



NATURAL RESOURCE VALUATION AND ACCOUNTING IN NATIONAL PLANNING AND DEVELOPMENT IN EAST AFRICA

Fanuel Shechambo, Francis Karanja, Florence Chege and Edmund Barrow

INTRODUCTION

In 1995, IUCN initiated a process to facilitate annual and biannual meetings of the Directors of Forestry, Forestry Research and Forest Departments in Universities in the three East African countries of Kenya, Tanzania and Uganda. These Directors of Forestry meetings have evolved into the East African Forestry Network (EAFORNET). These regular meetings provide a forum where regional approaches for the enhancement of management and conservation of East Africa's forest resources are discussed; action points agreed upon and followed up with respective governments and other agencies. The meetings also provide an avenue for information sharing, development of joint approaches to address trans-boundary resource issues and modalities for taking common positions during global negotiation processes. This process has now evolved into a wider Directors of Conservation meeting

The first Directors of Conservation meeting, held in 1999, and the EAFORNET meeting held in year 2001 identified a number of issues that needed further attention and deliberation. One priority issue identified was to strategize on how to increase government commitment, through investment, to natural resource management, given their contribution to the livelihoods of people and economies of the three East African countries. The Directors felt that the current and past levels of government spending on this sector were inadequate leading, to ineffective management, and hence to the continued loss of environmental goods and services.

This policy brief summarises the recommendations of the Second Meeting of the Directors of Conservation that was organised by IUCN Eastern Africa Regional Office in February 2002. The theme of the meeting was "Natural Resources Valuation and Accounting in National Planning and Development in East Africa". This second meeting was unique because in addition to the Directors of Conservation (Fisheries, Wildlife, Forestry and Water, and Environmental Agencies), it also included senior government officers from the Ministries of Finance and Economic Planning, and Agriculture. Forty-two (42) participants were drawn from Kenya, Uganda, and Tanzania. The East Africa Community (EAC) was also represented throughout the three-day meeting. The objectives of the meeting were to

- Discuss and deepen the understanding of the role of the environment in national planning and poverty reduction;
- Identify existing gaps, and propose strategies and approaches for collecting information on natural resources economics and feeding this to the national planning processes;
- Discuss the present national planning processes, and their implications for the sustainable management of natural resources; and
- Make recommendations on how to prioritise and fully integrate environmental concerns into the PRSPs/PEAP.

IMPORTANCE OF ECONOMIC VALUATION AND ACCOUNTING IN NATIONAL PLANNING AND DEVELOPMENT

The economies of Kenya, Tanzania, and Uganda rely heavily on goods and services provided by the environment and natural resources both in terms of people's livelihoods and as a contribution to national income as measured by the Gross Domestic Product (GDP). The natural resources include agriculture, forestry, fisheries, wildlife, water resources and wetlands, and marine resources. In the three countries there is little quantitative data and information about the economic value of environmental resources or the costs associated with their loss, and how this affects national economies

and peoples livelihoods. This lack of information militates against the consideration of possible economic policy instruments to influence behaviour by households, communities, or private sector operators towards effective conservation of the environment, its biodiversity and natural resources that will make a difference to livelihoods and national economies.

Sustainability, as a concept is becoming a basic tenet of development, implying that ignoring or underestimating the immense



contribution of the environmental and natural resources to the economies of East African countries is tantamount to creating conditions for destroying the foundation upon which these economies are based. The environmental degradation levels being witnessed are a result of increased population pressures, ineffective management, and a lack of commitment through a decrease of government and other partners investment in support of environment, biodiversity and natural resources management.

In each of the three countries, there is no shortage of policies and institutions for managing natural resources and biodiversity. However the environment, its biodiversity and natural resources, continue to be degraded, thereby jeopardizing the livelihoods of millions who rely on them. Poverty assessments undertaken in the region confirm that the rural people are the poorest segments of the population and plunging them into further poverty is a threat to social stability in these countries. The vicious circle that is used to link environmental degradation and poverty needs to be broken.

