
**Mainstreaming environmental Issues into Budget
Framework Papers**

USERS' MANUAL

NATIONAL ENVIRONMENT MANAGEMENT AUTHORITY

**P.O. BOX 22555
KAMPALA**

October 2007

Part I: Background and Overview of the Manual

A: Introduction

This is a Manual to guide Sector Working Groups, Agencies and Local Governments to **cautiously** budget for mainstreamed environmental issues in their respective plans. Unless this is properly done, the issues integrated in the plans will remain unattended to during implementation.

The Manual does not replace existing guidelines/checklists for mainstreaming environment in development plans*. Rather instead, it complements them by specifically addressing the need to improve the budgeting dimension of environmental mainstreaming.

It is to be remembered that the Poverty Eradication Action Plan (PEAP) **2004/5-2007/8** treats environment as one of the cross-cutting issues. This means that:

- (i) each Sector, Agency or Local Government has to analyse the likely environmental impacts (positive and negative alike) of planned activities and budget to address them through either enhancement of the positive impacts or mitigation of negative ones.
- (ii) the budget for mainstreamed environmental issues is spread throughout the Sectors, Agencies or departments of Local Governments where planned activities with likely environmental impacts have been identified.

B: When and how to use this manual?

This Manual should be used as an **integral tool** in the budgeting processes that follow the release of the Budget Call Circular by the Ministry of Finance, Planning and Economic Development around late October or early November each year.

Accordingly, the Manual should be used to systematically guide all those concerned to reflect mainstreamed environmental issues while complying with the standard/format for the preparation and submission of the BFPs.

C: Who are the Users of the Manual?

This Manual can be used by the following categories of people:

- Sector Working Groups
- Departmental Heads in Ministries, Agencies and Local Governments
- The Permanent Secretaries and other Accounting Officers in the above structures
- Advisory Group to the Budget
- Technical Planning Committees
- Sessional Committees of Parliament
- Project Coordinators
- National Planning Authority

* For example, NEMA and Ministry of Local Government issued in 2004, Environmental Checklist for District and Municipal Local Governments as well as for sub-counties

- Ministry of Finance, Planning and Economic Development

It is observed that this manual targeted at influencing national plans, budget processes, sector strategies and local level implementation-reflecting the need to integrate the valuable contribution of sound environmental management to improved livelihoods, increased economic security and income opportunities for the poor.

D: Understanding of environmental mainstreaming in BFPs

Environmental mainstreaming in BFPs is defined as integrating poverty-environment linkages into sector and local government planning and priorities and budgeting for them. It involves:

- establishing the links between poverty and environment including climate change and identifying their linkages to the attainment of sector, agency or local government goals and objectives;
- identifying potential adverse environmental impacts of the sector, agency or local government activities and their mitigation measures;
- identifying positive impacts and enhancing measures for development interventions;
- budgeting for environmental interventions for the mitigation measures and positive impacts identified; and,
- monitoring the implementation of environment management interventions including mitigation activities for reducing potential negative or enhancement of positive impacts using set environmental indicators.

E: Structure of the Manual

In order to lend itself to a **practical** approach, the structure of this Manual follows the Standard/Format that Ministry of Finance, Planning and Economic Development releases for use by Sectors, Agencies and Local Governments in the preparation and submission of their respective BFPs. The standard/format has the following structure:

- (i) Overview of Policies and Objectives
- (ii) Review of previous FY by reporting on both financial and physical performance
- (iii) Overview of the current FY, Budget allocation and objectives, and first half financial and physical performance
- (iv) Key issues/challenges for the Medium Term
- (v) Proposed budget allocation for the FY and related output
- (vi) Proposed expenditure outputs and outcomes
- (vii) Non Tax Revenue
- (viii) Summary Matrix

F: The provisions of Budget Act, 2001

In preparation of BFPs, sectors, agencies or Local Governments have to comply with the Budget Act, 2001, which among others, emphasizes the need for wide consultation, adhering to budgeting timetable and Chart of Accounts.

Part II: How to identify environmental issues

The environmental issues are identified through several approaches, methodologies or tools. Further, their identification is a **continuous** process. It is only imperative that each Sector, Agency or Local Government keeps a record of the issues identified during a financial year.

