Environment and Natural Resources as a Core Asset in the IGAD Region for wealth creation, Poverty Reduction and Sustainable Development

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List of Acronyms

AAPAM ..... African Association for Public Administration and Management
AGOA..... African Growth and Opportunity Act
ANS..... Adjusted Net Savings
BMUs ..... Beach Management Units
BOU ..... Bank of Uganda
CEAs..... Country Environmental Assessments
CDM..... Clean Development Mechanism
COMESA ..... Common Market of East and Central Africa
CSOs ..... Civil Society Organisations
EIA ..... Environmental Impact Assessment
ENR ..... Environment and Natural Resource
ERP..... Economic Recovery Programme
EU ..... European Union
FAO..... Food and Agricultural Organisation
FDI ..... Foreign Direct Investment
FOODNET ..... Food borne Diseases Active Surveillance Network
GDP ..... Gross Domestic Product
GE..... Genetic Engineering
GEF/SGP ..... Global Environmental Facility/Small Grants Programme
GMOs..... Genetically Modified Organisms
GNI..... Gross National Income
GVCs ..... Global Value Chains
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(ii) What package of measures should government put in place to build the capacities of SMEs

1. Introduction to the country and study

1.1 Introduction to the study

1. This national report has been made as a contribution to the knowledge base on the linkage between environment and natural resource base as a core asset in the wealth creation, poverty

2. Environmental and Natural Resource as key assets for rural economic growth and livelihood improvement

12. Natural resources are a core component of people's livelihoods in many ways. First, they put

Figure 2.2: Livelihood analysis for Kasenene parish by Cash and Non-Cash sources

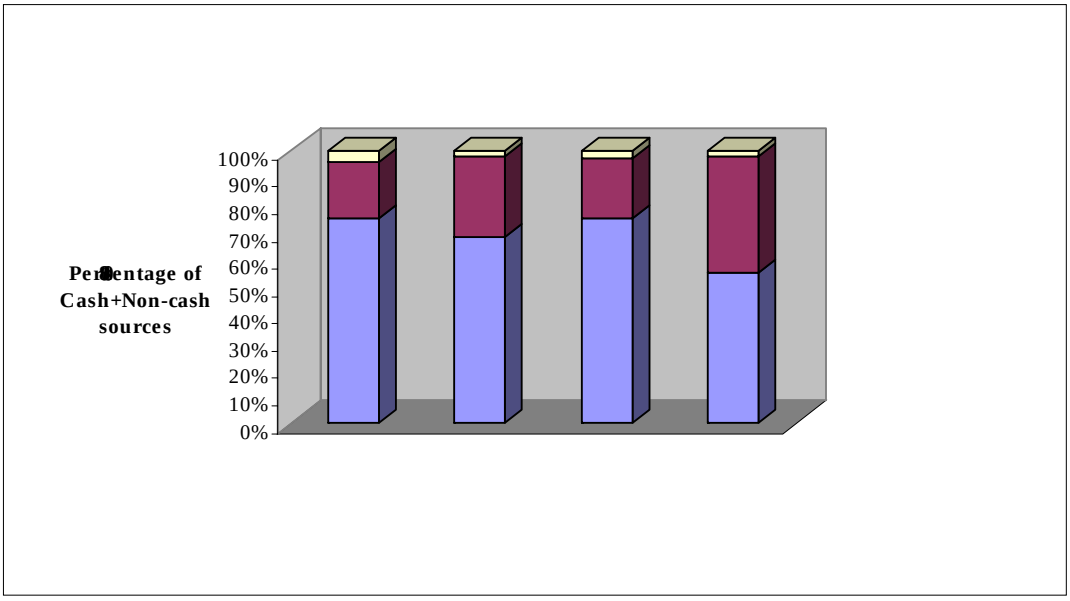
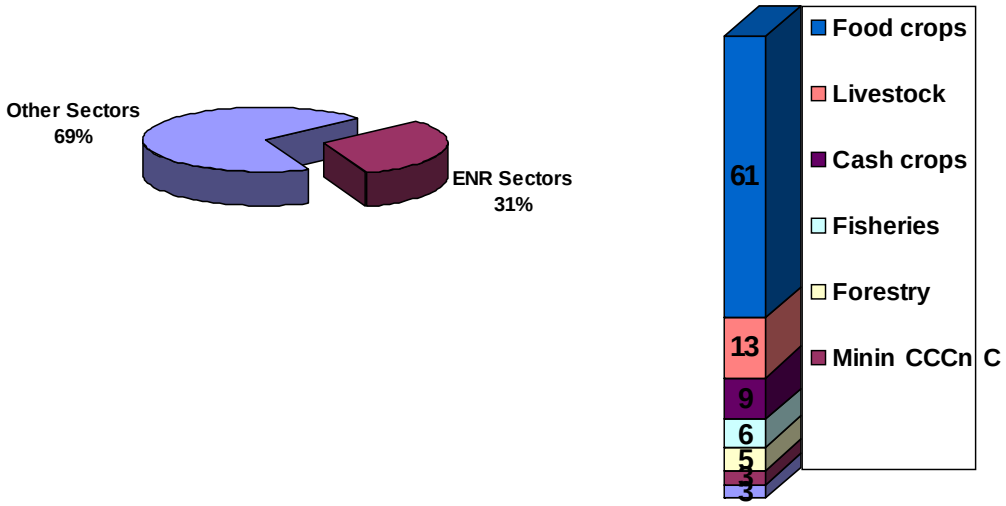


Table 2.1: Trends in output of natural resource commodities

Commodity	Unit	2001	2005	General trend
Cash crops				
Coffee	Tonnes	197,410	158,100	Decline

Figure 2.4: Contribution of natural resource base to GDP



19. The improvements made by ENR sectors to livelihoods, GDP, industrialization, foreign exchange, MDGs and economic transformation are traced to a number of reforms that collectively provided incentives to make this happen. The relative political stability enjoyed since 1986, continuity of government and restoration of law and order to protect both human population and its property top the list. The 1987 Economic Recovery Programme (ERP) which was aimed at addressing deficiencies in Uganda's export competitiveness, introducing market reforms into its agriculture policy, attracting more foreign investment, and improving the effectiveness of fiscal and monetary policies. This was followed by strong macroeconomic stabilization policies, liberalization of key markets and sectors-including the foreign exchange market and the coffee and banking sectors-in the first part of the 1990s. During the second half of the 1990s, the focus of Uganda's development polices shifted to poverty reduction, complemented by further reforms including further liberalization of the trade regime, restructuring and privatization of electricity and telecommunications, tax reforms, liberalization of international capital account transactions, and strengthening of banking supervision.

