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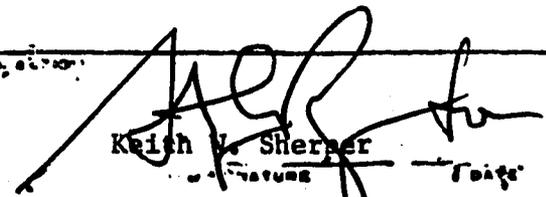
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18. SUMMARY DESCRIPTION		

Assistance will be provided to the Government of Uganda to develop a National Environmental Action Plan (NEAP) through broad, country-wide participation involving the public and private sector. The NEAP will produce policy recommendations and actions which will reverse environmental degradation.

APE will utilize non-project and project assistance to accomplish the program purpose of assisting Uganda's policy and institutional system to more effectively and sustainably manage its natural resource base.

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CLASSIFICATION

PROGRAM ASSISTANCE INITIAL PROPOSAL

UGANDA

ACTION PROGRAM FOR THE ENVIRONMENT (APE)

**USAID/Kampala
March 22, 1991**

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	Uganda Natural Resources Action Program
	Major Land Resource Areas of Uganda
	United Nations Environmental Programme
	Volume II: Wildlife and Protected Areas
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	Tourism Development in Uganda
	First Report to Republic of Uganda on Wildlife and National Parks Legislation
	Queen Elizabeth Park Management Plan
	Assorted New Vision/Weekly Topic Natural Resource Articles

TABLE OF ACRONYMS

AID	Agency for International Development
AID/W	Agency for International Development/Washington
AWF	African Wildlife Federation
BOU	Bank of Uganda
CPI	Consumer Price Index
DA	Development Assistance
DANIDA	Danish International Development Agency
DENIVA	Development Environment Network for Indigenous Voluntary Associations
DFA	Development Fund for Africa
DTC	Development Through Conservation project
EAP	Environment Action Plan
EC	European Community
ECU	European Currency Unit
EEC	European Economic Commission
EIL	Experiment in International Living
ERP	Economic Recovery Program
ESAF	Extended Structural Adjustment Facility
ESF	Economic Support Fund
FAO	Food and Agriculture Organization
FD	Forestry Department
GDP	Gross Domestic Product
GEF	Global Environmental Facility
GNP	Gross National Product
GOU	Government of Uganda
IBRD	International Bank for Reconstruction and Development
ICO	International Coffee Organization
IEE	Initial Environmental Examination
IFCP	Impenetrable Forest Conservation Project
ILO	International Labor Organization
IMF	International Monetary Fund
IPPL	International Primate Protection League
IUCN	International Union of Conservation and Nature
LTC	Land Tenure Center
MEP	Ministry of Environmental Protection
MISR	Makerere Institute for Social Research
MPED	Ministry of Planning and Economic Development
MTW	Ministry of Tourism and Wildlife
MUBFS	Makerere University Biological Field Station
MUIENR	Makerere University Institute for Environment and Natural Resources
NEAP	National Environmental Action Plan
NGO	Non Government Organization

NORAD Norwegian Agency for International Development
 NPA Non Project Assistance
 NRMP Natural Resources Management Plan
 NRMS Natural Resources Management Support project

 NUSh New Ugandan Shilling
 ODA Overseas Development Administration
 OGL Open General Licensing system
 PAAD Program Assistance Approval Document
 PAIP Program Assistance Identification Paper

 PASA Participating Agency Service Agreement
 PDO Project Development Office(r)
 PID Project Implementation Document
 PNRM Plan for Natural Resources Management
 PP Project Paper

 PSC Personal Services Contract
 PVO Private Voluntary Organization
 PVOP Private Voluntary Organizations Project
 RC Resistance Committee
 REER Real Effective Exchange Rate

 REO Regional Environment Office(r)
 RMS Rwenzori Mountaineering Services
 SAC Structural Adjustment Credit
 SAF Structural Adjustment Facility
 SDR Special Drawing Rights

 SIDA Swedish International Development Agency
 SIP Special Import Program
 UIE Uganda Institute of Ecology
 UNDP United Nations Development Programme
 UNEP United Nations Environment Programme

 UNP Uganda National Parks
 URDT Uganda Rural Development and Training program
 USAID U.S. Agency for International Development
 USNPS U.S. National Park Service
 UWTPM Uganda Women Tree Planting Movement

 WCI Wildlife Conservation International
 WCU Wildlife Clubs of Uganda
 WFP World Food Programme
 WRI World Resources Institute
 WWF World Wildlife Fund

I. EXECUTIVE SUMMARY

A. Background

The past 25 years have seen Uganda pass through a period of prosperity, decline and resurgence. This has been the result of political instability and civil war during the years 1971-1986. Internal conflict left the country with a wide range of problems in all sectors of society. Fortunately, Government of Uganda (GOU) initiatives of recent years have brought welcomed stability to the Ugandan political and economic scene. This has in turn translated into a renewed commitment to improve the management of the country's natural resource base while reviving parts of the economy which were depressed or dormant during the civil strife.

Uganda's natural resource base is varied and rich. Soils are generally fertile and agriculture supports the overwhelming majority (90%) of the Ugandan population, most of whom are subsistence farmers. Forests and wildlands are also extremely diverse as evidenced by differing ecological zones such as the high altitude alpine meadows and arid savanna scrublands. Despite years of neglect, biological diversity is still high in many of these areas. It is for these reasons that AID has classified Uganda as a Priority 1A country in the natural resource sector.

In line with AID's global commitment to conserving biodiversity and improving the management of natural resources, the USAID Uganda Mission has decided to significantly increase assistance to the GOU in the natural resource sector. After reviewing alternative sectors affecting the sustained development of the country, the design team concluded that none holds as much promise, is as important to the sustainability of long term growth in Uganda, or is as threatened, as the natural resource sector. However, an inadequate information base, inexperienced ministry staff, and other systemic problems confound the ability of the GOU and the donor community to identify a rational policy reform and project strategy for natural resources at this time.

Because improved natural resource management depends upon changing behaviors at the local level, the link between individual and community self interest and national natural resource programs requires that local people comprehend and participate in this program. This in turn requires considerable emphasis on process, rather than the rapid definition of a "policy agenda" solely among senior GOU and donor staff.

The specific, local-level emphasis which AID has supported elsewhere in Africa is extremely important to the sustained success of any Natural Resource Management (NRM) program in Uganda. However, to be effective, locally focused action will require careful planning and lengthy gestation.

Historically, top-down environmental assistance programs are inappropriate and have been counter-productive. In terms of the natural resource base, the process-oriented approach manifested by the Environment Action Plan is more appropriate. The Environmental Action Plan (EAP) process has helped to guide the NRM and biodiversity programs in Madagascar, and can have the same impact if implemented in Uganda.

Special efforts must be brought to bear immediately to support, sustain, and encourage the GOU to develop an accurate, implementable and cohesive plan. Without resolving a variety of institutional and human resource constraints during the NEAP design period, it is highly unlikely that the GOU will be in a position to implement the plan at its conclusion. In addition, support to Non Governmental Organization (NGO) efforts to improve the quality of conservation and development projects during the two years required to develop the National Environmental Action Program (NEAP) is essential if the quality of the natural resources is not to be irreversibly degraded in the interim.

B. Summary

The objectives of this program will be accomplished through the Action Program for the Environment (APE). APE is composed of two components:

- 1) Policy review and reform, and
- 2) Local level PVO/NGO Natural Resource Activities. The APE Program will take place over a period of three years with project activities continuing for an additional two years.

The policy review and reform initiative will utilize both non-project assistance and project assistance. The non-project assistance will support the adoption of vital policy reforms. Project assistance will provide technical assistance to the GOU in its development of NEAP. In July, 1990 the GOU requested assistance from the World Bank (IBRD) to coordinate the preparation of the NEAP. The Bank approached USAID with a request for financial and technical support in carrying this out. It was later agreed that USAID, through APE, would be the lead donor for the NEAP.

Non-project assistance will encourage the GOU to upgrade the status of the Impenetrable Forest, Mgahinga, and Rwenzori Forest Reserves to National Parks. These are three of Uganda's most valuable natural forest areas which are still, as of this time, being exploited in ways which threaten their long-term economic and ecologic viability, and which may be irreversibly degraded prior to the completion of the NEAP. National Park status would correct that. Other ways APE non-project assistance will work are by aiding the GOU with institutional reform and foreign exchange/local currency programming.

Project assistance in the policy review and reform sector will fund the development of technical task forces. Their objective will be to investigate and analyze different parts of the NEAP which the Ministry of the Environment Protection has identified as needing assistance. Two natural resource advisors will be seconded to the appropriate GOU ministries. APE will also provide training and institutional support to the GOU on both a short- and long-term basis. Training opportunities for GOU personnel will include, but not be limited to: short courses, technical schools, graduate programs, and post graduate studies which could be conducted in Africa or abroad. Finally, policy project assistance will include support for monitoring and evaluation work.

APE's project assistance will also support PVO/NGOs working in protected areas and adjacent buffer zones. This will be in the form of new subgrants to PVO/NGOs, supporting existing grants, and providing local currency to established institutions. Activities could include: needs assessment surveys, agroforestry extension, conservation education, training, research, tourism development and land use planning. Technical assistance could also be provided to support activities designed to limit degradation prior to the completion of the NEAP.

Anticipated beneficiaries and impacts are broken down into three levels; the rural population, national economy and the GOU. Living standards will improve because of increased employment opportunities in and near the parks, and increased soil fertility resulting from improved land use management. Rational management of the natural resources will also help assure that the resource base is conserved for future development. Tourism development will broaden sources of foreign exchange. Currently, over 90 percent of Uganda's exports come from coffee. APE is also a source of funds for on-going institutional management activities. Finally, APE will benefit the GOU through support provided to the NEAP process.

C. AID/W Guidance

The Action Program for the Environment PAIP was preceded by a concept paper titled Natural Resources and Tourism Management. AID/W reviewed the concept paper on April 3, 1990. A summary of the guidance and Mission treatment of the issues can be found in Annex F.

D. PAIP Documentation Guidance

The guidance followed for PAIP preparation is that contained in the July 12, 1988, AA/AFR Gladson memo to AFR Bureau Staff and Missions. The Mission fully expects to obligate this program in FY 91. The Mission also included sections in the PAIP to comply with draft Africa Bureau guidance for Non-Project Assistance even though it has not yet been officially adopted by the Bureau.

II. BACKGROUND AND PROGRAM RATIONALE

A. Macroeconomic Environment

Political disorder and poor economic management plagued the Ugandan economy prior to 1986. The resurgent rebel movement and the coup led by Idi Amin in 1971 set forth the economic decline of the country. As an indication of Uganda's economic fortune, real GDP in the 1970s declined by 20 percent. Moves to stabilize the economy were undertaken by the Obote government in the early 1980s; these attempts, however, proved unsuccessful primarily due to the onset of civil war.

In May 1987, the GOU announced an Economic Recovery Program (ERP) which adopted many stabilization policies and a structural adjustment program recommended by the IMF and the World Bank. The goals of the ERP included: the restoration of price stability and a sustainable balance of payments position, substantially improved capacity utilization in industry and agriculture, improved producer incentives, increased efficiency in the public sector, and improved public sector resource mobilization and allocation.

The ERP has been underway for over three years and there have been significant improvements in Uganda's economic policy environment. From 1987 to 1989, GDP growth has been in excess of six percent annually, and the rate of inflation has been reduced from over 200 percent at the outset of the period to a present rate of under 25 percent.

In June 1990, the GOU initiated the following series of reforms: it legalized the parallel market for foreign exchange, streamlined the export licensing procedures, eliminated all taxes on non-coffee exports, and revised the tax system. Also, the GOU has continued with a policy of periodic devaluations of the official exchange rate with a goal of obtaining a market-clearing exchange rate by 1992. The exchange rate policies have reduced the premium on the exchange rate from 900 percent in the mid-1980s to just over 30 percent today.

Since August 1990, Uganda, like many other African countries, has experienced severe pressures on its balance of payments due to the increased petroleum prices resulting from the crisis in the Persian Gulf. The foreign exchange requirements for petroleum imports has risen over 30 percent, while earnings from coffee exports, which traditionally has contributed 90 to 95 percent of foreign exchange earnings per year, have been declining. The most recent World Bank projections, derived from a need-based analysis, shows a foreign exchange shortfall of over \$600 million for the 1991-92 fiscal year. Despite these

unfavorable conditions, the GOU has continued with reform policies including devaluing the currency, licensing four coffee cooperatives to export, raising prices paid to coffee producers, restructuring the Coffee Marketing Board, and raising the retail prices for petroleum products.

B. Sector Priorities

1. Summary of the Sectors Important to the Economy;

a. Agriculture, Livestock, Fisheries, Forestry

Agriculture is the mainstay of Uganda's economy. It contributes over 70% of the Gross Domestic Product (GDP), the vast majority (more than 95%) of the country's exports and the critical foreign exchange (Please refer to ANNEX C, Table III.1. for background data). Over 90% of Ugandans depend upon agriculture for their livelihood. Even the small manufacturing sector is mostly agro-business related.

Uganda is endowed with the climate and soil conditions that are favorable for agricultural production. Rainfall is not a limiting factor in many areas and averages in excess of 1,000 mm a year in the south. Northern areas experience drier conditions during the months of December and January. Although the south is experiencing pressure on land due to population densities, there are other areas of the country where land is still available. Most of the nation's farming is smallholder based with approximately 2.2 million farms averaging 2.5 hectares.

Prior to 1971, the country was traditionally self-sufficient in food; where shortages occurred, it was due to distribution or security problems. Because of the suppressed production in past years due to these problems, the potential in the short-run for increased agricultural production, agro-based industries and exports seems substantial. According to the 1990 study entitled "Uganda: Accelerated Food Crops Production Strategy", recent gains in production derive from expanded use of land and labor, improved security conditions and availability of inputs. Although food crop production has increased since 1985, it has only recently achieved production levels recorded in 1970 for certain staple crops. The report however, goes on to explain that the limits for land and labor will be reached within the decade. Further gains in food crops may not be possible without technological and productivity improvements.

For the foreseeable future, agriculture will continue to play a major role in providing the impetus to growth. Between 1988 and 1989, monetary agriculture production grew by 7.2%, while the non-monetary sector grew by 4.5%. Within the monetized sector, cash crops grew by 10%, and food crops by 10.2% over the same

period. Most crops had a bumper harvest in 1989. Given the country's rich natural resource base, agriculture will continue to dominate Uganda's economy throughout the rest of this century.

Livestock is an important agriculture sub-sector. UNDP has estimated that livestock account for 30% of agricultural production. Moreover, livestock represents an important element in the livelihood of the rural population since it is estimated that around 95% of cattle are owned by smallholders. Except for cattle, other classes of livestock have increased in numbers over the past four years.

Fish are very important to the Ugandan diet, providing over half of the population's daily intake of protein. The major lakes include: Victoria, Edward, Kyoga, Albert. These larger lakes are the primary sources of fish production. It was estimated in 1987 that approximately 2% of the population depended upon fisheries directly for their livelihood. There is also an extensive network of rivers, including the Nile. The river system is complimented by a substantial underground reservoir system. Despite plentiful water in some regions, Uganda is largely dependant upon the water catchment qualities of its forest cover to maintain reservoir supplies.

Uganda has 7.5 million hectares of forests and woodlands. Natural forests are the major source of charcoal, fuelwood and construction wood. There is approximately 14,900 square kilometers of gazetted forest reserve in Uganda; this is 6.3 percent of the country's land area. This forest includes: 7,500 square kilometers of savanna woodland and forest plantation; 5,900 square kilometers of tropical forest; and 1,500 square kilometers of montane catchment forest. Government estimates that the production from the forests in 1980/81 was 30,000 tons of charcoal and 235,000 cubic meters of timber. These figures had increased considerably by 1987/88 to 70,000 tons and 563,000 cubic meters.

Within forest reserves, actual forest cover is reported to have declined by 40 percent between 1970 and 1986 (Makerere University). Hamilton (1984) reports that Uganda is losing approximately 2 percent of her highland tropical forests, or 110 square kilometers, every year. The loss of forest cover in many of the areas is leading to increased soil erosion, environmental problems downstream in the waterways and lakes, and a severe reduction of biological diversity. While declining soil fertility and siltation are major concerns, the loss of biodiversity due to the removal of forest cover is at a critical stage. Also, Uganda's natural areas possess a host of potentially valuable products which will be forever lost in the next decade at the current rate of deforestation (e.g., wild coffee strains, pharmaceutical products).

b. Tourism

Given the significant implications of natural resource interventions upon the tourism sector, and given the importance of tourism for this PAIP, we have included this under a separate heading.

Maintaining biodiversity is vital to the development of Uganda's economy. Uganda's natural areas and biodiversity were at one time the basis for a thriving tourism industry. While no one expects nature based tourism to immediately return to its 1960 and 1970 levels, the longer term prospects are quite good. Uganda's recent political history and the state of its infrastructure, put it behind most of its neighbors in the competition for tourism. However, the continuing increase in stability and infrastructure rehabilitation has already contributed towards a significant jump in tourism as figures over the last few years have shown.

Tourism was at one time a major source of revenue for the government. During the 1960s, it was the third largest foreign exchange earner, after coffee and cotton. In 1971 for example, there were 88,630 tourists who brought revenue of \$20 million to the country. In contrast, in 1982, there were only 10,000 tourists who contributed a paltry \$2.5 million to the national exchequer. By 1987, this figure had started to climb and was back to 40,000, but it is reported that approximately 90% of these visitors were on business, and not tourists. The degradation of this sector was caused by the following:

- o The civil strife and political violence following the 1971 coup are primarily responsible for the negative image of Uganda to the international traveler; this image lingers today in the minds of most people.
- o Expulsion of ethnic groups: The Amin government expelled various ethnic groups from Uganda in 1972. These ethnic groups played a very important role in the country's economy at that time, effectively controlling large sectors of the manufacturing, trading and service industries. The expulsion left wide gaps as well in terms of tourism infrastructure and services that are necessary to attract the international traveler. As an example, many of the hotels and lodges were closed down.

The relative political stability since 1986, and the initiation of the process to return appropriated businesses to their former owners has contributed to a better image of Uganda and is beginning to instill confidence among both tourists and investors. The Ministry of Tourism and Wildlife projects a figure of 100,000 tourists annually by 1995, generating \$50 million of revenues to the country. This would put tourism as

the second largest source of foreign exchange, after coffee exports (which stood at \$140 million in FY 1989/90). Increasing foreign exchange is a significant element of the Mission and GOU strategy. Promotion of tourism is virtually the only rapid method of increasing the availability of foreign exchange.

c. Other Sectors

In order to create an appropriate setting for a review of the proposed natural resources program, it is important to briefly examine other sectors of the economy. It should be stressed, however, that the following analysis is cursory and is intended to merely provide general background on Uganda's economy.

(i) Manufacturing

The manufacturing sector contributed only 5% of GDP in 1989, down from around 7% in the 1960s. Most of the industries are agro-business. The local industries produce garments, footwear, cigarettes, and construction material.

The manufacturing sector has been plagued by capacity under-utilization. As examples, in 1983 the roasted coffee industry was running at a 0.90% capacity, animal feed at 18.60%, garments at 16.00%, paint at 9.90%. Capacity utilization increased somewhat by 1989 to 2.37% for the coffee roast industry, 56.80% for animal feed, 21.60% for garments, but the paint industry's utilization decreased to 7.30%. As an indication of the increased importance of manufacturing in the economy, the index of industrial production jumped by 17.4% in 1989; the projected increase for 1990 is 7%.

Some of the major economic reforms taken by the government are starting to bear fruit, and should continue to provide a boost to the manufacturing sector. The major reforms include: greater availability of foreign exchange, return of appropriated establishments to their former owners, movement of the government out of sectors where the private sector can perform better, and availability of credit. Most important, the continued stability in the political environment should contribute to economic development.

ii) Mining

Gold, tin ore and wolfram are the main minerals mined in Uganda. The production of both tin ore and wolfram has shown a steady increase since 1985; gold production, however, has shown a drastic fall since 1984.

Preliminary studies have shown good potential for mining gold, tin, copper, wolfram and iron. In the 1960s, mining contributed around 10% of total export earnings and 2% of GDP; this sector's contribution is negligible now. Current exploitation is estimated at 5% of the 1970 level.

There are mainly anecdotal reports of extensive minerals in Uganda; however, little exploration has been conducted.

2. Conclusion

Agriculture plays such a dominant role in the Ugandan economy that the country's economic growth will continue to be driven by the performance of this sector. Development of other sectors, such as manufacturing and services, will largely depend upon the sustainable development of the agricultural sector which, in turn, is dependent upon a strong natural resource base.

While the productivity of the country's soil is good, tropical soil is also easily susceptible to nutrient loss and erosion. In order to conserve this resource base, interventions are needed to halt and reverse the pressures from deforestation, soil erosion, population growth, and policies that discourage sustainable management of the resources.

By providing the necessary agricultural technology and inputs, and putting agricultural policies in place, Uganda can continue to meet growing national food requirements. Considering Uganda's rich, but sometimes fragile natural resources base, carefully focussed policy and action to sustain Uganda's natural resources may well have the maximum marginal impact (a more detailed analysis of the importance of the different sectors to the economy of Uganda is included in ANNEX C, Section III,3.1.).

C. Natural Resource Constraint Analysis and Strategy

Information gathered to date identify many of the problems to effective, sustainable use of Uganda's natural resource base. Consistently, the underlying constraint to solving developmental problems is the missing administrative, institutional, and economic framework to do rigorous analyses and carry out the solutions.

1. Policy

Policy necessary for sound natural resource management is needed in the areas of land tenure, forestry and wildlife management, and investment. Such policies must promote the participation of local residents in the management of protected areas and the sharing of benefits from the conservation of natural resources. The current forest policy treats forests as

an economic resource to be exploited and does not provide for adequate protection or conservation. Analysis of policy alternatives and recommendations that balance conservation with revenues is needed. Analysis is also needed into what is necessary to attract private investment.

2. Financial

The pressure on the GOU budget, both from the revenue and spending sides, is immense. The Ministry of Finance, in its most recent projection for the fiscal year 1990-91, calculates the budget deficit for the January-June 1991 period at \$55 million. Analysis presented by the IMF at the March 1991 Consultative Group meeting projected a 1991-1992 fiscal year deficit of \$795 million. Given the state of the GOU budget, and the large persistent deficits, a constraint in all natural resource programs will be the financial ability of the GOU to support the programs. Autonomous sources of funding for natural resource programs, or other methods of raising and allocating public resources to natural resource institutions, need to be identified.

3. Institutional

A major constraint to a balanced program between production and protection in Uganda is the lack of communication, and even direct conflict, between organizations responsible for the environment. Local villagers are rarely involved with these institutions even though their habits and behavior are ultimately responsible for the state of Uganda's natural resource base. It is apparent that reorganization and training is necessary in the ministries and departments in charge of the environment. The constraints are further complicated by a very distorted incentive system affecting both individuals and organizations.

Management capability is an additional constraint on many institutions. Many positions are filled by personnel who lack the requisite training and background. Recent studies have identified basic management, or the lack thereof, as a major constraint.

4. Socioeconomic

An underlying cause of natural resource degradation is Uganda's high population growth rate (over three percent per annum). The interaction between population growth and the environment is complex. This is being addressed by a comprehensive family planning strategy supported by USAID.

Different forms of land distribution complicate the introduction of local tenure policies and programs. Because of the absence of comprehensive information and pilot projects, no

one knows the appropriate incentives and provisions for secure tenure which are essential to breaking cultural discrimination and improving natural resource use. Cultural considerations have to be understood and factored into any solutions to land management problems if they are to be sustainable.

5. Physical and Social Infrastructure

The numerous wars and civil strife have taken a heavy toll on Uganda's infrastructure. Roads, which deteriorated badly in the 70's and 80's are just now being rehabilitated through donor support. The entire education system, once the pride of the country, has severely deteriorated. The result has been inadequately prepared personnel to manage protected areas, to oversee appropriate logging practices, to operate and staff nature based tourist facilities, and to plan and prepare policy recommendations.

6. Technical

Poor data has been a consistent constraint to natural resource planning and policy making in Uganda. Many of the ecosystems in Uganda either are inadequately known or completely unknown. Scientific data on regeneration rates of different forest types is sketchy and rates of sustainable exploitation have been insufficiently investigated.

D. Government of Uganda (GOU) Strategy

There is a strong political commitment from the higher levels of the Ugandan government for protecting the environment. President Yoweri Museveni is an ardent supporter of natural resource issues, which is evidenced from his bold speeches calling for the removal of all illegal human settlements from the country's forest reserves, creating the Ministry of Environment Protection in 1986, and initiating national tree planting campaigns.

Since its establishment, the Ministry of Environment Protection, in collaboration with UNEP, has drawn up a program of priority action for the management of the country's natural resources. This UNEP study provides analysis of the various sub-sectors of the country's environment including forests, wildlife, fisheries, wetlands, soils and environmental education. An executive summary of this report has recently been approved by the cabinet. This report, however, lacks the depth of analysis required for the development of comprehensive environmental strategy.

In support of national parks, the Cabinet approved a motion from the Minister of Tourism and Wildlife for the creation of three new national parks (Mgahinga, Impenetrable and Rwenzori)

in 1989. However, these parks have failed to become gazetted due to strong resistance from the Ministry of Environment Protection and its Forest Department.

In July 1990, the GOU requested assistance from the IBRD to coordinate a National Environmental Action Plan. Several IBRD missions have travelled to Uganda and have found unanimous support for the NEAP by government officials. The general GOU feeling is that the time is ripe to assess what has been done so far to review the legal and institutional environmental framework and to prepare a strategy and long-term action program through the NEAP process in order to establish future directions.

E. USAID Strategy for an Action Program for the Environment (APE)

1. Relationship to Mission Strategy

USAID's activities support the government's policy reform program and Economic Rehabilitation and Development Plan. USAID centers its program on increasing agricultural growth with an emphasis on private sector participation. USAID's portfolio addresses the constraints to increased agricultural growth with complementary activities: research, commodity imports, input distribution, crop production, agro-processing and commodity marketing with an overall emphasis on sectoral growth and diversification of agricultural exports.

The proposed support for natural resource management strengthens the Mission's focus on agricultural growth. By halting the degradation of the natural resource base, sustained increases in agricultural productivity are possible. Maintaining the natural resources base by activities designed to increase rural incomes, such as agro-forestry, nurseries, reforestation, and soil conservation, are already part of the Mission's portfolio and need to be expanded. At the same time, the Mission's natural resource strategy is pointing to biodiversity as a special concern.

The Mission's efforts to assist the GOU to maintain biodiversity are important to the rehabilitation of Uganda's nature based tourism industry, A.I.D. policy, and the Africa Bureau's Plan for Supporting Natural Resources Management (PNRM) in Sub-Saharan Africa. Nature based tourism, and its resultant earnings, is an integral part of the Mission's strategy for diversification and increase of foreign exchange earnings and fiscal revenues. This strategy is supported by the GOU. Encouraging results have been experienced with the Rwenzori Mountaineering Services (RMS), an indigenous NGO which has, with USAID local currency support, established a successful business guiding tourists on backpacking trips into the Rwenzori Mountains. Besides the income earned by individual guides and

porters, RMS uses revenue generated by tourism to support programs in health and education. Up to 25 percent of the males in the area above the age of 15 are employed sometime during the year as part of the tourism activities organized by the RMS.

The Africa Bureau's Plan for Supporting Natural Resources Management (PNRM) in Sub-Saharan Africa lists Uganda as a priority IA country. The Mission's strategy as a IA country is to initiate a comprehensive program of policy development, appropriate training, and support for PVO/NGO activities. Because many of Uganda's tropical forests are also in the Bureau's regional biodiversity strategy for Central and East Africa, even greater emphasis on biodiversity is expected in the future.

2. Rationale for NPA/Project Assistance Combination

The APE program proposes to initiate the process of review, analysis, and policy making for all aspects of Uganda's natural resource sector. The absence of a comprehensive systematic approach to analyzing the sector, and establishing policies related to land use and conservation, is the first and foremost constraint of the environmental sector in Uganda. Under APE the GOU will establish the framework to institute basic policy reforms in the short-run. Once the framework and initial environmental recommendations are complete, far reaching policy reforms across the sector can be expected.

Another well documented constraint specific to conservation and wildlife management is the inadequate budget support for those institutions charged with conservation. The civil service reform program will address part of this problem. Retention of revenues by the National Parks will improve their financial strength.

The training of staff responsible for wildlife and forest protection, the upgrading of nature based tourism infrastructure, the training of personnel involved in tourism, and the conservation/buffer zone oriented activities of the PVO/NGOs are best handled with project assistance. The proposed APE addresses the institutional and infrastructure constraints accordingly.

The two components of the APE program are designed and determined by function: Policy Component for the policy related activities, and Local level PVO/NGO Natural Resource Activities for specific projects. Per A.I.D. Handbook 1 Part VII, this division complies with guidance which permits the tying together of non-project and project assistance.

F. Other Donor Assistance

The European Community (EC) is a major donor to the natural resources sector in Uganda. The EC is providing grant support in two parallel projects: the Conservation of Natural Resources (National Parks) Project through the Uganda National Parks in the Ministry of Tourism and Wildlife; and the Natural Forest Management and Conservation Project through the Forest Department in the Ministry of Environment Protection.

As a result of concern for global environment issues, the World Bank/UNDP and UNEP have created a \$1.5 billion dollar world-wide fund called the Global Environment Facility (GEF). The World Bank intends to spend at least \$ 4.5 million dollars from this fund for the protection of biodiversity in Uganda. Since the GEF was created in November 1990, the World Bank and UNDP have yet to disburse any funds.

