

Protecting East Africa's Natural Capital: The Cost of Inaction

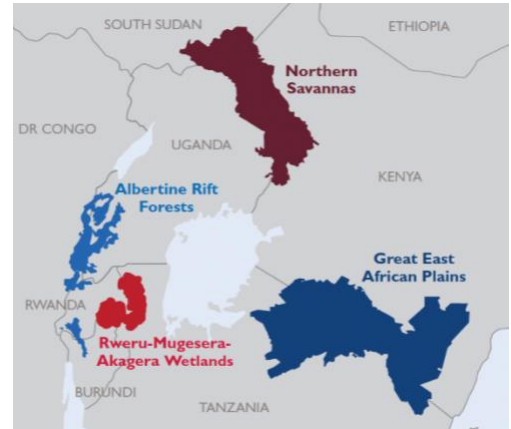
BRIEF FOR THE PRIVATE SECTOR

BACKGROUND

The natural capital of East Africa—wildlife, forests, grasslands, wetlands, and waterways—is connected across national borders and drives a multitude of industries, livelihoods, and habitats. When this natural capital is threatened, everything it supports is threatened.

The United States Agency for International Development (USAID) landmark study, [Protecting East Africa's Natural Capital: The Cost of Inaction](#), confirms that environmental threats are accelerating in East Africa and calls on the private sector to take urgent action or suffer major losses between now and 2050.

The study focused on six countries that share four iconic wildlife landscapes. It found that businesses can no longer afford to ignore natural capital in financial projections, as climate change and human-driven threats to natural resources are impacting the entire supply chain. A major outcome of the study is an Action Plan proposing private-sector investments and efforts.



The four transboundary landscapes spanning Burundi, Kenya, Rwanda, South Sudan, Tanzania, and Uganda.

KEY FINDINGS: NATURE'S VALUE AND WHAT'S AT STAKE

- **Nature's Value:** The landscapes provide US\$11.3 billion in direct and indirect value annually, encompassing multiple borders and industries such as hydropower, mining, agriculture, fisheries, livestock production, and ecotourism.
- **Top Threats:** Natural capital is dwindling at an alarming rate due to unsustainable land use, over-extraction of resources, and the triple threat of climate, COVID-19, and natural resource-based conflicts.
- **Likely Losses:** The degradation of ecosystems will spur job losses (predicted at 66,427 in Kenya and 31,430 in Tanzania annually by 2050 from drops in tourism) and water insecurity for people and industries with up to 35 percent reduction in capacity to regulate water flow, among other losses and costs.
- **Avoided Costs:** Healthy ecosystems provide services that businesses do not have to pay for—a steady flow of water, filtering pollutants, preventing soil erosion, pollinating crops, and storing carbon at a value of US\$10.02 billion annually in the four transboundary landscapes.

UNBLOCKING KEY BOTTLENECKS

Barriers that have long blocked the private sector from making changes are not insurmountable. For example:

- **Key Bottleneck 1: Not valuing the financial benefits of nature-based investments.** Current public and private investment processes, including investment and policy appraisal tools, are not tailored to nature-based solutions. By not estimating the value of the economic benefits of nature-based solutions, developers and investors are less equipped to compare nature-based solutions as an investment and priority against other options.

To unblock it: The East African Business Council should work with development partners to a) raise awareness of novel land use models as viable alternatives to business as usual and b) undertake skill transfer and capacity building by providing access to early-stage business development support such as business incubators and accelerators. These actions will increase the likelihood of success in nature-based solutions business models.

- **Key Bottleneck 2: Inadequate funding models and lack of revenue streams.** Where knowledge and capacity exist, (a) current funding models are inadequate, leading to a lack of cash flow in many existing nature-based solutions projects (e.g., high risk profile for banks in sustainable agriculture and forestry), and (b) lack of suitable funding mechanisms.

To unblock it: Innovate by pursuing new investment products and market exposures that will scale and transform investment opportunities in nature-based solutions, such as (a) carbon finance to protect and restore grassland ecosystems (methodology is currently being developed for Masai Mara Wildlife Conservancies with support from LTG Venture Philanthropy), (b) blended finance structures to enhance impactful investment in forestry (funding opportunities are available through USAID’s [East African Investment Hub](#)), and (c) green infrastructure that supports wetland protection and restoration (opportunities lie in the \$150 million line of credit to finance sustainable green infrastructure in East Africa by the French Development Agency in partnership with the Trade and Development Bank of Eastern and Southern Africa).

Case Model: The Livelihoods Fund in Kenya

The Livelihoods Fund was developed in 2016 with the goal of combatting problems in Mount Elgon while boosting the local economy. The investment fund focuses on agricultural productivity, dairy value chain development, and environmental conservation. This initiative has trained 30,000 farmers in sustainable land management practices on 35,000 hectares of land, and it supports 15 cooperatives with various tasks on the ground. The overarching goal of the fund is to create a sustainable supply chain that is linked to East Africa’s primary dairy company, Brookside Dairy.