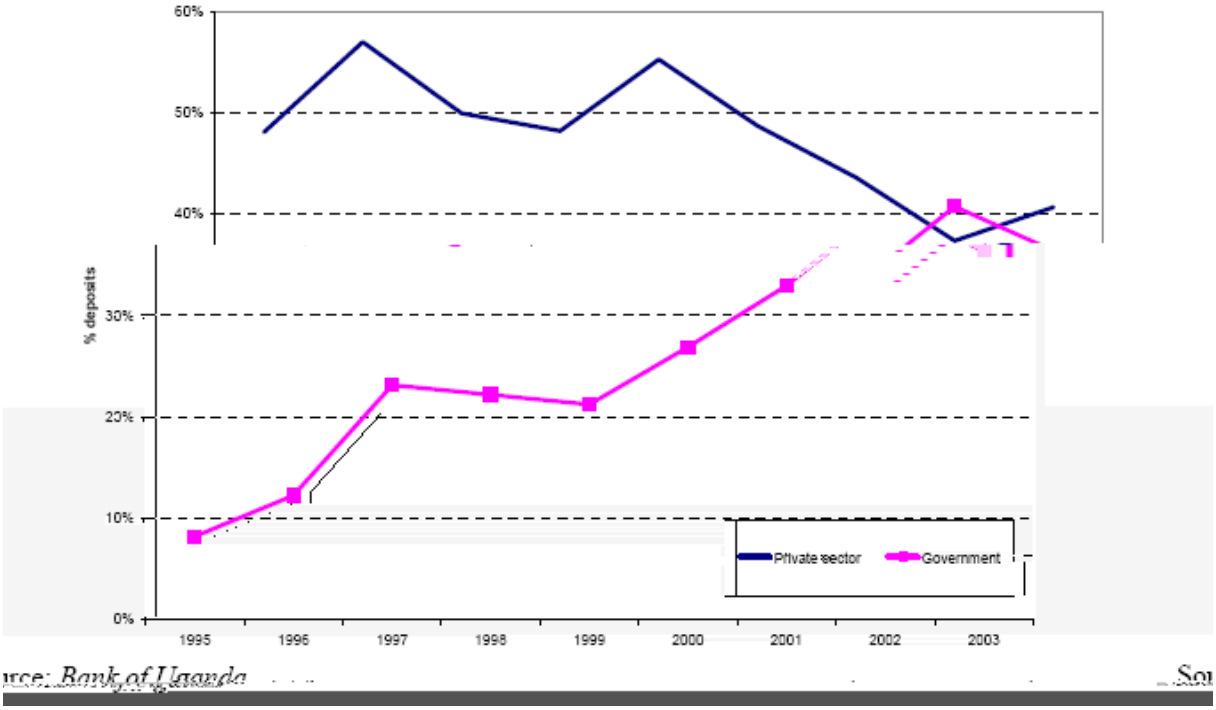
20. In 1992, government removed the bureaucratic and rent seeking activities associated with trade restriction measures in order to boost trade. In addition, it pursued a diversified export base away from the high dependence on coffee, which in 1986 accounted for 95% of the value of exports. Its proportionality has declined (Figure 2.3) as total earnings of all exports have increased (Figure 2.5). Export taxation was eliminated. Government also addressed institutional failures by abolishing the monopolies of Coffee, Produce and Lint Marketing Boards, a measure that paved way for giving the farmers relatively competitive prices for their produce in a more timely manner than before. Liberation went beyond trade to include foreign exchange too.

Figure 2.5: Trends in proportionality of foreign exchange by types of commodities

21. Further, government pursued a policy to attract foreign investment, through enactment of Uganda Investment Code, and establishment of Uganda Investment Authority. The level of Foreign Direct Investment (FDI) has consistently grown over years from a mere $9million at the time of Rio, in 1992 to the present level of $264million[†].

22. It should also strongly be observed that the government had to deal with one of the market failures related to macroeconomic instability by controlling inflation in order to create enabling environment for private sector investment (See Figure 2.6). It is usually a tendency and source of disincentive that high and unpredictable rates of inflation discourage private investment and

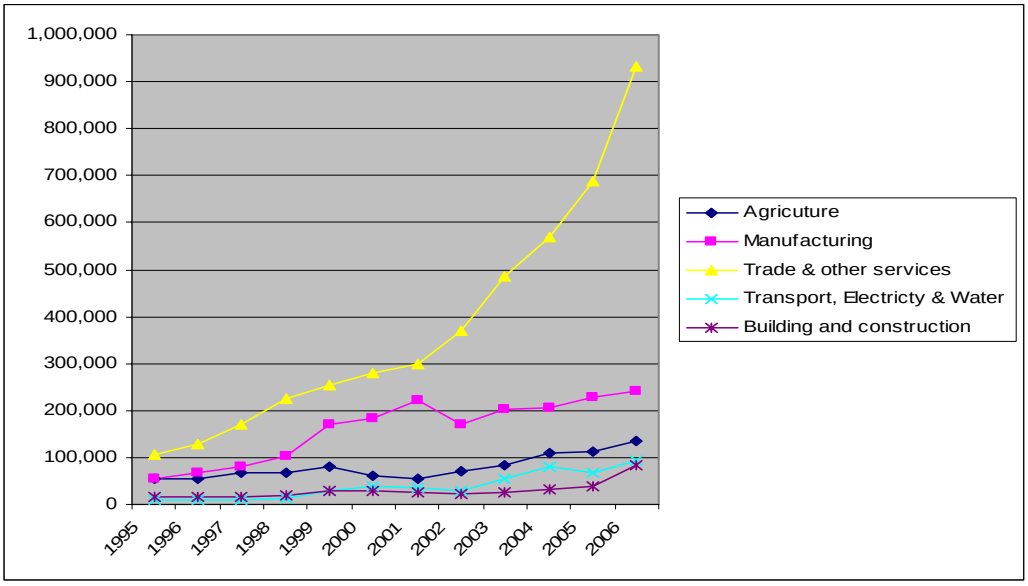
Figure 2.7: Commercial bank loans to private sector and Government, 1995-2003



