

# **Natural Capital approaches and Social 'No Net Loss' for development in Uganda workshop**

## **Workshop Minutes**

**7th March 2018**

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## 1.1 Introduction

This workshop was held at the Serena Hotel in Kampala on Wednesday 7th of March 2018 (12.30pm – 5.00pm). The workshop was preceded by a lunch for attendees and followed by a drinks reception and networking opportunity.

The workshop was attended by government and NGO representatives, as well as ESIA consultants (Appendix A: attendance register). The workshop started with a presentation about Natural Capital approaches for development in Uganda, which was illustrated by a Natural Capital account of an infrastructure project in Uganda and led to discussions about a possible Natural Capital Forum for Uganda. This was followed by presentations on the project team's working definition of Social 'No Net Loss' (NNL), on the research results from Uganda's largest hydropower project and on the draft social NNL guidelines for Uganda, which will form the foundations for new national and international guidelines on social NNL (Appendix B: agenda).

The aims of the meeting were to:

- Show how Natural Capital accounting can support decision-making to secure genuinely sustainable development in Uganda, and to gather views on possibilities for a Uganda Natural Capital Forum; and
- Gather feedback on the social NNL work to help shape social NNL guidelines for Uganda.

## 1.2 Meeting Minutes

### 1.2.1 Welcome and introductions – Fred Onyai (NEMA)

- Fred Onyai opened the meeting by welcoming everyone to the workshop. He explained that he is representing Francis Ogwal (NEMA) who was unable to attend but is working closely with the project team. Fred is the monitoring and evaluation manager at NEMA and works in biodiversity conservation, particularly with implementing the Convention on Biological Diversity (CBD) in Uganda.
- All the attendees then introduced themselves and the organisation that they work for.
- Fred spoke of one of his Professors of environmental ethics, who said that science without ethics is blind and this is why the project, the possible Natural Capital forum and the concept of social NNL is important as it uses science but also takes into account ethical issues.
- The Ugandan development framework takes into account the element of Natural Capital, as well as the National Development Plan II. These take into account the national priorities, which reflect the Sustainable Development Goals (SDGs). Thus, the concept of Natural Capital cannot be ignored.
- The project that we are here to discuss is paramount in terms of benefits to society. There is a need to explore what social NNL is and inclusion and equity are two important parts of NNL at

a society level as well as part of the SDGs. If this is the way to go, then Uganda is very happy to be piloting this global initiative and thanks the project partners for doing this.

- About 80% of the country depends on Natural Capital and most of Uganda's economy is nature based. Nature is therefore very important, but its protection should not come at the expense of social aspects and ethics.
- The UNEP-WCMC CONNECT project tries to work at the sector level. Uganda seems to be doing well at the sector level but not very well with projects on the ground.
- The idea of social NNL is good for the communities, and Uganda is glad to have good partners.
- Science and ethics can do a lot for conservation.

Fred then handed over to the Darwin NNL project lead, E.J. Milner-Gulland.

- EJ began by introducing the Darwin NNL project, what its aims are and who the six project partners are.
- She spoke about the work undertaken during the first year of the project, including how the project team engaged with various Ugandan partners and NEMA about how to raise the profile of biodiversity in both government and businesses.
- This led to discussions about creating a Natural Capital Forum (rather than the original proposal of a Business and Biodiversity Forum). The name was changed as Natural Capital was more applicable.
- In the second year, we launched a consultation with businesses about whether there was interest for the Natural Capital Forum. Julia Baker hosted a workshop with stakeholders and project partners in August 2017 and found that the idea was well received. However, comments from the meeting suggested that the idea of Natural Capital was too abstract and vague, hence examples were needed to demonstrate how Natural Capital might work in Uganda. E.J. then mentioned that we have constructed a Natural Capital account of a hypothetical development project which we are presenting today.
- The day will be divided into two parts.
  - The first is a follow up to the August workshop run by Julia, following on from those early discussions about a Natural Capital Forum for Uganda and presenting a case study as well as how this Forum could be taken forward in the Project's Year 3 and ensuring its sustainability thereafter.
  - This session will be followed by a discussion on social NNL with a definition being presented as well as some practical research on the impacts of a hydropower dam on local people.
- E.J. finished by emphasising that we really want their feedback and discussion on these topics.