The current World Bank contribution to the natural resources sector is through its Forestry Rehabilitation Program. Initiated in 1987 with multi-donor funding, this program supports the Forest Department with a budget of some \$40 million dollars over a seven year period. The EC, NORAD and DANIDA are providing grant funds as a part of the program.

UNDP recognizes that the rehabilitation of Ugandan wildlife management and closely related tourism industries is vital for the general recovery of Uganda's national economy. To this end, UNDP is providing support to the Ministry of Tourism and Wildlife through two projects: The 1989 support to the Wildlife and National Park Management Project and the 1990 Uganda Tourism Development Project.

A complete analysis of other donor assistance appears in Annex G. During a donor coordination meeting convened by the Ministry of Tourism and Wildlife on February 7, 1991, there was a strong expression of support, in principal, from the international donor community for the National Environmental Action Plan. Once the NEAP is completed, other donors are expected to participate in implementing various parts of the plan. With USAID leadership and direction, maximum coordination can be achieved.

III. PROGRAM DESCRIPTION

A. Program Goal and Purpose

The goal of the Uganda Action Program for the Environment (APE) is sustained economic growth through improved rural economic development. A viable natural resource base is essential to this goal. The country's natural resources are being rapidly eroded, including its biodiversity. Its potential agricultural productivity is being placed in jeopardy. The program sub-goal, therefore, is the sustained use of Uganda's natural resource base and maintenance of its biodiversity.

The purpose of APE is to assist Uganda's policy and institutional system to more effectively and sustainably manage its natural resources base. The activities of APE place considerable emphasis on process. APE has two components: 1) Policy Reform and 2) Local level PVO/NGO Natural Resources Activities.

The approach will involve assisting the GOU in the development of a National Environmental Action Plan (NEAP). The process is designed to be driven by the planned action and requirements of the Ugandans themselves, both in government, and throughout the country. For biodiversity and natural resource management, the strategy is to consolidate support for PVO/NGOs under an umbrella grant for conservation of natural resources. It will initiate some specific grants for the first level of nature based tourism development in a few geographic areas where tourism and the concomitant involvement of the local residents will be instrumental in buffering the resource from degradation.

By the end of the program the GOU will have undergone various policy reforms and enacted specific environmental legislation. In relation to work with target populations in selected areas the program will have increased soil fertility and agricultural output, reduced the rate of deforestation and loss of endangered species, and increased tourist revenues in selected parks and forests.

B. Policy Component

The Policy component combines non project assistance with project assistance to provide a framework for integrating environmental considerations into the nation's overall economic and social development. The funding for the Policy component will have a three year life.

1. Non-Project Assistance (NPA)

Non project assistance will be conditioned on: the preparation and approval of the NEAP; the gazetting of Mgahinga, Impenetrable (Bwindi), and Rwenzori Forest Reserves in total as National Parks and ensuring the highest protection status of Kibale Forest Reserve under a revised Forest Act; and the reorganization/consolidation of the institutional framework for natural resources management and conservation (see UNEP, 1988 and Kramer et al., 1989) Table 1 below displays conditionalities, timing and amounts of tranches.

a. Table 1 - CONDITIONALITIES AND TIMING

Condition	Timing	Tentative Tranche	Tentative Annual Tranche
1. GOU forms NEAP Steering Committee	Year 1	\$2,600,000	\$4,600,000
NEAP is staffed	Year 1		
Task Forces formed	Year 1		
2. Declaration of Impenetrable Rwenzori, Mgahinga as National Parks	Year 1	\$2,000,000	
Enhanced protection status for Kibale Forest Reserve	Year 1		
3. Reorganization/Consolidation of Forest Dept., Game Dept. & Park Service to enhance effectiveness	Year 2	\$2,000,000	\$3,500,000
4. Adequately staff functions/responsibilities now carried out by Forest, Game Park departments	Year 2	\$1,500,000	
5. GOU approves NEAP	Year 3	\$3,000,000	\$4,500,000
6. Changes in Forest Policy to reflect greater management and conservation	Year 3	\$1,500,000	
		<hr/>	
		\$12,600,000	
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b. National Environmental Action Plan (NEAP)

Senior leadership of the GOU is strongly committed to the environment and natural resource management. Unfortunately, at this time, it is not well positioned to meet the pressures on natural resources caused by a rapidly growing population and a recovering economy. This has resulted in a severe strain on the institutional and policy framework.

The GOU has made a start in dealing with the natural resource problem by preparing a strategic plan for natural resources with help from the United Nations Environment Programme (UNEP). While a good start, this report lacks detailed analyses and more in this area needs to be done. The UNEP report is a thorough compilation of data in several specific areas (wildlife and protected areas, forests, water resources, tsetse fly control and livestock development, fisheries, environmental education, wetlands, and human settlements).

The GOU's commitment to natural resources concerns, together with an awareness of the lack of comprehensive baseline data, resulted in a request to the World Bank to coordinate a NEAP. The World Bank, in turn, requested technical and financial assistance from USAID. To date, the NEAP has been completed or is underway in seven African countries. For the GOU, the NEAP will identify the major environmental problems, lay out an overall environmental strategy necessary to deal with the problems, and provide a very specific plan for action.

The NEAP will be developed through broad, country-wide participation involving both those within and outside of the government. The process involves forming a ministerial-level policy and steering group, a NEAP Secretariat with separate offices, and Task Forces to prepare components of the plan. Most of these activities are already underway. Because the emphasis of the NEAP is on process, as stated previously, the Mission proposes to support it with Non Project Assistance.

The GOU and international donors fully expect the NEAP to produce policy recommendations and activity in the areas of tenure legislation; public and private investment; institutional administration, budgeting and support; and public infrastructure. While the exact nature of the recommendations are to be determined, the analysis of constraints and conclusions of the NEAP should provide the GOU and international donors with sufficient information for follow-on projects and programs.

c. Parks and Protected Areas Gazetting

Even though the NEAP will determine natural resource policy changes, certain decisions in the natural resources sector require immediate action. Agricultural encroachment resulting in deforestation and poaching have reached a critical state in four of Uganda's forest reserves (Mgahinga, Impenetrable (Bwindi), Rwenzori and Kibale Forest Reserves). These forests are essential for the conservation of Uganda's biological diversity and its development of nature based tourism. This program must address immediate concerns for the protection of these areas.

The Impenetrable, Mgahinga, and the Rwenzori Forest Reserves are primarily afro-montane forests and they are presently being considered for National Park status. The Impenetrable Forest (Bwindi) is the most biologically diverse forest in Eastern Africa (Butynski, 1984). It is the only forest in the world with both mountain gorillas and chimpanzees. Mgahinga Forest Reserve which also contains mountain gorillas is part of the Virunga Volcanoes of Rwanda, Zaire and Uganda. The Rwenzori Forest Reserve contains the fabled 'Mountains of the Moon', the third highest mountain range in Africa. Mgahinga and Rwenzori reserves are internationally significant in that they border national parks and World Heritage Sites in Rwanda and Zaire.

The Kibale Forest Reserve represents a key area for the conservation of Uganda's medium altitude forest zone. Kibale Forest contains the greatest diversity of forest primates in Eastern Africa and the greatest density of forest primates in the world (Struhsaker, 1987; Tabor et. al., 1990). The forest also contains one of largest populations of elephants left in Uganda, a special concern of the U.S. Congress and the A.I.D. Africa Bureau. Although not slated for national park status, Kibale Forest should be granted the highest possible protection under a revised Forest Act.

Although the GOU has taken steps to manage its forest reserves, the long term protection of these areas is still in doubt. By enhancing the protection status of these forests and the Kibale Forest Reserve, the GOU can ensure the best use of these areas for present and future generations. A necessary condition for this to happen and for the NPA is:

The GOU will declare the Impenetrable Forest, Mount Rwenzori, and Mgahinga as National Parks, and publish the declaration in the National Gazette. The protection status of the Kibale Forest Reserve will be elevated to the highest level allowable under a revised Forest Act (either Nature Reserve or Forest Park/Wilderness).

d. Institutional Reform

By declaring the Impenetrable, Mgahinga and Rwenzori forests as national parks and enhancing the status of Kibale Forest, these areas will require additional institutional support to staff and protect them. Since the problem of staffing of protected areas is a systemic one, the conditions set by the NPA will encompass more than just a requirement for elevating the protection status of these four forest reserves.

The departments responsible for wildlife and forestry are in separate ministries with different goals. The Forest Department, in the Ministry of Environment Protection, has among its policies, maximizing economic return from the forests, and the protection of water catchment, soils, and wildlife. The difficult responsibilities to protect water catchment, soils and wildlife, have had only limited success.

Wildlife in Uganda is managed by two institutions: Uganda National Parks, a parastatal corporation looking after the four national parks, and the Game Department which manages 12 game reserves and eight sanctuaries. Both of these institutions belong to the Ministry of Tourism and Wildlife. A thorough analysis and review of National Parks and the Game Department conducted by UNDP/FAO (McHenry, 1990) has proposed the amalgamation of these two bodies into one parastatal institution.

The separation of wildlife and forest responsibilities under two different ministries has not worked. Differing views between the two ministries has resulted in an on-going 18 month contest to determine the protection status of Mgahinga, Impenetrable and Rwenzori Forest Reserves which were approved as new National Parks by the Ugandan Cabinet in June 1989. In 1990, 11 square kilometers of the Impenetrable Forest (one of its prime gorilla areas) were occupied by local residents with acquiescence by the Forest Department in return for their support against the forest becoming a national park. This unnecessary territorial dispute has become an obstacle to the development of a rational natural resource policy for the country.

The inadequate funding of those managing wildlife, forests and parks has also made the job nearly impossible. Technicians are poorly paid, poorly uniformed, poorly housed, and without the tools necessary to do an adequate job. Officers and directors are often without transportation, making supervision impossible. The scarce human resources charged with wildlife conservation and forestry need to be consolidated. The GOU is presently considering action to reduce the number of ministries in order to streamline government bureaucracy in accordance with recommendations set forth in a 1990 civil service commission report. Thus the conditions for NPA related to Institutional Reform are:

The GOU will reorganize/consolidate the institutional framework for natural resource management.

The GOU will adequately staff, train, equip, and support the institutions responsible for managing wildlife, forests and protected areas (e.g. Forest Department 'Conservation Section', Uganda National Parks, and Game Department).

The specific conditions of reorganizing/consolidating institutions, and responsibilities for wildlife and forest protection will be made after a thorough PAAD level institutional analysis. Similarly, the quantification of "adequately staff, train, equip, and support" will be determined and negotiated during PAAD preparation.

e. Non-Project Assistance Programming

The GOU will use the program's NPA for the natural resource sector, consistent with the purpose of the program. The funds will support the NEAP Secretariat and can be used to strengthen any organization which will be involved executing the NEAP.

At the same time, the GOU can use NPA funds for support of the organizations charged with the protection of national parks, wildlife, and forest reserves. This would include the development of infrastructure and support for nature based tourism designed to economically tie local communities to the protection of parks, forests, and wildlife.

2. Project Assistance

a. NEAP Technical Development

In addition to providing Non Project Assistance, USAID will support the development of the NEAP with project funded technical assistance. The Ministry of Environment Protection has identified and proposed ten areas for NEAP investigation and analysis through the establishment of Task Forces. These areas require more definition and consultation.

As lead donor, USAID will have significant input in assisting the GOU to define the natural resource agenda for the NEAP. USAID would contract and staff the team of advisors that would work with the Cabinet level Steering Committee on the agenda and scopes of work and field investigations.

It is envisaged by USAID that one of the proposed Task Forces will examine biodiversity and ecological tourism. At a minimum, this Task Force would: identify and prioritize areas of significant biodiversity importance; conduct an economic analysis to quantify the amount of capital and recurrent foreign exchange

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investment needed to initiate nature based tourism and compare that against the expected benefits; examine the policy environment necessary to encourage the private sector to invest in nature based tourism; determine a revenue source to support the public expenditures for the sector; rank order the locations to be developed as tourist attractions; specify the training necessary to produce qualified personnel for the sector; and plan and cost out the necessary public infrastructure.

This work would receive short-term technical assistance to assist the working groups in their analytic work and policy formation. A project-funded advisor (Program Coordinator) will work at the NEAP Secretariat to coordinate USAID's contributions to this program. This includes the formulation of the Task Forces' agendas and the preparation of the Task Force Report for biodiversity and nature based tourism. This advisor will also be responsible for managing the training aspects of the program and impact evaluation and monitoring. In addition, the advisor will oversee USAID's institutional support activities through technical assistance to Uganda National Parks in the Ministry of Tourism and Wildlife and the Commission for the Environment in the Ministry of Environment Protection.

This person would reside in Uganda for the life of the program, and be supported with 30 person months of short-term technical assistance.

b. Training & Institutional Support

Training will principally strengthen the personnel in institutions related to natural resources management. This component will support short and long term training. This may include post graduate studies abroad and short-term study tours to the U.S.

The institutional strengthening activity will be supported by two project-funded, long-term technical advisors. One advisor (Parks Support Advisor) will be seconded to Uganda National Parks and will assist in the development of operational plans and coordinate eco-tourism activities. The second advisor (Community Conservation Advisor) will be placed in the Department of the Environment in the Ministry of Environment Protection. This advisor will provide technical expertise in buffer zone/community conservation issues for which the Ministry is responsible. Both advisors will participate in the NEAP process as members of the Task Force for biodiversity and ecological tourism.

The skills of the two advisors will be complementary. The purpose of this design is to facilitate cooperation between the Ministry of Tourism and Wildlife and the Ministry of Environment Protection. When the ministries are reorganized, there will be little overlap of responsibilities. Until such time, the advisors will work to promote cooperation between their respective ministries through the NEAP process under the guidance of the Program Coordinator.

There is scope within the institutional strengthening activities for short-term technical assistance which could include Participating Agency Service Agreements.

c. Monitoring, Evaluation and Audits

A comprehensive monitoring and evaluation (M & E) plan will be developed during the PAAD design. The aim of the M & E plan will be to document the actual benefits and impact of the project on the individuals in the targeted areas. Taking into consideration the intended beneficiaries discussed in Section IV of this document, the key indicators for measuring people level impact will probably reflect changes in income of the rural substance farmer and increases in agricultural (including forestry) productivity.

Utilizing the services of a gender specialist in natural resources, the Mission will also identify the appropriate indicators for monitoring and measuring the participation and impact of this activity on the female population. Mechanisms for identifying and measuring the expected benefits of the revenue and employment from tourism will also be developed during the PAAD design. This will be critical given the need to assure that the communities involved are receiving the maximum benefits possible from the expected expansion in tourism.

In addition to the people level impact, the M & E plan will also identify the appropriate indicators and mechanisms for determining the impact of this activity on the environment and the economy. The data base for this task is very weak and a considerable amount of work is needed to improve existing information systems. The IBRD has a program underway to improve environmental information systems. The Mission will determine, during the development of the PAAD, whether the system being developed will be sufficient for assessing environmental impact.

Each of the subgrants will include a comprehensive M & E plan which will provide some of the data needed by the implementors of this project. The project design phase will identify the modalities and resources needed to establish an overall M & E plan linking the policy related activities to the subgrants and other ongoing efforts which will effect the target

population. In order to assure that the M & E plan developed during the design is implemented throughout the project, program coordination will contract for an individual to coordinate this work by the end of the first six months. Project funds to meet data needs and additional technical assistance will be set aside in the budget.

C. Local Level PVO/NGO Natural Resources Activities

A Natural Resources grants fund will be established to support two types of local PVO/NGO activities; those related to buffer zone sub-projects surrounding protected areas, and those related to management and inventory activities, and tourism and wildlife activities in protected areas of southwestern and western Uganda.

The PVO/NGO activities will be managed by a qualified U.S. PVO/NGO or private contractor as the umbrella organization, which will have an office in Uganda and adequate staff to manage and monitor all the subgrants. Using Mission approved selection criteria and proposal presentation standards, the umbrella organization will solicit, analyze, and with Mission concurrence, award grants to registered PVO/NGOs. Proposed selection criteria would include 1) impact, 2) sustainability, 3) administrative competence, 4) priority geographical and sectorial area, and 5) levels of collaborative financing including in-kind contributions.

In addition to managing new grants, the umbrella organization would assume management of the existing portfolio of PVO/NGO activities in natural resources management in Uganda. As indicated in Annex G, this includes grants to institutions such as WWF, CARE, Rwenzori Mountaineering Services, WCI, and Makerere University Institute of Environment and Natural Resources. In addition, the Peace Corps program is being reinstated in Uganda and will have a strong emphasis on natural resource management. It is anticipated that volunteers will work closely with NGO's/PVO's and the resident population.

Buffer-zone activity would include conservation education, training, agro-forestry demonstrations, land management planning, tree nurseries, buffer zone management/community conservation, tourism development, guide training, land tenure analysis/pilot projects, and needs assessments. Tourism and wildlife activities in protected areas will provide funds for biological inventories, the development of management plans, and the rehabilitation of the tourist service industry and park infrastructure that support small scale tourist activities. These nature based tourism activities would be another aspect in the strategy of establishing the parks as part of the national economic base.

The tourism and wildlife grants would include urgently needed investments which could be justified and implemented over a one to three year period in national parks and/or forest reserves. This would include funding for items such as hostels, improved campsites, "murram" tracks, transport, water supply systems, and telecommunications. The tourism activities could also be used to carry out recommendations in the park Management Plans funded by the European Community (EC). The Government of Uganda (GOU) is planning to rehabilitate the existing network of rural feeder roads in various parts of the country with other A.I.D. local currency funding. This program may fund certain key access roads between protected areas.

Funding for tourism and wildlife activities would not be limited to in park service infrastructure. It would also be used to rehabilitate the natural resources of the parks. This includes habituating wildlife populations to human contact, managing vegetation, and restoring wildlife attractions.

A public information effort managed by various GOU and private organizations might be necessary to counter the negative international image of Uganda due to the Amin era and the AIDS epidemic. Familiarization visits by journalists and tour operators would be encouraged. Rehabilitation and improvement of a few exemplary parks to meet the existing demand would provide analysts with some hard information on the costs and potential for Uganda's wildlife to re-emerge as a leading sector of the economy and sound source of foreign exchange. Project monitoring of improved parks would track the growth rate of tourists to these facilities by their country of origin, spending habits, and consumer satisfaction. Estimated cost for this component would be \$12.5 million.

D. Financial Plan

1. Estimated Costs - <u>(Table II)</u> (US\$000)	USAID
1. Policy Component	
Non Project Assistance	\$12,600
Technical Assistance/Training	4,900
2. Local Level PVO/NGO	12,500
Natural Resource Activities (e.g. DTC, Kibale, Rwenzori Conservation Project, Rwenzori Mountaineering)	
T o t a l	<hr/> \$30,000

2. Local Currency and Foreign Exchange Management

The NPA will be used to support the program's purpose. Dollars provided under this program will be deposited in a special account by the GOU, and expenditures of these funds will be tracked according to AID policy and regulations. Counterpart funds provided by the GOU will be deposited in a separate account and disbursed according to local currency procedures developed during the course of the PAAD design. USAID/Uganda has jointly programmed with the GOU approximately \$76 million of local currency counterpart funds from FY 1987 to-date. Thus, well established programming, budgeting, and expenditure tracking systems are already in existence.

The Mission's Controller has proposed initiation of an accounting, control and audit plan for all local currency programs in Uganda over the next two years. The plan's objective is to improve the financial management systems of all GOU agencies involved in managing local currency. The institutions managing this program's local currency will be a part of this accounting, control, and audit plan.

The GOU will submit reports on the status of the separate accounts on a quarterly basis. The dollar account will be audited at least once a year in accordance with the standards found in the GAO publication Government Auditing Standards.

Section 592 (B) of the Foreign Operation, Export Financing, and Related Appropriations Act, 1990, states that countries receiving cash transfers or cash disbursing non-project sector assistance, whether DA, DFA, or ESF financed, are to be required to set up separate accounts for receipt of such funds and not to commingle them with other funds. Annex. E, A Description of Uganda's Foreign Exchange Pricing and Allocation System, complies with 90 STATE 050769 requirement for a full description of the host government's foreign exchange allocation procedures with the FAIP.

The GOU is liberalizing the exchange system rapidly. The price differential between the official exchange rate and the market rate is down to around 34 percent from 900 percent between 1985 and 1986. Furthermore, the current understandings between the GOU and the multilaterals require the official exchange rate to be market clearing by the end of 1991. It is probable that within four to six months of obligation, Uganda's foreign exchange rate will be market determined. Given the changing policies, the Bureau may wish to pursue a waiver to the separate account and dollar tracking provisions of Section 592 (B).

IV. PRELIMINARY INSTITUTIONAL ANALYSIS

A. Policy Component

The development of the NEAP is the responsibility of the Secretariat. While this entity has yet to be formed, its proposed level in the Government of Uganda (GOU) and the technical assistance support it will receive should obviate any concern about institutional capability to develop a NEAP.

As described in the Program Description, the Department of Environment, the Forest Department, the Game Department, and Uganda National Parks need strengthening. Their capability is part of the constraint the APE program addresses. More detail on these and other institutions involved in environmental matters can be found in Annex D.

B. Local Level PVO/NGO Natural Resources Activities

PVO/NGOs are implementing natural resource projects in Uganda, other countries in Africa, and throughout the world. There appear to be several PVO/NGOs with requisite experience to manage an umbrella grant for the recipients of subgrants. If on

further examination this proves to be incorrect, the Mission is prepared to manage the program through a contract. A description of PVO and NGO activities in Uganda appears as Annex G.

The recipients of funding for natural resources activities will be PVO/NGOs. Selection criteria will screen the applicants for prior experience and management capability. The beneficiaries of the activities will include Ugandan National Parks, Forest Department, and organizations such as those described in Annex G.

V. PRELIMINARY IDENTIFICATION OF BENEFICIARIES AND IMPACT

Beneficiaries and impact can be identified at three levels: individual people and community groups, national economy and the government.

The impact will have a direct effect on two main beneficiary groups: rural subsistence farmers, and local populations in and around the parks and forest reserves who are employed in tourist related activities.

Rural subsistence farmers around the parks and reserves will receive benefits through better land use and land management practices geared to reverse the pace of deforestation and soil erosion. This in turn will improve soil fertility and land productivity. The increased productivity will enhance farm incomes or free up the farmer's time for other activities, some of which could involve forest resources. Forest management plan development will provide a structure for the sustainable utilization of traditional forest products to the resident population.

Both the policy-related component and the local level PVO/NGO Natural Resources activities will improve the attractiveness of the parks and reserves to tourists. Employment in travel services as travel guides and organizers will be generated. The Rwenzori Mountain Service has created substantial benefits in part-time employment for over 200 guides. Increased tourism will also provide employment in hotels, lodges, and restaurants catering to tourists as well as stimulate employment in the handicrafts industry.

At the national level, foreign exchange generated by tourist revenues will ease the foreign exchange constraint on the Ugandan economy. By protecting biodiversity and thus encouraging tourism, this program will provide a source of diversification for the economy and foreign exchange revenues. Currently, Uganda depends on coffee exports for over 90 percent of its foreign exchange earnings. While donors provide funds to fill the foreign exchange gap, Uganda must develop new ways to earn foreign exchange to buy necessary imports. As tourism revenues

increase, the availability of imports will improve and ease the constraint on growth and development for the entire economy. As the bottleneck created by the foreign exchange scarcity is removed, agricultural production using imported inputs will expand and new manufacturing activities will arise.

Growth in these sectors will stimulate growth throughout the economy in services and other sectors. As the benefits of growth spread through the economy, all Ugandans will benefit from the increase in availability of foreign exchange.

Finally, there will be a group of government employees and park and forest officials who will benefit directly from improved salaries, equipment and training under the program. Additionally, training opportunities improve skills and offer some non-pecuniary rewards and incentives to employees. Improved skills will theoretically lead to higher productivity and increased incomes in the future for the trained employees. Training services provided by this program will enhance individual productivity in all sectors. Wherever possible, this program will attempt to target women and the disadvantaged population and try to channel benefits towards them.

The non-project assistance will provide much-needed funds to the GOU budget to enable it to carry out program actions and recommendations. The development of the NEAP will allow the GOU to consolidate and build upon the previous fundamental sector analysis and policy work which was initiated by the UNEP program. The NEAP will tie together these related sectors into a coherent and comprehensive plan designed to promote effective development at the individual, community, and national levels.

VI. STRATEGY FOR PAAD

A. Content and Methodology of Feasibility Analyses

1. Policy Component

a. Financial Analysis

The financial considerations explored during PAAD preparation will determine whether the financing available for the sector program will compensate for the costs of the adjustment. Adjustment costs are expected from the NEAP, the establishment and development of parks, and institutional reform.

If the program were limited to drafting of the NEAP, it would only involve preparation costs. The overriding condition, however, is the adoption of the NEAP. There will be those who will oppose it for its expected cost implications in areas such as land tenure, investment and credit policy, forest management; conservation, industrial practices, and institutional reform. The PAAD design team will estimate the cost implications expected once the NEAP process is completed. It will then estimate a value for initiating the NEAP process.

The establishment and development of parks involves adjustment costs to those who are no longer able to log, farm, and poach, and to the Government of Uganda (GOU) which incurs additional management responsibilities. The PAAD design team will follow conventional practices in comparing the costs and revenues from current use in these areas against the future uses.

The institutional reform will involve restructuring and consolidation. The costs of institutional reform will include the administrative costs of consolidation, short versus long-term implications for staffing levels, and field impact to natural resource management.

b. Institutional Feasibility

Several institutional concerns will be analyzed between the PAIP and the PAAD. Program assistance for the sector will be used by the Government of Uganda (GOU) for the Secretariat, the Forest Department, National Parks, the Game Department, and the Department of Environment. An institutional analysis will examine the organizational structure of each entity, evaluating how the levels of autonomy in each affects their operations. This will be extremely important with respect to the inadequate budgets these institutions receive. The analysis will also determine the staffing and training needs necessary for these institutions to achieve the desired impacts in the natural resource sector. The analysis will also consider the incentive structure of each organization and will examine land tenure and use questions.

c. Political Feasibility

In general the GOU commitment to carrying out sectoral reforms in the natural resource sector has led to sound policy changes being proposed. The GOU Cabinet approved the conversion of three forests to national parks, and the GOU has raised the issue of consolidating ministries responsible for the environment. The political problem, and a reason for A.I.D. sector assistance, is that those opposed to the changes have been able to use the lack of analysis and legal framework to legislatively and bureaucratically bury proposed reforms.

d. Social

The identification of the expected effects of the sectoral program appears in Section IV: Preliminary Identification of Beneficiaries and Impacts.

2. Local level PVO/NGO Natural Resources Activities

The technical assistance under the Policy Component and the PVO/NGO Natural Resources Activities will be project assistance. As such, the PAAD design team will carry out the technical, financial, economic, social, environmental, and administrative feasibility analyses as required by A.I.D. Handbook 3 for project assistance.

B. PAAD Design and Review Strategy

The following background analyses will be initiated prior to arrival of the PAAD design team: detailed institutional analyses to determine training, to determine staffing, to determine technical assistance; and analysis of administrative and budgetary systems of the Forest Department, National Parks, the Game Department, and the Department of Environment.

The Mission requests AID/W to authorize field review and approval of the PAAD. A design team would complete the PAAD by mid June 1991. The Mission Director would chair a committee review of the PAAD. The Mission would expect a Project Development Officer and/or a technical specialist from either REDSO or AID/W to participate on the review committee. The Mission would also invite a representative from the IBRD to attend.

C. Issues to be resolved in the PAAD

The issues that need to be resolved during the PAAD stage include:

1. Identify the specific parks, forest reserves and buffer zones in South and South-Western Uganda, which would be the primary geographic focus for this program.
2. Conditionalities: how to cluster the various conditions for maximum impact and minimum management supervision, the monitoring of conditionalities, verifiable indicators.
3. Structure of Mission management and methods of implementation.
4. Inclusion of concerns regarding the role of women in natural resources, how this program would impact them, and how to design the program to ensure that women and disadvantaged sections of the population are among the primary beneficiaries. The Mission will request assistance from the Office of Women in Development.
5. The resistance of the Ministry of Environment Protection to the gazetting of the Impenetrable Forest as a national park, and the desire of that ministry to retain as forest reserve the lower level (tree-line and below) of the Rwenzori Mountains after the Rwenzoris are declared a national park.
6. Four days before submitting the PAIP for AID/W review, the Mission was advised that dollars under the NPA component would have to be traced to foreign exchange costs, such as imports for the various organizations to be supported by the project. In regard to shillings, however, local costs paid for with dollars converted from shillings would not satisfy the tracking requirement of Section 575 (formerly Section 592) of this years appropriations Act. Thus, shilling costs would need to be covered from counterpart funds. The PAAD design would need to determine the amount of counterpart funding to be provided by the GOU under the NPA component. These funds will be required to finance the operational costs of the NEAP secretariat and associated field work.

7. Consideration for including an additional \$10 million in the project which would be used to buy-back \$30 million in GOU debt, thereby improving the GOU's debt situation. This would be in exchange for a GOU policy action in the natural resource management sector. In addition, the GOU would put an agreed upon amount of Uganda shillings into natural resource management activities.
8. Examination of the appropriate proportion of funds to be allocated to non-project assistance and to project assistance in view of project objectives.

VII. MISSION MANAGEMENT ARRANGEMENTS

A. Mission Management Arrangements

The program is designed to maintain a minimal administrative burden on the Mission while at the same time keeping the Mission involved in policy dialogue and general program direction.

