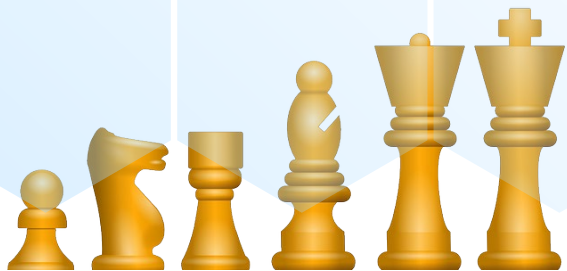




NCA in Uganda _ Informing economic policies and Development strategies

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NCA FORUM_NAIROBI
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Building a Competitive Economy for National Development

MOFPED



Outline



1

Introduction_ Facts about Uganda

2

Uganda Natural Capital Accounting (NCA)
Program_ Objectives

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Examples of NCA applications and Use



Introduction_ Facts about Uganda



Coverage,

- Land , Water, Forests, Wetlands and mountainous vegetation
- Population: Approximately 44 Million. Popn growth rate 3.5%.
- Confluence of 8 ecological zones
- High biodiversity with endemic and threatened species; 364 mammals, 1062 birds

Main economic activity

- Agriculture, heavily reliant on weather
- High potentials for tourism development
- 80% of the population employed in agriculture sector
- Population highly dependant on natural resources for survival

Forestry and wetlands very important in rainfall formation and climatic moderation. Habitat to endangered and threatened species

Economic development

- Agriculture, forestry and tourism major contributors to GDP
- GDP about 45 Billion USD
- GDP growth rate 6.1% (2017/18) mainly dependant on agriculture

Challenges: Forest, wetlands; and other natural resources being depleted

Solution: Policy makers and technocrats to fully appreciate the contribution (direct and indirect) of Natural capital to development





Uganda Natural Capital Accounting (NCA) Program Objectives

To increase understanding of:

- The real contribution of natural assets and ecosystem services
- How the economy and its sectors affect the natural asset base.
- Is economic development at the expense of natural capital base?
- What are the optimal utilisation levels?
- And appreciate the importance of Natural Capital, especially among the decision makers.





Applications



Informed the NDPIII planning process (Full program on environment and CC financing out of the 20)

Assisted in compilation of the adjusted macroeconomic indicators and country wealth estimates (Annual report being prepared by MEPD) to inform fiscal policy.

Providing data for macroeconomic modelling and assessing the impact of CC on the economy.

Guiding policy discussions during the annual growth forum, fiscal management tools and budget allocations. E.g Measures to increase revenue to GDP ratio by the planned annual 0.5 %age point; Removal of subsidies to thermal power plants; justifying investments into resilient infrastructure, Irrigation , increasing vegetation cover.....



Applications continued; adjusted macroeconomic indicators



ADJUSTED MACROECONOMIC INDICATORS REPORT 2021 EDITION UGANDA

"Going Beyond GDP"

December, 2022

Ministry of Finance, Planning and Economic Development

<https://mepd.finance.go.ug/reports.html>

Specifically, the adjusted macro-economic indicators:

For the last three years, Macroeconomic policy Department of MoFPED has been producing adjusted macroeconomic indicators report. The analysis and report is within the departmental annual action plans.

The latest report indicates that Uganda had positive ANS using 2020 data, implying that Uganda's current growth does not come at the expense of depleting its capital. However, the trend shows declining numbers.

Uganda's ANS in 2020 as share of GNI was 15.7 percent, down from 17.2 percent of GNI in 2019. This translates to an absolute 1.2 percent decline (from US\$ 21,812 billion to US\$ 21,540 billion), while nominal GNI growth over the same period was 8.4 percent.