*Figure 1: Attendees at the Natural Capital workshop*

### **1.2.2 A Natural Capital Forum for Uganda – Julia Baker**

Julia commenced this session with a presentation on what Natural Capital is and why it is useful. She explained that 'stocks' comprise living elements (such as wetlands) as well as non-living elements (such as minerals) and that biodiversity as part of Natural Capital is just one component. Moreover, stocks generate flows called ecosystem services (e.g. climate control and flood regulation), which in turn provide various benefits for people (and businesses). However, many of these benefits from biodiversity are unrecognised by governments and businesses in traditional economic decision-making, and so it's vital that we change this to ensure we understand the true costs and benefits of major infrastructure projects.

Julia then ran through a typical Environmental and Social Impact Assessment (ESIA) process, including the decision about whether a project will go ahead or not based on its economic and social benefits. During her presentation, she demonstrated the need to incorporate Natural Capital accounts into the assessment phase of the ESIA, as it will help understand the true effects, such as impacts to wildlife and people, but also impacts to ecosystem services, which will allow better decisions to be made on quantified impacts. Natural Capital accounts often includes assigning monetary value on benefits to people from biodiversity when it is appropriate to do so, however, it must be noted that it is not always appropriate to assign costs to everything. Uganda is currently experiencing a significant amount of

investment in national development, so the inclusion of Natural Capital could provide Uganda with an opportunity to be a leader in sustainable development.

### **Overview of discussions to-date on possibilities for Uganda's Natural Capital Forum**

A roundtable discussion was held in August 2017 about the creation of a Natural Capital Forum in Uganda and a large amount of interest was expressed. Julia provided a brief summary on this meeting in August and concluded that as the subject was relatively abstract, a case study was needed to demonstrate how Natural Capital accounting could be used for a development project in Uganda. She explained that the project team has undertaken a first step towards this, which is this case study being presented today.

### **Case study of a Natural Capital Account of an infrastructure project in Uganda**

The next part of the presentation was a case study example on applying a Natural Capital Account to a development project in Uganda, and the benefits of Natural Capital accounts to Government, investors, lenders, ESIA practitioners and contractors. Julia presented a high-level overview of the case study that was requested during the first Natural Capital Forum meeting. She made sure to note that this is a fictional case study and is only being used for illustrative purposes. This Natural Capital account included assigning monetary values to the benefits to people from biodiversity (i.e. not assigning monetary values to biodiversity itself) and is only looking at biodiversity loss at the construction phase, however a full Natural Capital accounting would incorporate the full project life-cycle and all of its environmental impacts. Therefore, this case study is not a full Natural Capital account. The case study is the construction of a sugar cane factory and associated activities, that will result in the loss of 2 500 hectares of wetland in Uganda. Julia went on to describe how to conduct a Natural Capital baseline (which can be added to the ecological and social baseline in the ESIA). This moves to a more quantified state that we can include in the baseline thereby allowing us to see what the full consequences are if wetland was lost. This approach is a more comprehensive assessment. However, it is not always possible or appropriate to assign monetary values to all ecosystem services, for example to cultural heritage.

There are a number of benefits associated with Natural Capital accounts. They provide a more comprehensive assessment on whether development should go ahead, can help lenders set and achieve sustainability requirements, allows for improved impact assessment and mitigation design and provides assurance to contractors as they can build sustainable and fair infrastructure. This research on a hypothetical development is a useful illustration showing how can it be applied to a real case study in Uganda, however, data to construct the accounts from need to be established. Julia and a research assistant are currently writing the report on this Natural Capital account which will be disseminated once finalised. They then aim to carry out this process on an existing development project in Uganda.

