant interest and has demonstrated that high standards can be achieved even when plantations cover substantial areas and are privately owned. Its expansion would support efforts to increase wood supply, expand national seed centers and develop faster growing species.

SPGS provides information and technical guidance as well as training and advice mainly to large-scale investors who either have title to land or a legal lease in a central forest reserve. The grant is paid in arrears and is subject to field inspection prior to payment. Current emphasis on large commercial operations, however, precludes it from benefiting small landowners or outgrower schemes. Wider use by communities to alleviate poverty may help to secure donor funding, for example, from the European Union which considers forestry a priority in its Country Assistance Plan.

Suggested follow-up action

Broadening eligibility criteria to include small-scale enterprise development would establish more cooperative and outgrower schemes for plantation management and thus benefit poorer segments of the population. Wider implementation of SPGS should build on the achievements of the pilot phase, including the use of quality planting material and high standards of silviculture.

3.4.2 Finding health solutions through energy

At an estimated cost of USD 15 million per annum, biomass provides more than 92% of energy consumed in Uganda – more than 30 times the power sourced from petroleum and electricity combined. However, because the importance of biomass to the national economy is not captured in official statistics, it is not reflected in the public expenditure allocation to forestry.

If Uganda proceeds with a World Bank proposal that aims to reduce infant mortality – a key PEAP objective – through the use of more efficient cooking stoves, the forestry sector could take advantage of an unprecedented opportunity to collaborate with the health and energy sectors and be seen as a major player in the implementation of

PEAP. In addition to decreasing the exposure of households to harmful air pollutants and making better use of scarce firewood, the joint project could be used to collect, improve and share information on matters of common concern.

3.4.3 Entering the carbon market

When the Minister of Finance launched the Uganda Forest Policy in 2001, he highlighted the potential for the forest sector to tap the emerging global market in carbon trading. Taking lessons from Mexico's successful pilot project (Plan Vivo), small farmers in Uganda planted exotic and native tree species on their land for the purpose of selling carbon credits on the voluntary market. By developing technical specifications and sound administrative procedures, the project established farmer confidence and market credibility.

Participating farmers each entered into an agreement with ECOTRUST, a national NGO. Terms cover a 10-year period and specify the amount of carbon to be sold, the price per ton to be paid, targets to be met within each of 5 established monitoring periods, and the schedule of payments. Disbursement of funds is conditional on the farmer meeting the targets in the specified time. In addition, farmers must set aside 10% of their total carbon offset potential to cover shortfalls in the event they fail to meet objectives.

The pilot received a significant boost when a respected international packaging company bought the first 11,200 tons of CO² in December 2003. It bought an additional 9,000 tons the following year and a second customer purchased 10,000 tons in May 2005.

Suggested follow-up action

Building on Uganda's successful pilot phase, it is now up to the private sector to expand carbon trading and establish the country's credibility in international markets. Efforts would be enhanced in this regard if NFA and SPGS worked with the private sector to consolidate Uganda's position as an innovator in this field in Africa. The scheme could also be linked to other tree planting initiatives under District Forest Services, especially those targeting poor rural communities such as the Farm Income Enhancement and Forest Conservation Project.

4. Next steps

Upon submission of FAO's report of the mission, the Forestry Inspection Division of the Ministry of Water, Lands and Environment may wish to explore the possibility of hosting a workshop, in collaboration with the National Forest Programme Facility, to discuss follow-up action with a broad range of stakeholders, including the National Forestry Authority, civil society, donors and ministries involved in the implementation of PEAP.

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