In recent years, Tanzania, Kenya and Uganda have developed Poverty Reduction Strategies (Poverty Reduction Strategy Plans or PRSPs in Kenya and Tanzania, and the Poverty Eradication Action Plan, or PEAP in Uganda). These poverty reduction strategies have prioritised sectors for investment of resources in order to eradicate poverty. The environment, central as it is to economic production and human well-being, has not been identified as a priority sector in itself but has been subsumed in the agriculture and rural development sectors, or is treated as a cross-cutting issue. This simplistic classification of sectors and the financial resource allocation mechanisms based on it (the Medium –Term Expenditure Frameworks- MTEF) has serious consequences in terms of a reduction in funding by both governments and development partners in the environment, as the environment is no longer considered among a **priority** sector such as education, health, rural roads and agriculture. This trend in under funding needs to be reversed. Under-financed and under-staffed management of the environment, biodiversity and natural resources cannot contribute effectively to poverty reduction. Biodiversity and natural resources are the basis for livelihoods, and to let them be degraded is counter productive to any poverty reduction strategy.

In order to rectify this, natural resource managers and economic planners need to acknowledge and demonstrate to policymakers the contribution of natural resources to national economies and poverty reduction, and advise governments to upgrade the environment sector in the PRSPs/PEAP review processes. This will, hopefully, demonstrate that the contribution of biodiversity and natural resources will be more responsibly recognized at all levels, and that this will result into increased resource allocation for natural resources management.

This workshop was organized to bring relevant government institutions and the East African Community (EAC) to forge a common understanding on the role of the natural resources sector in poverty reduction strategies in the region, and make recommendations and action points as to how this can be achieved.

ACTIONS TO INTEGRATE THE ENVIRONMENT INTO NATIONAL PLANNING AND ACCOUNTING

This meeting was the first of its kind in bringing together natural resources managers with their counterparts from the Ministries of Finance and Economic Planning, Environment, Water, Agriculture, and the East Africa Community, and the main outcomes of, and agreed actions from the meeting were as follows:

Information sharing: Three national case studies on the contribution of environment and natural resources to the national economies of the three countries of East Africa, one regional case study on the current position on national planning, poverty reduction, strategies and the environment in East Africa, and a background paper on the natural resources accounting and valuation were commissioned in advance. These papers helped to enhance a common understanding of the concepts and principles behind integration of environmental concerns in economic planning and poverty reduction. This helped to demonstrate that the environment

and natural resources contribute immensely to the national economies (in terms of GDP, exports, employment, and other measures), poverty alleviation (through dependence of households and communities on the environment and natural resources) and that natural resource degradation imposes real costs to the economies of the three East African States. However, the contribution of biodiversity and natural resources, and their loss due to degradation are taken for granted, are not adequately documented, and their implications are not taken seriously in policy-making and implementation. Existing information on the subject needs to be made available in an easy to understand format, and distributed to various stakeholders. It is also necessary to share information and lessons learnt within different ministries and departments, as well as more generally at national and regional levels. IUCN EARO is producing policy briefs that highlight the linkages between environment, poverty and economic growth in Kenya, Tanzania and Uganda.

Integration of environmental concerns in national planning: These environmental concerns have to be integrated into national economic planning processes and the economic aspects need to be better integrated into natural resources management. There are many linkages between the state of the environment, poverty and the social welfare of communities who rely on natural resources. However, continued environmental degradation leads to high economic costs and reduced productivity. This exacerbates, rather than reduces poverty. Conversely, sustainable natural resource management enhances economic growth, improved human welfare and results in poverty reduction.

Harmonization of information management: Environment and natural resources managers and environment economists should be brought together to agree on the methodologies for collecting environmental economics data to ensure that standard methods are used to provide comparable data, for both national and regional datasets.

Capacity enhancement: Capacity needs to be enhanced in a variety of conflict resolution techniques, as this will enable improved policy analysis, and the development of capacity to negotiate especially at international and regional forums.

PRSPs, PEAPS and Environment: Environment and natural resources is, generally, subsumed in the agriculture and rural development sector within the PRSPs. In future, relevant institutions should lobby to make sure that the environment and natural resources are more explicit in the revised PRSPs. In addition, there is a need to develop environmental indicators for the PRSPs.