### 1.2.3 Discussion on Natural Capital Forum for Uganda – Julia Baker

- Question: You point towards quantitative assessments as opposed to qualitative assessments which is good. However, how do we attach monetary values when there is no information in Uganda? How will this be standardised? When people are resettled, there is a survey with standardised method to value land for compensation. Who will do this Natural Capital valuation? Will the valuers be trained? Are practitioners equipped with the skills to do this?
- Response: Reference data are needed and this needs to be a collaborative process. Individual research projects use different economic valuation methods which creates inconsistencies. In the U.K., there is a central committee that regulates this and this is why we thought a forum would be good for Uganda in order to create reference data. Training is very necessary, maybe through the forum, but presentations from Natural Capital experts are needed. The forum would be the place to identify what support is needed and to generate case studies to learn from.
- Question: In reality, carbon credits were too complicated to calculate and evaluate. People spent so much time doing this and it is actually too much of a headache. Is there a relationship with carbon credits and will Natural Capital be too complicated?
- Response: Carbon credits are very complicated! The way we structure Natural Capital accounts has to be doable and pragmatic. Often ESIA's of development projects have a set budget, so for it to work, it must be cost efficient and pragmatic so that it's not too much extra work. With a structured framework in place, people could use this.
- Question: Economic valuation and Natural Capital are not new in Uganda. There are some people with these skills in Uganda who can do this. NEMA as a regulator the issue as integration and political buy in is needed. Some EIA practitioners do not have this capacity and a gap exist.
- Question: He compliments the concepts being raised during this workshop, including NNL and Natural Capital. These are complicated but manageable issues and we must be commended for the job we have done to enlighten us about this work. The Ugandan Biodiversity Fund (UBF) has been discussing strategies for NNL as part of various pipeline projects. They have learnt a lot for these programmes. How do we really ensure that there is NNL? What mechanisms are put in place to ensure that there is NNL? The Fund would like to take up these ideas in their programmes. Most people and institutions in this room are interested in these concepts, so maybe these are the best organisations to work with as part of a Natural Capital Forum. UBF has learnt something today and is ready to collaborate with us and the project.
- Question: As government, they are lagging behind. They launched a green growth strategy with a number of interventions that need to be monitored. They are working with someone from the National Planning Authority (NPA), trying to pick out indicators that can be used with accounting frameworks. SDG 6.1 states that water accounts must be used. The need to uptake these accounts is there, but government just needs to take it up.
- Response: What is needed for this uptake?

- The Natural Capital Forum could be incredibly useful here. The first few years of developing accounts needs users to interact and share lessons learnt, and the forum is key to develop these references. The forum will help the uptake as it sells the product to the Ministries. Forums should combine the users and producers.
- Question: Quite a number of commitments are in place already for various initiatives, but a forum is needed to advance and push this. A stakeholder map needs to be developed, but how do we increase the uptake of this information? The political will is also important. They make the financial decisions on expenditure. People in different arms of parliament are needed, so that they can also help take this forum forward. There is a green growth strategy and people want to take stock of how impact natural resources are. There is the concern that including Natural Capital might stunt economic growth for the county. How do you get buy in from politicians? The forum needs to push this forward.
- Response: There is a national level picture but one can also do a Natural Capital account for a single development project, as presented here today. One approach is to think about Natural Capital accounts for individual projects.
- Response: We have one more year left on this project, with some money available to help take Natural Capital forward. How do you think we should spend this money? For example, would it be good to bring in trainers? We want to know how to strategically invest money to bring continued efforts to make Natural Capital mainstream.
- Question: In WCS' experience, if the Forum and process is not driven by the government, the uptake is a challenge, especially if it's from an external body. There is an interest for a Natural Capital approach in government and especially with the NPA, with the idea of improving Natural Capital accounting and having it embedded in an accounting system. If this approach is not demanded by government, it will be a waste of time. We should therefore invest in government and train and build their capacity. For example, the Bank of Uganda is keen on Natural Capital but do not have the expertise. Who is going to give them the training? It is therefore important to recruit the right people. Moreover, what if we include Natural Capital accounting but it deflates development in Uganda? In addition, if the Government is over reporting it, there will be a discrepancy and how do we manage this? The Uganda Bureau of Statistics (UBOS), the NPA and the Ministry of Finance are very important.
- Question: If you want a forum to succeed, there are many stakeholders in this room and they are the same ones represented in major decision-making forums. You need representatives who are members of the NPA so as to get buy-in. For example, NEMA, UBOS and other institutions are resented in this meeting. Then a white paper can be developed at parliamentary level and reach the cabinet so that the political elite of Uganda buy in. If you do not do this, it will stay amongst practitioners, academics etc. and not reach the private sector.
- Question: Did you come across in your study that only 20% of Uganda is covered by electricity? The population is growing at 3% per annum, and this excessive population growth could eat up biodiversity, so it needs to be identified as a priority. There is a need to include these statistics in our study.