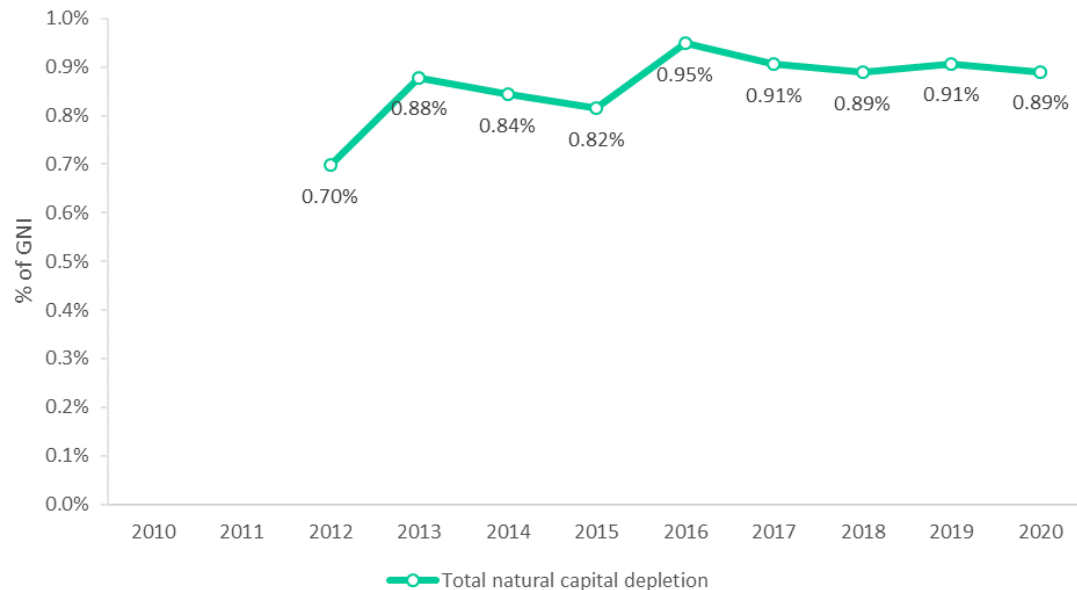
To maintain the positive ANS, there is need to increase the quality of the environment, ensure that there is a net positive gain in vegetation (especially forest cover), reduce pollution, reduce consumption of fixed capital and prioritise investment in human capital through education.



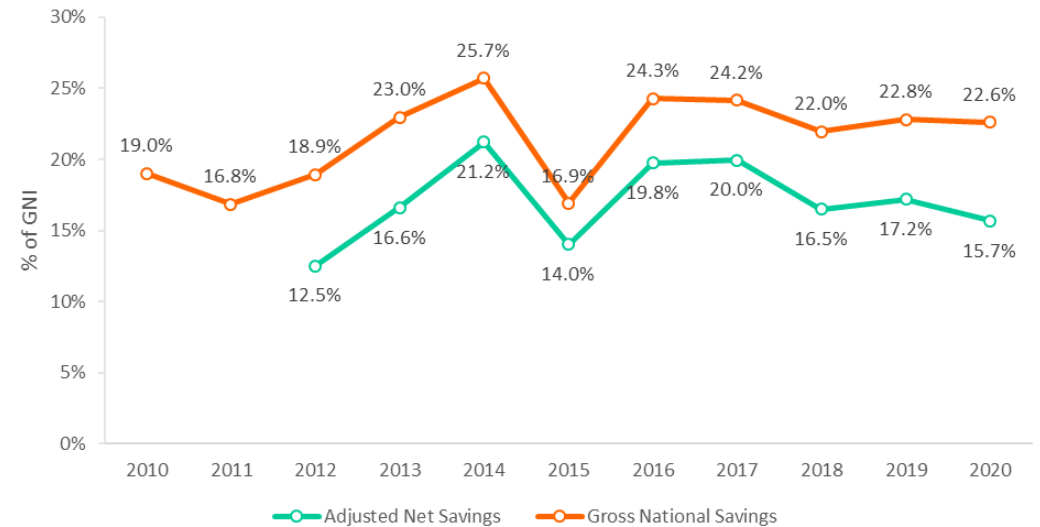
Applications continued;

