

**MAKING A DIFFERENCE FOR THE
POOR: Using Economic
Instruments to Promote
Sustainable Natural Resource use,
Environmental Sustainability and
Responses to Climate change**

PEI Uganda presentation
November 2010

PEI Uganda: Programme Objectives

- ❑ PEI Uganda aims:
 - ❑ strengthening Government capacity to integrate environmental sustainability into policy, planning and budgeting processes at both national and local levels.

- ❑ Specifically PEI Uganda seeks to integrate environment sustainability into:
 - ❑ the NDP, its implementation and monitoring processes;
 - ❑ the BFPs and budgeting processes at both national and local government levels;
 - ❑ Selected DDP and their related budgets.

PEI Uganda: Programme Objectives

National institutions engaged in the PEI Uganda programme

- ☐ National Environment Management Authority (NEMA)
- ☐ Ministry of Finance, Planning and Economic Development (MFPED);
- ☐ **Others**
 - ☐ National Planning Authority (NPA)
 - ☐ Ministry of Agriculture, Animal Industries and Fisheries (MAAIF)
 - ☐ Ministry of Health (MOH);
 - ☐ Justice, Law and Order Sector;
 - ☐ Environment and Natural Resource Sub-sector Working Group
- ☐ Local level partners
- ☐ Civil Society Organisations
- ☐ Development partners

Key Achievements related to Els

- ☐ Informed the preparation of the NDP being implemented in the country;
- ☐ Used by PEI and NEMA in their capacity building activities on the use of Els:
 - ☐ for lead agencies including the MFPED, NPA, MOLG, MAAIF the Parliamentary Committee on Natural Resources etc;
- ☐ The Development partners
 - ☐ GTZ is using the study to guide/inform their country development assistance and other countries.
 - ☐ European Union used the study as a resource document to evaluate options for promoting Environmental Fiscal Reform in EC Development Cooperation in Uganda and other countries
- ☐ The study report is being used by Makerere University as a reference document.

Methodology

☐ **Purpose and Objectives of the Els**

- ☐ Assess the extent to which the selected incentives had contributed to env'tal mgt objectives for which they were introduced and to examine the causes of the failure of the cases.

☐ **Methodology used was Case studies on;**

- ☐ removal of duties on solar equipment and LPG to promote access by the poor;
- ☐ environmental levies in the Transport sector (to discourage environmentally hazardous used cars and old vehicle spare parts);
- ☐ waste water discharge fees to control water pollution;
- ☐ tax exemptions on lending to the agricultural sector

Methodology

☐ **Contribution of Els to PEI Objectives;**

- ☐ generated evidence to influence/ inform policy and decision making towards Els that address poverty and env'tal sustainability issues;
- ☐ is an advocacy tool for Env'tal Fiscal Reform in the country
- ☐ capacity building of sectoral lead agencies and local governments in the use of Els to promote poverty reduction and env'tal goals

☐ **Steps taken in the application of the Els**

- ☐ making presentations to targeted audiences;
- ☐ dissemination of the key findings to the stakeholders including Members of Parliament

Methodology contd

☐ **Support for the process;**

- ☐ targeted lead agencies that provided data.
- ☐ UNEP PEI provided an International Consultant to give the study, international experiences and best practices.

☐ **Underlying factors for the decision to use this arrangement;**

- ☐ increasing use of env'tal fiscal tools in the national budgets and limited or total absence of assessment of their effectiveness in meeting env'tal goals;
- ☐ enabling policy and legal frameworks for the use EIs in env'tal mgt

Methodology contd

- ❑ **How the methodology respond to the country's needs and priorities**
 - ❑ the study informed the preparation of the National Development Plan (NDP) whose theme is “**Growth, Employment and Socio-Economic Transformation for Prosperity**”
 - ❑ the country has been undergoing a number of Fiscal Reforms, the study therefore is important in informing the on-going Fiscal Reforms;

KEY FINDINGS AND RECOMMENDATIONS

Energy sector

- ❑ While trade in solar batteries increased after removal of duty from US\$ 9,826 in 2005 to US\$ 18,908 in 2007, retail price for Solar and LPG did not reduce;
- ❑ GOU has forfeited US\$ 1.58 million on Solar batteries and US\$ 2.1 million
- ❑ Access by the poor to Solar and LPG is still low, dependence on Biomass is still very high (over 94%)

Transport sector

- ❑ Cost of old vehicle is 1/5th of the new vehicle inspite of the 10% levy on the old vehicles; buyers have not shifted to new vehicles;
- ❑ Government revenue substantially increased from U Shs. 3.7 billion in 2006 to U Shs. 10.5 billion in 2007 after the introduction of the environmental levy (US 8.6 million);
- ❑ US\$ 212,000 raised on old spare parts in 3 years;
- ❑ Importation of old vehicles has continued to increase inspite of the levy;

KEY FINDINGS AND RECOMMENDATIONS

Water and sanitation sector

- ☐ Only 53 (27 institutions) discharge permits have been issued since the introduction of the discharge fees in 1998 out of the estimated 335 waste dischargers i.e. a compliance rate of only 8%;
- ☐ Compliant firms are disadvantaged due to the costs of securing permits incurred yet others do not, they are evading;
- ☐ Between US\$ 447,580-US\$ 856,612 is lost by Government annually due to poorly regulated pollution;