Innovative Financing Mechanisms for Natural Resource Conservation: Finance for conservation from both governments and donors has been dwindling over time. It is crucial that investment in conservation increases, and innovative financing mechanisms should be explored. Such mechanisms should internalise costs of natural resources consumption, ensure equitable distribution of benefits and costs, and provide incentives for conservation especially at local level.

Greening of National Accounting Processes: Guidelines on environment and natural resources accounting need to be developed, in addition to the collation of information on the



contribution of the environment to national economies. Additional case studies need to be conducted to fill gaps. More importantly, a comprehensive and concise package on the existing information should be developed to guide policy makers. Both the EAC and IUCN will assist to synthesize best practice on environment economics, and conduct a literature review on environmental accounting to disseminate to relevant institutions in East Africa.

Use of Economic and Non-economic Incentives: A better understanding of the drivers of environmental and natural resource degradation is needed at different levels (household, community, local, national, regional and international.). Based on the findings, a mix of both economic and non-economic measures (e.g. definition and allocation of property rights) could be developed to promote conservation of natural resources.

Harmonization of Policies at Regional Level: The EAC was mandated to spearhead the process of harmonizing conflicting policies at regional level to address trans-boundary externalities and related issues.

Produce East Africa State of Environment Report: Uganda is the only country in East Africa that produces a State of Environment report on regular basis. Both Tanzania and Kenya should produce their national reports on this. The East Africa State of Environment Report would then be based on the national reports.

Formalizing the meeting into the EAC Framework: The EAC representative at the meeting, recommended that the Directors of Conservation meetings be formalized and structured within the EAC framework, and be constituted as an implementing agency of the Committee on Environment and Natural Resources of the Community.

Communication: It is important that sectoral directors of natural resource management and their economic planning counterparts meet on a regular basis both at regional and national levels to discuss issues of common concern and mutual benefit. Focal points for each country were selected and mandated to convene national level meetings.

WAY FORWARD

The three countries developed action points to be implemented in the next two years. Action points at regional level were also identified. The following tables 1-4 (Tables 1-4) summarises these actions points.

Table 1: Action points and plan for Uganda

ACTION POINT	WHEN	COMMENTS
1) Linking Environment Natural Resources and Poverty		
Make Environment, Natural Resources (ENR) more explicit in the next version of Poverty Eradication Action Plan (PEAP)	2002	Desk Officer Environment, Natural Resources sectors to provide relevant information; Donor sub-group on environment to lobby.
ENR-Sector Working Group (SWG) active throughout the year, and including all relevant stakeholders (Ministries, Departments, Agencies + Local Government, Finance, who have something to do with ENRs)	On going	Secretary to ENR-SWG to keep all informed and actively involved on meetings and relevant activities.
Define ENR so as to develop a Sector wide plan for the sector	2002	Ongoing preliminary work
Integrate findings from the Uganda Participatory Poverty Assessment Project study on poverty and environment in the PEAP	On going	ENR-SWG to lobby
Intensify advocacy for ENR	On going	ENR managers to coordinate, share information, speak with one voice, use information from case studies
Improve communications and information sharing at all levels of Government.	On going	
Review composition of Programme for Modernization of Agriculture (PMA) sub-Committee on ENR to include all ENR institutions	2002	Chairperson, Secretary to the PMA sub-committee on ENR to raise the issue
2) Quantifying the unquantified ENR values		
Continue with more case studies on ENR values, and identify gaps to be filled	On going	
Subject Government programmes and policies to environmental assessment	On going	NEMA to develop guidelines
Revise National Environmental Impact Assessment guidelines to require the cost/benefit analysis of financial plans of investment to include monetary value of ENR	On going	
Ensure there are standard methods of valuation by all	On going	To ensure output is credible (link to regional action)
Compile existing data from case studies, establish a database (results from case studies above)	On going	It is expected that all institutions will share information with IUCN (link to regional action); IUCN has an existing project in this area
Develop guidelines for ENR accounting	On going	Hope that these will be adopted by member countries (see regional action point on this)
Pilot green accounting for the three member countries	On going	It is hoped that this exercise will help with the integration of ENR into System of National Accounts (SNA)
3) Enhancing Financing Instruments		
Review institutional framework for ENR management to reflect provision of Environmental Management Policy of 1994	2003	ENR-SWG, PMA-ENR Sub-committee to raise the issue with MoPS. (Note: this is a PRSCII policy matrix benchmark)
Develop Sector plan using SWAP for ENR	On going	Draft by 2003
Improve governance of ENR	On going	
Reconsider non-tax revenue regulations, with a view to allowing some sectors to retain part of the funds	On going	Interested sectors, sub-sectors, agencies to lobby
Tap into Conventions' based conservation funding opportunities	On going	MoFPED focal point for Global Environment Facility
Networking mechanisms – regular exchange of information, updating	Ongoing	