Adjusted macroeconomic indicators

Total Natural Capital Depletion as a % of GNI

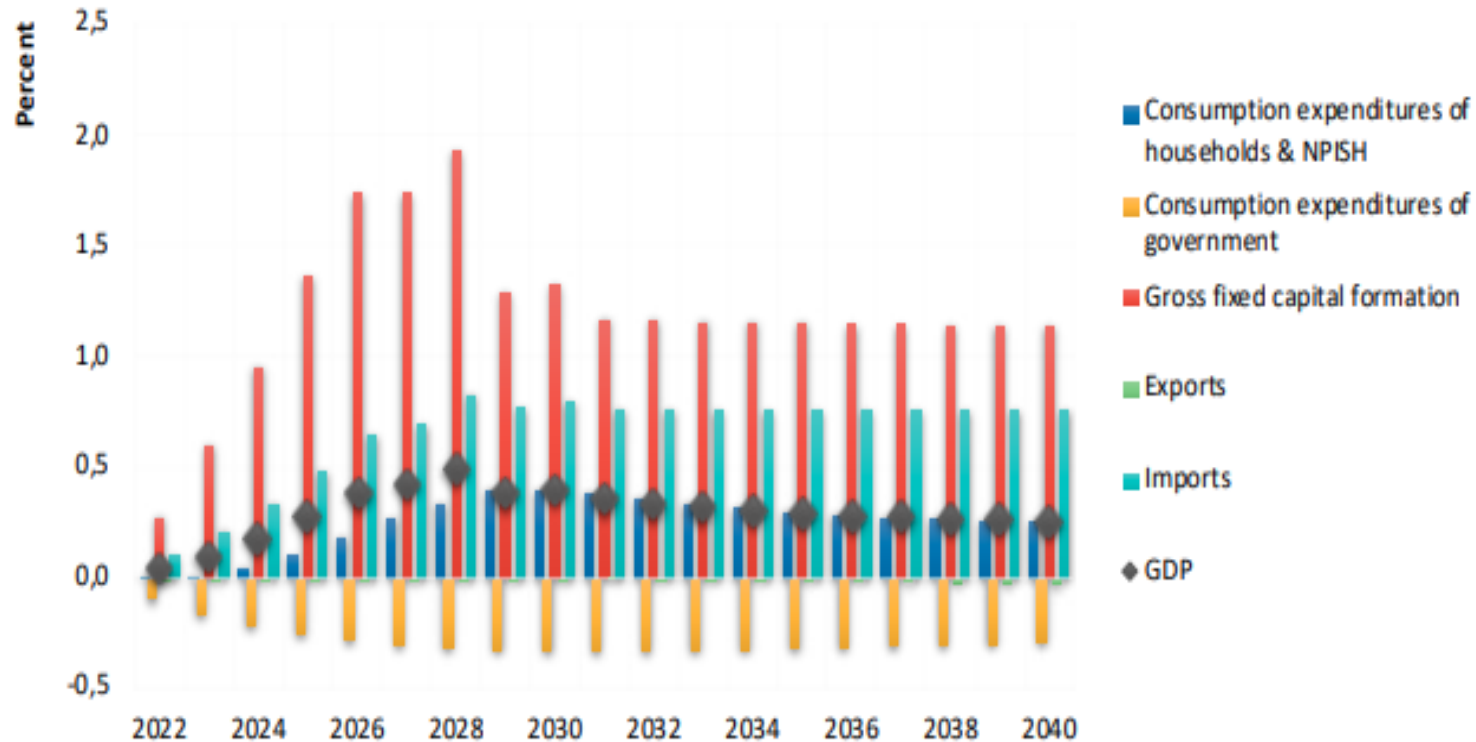


Trend of ANS and GNS as a percentage of GNI





Applications continued: Renewable energy expansion_ Simulation using E3g model (2022 to 2040)