The administration of the components and major activities are summarized as follows:

1. MISSION MANAGEMENT SUMMARY (Table III)

<u>Type of Assistance</u>	<u>Method of Implementation</u>	<u>Method of Financing</u>
1. <u>POLICY COMPONENT</u>		
Non Project Assistance	Cash Transfer	Direct Disbursement
Technical Assistance/ Training/Evaluation	Contract	Federal Reserve Letter of Credit
2. <u>LOCAL LEVEL PVO/NGO NATURAL RESOURCES ACTIVITIES</u>		
Umbrella PVO/NGO Subgrants	OPG/Contract	Federal Reserve Letter of Credit
Other Technical Assistance	PASA/Direct A.I.D. Contract	Direct Payment

The PAIP proposes to use either Operational Program Grants or contracts with one or two entities for program management. The program would be obligated with the GOU with provisions for technical assistance for the program to be obtained through a contract, and management of the Local Level PVO/NGO Natural Resources Activity Fund to be obtained either through a contract or an OPG with a PVO/NGO. If a contract is used for both technical assistance and the Natural Resources Grants Fund, consideration would be given to issuing one Request for Proposals with an option to bidders to bid on one or both management parts. The bilateral agreement with the GOU would provide for Participating Agency Service Agreements (PASA) and a direct A.I.D. contract.

B. Grey Amendment/8a Concerns

The technical assistance and training activities may provide opportunities for women and minority owned firms. Consideration will be given during the PAAD development to set-asides for foreign technical assistance.

Most of the tourism subgrants will utilize Ugandan materials and labor. Consideration during PAAD development for the participation of 8a firms will be made as the identification of the types and nature of tourism sub-projects becomes more apparent.

A

ANNEX A

INITIAL ENVIRONMENT EXAMINATION

I. PROJECT DATA

Project Location: Uganda
 Project Title: Uganda Natural Resources Management
 Funding: US \$30,000,000
 Life of Project: 5 Years
 IEE Prepared By: Dave B. Straley, PDO/PSC
 Environmental: Categorical Exclusion with respect
 Action Recommended to Non-Project Assistance;
 Threshold Decision Deferred with
 respect to Project Assistance

Concurrence:

Keith W. Sherper

 Keith W. Sherper, Director
 USAID/Kampala

Date:

Concurrence

Bureau Environmental Officer

Approved:-----
 Disapproved:-----
 Date:-----

Under this project the specific sub-grants to be financed have not yet been identified. In accordance with Section 216.3(a)(7)(ii), the threshold decision for each sub-grant will be deferred until the sub-grant has been identified.

Clearance:

Anthony Vance, REDSO/RLA *AV*
 Paul Andre Desportes, REDSO/REO *PA*

Date: *3/22/91*
 Date: *3/25/91*

2/30

II. PROGRAM DESCRIPTION

The goal of the Uganda Action Program for the Environment (APE) is sustained economic growth through improved rural economic development. A viable natural resource base is essential to this goal. The country's natural resources are being rapidly eroded, including its biodiversity. Its potential agricultural productivity is being placed in jeopardy. The program subgoal, therefore, is the sustained use of Uganda's natural resource base and maintenance of its biodiversity.

The purpose of APE is to assist Uganda's policy and institutional system to more effectively and sustainably manage its natural resources base. The activities of APE place considerable emphasis on process, rather than the rapid definition and execution of a "policy agenda" solely among senior GOU and donor staff.

However, while the process is being developed species are disappearing, deforestation is accelerating, and the soil base is being eroded. The proper system necessary to maintain biodiversity for the benefit of future generations is useless if the biodiversity is gone. Thus, APE has two components: 1) Policy and 2) Local level PVO/NGO Natural Resource Activities which will assist target populations to better utilize natural resources and protect threatened areas and species of Uganda.

In terms of the natural resource base, the process-oriented approach will involve assisting the GOU in the development of a National Environmental Action Plan (NEAP). This approach is designed to be driven by the pace and requirements of the Ugandans themselves, in government and throughout the country.

For biodiversity and natural resource management, the approach consolidates support for PVO/NGOs under an umbrella grant for conservation work, and initiates some specific activities for the first level of nature based tourism development in a few geographic areas where tourism and the concomitant involvement of the local residents will be instrumental in buffering the resource from degradation.

By the end of the program the GOU will have enacted several policy revisions, enacted environmental legislation and regulations, and abolished the NEAP Secretariat. In work with target populations in selected areas, the program will have reduced the decline in forest cover, increased soil fertility & agricultural output, reduced the rate of loss of endangered species, and increased tourist revenues in selected parks and forests.

A

ANNEX A

III. ENVIRONMENTAL ACTION RECOMMENDED

Several of the NPA components of the proposed APE Program meet the criteria for a Categorical Exclusion under Regulation 16; these would include: (1) policy development and implementation, including the development of the National Environmental Action Plan (NEAP); (2) institutional support for carrying out the development of policy and its implementation (3) reorganization/consolidation of existing national institutions and administrative bodies for better natural resources management; (4) carrying out specific studies; (5) improving incentives for local participation in environmentally-sound natural investments.

It is believed that the actions planned in this project will have no significant adverse impact on the natural or man-made environment. If properly carried out, they will actually improve the current situation. However, because there are natural resource subgrants, it is recommended that the umbrella organization acting as Project Coordinator for the PVO/NGO subgrants conduct an internal review of each subgrant to assure that it is environmentally sound.

The environmental review for each sub-grant will be presented to the USAID/Kampala Natural Resources Officer for approval prior to disbursement of funds. It need not be lengthy, but should be comprehensive. If the Mission's Natural Resources Officer (Mission Environmental Officer) determines that a sub-grant could have negative impacts, he shall refer that sub-grant to the Regional Environmental Officer in REDSO for further review. NRO and REO recommendations for mitigation will be incorporated into the final design of the sub-grant, which will be cleared by the RLA and approved by the Mission Director. Based upon 22 CFR Part 216, Section 216.3 (a) (7) (ii) it is recommended that the threshold decision be deferred and that mitigative measures built into all sub-grant activities be examined as the details of each sub-grant activity become known.

The review of each sub-grant involving the procurement or use of pesticides shall include a risk-benefit evaluation carried out on the pesticides which will be used. This risk-benefit evaluation shall follow the outline set forth in Section 216.3 (B) (1) (i) of the pesticide regulations of A.I.D. Regulation 16. (See handbook 3, Appendix 2D) Factors A through L of that section will be considered in doing the risk-benefit evaluation. The risk-benefit evaluation shall be submitted to the Mission Director for approval.

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It is hereby requested that the Bureau Environmental Officer delegate authority to the Mission Director, USAID/Kampala, or to the person acting in that capacity, to approve the environmental review for the sub-grants under the project component of this program.

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USAID/KAMPALA
ACTION PROGRAM FOR THE ENVIRONMENT SECTORAL PROGRAM
LOGICAL FRAMEWORK MATRIX

PROJECT NARRATIVE	VERIFIABLE INDICATORS	MEANS OF VERIFICATION	ASSUMPTIONS
<u>GOAL</u>			
SUSTAINED ECONOMIC GROWTH THROUGH IMPROVED RURAL ECONOMIC DEVELOPMENT	REAL GDP INCREASES OVER THE NEXT DECADE ACCOMPANIED BY REAL ANNUAL INCREASES IN RURAL INCOMES IN SW AND WESTERN UGANDA	IBRD STATISTICS - COUNTRY REPORT MISSION SECTOR SURVEYS	POLITICAL ENVIRONMENT CONTINUES TO SUPPORT POLICIES THAT PROMOTE PRIVATE INVESTMENT CONTINUED GOU COMMITMENT TO DEVELOPMENT
<u>SUBGOAL</u>			
SUSTAINED USE OF UGANDA'S NATURAL RESOURCE BASE AND MAINTENANCE OF BIODIVERSITY	REDUCTION IN RATE OF DECLINE OF FOREST COVER INCREASE IN SOIL FERTILITY AND AGRIC OUTPUT, YIELDS/ACRE IN 3 REGIONS RATE OF LOSS OF ENDANGERED SPECIES IN UGANDA IS REDUCED.	SECTOR ASSESSMENTS GIS/RS PROJECT IMPACT MONITORING REPORTS	CONTINUED GOU CONCERN AND COMMITMENT TO NATURAL RESOURCE ISSUES GOU CONTINUES TO RECOGNIZE THE RELATIONSHIP BETWEEN LONG-TERM SUSTAINABILITY OF AGRICULTURE AND NATURAL RESOURCE MANAGEMENT
<u>PURPOSE</u>			
(1) TO ASSIST UGANDA'S POLICY AND INSTITUTIONAL SYSTEM TO MORE EFFECTIVELY AND SUSTAINABLY MANAGE ITS NATURAL RESOURCES BASE	<u>END OF PROJECT STATUS</u> AT LEAST 5 POLICY REVISIONS RECOMMENDED IN NEAP ENACTED ENACTMENT OF ENVIRONMENTAL LEGISLATION AND REGULATIONS SECRETARIAT ABOLISHED TOURIST REVENUES TRIPLE IN TARGETED PARKS AND FORESTS (SW & W. UGANDA) REDUCTION IN RATE OF DECLINE OF FOREST COVER IN TARGET AREA INCREASE IN SOIL FERTILITY & AGRIC OUTPUT, YIELDS/ACRE TARGET AREAS RATE OF LOSS OF ENDANGERED SPECIES IN TARGET AREAS IS REDUCED	LEGISLATION/REGULATIONS LEGISLATION/REGULATIONS LEGISLATION/REGULATIONS PROJECT EVALUATION PROJECT IMPLEMENTATION REPORTS PROJECT EVALUATION PROJECT IMPLEMENTATION REPORTS PROJECT EVALUATION PROJECT IMPLEMENTATION REPORTS	POLICY DECISIONS CONTINUE TO BE MADE BASED ON ANALYTICAL FINDINGS

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ANNEX B

USAID/KAMPALA
 ACTION PROGRAM FOR THE ENVIRONMENT SECTORAL PROGRAM
 LOGICAL FRAMEWORK MATRIX

PROJECT NARRATIVE	VERIFIABLE INDICATORS	MEANS OF VERIFICATION	ASSUMPTIONS
<u>OUTPUTS - POLICY COMPONENT (NPA)</u>	<u>MAGNITUDE OF OUTPUTS:</u>		
A NATIONAL ENVIRONMENTAL ACTION PLAN DEVELOPED BY AN INTERMINISTERIAL COMMITTEE WITH PARTICIPATION OF MINISTRY, DEPARTMENTS, PRIVATE SECTOR UNIVERSITY, PVO/NGOS, DISTRICT AND REGIONAL AUTHORITIES, AND LOCAL POPULATIONS	ESTABLISHMENT OF MINISTERIAL LEVEL STEERING GROUP WHICH IS A SUB COMMITTEE OF THE GOU CABINET ESTABLISHMENT OF A NEAP SECRETARIAT WITH SEPARATE OFFICES AND STAFF HEADED BY COORDINATOR ESTABLISHMENT OF TASK FORCES INCLUDING ACTIVE PARTICIPATION BY TARGET GROUPS	NATIONAL GAZETTE PROJECT IMPLEMENTATION LETTERS AND DOCUMENTS ON-SITE INSPECTIONS	
NATIONAL ENVIRONMENTAL ACTION PLAN ADOPTED	PUBLISHED IN GAZETTE	NATIONAL GAZETTE	
CONVERSION OF THREE FORESTS INTO NATIONAL PARKS	FULL STAFFING OF PARK (1 STAFF/25 ACRES) PARK FACILITIES OPEN TO PUBLIC LOCAL COMMUNITY INVOLVED W/PARK ACTIVITIES	PROJECT IMPLEMENTATION LETTERS AND DOCUMENTS ON-SITE INSPECTIONS MINISTRY BUDGETS/ANNUAL REPORTS	
INSTITUTIONAL STRENGTHENING OF THE MINISTRY OF TOURISM AND WILDLIFE AND THE MINISTRY OF THE ENVIRONMENT	PUBLISHED IN GAZETTE REORGANIZED MINISTRY (S) OPERATE AS FUNCTIONAL UNIT	NATIONAL GAZETTE PROJECT EVALUATION	
MINISTRIES TRAINED IN ENVIRONMENTAL, TOURISM AND WILDLIFE SUBJECTS	COURSES COMPLETED/OFFICIALS USING TRAINING	PROJECT EVALUATION	

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ANNEX B

USAID/KAMPALA
ACTION PROGRAM FOR THE ENVIRONMENT SECTORAL PROGRAM
LOGICAL FRAMEWORK MATRIX

PROJECT NARRATIVE	VERIFIABLE INDICATORS	MEANS OF VERIFICATION	ASSUMPTIONS
<u>OUTPUTS - NR GRANTS FUND (PROJ ASSTNCE)</u>			
(ILLUSTRATIVE) CONSERVATION EDUCATION PROGRAMS AGROFORESTRY DEMONSTRATION/TREE NURSERIES LAND TENURE PILOT PROJECTS BIOLOGICAL ASSESSMENTS PARK LODGING/TRAILS DEVELOPED PARK BOUNDARIES DELINEATED	TO BE DETERMINED	PROJECT EVALUATION	
<u>INPUTS - POLICY COMPONENT NPA</u>			
NON PROJECT ASSISTANCE -NEAP	\$12,600,000	USAID CONTROLLER REPORTS	INPUTS ARE AVAILABLE IN A TIMELY FASHION
TECHNICAL ASSISTANCE & TRAINING	4,900,000	PROJECT AUDIT	
SUBGRANTS	<u>12,500,000</u>	INDIVIDUAL NGO FINANCIAL RECORDS	
TOTAL	\$30,000,000 *****		

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ANNEX C

ECONOMIC ANALYSIS

February 15, 1991

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ANNEX C: ECONOMIC ANALYSIS

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VI.2. Increased Per Capita Income Necessary

I. INTRODUCTION

The Action Program for the Environment (APE) complements USAID/Kampala's efforts in the natural resources area in three principal ways:

- o Builds up Uganda's legal, policy, institutional system that is necessary for effective and sustainable use of its natural resource base;
- o reverses the degradation of the natural resource base in order to increase rural incomes for the target population;
- o protects the country's rich biodiversity.

APE includes both a program and a project component. Under the program component, USAID will be the lead donor in the development of the National Environmental Action Plan (NEAP). Considering the enormous financial pressures being felt by the Government of Uganda (GOU), USAID will channel program funds to the government to carry out the NEAP. The program component has a three-year life.

The state of natural resource degradation in parts of the country and the threat to biodiversity mandates immediate action. Thus, APE's project component will reverse the natural resource degradation in the target areas in order to increase rural incomes for the target population. This will be accomplished through sub-grants for a diverse set of natural resources activities. An umbrella organization will manage the activities.

1.1. The Basic Economic Premise

This analysis is based upon some fundamental economic premises:

- o that a legal, policy, institutional system is a necessary but not sufficient condition for economic development;
- o that investments in the natural resources sector will have to take the long-term view, if they are to be financially viable;
- o that natural resource interventions need to be financially attractive to the target population for the activities to be successful;
- o that environmental sustainability is interdependent with economic sustainability;

- o that, in the case of Uganda, sustainability has to exist at three levels for the program to be successful: government budget operations, macro benefits, micro benefits.

1.2. Objectives and Limitations of the Analysis

The objective of our analysis is twofold:

- o to demonstrate the linkages between natural resources management and economic development;
- o to analyze sustainability at three levels: country operational budget, macroeconomic benefits, micro level benefits to the resource users.

At the outset, we need to point out the tentative nature of the analysis; it may raise more questions than provide answers. The reasons for this are several:

- i. As discussed in this as well as in the main section, Uganda lacks much of the baseline data necessary to do a rigorous economic/financial analysis. This is a constraint not only for our analysis but also for developing policies and strategies at the national level in the natural resources sector; developing this database will be one of the key NEAP activities.
- ii. Economics as a science is still trying to grapple with the field of natural resources. Traditionally, economics has dealt with the monetary sector of the economy. This has been changing over time as the importance of the non-monetary sector, especially in lesser developed countries, becomes more apparent. However, actually accounting for the natural resources sector in the kinds of rigorous analyses being carried out for the monetary sector remains a problem. Issues such as biodiversity poses an additional dilemma: while we try to save animal and plant species for the unknown (or non-economic) values they possess for the future, we need to calculate their (unknown) value now in order to show that the investment is economically or financially viable.
- iii. The relation between cause and effect is difficult to establish. Developing and implementing a rational economic policy for a country's natural resources may be the impetus necessary for economic growth, but it is not easy to prove that one results from the other.

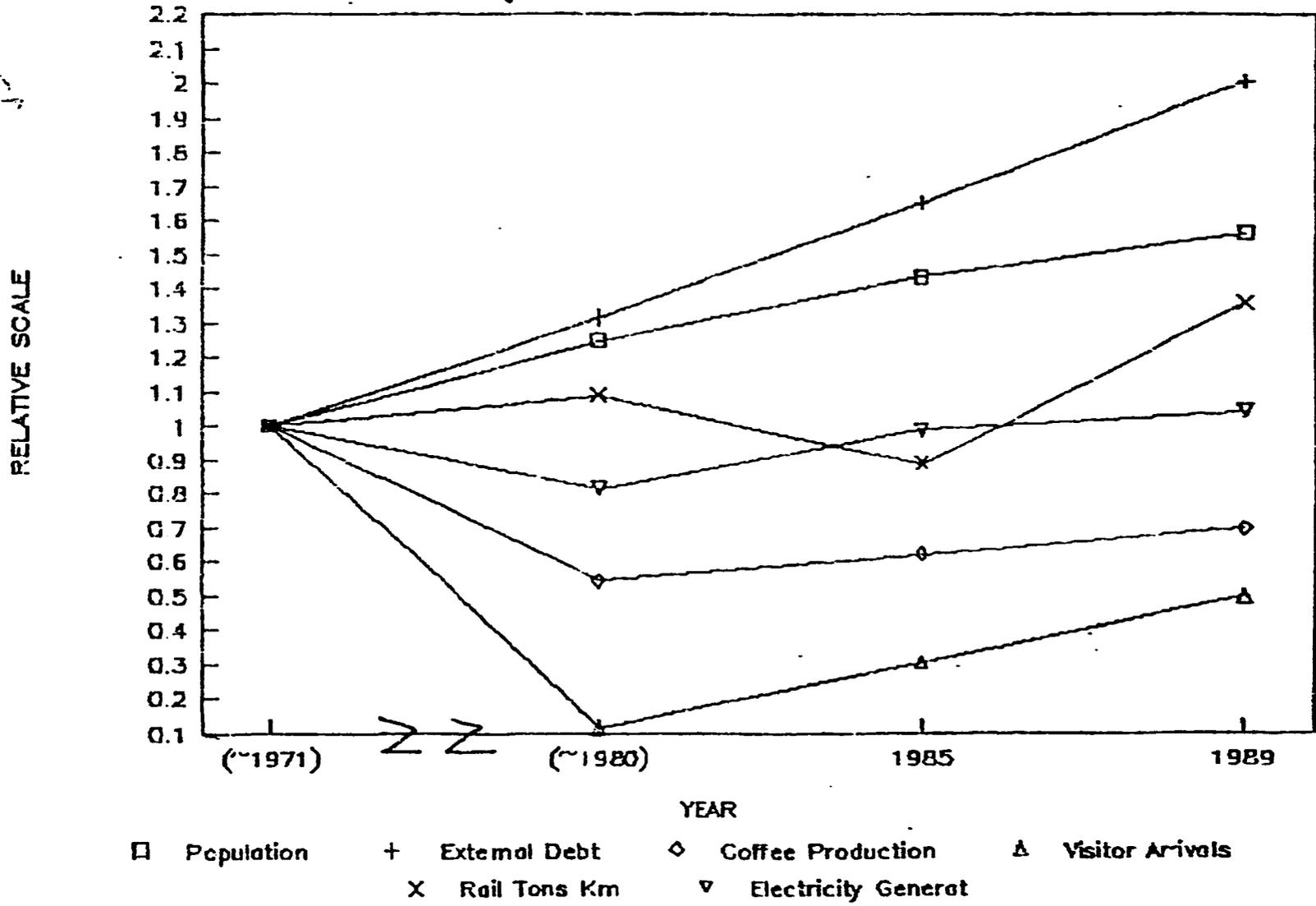
ANNEX C

This is true for project assistance as well, although the connection is not as loose.

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UGANDA

Figure 1.1.: DEVELOPMENT INDICATORS



II. MACROECONOMIC ENVIRONMENT

Perhaps the most salient fact that jumps out from an initial political-economic analysis of Uganda is how closely the country's economic situation has followed the political fortunes. Figure II.1. and Table II.1. graphically demonstrate the country's economic status over time. Upon independence in 1962, Uganda was widely regarded as a crown jewel of the colonial legacy; the education system was superior to that of other African countries, the transportation system was largely functioning, the country was self-sufficient in food production.

The resurgent rebel movement and the 1971 coup set forth the economic decline of the country. As an indication of Uganda's economic fortune, real GDP in the 1970s declined by 20%. Moves to stabilize the economy were undertaken by the Obote government in the early 1980s; these attempts, however, proved unsuccessful primarily due to the onset of civil war. Between 1983 and early 1986 when Museveni was sworn in as President, the country suffered from weak management, both political and economic.

Since President Museveni took over as President, serious attempts have been made to put Uganda on a sound economic footing. IMF, which had broken off relations with the previous Obote regime, is once again closely involved in setting up the economic policy infrastructure. The World Bank has initiated a number of programs, including the ongoing Structural Adjustment Credit facility, to provide the necessary base for further development.

In May 1987, the GOU announced an Economic Reform Program to stabilize the economy. The Ugandan shilling was devalued by 77%; a new currency was introduced (the New Ugandan Shilling -- NUS\$); a 30% conversion tax was established on all currency conversions; producer prices for cotton, coffee, tobacco were increased; civil service salaries were also increased. Shortly after the ERP was announced, the Government in June 1987 signed a SDR 46.8 million structural adjustment facility (SAF) agreement with the IMF.

The Economic Reform Program has continued in earnest with the Government announcing new economic measures in July 1988, December 1988, and March 1989. The GOU began implementation of the 1988/89 program in July 1988 with a 60% devaluation of the Ugandan shilling; adjustments to producer prices and administered retail prices; a 10% increase in interest rates; and a reformed budget that sought to increase revenues while containing government expenditures. In December 1988, further measures were announced, including: a 9.1% devaluation of the Ugandan shilling; increased duty on petroleum products; increase in foreign

exchange availability through the Special Import Program (SIP).

The 1988 economic measures were intended to produce three results: (i) bring about internal stability and lower the inflation rate; (ii) reduce the imbalances in the external accounts; (iii) promote economic rehabilitation and growth. The results of the program were mixed:

- o Inflation continued at a high pace: the middle income CPI in 1987 showed a 238.1% increase over the previous year; in 1988 the increase was 183.7%. Similarly, the 1987 CPI low income index showed a 198.2% increase over 1986; in 1988 the increase was 192.1%.
- o Both the trade balance and the current account balance showed sharp deterioration in 1987 and 1988. At the end of 1987, the arrears increased by \$19.1 million; this was further increased by \$142.1 million towards the end of 1988.
- o On the other hand, the program had real effects on economic rehabilitation and growth. Real GDP grew at 7.6% during 1987/88, according to World Bank estimates. Internal security and transportation system improved considerably. Foreign exchange was much more available, and production increased.

The mixed results can be attributed to both exogenous and endogenous factors. Sliding international coffee prices seriously affected an economy that was overwhelmingly dependent upon coffee exports for trade and foreign exchange. The pace of release of funds by donors was slower than anticipated. Internally, the Government showed reluctance in monitoring and containing the economy. In some instances, the Government did not take timely measures even when the situation could have been brought under control: real interest rates turned negative with the increase in inflation, money supply grew by 230% against a target of 40%, real effective exchange rates appreciated by 217%, crop financing requirements more than tripled.

In spite of GOU monetary policy reform measures, however, inflation continued to be a nagging problem, as indicated above. Primarily to contain inflation, and to continue the programs implemented in 1988, the Government announced in March 1989 several more measures, including: (i) a 17.5% devaluation of the Ugandan shilling (ii) extension of the 100% export retention scheme to include all non-coffee exports (iii) increase in the maximum commercial banking rate from 40% to 50% (iv) a 5% increase in the minimum commercial bank deposit rates (v)

ANNEX C

increases in the duties and pump prices of petroleum products. The IMF showed its support of Uganda's recovery program by replacing the SAF in April 1989 with an extended SAF (ESAF) worth SDR 179 million.

The government continues to show a strong resolve in getting a firm grip on the country's economy and guiding it toward stable growth. In 1989, for example, the GDP grew at a 6.6% rate, with per capita GDP increasing at 3.3%. The government repaid all outstanding debt to the Bank of Uganda. Agriculture continues to fuel the growth of the national economy: in 1988 and 1989, food crops (monetized portion) grew by 11.8% and 10.2%. In the industrial sector, growth in value added was 18.5% in 1989; in March 1990, the industrial production index was near its historical high, some 57% greater than the average production for 1987.

The available data for 1990 indicates mixed results for the economy. The projected increase in the industrial production index for 1990 is 7%. However, the Ugandan economy's dependence upon coffee is a source of great concern as international coffee prices have been falling ever since they peaked in 1986, and the future of prices remains highly uncertain. The value of coffee exports is projected to be significantly less in 1990 in comparison with even 1989; since the economy has traditionally relied upon coffee exports for over 95% of foreign exchange earnings, this trend necessitates immediate action to diversify the sources of foreign exchange. The recent Gulf Crisis and the increase in fuel prices during the latter half of 1990 have worsened the balance of payments situation. While the future of oil prices is uncertain (oil analysts differ sharply over the future trends in prices), it is safe to assume that foreign exchange requirements for oil will remain high and may well increase. The government has achieved considerable success in controlling domestic inflation, which had been brought down to 25.1% by December 1990; in comparison, inflation for December 1989 and December 1988 was running at 67% and 160%, respectively. Thus, while the Government of Uganda continues to enjoy considerable success in managing the domestic economy, unfavorable external factors beyond the control of the GOU have placed severe burdens on the national economy.

2.1. Balance of Payments

The economy is almost totally reliant on coffee exports for its foreign exchange needs. The prices of coffee has been on the wane in international markets for some years now; the collapse of the International Coffee Organization (ICO) in 1989 seems to confirm the belief that coffee prices will continue downward for

at least the short-term. Despite Uganda's increased production of coffee during the last several years, total revenues continue to decrease. Merchandise balance of payments have, thus, suffered considerable damage. The twin trends of declining international prices for coffee and increasing fuel prices (especially during the second half of 1990) have put a severe burden on the economy. Despite positive net transfers, the negative balance of merchandise and services has resulted in negative current account balances.

Foreign exchange reserves continue to be negatively impacted due to the shortfall in coffee revenues. This has prevented the import of even essential items, like spare parts for machinery or capital equipment.

Both total external debt and public debt continue to worsen, creating a crisis in confidence from the domestic and international private sector. The debt service ratio as a percentage of exports was around 59% in 1987, and is currently at 70% in 1988. ("Foreign Economic Trends...", American Embassy Kampala)

2.2. Overseas Development Assistance

Bilateral and multilateral donors continue to see promise in Uganda's development prospects. The IMF and the World Bank are heavily involved in rationalization of the economic and institutional framework. Bilateral donors like USAID, NORAD, ODA, continue to increase their portfolio in the country. After a slight dip in total ODA in 1984, due to the political instability at the time, total ODA has continued to rise since 1982.

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TABLE II.1.

UGANDA ECONOMY: MACROECONOMIC INDICATORS

	1970	1971	1978	1979	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989
DOMESTIC ECONOMY														
GDP (US \$ Mil)								5900					4842.42	
Real Growth in GDP (%)					-3.4%	-3.5%	8.2%	4.3%	-5.4%	-1.1%	0.3%	6.4%	7.2%	6.6%
PER CAPITA GDP													280	
INFLATION RATE %						22.0%	32.0%	183.0%	182.0%	161.0%	181.0%	189.0%	106.0%	54.0%
CPI MIDDLE INCOME CHANGE %									40.5%	125.2%	161.5%	238.1%	183.7%	
CPI LOW INCOME CHANGE %									41.30%	167.30%	158.20%	198.20%	193.10%	
OFFICIAL EXCHANGE (US\$)								1.54	3.60	6.72	14.00	42.84	106.14	267.50
LITERACY %														
POPULATION				12630075				13900000	14300000	15697000		15908896	15950000	16400000
BALANCE OF PAYMENTS (\$M)														
MERCHANDISE EXPORTS, fob							347.1	367.7	407.9	379.0	407.5	333.7	272.9	251.6
MERCHANDISE IMPORTS, cif							-422.0	-428.1	-342.2	-266.0	-476.1	-634.5	-627.4	-659.1
BALANCE							-74.9	-60.4	65.7	115.0	-68.6	-300.8	-354.5	-407.5
SERVICES (net)							-102.3	-115.4	-44.0	-98.9	-153.2	-113.6	-126.9	-151.6
UNREQUITED TRANSFER, net							107.3	103.5	85.4	61.6	283.7	264.6	287.3	352.0
CURRENT ACCOUNT BALANCE							-69.9	-72.3	107.1	77.1	6.9	-169.8	-194.1	-207.1
OFFICIAL INFLOWS							96.8	163.7	120.8	85.6	184.4	239.7	239.1	390.5
OFFICIAL OUTFLOWS							70.6	-139.8	-88.7	-71.0	-59.8	-104.4	-60.1	-152.7
SHORT-TERM CAPITAL, net							-11.6	3.8	-120.4	-42.0	1.3	7.0	-124.3	5.6
CAPITAL ACCOUNT BALANCE							14.6	27.7	-88.3	-27.4	75.9	142.3	54.7	243.4
CHANGE IN ARREARS							22.4	8.3	-77.3	17.3	44.3	19.1	142.0	-41.5
OVERALL BALANCE							-32.9	-36.3	-58.5	67.0	127.1	-8.4	2.6	-5.2
INTERNATIONAL LIQUIDITY (\$M)														
FOREIGN EXCHANGE								101.9	64.3	23.4	24.9	54.6	49.3	
SDRs								0.9	0.2					
IMF RESERVE POSITION								3.7	3.5	3.9	4.3			
TOTAL RESERVES EXCL GOLD								106.5	68.0	27.3	29.2	54.6	49.3	14.1
GROSS ODA (\$M)														
BILATERAL								57.2	74.7	50.1	45.5	86.4	91.5	

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TABLE II.1.