Table 2. Action points and plan for Tanzania

ACTION POINT	WHEN	COMMENTS
1) Current budgetary allocation to ENR		
Build capacity at local government and communities to effectively manage ENR	On going	Capacity building is implemented within existing sectoral plans (FBD already working on this)
Facilitate districts to prioritise ENR in their development plans	2002	Briefs given on quarterly basis
Advocacy at district level (politicians, district level leaders)	2002	Briefs given on quarterly basis
Repackage information to target specific decision-makers	2002	Briefs given on quarterly basis
2) Poverty environment linkages		
Develop ENR indicators in Poverty Reduction Strategy Paper (PRSP) frameworks	On going	Is an ongoing activity within the Poverty Monitoring Master Plan (PMMP)
Strengthen local committees on ENR interventions for PRSP	On going	
Integrated approach to operationalise policies at all levels	On going	See how sectors contribute to poverty reduction (PMMP)
Document best practice on poverty environment linkages	On going	Share more widely (link to regional action point on this)
3) Costs, benefits and equitable sharing		
Develop equitable sharing mechanisms in sectoral policies	2002	FBD initiated study already; Sectors to provide update by June 2002; share with other member states etc.
Internalise full ENR costs in pricing	2002	FBD to do economic valuation of catchments in process
Develop innovative financing mechanisms for ENR conservation	2003	Gather regional and international experiences on innovative conservation financing mechanisms, e.g. Bwindi Trust Fund in Uganda, initiatives in Costa Rica
4) Mechanisms to integrate		
Form and use regular consultative platforms	2002	1 st meeting in April 2002 – plan of action for follow-up on subsequent action points
Use existing bodies (Inter-Ministerial Committee on Environment -IMCE), EAC	2002	
Form and Use Focal Points for follow-up	2002	Both formal and informal meetings

Table 3: Action points for Kenya

ACTION POINT	WHEN	COMMENTS
1) Current budgetary allocation		
Build capacity at national and district levels and local levels and within all sectors	2002-2004	Involve all lead agencies including universities and other specialized institutions, including NGOs Strengthen the role of Ministry of Finance and Planning (MoF&P) in resource mobilization
Preparation of state of environment reports and National Environment Action Plans (NEAPs)	2002-2004	Liaison with MoF&P and sector ministries
Assess impacts of weak ENRs management	2002-2004	
a) Water - allocation and abstraction, monitoring, and quality surveillance	2002-2004	
b) Forestry - inventory, and quality	2002-2004	
c) Wildlife - inventories in protected/unprotected areas, Habitat assessment, Infrastructure and animal security	2002-2004	
d) Agriculture- Impacts of soil erosion, Land use policy, Water use in irrigation	2002-2004	