Finance and Banking sector

- ☐ Lending to agriculture by financial institutions in absolute amounts for both production and crop finance fell;
- ☐ Lending by Banks to other sectors increased by 74% from 2005-2007
- ☐ While the incentive was meant to benefit the poor farmers, the financial institutions are accessed by only 2% of the households for their credit needs.
- ☐ There are still many barriers to lending to agriculture

Recommendations

- ❑ Build capacities of sectoral lead agencies and local governments in the use of EIs;
- ❑ Create awareness among the policy makers and those targeted by EIs;
- ❑ Collect data and evaluate EIs before and during their implementation process;
- ❑ Plough back part of the revenue to enhance env'tal enforcement and compliance;
- ❑ Review the EIs regularly and adjust accordingly to ensure continued relevancy and focus i.e. env'tal sustainability, equity (pro-poor) and revenue objectives;
- ❑ Build the capacities of ministries, local governments and institutions to monitor and supervise the implementation of EIs in their areas of jurisdiction;
- ❑ Involve all the relevant stakeholders in the design and implementation of EIs.

Policy Impact

- ❑ **Impact of Els on policy/decision making at national, sector/local levels**
 - ❑ the Directorate of Water Resource Management is developing an enforcement and compliance monitoring strategy
- ❑ No policy has been adjusted yet, it is too early
- ❑ **Where policies remain the same, show whether significant developments have been made in terms of process/participation/dialogue**
 - ❑ Policy making and review is a slow and consultative process in Uganda.
 - what has been done is to disseminate the findings to key stakeholders in the country e.g. the Members of Parliament to generate debate that is expected to cause policy change.

Challenges and Responses

- Knowledge base on EIs is still very poor
- Balancing revenue generation, poverty reduction and environmental management objectives
- Lack of a coherent, integrated approach
- Resistance from strong interest groups

Challenges and Responses

- ❑ Els are being implemented in a liberalized market env't against a background of poor enforcement capacity and lack of standards;
- ❑ Conceptual issues; Els are being conceived more as revenue sources than env't management and regulatory instruments;
- ❑ Lack of research and supporting data for the use of the instruments e.g. data on Polluters and their pollution levels;
- ❑ Limited awareness about Els by the implementers, the general public and the targeted groups/institutions;
- ❑ Limited capacity to analyze the impact of Els on other goals such as env'tal sustainability, equity, competitiveness, investment etc

Responses

- ❑ How the PEI team is addressing these challenges;
 - ❑ On-going awareness creation and capacity building on EIs;
 - ❑ Partnerships with relevant institutions e.g. MFPED, Local Governments, Sectors/Ministries;
 - ❑ Partnerships with people who know these tools e.g. Consultants i.e. SDC
 - ❑ Technical support from UNEP i.e. international consultant

Lessons Learned

- ❑ Implementation of EIs is a political negotiation process that should take into consideration
 - ❑ interest groups of Government,
 - ❑ the general public and
 - ❑ the targeted groups/institutions;

- ❑ Introduction of EIs should demonstrate that informed trade-offs have been made in a transparent and consultative manner between the three broad objectives of EIs i.e.
 - ❑ environmental management,
 - ❑ poverty reduction and
 - ❑ revenue generation;

- ❑ The likely benefits and/or costs of EIs should be tested within a with and without EIs framework and before and after EIs before a decision to adopt them is taken;

Additional Support Required

- ❑ Financial support to carry out the studies and disseminating the findings including facilitating dialogue with key policy and decision makers to implement the findings;
- ❑ Technical support for review to ensure quality and enrichment of the studies and to facilitate learning from international experiences and best practices;
- ❑ Support advocacy and lobbying efforts for review of policies and plans to incorporate the findings of the studies.

Additional tools required

- ☐ Valuation of Natural Resources and Environmental impacts including both the costs and benefits;
- ☐ Economic valuation of returns on environmental investments/undertakings;
- ☐ Value chain analysis on various natural resource based economic activities to identify the distribution of costs and benefits;
- ☐ Payment for Ecosystem Services;
- ☐ Building Resource Accounts

Usefulness of PEI Partnerships

- ❑ Created ownership and enabled joint/partnerships in implementation of planned activities basing on the institutional competencies/comparative advantage;
- ❑ Resources (including; financial, human and technical resources) were obtained
- ❑ Sharing of experiences and best practices;

Next Steps

- ☐ Valuation of Natural Resources; forests and soils;
- ☐ Economic Instruments for the sustainable development and exploitation of Oil and Gas;
- ☐ Review of the National Environment Management Policy;
- ☐ There is a big potential for the integration of PEI with other poverty-environment issues e.g.
 - ☐ PES
 - ☐ Carbon trading
 - ☐ REDD

Promoting behavior change

- ❑ Persistence with key poverty-environment linkages messages;
- ❑ More practical examples demonstrating how good environment management practices can reduce poverty and improve human livelihood;
- ❑ More studies generating credible evidence for advocacy and lobbying;