UGANDA ECONOMY: MACROECONOMIC INDICATORS

	1970	1971	1978	1979	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989
MULTILATERAL							89.8	95.5	119.3	142.6	119.3	189.5		
TOTAL							147.0	170.2	169.4	188.1	205.7	281.0		
GRANTS AS % OF TOTAL							57.96%	64.86%	58.15%	44.66%	63.93%	54.59%		
ODA FROM USA							2	4	3	5	4	14		
TOTAL EXTERNAL DEBT (\$MN)					/00		922	1019	1043	1157	1260	1405		
OF WHICH LONG-TERM							597	637	686	828	957	1116		
USE OF IMF CREDIT							269	354	315	282	229	229		
SHORT-TERM DEBT							56	28	42	46	74	60		
PUBLIC EXTERNAL DEBT (\$MN)														
TOTAL INCL UNDISBURSED							1014	1100	1267	1380	1474	1687		
DISBURSED ONLY							597	637	686	828	957	1116		
DEBT SERVICE, PRINCIPAL							45	60	57	43	30	46		
DEBT SERVICE, INTEREST							10	17	32	20	15	24		
DEBT SERVICE RATIO (% OF EXPORTS)							15.8%	21.0%	21.2%	17.0%	11.0%	18.9%		
PRODUCTION AND EMPLOYMENT														
LABOR FORCE														
UNEMPLOYMENT RATE														
INDUSTRIAL PRODUCTION GROWTH										-14.5%	-11.2%	24.6%		
GOVT OPER DEFICIT AS % OF GDP										-3.5%	-5.7%	-7.7%		
HEALTH														
LIFE EXPECTANCY AT BIRTH - MEN											46	47		
LIFE EXPECTANCY AT BIRTH - WOMEN											49	50		
INFANT MORTALITY (PER 1000)											105	103		

SOURCES: Ministry of Planning and Economic Development, Ministry of Finance, Bank of Uganda, USAID/Kampala, US Commerce Department, IMF, World Bank, International Coffee Organization, Business International, Background to the Budget, Forest Department, Lockwood Consultants, LINDF, UTO

III. SECTOR PRIORITIES

3.1. Overview

3.1.1. Agriculture, Forestry, Fisheries, Livestock

Agriculture is the mainstay of Uganda's economy. It contributes over 70% of the GDP, more than 95% of the country's exports and much of the country's foreign exchange revenues. (Please refer to Table III.1. for background data.) Over 90% of Ugandans depend upon agriculture for their livelihood. Even the small manufacturing sector is mostly agro-business related.

Uganda is endowed with the climate and soil conditions that are favorable for agricultural production. Rainfall is plentiful and averages in excess of 1,000 mm a year in the south, with the northern areas experiencing drier conditions during the months of December and January. Some parts of the country support continuous cultivation. Most of the nation's farming is smallholder based: there are approximately 2.2 million farms averaging 2.5 hectares.

Prior to 1971, the country was traditionally self-sufficient in food; where shortages occurred, it was due to distribution or security problems. Because of the suppressed production in past years due to the security situation, transportation problems, unattractive producer prices, and general breakdown in infrastructure, the potential in the short-run for increased agricultural production, agro-based industries and exports seems substantial.

One cannot, however, be complacent about the agriculture sector in Uganda. According to "Uganda: Accelerated Food Crops Production Strategy", the recent gains in food crop production derive from expanded use of land and labor, as well as increased security conditions and availability of inputs, and not from technological or productivity improvements. Although food crop production has increased since 1985, it has only recently achieved production levels recorded in 1970 for staple crops including bananas, cassava, sweet potatoes, and maize. Thus, the gains are not sustainable in the long run and the report indicates that the limits for land and labor will be reached within the decade. Further gains in food crops may not be possible without technological and productivity improvements.

Fish is very important to the Ugandan diet, providing over half of the population's daily intake of protein. The major lakes, which include Victoria, Albert, Kyoga, Edward, and George,

are the primary sources of fish production. It was estimated in 1987 that approximately 2% of the population depended upon fisheries directly for their livelihood.

Livestock is an important agriculture sub-sector. UNDP has estimated that livestock accounted for 30% of agricultural production. Livestock represents an important element in the livelihood of the rural subsistence population since it is estimated that around 95% of cattle, for example, is owned by smallholders. The main constraints to the livestock industry have been the security situation, lack of veterinary facilities, uncontrolled animal diseases, and the high cost of drugs. Consequently, the number of livestock has declined even when comparing the post-Amin era to the present: cattle declined from approximately 5.2 million in 1979 to 4.2 million in 1988; goat numbers have declined from 2.5 million in 1979 to 2.1 million in 1988. In 1989, however, total livestock production increased by 2.4%.

With the passage of Uganda from the rehabilitation to the economic growth stage, agriculture has continued to play a major role in providing the impetus to growth. Between 1988 and 1989, monetary agriculture production grew by 7.2%, while the non-monetary sector grew by 4.5%. Cash crops grew by 10%, while food crops grew by 10.2% over the same period. Most crops had a bumper harvest in 1989. Agriculture continued to fuel the national economy in 1990. Given the country's rich natural resources base, agriculture will continue to dominate Uganda's economy throughout the rest of this century.

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TABLE III.1.

UGANDA ECONOMY: AGRICULTURAL PRODUCTION

	1970	1971	1978	1979	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989
TOTAL TRADE														
EXPORTS FOB (\$M)							347.1	367.7	407.9	379.0	407.5	333.7	272.9	251.5
IMPORTS CIF (\$M)							422.0	428.1	342.2	264.0	476.1	634.5	626.1	659.1
COFFEE EXPORTS														
OFFICIAL EXPORTS (TONS)					110100	128300	174700	144300	133200	151500	140800	148153	144254	176453
VALUE OF EXPORTS (\$M)					341.3	243.8	349.4	346.3	359.6	348.5	394.2	307.5	265.3	262.8
AS % OF TOTAL EXPORT VALUE							100.66%	94.18%	88.16%	91.95%	96.74%	92.16%	97.21%	
COTTON EXPORTS														
OFFICIAL EXPORTS (TONS)					2300	1200	1800	7000	6700	9553	4875	3443	2086	2321
VALUE OF EXPORTS (\$M)					4.10	2.30	3.20	11.20	12.10	13.98	5.09	4.10	2.97	4.02
AS % OF TOTAL EXPORT VALUE							0.92%	3.05%	2.97%	3.69%	1.25%	1.23%	1.09%	1.60%
TEA EXPORTS														
OFFICIAL EXPORTS (TONS)					500	500	1200	1300	2500	1200	2800	2100	3079	3135
VALUE OF EXPORTS (\$M)					0.3	0.3	0.8	1.2	3.3	1	3.1	1.9	3.079	2.553
AS % OF TOTAL EXPORT VALUE							0.23%	0.33%	0.81%	0.26%	0.76%	0.57%	1.13%	1.02%
OUTPUT OF SELECTED CROPS														
COFFEE PRODUCTION (TONS)					135200	97500	166600	157400	138700	155000	143300	159400	155600	174000
COFFEE EXPORTS (TONS)								131700	163140	162720	155220	139620	139080	
COTTON PLANTINGS (HA)						121000			199000			140000		
COTTON PRODUCTION (TONS)	86000				6100	3800	5100	10000	12200	16300	4400	2900	1800	2600
TEA PLANTINGS (HA)														
TEA PRODUCTION (TONS)					1500	1700	2400	3100	5200	5600	3200	3500	3500	4600
TOBACCO PRODUCTION (TONS)					400	100	0	700	700	300	0	0	39	490
SUGAR PRODUCTION (TONS)					4300	3800	2500	3100	2400	800	--	--	7500	15900
PLANTAINS PRODUCTION (TONS)					5699000	5900000	6596000	6487000	6250000	6468000	6565000	7039000	7293000	7469000
CEREALS PRODUCTION (TONS)					1067000	1165000	1093000	1399000	944600	1171000	1058000	1220000	1398000	1619000
ROOT CROPS PRODUCTION (TONS)					3436000	4509000	4810000	5291000	4731000	4532000	4863000	4960000	5177000	5474000
OUTPUT OF SELECTED FOREST PRODUCTS														
TOTAL LOGS (CU.M.)							70000			83000				
SAWN TIMBER (CU.M.)	71800						25000			28000				

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TABLE I I.1.
UGANDA ECONOMY: AGRICULTURAL PRODUCTION

	1970	1971	1978	1979	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989
PLYWOOD (LOG EQUIV. IN CU.M.)	14400						200000			510000				
MATCHES (LOG EQUIV. IN CU.M.)	16800													
FUELWOOD (CU.M.)	10560000						220000			250000				
POLES (CU.M.)	713400						30000			30000				
CHARCOAL (TONS)	13400						32000			160000				
LIVESTOCK HEAD														
CATTLE			5200000		4745400	4821100	4871300	4993100	5060000	5200000	3905200	4259800	4183700	
SHEEP					1384300	1453500	1036000	1602000	1674000	1680000	683000	690000	644100	
GOATS			2500000		2670800	2804300	1979000	3091800	3246000	3300000	2503000	2110000	2279700	
PIGS					195900	205700	233000	227000	238000	250000	470000	452000	552900	
POULTRY					176200	324400	1000000	1200000	3000000	5000000	8330000			
FISH PRODUCTION (TONS)					167800	170000	172300	212300	160800	200900	149700	216700	213500	

SOURCES: Ministry of Planning and Economic Development, Ministry of Finance, Bank of Uganda, USAID/Kampala, US Commerce Department, IMF, World Bank, International Coffee Organization, Business International, Background to the Budget, Forest Department, Lockwood Consultants, UNDP, WTO

3.1.2. Tourism

Given the significant implications of natural resource interventions upon the tourism sector and given the importance of tourism for this PAIP, we have included this sector under a separate heading.

During the 1960s, tourism was the third largest foreign exchange earner, after coffee and cotton. In 1971, for example, there were 88,630 tourists who brought revenue of \$20 million to the country. This figure dropped precipitously and by 1982, there were only 10,000 tourists who contributed a paltry \$2.5 million to the national exchequer. (Table III.2.) By 1987, this figure had started to climb and was back to 40,000, but it is reported that approximately 90% of these visitors were on business, rather than holiday tourists. What contributed to the degradation of this sector?

- o Civil strife, political violence and the different governments that came into power with the 1971 coup were primarily responsible for the negative image of Uganda to the international traveler; this image lingers today in the minds of most people.
- o Expulsion of ethnic groups: The Amin government expelled various ethnic groups from Uganda in 1972. These groups played a very important role in the country's economy at that time, effectively controlling large sectors of the manufacturing, trading and service industries. This mass expulsion left the country without many of the critical skills and finance necessary for a dynamic private sector. The expulsion left gaps as well in terms of tourism infrastructure and services that are necessary to attract the international traveler. As an example, many of the hotels and lodges were closed down.
- o AIDS: The high rate of HIV positive and AIDS cases cause potential tourists to be apprehensive of travel to Uganda. (However, as information and education on AIDS transmission becomes more widespread, mis-perceptions and fears should be greatly reduced.)

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ANNEX C

The relative political stability since 1986, a better understanding of AIDS, and the initiation of the process to return appropriated businesses to their former owners has contributed to a better image of Uganda in terms of both tourism and business. It is necessary to instil confidence among both tourists and investors in the tourist industry. Despite the constraints discussed above, Uganda's rich tourism resource, biodiversity, and existing infrastructure (to be rehabilitated) facilitates the comeback of tourism as a source of foreign exchange, employment, income, and tourism-based industries. The Ministry of Tourism and Wildlife projects a figure of 100,000 tourists annually by 1995, generating \$50 million of revenues to the country. This would place tourism as the second largest source of foreign exchange, after coffee exports (which stood at \$140 million as of 1989).

TABLE III.2.

UGANDA ECONOMY: TOURISM SECTOR & INFRASTRUCTURE

	1970	1971	1978	1979	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989
TOURISM														
REVENUES	19000000	20000000	4000000	9000000	5000000	5000000	5000000	7000000	8000000	8000000	8000000	8000000		
VISITOR ARRIVALS, of which		88630					10000		21278	27039	32790	37715	38748	44000
HOLIDAY TOURISTS									7649	8646	10804	13127	11635	9248
AVERAGE STAY		9.7												
NUMBER OF HOTEL BEDS								5320	5320	1810	1810	1810		
TRANSPORT														
RAILWAYS														
PASSENGERS (MM PASSENGER KM)							342.236	337.612	245.836	234.773	195.398	211.755	117.592	69.012
GOODS (MM TON KM)							66.954	72.543	79.996	59.221	70.729	77.17	82.839	90.391
ROAD														
PRIVATE VEHICLES (#)							27074	25204	27154	27733	29393	31307	32913	34938
PUBLIC VEHICLES (#)								2109	2304	2120				
AIR: UGANDA AIRLINES														
PASSENGERS (MM PASSENGER KM)								143	172	79	180	194	138	
FREIGHT (MM TON KM)								25	16	18	24	21	16	
ENTEBBE TOTAL PASSENGERS		365000										135000		
ENTEBBE TRANSIT PASSENGERS		185000										14000		
COMMUNICATION														
TELEPHONE EXCHANGE CONNECTIONS					26528							27852		
ENERGY														
TOTAL ELECT'Y GENERATED (MM GWh)					634.3	516.3	559.8	515.5	614.4	626.5	637.2	611.2	567.4	660.9
ELECTRICITY SALES TO KENYA, MM KWh								217.7	216.1	215	231.6	176.2	110	
ENERGY PRODUCTION (MM TOE)													2.9	
ENERGY IMPORTS (MM TOE)													0.13	
ENERGY EXPORTS (MM TOE)													0.06	

3.1.3. Other Sectors

In order to better understand the setting for the natural resources program, an examination of other sectors of the economy is provided below. It should be stressed, however, that the following analysis is cursory and intended to provide a general background to other sectors of Uganda's economy.

Manufacturing

Agriculture is the dominant sector in the country's GDP, contributing over 70% of the 1989 and 1990 GDP. On the manufacturing side, most of the industries are agro-business. Besides, the local industries produce garments, footwear, cigarettes, and construction material. Due to civil strife, expulsion of ethnic groups, and macroeconomic factors, manufacturing contributed only 4% of GDP in 1987. This is in comparison to a contribution of about 7% even in the early 1960s. The 1989 macroeconomic figures show manufacturing's contributions to the monetary GDP to be about 8.7%, but the contribution to the total GDP was still less than 5%.

As Table III.3. shows, the manufacturing sector has been plagued by capacity under-utilization. For example, in 1983 the roasted coffee industry was running at a 0.90% capacity, animal feed at 18.60%, garments at 16.00%, paint at 9.90%. Capacity utilization increased somewhat by 1989 to 2.37% for the coffee roast industry, 56.80% for animal feed, 21.60% for garments, but the paint industry's utilization decreased to 7.30%. No manufacturing sector can long be viable at such low capacity utilization.

Some of the major economic reforms taken by the government are starting to bear fruit, and should continue to provide a boost to the manufacturing sector. The major reforms include: greater availability of foreign exchange, return of appropriated establishments to their former owners, availability of credit. Most important, the continued stability in the political environment should contribute to economic development. As an indication of the increased importance of manufacturing in the economy, the index of industrial production between jumped by 17.4% in 1989; the projected increase for 1990 is 7%.

In October 1990, the government announced a new Foreign Investment Code, which should help to bolster interest from foreign private investors; however, analysis of the impact of the new code has yet to be done. Because of the country's rich resource base in agriculture, energy and minerals, the prospects seem bright for the manufacturing sector in the coming decade. This assessment is based upon the assumption that the government will continue to act upon some of the measures that have been announced or initiated:

- o that the government continue to move away from the import substitution policy, and adopt a more outward-looking economic policy;
- o continue commitment to freeing up the foreign exchange market;
- o act resolutely to return previously appropriated businesses to their rightful owners;
- o get away from sectors where the private sector could perform better, i.e. start an aggressive privatization scheme.

Mining

Gold, tin ore and wolfram are the main minerals mined in Uganda. As Table III.4. shows, the production of both tin ore and wolfram has shown a steady increase since 1985; gold production, however, has shown a drastic fall since 1984, when output was 1316.7 grams. Gold mining is primarily done by panning in stream beds at this point.

Preliminary studies have indicated good potential for mining gold, tin, copper, wolfram, iron. In the 1960s, mining contributed around 10% of total export earnings and 2% of GDP; this sector's contribution is negligible now. Current exploitation is estimated at 5% of the 1970 level. (UNDP, 1988) In 1970, the mining sector contributed 5.4% of the monetary GDP; this fell to below 1% in 1988.

Until the 1970s, copper was mined from the Kilembe mines, mainly for export. This mine, located at the foothills of the Ruwenzori mountains, is no longer operational, although analysis of the waste heaps has shown significant quantities of nickel and cobalt. There are mainly anecdotal reports of extensive minerals in Uganda; however, little exploration has been conducted.

Even the above cursory examination of other economic sector shows clearly that:

- o agriculture and natural resources will continue to be the dominant sector in Uganda's economy;
- o development of other sectors, like manufacturing and services, will largely depend upon a sustainable development of the agriculture sector;
- o Uganda needs to implement a diversification strategy to cut the overwhelming reliance on agriculture for the GDP and on coffee exports for foreign exchange.

TABLE III.5.

UGANDA ECONOMY: MANUFACTURING SECTOR

	1970	1971	1978	1979	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989
OUTPUT OF SELECTED MANUFACTURES														
PROCESSED MILK OUTPUT (LITRES)								16379000	20668200	16607500	13191100	16872200	20085000	17112000
OUTPUT AS % OF CAPACITY								34.5%	43.6%	35.0%	27.8%	35.6%	44.0%	36.1%
COFFEE, ROAST OUTPUT (TONS)								15	98	94	39	97	72	38
OUTPUT AS % OF CAPACITY								0.90%					4.50%	
WHEAT FLOUR OUTPUT (TONS)								5310	4230	7830	7110	9450	12240	13260
OUTPUT AS % OF CAPACITY								11.80%	9.40%	17.40%	15.80%	21.00%	27.20%	30.80%
ANIMAL FEED OUTPUT (TONS)								5219.16	3802.42	4180.94	6481.86	12206.1	10999.52	15938.88
OUTPUT AS % OF CAPACITY								18.60%	10.70%	14.90%	23.10%	43.50%	39.20%	56.80%
SPIRITS OUTPUT (LITRES)								28000					157000	
OUTPUT AS % OF CAPACITY								1.40%					7.90%	
BEER OUTPUT (LITRES)	9787008	14206300	14817000	8184000	6603000	16484000	21139000	19516806						
OUTPUT AS % OF CAPACITY								28.90%	30.80%	17.10%	14.0%	34.40%	43.70%	39.70%
CIGARETTES OUTPUT (MM)	745	645	965.8	1416.4	1420.1	1434.8	1637.6	1585.9						
OUTPUT AS % OF CAPACITY								33.90%	50.80%	74.50%	74.70%	75.50%	86.20%	83.50%
COTTON/RAYON FABRIC (M ²)	16613772	11475492	10390744	9705640	10219468	11475492	11768952							
OUTPUT AS % OF CAPACITY								29.10%	20.10%	18.20%	17.00%	17.90%	20.10%	20.60%
GARMENTS (DOZEN)	20000	12000	8000	6000	5000	33000	27000							
OUTPUT AS % OF CAPACITY								16.80%	9.60%	6.40%	4.80%	4.80%	26.40%	21.60%
FOOTWEAR (PAIRS)	916740	1135739	580602	544951	662090	361603	356510							
OUTPUT AS % OF CAPACITY								18.00%	22.30%	11.40%	10.70%	13.80%	7.10%	7.90%
CEMENT (TONS)	18471	30780	24921	11749	16376	15904	14960	17373						
OUTPUT AS % OF CAPACITY								6.10%	4.91%	2.32%	3.23%	3.13%	2.95%	3.42%
PAINT (LITRES)	426789	396612	435411	288837	168129	176751	314703							
OUTPUT AS % OF CAPACITY								9.90%	9.20%	10.10%	6.70%	3.90%	4.10%	7.30%

TABLE III.4.
UGANDA ECONOMY: MINING SECTOR

	1970	1971	1978	1979	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989
MINERAL PRODUCTION														
GOLD (GRAMS)						304.0	215.2	0.8	1316.7	142.0	149.7	--	26.5	693.5
TIN ORE (TONS)							3.5	25.4	263.3	5.9	43.5	9.7	63.8	34.0
WOLFRAM (TONS)						2.0	7.0	6.9	14.7	16.8	19.1	30.2	74.9	21.0

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3.2. Importance of Agriculture Sector to Natural Resource Management.

Agriculture plays such a dominant role in the Ugandan economy that the country's economic growth will be driven by the performance of this sector. Effective natural resources (soil, water, vegetation) management is the foundation of a sustainable agricultural society. For example, forest management in Uganda's highlands will limit flooding and drought in the farmlands below; soil conservation is a sine quo non of soil fertility management; and agroforestry can provide much needed wood, fodder, and soil enrichment. Natural resource interventions also become important for the following reasons:

i. Rural/Equitable income generation

More than 90% of Uganda's population depends upon agriculture for their livelihood. Much of the production is smallholder based, subsistence farmers. Intervention in the agricultural sector through improved natural resource management will provide benefits to the rural population. Also, much of the income generation from increased and expanded agricultural production, forest utilization, and tourism development will benefit the rural constituency.

ii. Maximum marginal impact and benefit

Uganda's favorable climate and soils have allowed the country to be self-sufficient in food during much of the post-independence period; where food shortages have occurred, the problem has been largely one of infrastructure degradation, transportation breakdown or civil strife.

During the 1970s and the first half of the 1980s, except for a few good years, agricultural production actually fell. This downturn has only recently, with the onset of the relative peace and stability of the Museveni government, started to turn around. Considering Uganda's rich natural resources base, restricted agricultural production, its nascent manufacturing and service sectors, investments in the agricultural sector possibly will have the maximum marginal impact.

iii. Biodiversity

As detailed in Section 3.3.5., Uganda is one of the richest nations in the world in terms of biodiversity. It is imperative, both for economic and scientific reasons, to preserve this rich heritage.

iv. Tourism

Interventions in the natural resources and biodiversity sectors will greatly improve the tourism potential of the country. Tourism can be an important source of foreign exchange, off-farm employment, and rural income. It will also work as a catalyst for other tourism-based industries. Positive interventions in the natural resources sector will have an impact on tourism; in order to avoid haphazard growth in this sector, it is essential to formulate viable strategies at the outset.

v. Sustainable growth

While the productivity of the country's soil is good, tropical soils are easily susceptible to nutrient loss and erosion. In order to conserve this resource base, interventions are needed to halt and reverse the pressures from deforestation, soil erosion, population growth, and policies that act as disincentives to sustainable management of the resources.

3.3. Natural Resource Management

3.3.1. Natural Resource Base and Land Use

Uganda is a landlocked country with a land area of approximately 241,000 sq.km. This land area is distributed as shown below:

Table III.5.: Distribution of Uganda's Land Area

<u>Type</u>	<u>Area (sq.km)</u>	<u>% of Total</u>
Open Water	36,327.76	7.9
Permanent Swamp	7,707.46	3.2
Mountains (over 2000m)	2,036.00	0.8
Game Reserves/National Parks	15,620.00	6.5
Forest Reserves	15,250.31	6.3
Ranches	2,566.66	1.1
Urban Centers	506.00	0.2
Arable land -- cultivated	49,914.60	20.7
Arable land -- uncultivated	128,545.07	53.3
Total	241,020.95	100.0

Source: Lands and Survey Department (1975)

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3.3.2. Soils

Fairly detailed information, including maps, exists on the geology and soils of most parts of Uganda, particularly the south and west.

The FAO/UNESCO (1977) soil map of Uganda lists two major soil types: acrisols and ferralsols. Ferralsols is the most widely occurring soil-type in Uganda, and is also the major soil type under forests and savanna lands. Ferralsols are very absorptive and desaturated; they can support cultivation of any crop, but can lose their nutrients very quickly. Thus, forest clearing for farmland is not a sustainable answer to increasing agricultural production; the cleared land that has been farmed for several years will have to be left fallow for several seasons before it regains its nutrients.

Deforestation has taken a heavy toll on the soil. It is generally recognized that the stock of nutrients in tropical soils are held by the plants themselves. With the increased logging of forests for fuelwood and industry, soil erosion and loss of soil nutrients has become a problem.

3.3.3. Water and Wetlands

Inland water comprises approximately 11.1% of Uganda's land area or 44,000 sq.km. Some of the larger lakes include: Victoria, Edward, Kyoga, Albert. There is also an extensive network of rivers, including the Nile, that irrigate and flow through the land. A large number of underground reservoirs exist.

Many parts of the country, especially the south, receive more than 1000 mm of annual rainfall. This, together with the system of lakes, rivers, and reservoirs, assures a plentiful supply of water. However, distribution of water for drinking, household duties, or irrigation is at a fairly nascent stage.

The water resource can be critical for irrigating the important agriculture sector. The sustainability of the water resource will depend upon interventions to reverse the ongoing deforestation and soil erosion, which have also contributed to extensive siltation and water pollution.

3.3.4. Forestry

Uganda has 7.5 million hectares of forests and woodlands. Natural forests are the major source of charcoal, fuelwood and construction wood. Severe pressure is being kept on the country's forest land, especially in areas adjoining urban centers, by the need for increasing amounts of forest products. Forest reserves cover approx. 1.6 million hectares, while national parks and game reserves cover 1.5 million hectares.

There is approximately 15,250 sq.km. of gazetted forest reserve in Uganda; this is 6.3% of the country's land area. This forest includes:

- 7,500 sq.km. of savanna woodland and forest plantation
- 5,900 sq.km. of tropical high forest
- 1,500 sq.km. of montane catchment forest.

The government estimated that the output from the forests in 1980/81 was 30,000 tons of charcoal and 235,000 cu.m. of timber; these figures had increased considerably by 1987/88 to 70,000 tons and 563,000 cu.m.

Poor data has been a consistent constraint on planning in Uganda. The estimates of area covered by natural forests and the rate of deforestation diverge widely. Langdale-Brown (1960) provides the following estimate of forest cover in Uganda:

Table III.6.: Estimates of Forest Cover in Uganda, 1900 to 1958

<u>Date</u>	<u>Area of Forest and Moist Thicket (sq.km)</u>	<u>% of Forest and Moist Thicket</u>
1900	30,901	12.7
1926	26,277	10.8
1958	11,176	4.6

Note: The percentages of forest and moist thicket relates to the total area of Uganda

Deforestation has been estimated by various sources at anywhere from 0.8% to 2% per year. Within forest reserves, actual forest cover is reported to have declined by 40% between 1970 and 1986 (Makerere University). Hamilton (1984) reports

that Uganda is losing approximately 2% of her highland tropical forests, or 110 sq.km., every year.

The causes of deforestation in Uganda are many and varied:

- o Population pressures. Population pressure on certain parts of the country has forced people to migrate to other parts in search of land. Because of strong tribal territorial rights, people cannot resettle anywhere in the country even if it has surplus cultivable land. Since the forest reserves have been traditionally unsettled and are not officially owned by any tribal groups, landless farmers move to these areas.
- o Agricultural settlements. Since the 1970s, there have been widespread settlements within forest reserves and on other public land. This has partly been the result of population pressures on land, but also partly due to perceived government encouragement by the "freedom to settle anywhere" and "double production" policies of the 1970s.
- o Customary Tenure. Although the 1975 Land Reform Decree converted all land holdings in Uganda to leaseholds, customary tenure applies to most areas. Under the existing tenure system, land around settlements is reserved by the tribal or ethnic group. Ownership of land is possible only through being a part of such a tribal or ethnic group. When population pressures limit the availability of land, forcing migration from the land deficit area, the landless people cannot migrate freely to land surplus areas due to these customary tenure rights that respect tribal and group precedence.
- o Weak forest management. The traditionally understaffed and underpaid staff of the Forest Department have not been able to properly manage the vast area under their jurisdiction. In terms of people per area, the Forest Department has approximately 1 person to manage and protect every 37.5 sq.km.
- o Re-emergence of Pit Sawing. Pit-sawing has gradually made a comeback since the beginning of the 1970s and now accounts for around 90% of the wood supplied. (This was one of the results of mass expulsion of ethnic groups by the Amin government. These ethnic groups controlled the sawmills.) Uncontrolled pit-sawing can be a destructive method of harvesting forests, and has contributed to excessive waste of the resource base as well as quickening the pace of deforestation.

- o Growing demand for fuelwood. With the increasing population and urbanization, there is a greater need for fuelwood. Fuelwood and charcoal provide around 95% of the country's total energy needs, and virtually all of this comes from the natural forests. Unregulated harvesting of forest land has led to significant deforestation, especially around urban areas. The breakdown in supply of electricity, gas and paraffin has exacerbated the situation. As an example, Makerere University Main Campus consumed over 6,500 tons of charcoal just for its cooking needs between 1984 and 1986.