e) Fisheries - Surveillance and infrastructure – roads, fish collection centres, Fish stocks assessment; and Mapping out and protecting breeding areas		
Advocacy at district level (politicians)	2002-2004	District Environmental Committees (some are gazetted)
Undertaking of studies so contribution of ENR becomes more visible	2002-2004	All relevant agencies
Analysis of linkages between ENRs and other sectors	2002-2004	Inter-Ministerial Committee on Environment (IMCE) responsibilities have been taken over by NEMA
2) Poverty environment linkages		
Review sectoral policies and legislation on linkages	2002-2004	Review to be undertaken by all sectors and in liaison with NEMA
Develop programme of good governance on ENR	2002-2004	Liaison with all sectors, Attorney General Chamber
Integration of ENRs in planning	2002/2004	Liaison with lead sectoral departments, and documentation of best practices
3) Environmental Marketing		
Develop advocacy and awareness programme	2002-2004	Liaison with relevant departments and civil society
Compile case studies and demonstrations on real benefits	2002-2004	Liaison with Treasury, and Ensure shared regionally with EAC
a) Develop and share information		
b) Create or use existing networks to share information		
c) Review “state” national account frameworks		Liaise with NEMA, Research Institutes, Civil Society and Private Sectors
4) Apply non-economic considerations		
Carry out research on impacts of existing policy, institutions and legal issues		
Share information through networks		
Lobby for non economic considerations at all levels		
Apply sustainable development principles		
5) Resource Mobilization		
Develop guidelines for “Polluter Pays” Principle	2 years	Stakeholder involvement
Develop and use Trust Funds	2 years	Liaison with sectors
Develop methods for benefit and cost sharing	2 years	Liaison with stakeholders
6) Application of incentives		
Case studies written on incentives		
Create mechanisms for environmental friendly technology subsidies		Liaison with sectors and Treasury
Explore methods for tax rebates and exemptions		Liaison with sectors and Treasury
Analysis of property rights with respect to ENR		Liaison with sectors and Treasury
7) Core and quality data		
Create and use networks to develop synergies	2002-2004	Liaison with sectors, civil societies, research institutions, and private sector
a) Standardize and share methods		Links to regional action
b) Develop and Use more appropriate data management technologies	2002-2004	Liaison with sectors, civil societies, research institutions, and private sector
c) Develop Capacity	2002-2004	Liaison with sectors, civil societies, research institutions, and private sector
8) Mechanisms to integrate		
Re-establish Inter-Ministerial Committee on Environment and draw up work plans		Liaison with other sectors
a) Create standing committee on environmental economics and accounting		Liaison with other sectors
b) Form and use focal points for follow-up		Liaison with other sectors

9) Priority Areas		
Create awareness at all levels	2002-2004	Liaison with all sectors
Incentives and disincentives - and disseminate best practice to demonstrate real benefits	2002-2004	Liaison with sectors Links with regional action point
Lobby for increased funding	2002-2004	
Compile and make available good information and data on ENRs	2002-2004	
Develop and apply more appropriate incentives	2002-2004	Liase with MoF&P
Develop capacity on environmental economics	2002-2004	Liase with MoF&P

Table 4: Action points at East Africa Regional level

ACTION POINT	WHEN	COMMENTS
Synthesize best practice on environmental economics from papers and elsewhere, and summarize		
a). Synthesis of best practice – disseminate info to participants and partners	Within 2 years	Partners to cooperate to provide IUCN with documentation
b). Literature review on environmental accounting and methods – disseminate information to relevant stakeholders	Within 2 years	Partners to cooperate to provide IUCN with documentation
c). Develop a proposal to get funds to do implement such a literature review in different countries that apply environmental accounting in specific sectors, as a basis for discussion with CBS etc.	Within 6 months to develop a proposal	Start at individual relevant sectors and learn from experience. – Develop sector guidelines; involve CBS as part of process
Follow-up on gaps in the national + regional papers and develop action points – disseminate to partners in East Africa region	Within 1 year	
Develop capacity to negotiate especially at regional and international fora – develop a proposal (position paper) to train trainers in this, and explain how it can be done. Such capacity building should be an issue within the EAC; present to relevant institutions for funding etc. Survey of recent negotiations in the countries- what does each country have? Then recommend what to be done	Within six months	EAC raise as issue for Governments concerns and discussion – exchange of views so that Governments enhance capacity of existing negotiators. Then 2 nd stage should aim to build capacity. This anticipated to be a long process. Use of National Law Centre in Kampala.
Bring together ENR managers and Environmental Economists to agree on methodologies used to collect environmental economics data, currently not using standard methods (therefore not comparable), with view to recommending to those collecting data and use of. Harmonization of data management at national and regional database	Within 1 year	Repackaging information for different users (this happening as ongoing process)
Develop better understanding of drivers for ENR degradation – at different levels (local, Nat., Reg., Int.) (Contribute to EA state of Environment report)		National analysis (National Environmental Agencies to co-ordinate) – is it already in literature? Noted this is a very dynamic process, and need to update regularly; us of PPP
Harmonize policies at EAC level to address trans-boundary externalities etc.	On going	Externality means activity that can cause costs to another party, state.
Produce EA State of Environment Report which will be based from National reports	To be determined by EAC	To raise issue in EAC within 1 year; link the drivers of ENR degradation here.