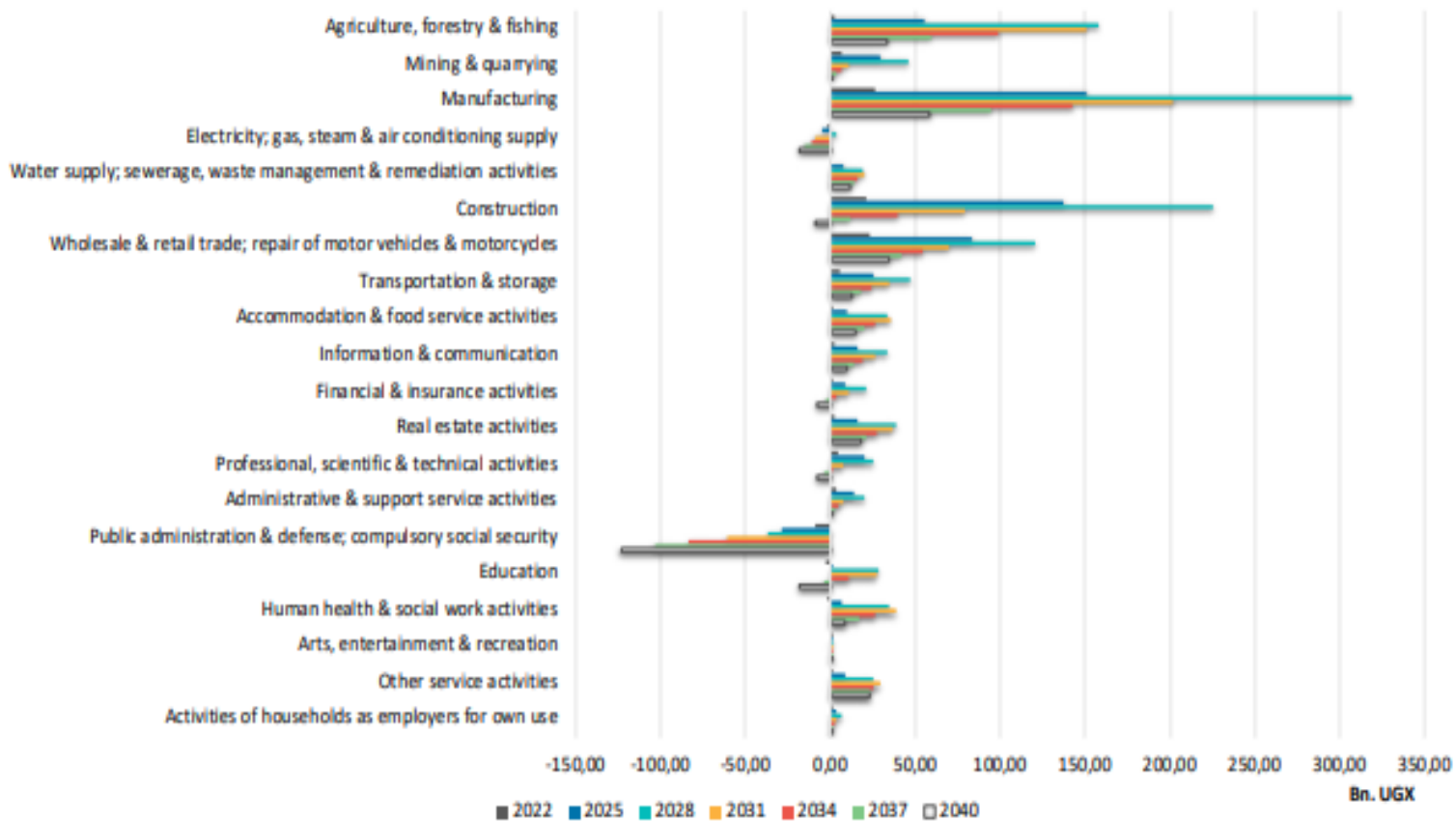


Source: MEMD_E3g model

- Positive impacts on GDP and employment.
- Investments in additional RE support GDP growth investment as well as operation and maintenance.
- By 2030, GDP increases by up to 0.5% per year compared to the business-as-usual scenario.
- Main drivers are the initial investments in renewable energy which sum up to approximately 25,000 Bn. UGX over the whole simulation period.
- Government consumption is up to 0.3% below the BaU. (GVT Investment/consumption costs).