rce: Bank of Uganda

24. The above situation does not auger well for an economy that has recognized that it is the private sector-led growth that will contribute to economic development and poverty reduction (PEAP pg 34). To make matters worse, the little credit to the private sector is used up more in trade and manufacturing than in agriculture (Figure 2.8). Evidence shows that it is the agriculture (crops, livestock, fisheries, forest) that has been disadvantaged for a very long time.

Figure 2.8: Trends in commercial lending, 1995-2006



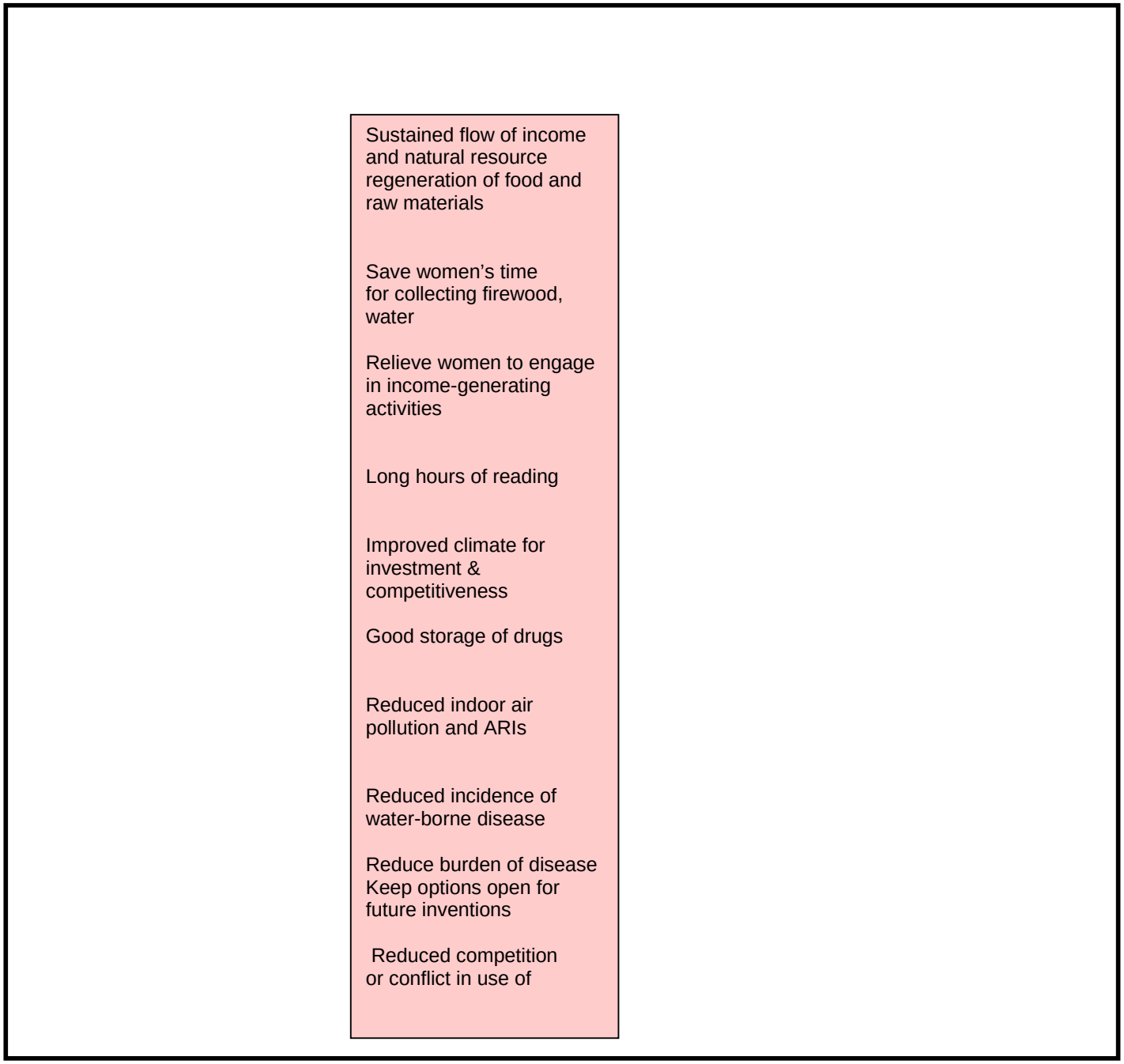
25. Many studies have recommended; among others that Uganda needs to avail long-term financing at lower cost vis-à-vis favourable tax regime to stimulate domestic industrial productivity [BoU, UIA, UBOS, 2004]. Further, recognising the above, the Minister of Finance amended Section 21 of the Income Tax to provide that "interest earned by a financial institution on a loan to any person for the purpose of farming, forestry, fish farming, bee keeping, animal and poultry, husbandry or

similar operations". This was meant to create incentives to the commercial banks to lend to the above types of enterprises. However, not all of them are featuring in bank lending portfolio particularly those that have long gestation maturity periods e.g. long rotational commercial forestry. Insurance companies too have not designed risk coverage policies for forest plantations. Yet a study by LTS/SDC showed that $75m can be earned in a forest estate of 60,000 to 70,000 hectares of Pine which would be a very modest contribution to the balance of payment accounts.