As an indication of the ever increasing demand for forest products, the following table includes data from Lockwood (1973):

Table III.7.: Estimated production (1970) and projected demand (1980-2000) for Forest Products

<u>Product</u>	<u>1970</u>	<u>1980</u>	<u>1990</u>	<u>2000</u>
Sawn timber (cu.m)	71,793	101,104	185,190	339,212
Plywood (cu.m)	14,440	21,800	33,400	52,230
Matches (cu.m)	16,853	29,348	43,160	43,160

For use in the subsistence sectors of the economy:

Fuelwood (cu.m)	10,000,000	14,000,000	25,000,000
Poles (cu.m)	700,000	1,000,000	1,750,000

For use in the monetary sector of the economy:

Firewood (cu.m)	560,000	560,000	0
Charcoal (tons)	50,000	100,000	400,000
Poles (cu.m)	13,376	29,000	80,000

Wasteful habits and technologies have exacerbated the problem. For example, charcoal is very popular in use but the production of charcoal is done using traditional earth kilns with very low conversion efficiency. Similarly, fuel-efficient cookstoves could go a long ways in reducing the demands on fuelwood.

3.3.5. Biodiversity and Natural Forests

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Uganda is very rich in biodiversity of both plant and animal species. The country has more than 50% of the world's remaining population of mountain gorillas. As a basis for comparison, analysts point out that Kampala itself is home to more species of birds than is all of Western Europe. There are more than 900 different species of trees and shrubs, and over 500 species of grass.

Animals

Uganda is home to one of the world's richest primate ecology. In addition to the endangered mountain gorillas, it is home to around 7000 chimpanzees. The Impenetrable Forest alone holds one-half of the world's mountain gorillas. People have claimed world records for large herbivore mass in Queen Elizabeth Park (19,928 kg per sq.km., Field and Laws 1970) and for forest primates in Kibale Forest (2652 kg per sq.km., Waser 1986).

Pomeroy and Lewis (1987) report that for its size, Uganda has more species of birds (995 of them) than any other country in Africa.

Plants

More than 900 species of trees and shrubs, and over 500 species of grass abound in Uganda. This significant biodiversity in plants in turn contributes towards the biodiversity in the animal species. White (1983), for example, recognized seven "regional centers of endemism", separated by "transitional zones" in Africa. Each regional center has more than 1000 endemic species of flowering plants. Uganda has three regional centers and two transitional zones.

Much needs to be done if Uganda is to preserve her biodiversity. Even basic inventories of flora and fauna is lacking as of now. Much of the work that has been done to date has been in the Kibale Forest. Wildlife Conservation International (WCI) is conducting a 15-year study in Kibale of the affects of changed habitat on primates, birds, and other animals. USAID is implementing (through CARE) the Development through Conservation Project in and around the Impenetrable and Mgahinga forests.

Struhsaker (1987) points out that many valuable tree species are now being indiscriminately felled for fuelwood or agricultural plantation. He provides some examples of such valuable species, listed below:

- o Warburgia ugandensis (Green heart, Mwiha). Used as a medicine for tumors. Also contains

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walburganal, which is used as a pesticide against armyworm, which attacks plants like sugarcane, maize and rice.

- o Spathodea nilotica (tulip tree, munyara). The flower and bark of this tree is used to treat ulcers and kidney ailments.

- o Balanites wilsoniana (the elephant dispersed tree, Lykoyo). The large seeds are edible. The fruit kills the snails carrying Bilharzia and water fleas transmitting guinea worms.

- o Rauvolfia vomitoria (kawule). Contains reserpine for hypertension, ajmaline for cancer and anti-arrhythmic treatment.

- o Voacanga thouarsii (Entoma). The seeds contain ajmaline for cancer and anti-arrhythmic treatment. In the 1970s, the refined compound was valued at US \$7500 per kg.

IV. NATURAL RESOURCE CONSTRAINT ANALYSIS

4.1. Technical Constraints

1. Information gap

Perhaps the one consistency in all the studies done to date in the Uganda Natural Resources Sector is the lack of basic data on which informed policies and strategies can be based. Some of the glaring information gaps include:

- o Natural Forest Ecology. Little knowledge exists on the workings of the natural forests, with the exception of Kibale forest;
- o Forest species' inventories. There are few up-to-date inventories of the forests' plants and animals. The Forest Department plans to commence timber inventories once the World Bank funded Forest Rehabilitation Project has trained the personnel to conduct the inventories;
- o With the exception of Kibale, none of the forests has been thoroughly studied;
- o Existing data on plant and animal species are poor;
- o Accurate wildlife numbers and distribution are virtually nonexistent;
- o Human encroachment on protected areas has not been studied;
- o Forest systems and their sustainable economic use is not well understood.

A much more complete list and description of information gaps is included in UNEP's "Uganda Natural Resources Datasets: A Preliminary Review" prepared in December 1986. The depth of the problem is evidenced by UNEP's 1988 document on Forests which stated: "the Forest Department had no accurate and up-to-date information on the state of the forest reserves except seven softwood plantations which had been recently inventoried. Therefore, the figures given here exist on paper only, and are of no value for planning future forest activities".

Very little is known about the extent of forests, rate of deforestation, or remaining stocks. While there is a general

perception within the government that Uganda has plenty of forest reserves, actual stock-taking on a limited scale by researchers does not support the conviction. Without a good grasp for forest stocks, for example, it is not possible to draw up a sensible plan for the management and exploitation of forests.

The proposed NEAP will go a long way in constructing the comprehensive databases on which to base policies and strategies.

2. Deforestation

The increasing population pressures and urbanization, combined with the fact that Uganda depends upon fuelwood for 95% of energy needs, makes deforestation virtually inevitable. Analysts have come up with very different rates of deforestation, varying from 0.8% to 2% per year. UNEP's 1988 report on Forests summarizes the problem as such: "Uganda's tropical rain forests have been greatly reduced and there is a real threat of the remaining areas being cleared within the next 10 to 15 years". Although there has not been any scientific correlation between cause and effect, the rapid pace of deforestation is claimed to have led to climatic changes, unfavorable rainfall patterns in terms of amount and regularity, high risk of desertification in parts of the country.

The NEAP Task Force on Forests will study this topic more in-depth and propose strategies to resolve the perceived problems. This program also will encourage interventions in the forestry sector from PVOs/NGOs through the PVO/NGO Umbrella Grant.

3. Soil Erosion

Due to the fragile nature of tropical soil, deforestation inevitably results in soil erosion. The high rainfall amounts and intensity in much of the country contributes to the speed of erosion; this phenomenon is especially prevalent in the hilly regions of the country. Siltation is already reported to have interfered with water supply on River Manafwa for Mbale and electricity generation on River Maziba for Kabale.

A detailed land capability classification is essential for land use planning. Such a classification will allow planners to utilize different kinds of land so as to derive the maximum sustainable benefit from the resource base.

Soil erosion is among the topics to be analyzed by the NEAP. The APE program will encourage proposals from PVOs/NGOs to start programs to halt and reverse the soil erosion problem, and thus contribute towards agricultural productivity.

4. Energy

Uganda depends upon fuelwood and charcoal for most of her energy needs; in 1986, for example, fuelwood and charcoal accounted for 96% of total energy used. The recent oil price surge (the latter half of 1990) has done great harm to Uganda's prospects for diversifying her energy sources, and the rapid forest clearing, especially around urban areas for energy needs, has continued at a rapid pace. The UNEP study claims very acute wood shortage already exists in the districts of Arua, Iganga, Kabale, Mbale, Mbarara, Rakai, Soroti. FAO has classified Uganda among the 17 African countries facing annual fuelwood deficits.

Better management of the peripheries of national parks and forests will help resolve the pressing problem of "the poor man's fuel crisis". Allowing people to manage the natural resources in the surrounding areas for the long-term will provide them with the incentives to manage it better. In addition to removing fuelwood, communities will be encouraged to plant "fuelwood for the future".

4.2. Socioeconomic

1. Population pressures

Uganda had a 3.2% population growth rate in 1987. This high percentage of growth has eclipsed even the moderate economic growth rates experienced by Uganda during peace years. A World Bank study in 1986 categorized Uganda among the countries where population carrying capacity had been exceeded, i.e. demands for food, energy, etc. has exceeded the ability of the country to supply those needs.

This program will not deal with the population problem directly as the Mission has other projects in its portfolio that are assisting the GOU in controlling the population pressure.

2. Public Finance

The government has run a trade deficit since 1986; this deficit was compounded by the decrease in coffee prices with the collapse of the International Coffee Organization. The trade deficit during 1986 was \$68.6 million; by 1989, this had increased to \$407.6 million. Partly due to the trade deficit and partly due to the in disbursing funds by bilateral and multilateral agencies, Uganda's arrears increased by \$19.1

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million in 1987 and by \$142.1 million in 1988. The country's foreign exchange reserves are also in the critical list, with total reserves (excluding gold) of \$14.1 million at the end of 1989. Uganda's total external debt had reached \$1.405 billion in 1987; public external debt was \$1.687 billion the same year. The continuing downturn in coffee prices (since the third quarter of 1986) and the considerable upswing in petroleum products during the second half of 1990 (if both trends continue) is likely to exert severe pressure on the country's financial situation.

The pressure on the GOU budget, both from the revenue and spending sides, is immense. The most recent World Bank projections (Feb 91) show government revenues of \$160 million but a task-based need of \$700-800 million. With such shortfalls, it is obvious that many problems, even pressing ones, cannot be seriously dealt with by the GOU.

3. Dependence upon Coffee

Uganda is very dependent upon coffee exports for much of the country's exports and foreign exchange. Coffee accounted for 94.18% of total exports in 1983; this had climbed even further to 96.85% by 1988. In 1989, almost all of the country's foreign exchange was derived from coffee exports. Moreover, this dangerously heavy dependence is upon a product whose international prices have been falling for some time now, ever since achieving a peak in the third quarter of 1986. With the collapse of the International Coffee Organization in 1989, prices have fallen further and there is no easy solution in sight. It is essential to implement a diversification strategy for the country.

Tourism is a necessary adjunct to this program's interventions in biodiversity. The Mission's thesis is that, rather than allow for a haphazard development of this important sector, it is better to plan for it and derive the most benefit possible. Thus, along with grants to PVOs/NGOs to carry out tourism-based projects in the national parks, this program will also finance technical assistance to the appropriate GOU entities to formulate and implement a cohesive plan for the development of the tourism sector. This effort will also culminate in more foreign exchange revenues for Uganda, and get away from the excessive dependence upon coffee exports for foreign exchange.

4. Infrastructure Degradation

4.1. Physical Infrastructure

The numerous wars and strife have taken a heavy toll on the country's infrastructure. Roads and railways are seriously

degraded in many parts of the country. Public utilities are poorly managed, and do not provide service to the majority of the population. Telecommunications facilities outside Kampala, Entebbe and Jinja are virtually non-existent. While infrastructure rehabilitation is necessary for continued development, it will only take place slowly and at a substantial cost.

Sewerage and water distribution systems still do not reach the majority of the population. The housing situation has deteriorated severely, especially in the urban areas. The population growth pressure, and rural to urban migration, has further compounded the problem.

Uganda's physical infrastructure is important not only to its own economy, but also to the economies of neighboring countries/ regions of southern Sudan, eastern Zaire, Burundi, Rwanda. Trade from these regions to the east African coast and beyond has used Uganda as the conduit point.

Recognizing the need for a nature-based tourism to assist in the economic development of the rural poor, this program will encourage activities under the PVO/NGO umbrella grant for minor infrastructure rehabilitation projects within the parks. Since Uganda already had a well-developed tourism infrastructure even before the 1970s, and the country is nowhere near attracting the number of bonafide tourists as of that period, the need is for rehabilitation rather than brand-new infrastructure.

4.2. Social Infrastructure

Uganda's social infrastructure has also taken a severe beating. The education system, once the pride of the country, has severely deteriorated. The health system is extremely overextended and large sections of the population do not have access to any health facility; the AIDS epidemic has further limited what was already a very poor health system to serve the needs of the people. As an indication of worsening conditions, the population per physician virtually doubled from 11,080 in 1965 to 21,270 in 1981.

The Mission has significant projects in the implementation stage that deal with issues of health and education. The contribution of the present program will be to provide training and institutional development to the entities working in the natural resources sector.

5. Private Sector

The expulsion of large ethnic groups by the Amin government

led to a severe shortage of skills in the country. Many of the expelled were gainfully employed in the private sector; with their departure, numerous businesses simply collapsed. A good example is the tea estates. Even in 1973, the country was producing 25,000 tons of tea; in 1988, 3747 tons were produced. Similarly, the forest industries have basically failed since the properties were expropriated. One effect of this failure has been the return of uncontrolled pit-sawing. With the departure of the groups, various sectors of the economy suffered immense damage; Uganda is in the process of expediting the return of expropriated assets, although the pace is very slow.

Whenever possible, this program would seek to work with the private sector, especially with regard to tourism. Ultimately the private sector needs to carry the load for tourism development. Training courses aimed at the private sector as well as funding mechanisms to assist the private sector in rebuilding the tourism sector will be explored under both the PVO/NGO umbrella grant as well as the technical assistance component.

4.3. Policy

1. Land Tenure System

In 1975, the government passed the Land Reform Decree, which converted all land holdings in Uganda to leaseholds, under the ownership of the country. Despite such regulations, however, the traditional tenure system, based upon ethnic and tribal associations, retains its hold. The failure to institutionalize a rational land tenure system in turn gives rise to deforestation, land clearings, and unsustainable agricultural practices. Experience in countries all over the world has shown, time and again, that where the people do not own the land they farm, practices that enhance short-term gains always predominate. The traditional land tenure system that is practised also contributes to land clearings and deforestation by forcing landless farmers to forest reserves and other areas that are not identified with various tribal and ethnic groups. This accounts for the anomaly in Uganda that while 53.3% of the country's arable land remains uncultivated, much land has been cleared within forest reserves and on other public lands.

2. Forest Policy

The 1971 Policy, which basically treats forests as an economic resource to be exploited for maximum monetary gain, has hurt forest management immensely. Even the 1948 policy had a much more balanced view toward the economics of forestry

exploitation versus conservation. The 1988 Forest policy reestablishes protection forestry and multiple use as legitimate goals, but realization of these goals has yet to be accomplished. It is imperative that the government recognize forests as an essential natural resource base that is critical to economic development, and undertake programs that encourage sustainable development of forests.

Given the lack of information and long-term experience of the donors in Uganda, we have proposed to support the NEAP, which will have a significant and broad-based participation of the Ugandans from the public, private, academic sectors. While projects based upon different methodologies can exist side-by-side in a country, policy needs to be consistent and well-understood by all. Thus, most questions of policy are better dealt with during the NEAP stage; what we have done elsewhere in this paper is present different options that need to be examined by the GOU during the NEAP process.

4.4. Institutional

1. Multitude of institutions sharing responsibility

At present, there are 3 institutions charged with the preservation of Protected Areas: the Forest Department, Game Department, and Uganda National Parks. There are overlapping responsibilities and poor coordination among the three agencies, compounded by the fact that they are housed under two different ministries. It is apparent to policy-makers and implementers alike that some sort of reorganization of GOU's executive functions is urgently called for. The NEAP will examine in detail what the GOU's natural resource responsibilities are and what institutional framework is needed to fulfil those responsibilities most effectively.

2. Lack of program/project coordination

Recognizing forestry as a priority sector, donors have started a multitude of projects in this area. Donors in the forestry sector include NORAD, USAID, the World Bank, CARE, New York Zoological Society, FAO, UNDP, OXFAM, CONCERN, ILO, WFP, and others. However, there is no national level coordination of the various projects and, therefore, little institutional learning or strengthening. It will be important to set up a coordinating body to supervise all in-country projects.

The NEAP's Task Force on Forestry will examine questions of policy, responsibilities, organization, and implementation for the natural resources sector.

3. Lack of essential skills

The total concept of forest management has changed over the last decade or so, from one of ownership by the government and control by the Forest Department to one of management by the people or community, with the Forest Department as advisors.

Training will be essential to bring about a new "breed" of natural resources managers. In addition, essential management skills need to be instilled within the departments. As an example, forest inventories have not been done or are not up-to-date because the Forest Department is waiting for the World Bank funded Forest Rehabilitation Project to provide the training for its personnel.

USAID has a comparative advantage in the training area, given the long experience with training programs around the world as well as the strength of training institutions in the U.S. This program will include a substantial training component that will assist in developing the institutional capability of natural resources organizations.

4. Morale of government employees

The civil servant in Uganda cannot survive on his/her paycheck alone. It is reported that in real terms, current salaries are 1% of what they were in 1972. Many employees are engaged in more than one job, with the resulting lack of attention to their responsibilities. Due to the lack of incentives, government positions are no longer coveted. During a recent advertisement for a Director of the Uganda Institute of Ecology, for example, not a single application was received.

It is clear that for projects to succeed in Uganda, the issue of government employees and their morale will be an important factor. Success will hinge upon cooperation from GOU institutions and employees; this is a basic rationale for the Mission to propose a NPA that has the flexibility to provide assistance for GOU to staff and manage institutions on a level that is consistent with the responsibilities to be carried out. The government is debating proposed civil service reform, including salary increases and retrenchment, but no decisions have been taken.

V. PRELIMINARY IDENTIFICATION OF BENEFICIARIES AND IMPACT

Here, we discuss beneficiaries and impact at three levels: at the level of the Government of Uganda, macroeconomic level, and the individual (micro) level.

5.1. Government of Uganda

1. National/Ministerial/Departmental Budget: positive impact.

The NPA will provide much-needed funds to the GOU to purchase vehicles and equipment needed to carry out program actions and recommendations.

2. Comprehensive Database: positive impact.

The one constant in all the studies done to date on Uganda is the lack of basic data. By supporting a NEAP, the project will contribute immensely to institutionalizing a database for the GOU. This will allow formulating more informed policies and strategies to combat the perceived problems or deficiencies.

3. Rationalization of institutions: positive impact.

Rationalization and consolidation of forestry, wildlife, tourism functions will enhance the effectiveness of the GOU.

4. Training: positive impact.

The training that will be provided under the UNRM will enhance the effectiveness of the GOU to carry out its designated responsibilities.

5.2. Economy of Uganda (Macro)

1. Foreign exchange revenues: positive impact.

A major constraint on the Ugandan economy is its overwhelming reliance on coffee exports for its foreign exchange revenues. By protecting biodiversity and encouraging tourism, this project will provide a source of diversification for the economy and increase foreign exchange revenues. This in turn will provide more stability in foreign exchange earnings which in the long term will stimulate economic growth and employment for all Ugandans.

2. Parks and Forest Reserves: positive impact.

Conditionalities of the project include gazetting of Mgahinga, Impenetrable (Bwindi), Ruwenzori forest reserves as National Parks along with higher protection status for Kibale. These actions will result in conservation of biodiversity for future generations.

3. Tourism-based industries: positive impact.

Increased tourism will have a positive impact on the development of tourism-based industries, like traditional handicraft, lodges, bamboo weaving, and so on. This provides employment and enhances tourism-based revenues for the national economy.

4. Forest-based industries: positive impact.

By institutionalizing better management of the nation's resource base, like forests, this program will provide a stable base for the development of such resource-based industries. Long-term planning and investment is more feasible when the supply of a resource base is predictable.

5. Image: positive impact.

Although not quantifiable, Uganda's image will in the international arena will be boosted by positive actions related to biodiversity and natural resources. Indirectly, such a positive image contributes to increased tourism, donor support, private investment.

5.3. Individual Level (Micro)

1. Agricultural productivity: positive impact.

Outputs of this project include increased agricultural productivity by the introduction of better land use and land management practices, and stopping deforestation and soil erosion. These interventions will increase agricultural productivity and directly impact the income of the rural subsistence farmer.

2. Reserve area settlers: negative impact.

By declaring certain reserves as National Parks and by increasing the protection to certain forest reserves, the government will have to carry out a modest resettlement program. This is likely to cause some disruption in the lives of the present settlers;

however, we believe that if managed properly, this negative impact can be greatly reduced and the settlers could benefit in the long-term from being resettled in marginally rich farmland. This is based upon our assumption that much of the land in the reserves is not as cultivable as arable land available elsewhere.

3. Employment: positive impact.

An important by-product of interventions in the biodiversity and natural resources sectors will be increased tourism. Tourism growth will translate directly into employment opportunities to the rural population, in the form of porter services, lodging operators, and miscellaneous services.

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VI. ECONOMIC ISSUES FOR SUSTAINABILITY OF NATURAL RESOURCES

Sustainability can be analyzed at three levels and must exist at all three levels for the viability of this program:

- a. national and departmental budget resources
- b. macro benefits
- c. micro benefits

6.1. Sustainable National and Departmental Budget Resources

Finite resources imply prioritization of spending areas. In most developing countries, the infrastructure, health, population, education, defence sectors command immediate attention. This tendency is bolstered by the usually vocal urban population, resulting in the phenomenon of urban bias. Agriculture, despite contributing the major share to GDP, GNP, trade and other economic indicators, frequently is overlooked.

Uganda also has followed the above "development syndrome". In Uganda's case, the long wars and civil strife have exacerbated the situation; consequently, the country is only now about to get beyond the rehabilitation stage. The continuing civil disturbances in some areas of the country and external border conflicts with Kenya and Rwanda has made further dents in the national budget.

The Ministry of Environment and its Forest Department are severely hampered by the lack of resources to deal with the large problem of resource degradation. As detailed in prior sections, the problems of deforestation, soil conservation, and loss of biodiversity have not even begun to be solved. As an indication of the state of institutional capacity, Uganda lacks many of the vital data that is needed to even make a preliminary assessment of the scope of the problem, let alone formulate strategies to control and reverse the degradation.

Uganda's public resource constraint has been severely affected both by the shortfalls in revenue from coffee exports and increased obligations on its debt and rehabilitation measures. Total external debt climbed from \$1.014 billion in 1982 to \$1.687 billion in 1987, a 66% increase. Foreign debt was lower at the end of 1989 at \$1.2 billion, and arrears on the payment of interest and principal decreased from \$255 million in 1988 to \$214 million in 1989; however, the lower figures were due to rescheduling of the loan payments. Revenue has been falling due to sliding international coffee prices, and coffee has consistently provided anywhere from 90% to 96% of Uganda's annual foreign exchange. The country's foreign exchange reserves

(excluding gold) consequently decreased from \$106.5 million in 1983 to \$14.1 million in 1989.

It is apparent that Uganda cannot allocate the level of expenditures needed to combat natural resources degradation and to conserve biodiversity. Donor assistance will have to include substantial funds for institutional expenditures, including salary and wages, vehicles, number of personnel, training, and so forth.

6.1.1. Current GOU Budgets

As Table VI.1. shows, the GOU has been running a deficit for some years now. The rehabilitation efforts have put a severe drain on the country's revenue base. International conditions, including sliding coffee prices and increasing fuel prices, have worsened the fiscal situation. For example, the 1988/89 shortfall between revenue and expenditure was 31.5 billion New Uganda Shillings; this shortfall had increased to 58.5 billion New Uganda Shillings in 1989/90. In the GOU budget for 1990/91, the projections for expenditure were 320.18 billion shillings and revenue 206.97 billion shillings, giving a deficit of 113.21 billion shillings.

Despite all the GOU's good intentions, various pressing constraints have meant that the natural resources sector has not received the level of attention in terms of financial resources. Thus, in the 1989/90 budget, the Ministry of Environment accounted for only 0.30% of the recurrent expenditure by ministry; the ministries of Tourism & Wildlife, Agriculture, Animal Industry accounted for 0.24%, 1.13%, 0.84% respectively. Similarly, the Ministries of Environment, Tourism & Wildlife, Agriculture, Animal Industry accounted for 0.23%, 0.10%, 2.90%, 0.52% respectively of the 1989/90 development budget by ministry. (See Table III.1.)

6.1.2. Constraints on Budget

The decreasing revenue base and the increased foreign exchange obligations are the most pressing constraints on the budget. Since coffee has traditionally earned around 95% of the country's foreign exchange revenues, and international prices have been falling since the third quarter of 1986, the revenue base is under severe strain. The country urgently needs a more diversified export base. During 1990, the reduction in capital inflows was the major cause of the decline in foreign exchange receipts; between the first and second quarters of 1990, for example, capital inflows declined by 71.2%.

The recent Gulf Crisis and the resultant increase in oil prices (during the second half of 1990) is likely to cause a

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further drain on foreign exchange payments.

The legacy of political instability in the country, although brought under control, continues to burden the national budget. Defence spending was the largest component (39%) of total recurrent expenditure, and the second largest (18%) of development expenditure. Reflecting the continued need for rehabilitation of infrastructure, the largest component (18%) of the development budget went to the Ministry of Works.

6.1.3. Potential Budget Needs

The Ministry of Finance, in their most recent projections for the fiscal year 1990/91, calculated the budget deficit for the period January-June 1991 at \$55 million. The most recent World Bank estimates show that while Uganda's anticipated foreign exchange revenues for the coming fiscal year are around \$160 million, the actual task-based need is to the tune of \$700-800 million. The shortfall is \$540-640 million. It is apparent that, faced with this huge deficit, the government will be unable to carry out many of its programs.

Table VI.
 GOV BUDGET

	1981/82	1982/83	1983/84	1984/85	1985/86	1986/87	1987/88	1988/89	1989/90
(million of New Uganda Shillings)									
Total Revenue	400	500	900	1,700	3,200	5,800	27,900	56,700	111,000
Total Expenditure	1,200	500	6,800	2,100	4,800	10,300	43,300	88,200	169,000
Surplus (deficit)	(800)	0	(5,900)	(400)	(1,600)	(4,500)	(15,400)	(31,500)	(58,000)
GOV Recurrent Revenue		522	903	1,621	2,844	5,005	22,262	49,719	86,459
GOV Recurrent Expenditure			603	1,771	4,133	8,027	27,204	58,351	105,523
Surplus (deficit)			300	(150)	(1,290)	(3,022)	(4,942)	(8,632)	(19,064)
(percentage of recurrent expenditure by Ministry)									
Ministry of Environment			1.29%	0.69%	2.31%	0.10%	0.35%	0.56%	0.30%
Ministry of Tourism & Wildlife			3.28%	0.19%	0.12%	0.36%	0.21%	0.36%	0.24%
Ministry of Agriculture			2.25%	1.69%	0.96%	2.10%	1.63%	1.65%	1.13%
Ministry of Animal Industry			1.18%	1.31%	0.87%	1.64%	0.95%	1.23%	0.84%
(percentage of development budget by Ministry)									
Ministry of Environment			-	-	-	0.42%	0.13%	0.61%	0.23%
Ministry of Tourism & Wildlife			0.72%	0.39%	0.16%	0.40%	0.05%	0.28%	0.18%
Ministry of Agriculture			2.35%	2.40%	9.74%	7.45%	1.61%	3.33%	2.90%
Ministry of Animal Industry			3.77%	5.82%	5.49%	4.04%	3.55%	5.00%	0.52%

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6.1.4. Revenues and Potential Revenues

Below, we have listed some possible sources of revenue for the natural resources sector. The concerned government department needs to look at the resource base more closely, determine the utilization rate, and perform economic and financial analyses to arrive at the revenue maximizing figures. This issue will be looked at more closely during the PAAD stage; the NEAP process will come up with actual recommendations on the resource base and the rate of exploitation feasible for sustained economic growth and resource base.

- a. **Stumpage Fees.** The Forest Department could be more financially viable if it rigorously collected the stumpage fees from tree harvesters.
- b. **Royalty and license charges.** Commercial millers in Uganda show utter disregard to the forest resource base by using unsustainable practices. This is perpetuated by what is claimed to be the lowest royalty and license charges in the world. Increasing these charges will make it uneconomical to use outmoded and destructive practices.
- c. **Sale/export of timber.**
- d. **Sale of fuelwood/charcoal.**
- e. **Forest Products.**
 Food: fruits, honey, fodder
 Medicines
 Trees and Timber: housing, furniture, etc.
 Fuelwood and charcoal
 Processed products: plywood, matches, textiles, paper, pesticides, alcohol, animal feeds
- f. **Boat Licensing.** Commercial fishing boats should be licensed for a fee. This would provide a source of revenue as well as a way to manage the fishery resources of the country.
- g. **Park Fees.** Fees should be imposed on an "ability to pay" basis on tourists, researchers, film crews. As an example from neighboring Rwanda, the Parc National des Volcanes earns more than \$200,000 a year through park entrance fees alone. (Weber & Vedder, 1984) The main attraction at the park is mountain gorillas; Uganda has more than 50% of the world's mountain gorilla population.

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6.2. Sustainable Macro Benefits

Natural resources are usually disregarded in national income accounting. There is now some serious work underway involving natural resources accounting in national income accounts. The basic idea is that a lot of the GNP component depends upon land, regarded as one of the three (land, labor and capital) basic input factors in the economy. However, while labor and capital are closely tracked, little consideration is given to land. This implies that land is a limitless commodity that will be there for eternity, to be used as the country desires. This thinking is challenged by scientific evidence of resource degradation -- including deforestation, soil erosion, biodiversity loss -- that impinge on economic development. Thus, the current thesis goes, the benefits and costs of current resource use practices need to be taken into account. For example, soil erosion directly and permanently affects agricultural productivity; this soil loss needs to be factored into national income accounts as a loss. Taking this approach is deemed necessary if only to alter the thinking that a country's natural resources is a permanent legacy; factoring resource degradation into national income accounts will give a truer picture of the country's sustainable natural resources and will allow planners to make the best use of the resources.

Since much of Uganda's agricultural production is smallholder subsistence farmer based, a traditional benefits cost approach for the country will be difficult. Much of the agriculture sector does not even enter the monetary sector, which would make it possible to accurately quantify it. This problem is compounded when we analyze biodiversity: the anomaly here is that we are trying to conserve biodiversity for the unknown value they may hold, but we need to put a value to the perceived future benefits in order to justify current investments.

The macro benefits to Uganda of natural resources management are obvious, although difficult to quantify. Agriculture contributes the vast majority of the country's GNP, its foreign exchange, and offers livelihood to over 90% of the population. The need to conserve such an important natural resource base in order to provide future benefits is obvious. While it is possible to quantify the loss to Uganda from deforestation and soil erosion, the lack of data in the case of Uganda makes the exercise difficult and questionable even if one were to attempt a quantification. We will possibly have to rely for now on experience of other countries and the obvious degradation of Uganda's natural resources to justify investments in the natural resources sector.