- Question: If we need a Natural Capital Forum to be taken up, it must become mainstream. If we introduce it as a new forum, it will take much longer to be taken up. There is already a natural accounting system in Uganda, therefore we need to get these people interested in this new thinking and new policy approach. It is also important to eliminate the fear of stopping economic growth. There is the need to get the Ministry of Finance, NPA and UBOS interested, especially as they all fall in the Ministry of Planning. Other stakeholders can be engaged with and used to build capacity.
- Question: UBOS assures us that the need for these Natural Capital accounts has been stepped up by Government and that it is required. In terms of environmental accounting, not too many people understand this area, but there is still a need and this has been identified. Lots of work been done by different agencies, doing some sort of environmental accounting for a few areas. They have brought material together, but still have some information missing. As the implementing agency, UBOS are trying to arrange this area. They cannot deny that UBOS should take the lead. The National Forest Authority (NFA) have already approached the IUCN to help with forest accounting. They are monitoring and advising the consultant, the results will be disseminated this month (March) and the responsibility will sit with UBOS. Once the mandate is in one central place, producing an account for water will have to feed into accounts for energy etc. Accounts cannot be produced in isolation; the environment interacts with everything and all these accounts should be housed in one area for consistency. UBOS have stepped up their game.
- Question: Implementation at country level (macro level) where it is a policy issue at government level. There is still the political question of reaching the GDP if Uganda follows the Natural Capital route. The case study level is a good idea, looking at the individual project and integrating a Natural Capital approach. UBOS can accumulate and keep the data at a project level as this works for other accounting methods.
- Response: Great that there is interest in Natural Capital. We acknowledged the challenges and the need for it to be government driven, especially by UBOS.

**What type of Forum could be useful (e.g. part of an existing committee)?**

- A Forum that can capitalise on an existing forum. There are quite a few existing forums but need to identify one that links to Natural Capital.

**Is there interest in being involved?**

- Yes, but Natural Capital accounting is not practical yet as we need the reference data and to build capacity.
- People need to know what the advantages are of taking up a Natural Capital approach and we need more case studies to illustrate this clearly. However, the compliance level is ready (project level).
- Uganda is currently implementing a country wide programme for wetland reclamation. The number one instrument is the Environmental and Social Impact Assessment (ESIA) for



environmental management but there are many different methodologies, thus it is not a prerequisite to apply a Natural Capital approach.

#### **Who would chair the Forum and who would be members?**

- UBOS and the Forum should be coordinated by NEMA.

The session concluded with a clear agreement that there was growing interest in Natural Capital approaches by government and businesses in Uganda, and that a Natural Capital Forum would be beneficial. There was also agreement that the Forum needs to be government-led to gain traction and have influence in mainstreaming Natural Capital, but getting to that point requires more detailed case studies of Natural Capital accounting for flagship development projects. The Project Team invited suggestions from attendees on possible development projects and collaboration partners to work with on developing a detailed Natural Capital account.

#### **1.2.4 Social No Net Loss for Uganda's largest hydropower project**

The second part of the workshop focused on the conceptualisation of social NNL and how this can be operationalised using the Bujagali and Isimba Hydropower Projects and Kalagala Offset as a case study in Uganda.

#### **Introduction to Social No Net Loss – Joseph Bull**

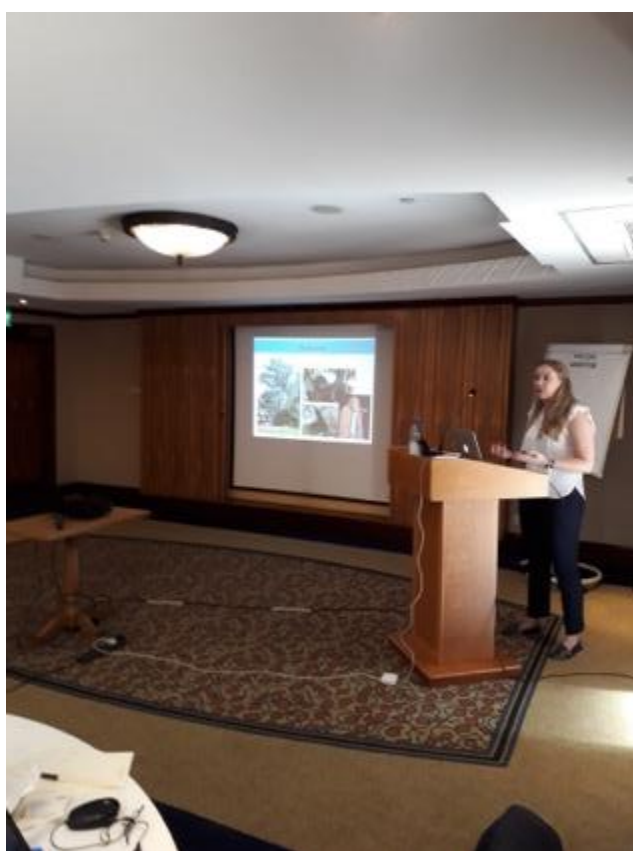
As the attendees had different levels of experience with biodiversity offsets and NNL policies, Joe commenced the session by recapping the concept of the mitigation hierarchy. He described how Uganda has two environmental policies that include provisions for NNL of biodiversity, putting them ahead of many countries in the world. However, guidance on NNL policies does not tend to contain specific details on social considerations, such as ensuring that people's use and cultural values for biodiversity are accounted for in the biodiversity offsetting process. This led to the development of our Darwin funded project which is developing guidance on how to achieve social NNL at the same time as NNL of biodiversity, which will also inform practice worldwide.