26. Further, sustaining high economic growth and low inflation in an environment of ever increasing international oil prices amidst persistent power shortage on the domestic scene is a big challenge. Industrialisation and value addition for increased overall competitiveness of the economy will be frustrated. Needless to mention, it calls for urgent steps to address this disincentive. Short of which many of the MDG targets may not be met [BoU 2006, UNDP 2005]. Improving access to energy alternatives from that of wood fuel would contribute to human development benefits by reducing indoor pollution which is ranked as the second cause of morbidity in Uganda. Presently, only 2.3% of the population uses electricity for cooking. As high as 81.6% uses firewood and 16.4% charcoal, both polluting [MFPED, 2006]. The government should therefore continue to strive to raise rural electrification coverage from the 3% level to the 10% target level by 2015.

27. Another source of disincentive is the falling ter8(cau)-6publ1 0but-6.er0 u o3(mbenef.)theiv70008 Tcing nked

Figure 2.9: Delivering on MDG 7(Environmental sustainability) helps to deliver on other MDGs



Source: Cornelius Kazoora [2007]

3. Natural Resources Governance at the core of sustainable development and livelihood improvement

32. Abundant natural resources do not necessarily translate into wealth for the poor. This is quite true in Uganda where the commonly proclaimed abundance is not matched by a concomitant pace in poverty reduction. The State of the Environment Report 1994 underscored the importance of one factor of good governance if a fundamental change has to be noticed.

33. Making governance more friendly to the poor means tackling issues of property rights, access to information and decision-making, adequate representation, institutional transparency, and fairness in sharing the costs and benefits of resource management. In 1992, Uganda was one of the 178 governments at UNCED that recognized that good governance-transparent, inclusive, accountable, decision making- is a prerequisite for sustainable development. By endorsing the Rio Declaration, governments agreed to Principle 10- that environmental issues are best addressed with the involvement of all concerned citizens. To make possible citizen involvement, Principle 10 lists three fundamental "access rights" that empower citizens: access to information, opportunities to participate in decision-making, and avenues for seeking redress and remedy. When all these are protected by law and embodied in government practices, decisions are more likely to be equitable and environmentally sustainable, and more likely to be implemented.

34. Uganda's history has evidence that bad governance not only negatively affected natural resource management but equally undermined the rule of law and human rights. This was particularly true during the Idi Amin era, 1971-1979, and Obote II era of 1980 -1985. The macro-economic instability was a source of disincentive to investment and instead it promoted speculation in short-term investments like trade. Poaching of wildlife and human encroachment into protected areas intensified. Wetlands reclamation continued unabated especially in south western part of the country. The country was ruled under Decrees with little or no participation of the society into their making. At regional level, the poor record in governance in Uganda created climate for the breakup of the East African Community and a lost generation for management of transboundary resources. The brain drain during the period reduced the much needed capacity and institutional memory needed for sustainable development. Infrastructure was run down and the country's credibility to borrow was eroded.

35. It was not until 1986 with the take-over of government by the current government that strides in reversing the situation through a set of measures have been made. Top on the list is the enactment of legislation. Article 245 (a)(b) and (c) of the Constitution empowered parliament to provide for measures intended to (i) protect and preserve the environment from abuse, pollution and degradation (ii) to manage the environment for sustainable development and (iii) to promote environmental awareness. At the time, the government had already enacted an enabling legislation in form of National Environment Act, 1995. Since then, additional improvements have been made. A common practice has been to formulate policies, followed by legislation to give effects for the implementation of the policy, establish or improve structures for governance and formulate strategic plans and raise resources for implementing provisions of the policy and law. (See table 3.1.).In a like manner, the Uganda Constitution included a right to a clean and healthy environment as one of the citizen's rights.

36. A key pattern that has typified natural resource governance is the participatory manner in the formulation of environmental related policies and laws. That culture is mainly traced to the National Environmental Action Plan (NEAP) process in 1991-1995. Non-Governmental Organizations have increasingly been given space in policy making processes, and informing of the formulation of planning frameworks like the Poverty Eradication Action Plan (PEAP) and sector-wide plans.

37. In this regard and based on Participatory Poverty Assessment among the poor, PEAP puts it that there are links between lack of access to safe water and sanitation and poverty (pg 147). It equally recognized that energy supply is critical to enhancing production, competitiveness and incomes (pg 64). The participation of CSOs in annual assessment of local governments including monitoring environmental compliance is a good step for promoting accountability.

Table 3.1 Illustrative environment governance instruments established by Uganda

Resource	Policy	Legislation	Institution	Strategy
Environment	National Environment Management Policy, 1994	h Tm02 g87 81.72 690 06T5.4(47.72 709659.8 l.16 709.5 mW* n0.60392 g442.86		

50. Another achievement in creating a climate for good environmental governance has been the enactment of the Access to Information Act, 2005. This will open up space to hold government accountable for its actions. However, guidelines need to be put in place to give practical implementation procedures of this important legislation. This will complement other measures in place like the strengthening the Offices of the Inspectorate of Government, the Human Rights Commission and the Justice and Law Order Institutions.
51. Overall, there seems to be need for the government of Uganda to clearly understand the key ingredients of good governance particularly from the perspective of enhancing accountability. Short of that, many rules, laws, institutions will be set up and yet on the ground, accountability will not be realized. Three examples can be sited here in justification of this position. The BMU Regulations gave BMU mandate for fisheries enforcement and sustainable fishing. This is inconceivable because the very BMU with interest to make money from fishing cannot go far to enforce compliance of all required standards through enforcement. In the Water Sector, the Ministry of Water and Environment is responsible for both water management and regulation. That is not sustainable. It is important to separate the two functions.

It has already been mentioned that both the Uganda Private Sector Competitive Strategy and the Wealth for All Programme put emphasis on the value addition. This would bring about many benefits like increasing the shelf-life of products, cushioning against price fluctuations typical for raw products and above all, broadening market integration opportunities.

However, a fundamental area of interest in the market chain of different natural resource products is that there is a fairly level playing field so that the communities are gainers in the chain, and can therefore have incentives to sustainably use the natural resource base. An illustrative example of the long standing cash crop of coffee in Uganda shows that farmers globally on average obtain only 15% in its value-chain. In Uganda this proportion is about only 5%.