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In the PAAD stage, we will take a closer look at the natural resources interventions under this program and the consequent projected increase in agricultural productivity for the target population.

6.2.1. Potential Benefits of Sustainable Natural Resources

Total Capital Value = Sustainable yield potential/Economic discount rate

A determination of total capital value and the macroeconomic benefits of the UNRM program can proceed in three steps:

- a. We need to calculate the sustainable revenue potential from agricultural land, forests, lakes, biodiversity.
- b. We would then need to calculate the permanent loss to this potential because of soil erosion, deforestation, biodiversity loss, environmental degradation.
- c. The third step would be to determine how much of the annual loss could be stopped and/or reversed by this program.

The first step would give us the potential benefits of sustainable natural resources and the third step would give us the positive impact of the project. Below, we briefly touch on some of the major benefits of interventions to sustain natural resources:

1. Halt and reverse the large losses due to deforestation and soil erosion.

The deforestation and soil erosion that have been going on represents a heavy economic loss to the country; a loss of these resources has been compared to borrowing from a bank to increase consumption, instead of generating more revenues than necessary to pay back principal with interest. As in the analogy, the country can only go so long with resource degradation without suffering irreparable damage to the economy.

2. Increased agricultural productivity due to better resources and practices.

Interventions to halt and reverse soil erosion and

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deforestation, as well as introducing better land use practices (e.g. agroforestry, watershed management) will result in maintaining the high quality of land prevalent in most parts of the country. The country's traditional strength in agriculture is only due to its underlying resource base; it is also only by maintaining the quality of this resource base that continued or higher agricultural productivity can be achieved.

3. Increase in tourism revenues due to action taken to preserve biodiversity.

In 1971, Uganda had 88,030 visitors, who contributed approx. \$20 million to the national economy. This revenue flow virtually halted with the onset of a regime that was economically irresponsible. Since 1980, tourism has slowly increased, but is nowhere near the levels achieved even in the pre-1971 days. The number of tourists in 1982 numbered 10,000 and the country generated \$2.5 million in revenues; this number climbed to 37,715 in 1987, but it is believed that nearly 90% are on business, and not holiday tourists. The number of visitors has continued to climb, with 38,748 and 44,000 visitors in 1988 and 1989, respectively. The potential of the tourism sector in Uganda is high, given the biodiversity and natural beauty of the country. As a comparison, Uganda at one time was earning more tourist dollars per capita than its neighbor Kenya. Even going back to the level of tourism in 1971 would contribute substantial revenues in current dollars to the national economy. The Ministry of Tourism and Wildlife, for example, projects annual tourist arrivals at 100,000 by 1995, bringing in revenues of approximately \$50 million.

4. Increased use of forest products to generate revenues.

If managed well, Uganda's forests can be an important source of revenues to the national economy. The potential sources of revenues has already been identified under Section 6.1.4.

6.3. Sustainable Micro Benefits

A simple exercise that we conducted was asking ourselves how much benefit would need to accrue to the target population to make the \$30 million investment viable, on an economic and financial basis. This is essentially the fundamentals of a break-even analysis. We used a discount rate of 10%, which is the standard shadow rate assumed in the absence of better data. Various sensitivity analyses can be performed even on such a simplistic model.

Assuming approx. 50,000 beneficiaries, our intervention

should increase per capita income by \$70 over the life of the project to make the investment financially attractive. If we assume 100,000 beneficiaries, the increase needs to be only \$35 over life of project. The net present value calculation is shown in Table VI.2.

Even looking at only the gains from the tourism sector, this return seems to be definitely achievable. In 1970, tourism revenues had reached \$19 million; this figure continued to fall sharply during the 1970s and early 1980s and provided only \$2.5 million in revenues for the year 1982. In volume terms, the number of tourists declined from 88,630 in 1970 to 10,000 in 1982. Assuming that each tourist spends 5 nights per visit (which is half of the average 9.7 nights in 1971), and only \$50 per day, an increase of 14,000 tourists per year would provide the necessary \$3.5 million per year to make the USAID intervention financially attractive. This is of course assuming that all the revenue increase is due to interventions under the APE program and that all of it accrues to the beneficiaries we are targeting, which is probably not feasible.

We should take into account the gains in agricultural productivity, which will probably be the major revenue component to the rural disadvantaged population. If we are able to halt and reverse the resource degradation process, and get the benefits of tourism, then a sustainable increase in per capita income by \$35 over the life of the project (assuming 100,000 beneficiaries) seems to be a conservative estimate.

A cost-benefit analysis of biodiversity is much more difficult to handle. The anomaly here is that we are trying to protect plant and animal species, many of which have values that we do not as yet know. However, even discounting any future value of the conserved resources, other than the effect on tourism, it is obvious that there is a good case to be made for an investment in Uganda's natural resources sector.

Another approach to an economic analysis is to calculate the per capita income benefit accruing to the population dependent upon agriculture that would make an investment viable. If 90% of Uganda's 1989 population of 16,400,000 depends upon agriculture for their livelihood, that translates into 14,760,000 people. If per capita income in 1989 is \$280, the project would have to increase that figure by \$0.24 over the life of the project to make the investment financially viable.

Further Analysis

A preliminary economic analysis of the APE program supports the need for and the viability of the program. Further analysis is needed during the PAAD stage; below, we briefly outline some of the areas that need to be looked at:

1. perform a "Source and Use of Funds" analysis;
2. determine whether the amount of financing available for the sector program is sufficient to compensate for the costs of sector adjustment;
3. perform a cost-benefit analysis for a typical natural resources project under the PVO/NGO Umbrella Grants component;
4. taking a national park development plan as a test case, carry out a proforma cash flow analysis of revenues and costs. Determine various financial ratios;
5. perform a financial analysis of better management for the three forest reserves to be designated as National Parks and of enhanced conservation for Kibale Forest Reserve.
6. analyze the financial implications of reorganization of institutions concerned with natural resources.

It should also be pointed out that among the primary outputs of the APE program is the NEAP, which will be a much more intensive effort (over two to three years) at studying the various natural resources sector, analyzing policies and strategies, and proposing recommendations.

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TABLE OF ACRONYMS

AID	Agency for International Development
AID/W	Agency for International Development/Washington
AWF	African Wildlife Federation
CPI	Consumer Price Index
DANIDA	Danish International Development Agency
EC	European Community
EEC	European Economic Commission
EIL	Experiment in International Living
ERP	Economic Recovery Program
ESAF	Extended Structural Adjustment Facility
FAO	Food and Agriculture Organization
FD	Forestry Department
GDP	Gross Domestic Product
GEF	Global Environmental Facility
GNP	Gross National Product
GOU	Government of Uganda
IBRD	International Bank for Reconstruction and Development
ICO	International Coffee Organization
IEE	Initial Environmental Examination
ILO	International Labor Organization
IMF	International Monetary Fund
IUCN	International Union of Conservation and Nature
LTC	Land Tenure Center
MEP	Ministry of Environmental Protection
MTW	Ministry of Tourism and Wildlife
NEAP	National Environmental Action Plan
NORAD	Norwegian Agency for International Development
NPA	Non Project Assistance
NRMP	Natural Resources Management Plan
NUS\$	New Ugandan Shilling
ODA	Overseas Development Administration
PAAD	Program Assistance Approval Document
PAIP	Program Assistance Identification Paper
PASA	Participating Agency Service Agreement
PID	Project Implementation Document
PP	Project Paper
SAC	Structural Adjustment Credit
SAF	Structural Adjustment Facility
SDR	Special Drawing Rights
SIDA	Swedish International Development Agency

SIP	Special Import Program
UNDP	United Nations Development Programme
UNEP	United Nations Environment Programme
UNP	Uganda National Parks
UNRM	Uganda Natural Resources Management program
USAID	U.S. Agency for International Development
USNPS	U.S. National Park Service
WCI	Wildlife Conservation International
WCU	Wildlife Clubs of Uganda
WFP	World Food Programme
WRI	World Resources Institute
WWF	World Wildlife Fund

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Preliminary Institutional Analysis
of Natural Resource Sector

I. Introduction

The organizations, including Government of Uganda agencies, and indigenous structures which play a role in the management of the country's natural resource base are numerous. Some have existed for over a hundred years, others were created in the recent past. The political events of the past twenty years represent a common denominator for these institutions, and serve as a reminder that all administrative and managerial capacities are effectively neutralized in the absence of a stable socio-political context. Examination of the institutional capacity within the natural resource sector must acknowledge the primary necessity for civil security if the sector is to be managed effectively in the future.

II. Ministry of Environment Protection

The Ministry of Environment Protection (see organigram) was created in February 1986. Its function is "...to co-ordinate and regulate national efforts in the wise management of the life supporting natural resources so as to ensure their availability for sustainable development and the preservation of the human environment" (Proposals For Improving Performance of the Ministry of Environment Protection, M. Kintu, Sept 1989). While MEP enjoys solid political support, it has yet to provide strong leadership and guidance in the sector.

Contradictory internal policies, conflicts with other agencies, inadequate institutional resources, low salaries, and lack of coordination within the donor community have prevented MEP from assuming its function of centralized coordination.

Policies

A comprehensive environmental policy, with attendant legislation, has not been formulated for Uganda by MEP. Nevertheless, the International Union for the Conservation of Nature (IUCN-WCU) supported the preparation of a National Conservation Strategy, the Forest Department signed a new forest policy in 1988, the EEC is leading a review of the Forest Act (which regulates forest reserves but not National Parks) and providing technical assistance to examine policy questions, FAO and UNEP are assisting the GOU to prepare a national soil policy, UNEP funded background studies and the preparation of a strategic plan for

natural resources, and the World Bank is initiating a multi donor Environmental Action Program. In addition, various other GOU ministries have also produced policy guidelines on issues of environmental significance.

It is evident that even with sufficient technical, material, and human resources, MEP will be unable to take the lead on environmental management until it prepares a comprehensive national policy. Such a policy must provide clarity and balance for the resource managers in the different organizations involved in the sector. Production of such a policy must be undertaken very carefully, primarily due to the regional variability within the nation. Ecological, economic, social, political, and cultural situations are different by region, and policies which promote sound resource use in one area may prove environmentally and economically debilitating in another.

Departmental Issues

The historical orientations, both of Departments within MEP and of those in other Ministries, have pursued different objectives for the same set of resources. Land use priorities have been determined by designation of areas as either forest, game, or parks areas, rather than by land capability or economic need.

Forest Department

The Forest Department (FD) in Uganda maintained a reputation through the 1970's for high standards in its forest management capabilities. Management systems for natural forests evolved, based on experience generated through operations and research. Silvicultural systems were developed to generate regular yields of quality timber, and effective regeneration methods were refined. Unmarketable slash was sold to charcoal producers following harvest, thus facilitating regeneration of desirable species, and supplying valuable wood energy from otherwise under-utilized biomass. In addition, softwood plantations were established in the 1940's, to meet the nation's projected timber requirements. Finally, during the 1950's and 1960's, there was a recognition within the Forest Department that tree planting on public and private lands by local populations was the only way to meet biomass needs sustainably into the future.

Since the late 1970's, the FD has no longer maintained the capacity to carry out operations at a comparable scale. The recurrent and development (investment) budgets of the Department have declined to less than one-third of the levels of that time period. At the same time, staff numbers have increased significantly. The result has been a plethora of professionals, who lack the means by which to carry out their work, and who in

fact have never had the opportunity to develop valid field experience.

Since 1948, when the protective role of forests as emphasized in the 1929 Nicholson Report was downgraded in favor of an economically productive one, the Forest Department has sought to optimize monetary returns from the forest estate. Current senior professionals in the Department have been trained for the most part in the UK, where the science focuses on traditional timber production. While the faculty at Makerere University is knowledgeable about and sensitive to the important conservation issues within the discipline, the curriculum in the University's Forestry Department is still primarily production oriented.

The historical proclivity to maximize timber production is at odds with the inefficient pricing structure established for wood products. Stumpage costs do not reflect the value of the different products, and do not create incentives to modify consumption and demand patterns. Furthermore, the FD collection system is not effective. A more rigorous economic analysis and subsequent revision, of the permit and licensing structure, would result in greater revenue generation for the Department at lower levels of timber extraction.

Equally important, current extraction procedures are careless and destructive. Commercial concessions are leased regardless of actual stocking levels. Scientific data on regeneration rates of different forest types are weak, and the rates of exploitation which are or are not sustainable has never been investigated, much less established.

The emphasis in the Department on established strategies and perspectives also limits the opportunities for individuals with any other kind of approaches to play a significant role, and advance professionally, in the Department. Observations have been noted of a relatively closed decision-making circle within the Department, such that junior staff, with closer ties to actual field conditions, and with possibly greater exposure to principles of sustainability, are denied access to the decision-making process. Thus, even if interest exists within the Forest Department to initiate dialogue on the evolution and development of the appropriate role of the Department, the organizational structure is rigid and not open to such dialogue.

The vast amounts of financial assistance directed to the Forest Department in recent years have granted it an importance which far exceeds that of other structures within MEP. It is not at all clear that the Department has the capacity to absorb such levels of external monies. The inability of the Department to obligate funds at levels remotely resembling targets under the

first two years of the World Bank Forest Rehabilitation Project reinforces this concern.

While donor projects with the Forest Department present goals and objectives which include policy reform and institutional strengthening, only those extractive activities targeted have been implemented at significant levels at the present time. This has made it even more difficult for MEP to pursue a balanced course between protection and production.

A major constraint to effective resource management is the lack of communication, and even direct conflict, between organizations, which exacerbates the differing orientations of departments. The Forest Department is responsible for Forest Reserves. These are frequently surrounded by protected game or wildlife areas. Management guidelines for the two are very different, yet there is little effort to ensure a continuity of sound management when moving from one type of area designation to another. The Forest Department is not required to submit management plans for the Forest Reserves to Wildlife staff for review, prior to leasing commercial contracts for exploitation. The possible negative impacts on habitat management plans are evident.

Department of Environment

The Department of Environment, within MEP, is responsible for conservation, environmental education, and outreach. To date, the Department has not benefitted from the magnitude of donor assistance received by the Forest Department. Recently, funding was granted by NORAD to implement the Forest Conservation Project (Mt Elgon, Kibale, and Semliki). As this is essentially a forest management activity there is some sentiment in the Forest Department that the Project should fall within its own mandate.

Similar conflicts could arise over forestry extension activities, although the Forest Department has not demonstrated a clear interest in such activities in the past. Such disputes and power struggles within the Ministry are regularly brought before the Permanent Secretary for resolution, consuming time and resources which would be better directed elsewhere.

III. Ministry of Tourism and Wildlife

Historically, the Ministry of Tourism and Wildlife (MTW) was composed of the Commission for Tourism, the Commission for Wildlife, and the parastatal Corporations (including Uganda National Parks). The EEC is working with the MTW on questions of institutional reform. Restructuring within MTW calls for a

Director-General to sit under the Minister, with oversight for three Commissions, on Parks, Wildlife, and Planning Policy and action in the MTW are strongly directed by the Minister and the Permanent Secretary, not necessarily on the basis of scientific and technical knowledge. Significant emphasis has been given to tourism rehabilitation, at times at the expense of viable conservation strategies. Given the relatively strong institutional experience of private conservation organizations in Uganda, the MTW could benefit from the assimilation of the data such organizations have generated.

The legislation which governs Park and Game areas, and in particular that which prohibits any human activity in protected areas, is at variance with the realities in the field. This serves to further undermine the credibility of the MTW.

The Uganda National Parks has certain advantages which arise from its existence as a parastatal, including greater flexibility than a completely public sector agency, and representation on its managing board from within the private and academic sectors. However, UNP actually does not function entirely as a parastatal should, as it is primarily dependent upon the government for financial support. If 80% of its funding comes from the Ministry, it is not in fact a semi-autonomous body, and it becomes subservient to the Ministry. Furthermore, the total funding which UNP does receive, approximately \$10,000 per month, is insufficient to pursue its mandate properly.

Among the four National Parks in Uganda, only the Queen Elizabeth Park can be called operational in any sense of the word. The remaining three lack basic infrastructure and facilities to carry out management operations and accommodate visitors.

The Uganda Institute of Ecology represents the scientific and research arm of UNP. Its responsibilities include research, training and education, and conservation education as coordinated with the Wildlife Clubs of Uganda. Low levels of support to UIE have prevented it from taking a dynamic role in any of these areas.

Managerial responsibility for areas on which national parks and forest reserves overlap has never been clearly determined. Parks policy calls for strict conservation, Forest Department policy may call for extractive activities.

The Chief Game Warden, under the Commissioner for Wildlife, is limited in his role, largely because much of the land area for which he is responsible has been lost, to encroachment, degazetting, and other changes in land use planning. In addition, the logistical and human resource base on which he can

draw is limited.

The same conflicts which exist between the Forest Department and Wildlife Commission over management of contiguous areas, also present themselves in adjacent Park and Game areas.

The Commission for Wildlife has recognized the need to investigate management of wildlife on private land. Such management could improve nutritional intake of rural households, present a source of income through sale to growing urban markets, and reduce pressure on existing wildlife. Once again however, the institutional capacity to pursue this interest does not exist.

To date, examination of tourism issues has not been thorough. No global policy has been carefully prepared for the country. Economic analyses of the sector, including the costs and benefits of establishing an operational tourism infrastructure, have yet to be conducted. The complementary issues of carrying capacity for eco-tourism, and the international perceptions of the country as an attractive travel destination, must also be researched.

IV. Ministry of Agriculture

The history of agricultural research, extension, and training institutions in Uganda resembles that of the Forest Department. During the 1950's and 1960's, institutions were technically strong and, for the most part, operationally effective. The civil instability destroyed the capital infrastructure and tools necessary to pursue work, and the present salary scales are insufficient to motivate most civil servants.

If the Ministry was historically less strong in any area, it would have been that of sociological and economic background analyses, to accompany its strong research arm.

Agriculture in Uganda accounts for two thirds of the Gross Domestic Product (GDP), represents 80% of all employment in the country, and generates 99% of all export earnings. It is entirely dependent, and has direct impacts, on the natural resource base of the country. Agricultural clearing, along with fuelwood collection, represents the primary cause of deforestation.

The responsibility for farm forestry is one of the many grey areas among GOU rural development institutions today. Given that most agricultural production is produced on small holdings, and that food crops predominate on 90% of arable land, the agricultural extension agencies are those best placed to work with producers to improve on-farm resource management.

Reductions in post-harvest losses, currently estimated at 30%, could improve agricultural productivity significantly without requiring intensification of costly inputs or extension onto more marginal lands.

The GOU recently laid off all village level agricultural extension workers (Field Assistants). As a result, Parish level staff (Agricultural Assistants) are themselves now responsible for community extension.

V. Ministry of Energy

Fuelwood consumption is not included in most macro economic scenarios. Requirements for more efficient charcoal production, or incentives for substitution, warrant further investigation.

VI. Ministry of Planning and Economic Development

MPED is responsible for coordination of all bilateral and multilateral assistance. Recently, a staff member has been appointed to focus on environmental issues associated with donor activities and development programs. However, accurate natural resource accounting methods have not been incorporated into the multi-year GOU development plans. As a result, the actual cost of environmental degradation (through foregone agricultural production, health status of people and livestock, and future costs to offset current degradation) is not recognized.

The present Five Year Plan, recognizing the limitations which confront the government, focuses on decentralization. This strategy calls for enabling local structures to assume increasing responsibility for economic development and resource management.

VII. Ministry of Lands and Surveys

The need to establish a legal framework, as well as a national planning capability, for land use questions exists. Tenure issues should be clarified, appropriate, consistent, and enforced. A balance should be sought between human needs and those for wildlife conservation.

Current studies conducted by MISR and the University of Wisconsin's Land Tenure Center have investigated what determines land prices, and methods for valuating land and converting tenancies to ownership. These studies have led to better understanding of what leads to encroachment on protected areas and migration within the country.

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VIII. Makerere University

Institute for Environment & Natural Resources

Institute for Social Research

Biological Field Station

IX. Non-Governmental Organizations

The non-governmental organization (NGOs) operating in Uganda are numerous and complex. Their experience throughout the country, under a variety of circumstances, has been recognized by the Government as a valuable complement to its own limited infrastructure and agencies. In recent years, NGOs have demonstrated improved capabilities to work in the area of natural resource management. Nevertheless, regional differences and parochial interests, to say nothing of action taking place in isolation, preclude the achievement of the most effective results. Closer collaborative work with local institutions (traditional or those introduced by the Resistance Councils structure) will have positive results.

NGO activities are coordinated by the Prime Minister's office. In addition, UNDP, through the regional Africa 2000 network, is supporting the creation of a national network to increase resources available to NGOs.

X. Local Structures

A thorough examination of the opportunities presented by local institutions, conducted by the World Resources Institute, documents this subject area. While national policies provide the framework for rural development, it is these structures whose actions impact the rural decision-maker directly. They include:

:Traditional institutions-Local chiefs, granted authority under the Local Administration Act of 1967, largely to regulate and oversee the implementation of GOU policies. The abuse of this traditional hierarchy during the Amin administration has resulted in differing evaluations of these institutions.

:GOU Resistance Committee structures-A recent creation, the RCs are well-established, active, and apparently well-received by the rural population. Their purpose is more to mobilize and initiate activities in response to national directives.

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:NGOs-Several hundred, both indigenous and international, with different agendas and capabilities.

XI. Analytical Context

Any examination of the institutional dimensions in Uganda must be pursued within the context of a number of critical overriding issues.

Level of Institutional Resources: Capital infrastructure across all sectors in Uganda was decimated in the last two decades. This is particularly crippling to environmental management agencies, which, unlike certain other sectors, must maintain a continuous presence throughout the country in order to be effective. Under the current GOU, significant progress has been made to rebuild the transportation network. Within forest reserves and protected areas, work is also underway to maintain roads and boundary lines, and to restore or replace the physical plant. Given actual and projected levels of donor assistance, acquisition of vehicles and equipment should augment MEP capabilities in the near future. However, procurement activities and project disbursement schedules have been exceedingly far behind schedule in the last two years. This fact is apparently characteristic of deeper problems, not only within the MEP, but also with the convoluted procedures of the Central Tenderboard, and GOU procurement systems in general.

Civil Service Incentives: The minimal earning power of Ugandan civil servants is well documented. The current real value of GOU salaries is estimated at approximately 1% of what it was at independence. Purchasing power is insufficient to support the average household. As a result, civil servants must supplement their income, either through subsistence farming activities (which detract from time spent at work) or through fraudulent pursuits within their official responsibilities. The accessibility of land and trees increases the incentive for individuals to abuse regulatory functions, and highlights the need to clearly separate exploitation functions from regulatory ones.

Donor assistance in the area of macroeconomic reform and structural adjustment has illuminated the problems caused by a ballooning civil service during the past ten years. Correlations between excessive government spending and inflation discourage mere increases in the civil service salary structure (even if the resources existed to do so!).

Salary levels for professionals represent a critical obstacle to the development of the public sector. To overcome the shortage of qualified professionals, brought about in part by this

problem, the EEC and ODA are investigating possibilities of employing expatriate game wardens in certain national parks. However, supplemental salaries provided in one sector of the public service could lead to strong opposition from all other government civil service sectors. Nevertheless, an analysis of immediate and long-term staffing needs within the natural resource sector could be combined with the preparation of a strategy for overall human resources development and incentives for individuals' professional development.

Demographics: Development activities within the natural resource sector in Uganda must be accompanied by the preparation of a comprehensive strategy on population.

Economic development and forest resources: Economic development in Uganda must be based on sustainable natural resource exploitation. Under current land use patterns, the population will soon exceed the biophysical carrying capacity of the country. Information has not been generated on what is and what is not sustainable.

It is not clear that the size and extent of the remaining forests in Uganda are sufficient to generate significant economic returns from timber production on a sustainable basis. However, the size and extent of the remaining forests in Uganda are sufficient to generate goods and services of significant economic value on a sustainable basis. These would include watershed protection, tourism, maintenance of biological diversity, secondary products, and game, to name but a few. These would also guarantee greater diffusion of benefits among rural peoples.

Restructuring Ministries: The combination of the MEP and MTW into a single ministry should be sought. This would reduce certain political and ministerial "turf" battles. This would ensure greater coordination of resource management actions on contiguous, and even the same, land areas. Production and protection functions would be balanced more rationally. Coordination with donors, NGOs, and indigenous structures would be easier and more effective.

Forest resources outside protected areas: The issues of farm forestry, environmental education programs, and similar 'gray' areas, must be addressed and responsibility allocated to a specific GOU agency for oversight.

Endowments: The magnitude of donor financial assistance, combined with the lack of basic infrastructure, the difficult GOU economic situation, and the low incentive level for civil servants, warrants investigation of the establishment of an endowment fund to support conservation and development activities

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until that point in time that GOU activities were self-sufficient.

Inter-sectoral Coordination: The development of the EAP should provide certain inter-ministerial coordination and communication structures. Executors of the EAP should recognize their responsibility to design permanent structures, to ensure continuation, into the future, of the communication and cooperation envisioned as necessary for the exercise.

Variability: The complexity of the country, its people, and its resources are profound. The effectiveness of legal frameworks, policies, and institutions will vary for different people in different areas.

XII. Conclusion

The political support critical to effective broad-based economic development through improved natural resources management, exists in Uganda.

The infrastructure, including physical plant, transportation and communication networks, vehicles, tools, equipment, and supplies, must be rehabilitated to a minimally sufficient level before development agents can effect significant positive impacts.

Civil servants cannot be expected to exhibit high levels of motivation when salaries are insufficient to support a household. Nonetheless, training opportunities and strong leadership will yield dramatic changes in GOU agents' productivity.

Simple restoration of agricultural and natural resources technology packages,, and the capability to deliver them, which existed prior to 1970, will not resolve the environmental degradation occurring presently. Analysis of land use systems and socio-economic parameters of rural farmers must provide the basis for future research into environmental management and agricultural production systems.

Description of Uganda's
Foreign Exchange Pricing and Allocation System

This annex is an attempt to provide a preliminary description of critical elements of the foreign exchange allocation system in Uganda.

A. Exchange Rate Developments, 1987-90

The Government of Uganda (GOU) has undertaken active management of the shilling exchange rate over the 1987-90 period (see Table 1). The official exchange rate for the shilling has moved from 60 shillings per U.S. dollar in May 1987 to the March 1991 rate of 620 shillings per dollar. A high domestic inflation rate has reduced the impact of the devaluation of the nominal exchange rate. In the first half of 1990, the real effective exchange rate (REER) appreciated. (The REER is the nominal rate adjusted for the domestic inflation rate and inflation rates for the major trading partners, or in this case Kenya, the United Kingdom, and the U.S..) rose. However, since July the frequent and substantial devaluations have resulted in some depreciation in the REER. During this period, the inflation rate has gradually declined and the Government of Uganda (GOU) has continued to devalue. (See Table 2)

In addition to these measures, the Government of Uganda (GOU) legalized the parallel market and 41 forex bureaus were authorized to trade in foreign exchange in July 1990. The exchange rate at the forex bureaus has risen from around 640 in July to about 820 shillings per dollar in March 1991. The premium of the parallel market rate over the official rate has fallen from over 900 percent in 1985-86 to a current premium around 35%. Under an agreement with the IMF, the Government of Uganda (GOU) is committed to adjusting the official exchange rate to ensure that there is no real appreciation of the REER and with a goal of achieving a market-clearing rate by the end of 1991.

