

CONCEPT NOTE

Review of Public Expenditures for Sustainable Land Management in Uganda

Background

Land degradation, low and declining land productivity, and poverty are interrelated problems in Uganda. The country's soils were once considered among the most fertile in sub-Saharan Africa (SSA). However, soil nutrient depletion, erosion and other forms of land degradation are reported to be increasing. Annual average soil nutrient losses are estimated to be more than 70 kg of nitrogen, phosphorus and potassium, which are among the highest depletion rates in SSA. Especially in the highlands, erosion is viewed as a serious problem. Other forms of land degradation, such as soil compaction, surface crusting and water logging, are also reported to be a serious problem in different parts of the country. Land degradation undoubtedly contributes to the low and in many cases declining agricultural productivity which contributes to poverty and food security. In turn poverty and food insecurity can exacerbate the problem of land degradation.

To break out of this cycle appropriate investments by both public and private stakeholders are urgently needed. The urgency of investments is acknowledged by the Government of Uganda (GoU) as reflected for example in the Poverty Eradication Action Plan (PEAP), the Plan for Modernization of Agriculture (PMA), and the MAAIF Development Strategy and Investment Plan (DSIP). The GoU expressed strong interest in moving toward a country programmatic approach for sustainable land management, in order to scale-up SLM in a more coordinated and effective manner. As part of this process, a Country SLM Investment Framework (CSIF) is being designed to respond to the country's development priorities, align donors, and set Uganda on a path toward formulating comprehensive SLM Country Programs. This CSIF includes (i) diagnostic studies and reviews to identify entry points for scaling-up SLM interventions; and (ii) sector and donor alignment around priority investments. The former comprises different analytical tools, including SLM public expenditure reviews.

The SLM public expenditure review (PER) would respond to the request from various Ministries, including the Ministry of Agriculture, Animal Industry and Fisheries (MAIIF), the Ministry of Water, Lands and Environment (MWLE), and Ministry of Local Government (MOLG), and major implementing agencies (e.g. NAADS, NARO, various NGOs), to conduct analytical work which would help to prioritize and harmonize SLM expenditures. All stakeholders involved are interested to "make the case" for SLM as a priority investment. The particular challenge for formulating SLM budgets comes with its multi-disciplinary character cutting across different sectors, Ministries, and implementing agencies. The risk of duplication and gaps is much higher for cross-cutting themes such as SLM than for themes with clear sectoral responsibilities. The demand for a SLM PER is also based on the fact that the national budget is under increasing pressure with increasing demands from Ministries and implementing agencies on the one hand and limited progress on domestic revenue generation on the other. As a response, the Ministry of Finance, Planning and Economic Development (MFPED) is challenging Ministries and implementing agencies for value-for-money analyses on which future budget allocations can be based.

Finally, the donor community is considering the mobilization of significant resources for up-scaling SLM in Uganda. However, commitments to increased lending under GEF SIP, from IDA, and other multi-lateral institutions and bilateral donors are conditioned to an increased focus on

efficiency and effectiveness. In addition to other analytical tools, such as impact analysis and institutional analysis, the PER would be very well positioned to address this concern.

Objectives

The overall objective of this analytical work is to provide a review of public expenditures for Sustainable Land Management (SLM) in Uganda and thereby contribute to the development of a common national strategy for the efficient and effective scale-up of SLM interventions. The review will provide important input into the design and preparation of the planned ENR SWAp, the Ugandan SLM country program, and the SLM investment framework. More specifically the PER would:

- (i) Provide a clear-cut overview of SLM-related expenditures, covering the relevant programs, projects, and activities across Ministries and implementing agencies;
- (ii) Identify constraints of the SLM budget planning and allocation processes and make recommendations on how to make these processes more efficient and results-oriented;
- (iii) Provide an expenditure review for the major SLM-related institutions and programs and identify possible adjustments to improve allocations based on an analysis of the functional and economic composition of expenditures.

Proposed Scope and Methodology

The overall approach will build on previous work in Uganda (PEAP 2004, Public Expenditure Review 2002), recognizing the unique challenges inherent in conducting a PER of SLM. In general, a SLM PER is probably more difficult to carry out than a conventional single-sector PER, mainly because reviewing public expenditures for SLM hinges upon the ability to clearly operationalize a definition of SLM expenditures. Allocations to SLM are not clear-cut in the financial management system and need to be detected through analysis of various expenditures in numerous sectors. In addition, consistent time series may not be available, due to changes in the national financial management system. This lack of consistency also makes international comparisons of SLM expenditures problematic. Lastly, data on the land resource may be patchy, missing or unavailable, limiting the analyst's ability to measure effectiveness and operational efficiency. For these reasons, a comprehensive PER of SLM requires working closely with the government on developing a detailed methodology.