REFERENCES AND BIBLIOGRAPHY

- Emerton, L., Karanja, F., Gichere, S and F. Shechambo (2001), *Environment, poverty and economic growth in Kenya: What are the links and why do they matter?* IUCN-The World Conservation Union, Eastern Africa Regional Office, Nairobi. (Policy Brief No. 2).
- Gichere, S. (2001), *Contribution of environmental goods and services to Kenya's economy: with reference to poverty eradication.* Report to IUCN-The World Conservation Union. Nairobi.
- Karanja, F. (2001), *Why economic valuation is important to East Africa's forests.* IUCN-The World Conservation Union, Eastern Africa Regional Office, Nairobi. (Policy Brief No. 1)
- Mariki, S. (2002), *The contribution of environmental goods and services to Tanzania's economy: with special reference to poverty reduction.* Report to IUCN-The World Conservation Union. Nairobi.
- Mogaka, H. (2002), *National planning poverty reduction strategies and the environment in East Africa, the current position and the way forward:* Paper presented during the East African Directors of Conservation and Economic Planning Meeting, February 2002, Aberdare's Country Club, Nyeri, Kenya.
- Moyini, Y. and E. Muramira (2001), *The costs of environmental degradation and loss to Uganda's Economy: with particular reference to poverty eradication.* Report to IUCN-The World Conservation Union. Nairobi.
- Moyini, Y., Muramira, E., Emerton, L. and F. Shechambo (2002), *The costs of environmental degradation and loss to Uganda's economy with particular reference to poverty eradication.* IUCN-The World Conservation Union, Nairobi. (Policy Brief No. 3)
- Shechambo, F. (2002), *Environmental accounting, national planning and poverty reduction: an overview.* Paper presented during the East African Directors of Conservation and Economic Planning Meeting, 18th – 20th February 2002, Aberdare's Country Club, Nyeri, Kenya

This policy brief is based on the deliberations of 2nd East Africa Directors of Conservation and Economic Planning that was held from 18-20 February 2002 at Nyeri, Kenya. The workshop was organized by IUCN - Eastern Africa Forest Conservation Programme with financial support from the Ford Foundation and implemented by IUCN. The Regional Component of the UNDP-GEF-FAO East Africa Cross Border Biodiversity Project provided additional funding and technical inputs.

The Economics Component of the GEF East Africa Cross Border Biodiversity Project funded the publishing and dissemination of this policy brief. Policy Briefs are regularly produced as outputs of the Economics Component (Project No. UNTS/RAF/008/GEF P. O. No: 93330) of the GEF/UNDP/FAO Project Reducing Biodiversity Loss at Selected Cross-Border Sites in East Africa. The East Africa Cross Border Biodiversity project is a joint initiative between GEF/UNDP/FAO and the National Environment Management Authority

of Uganda (NEMA), National Environmental Management Council of Tanzania (NEMC) and National Environment Secretariat of Kenya (NES). The Economics Component of this project is co-ordinated by IUCN – The World Conservation Union, and aims at integrating economic instruments for the reduction of forest biodiversity loss into sectoral policies and strategies in East Africa.

The views and opinions in this publication are those of the authors. They do not necessarily reflect those of IUCN, GEF, UNDP, FAO or Ford Foundation.

AVAILABLE FROM:

IUCN Eastern Africa Regional Office,
P O Box 68200, Nairobi, KENYA
Tel: ++254 2 890605-12 Fax ++254 2 890615/407
Email: mail@iucnearo.org

Citation: Shechambo Fanuel, Karanja Francis, Chege Florence & Barrow Edmund. *Natural Resource Valuation and Accounting in National Planning and Development in East Africa.* IUCN - The World Conservation Union, Eastern Africa Regional Office, Nairobi, 8 pages