Table 4.1 is just indicative of the products for which value-addition is urgent. Generally, trade in them is highly localized and it is only in the

Table 4.1: Summary of Uganda's tradable products

ECOSYSTEM	PRODUCTS

69. Although still generally limited, technology development and adoption is also an important factor. Rudimentary technology has been found to be inhibiting full realization of values from natural resources [EU, UNDP 2004]. Where it has been improved, there is hope for increased gains for the farmers. For example, the UNIDO funded technology for fruit drying has enabled farmers to trade in bananas, pineapples, pawpaws e.t.c in Masaka and Iganga.

70. Another factor to be recognized is that an efficient transport system (in terms of speed, reliability and affordability) is very critical for the export competitiveness of a land locked country like Uganda. It was found that although there are no explicit taxes on Ugandan exports, the effective burden to exporters due to costs of overland transportation only is high, even though it has been reduced from over 30% on average to 25% for exports (mainly non-traditional exports). However, transport (air freight) costs for perishable exports are considerably high, sometimes as high as 50% of unit price. Needless to mention these costs place Ugandan exports at competitive disadvantage relative to other exports [Rudaheranwa N, 2004]. As Uganda looks forward to tapping opportunities offered to it for trade e.g. AGOA and Everything But Arms it must make its policies incorporate the barrier of being landlocked.

71. Energy is a vital input into small-scale agro-processing (e.g. milling of cereals, cooling of milk, secondary timber-processing, fish storage e.t.c, e.t.c). As has been reported by UBOS the current policy on alternative energy sources and rural electrification needs to examine the cost of using alternative forms of energy [UBOS 2007].

72. There is also evidence that establishing formal trade linkages between the Ugandan farmers and external consumers can go a long way in creating incentives for sustained production. With support of GEF/SPG, two hundred acres of mango have been cultivated in areas that were degraded in Iganga. Enterprise Uganda linked the farmers collectively to the external market, a factor that has motivated more farmers to put their degraded lands under orchards. Like with other products, it needs to be mentioned that farmers must get organized in order to raise and sustain the minimum required scale for trade. Once organized, it also calls for supporting farmers into what is known as business to business trading principles.

73. There is no doubt that is pays to support some confidence of the poor to strive for more demanding activities. That support could come in form of enabling legislation, training, credit grants, information, research, institutional development, product development and transfer of technical know how and technology.

74. Generally, the value-chain analysis of individual natural resources has not been well studied. This is a barrier to understanding the key losers and winners, and how the differences among them can be narrowed down for fairer and more sustainable trade.

75. Although very few studies have been conducted to establish the barriers to enhanced value-addition, the few that have point iple0.0467incgtraimdd8sTDtthatUwa ag lol

5. Environment and Natural Resources in National Accounting, PRSP's and MDG performance

81. The Poverty Eradication Action Plan (PEAP) calls for sustainable economic growth, recognizing that short-term GDP growth can be obtained from depletion of resources, but that maintaining economic growth over the long term is not possible unless the environment and natural resources are managed sustainably. In a recent assessment, it has been concluded that despite a lot of investment having been made in the formulation of policies, plans, strategies and projects for

Box 5.1: Illustration of the values PEAP attached to the environment

Source: PEAP (2004/05

What is the true economic importance of ENR sectors to GDP and how significant are they for household livelihoods, especially the poor?

What is the potential for ENR sectors to fund the sustainable management of these sectors?

88. Gross Domestic Product (GDP) or Gross National Income (GNI) is the indicator commonly used to assess economic growth. However, it has 2 limitations; first, it does not account for depletion or degradation of natural resources and secondly, GDP measures the goods produced, but not the "bads" associated with the production of those goods e.g. soil erosion, pollution, resource depletion, e.t.c. In such a situation, GDP growth rates may be seen to be impressive but over the long term, the economy could be bleeding.

89. While GDP is a good starting point to assess the performance and growth of the economy, a complementary macroeconomic indicator is needed to evaluate whether GDP is sustainable. Adjusted Net Savings (ANS) is such an indicator to complement GDP by assessing the sustainability of economic growth. ANS is based on the concept of Genuine Savings, developed in the late 1990s by the World Bank (Hamilton and Clemmens 1999; Kunte et al, 1998; World

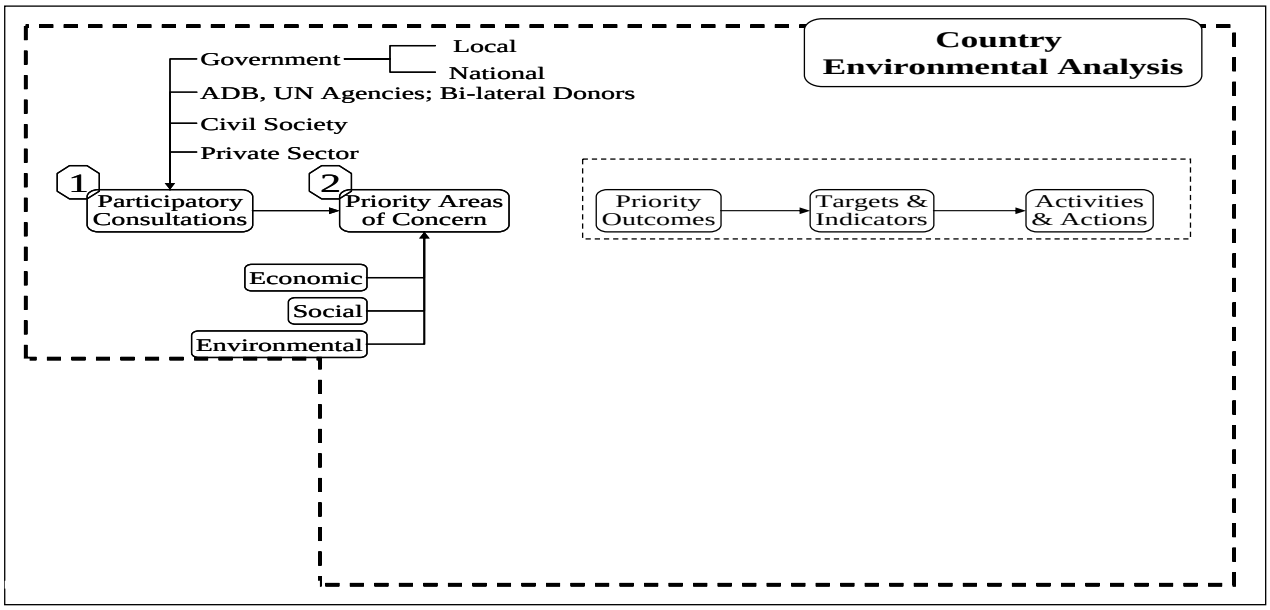
Box 5.3: Public Expenditure Review informs decision to increase budget allocation to environment

