

Poor financial management in CBNRM at community level and the need to address this

Background paper, CBNRM Support Programme on behalf of the CBNRM National Forum, 24th of March 2005

Introduction

Poor financial management and lack of accountability at community level is threatening the core principles of CBNRM and need to be addressed. This issue has been subject for discussion in several CBNRM Forum meetings. The very first being the meeting held in 2001 in order to offer a collective response to the PS/MLG Savingram of 30 January 2001 on Management of CBNRM Funds. In 2003 the issue resurfaced again when the hunting quota for the Khwai community was suspended by the DWNP as a result of mismanagement of funds that had accrued to the Trust. In the same year a national review of CBNRM was carried out and it looked closely into this issue and ways of improving or avoiding the problem. The recommendations of the review report were deliberated on at length at the CBNRM National conference in 2003. This paper therefore seeks to consolidate the previous thinking and recommendations made at various meetings of the Forum on this subject. These are not exhaustive but rather serve as a starting point in order to avoid reinvention of the wheel. Some of the recommendations may have been overtaken by events whereas some may remain relevant to the current situation.

The Problem

The basic issue is that revenues from the commercial use of communal resources are controlled by the Boards of trusts in a non-transparent and non-accountable manner. This is not acceptable, as community trusts are required to be accountable and representative. If benefits of CBNRM activities are not felt at the household level due to financial mismanagement in the trusts, community members are neither motivated nor willing to support or contribute to the conservation of local natural resources. Additionally financial mismanagement by a community mandated to use national resources such as wildlife seriously threatens the political support for CBNRM in Botswana.

The immediate problem is threefold:

- There is a lack of skills at community level to set up and maintain financial management systems that allow for full accountability (to Government as well as to the general trust membership);
- In general there are insufficient control mechanisms to avoid a small and “better-skilled” section of the community to take advantage of the power vacuum and to monopolise the community benefits;
- The general membership of most trusts is not empowered enough to demand accountability and representative decision-making from their leadership.

Previously Recommended Options To Address The Problem In The CBNRM Policy Recommended

Statement Issued by the CBNRM National Forum October 2001 in response to the PS/MLG Savingram

In response to problems of management of CBNRM Funds the PS of Ministry of Local Government and Lands issued a Savingram, which proposed the transfer of financial management responsibility to District Councils. The CBNRM stakeholders at the time felt that the Savingram and the draft CBNRM Policy held conflicting views, especially on the management of funds from CBNRM projects. Noting that the CBNRM Policy was urgently needed in order to promote concerted action of all stakeholders towards a successful implementation of CBNRM projects in Botswana. The National Forum sought to make recommendation, which were viewed as strengthening the financial management concerns, which had been rightfully highlighted by the PS of MLG. Below is a summary of these recommendations (see enclosed Comments of the National Forum of Botswana on The CBNRM Policy –October 2001):

- As part of a proposed sub-lease or joint venture proposal “the partnership” has to submit a “Community Participation, Development and Conservation Statement” to government (clause 6.3.5). This statement must detail how the CBO members will potentially participate in and contribute to the planned activity. In particular, the statement will clarify the economic, social, and environmental benefits that will accrue to the community

from the proposed sublease or joint venture, including plans for benefit disbursement, skills transfer and employment.

- In case there is no joint venture and the CBOs want to use the resources themselves, then clause 6.5.2 will apply: "To foster member discussion and consensus, the CBO will develop and submit a brief statement, "Community Participation, Development and Conservation Statement", to the Land Authority and DWNP before using the quota. In addition to the description of social participation and benefits as defined in section 5.3, the statement will include an explanation of the CBO's development and conservation intentions regarding the use of wildlife resources and a description of desired commercial activity, conservation objectives, and intended uses of any benefits received".
- If proven that "only a few people benefit" (*emphasis of the Forum*), the CBNRM Policy is contravened and clause 5.1.2 will apply. This clause means to us that if the authorities that allocate natural resource rights (DWNP and in future MoA) are not satisfied (after investigation and a report, we assume) with the "representation" and "accountability" of the RALE, they can simply withhold the quota or other rights until things are improved! **This clause is the most important "control mechanism" of the Policy in regard of CBNRM implementation!**