The following are **some** of the ways in which environmental issues are identified:

- (i) From the use of Environmental Checklist for the District and Municipal Local Governments as well as for Sub counties
- (ii) During policy and sector reviews and assessments
- (iii) From sector EIAs
- (iv) During the planning processes using several tools like SWOT, Livelihood Analysis, Landscape Situational Analysis, Cost-Benefit Analysis etc
- (v) From the findings of Participatory Poverty Assessments, Sector and Household Surveys etc.
- (vi) From National and District State of the Environment Reports
- (vii) During Strategic Environmental Assessments (SEA)
- (viii) During Environmental Impact Assessments (EIA) and Environmental Audits
- (ix) During Integrated Ecosystems Assessments
- (x) From monitoring and evaluation missions
- (xi) During Annual Assessment of Local Governments
- (xii) From commissioned studies and research
- (xiii) From the media reports
- (xiv) From other fora like Seminars, Workshops and Departmental meetings

However, beyond identifying environmental issues, Sectors, Agencies and Local Government should make an analysis as to **how**. It is observed that this manual targeted at influencing national plans, budget processes, sector strategies and local level implementation-reflecting the need to integrate the valuable contribution of sound environmental management to improved livelihoods, increased economic security and income opportunities for the poor. By addressing the issues, it helps government to deliver on PEAP targets, Millennium Development Goals and other Sector goals or how the failure to address environmental concerns limits the achievement of those targets and goals.

Part III: How to integrate environmental issues within the BFP

Section 1: Statement of the Overview of Policies and Objectives for PEAP period 2004/05-2008/09

Although it has been relatively easy for sectors, agencies and local governments to state their respective policies and objectives in the BFPs, they need to go a step further to **state** that they also have the objective (and obligation) to **mainstream** cross-cutting issues like environment. Only then, will they be able to trace them and **cautiously** reflect them in all the subsequent sections of the BFPs.

Section 2: Review of FY 2005/06 by reporting on both financial and physical performance

Review the **actual versus planned** output indicators in addition to providing the overview of the **actual versus planned budgets** for wage and non-wage expenditure.

Accordingly, Sectors, Agencies and Local Governments should use it among others:

- (i) to report on the extent to which the planned activities for implementing environmental issues were actually carried out.
- (ii) to reflect how much of the planned budget for environmental issues was actually received.

In the above analysis, you should draw lessons on the contribution of budgeting to the attainment of set objectives and set targets.

Section 3: Overview of FY 2006/07 Budget Allocations

Examine the budget allocations for the period and assesses both the budget and physical performance for the first quarter of the financial year. Determine expected outcomes during the financial year as a whole. Ideally, sectors, agencies and local governments should:

- (i) review the budget performance by expenditure items (wage, non-wage and development as the case may be) by the respective codes on the Chart of Accounts
- (ii) assess from the outputs delivered for the quarter whether environmental issues were handled alongside the outputs.

Section 4: Key Issues/Challenges for the Medium Term

In this section, the BFP outlines the key sectoral challenges that are linked to the sector strategies, objectives and the PEAP. The section offers opportunity for environment in the following regard:

- (i) state the environmental constraints and challenges facing the sector, agency or local government.
- (ii) state the strategies to overcome the identified constraints and challenges. Those that would equally benefit environmental management e.g. improved coordination, capacity building, awareness creation; monitoring, information gathering and increased budget allocation etc should be included.

By being articulate on the above, it becomes easier for the sector, agency and local government to take discretion with regard to allocation of funds for dealing with environmental issues. It is equally important that the activities to address the constraints across all units/departments of the sector, agency or local government are reflected in the integrated work plan for the subsequent year.

Section 5: Proposed budget allocation for FY 2007/08-2009/10 and related output

State the level of resources needed to adequately implement the planned activities, resources flow to sectors, agencies and local governments in accordance with the Chart of Accounts. Accordingly, budgeting must follow the same structure. For example, resources for wetlands management specifically flow to local governments under codes:

263336: Conditional transfer to environment and natural resources (non-wage)

263338: Conditional transfer to environment and natural resources (wage)

Many of the mainstreamed environmental issues can be budgeted for to be addressed using conditional transfers e.g. Conditional transfer for PAF monitoring, community development etc.

Section 6: Proposed expenditure outputs and outcomes

To allow assessment from an environmental perspective, some of the proposed performance indicators must include those to monitor progress on environmental mainstreaming. In turn, this will facilitate future progress reporting.

Section 7: Non-tax revenue

When providing details on the non-tax revenue for the previous year and projections for the subsequent years, identify the environmental sources of income and the respective amounts. One can therefore gauge the non-tax revenue from environmental management related aspects e.g. street parking fees, refuse collection charges, charcoal trade, etc fees from permits or licenses on ENR. In turn, this can be used as a basis on how much could be ploughed back to enhance revenue collection.

Section 8: Summary Matrix

Fill the summary matrix bringing into completion the previous steps by linking objectives, activities, expenditures and measurable indicators. It is important to have specific activities and expenditures (where necessary) reflected, as well as indicators that will assess achievements in redressing environmental mainstreamed issues.