Source: Paschal Assey et al [2007]

93. As the country prepares itself to evaluate PEAP and develop a new one, it must make choice on a few indicators that demonstrate a very powerful linkage between environment and development, and in turn rally political support. Beyond that, an institutionalized system to periodically carry out joint assessment of ENR sector must be put in place to measure progress. Such assessments are for example now a common feature of the sectors of Health Local Government and Water and Sanitation.

94. Beyond the PEAP revision, government must adopt a culture of mainstreaming environment in other planning frameworks and programmes using appropriate tools. Sustainable development requires a strategic approach that takes into account the interactions among environmental, economic and social issues. Practically, impacts are assessed and addressed at different levels of scale and using a variety of tools as demonstrated in Figure 5.1.

Figure 5.2: Process diagram for the country environmental analysis (CEA)



6. Analysis of the important emerging issues with respect to the environment and natural resources

98. The sustainable management of the environment must always be analysed in the context of a very dynamic environment characterized by innovations in technologies, growth and migration of populations, increased globalization, change in environmental parameters locally, nationally and globally, and change of human perception to all the above. Under the circumstances, environmental issues shift in prioritization on the agenda for sustainable development. This chapter thus reviews the emerging issues in which Uganda is going to find itself greatly involved.

GMOs

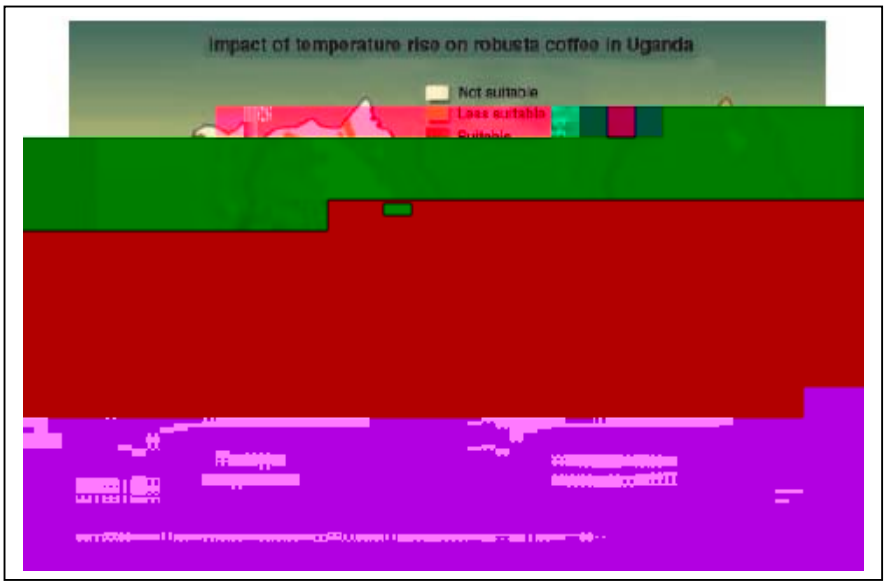
research under the guidelines on Biosafety in Biotechnology for Uganda. In 2005, the government went a step further to make the National Environmental (Access to Genetic Resources and Benefit Sharing) Regulations, 2005. All in all, countries should continue to work within the NEPAD's framework.

Climate change

105. Although the current debate on climate change is still marked by political and scientific issues, suffice to mention that human activities are responsible for most of the warming (IPCC 2001). The intensity of these activities differ by region, thus calling upon some regions to take lead in mitigation measures as the vulnerable regions take on adaptation measures. In Uganda, people have illustrated their understanding of likely presence of climate change impacts in many ways. The receding of ice on mountain tops like Rwenzoria, the Elnino phenomenon of 1997, the current flooding in the Soroti and Karamoja region, the fall in the water levels of L. Victoria and some rivers are some of the examples. The impacts to socio-economic development are also varied, with break-out of diseases, business risks because of power rationing, increase in costs of infrastructure maintenance especially roads, a threat to food security and climate induced conflicts over resources.

106. Uganda is already worried about likely fall in crop yields due to climate change. An example is illustrated in Figure 6.1 where a likely rise of 2^0c would reduce the land area suitable for coffee-the long standing cash crop of the economy. A recent report by FAO estimates that developing countries may experience an 11% decrease in lands suitable for rainfall agriculture by 2080 due to climate change (FAO, 2005). Owing to the multi-sectoral nature of the impacts of climate change, government is called upon to develop systems and capacities among its institutions and population to climate proof their investments. In that regard, new technologies and approaches.

Figure 6.1: The potential effect of global warming on coffee production in Uganda



HIV/AIDS

107. Uganda is faced with two extreme problems. The first is HIV/AIDS which has left a toll on population. The second is environmental degradation. Taken together, these problems and attending to them is likely to retard the pace of development. Although the environment

dimensions of HIV/AIDS pandemic has received little scholarly attention, a few examples cited by organisations and projects point to the conclusion that more information gathering and study is needed. They also point to the urgency to mainstream HIV/AIDS in environmental investment programmes.

108. Generally speaking, households adopt many changes with regard to natural resources use and collection strategies following the loss of family members. ABCG 2004 reported four interrelated copying strategies involving the selection, use, collection and level of consumption of natural resources. These strategies are but a reflection of likely changes in labour, financial resources, decision making centres, management of tenure rights, knowledge and information base, social networking e.t.c that come with morbidity and mortality linked to HIV/AIDS.