The methodology employed in the study would draw upon: (i) primary data collection from MFPED, MOLG, MAAIF, MWLE, major implementing agencies (e.g. NARO, NAADS, NGOs, CBOs) and local governments. Budgetary data would be collected for the last five FYs. Data collection would complement the first PER phase already conducted; (ii) the utilization of other documentation available in the sector, including policies, strategies, action plans, program or project descriptions, M&E reports; (iii) consultation with Ministries, District representatives, and major implementing agencies; (iv) existing bodies of work at the World Bank and other national and international organizations.

There are six steps proposed to conducting this public expenditure review:

1. Review of Extent, Causes and Impacts of Land Degradation in Uganda

The first step of the PER would be to review the major forms, extent, underlying and proximate causes, and socio-economic and environmental impacts of land degradation in Uganda. In addition to providing valuable background information and defining the problem setting for this study, this step would help to provide a relevant and country-specific definition for land degradation and SLM and thereby define the operational framework of the PER. This step would also enable the analysts to assess whether SLM budget allocations are conducted in a way which addresses major socio-economic and environmental impacts of land degradation or whether budget allocations would need to be revised accordingly. To the extent possible this part of the analysis would be strengthened with available quantitative information.

The review should address both biophysical and socio-economic processes and impacts. The former would aim at gaining a better understanding of the relevant biophysical land degradation processes, and the proximate causes and severity of land degradation in Uganda. Proximate causes could include nutrient depletion due to low use of inorganic and organic fertilizer coupled with declining fallow periods, and/or with soil erosion due to deforestation, or crop production on steep slopes with limited investments in soil and water conservation measures. The underlying causes of land degradation are of socio-economic nature. The analysis would review to which extent population pressure, poverty, market access, access to rural finance, land tenure, local institutions, and relevant natural resource management or agricultural policies affect land degradation. As discussed later, a clear identification of proximate and underlying causes of land degradation would help to determine a workable framework of the PER and help to unambiguously select SLM related programs and projects. Analysing these external factors would help to assess the incentives (or disincentives) for agricultural producers and other resource users to conserve the natural resources and to adopt SLM practices in Uganda. Depending on data availability, estimation of economic costs of land degradation would also be included. This part of the analysis would be based mainly on literature review and discussions with relevant national and international research institutes, such as National Agricultural Research Organization (NARO) and the International Food Policy Research Institute (IFPRI).

2. Defining Sustainable Land Management for PER

Definitions of sustainable land management are usually broad and complex mainly due to its multi-dimensional and multi-disciplinary characteristics. However, for the purpose of the public expenditure review a very clear and operational definition would be needed. The definition heavily determines the scope of this study and should provide clear guidance which expenditures and which institutions, projects and programs would fall under the SLM window. Step 1 would provide valuable information for identifying a suitable SLM definition for the PER. The definition should focus on the major interventions addressing forms of land degradation with most severe socio-economic and environmental impacts. Studies by *Pender et al. (2006)*, *Olson and Berry (2003)* and *Stoorvogel and Smaling (1990)* indicate that nutrient depletion and soil erosion are among the most severe forms of land degradation in Uganda leading to declining land productivity, in particular agricultural productivity. Once the major forms of land degradation have been identified, their proximate and underlying causes should be discussed (see again step 1). Hence, a definition covering interventions directly addressing these proximate and underlying causes of degradation on agricultural land (including rangelands) and forests would lead to a workable framework for this review.

Although interventions aiming at enhancing other functions and services of watersheds and landscapes, such as biodiversity, carbon sequestration, regulation of water flows and water quality, certainly also constitute important forms of sustainable natural resource management (incl. land management) it is recommended that they are not considered as part of the PER. Such a broad definition would make the scope of this study unmanageable and tracking of expenditures and their outcomes and impacts almost impossible.

3. Identify Portfolio of Public SLM Investment and Collect Budgetary Data

The definition of SLM in Uganda and the review under step one would guide the process of identifying the portfolio of public SLM interventions and collect budgetary data, if possible for the last five fiscal years. Both proximate and underlying causes of land degradation would be considered to categorize programs, projects and activities, and to identify their potential relationships to sustainable land management. As mentioned above, the proximate causes of land degradation include natural factors, such as soil type and climate fluctuation, and unsustainable land management practices such as decreased fallow periods and cultivation of fragile lands. It is assumed that programs focused on agriculture and environment related topics such as distribution of agricultural inputs or tree planting have a direct effect on the adoption of land management technologies and practices. However, other programs may focus more on the underlying causes of land degradation, such as rural poverty, lack of infrastructure and services, population pressure and lack of access to credit. Though the goal of these types of programs is not to directly address the issue of land degradation, they may have an indirect effect on the adoption of land management technologies. The decision which activities or project components should be included needs to be made on a case by case basis.