Table 1: Uganda official Exchange Rate
(Shilling per U.S. Dollar)

	<u>Mid-Rate</u>
MAY 1987 - JUNE 1988	60
JULY 1988 - DEC. 1988	150

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DEC. 1988 - MARCH 1989	165
MARCH 1989 - OCT. 1989	200
OCT. 1989 - NOV. 1989	340
NOV. 1989 - JAN. 1990	370
JAN. 1990 - FEB. 1990	375
FEB. 1990 - MAY 1990	379
MAY 1990 - JUNE 1990	384
JUNE 1990 - JUNE 1990	400
JUNE 1990 - AUG. 1990	440
AUG. 1990 - SEPT. 1990	450
SEPT. 1990 - NOV. 1990	480
NOV. 1990 - DEC. 1990	510
DEC. 1990 - JAN. 1991	540
JAN. 1991 - FEB. 1991	570
FEB. 1991 - MARCH 1991	600
MARCH 1991 -	640

Source: Bank of Uganda

Real Effective Exchange Rate Series - Nov 89 = 100

	Nov 89	Dec 89	Jan 90	Feb 90	Mar 90	Apr 90	May 90	Jun 90	Jul 90	Aug 90	Sept 90	Oct 90
(1) Bilateral Exchange Rates												
a) x/US\$												
Ush	370.00	370.00	375.00	379.00	379.00	379.00	384.00	400.00	440.00	450.00	480.00	480.00
UK	0.64	0.63	0.61	0.59	0.61	0.61	0.60	0.59	0.55	0.53	0.53	0.51
Kenya Shilling	21.72	21.78	21.69	21.79	22.68	23.04	22.99	23.20	23.04	23.15	23.22	23.09
b) Index : Ush/x (Nov 89 = 1.00)												
US\$	1.00	1.00	1.01	1.02	1.02	1.02	1.04	1.08	1.19	1.22	1.30	1.30
UK	1.00	1.00	1.06	1.10	1.06	1.07	1.10	1.17	1.37	1.46	1.56	1.60
Kenya Shilling	1.00	1.00	1.01	1.02	0.98	0.97	0.98	1.01	1.12	1.14	1.21	1.22
c) Weights												
US\$	0.33	0.33	0.33	0.33	0.33	0.33	0.33	0.33	0.33	0.33	0.33	0.33
UK	0.33	0.33	0.33	0.33	0.33	0.33	0.33	0.33	0.33	0.33	0.33	0.33
Kenya Shilling	0.33	0.33	0.33	0.33	0.33	0.33	0.33	0.33	0.33	0.33	0.33	0.33
(2) Nominal Effective Exchange Rate	100.00	100.36	102.94	104.89	102.10	101.78	103.98	108.67	122.35	126.49	134.78	136.42
(3) Real Effective Exchange Rate	100.00	99.90	95.84	97.67	96.34	98.31	99.12	106.45	121.01	119.81	120.81	116.68
a) Inflation Index												
Uganda 1/	165.10	166.90	180.00	180.80	179.50	177.70	181.20	177.10	176.40	184.80	197.70	209.70
USA	117.04	117.23	118.40	118.96	119.61	119.79	120.07	120.72	121.18	122.05	123.33	124.00
UK	125.30	125.62	126.40	127.08	128.24	132.09	133.39	133.98	135.19	135.02	136.73	136.91
Kenya	251.01	251.69	257.22	258.14	259.07	261.36	263.20	264.07	265.15	266.20	269.91	278.00
b) Inflation Index (Nov 89 = 1.00)												
Uganda	100.00	101.09	109.02	109.51	108.72	107.63	109.75	107.27	106.84	111.93	119.75	127.01
USA	100.00	100.16	101.16	101.64	102.20	102.35	102.59	103.15	103.54	104.28	105.38	105.95
UK	100.00	100.25	100.88	101.42	102.35	103.42	106.46	106.93	107.89	107.76	109.12	109.27
Kenya	100.00	101.46	102.48	102.84	103.21	104.12	104.86	105.20	105.63	106.05	107.53	110.75
c) Weights												
US\$	0.33	0.33	0.33	0.33	0.33	0.33	0.33	0.33	0.33	0.33	0.33	0.33
UK	0.33	0.33	0.33	0.33	0.33	0.33	0.33	0.33	0.33	0.33	0.33	0.33
Kenya	0.33	0.33	0.33	0.33	0.33	0.33	0.33	0.33	0.33	0.33	0.33	0.33
c) Weighted Int'l Inflation Index	100.00	100.62	101.51	101.97	102.58	103.96	104.52	105.08	105.67	106.02	107.33	108.64
d) Domestic Inflation Index	100.00	101.09	109.02	109.51	108.72	107.63	109.75	107.27	106.84	111.93	119.75	127.01
Memorandum:												
Parallel Exchange Rate (Ush/£)	715.00	751.00	763.00	716.00	642.00	644.00	650.00	657.00	640.00	700.42	731.38	721.77
Premium	93.2%	103.0%	103.5%	88.9%	69.4%	69.9%	69.3%	64.3%	45.5%	55.6%	52.4%	50.4%

1/ New Consumer Price Index

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On the foreign exchange expenditure side of the ledger, the official exchange rate is used by the GOU to price all petroleum imports (in terms of the shilling border price), all debt transactions, all project-related (i.e., primarily donor-funded) imports and all imports through the GOU's two foreign exchange allocation systems.

On the foreign exchange earnings side of the balance of payments ledger, the official exchange rate is used to convert all foreign exchange earnings from coffee exports, which amount to about 95 percent of merchandise exports. Additionally, all externally provided capital, including donor project funds, donor balance of payments support, and reserve transactions such as IMF flows, are converted at the official exchange rate. The parallel exchange rate is used to convert to shillings all transactions in the now-legalized parallel market, which includes primarily inward remittances (private transfers) and earnings from non-coffee exports.

As a consequence, despite the legalization of the parallel market, the Mission estimates that no more than one quarter of Uganda's annual merchandise import bill of \$600-plus million (including donor-funded project imports) has been purchased at a shilling valuation above the overvalued official exchange rate. On the other hand, a far greater proportion of imports are sold to end-users at prices that more closely reflect parity pricing through the parallel exchange rate. This premium earned by importers presents clear opportunities for rent-seeking activity, resulting from the usual incentive skewing directly caused by multiple exchange rate practices.

B. Foreign Exchange Allocation Systems

As of August 1990, there existed a number of different mechanisms for gaining access to foreign exchange for imports. These include (1) government's direct imports of petroleum and donor-funded commodities, (2) the OGL (open general license) allocation system, (3) the SIP (special import program) allocation system, and (4) the "no forex" system. (The dual licensing system introduced with A.I.D.'s support in 1988 exists in name but has been made irrelevant by the legalization of the parallel exchange surrender requirements). The first three of these operate at the official exchange rate, as noted earlier, while the last operates using the parallel exchange market.

1. Government Imports

Government's direct imports of petroleum amount to just over ten percent of merchandise imports, and foreign exchange for these is sourced to coffee export earnings.

Project-related imports by the government include those funded from donor financing, as well as (presumably) some on government's own account, also from coffee earnings. Project-related imports amount to about another forty percent of merchandise imports. All shilling import prices for government imports are converted at the official exchange rate. Fully fifty percent of Uganda's \$650 million in annual merchandise imports thus are direct government imports, with balance going through the various allocation and market schemes.

2. Open General License

This foreign exchange allocation system is actually a misnomer, being neither open nor general. With donor assistance the source of foreign exchange for this allocation system, the GOU in January 1988 fully implemented its OGL, and sells foreign exchange at the official exchange rate. Manufacturing firms in selected industrial sub-sectors were originally selected as eligible to use the system, based on their management abilities, and their access to credit and working capital. There is no indication how the selection criteria were applied. The number of sub-sectors was expanded in 1989, and the firm list was in March 1990 expanded to 63 firms. The OGL allocated foreign exchange to the eligible firms for imported inputs, with the firms generally producing mass consumption goods or generating significant tax revenues. In 1988, \$55 million was made available for OGL imports, but only about half that amount of licenses were issued, and a slightly lower amount were actually utilized. Data show that private sector firms were the overwhelming beneficiaries of the OGL, at least in 1988. Recent discussions between the GOU and the multilateral institutions have examined the possibility of expanding the OGL to embrace economic sectors outside manufacturing, such as agriculture, but no decisions have been taken yet.

3. Special Import Program

SIP-III is the current version of the SIP, and has replaced SIPs I and II. The eligibility list of firms is very broad, and there is only a short negative list of commodities. Foreign exchange is available through SIP-III on a first-come, first-served basis, and supplies of foreign exchange are currently sporadic and far short of market demand (at the official exchange rate). Under the SIP, the BOU (Bank of Uganda) from

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time to time announces the immediate availability of a certain amount of foreign exchange, and approves applications until that amount is exhausted. Although the exchange rate under the SIP is more favorable than under the "no forex" system, it appears that the laxity of customs control under the latter (permitting significant under-invoicing for tariff purposes) and some additional fees under the former can significantly reduce the apparent attractiveness of the SIP as a source of foreign exchange.

4. "No forex" Imports

This system of access to foreign exchange for imports, legalized since 1988, permits any legitimate importer with his own access to foreign exchange to import goods. Licensing occurs after the arrival of the imports, is very rudimentary, and serves primarily customs revenue and recording purposes. Sources of foreign exchange publicized when the system was introduced included primarily foreign exchange held abroad, but it was widely known that the (at the time) illegal parallel exchange market was a primary source of foreign exchange for such imports. This system clearly represented tacit GOU approval of the existence of a parallel market, and the magnitude of such imports was a significant one-third of non-government imports in each of the past two calendar years.

In 1988, with USAID's encouragement and support through ANEPP, the GOU began issuing dual export-import licenses to nontraditional exporters. The retentions unused by exporters were not legally transferable to any entity except the government, and that at the official exchange rate. This, according to our discussions with many exporters, reduced the incentive effort of such retentions and possibly inhibited greater expansion of exports at the time. This system can be considered a variant of the "no forex" system, in that it also provided tacit recognition of a parallel rate: exporters could import goods and sell these at prices reflecting the parallel rate.

This system has been overtaken by the June 1990 legalization of the parallel market. Vendors who purchase a license are permitted to buy and sell foreign exchange at uncontrolled exchange rates, the assumption being that competition will reduce disparities among vendors. On an annual basis, the parallel market should constitute about one-quarter to one-third of Uganda's imports in the near term.

PAIP GUIDANCE

The Action Program for the Environment (APE) PAIP was preceded by a concept paper titled Natural Resources and Tourism Management. AID/W reviewed the concept paper on April 3, 1990. The following summarizes the guidance resulting from the review and the response as presented in this PAIP.

1. Proposed activity is too geographically broad and staff intensive given its three major components and numerous sub-activities.

The PAIP is designed to keep Mission management requirements at a minimum. Technical assistance in the first component assigns the monitoring and evaluation responsibilities to contracted advisors. A competitively selected organization will manage the PVO/NGO umbrella grants under an Operational Program Grant. Under the new design, geographical locations are not an administrative burden to the Mission (see Program Description).

2. Premature to start something in tourism pending a decision on whether the Mission begins a program in Education.

The Mission will initiate a much needed program in education. It is no longer premature given the new direct hire and personal service contractor staffing levels for both Education and Natural Resources. Also, the proposed program design minimizes Mission management requirements.

3. Mission should re-evaluate the Agriculture sector before Mission goes into the tourism sector; and possibly consolidate programs in both the natural resource and agriculture area.

The Mission continues to center its country strategy on increasing agricultural growth. Natural resource management is a sub-sector of the agriculture program. The Mission strategy is to initiate the APE in an integrated manner and not to go into tourism per se at this time. Nature based tourism is an important aspect, however, of the program (see USAID Strategy for Natural Resource Management).

4. Mission should continue or expand on PVO/NGO nature oriented activities before doing tourism.

ANNEX F

The second component of the proposed program includes an umbrella grant to continue and expand the PVO/NGO activities. As stated, tourism is not the focus of this program, even though it is an important aspect of it. The design of the UNRM will encompass more than just PVO/NGOs.

5. Some in the Bureau question the short-run outlook for an investment in tourism to pay off. The Bureau felt that an economic analysis of Uganda's tourism industry would be required before the Mission moves ahead. The analyses would have to provide a realistic assessment of the amount of capital and recurrent foreign exchange investment required for tourism inputs.

The first component of this program will produce an economic analysis on Uganda's nature based tourism potential. In the meantime, the second component will fund some tourism infrastructure and sub-projects as part of the strategy to preserve the natural resources in the nation's parks and protected areas. Program and project funded tourist activities will only respond to current demand at its existing growth rate. Future activity in tourism will be determined after the economic analysis of tourism is completed.

6. USAID should not get involved in tourism infrastructure but rather focus on developing a policy environment that allows the private sector to build infrastructure.

The first component of this program will examine the policy environment necessary to encourage the private sector to invest in nature based tourism.

7. Continue some analysis of the natural resource policy arena using PD&S funds or consolidate ongoing PVO/NGO natural resource efforts and at the same time initiate some policy analysis.

The suggestion for analysis is being followed, but through the integrated program approach being proposed in this PAIP and not with the use of PD&S funds. As mentioned, this program will consolidate the PVO/NGO natural resource grants.

PVO AND NGO NRM ACTIVITIES IN UGANDA

1. U.S.A.I.D supported PVO/NGO projects

1.1 Development through Conservation

The Development through Conservation (DTC) project is implemented by World Wide Fund for Nature with a subcontract to CARE using funds from NRMS biodiversity allocations and supplemented by local currency allocations directly to CARE. The project is located in Southwestern Uganda in the Impenetrable, Mgahinga and Echuya Forest Reserves. Project focus is on the Impenetrable Forest and surrounding area.

The purpose of the project is to improve environmental quality of 86,500 subsistence farmers by protecting tropical afro-montane forests, and by improving agricultural productivity of farmers living in areas surrounding these forests. The project was amended in FY 90 for \$108,500 to continue activities initiated under the original FY 89 grant of \$246,000. The Mission was to provide U.S. \$2.6 million in local currency equivalent. Prior to initiation of UNRM in late FY 91, the mission has requested bridge funds of \$215,000 from FY 91 NRMS funds to continue activities. CARE is developing a proposal (U.S. \$ 3 million) to continue it's activities in a second phase.

The intermediate objectives of this project are to: (1) strengthen capabilities of government agencies and rural farmers; (2) increase communication among land users and government agencies; (3) improve planning for the management and protection of forest and agricultural lands; (4) maintain the natural resource base of the three forests and adjacent lands.

The project will establish both in-forest wildlife and vegetation research, as well as out-of-forest development activities. Outputs after ten years will include biological inventories, two forest management training courses, twenty-three tree nurseries and twenty-three land use plans.

CARE has prepared a proposal for a continuation of DTC activities for the next five years for LOP US\$ 3.6 million with 1.5 million from USAID, 250 thousand from CARE, and US\$ 1.5 million by the Government of Uganda (GOU) in monetized PL 480 commodities. The Government of Uganda (GOU) will provide the equivalent of US\$ 300 thousand in in-kind contributions.

ANNEX G

The new project strategy focuses on three overlapping areas: institutional strengthening of local and Government of Uganda (GOU) natural resource management capabilities; changing farmer's attitudes, knowledge and practices about natural resource conservation; and improving the productivity of farms and forests in the project area.

Project activities include forest inventories, environmental awareness, forest management plan development and tourism development as the in-forest activities, agro-forestry and sustainable agriculture development in the buffer zones and training and consultation at the institutional level.

1.2 Conservation and Management of the Kibale Forest

This FY 89 NRMS Biodiversity funded program is implemented by Wildlife Conservation International, a division of the New York Zoological Society. The \$237,000 two year project is supplemented by a \$84,875 contribution by WCI.

The project will develop tropical forest management plans for the Kibale Forest based on forest/wildlife inventories and research, and experiment with out-of-forest activities such as agro-forestry and community environmental education.

The objectives of the project are to : 1) continue monitoring of key wildlife species and ecological processes in undisturbed forest; 2) study the influence of human activities on the forest, particularly timber logging (pit sawing); 3) evaluate multiple use options for buffer zones (e.g. agro-forestry and extension); and 4) assist in the training of Ugandan scientists and technicians.

1.3 Rwenzori Forest Management

The purpose of this FY 89 USAID Mission-funded project of \$600,000 is to establish the Ruwenzori Forest as a National Park and to manage the area sustainably. The project will undertake a biological and socio-economic needs assessment in the first phase and implement conservation and development activities for the second phase. The project will be implemented by the World Wide Fund for Nature.

1.4 Impenetrable Forest Conservation Project

The Impenetrable Forest Conservation Project (IFCP), active since 1986 is funded by the World Wide Fund for Nature (U.S.) and USAID/Kampala PL 480 local currency fund. The project focus is on the conservation of the Mountain Gorilla in the Impenetrable Forest.

ANNEX G

The Impenetrable Forest has already been subjected to considerable destruction as a result of illegal and unplanned exploitation. Objectives of this project are to:

- provide a foundation for the long-term monitoring of the Impenetrable Forest's natural resources;
- develop an effective management and conservation policy for the Impenetrable Forest that can promote an improvement in the protected area status of the forest;
- implement practices to ensure the survival of the Impenetrable Forest Mountain Gorillas;
- take the initiative in promoting a long-term program of improved conservation practices in the Impenetrable and in surrounding areas, and in securing funding for the implementation of these practices;
- assist the Ugandan authorities in training personnel to implement recommended conservation and management practices;
- assess the number, distribution, population structure and conservation requirements of gorillas in the Impenetrable Forest.

In addition, there are 16 part-time "Conservation Education Assistants". Funding for these 22 individuals is provided jointly by the World Wide Fund for Nature (WWF) and the International Primate Protection League (IPPL).

1.5 Rwenzori Mountaineering Services (RMS)

Rwenzori Mountaineering Services (RMS) is a well organized indigenous membership NGO with mixed community development and profit motives. It provides tourist trekking services in the Rwenzori Mountains and manages a community development fund. It has been supported by PL 480 local currency entrance fees from tourists and membership fees from guides and porters.

1.6 EIL/CARE/WWF PVO NRMS

Under the Africa Bureau NRMS project a cooperative agreement with a consortium of three private voluntary organizations (Experiment in International Living, CARE and WWF) are providing technical assistance to U.S. based PVOs and indigenous NGOs through pilot program development, technical coordination and networking, developing capabilities in NRM policy dialogue, information exchange, workshops, and small grants to increase their

capabilities to implement natural resource activities. The project has targeted four countries: Mali, Cameroon, Madagascar and Uganda.

At present, this two year project has approximately \$250,000. allocated to Uganda. The project was initiated in September, 1989. It is not limited to any specific area of the country. The Private Voluntary Organizations Project (PVOP) managed by EIL in consortium with three Ugandan NGOs manage the project in Uganda. The NGOs are 1) Development Environment Network for Indigenous Voluntary Association (DENIVA), 2) Uganda Women Tree Planting Movement, 3) Uganda Forest Association.

A country working Group consisting of representatives from almost all of the PVOs and NGOs working in natural resources management in Uganda meet quarterly and participate in many aspects of the project including identification and design of selection criteria, proposal format, and reporting procedures.

The project has the following five themes for its natural resource activities: 1) indigenous trees/plants, 2) buffer zones, 3) appropriate energy development and conservation, 4) sustainable agriculture including soil and water conservation, agro-forestry, and food production, and 5) fish farming. Criteria for the projects funded include activities that have the potential to be replicated and to be used as models, demonstrations, and case studies relating to the priority themes. In addition, the subgrants are obligated in the areas of technical assistance, training and information support. Of the \$215,000 available for small grants, about \$40,000 has been allocated.

1.7 Private Voluntary Organizations Project (PVOP)

Managed by the Experiment in International Living, this project uses PL 480 local currency funding (\$150,000 in FY 89) in an NGO umbrella project. One of three sector foci is natural resources management. Fund subgrants have included development of a biological atlas of Uganda, tree planting by women's groups, conservation education and student housing construction at the Kibale forest. In addition, the project provides training in management, bookkeeping, and strategic planning.

1.8 West Nile Community Self-Reliance Project

The West Nile Community Self-Reliance Project recently approved by USAID Uganda is a follow-on project to the West Nile Agricultural Rehabilitation Project. The total cost of the project over five years will be US\$ 3.6 million of which three million will be from USAID, \$450,000 from CAPE, and \$149,000 from UNICEF (for the first year).

The project will assist village committees, through the Resistance Committee system, to develop and sustain self-help projects that meet locally determined needs in health and agriculture. Types of projects identified to date have included water development, oil seed cultivation and processing, grain cultivation and milling, vegetable and fruit cultivation, woodlots and improved on farm storage and domestic cooking facilities.

National Aids Prevention and Control

In January 1991, The Experiment in International Living (EIL) received an umbrella grant of ten million dollars over three years designed to limit the impact of the HIV/AIDS infection in target populations. As the lead organization, EIL will greatly expand its own preventive AIDS programs and those of other sub-grantees with demonstrated capability to provide similar, prevention services. The grant-funded services include anonymous testing, counseling, and peer group training and education.

The grant also provides funding for: new, important initiatives in sexually transmitted diseases (STDs) prevention and control; the Government of Uganda (GOU)'s new HIV/AIDS management structure; much-needed research; and evaluation of prevention programs. This grant builds on EIL's experience with a prior USAID grant in AIDS prevention, and provides the Government of Uganda (GOU) and USAID/Uganda with the capability to respond to the growing epidemic.

2. Major other donor-financed PVO/NGO activity

2.1 Lake Mburo National Park: Park Support and Community Conservation

The African Wildlife Foundation (AWF) with financing from the Swedish International Development Authority (SIDA) has initiated a three year project in and around Lake Mburo National Park. The Lake Mburo project is a community conservation/wildlife extension project based on AWF's successful "Protected Area: Neighbors as Partners" program in Kenya and Tanzania. Lake Mburo is the smallest national park in Uganda and it suffers from severe intrusion of cattle in the park. Since the park is within 3 hours of Kampala, the potential for tourism is great. The AWF project is working with Uganda National Parks to improve the integrity of the park by supporting the park itself and the communities surrounding it. This project will examine ways of sharing revenues from the park with the local people in return for local support of the park. This project is the first community conservation project for Uganda National Parks and AWF hopes to share its experience with Parks as they extend these activities to other areas.

2.2 EC Conservation of Natural Resources (National Parks) Project

The Conservation of Natural Resources (National Parks) Project financed by the European Community at ECU 3.1 million during the period 1985 to 1988 with a second phase of equal funding for the period 1989 to 1991. The project is primarily concerned with the general rehabilitation of the National Parks infrastructure: roads, machinery and buildings. A smaller sub-project supports the rehabilitation of the Uganda Institute of Ecology in Queen Elizabeth National Park. The Institute serves as the National Parks Scientific and technical advisor on management issues. A major activity of the Institute has been the development of a management plan for the Queen Elizabeth National Park. The third phase of the project will begin in late 1991 with an estimated budget of ECU 5-7 million. This phase will continue the infrastructural support for the parks but will also assist the Game Department. This phase will also redesign the Uganda Institute of Ecology and perhaps move it from Queen Elizabeth to Entebbe or Kampala.

2.3 World Bank Forestry Rehabilitation Program

Initiated in 1987 with multi-donor support this more than \$40 million dollar seven year program primarily supports the Forestry Department. The EC, NORAD and DANIDA are providing grant funds as a part of the program.

The overall objective of the project is to improve management of Uganda's forest resources to meet domestic needs for timber, fuelwood and other wood products on a sustained basis while at the same time increasing the area and improving the management of conservation forests in order to protect unique ecological systems. The specific objectives are summarized below:

- a) To increase the production of fuelwood and poles for the urban population through encouraging private wood farming in peri-urban areas and managed production of charcoal in natural forests.
- b) To increase the production of wood products for the rural population and conserve soil fertility through encouraging farmers and community groups to plant multi-purpose tree species for fuelwood, poles, fodder, fruit and soil enrichment.
- c) To manage and conserve Uganda's natural forests for sustained timber and charcoal production by the private sector, for revenue collection from logging, for environmental protection and nature conservation.

- d) To increase the productivity of the softwood plantations for sustained production by the private sector of timber, and to encourage a shift in exploitation for timber from the ecologically fragile natural forests to the softwood plantations.
- e) To provide logistical and institutional support to the Forestry Department for achievement of the above objectives and to create the information and management base for long-term planning for the development and conservation of Uganda's forest resources.

2.3.1 EC Natural Forest Management and Conservation Program

The Natural Forest Management and Conservation Program started in early 1988 as a component of the larger program with activities to include 1) demarcate the total forest estate of 700,000 ha. of natural high forest and 632,000 ha. savanna reserve, 2) reforestation of 17,000 ha. in high forest reserves, 3) central seed nursery establishment, 3) timber and charcoal royalty collection improvement, 4) timber yield research, 5) wildlife inventory in forest reserves, and 5) designation of 20% of the forest estate to protected areas and another 30% as buffer zones. The EDF grant contribution to the project over seven years will be ECU 8.5 million (approximately US\$ 10 million).

2.3.2 CARE/DANIDA Farm Forestry Program

\$ 11 million follow on to previous USAID-supported activity. The project includes community nurseries, and agro-forestry extension.

2.3.3 NORAD Peri-urban plantations

The Program is implemented by the Norwegian Forestry Society, a Norwegian NGO. This project is planting roughly 150 hectares/year of softwood/exotic tree species in six selected areas of the country.

2.4 Norwegian Forestry Society

A Norwegian NGO implementing activities in Uganda such as the Peri-urban plantations component of the World Bank project, field work for the National Biomass Survey as part of the World Bank/IDA Second Power project, a study of fuelwood end use, and training activities.

2.5.1 UNDP The Support to Wildlife and National Park Management Project

This project was initiated in 1987 in order to train and equip personnel in the Game Department and the Uganda National Parks. The objectives of the project are to:

- a. Evaluate the status of present and potential national parks and wildlife protected areas and to formulate recommendations on wildlife management and protected area conservation policy and legislation and strategies for Uganda.
- b. Increase management performance skills of technical staff of Uganda National Parks and the Game Department.
- c. Increase field efficiency of protection activities especially in pilot national parks and wildlife protected areas.

The project was reviewed in October, 1990 and unless renewed, will end in mid 1991.

2.5.2 UNDP Uganda Tourism Development Project

The Uganda Tourism Development Project was initiated in 1989 and provides technical assistance to the Ministry of Tourism and Wildlife's Planning office. This project recently produced a Perspective Plan for Uganda Tourism Development.

2.5.3 UNDP Forestry Training Project.

This project was established in 1987 and has provided training courses in silviculture and forest inventory.

2.6 Foundation for Ugandan Wildlife

A German NGO providing a technical advisor working in conservation education in the area of Queen Elizabeth National Park, to both the villages adjacent to the Park and the fishing villages inside the park. Some assistance has also been provided to the Wildlife Clubs of Uganda. The Foundation also secured, with funds from the International Foundation for Animal Welfare (IFAW), six used vehicles for use in anti-poaching activities. Financial support has also been provided by WWF, the Frankfurt Zoo and USAID.

2.7 WCU (IUCN) Sustainable Development and Forest Conservation Project

The project is organized by the Ministry of Environmental Protection in cooperation with the World Conservation Union (WCU: formerly the IUCN). The budget for 1989 was about half-a-million Swiss Francs. It operates in three districts Mbale, Kabarole and Bundibudgyo, and deals with three Forest Reserves, Mt. Elgon, Kibale and Semliki. However, 90% of the projects activities have been focused on Mt. Elgon. The next phase of the project will

concentrate on Mt. Elgon only in eastern Uganda. Little effort has been to develop operations in the two areas in western Uganda.

The objectives are to prevent further encroachment into the Forest Reserves and to limit over-exploitation.

3 Major Local NGOs in Uganda (ref. UNDP Africa 2000 Report)

The Government of Uganda (GOU), recognizing its limited implementation capacity has encouraged through local resistance councils, and indigenous NGO's self-help efforts for the alleviation of poverty. In most cases of NGO activity, there is a large component of natural resources management, awareness raising, education and environmental protection. In spite of their enthusiasm, it should be noted that the NGOs have many constraints because of the destruction of the infrastructure in the country during the past regimes.

3.1 Wildlife Clubs of Uganda (WCU)

This indigenous NGO is extremely decentralized. It was started in 1975 at Kibuli Secondary School. Contrary to its name, its mandate is broader than wildlife and it concerns itself with a wide range of environmental issues. The Secretary General of WCU, operates from physical premises made available to the organization by the Ministry of National Parks and Tourism. It was originally supported by AWF (African Wildlife Foundation), WWF and now also gets assistance on an ad hoc basis from UNDP, the Sheraton Hotel and others.

Its constituent members are 600 clubs, mostly in schools. Each district has its own chairperson. Not only does this make administration easy but each district can give its own perspective about environmental problems. In this way, indigenous priorities are highlighted. For instance, while the Forestry Department in the past regarded any tree not suitable for timber as a weed, local people looked at trees for shade, medicines, building material, and firewood.

By focusing on schools, the WCU raises awareness about the environment and influences the next generation to protect and to conserve. They help whenever possible to train teachers. They also hold seminars so that people have a proper understanding about the value of parks, the importance of nature to handicrafts and generally provide information about the environment. In rural reforestation programs they would prefer to spend more efforts on planting indigenous trees.

During the 1989/90 period, WCU had 16 projects which included several training workshops, and production of a wildlife magazine focusing on sustainable development, and awareness and support for field trips. These projects have not been budgeted in detail.

Recently, WCU has suffered from poor leadership and management. The Clubs are presently being reorganized after the disappearance of its Secretary General to Rwanda in relation to misappropriation of funds and equipment.

3.2 Uganda Forest Association

The Association was formed in 1986 by some professional foresters and concerned individuals as an organ to bridge the gap between the Forest Department of the Government and the need for the general public to be aware of the vital role played by forests in sustainable development. The Association also wanted to contribute to forest protection and utilization. As a nonprofit voluntary association, it has 4 major goals:

a) To create public awareness about the aesthetic and other non-measurable values of forests;

b) To work for the conservation, and sustainable utilization of forests;

c) To promote cooperation with other organizations, carry out studies, and disseminate information and apply research results in a practical way;

d) To develop the best management and utilization techniques in cooperation with the government and other concerned organizations.

Membership is open to all professional foresters, forest owners, wood processors and users as well as the other organizations and individuals engaged in forest related activities and who are ready to take positive steps.

There is a membership fee and an annual subscription. The Association works through a general assembly, Executive Committee and working committee. Its 11 officers elected for a 3 year period are mainly staff from the Forest Department and the University. It does not yet have any member from the user side. Even with this limitation the body is highly regarded because its executive consists of competent and senior people. The government has granted them premises at the Forest Research Centre at Nakawa.

Its main activities are to organize public lectures, arrange conferences and talks, produce forest-related films, slides and video, publish information booklets, posters and its own scientific newsletter. In March 1990 it held a national conference to discuss Eucalyptus. The forest department and Ministry of Agriculture's extension officers comprised more than 50% of the conference. The remainder came from NGOs and the private sector.

Another project which the Uganda Forest Association would like to start is an education campaign. Some US\$56,000 are needed with the bulk of the funding going for a mobile van.

Assistance from France valued at 2 million shillings led to about 1.5 million trees being planted in Tororo. In a farm/forest project, 8 million shillings were provided by DANIDA. In 1988 EEC started an aid program on natural forest management, by providing two experts but the Ugandan counterpart staff are not yet engaged. Through CARE 70,000 trees were planted in the Development Through Conservation (DTC) program. An incentive program in which one month's salary is given for three days of work has achieved remarkable results; 2,700 km of forest boundary were opened instead of the projected 1,500 km. At the country level, the Association relies on the RCs to help in the coordination and mobilization of people.

3.3 Joint Energy and Environment Program (JEEP)

JEEP started in 1981 as the Jinja Energy and Environment Project. When it extended its activities it changed its name. In the initial stages the Department of Forestry gave the organization considerable assistance. Since it started, 17 seminars have been held. JEEP has agreed to help several groups, including 5 active groups in Mukono; 3 each in Kampala and Masaka and one in Mubende. Membership in these groups tends to vary from 10 to over 50 women. Most groups prefer to become independent.