109. In Figure 6.2, the likely links between HIV/AIDS and some natural resource sectors are given. Conceptually however, it is difficult to clearly distinguish the HIV/AIDS related impacts from those of other illnesses. This is why more studies need to be done.

Figure 6.2: AIDS, natural resources and the environment

110. AIDS is the leading cause of death for people between the ages of 15 and 49 and is responsible for 12% of all annual deaths.

Food miles

111. Over the last fifty years, there have been dramatic changes in the type of food communities' produce, the way they process it and market it to the consumers. Some of what used to be food crops have entered the global market as part of non-traditional exports. The term "Food Miles"

They are generally measured as tonne-kilometres, i.e. the distance travelled in kilometers multiplied by the weight in tones for each food staff. The rise in food miles leads to increase in the environmental, social and economic burdens associated with transport. These include carbon dioxide emissions, air pollution, congestion, accidents and noise.

112. Growing concern has led to a debate on whether to try to measure and reduce food miles. However, it is also likely that options for reducing food miles could reduce consumer choice or increase food prices. This could lead to reduced consumption with possible negative health impacts. Presently, food miles as an indicator for sustainable development has not been studies nor is it understood.

Carbon trading

113. Global warming has spawned a new form of commerce: the carbon trade. This new economic activity involves the buying and selling of “environmental services,” including the removal of greenhouse gases from the atmosphere, which are identified and purchased by eco-consulting firms and then sold to individual or corporate clients to “offset” their polluting emissions. While some NGOs and “green” businesses favor the carbon trade and view it as a win-win solution that reconciles environmental protection with economic prosperity, other environmentalists and grassroots organizations claim that it is no solution to environmental1.7]TJ-2.4l-9(c(een)-5py)-6.7(l)2(s3 an)-d

communities or become a conduit for transfer of invasive species. The unfavourable terms of trade and the continued protection of farmers in developed countries calls for concerted action and negotiations among developing countries.

Discovery of oil

118. The discovery of oil in western Uganda presents a great opportunity for development, and accordingly improving the country stock of natural capital. As the government looks forward to fully exploit this resource and other non-renewable resources, it must put in place enabling policy environment to address a number of issues. Top on the list is to plan how to invest the windfall revenue to ensure lasting wealth, and deciding on how much ought to be saved and how much should be invested and in what. Second, there is need to distribute benefits equitably, balancing and managing conflicting local level, national and likely transboundary concerns and interests. Thirdly, government must put in place adequate systems of governance and a stable macroeconomic environment that curbs rent seeking behaviour, speculation and corruption. Finally Uganda must build technical and managerial capacity of its citizens to manage this resource[***]

Emerging global actors

119. The global economy is in the midst of a far-reaching transformation with China, India, (Brazil, and Russia) leading the charge. Except for Russia and Brazil, these emerging major global actors are not richly endowed with crucial minerals such as oil, gas, or nickel, but they have a large and voracious appetite for these minerals to fire and secure their recent impressive growth performance. Their impact in the world's energy and metals consumption is significant. For example, China accounted for one-third of the increase in world oil consumption. In the period 2002-2005, the country accounted for 50% of the increase in world consumption of copper and aluminum, almost all the growth in nickel and tin and more than the entire rise in demand for zinc and lead. To secure its commodity needs, China is forging close trade links with commodity producers in Africa, the Middle East, Australia and Latin America. Increasingly, it looks like that the problem of the 21st century will be the problem of the struggle to contr(0.o710.8'.5.8(wiv-5.8(s na5.5a8.1(t9)

review its systems of information dissemination and administration of environmental justice. A key question that is posed for discussion is: *"What aspects of governance need to be improved for creating enabling environment for a natural resource base led economy?"*

121. The dependence of communities on ENR for food security, employment, income generation, insurance to risk is still very widespread. The emerging industrialization and integration of the economy into the regional and international markets are also dependent on natural resources as a core asset. Structurally, it is the households and small and medium enterprises mainly that harness the resources. Their scattered nature and size create challenges for the government to mobilize them cost-effectively, let alone to provide support in terms of capacity building, information, technology, credit to mention but a few. No doubt, government is challenged to support resource-user institutions most of which are already clustered around known commodities and services (e.g. fish, flower, honey, tourism, tim

125. It has been observed that more effort needs to be put in place to address weaknesses in implementation and enforcement of the many good intentioned environmental laws. The multiplicity of institutions in ENR has meant that the scarce financial and human resources available have been spread very thinly on the finite resource base. Some local level structures have not been created or operational because the financial implications of sustaining them were not fully thought through. Nonetheless, evidence has shown that resource users have started and sustained institutions they have formed for their own benefit. Factors like gender, location, social identity and networks are key factors making such institutions cohesive. Their contribution in national development generally and ENR management is usually fully captured because most of them operate informally. Further, it has been mentioned that creating linkages between local and global enterprises bring brings a lot of benefits. At national level, the public private partnership are also emerging in collaborate resource management, tourism development, waste management and provision of water. These many examples have been given to illustrate the opportunities the government could take advantage of it such partnerships are strategically guided and supported. Accordingly, a good question for discussion is: *"What package of policies, incentives and other measures should government put in place to promote and sustain strategic private-public partnerships for ENR management, processing and marketing?"*

126. By virtue of high dependence on agriculture, many households face numerous stresses and shocks, some potentially catastrophic. The Uganda National Household Survey 2005/2006 (Agriculture Module) revealed that 43% of all national crop plots suffered from damage, mainly due to rain shortage (19%), followed by crop disease (10%). The level of risk facing poor rural households has risen with increased market exposure linked to globalization matched by the withdrawal of the state for the direct provision of services such as those provided through state marketing boards, subsidies and price controls. Domestic shocks, such as the HIV/AIDS pandemic, have further weakened the position of many poor households.