This step would be based on a review of data collected under the first phase of the PER and collection of data and information from all other stakeholders involved, in particular the Ministries and major implementing agencies such as research organizations, NGOs, and CBOs. It should be noted that NGOs and CBOs may implement SLM programs and projects which do not necessarily appear in the annual Project Investment Plan (PIP) of the MFPED. Expenditure data from MFPED should be compared with similar data from the relevant implementing line Ministries to ensure data consistency. If deemed necessary, other multilateral and bilateral donors would be approached as well. Budgetary data would be compiled in a way most suitable for the subsequent analyses of functional and economic composition of public expenditures (see step 5).

4. Review SLM Budget Planning and Allocation Processes

The SLM-related budget planning and allocation process would be analysed across the relevant Ministries, in particular the MFPED, MAIIF, and MWLE. This analysis would include the following steps: (i) review of relevant SLM related policies, strategies and action plans (such as the Plan for Modernization of Agriculture); (ii) assessment of coherence between defined objectives and priorities and budget allocations; (iii) review of budget allocation decision making process, including the roles and responsibilities of relevant Ministries, local governments and implementing agencies; (iv) review of existing control mechanisms to ensure public good characteristic, economic viability and poverty impact of intervention; (v) review of existing monitoring and evaluation processes (incl. audits and accounting) to ensure efficiency, effectiveness and feedback into future allocation plans. With regard to expenditure prioritization, additional key questions to ask are what the rules and consultations governing the resetting of priorities during budget implementation, what are the percent deviations between budgeted and

actual expenditure composition, whether these are published and whether there are sanctions against large deviations.

Recommendations would be made on how to reform the SLM budget planning and allocation process to make it more transparent, predictable, efficient and results-oriented. These recommendations should consider that comprehensive SLM country program is planned. Semi-structured interviews based on simple diagnostic questionnaires (see for example *Evaluating Public Spending – A Framework for Public Expenditure Reviews*, World Bank 1996), discussions with relevant stakeholders, and review of existing material would be applied to conduct this part of the analysis.

5. Conduct Expenditure Analysis for the Major SLM-related Institutions and Programs

The review of SLM-related revenues and expenditures of the relevant Ministries would aim at analysing (i) which institutions and programs/activities are supported through funds provided by the Ministries and at which level; (ii) what the sources of revenues are for the different institutions and programs/activities; (iii) whether the funding sources are appropriate considering the type of goods and services supported (public good vs. private good); and (iv) whether the resources are well targeted to effectively address the challenges of land degradation in Uganda.

Expenditures can be classified based on their functional and economic composition. According to IMF's Government Financial Statistics, the functional composition is based upon the purpose or function toward which the expenditure is directed. There are different options to analyse the functional composition of expenditures as part of the SLM PER. One possibility would be to structure the expenditures according to major intervention categories aiming at overcoming the barriers for large-scale adoption of SLM in Uganda. The review under step 1 would certainly help to identify these categories. In addition, the components used for the Country SLM Investment Framework (CSIF) could inform this categorization process. The components used in the CSIF are: (i) supporting on-the-ground activities for scaling-up SLM; (ii) creating a conducive enabling environment for SLM; (iii) strengthening commercial and advisory services for SLM; (iv) developing effective SLM knowledge management, M&E and information dissemination systems. Such an analysis of the functional composition could help to illustrate how expenditures are allocated across major intervention categories, whether this allocation reflects the national strategy to overcome barriers for SLM adoption, and whether current funding levels are adequate to reach the goals of widespread SLM adoption in Uganda. This part of the analysis should also discuss whether the programs identified under the SLM window constitute public sector interventions which can be justified due to market failures (public good argument).

Many different variations of the functional composition are possible and the most relevant options would be identified during the review.

In addition to the more thematic categorization of expenditures, the analysis would also include a spatial breakdown of SLM-related expenditures. This breakdown could be conducted according to:

- (i) Administrative boundaries, such as regions and districts;
- (ii) Land degradation and poverty hotspots;
- (iii) Agro-ecological and socio-economic development domains.