A CALL TO ACTION

Partner states and industries must work together across these vital transboundary landscapes or the entire region will ultimately share the negative outcomes. Nature-based solutions can transform business as usual for stakeholders at every level. The private sector should work with partner states and development partners by investing in nature-based solutions that have clear and predictable flows of revenues. Recommended opportunities in the largest and the smallest of the landscapes include:

Great East African Plains: This landscape has the region’s greatest potential in job and wealth creation. It covers about 129,000 km², more than twice the size of Rwanda and Burundi. Its annual total economic value of \$6.58 billion accounts for 58 percent of the total economic value of the four transboundary landscapes. Its steady cycles of freshwater and rich soils deliver an annual value of \$3.2 billion and support forestry, agriculture, livestock production, eco-tourism, hydropower, mining, fisheries, and carbon storage.

- **East African Community (EAC) Next Steps and Priorities:** The EAC and partner states’ expert group has prioritized pasture restoration of at least 2,000 hectares to improve on sustainable livestock value chains and increase space for wildlife in this landscape. This effort needs support from development partners and the private sector.
- **Where Private Sector Support is Needed:** Regenerative supply chain models in agriculture and livestock among transboundary communities. This includes silvopastoral practices to boost yield and productivity while enhancing environmental services.
- **Where Development Partners Support is Needed:** Communities of practice for small and medium enterprises in the nature-based tourism sector to build capacity and support integrating the value of nature, people, and society into business decisions.
- **Current Enterprise Opportunities:** Investments that will upscale activities of the South Rift Association of Landowners (SORALO) in Kenya across borders to northern Tanzanian communities to enhance landscape connectivity between Mara-Serengeti, Amboseli-Kilimanjaro, and Tsavo-Mkomazi ecosystems. This entails strengthening silvopastoral practices, eco-tourism (camps, lodges, and manyatta stays), livestock (beef and dairy value chains), bee keeping and honey and wax production, crafts, sustainable charcoal, carbon markets, and

services (electrician, plumber, mason, carpentry, and small retail shops). This would at least double space for wildlife and livestock from its current 1.1 million hectares under SORALO, exceeding the minimum habitat restoration area prioritized by the EAC and partner states' expert group in the December 2021 meeting in Dar es Salaam by 1,100 percent. This area would sequester 3.3MtCO₂e annually valued at US\$26.4-\$52.8 million.

Rweru-Mugesera-Akagera Wetland System: This wetland system has great potential in sustainable fisheries, horticulture, eco-tourism, and cultural tourism. It covers 296,791 km² of Burundi, Rwanda, and Tanzania transboundary areas. It is one of the largest wetland systems in the basins surrounding Lake Victoria, with an economic value of US\$64.4 million annually but relatively low direct foreign investments. It is the source of the Kagera River, which contributes 7.5 billion cubic meters of water annually into Lake Victoria.

- **EAC Next Steps and Priorities:** The EAC and partner states' expert group has prioritized rehabilitating a minimum of 2,000 hectares of the wetland complex area. This effort needs support from development partners and the private sector.
- **Where Private Sector Support is Needed:** To harness regenerative supply chain models in fisheries and horticulture production among transboundary communities.
- **Current Enterprise Opportunities:** Sustainable small-scale fishing initiatives for tilapia, catfish, *Haplochromis*, and common carp; aquaculture; eco-friendly fish processing; crafts; tourism infrastructure (camps and lodges); and eco- and cultural tourism.
- **Link to Market Opportunities:**
 - Strengthen and scale up the co-operative fisheries project on Lake Gishanda initiated by the Akagera National Park in Rwanda and link to fisheries programs in Burundi and Tanzania.
 - Tap into the European Union-EAC TRUE FISH project connecting regional aquaculture companies to investors and funding sources. The project also develops and executes effective business-to-business linkages.
 - Support community-based natural resource organizations using the model of the Bwindi Impenetrable Forest Conservation Trust in Buhoma, Uganda. This would include developing handicraft workshops that showcase artisans at work, tapping into rich biodiversity and cultures through bird watching, recreational fishing, village cultural walks, and camping facilities, like the Buhoma Village Walk.

BUILDING BEST PRACTICES IN EAST AFRICA

To ensure investments in natural capital treat nature as opportunities and not constraints, the East African Business Council established a think tank of private sector experts to provide strategic oversight on:

- Creating a regular platform for action-focused dialogue between private sector players and governments
- Establishing a natural capital fund to award and incentivize promoters of nature-based solutions
- Showcasing best practices on how to protect natural capital, providing training and capacity building
- Developing a robust communication and awareness strategy about the biodiversity of East Africa

Ultimately, if private and public sectors, together with development partners, join forces to invest in healthy ecosystems, they will find **conserving nature will provide more economic value than extracting it.**

For more information:

Jean Baptiste Havugimana
Director of Productive Sectors
East African Community
P.O Box 1096 Arusha, Tanzania
Email: jhavugimana@eachq.org

John Bosco Kalisa
Executive Director/CEO
East African Business Council
P.O. Box 2617
Arusha, Tanzania

Chiheny Kangara
Regional Climate Change & Resilience Specialist
USAID Kenya & East Africa
P.O. Box 629 Village Market 00621
Nairobi, Kenya