After the Darwin project was introduced, the six project partners described and the two main objectives of the project explained, Joe presented the concept of 'social NNL'. During the presentation, he explored what is meant by social NNL by addressing three questions: a) NNL of what? B) NNL for whom? And c) NNL compared to what? He concluded by presenting our working definition of social NNL:

*“Project-affected people (appropriately aggregated) should perceive their wellbeing to be at least as good as a result of the development project and associated biodiversity offset, throughout the project lifecycle, than if the development had not been implemented”.*

### Research findings from Uganda's largest hydro-power project – Victoria Griffiths

Victoria then demonstrated how the concept of social NNL could be put into practice. She began by describing the case studies and provided some background to the study area. After briefly describing the methods, she explained the results of the choice experiment. This provided insight into what social gains local people prefer as part of a biodiversity offset activity that aims to achieve both a NNL of biodiversity and a social NNL. She then proceeded to describe the preliminary results from the cultural heritage analyses. As these analyses are still underway, she explained that there were a number of questions that were still to be addressed during the course of her PhD write-up. One of the questions still to be addressed is how to include cultural heritage considerations into social NNL, including how spirits and sacred sites could be relocated and compensated for if affected by a development project.



*Figure 2: Victoria Griffiths presenting her research findings*

### 1.2.5 New national guidelines for Uganda on Social 'No Net Loss' – Joseph Bull and Julia Baker

The next session covered the development of best practice principles for social NNL. These principles will aim to accompany best practice guidance on NNL of biodiversity, ensuring that local people's use and cultural values associated with biodiversity are taken into account when designing and

implementing NNL policies. These principles will be developed at a national level for Uganda and then used to develop a set of international principles. The aim of this session is to share the draft principles with the group and to get their input before they are published.

Joe explained that there are approximately 20 principles, divided into three groups: conceptual, operational and institutional. He then briefly described the three groups, and gave some examples of the principles, notably, how they compare against guidance for NNL of biodiversity. The room was then separated into groups to discuss the social NNL principles, and in particular, ways to make them useful and applicable in the Ugandan context.



*Figure 3: Joseph Bull introducing the Social NNL principles*

### **1.2.6 Discussion on the social NNL principles**

Feedback from the group discussions included:

- There is the need to emphasise the human rights elements in the principles. People do not consider the impacts of development on local communities.
- Local communities are not empowered and therefore do not have a voice. Thus, there is the need to give these communities that voice. It is also very important to return to the communities to give them feedback.
- Is this just repackaging existing information? What extra information does social NNL provide over and above the ESIA process or other policies on social impacts of development? How can

social NNL be used as part of ESIA's and can it be used within the ESIA to give more transparency and a clearer target when designing and implementing biodiversity NNL?

- The principles are fine but Uganda has very good policies and frameworks in place which are not followed.
- If Uganda is already following the World Bank and IFC standards, is there a risk of duplication and will this add to further burden?
- Make sure that we are clear about integrating social NNL and Natural Capital. Do not confuse people by talking about them separately.
- There is the need to integrate biodiversity and social NNL better (via ecosystem services) in order to get more traction. Social NNL should not just be an 'add on'.
- Can this be framed as a win-win situation? There is always going to be a disgruntled group and not everyone is going to be happy.
- How do you include resettlement; versus social NNL which is being about biodiversity and trades.
- Clear articulated steps for social evaluations are needed so that practitioners can cover this sufficiently.
- Capacity building of practitioners is needed.
- Also, need to include economic valuation techniques.
- Isn't there already thinking about this? There are complicated social impacts and guidelines need to be clear to address these. Let's not re-invent the wheel, but instead, show where the gaps are.
- Clarity on methods for social NNL is needed.
- Need to make this concept pragmatic and not overwhelming. It will be hard for people to adopt all 20 principles, so maybe phased implementation is needed to help the guidelines gain traction.