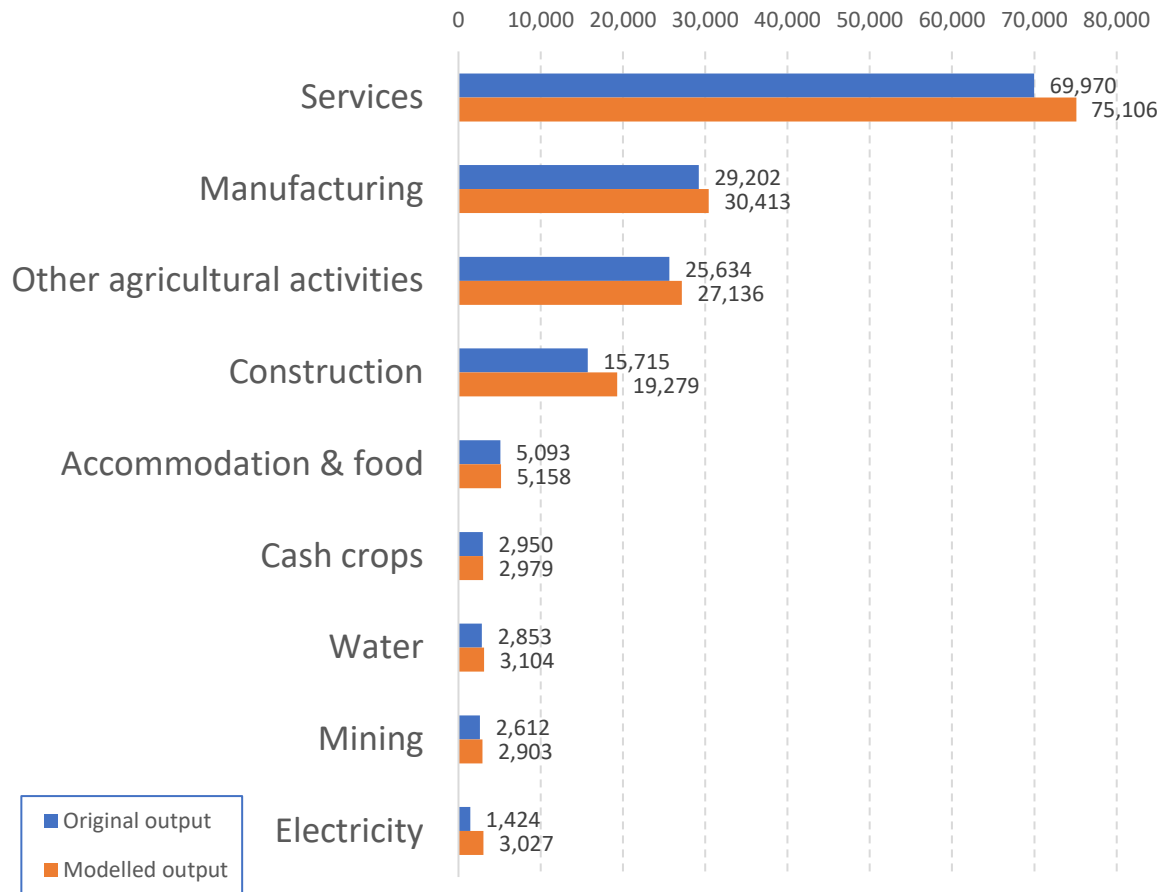
Applications continued: Gross output by economic sectors (deviations from BaU scenario in Bn. UGX, 2022–2040)



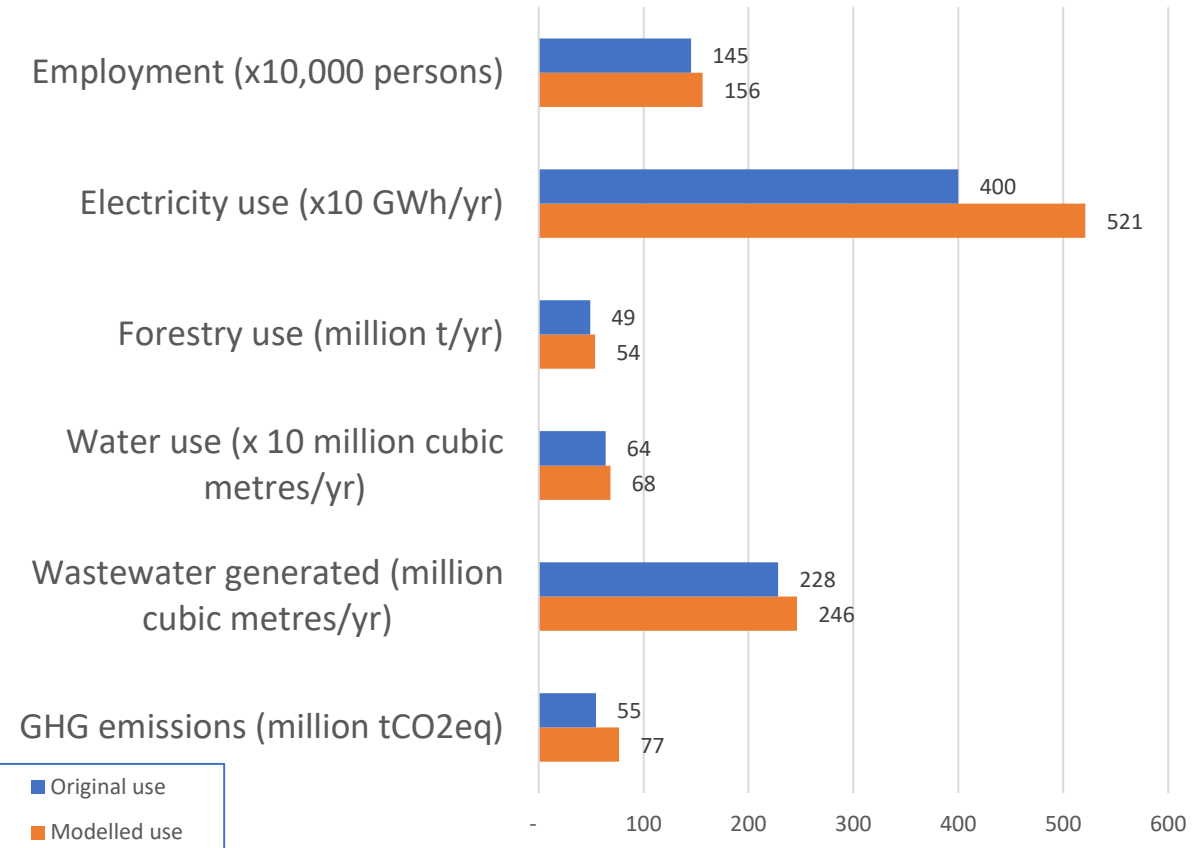
- Construction and manufacturing sectors benefit from higher demand for construction services to build RE plants
- Manufactured products such as electrical equipment, fabricated metal products and “other manufacturing, repair, and installation” are demanded
- Public administration and some other sectors dependent on government consumption show a decelerated growth path
- Source: MEMD_E3g model