The feasibility and depth of an analysis based on these breakdowns is heavily determined by data availability. The first breakdown would illustrate how SLM expenditures are allocated across the regions and districts and whether this allocation is in line with actual needs. It would also indicate how well the channelling of funding from central to local government is working for SLM-related interventions. In addition to a nation-wide analysis, 2-3 case studies could be selected at the district level in order to better understand particular challenges at the level of local governments and implementing agencies. Another important breakdown to be considered would be the allocation of expenditures according to the severity of land degradation and poverty. This analysis would help to determine whether funds for SLM interventions are adequately targeted at land degradation hot spots and to which extent the poverty dimension is taken into account during the allocation process. Severity of land degradation would need to be determined in close collaboration with NARO and other national and international research organizations. The availability of data on spatial distribution of poverty would need to be checked with the Uganda Bureau of Statistics (UBOS) and other international development organizations.

A third dimension of the review could analyse whether type of programs are well targeted and whether the level of funding is adequate to effectively respond to key SLM development opportunities and constraints in different parts of the country. An entry point of this analysis would be the “development domains” identified by the International Food Policy Research Institute (IFPRI). The identification of “development domains” was based on agricultural potential, market access, and population density. These three factors significantly influence current land management practices and potential development pathways. The amount of expenditure allocation and the type of interventions supported within these different development domains could inform the debate on the appropriateness of public investments to simultaneously promote SLM, poverty reduction and economic development in Uganda. It would be analysed whether current SLM interventions take into account the comparative advantages that exist in particular regions and promote appropriate region-specific development pathways. As part of this analysis, a detailed review of programs and projects and its objectives and activities would be conducted. These three dimensions together would inform the discussion of whether current expenditure allocations are likely to have the socially-desired impacts on the poor and whether they are likely to constitute economically viable investments (this debate would be further informed through step 6).

The economic composition of public spending consists of capital and recurrent expenditures, and within current expenditures, wages and salaries, non-wage operations and maintenance, interest payments, subsidies and other current transfers. After the list of capital investments within the previously defined SLM window has been compiled, the recurrent-investment balance of existing and new investments would need to be evaluated. Given donor financing of investment projects through grants or concessional terms, governments in developing countries typically undertook these projects even if they did not accord with the government’s priorities, and even if existing or new investments could not be subsequently operated or maintained. Hence, the review would analyse whether existing investments in the SLM portfolio are being properly operated and maintained. Moreover, the analysis would assess whether recurrent cost implications of new investments are adequately taken into account. Civil service wages and salaries would not be evaluated as part of the SLM PER, mainly because of the difficulties to unambiguously attribute civil servants and their time spent to the SLM portfolio. Subsidies and transfers under the SLM portfolio, however, would be evaluated based on the public-private rationale, expected net benefit and impact on the poor. Intergovernmental transfers for SLM interventions would be listed but a detailed efficiency and equity analysis would be beyond the scope of this SLM PER.

6. Review of Outcomes and Impacts of Public SLM Spending

The evaluation of SLM programs and projects funded through public resources would be reviewed for their rigor and results-orientation. It would be assessed whether adequate feedback is provided for future allocation decisions. Recommendations would be made on how to improve the M&E system and make it more results-oriented. A rigorous M&E system would be a crucial component of a country-wide SLM program. To the extent possible, available studies focusing on the impact of SLM interventions on technology adoption, poverty reduction and the condition of natural resources in Uganda would be reviewed. This review would help to understand the general impact of previous interventions and to draw lessons for scaling-up SLM. It should be noted that a detailed SLM impact analysis based on primary data collection would be beyond the scope of this PER. Cost-benefit analyses of SLM programs and projects in Uganda are not likely to be included, unless previous studies can be identified which focus on this issue. However, if not available for Uganda, cost-benefit studies of SLM interventions in other SSA countries would indicate the general economic and financial viability of these investments.

Expected Outputs, Outcomes and Dissemination

The main outputs/outcomes of the study are summarized below:

Outputs

- A main report (stand-alone ESW) of about 50 pages with supporting annexes as needed. The report will provide policy makers with a range of recommendations on how to improve the SLM-related resource allocation process and make it more efficient and results-oriented.

Outcome

- Increased understanding of Government (e.g. MAIIF, MWLE, MFPED, Secretariat PMA) and other national and international stakeholders (e.g. NGOs and donor community) of the current allocation of SLM-related resources and its implication, an improved understanding of strength and weakness of current allocation processes and necessary steps needed to make resource allocation more efficient and effective. The findings of this ESW are also expected to feed into the design of the Ugandan SLM country program, the SLM investment framework and the ENR SWAp.

Dissemination

The report, after approval by Bank management, will be discussed with GOU. In consultation with them, wider dissemination of the final report will be pursued including a workshop with participation of the Government, private sector, NGOs, academia and development partners.