*Figure 4: Feedback on discussions held during the workshop*

### 1.2.7 Wrap up summary and close – Fred Onyai

Once the discussion on Social NNL concluded, Fred closed the meeting. He said that it is exciting and enriching to discuss possibilities for a Natural Capital Forum and that he will be able to make a good hand over report to Francis Ogwal. Both Natural Capital and Social NNL are a reality so there is a need to understand the concepts and ensure that government institutions take care of the policies and guidelines whilst the private sector should take care of the operationalisation of these two aspects.

In this room, we are aware that ESIA's takes care of environmental and social safeguards, but soon we will be implementing safeguards that look at social costs and benefits. This cannot be avoided if development is to go ahead but there is also a need to include human rights elements. The Millennium Development Goals were just a framework, then we got the SDG and Uganda has a binding agreement to achieve the goals. Natural Capital and Social NNL are new ideas in Uganda so we need to build our capacity to implement this.

## Appendix A: Attendance Register

### NNL project team:

- E.J. Milner-Gulland – Oxford University
- Victoria Griffiths – Oxford University
- Dilys Roe - IIED
- Julia Baker - Consultant to IIED
- Joseph Bull - Wild Business
- Dianah Nalwanga – Nature Uganda
- Lilian Twanza - Nature Uganda
- Simon Nampindo – WCS
- Beatrice Kyasiimire - WCS
- Panta Kasoma - Jane Goodall Institute (Advisory Committee)
- Derek Pomeroy – Makerere University (Advisory Committee)

### Other attendees:

- Edward Okot Omoya – NEMA (GEF/UNEP-WCMC CONNECT)
- Dennis Kamoga – Aston Associate
- Hugo Rainey – WCS
- Harriet Anywar – UBTF
- Helen Mwiza – WCS
- Aaron Werikhe – NPA
- Godwin Kamugisha – NEMA
- Moses Masiga – NEMA BIOFIN
- Simon Peter Weredwong – UBTF
- Helga Rainer – Arcus Foundation
- Eugene Ntananga – AFC/ EADB
- Frank Lugemwa – Eco & Partner
- Michael Daka – Proess Consulting
- Fred Onyai – NEMA
- Rhoda Nankabirwa – Atacama Consulting
- Akankwasah Bairega – Ministry of Tourism and Wildlife
- Martin Okumu – Sopientia Profess Consult

## Appendix B: Agenda

Time	Session	Lead
12.30	Lunch	
13.30 – 13.45	Welcome and Introductions	Francis Ogwal
13.45 – 14.15	A Natural Capital Forum for Uganda <ul style="list-style-type: none"> <li>• Overview of discussions to-date on possibilities for Uganda's Natural Capital Forum</li> <li>• Case study of a Natural Capital Account of an infrastructure project in Uganda</li> </ul>	EJ Milner-Gulland & Julia Baker
14.15 – 15.00	Discussions on a Natural Capital Forum for Uganda, to include: <ul style="list-style-type: none"> <li>• What type of Forum could be useful (e.g. part of an existing committee)?</li> <li>• Is there interest in being involved?</li> <li>• Who would chair the Forum and who would be members?</li> <li>• What would encourage uptake of Natural Capital approaches - more case studies? Presentations from international NC experts?</li> <li>• If a Forum would be useful, what are the next steps to establish the Forum?</li> </ul>	Julia Baker
15.00 – 15.30	Refreshments	
15.30 – 16.00	Social No Net Loss for Uganda's largest hydro-power <ul style="list-style-type: none"> <li>• Introduction to Social No Net Loss</li> <li>• Research findings from Uganda's largest hydro-power project</li> </ul>	Joe Bull & Victoria Griffiths
16.00 – 16.45	New national guidelines for Uganda on Social 'No Net Loss' <ul style="list-style-type: none"> <li>• Introduction to the new draft guidelines</li> <li>• Discussion to gather feedback on the guidelines including points of clarification and</li> </ul>	Joe Bull & Julia Baker
16.45 – 17.00	Wrap up summary and close	Francis Ogwal