3.4 Development Network of Indigenous Voluntary Organizations (DENIVA)

This Network was established to coordinate voluntary organizations through funding from Ford Foundation. It is a member of the consortium administering the PVO/NGO NRMS project.

3.5 Uganda Women Tree Planting Movement (UWTPM)

The UWTPM was started in 1985 after the Chairperson and Founder members realized that it was time women did something for themselves rather than through proxies. Some resented the way they were being used by male dominated groups. UWTPM has an executive of 11, only the secretary is a full-time paid worker. The organization tries to get two members from each district.

These two along with two others generally form the Department of Forestry, a unit to promote tree planting activities. At the moment there are 400 paid up members and another 180 have not paid. Membership is 1000 Uganda shillings per annum out of which 300 goes to the national organization, 700 to the district branch.

Each woman is encouraged to plant 10 multiple purpose trees, to help in group tree nurseries, plant trees on boundaries and fruit trees close to the home or along paths near the homes and, in mountain areas, undertake anti-erosion activities. One of the major obstacles to monitoring activities is the lack of transport. The organization has collaborated with NCW to organize two workshops with assistance from FAO and UNSO.

In future UWTPM hopes to pay more attention to the conservation of fuelwood so as to lighten the load of women's work. It is proposed that representatives of the UWTPM be trained in the design of more efficient woodstoves to replace the traditional and wasteful three stone cook places.

3.6 Uganda Women Foundation

The Uganda Women Foundation was first registered as an Association in 1983. The National Secretary, a trained nurse herself, became concerned at the growing number of women who were neglected, widowed or otherwise in a desperate situation. Together with 12 other women an organization was created in Masaka District. A local benefactor gave several pieces of land which now amounts to about 120 acres. Another benefactor gave seven million shillings to start a dispensary and a school.

On the basis that poor women cannot develop alone, the Foundation tries to get women and children in a "family" or a club. In a village 40-90 women form a club. Women leaders are selected from the elders, the rich, MP's and district representatives. Poor widowed women and orphans are assisted to improve their lives. Since agriculture is important for survival there is some focus on this sector.

However, the need to create jobs is also emphasized. This includes weaving, tailoring, shoe making, and carpentry. Simultaneous efforts are directed to conserving firewood, brick making and tree planting. Literacy classes are held once a week. It is intended to start producing booklets on food and nutrition, tree planting, etc. To lighten the burden of women a day care centre will be started. At the moment there are 12 active centers with 900 clients concentrated mainly in Masaka and Mukono Districts. The intention is to spread to Hoima, where it is proposed to start a job creating centre. Approximately three to four million Uganda shillings (US\$1,000) will be required. There are 12 active centers.

3.7 National Council of Women (NCW)

The NCW is an umbrella organization concerned with activities by women in Uganda. Because it was started in 1975 through a decree by Idi Amin it has suffered from the stigma of being a group established by Amin. When the NRM Government came in and since it wanted to boost the status of women a Ministry of Women Affairs was created in 1988 in the President's Office.

Therefore, the NCW became more of a go-between for organizations looking after the interests of such associations like Mothers Union, YMCA, etc. The NCW has 33 district branches with coordinators, chairpersons, secretary and treasurer. Several branches are dormant.

The NCW is subsidized through the Ministry of Community Development but the amount is not clearly defined. Extra funds can be obtained for specific programs. In addition, the NCW gets money from registration fees and from certificates which cost Ushs. 1000/per group. These fees are divided 50:50 between the headquarters and the districts. There are 80 registered groups in Kampala alone. Its 13-strong secretariat deals with projects, monitoring and evaluation, education and publicity. A community forestry and a tree planting conference have already been held.

3.8 Uganda Rural Development and Training Program (URDT)

URDT was established as an indigenous NGO in 1987 and is directed by a small executive committee of three, chaired by Mr. Mwalimu Mushesha. Its main focus of attention for the next three years (1990-92) will be Kagadi subdistrict consisting of 3 parishes in central western Uganda. The Kagadi Agro-Forestry Project is designed to be an integrative project with the maximum participation of the beneficiaries themselves. It has a main office in Kagadi and a branch in Kampala for coordination and networking. Its budget in 1988 was \$30,000, and this has risen to \$44,000 in 1989. Funding has come from a variety of sources, in particular the African Food and Peace Foundation, UNICEF and UNDP.

The activities of the project focus on four major areas: (1) agro-forestry, (2) energy conservation technologies, (3) water management and sanitation, (4) conservation awareness and environmental education. These four activities were selected by a task force on the basis of site surveys and examination of existing farming groups in April 1989.

4. Training and Research Organizations

4.1 Makerere University

Makerere University was established in Kampala, in the 1950s for

the English-speaking countries of Eastern Africa. Like some of its counterparts in West Africa, Makerere University was one of the finest centers of higher learning in the tropics. Concern for the environment and a solid scientific tradition go back at least a decade before independence. Economic difficulties and the years of fighting have not left Makerere untouched.

In the national rehabilitation process the University has provided staff for several major programs including the Program for the Alleviation of Poverty and the Social Costs of Adjustment (PAPSCA), and to UNICEF in the preparation of the Uganda Country Program Plan of Action 1990-1995. The government expects the MUIENR (Makerere University Institute for Environment and Natural Resources), MUBFS (Makerere University Biological Field Station) and other university bodies to fill many of the local gaps in environmental management skills.

As a result of the concern of staff members in the Faculties of Science, Agriculture and the Geography Department, a new department of environmental studies was established at the Makerere main campus (MUIENR) plus a collaborating field station in western Uganda (MUBFS). The main purpose of this department is to sustain the development of local expertise at the postgraduate level.

4.1.1 The Centre for Continuing Education

The Centre for Continuing Education of the Department of Community Education and Extra-Mural Studies at Makerere has a five-year plan which aims to depart radically from its traditional focus on the "thinking or schooled public" with its bias towards urban centers. The syllabus was largely liberal and non-vocational. Resources and inputs henceforth will be oriented towards the rural sector and for the development of the entire Ugandan society. It is proposed that the message should reach the grassroots level, that women should be well represented and that the activities themselves should be geared towards the identified needs of communities at all levels. Very specifically the three areas of concentration will be: (1) adult education for natural resources, (2) management and food self-sufficiency, (3) security for sustainable development.

The department intends to work in partnership with the government and the intergovernmental agencies as well as cooperate closely with NGOs and local groups through pilot projects. Its 13 point objectives are well-stated and attainable.

Currently there are seven regional offices located in Arua, Gulu, Mbale, Jinja, Kampala, Fort Portal, and Kabale. New offices are being proposed for resident tutors and organizers in Hoima, Lira, Masaka, Mbarara, Mityana, Moroto and Soroti. The

citing of these field stations at strategic locations in Uganda should enhance backup technical, research and communication facilities. Growth remains an aspiration.

4.1.2 Makerere University Institute of Environment and Natural Resources (MUIENR)

The Institute of Environment and Natural Resources rose out of a disillusionment in the Science Faculty about the then prevailing structure left at the University and the need for an interdisciplinary approach to the growing environmental problems in Uganda. At present, MUIENR has a core staff of only three, but calls on other staff in the Faculty of Science whenever necessary. The main emphasis is teaching at the postgraduate level. There is reluctance to get involved at an undergraduate level mainly on the basis that candidates may not be employable after completing their studies. However, the Geography Department in the Faculty of Arts offers a course at an undergraduate level in environmental management.

Funding has come from several sources including EEC and UNDP but it has been slow. There is an project creating an atlas of the flora and Fauna of Uganda. A core grant of US\$ 300,000 for five postgraduate students has helped in fieldwork activities. Currently there are nine postgraduates in the first year; seven in the second year. Four of the postgraduates are looking at wetlands; specifically, they are researching on the consequences of human interaction, use of botanic resources, fisheries and the problems of pollution. The field research of the other three is on forest management.

MUIENR initiated an Environmental Impact Assessment of the salt mining activities in the Rift Valley and of copper tailing with the assistance of IUCN. Funds were also obtained from UNDP and EEC as well as from other sources.

4.1.3 Makerere University Biological Field Station (MUBFS)

Established in 1987, MUBFS is the field training and research arm for the University's environmental studies program. The station is located in western Uganda near Fort Portal in the Kibale Forest Reserve. MUBFS was created a through cooperative agreement with Wildlife Conservation International (WCI), Makerere University and the Government of Uganda (GOU). The field station builds upon the long term research and training activities of WCI in forest ecology and primatology which were initiated in 1970 through the Kibale Forest Project. The station has been one of the most productive scientific field stations (over 150 scientific publications by 35 national and international researchers) in forest ecology in the world. At present, Harvard University maintains the largest international research presence at the station through its chimpanzee and

forest ecology program.

EC and USAID funding has provided support for infrastructure, research and conservation extension program. The Kibale Forest Tree Planting Project is the conservation extension arm of the station. This project is the oldest agro-forestry/indigenous tree species extension project working around a forest reserve in Uganda. The project is small scale but effective in the areas within its reach.

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LIST OF PVOS AND NGOS ACTIVE IN NATURAL RESOURCE MANAGEMENT

1. Private Voluntary Organization Project
2. Aboke Tree Project
3. Uganda Women Tree Planting Movement
4. Makerere Women Association
5. Centre for Continuing Education, Makerere
6. National Council of Women
7. Lutheran World Federation
8. CARE
9. Uganda Rural Development and Tree Planting
10. Multiple purpose Training and Employment Association
11. Uganda Scouts Association
12. Bagalanyi Rural Development Association
13. Joint Energy and Environment Association
14. Ruwenzori Mountaineering Services
15. Multi-Sectoral Rural Development Project
16. Women in Environment
17. Uganda Charitable Benevolent Team Work
18. Uganda Red Cross Society
19. World Vision
20. Interaid
21. Kafo Development Association
22. Heritage Centre
23. Agricultural Processing and Manufacturing Project
24. Vision Te'rado
25. Makerere University Institute of Environment and Natural Resources
26. Makerere University Biological Field Station
27. Mennonite Central Committee
28. Kiteredde Construction Institute
29. Heritage and Art Foundation
30. Wildlife Clubs of Uganda
31. Christian Children Fund
32. African Wildlife Foundation
33. Kasakye Enterprise
34. Soil Test Makerere University
35. Experiment in International Living
36. Uganda Forest Association
37. Action Aid
38. Church of Uganda Agricultural College
39. Wildlife Conservation International
40. Toka Farmers Association
41. Eastern Development Association
42. Accord
43. Country Development Agency
44. Orunachinga Valley Development Agency
45. Christian Reforme World Relief Committee
46. Uganda Women Environment Protection Association
47. AFRENA (ICRAF)
48. Development Network of Indigenous Voluntary Association
49. STOPPA - Save Trees or Preserve Association Ltd.
50. World Wide Fund for Nature

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SUBJECT: BIODIVERSITY FY 90 APPROPRIATIONS ACT WAIVER OF SECTION 660 RESTRICTIONS AGAINST ASSISTANCE TO LAW ENFORCEMENT FORCES FOR BIODIVERSITY ACTIVITIES

REF: A) LUSAKA 4538; B) GABORONE 06187; C) DAR ES SALAAM 6166; D) NAIROBI 34326

1. SUMMARY: THE FY 90 FOREIGN ASSISTANCE APPROPRIATIONS ACT AMENDED SECTION 119(B) (BIODIVERSITY) OF THE FOREIGN ASSISTANCE ACT OF 1961, AS AMENDED (THE FAA) TO WAIVE THE PROHIBITIONS CONTAINED IN FAA SECTION 660 (PROHIBITING ASSISTANCE TO LAW ENFORCEMENT FORCES OR FOR PROGRAMS OF INTERNAL INTELLIGENCE OR SURVEILLANCE) FOR BIOLOGICAL DIVERSITY ACTIVITIES AUTHORIZED BY FAA SECTION 119(B). HOWEVER, THE AGENCY STILL NEEDS TO BE SENSITIVE TO THE TYPES OF LAW-ENFORCEMENT FORCES OR ACTIVITIES IT MAY BE ASSISTING UNDER SECTION 119(B). THE AGENCY IS CURRENTLY DEVELOPING ITS POLICY CONCERNING THIS SECTION 660 WAIVER AS A GENERAL MATTER. THIS CABLE PROVIDES INTERIM AFRICA BUREAU POLICY GUIDANCE TO MISSIONS AND INDICATES THE TYPES OF ACTIVITIES THAT SHOULD BE REFERRED TO AID/W FOR

POLICY CONSIDERATION PENDING ISSUANCE OF FINAL GUIDANCE. THIS CABLE ALSO PROVIDES GUIDANCE ON 2 SPECIFIC AFRICA BUREAU ACTIVITIES. END SUMMARY.

2. FAA SECTION 660. FAA SECTION 660(A) PROHIBITS THE USE OF ANY FUNDS APPROPRIATED TO CARRY OUT THE FAA, AND ANY LOCAL CURRENCIES GENERATED UNDER THE FAA, TO PROVIDE TRAINING OR ADVICE, OR PROVIDE ANY FINANCIAL SUPPORT FOR POLICE, PRISONS, OR OTHER LAW ENFORCEMENT FORCES FOR ANY FOREIGN GOVERNMENT OR ANY PROGRAM OF INTERNAL INTELLIGENCE OR SURVEILLANCE ON BEHALF OF ANY FOREIGN GOVERNMENT WITHIN THE UNITED STATES OR ABROAD. THUS, THE SECTION 660 PROHIBITION APPLIES TO ANY ASSISTANCE, INCLUDING LOCAL CURRENCY ASSISTANCE, TO A LAW ENFORCEMENT FORCE, EVEN IF THE ASSISTANCE IS OF A TYPE NOT NORMALLY THOUGHT OF AS A LAW ENFORCEMENT ACTIVITY, SUCH AS PROVISION OF DHSXS FOR HEADQUARTERS. WHETHER A PARTICULAR ORGANIZATION IS DEEMED TO BE A LAW

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ENFORCEMENT FORCE UNDER THE STANDARDS OF SECTION 660 DEPENDS UPON A NUMBER OF FACTORS, SUCH AS WHETHER THE MEMBERS HAVE AUTHORITY TO CARRY WEAPONS, ARREST, DETAIN, OR OTHERWISE ENFORCE LAWS. UNDER THE STANDARDS OF SECTION 660 MANY HOST GOVERNMENT WILDLIFE DEPARTMENTS AND NATURAL RESOURCES PROTECTION AGENCIES ARE CONSIDERED TO BE LAW ENFORCEMENT FORCES. THE APPLICABLE RIA OR AID/W GC SHOULD ALWAYS BE CONSULTED ON THIS POINT.

3. FY 90 APPROPRIATIONS ACT AMENDMENT. SECTION 533(D)(4) OF THE FY 90 FOREIGN ASSISTANCE APPROPRIATIONS ACT, WHICH WAS SIGNED BY THE PRESIDENT ON NOVEMBER 21, 1989, WAIVES SECTION 660 FOR ASSISTANCE ENCOMPASSED WITHIN FAA SECTION 119(B), FOR FY 90 AND SUBSEQUENT YEAR FUNDS, AND FOR PREVIOUSLY OBLIGATED FUNDS EXPENDED IN FY 90. SPECIFICALLY, SECTION 533(D)(4) STATES IN RELEVANT PART THAT QUOTE (A) SECTION 119(B) OF THE FOREIGN ASSISTANCE ACT OF 1961 IS AMENDED BY INSERTING "NOTWITHSTANDING SECTION 660," AFTER "THIS PART".... (C) FUNDS OBLIGATED IN PRIOR FISCAL YEARS PURSUANT TO THE AUTHORITY OF SECTION 119(B) MAY BE EXPENDED IN FISCAL YEAR 1990 PURSUANT TO THE AUTHORITY OF SUCH SECTION AS AMENDED BY SUBPARAGRAPH (A). UNQUOTE

THE ONLY RELATED CONGRESSIONAL REPORT STATEMENT IS CONTAINED IN THE SENATE FOREIGN RELATIONS COMMITTEE REPORT ON A SIMILAR PROVISION (SECTION 309) CONTAINED IN THE UNENACTED FY 90 FOREIGN ASSISTANCE AUTHORIZATION ACT. THAT REPORT, WHILE NOT SECTION 533(D)(4)'S LEGISLATIVE HISTORY, STATES THAT "SECTION 309 AMENDS

SECTION 119(B) OF THE FAA TO WAIVE THE PROHIBITION OF SECTION 660 OF THE ACT, RELATING TO POLICE TRAINING, AS IT APPLIES TO EXISTING AUTHORITY IN SECTION 119 TO PROVIDE ASSISTANCE TO LAW ENFORCEMENT FORCES FOR THE PURPOSE OF ENFORCING ANTI-POACHING MEASURES, SUCH AS PROCUREMENT OF HELICOPTERS, MOTOR VEHICLES AND COMMUNICATIONS EQUIPMENT AND TECHNICAL ADVICE. THIS SECTION IS INTENDED TO EXPAND EXISTING AUTHORITY TO PROVIDE COMPREHENSIVE PROTECTION FOR NATURAL RESOURCES, INCLUDING BIOLOGICAL DIVERSITY, TROPICAL FORESTS, COASTAL RESOURCES, WILDLIFE HABITATS AND PLANT LIFE."

4. FAA SECTION 119(B). TO BENEFIT FROM THE SECTION 533(D)(4) WAIVER, ASSISTANCE MUST COME WITHIN THE SCOPE OF SECTION 119(B). SECTION 119(B), AS AMENDED BY THE FY 90 APPROPRIATIONS ACT, STATES THAT "IN ORDER TO PRESERVE BIOLOGICAL DIVERSITY, THE PRESIDENT IS AUTHORIZED TO FURNISH ASSISTANCE UNDER THIS PART, NOTWITHSTANDING SECTION 660, TO ASSIST COUNTRIES IN PROTECTING AND MAINTAINING WILDLIFE SANCTUARIES, RESERVES, AND PARKS;

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TO ENACT AND ENFORCE ANTI-POACHING MEASURES; AND TO IDENTIFY, STUDY, AND CATALOG ANIMAL AND PLANT SPECIES, ESPECIALLY IN TROPICAL ENVIRONMENTS."

A.I.D. MAY BE REQUESTED TO ASSIST DEVELOPMENT OR IMPLEMENTATION OF A WILDLIFE MANAGEMENT PLAN WHICH MAY INVOLVE WILDLIFE MANAGEMENT CULLING, OR HUNTING BY TOURISTS OR LOCALS, AS ONE ASPECT. PRESENCE OF SUCH AN ELEMENT NEED NOT BE FATAL TO INCLUSION OF THE ASSISTANCE WITHIN SECTION 119(B), OR ITS ACCEPTABILITY ON POLICY GROUNDS, DEPENDING UPON THE FACTS OF THE CASE. RELEVANT FACTORS WOULD INCLUDE THE PRESENCE OF A SOUND OVERALL WILDLIFE MANAGEMENT PLAN, THE COUNTRY'S OWN WILDLIFE MANAGEMENT LAWS, THE PRESENCE OF RESPECTED CONSERVATIONIST PVO, ETC.

5. SECTION 533(D)(4) POLICY CONSIDERATIONS. (A) AS A POLICY MATTER, THE AGENCY STILL NEEDS TO BE SENSITIVE TO THE TYPES OF LAW-ENFORCEMENT FORCES OR ACTIVITIES IT MAY BE ASSISTING, EVEN WHERE THEY ARE LEGALLY PERMISSIBLE UNDER SECTION 119(B). THIS POLICY SENSITIVITY ARISES FROM SEVERAL CONCERNS, INCLUDING THE POTENTIAL FOR ABUSE OR DIVERSION OF THE ASSISTANCE FOR LAW ENFORCEMENT ACTIVITIES OUTSIDE THE SCOPE OR INTENT OF SECTION 119(B), AND THE POTENTIAL FOR ALLEGATIONS OF MISCONDUCT IN LAW ENFORCEMENT ACTIVITIES THAT COULD ADVERSELY AFFECT THE IMAGE OF THE UNITED STATES IF UNITED STATES FUNDING IS ASSOCIATED WITH SUCH LAW ENFORCEMENT

ACTIVITIES. THE AGENCY IS CURRENTLY DEVELOPING ITS POLICY CONCERNING THIS SECTION 650 WAIVER AS A GENERAL MATTER. HOWEVER, WE RECOGNIZE THAT CERTAIN SPECIFIC ACTIVITIES NEED TO PROCEED PENDING ISSUANCE OF FINAL POLICY GUIDANCE. THIS CABLE PROVIDES INTERIM AFRICA BUREAU POLICY GUIDANCE, WITH THE CLEARANCE OF PPO AND THE AGENCY ENVIRONMENTAL COORDINATOR, AND INDICATES THE TYPES OF ACTIVITIES THAT SHOULD BE REFERRED TO AID/W FOR POLICY CONSIDERATION PENDING ISSUANCE OF FINAL GUIDANCE. CONSULTATION WITH AID/W IN BORDERLINE CASES IS ENCOURAGED PENDING ISSUANCE OF FINAL GUIDANCE. AMONG OTHER THINGS, EXAMINATION OF A NUMBER OF CONCRETE SITUATIONS WILL HELP TO MAKE THE FINAL GUIDANCE MORE USEFUL. ADDITIONALLY, ANY SPECIFIC OR GENERAL COMMENTS ARE WELCOME.

(B) SPECIFIC GUIDANCE. THE FOLLOWING SPECIFIC INTERIM POLICY GUIDANCE APPLIES TO ACTIVITIES WHICH WOULD OTHERWISE BE PROHIBITED BY SECTION 652 IF IT WERE NOT FOR THE SECTION 533(D)(4) WAIVER, OR TO ACTIVITIES WHICH, WHILE NOT PROHIBITED BY SECTION 652, ARE SO CLOSELY ASSOCIATED WITH LAW ENFORCEMENT FORCES OR ACTIVITIES AS TO CREATE THE APPEARANCE OF A SECTION 652 CONCERN:

(1) ANY PROPOSED ASSISTANCE TO A LAW ENFORCEMENT FORCE WHOSE PRIMARY FUNCTION IS NOT THE CONDUCT OF NATURAL RESOURCES ACTIVITIES SHOULD BE REFERRED TO AID/W.

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(2) THE OPPORTUNITIES FOR ABUSE OR DIVERSION OF THE A.I.D. ASSISTANCE SHOULD BE EXPLICITLY WEIGHED IN THE DESIGN OF EACH ACTIVITY.

(3) THE AVAILABILITY OF FINANCING FROM OTHER MORE APPROPRIATE USE AGENCIES (E.G. U.S. FISH AND WILDLIFE SERVICE), OR OTHER DONORS SHOULD BE EXPLORED.

(4) ANY PROPOSED ASSISTANCE WHICH WOULD BE DIRECTLY ASSOCIATED WITH LETHAL FORCE SHOULD BE REFERRED TO AID/W FOR REVIEW. THIS WOULD INCLUDE, WITHOUT LIMITATION, PROVISION OF WEAPONS, GUNMOUNTED AIRCRAFT OR MOTOR VEHICLES, OR TRAINING IN THE USE OF WEAPONS. ANY DETENTION-RELATED ASSISTANCE SHOULD ALSO BE REFERRED TO AID/W.

(5) PROVISION OF VEHICLES, COMMUNICATIONS EQUIPMENT, OR AIRCRAFT IS NOT A PROBLEM PER SE, UNLESS OTHER SPECIAL FACTORS ARE PRESENT. HOWEVER, MAINTENANCE AND RECURRENT

COST CONSIDERATIONS DO NEED TO BE ADDRESSED FOR ALL OF THESE ITEMS, PARTICULARLY FOR AIRCRAFT.

(6) ANY ACTIVITY WHICH COULD RESULT IN POTENTIAL EMBARRASSMENT TO THE UNITED STATES SHOULD BE REFERRED TO AID/W.

(7) THE APPLICABLE PLA SHOULD BE CLOSELY INVOLVED IN ACTIVITY DESIGN AND PREPARATION OF AGREEMENTS TO ASSURE INCLUSION IF NECESSARY, OF ENFORCEABLE USE OR ACTIVITY RESTRICTIONS IN THE AGREEMENTS TO ADEQUATELY SAFEGUARD UNITED STATES INTERESTS AND ENSURE REVIEW OF SPECIFIC SITUATIONS AS THEY ARISE DURING IMPLEMENTATION.

6. TANZANIA-AFRICAN WILDLIFE FEDERATION OPG. THE OPG PROPOSAL SUBMITTED BY THE AFRICAN WILDLIFE FEDERATION ("AWF") ESSENTIALLY REQUESTS SUPPORT TO ENABLE AWF TO

ASSIST THE WILDLIFE DIVISION ("WD") IN MANAGEMENT ORGANIZATION; IN DEVELOPING PLANS FOR SUSTAINABLE ECONOMIC MANAGEMENT OF THE WILDLIFE SECTOR, INCLUDING TOURIST VIEWING, TOURIST HUNTING, HUNTING BY THE LOCAL POPULACE AND CONTROL OF ILLEGAL HUNTING; AND IN CARRYING OUT INVESTIGATIONS AT SHORT NOTICE OF URGENT WILDLIFE MANAGEMENT PROBLEMS. THE PROPOSAL DOES NOT CONTAIN SUFFICIENT INFORMATION ABOUT THE WILDLIFE DIVISION TO ENABLE AID/W TO MAKE A JUDGMENT AS TO WHETHER THE WD WOULD BE DEEMED TO BE A LAW ENFORCEMENT FORCE AS DEFINED BY SECTION 66B. WE SUGGEST THAT THE FIELD REVIEW THIS POINT WITH THE RIA, AS WELL AS WHETHER THE PLANS/PROGRAMS WILL SUPPORT SOUND WILDLIFE DEVELOPMENT, THUS FALLING WITHIN SECTION 119(B). THE FACT THAT SUCH PLANS OR PROGRAMS INCLUDE WILDLIFE HUNTING SHOULD NOT BE FATAL, IF THEY ARE A NECESSARY PART OF AN OVERALL SOUND WILDLIFE MANAGEMENT PLAN. THE PRESENCE OF THE AWF MAY ALSO BE AN IMPORTANT SAFEGUARD REGARDING THE HUNTING. IN GENERAL, THE EQUIPMENT ON THE OPG EQUIPMENT LIST (VEHICLES, COMPUTERS, CESSNA AIRCRAFT MODIFIED AND EQUIPPED FOR AERIAL SURVEYS AND RAPID INVESTIGATION OF WILDLIFE MANAGEMENT PROBLEMS) DOES NOT APPEAR TO POSE A POLICY PROBLEM, ALTHOUGH THE SECOND USE OF THE CESSNA EQUIPMENT IS UNCLEAR. THE DESCRIPTION (PAGE 5) OF CERTAIN ASSISTANCE TO DESIGN SPECIFIC FIELD PROJECTS AND TO UNDERTAKE SHORT FIELD ASSESSMENTS INCLUDING RAPID INVESTIGATION OF REPORTED PROBLEMS AND EVALUATION OF PROJECTS, IS QUITE GENERAL. IF THE PROPOSED ACTIVITIES OR EQUIPMENT CHANGE OR BECOME FLESHED OUT IN WAYS INDICATED IN PARA 5B ABOVE, AID/W SHOULD BE CONSULTED PENDING ISSUANCE OF FINAL GUIDANCE. WHERE THE SECTION

66B WAIVER IS APPLICABLE, THE OPG NEED NOT CONTAIN THE ABSOLUTE PROHIBITION PROPOSED REF. C PARA E, THAT NO PROJECT FUNDS WILL BE USED FOR ANY TYPE OF LAW ENFORCEMENT/DETENTION ACTIVITIES. RATHER, THE OPG COULD CONTAIN A CLAUSE ALONG THE LINES OF PROHIBITING ASSISTANCE TO ANY LAW ENFORCEMENT FORCE OR LAW ENFORCEMENT ACTIVITY, EXCEPT AS SPECIFICALLY DEFINED IN THE OPG OR EXCEPT AS A.I.D. MAY OTHERWISE AGREE IN WRITING.

7. SOUTHERN AFRICA REGIONAL NATURAL RESOURCES PROJECT-ZAMBIA COMPONENT. THE EQUIPMENT ON THE PP EQUIPMENT LIST (VEHICLES, SPARE PARTS AND SURVEY EQUIPMENT FOR A CESSNA, COMMUNICATIONS EQUIPMENT, AND UNIFORMS) DOES NOT APPEAR TO PRESENT A POLICY PROBLEM ON ITS FACE. THE PP DESCRIPTION OF THE PROJECT TRAINING OF UNIT LEADERS, VILLAGZ SCOUTS, AND SENIOR PERSONNEL WITHIN THE NPWS TO EFFECT ITS RESOURCES MANAGEMENT AND PROTECTION PROGRAMS IS QUITE GENERAL. AS IN THE TANZANIA CASE, IF THE EQUIPMENT LIST CHANGES, OR IF ACTIVITIES ARE PROPOSED OR BECOME FLESHED OUT IN WAYS INDICATED IN PARA 5B ABOVE, AID/W SHOULD BE CONSULTED PENDING ISSUANCE OF FINAL GUIDANCE. A TV FOR THE ZAMBIA COMPONENT WAS SUBMITTED ON NOVEMBER 27, 1989, AND THE 15-DAY WAITING PERIOD HAS EXPIRED WITHOUT OBJECTION.

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8. ANY COMMENTS OR REQUESTS FOR AID/W REVIEW OF
SPECIFIC ACTIVITIES AND AS DESCRIBED IN PARA 5 AND ITS
SUBSECTIONS SHOULD BE ADDRESSED TO AFR/TR/ARD/NR, WITH
AN INFORMATION COPY TO GC/AFR AND PPC/PDPR. BAKER

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