127. Reducing levels of risk, where possible, and provision of instruments to reduce vulnerability has to be a central element of prop-poor development policy. This not only provides social protection for poor people, but enables them to undertake new, viable but more risky livelihoods, increase their participation in markets and generate pro-poor economic growth.

128. Households lost out when they responded to government call to plant vanilla whose prices subsequently fell on the world market. Climate change too is increasing vulnerability. Once farmers cannot cope with risk and vulnerability, it is the whole economy to suffer. A challenge therefore is to mainstream risk and vulnerability in development. It is gratifying that some donors in Uganda e.g. DANIDA has started climate proofing its development assistance. Uganda therefore needs to adopt a policy of mainstreaming risk and vulnerability in development. A key question the government needs to address is: *What are the major emerging risk and vulnerability issues for which government support is necessary to maintain the participation of households in natural resource based production?"*

129. An over-arching means to ENR management is funding. The low revenue base of the economy compels the government to borrow. It has to pay interest. The unfavorurable terms of trade have also meant that government has not earned as much from using trade to fund its development. The internal resources the government raises and the aid it receives are competed for by many sectors. The unfavoured sector, both from government spending and commercial banks lending is agriculture. This is a mismatch between the rhetoric of ENR importance and government support. There is hope that with the discovery of oil, Uganda's problems with funding may be shelved. The failures of many developing countries with oil to realize that dream begs the question on how the government should use the potential oil revenue. A specific question is: *"Should the government consider the establishment of Oil Trust Fund, and if yes, how should it be managed?"*

130. All in all, the importance of ENR cannot be over emphasized. The government's PEAP recognizes that fact. But more needs to be done. The finalization and funding of ENR Sector Plan is urgent. It has dragged for long. The linkage between MDG 7 (ensuring environmental sustainability) with other MDGs has been demonstrated in Figure 2.9. The linkage would justify treating ENR as a pillar in its own right in

Annex 1: Terms of reference for the study

IGAD Directors of Conservation and Directors of Economic Planning Conference: "Environment and Natural Resources as a Core Asset in the IGAD Region for Wealth Creation, Poverty Reduction, and Sustainable Development"

Terms of Reference for a National Situation Report to Contribute to this Conference

1. Background

IGAD – the Inter-Governmental Authority on Development, and IUCN – The World Conservation Union are convening a major and high level conference on the importance of environment and natural resources in poverty reduction, wealth creation and sustainable development. This conference will be attended by senior (Director) level participation from the countries of the IGAD region (Sudan, Eritrea, Djibouti, Ethiopia, Kenya, Uganda, and Somalia) with some observers from neighbouring countries. It is expected that senior decision makers from the

1. Create Awareness and understand of the importance of the environment, and in particular the natural resources in improving the livelihoods of people in the IGAD region;

b. Does the country have indicators (and means to measure) that reflect the value of the environment and natural resources in the PRSPs and the performance of all the MDGs?
c. To what extent are natural resource assets reflected in national and regional marketing and trade? How can this be improved?
d. Is Strategic Environment Assessments (SEA) used in a practical and function manner so that the different sectors (and programmes) responsibly integrate environmental aspects of direct relevance to the sector?

5. **Emerging issues:** There are a variety of emerging issues which have a potential important impact on the overall theme for the conference. These include Invasives, Climate change and adaptation, GMOs, Carbon trade, "food miles", pandemics such has HIV/AIDS, effects of globalization, and conflict and insecurity.

    a. What are the key emerging issues in ?? {country}? How do they impact on, or are impacted by the environment and natural resource base?
    b. What strategies and actions can be suggested to better integrate these emerging issues into national development and environmental planning processes?

The executive summary of the report should be in a format that can be extracted from the main report and be part of a short (approximately 2 pages, or four sides of A4) publication highlighting the main issues of the national report. This two page publication will be shared with the participants of the conference and be more widely available.

In the conclusion section of the report (and also summarized in the executive summary) the consultant should suggest up to four main questions (based on his/her analysis of the situation in ??{country}) that could be suggested for the conference to deliberate on with a view to developing some concrete action points.

To achieve these terms of reference, the consultant will be expected to consult with a variety of stakeholders (Government, NGO and Civil society). This will probably be confined to those in the country's capital. Such consultations should be augmented by both the published and grey literature that relates to the issues being analyzed.

3. Outputs Expected

1. National Situation Report for ?? {Country}; and
2. Draft of a stand alone 4 page document (comprising the summary of the report) which will be the basis of a short publication

4. Contractual Obligations

A draft National report shall be received by IUCN and IGAD during July 2007. These draft reports will be made available to the regional consultant who will compile a regional synthesis report. The

Annex 1: Draft Report Outline

Chapter	Title	Length of Section
Title	Title page	**1**
TOC	Table of contents	**1**
Exec. Sum.	Executive Summary summarizing the main issues from the Analysis, which also raises a maximum of 4 question areas which it is felt should be addressed by the conference	**4**
1	Introduction to the country and study	**2**
2		

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	Environmental Ecosystems	
3. Mr. Bazira Eliphaz	Ag. Director	Ministry of Water and Environment
4. Eng. Sottie L.M. Bomukama	Commissioner	Directorate of Water Development (Water supp. Dept.)
5. Dr. Mathias K. Magunda	Soil and water Management	National Agricultural Research Organisation (NARO)
6. Mr. Katungi David	Regional Coordinator Decentralised Dev't Planning	National Planning Authority
7. Mr. John Bosco Kintu-Kavuma	Economic Analyst	National Planning Authority
8. Mr. Dhizaala Sanon Moses	Coordinator Research & Statistics	National Planning Authority
9. Dr. Bahigwa G	Director	PMA
10. Mr. Richard Kimbowa	Programme Manager	Uganda Coalition for Sustainable Development
11. Mr. Damian Akankwasa	Executive Director	NFA
12. Mr. Ronald Kagwa	Environmental Economist	NEMA
13. Mr. ohn Makambo	Director Operations	UWA
14. Mr. Fred Kafeero	National Coordinator	Environmental Alert
15. Mr. Lawrence Kiiza	Director	Economic Policy, Tax Policy & Planning MFPED