Applications continued: REEA model- 100% budget implementation scenario

Change in output (UGX billion)



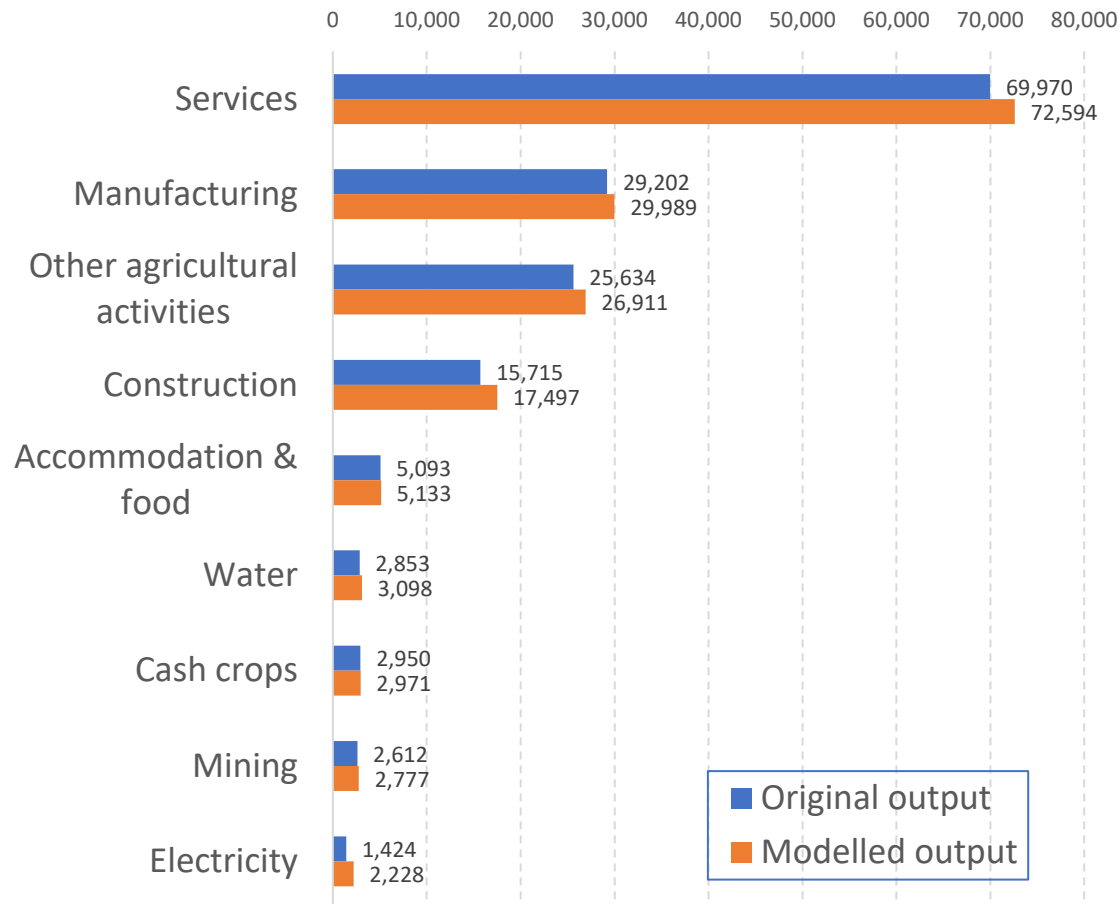
Use of natural capital



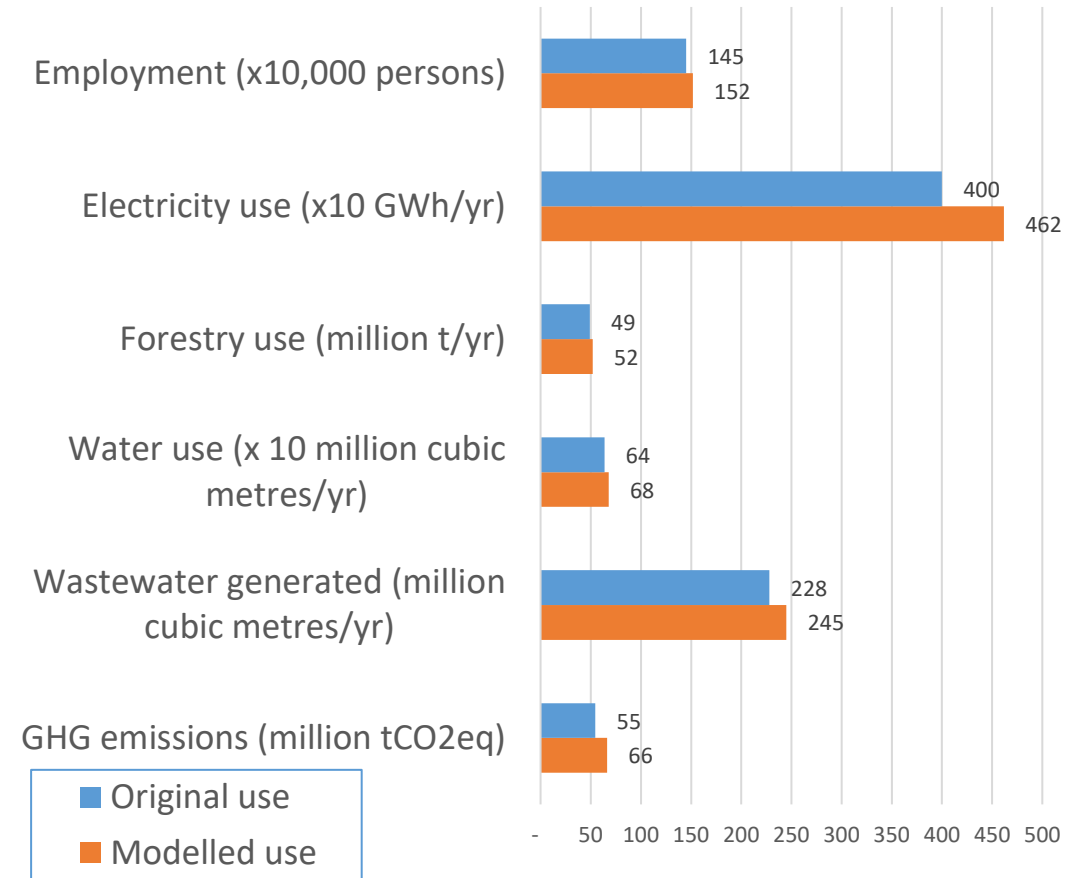
Applications continued: REEA model- 50% budget implementation scenario

Change in output (UGX billion)

Change in output (UGX billion)



Use of natural capital





Applications : REEA model _ Conclusion



Higher development budget will

- Increase employment
- Higher demand for energy.
- Increased utilisation of natural resources.
- Increased production through economic activities
- Increased waste generation

- While effort is required to increase budget performance so as to increase economic growth, this should be done in a way that avoids natural capital depletion - and ideally delivers natural capital gains.



Main Takeaways



Natural Capital accounts form critical input for economic models that intend to inform green economic development policies and strategies

1



Need to train economists and econometricians in accounts interpretation and use

2



To effectively inform policies, Natural capital Accounts should be appropriately disseminated

3



*Thank
you*



For your attention