The forum also suggested an additional clause between 5.2.2 and 5.2.3 on the explicit obligation of the RALE to have books annually audited. Other suggestion involved strengthening the monitoring aspects of CBNRM Programmes. The proposed additions read;

- "Mechanisms for financial supervision as per 5.2.2. shall at least include an annual audit of the accounts of a CBO. Not producing annual audited accounts within a reasonable time span may result in the suspension or halt of the allocation of natural resource rights".
- "For the District Authorities to monitor that participatory practices in management of the RALE are observed as per clause 5.2.1, annual reports on above clauses 5.2, 5.3 and 5.4 covering a calendar year are produced by the RALE and submitted to the District Authorities, within 6 months after the end of the reporting period (proposed as section 5.5.1)".
- "Annual reports submitted by a RALE to the District Authorities will assist the latter in the formulation of District Development Plans and in this way are intended to avoid deficient and duplicating development efforts (5.5.2)".
- "Not producing these annual reports within the stipulated time period or reports that show violation of the CBNRM Policy may result in the District Authorities advising Government on the suspension or halt of the allocation of natural resource rights (5.5.3)".

National CBNRM Forum meeting on the 12th of June 2003

The Fourth National CBNRM Forum meeting on the 12th of June 2003 looked at Khwai as a case study to draw lessons from the experiences in regard of the financial management problems that resulted in DWNP not allocating the 2003 hunting quota.

The participants agreed that to address the identified problem of poor financial management in CBNRM in communities concerted efforts need to be made on three fronts:

- Refinement of appropriate CBO financial management systems and ongoing training of community leadership and staff on how to apply them;
- To introduce "checks and balances" in the CBNRM Policy and related implementation guidelines to ensure an appropriate measure of control over the CBO financial management practice; and
- To intensify and improve the facilitation of CBNRM implementation at community level by Government extension services and NGOs.

As the already existing annual financial audits proved to be insufficient, mainly because they tend to focus on how the accounts are kept and not so much (if at all) on what the CBO revenues were spent on, the following additional financial control mechanisms were recommended to introduce “checks and balances” (see topic 2 above) in CBNRM:

1. Obligatory preparation of a Community Investment Plan

The Forum agreed that it is important that rules on the distribution of benefits from CBNRM are clearly defined. Therefore an annual “Community Investment Plan” (CIP) should be prepared and approved by the general membership of the community. It should detail how the anticipated revenue will be spent. The CIP could be presented to DWNP as part of the quota request and to the Land Authority as part of the request to sub-lease. In the CIP a clause should be introduced that not more than 25% of the total value of annual benefits can be used for administrative purposes. This recommendation was in line with what the National Forum had recommended previously in response to strengthening the Policy.

2. An external second (or third) signature to authorise budgeted CBO expenditure

To ensure that the planned budget is adhered to an independent authority should come in as “second signature” to “authorise the expenditure”. This independent authority could be a registered accountant. In practice income would be deposited in a separate interest bearing account. A maximum of 25% would be transferred to the trust administrative account (cheque signed by chairman or treasurer and independent authority).

3. Regular financial reports to DWNP and the Land Authority

The trust should prepare quarterly financial reports (also to justify budget adjustments), approved by the general membership and presented to the Land Authority and DWNP. Towards the end of the year the reports culminate in an annual (financial) report to account for the expenditure made.

Steering Committee meeting on the 18th of July 2003

On the 18th of July 2003 a Steering Committee meeting was called to discuss a report, which was developed to summarise the discussion of the National Forum meeting in June 2003. The report was approved by the Steering Committee members and was then sent to the Minister of Environment, Wildlife and Tourism to show Government that all CBNRM stakeholders are committed to resolve the above problems and to become involved in the debating of solutions.

The paper was summarised by the CBNRM Support Programme, this built on and reinforced previous discussions of the Forum members. Below is a summary of the paper that was submitted;

1. Problem: Financial policies at community level are in some cases inadequate to ensure that people in the community benefit equally.

Strategy:

- Introduce a clause that not more than 25% of the revenues can be used for administrative purposes while at least 75% shall be used for regular benefit distribution and that these benefits shall be felt at household level;
- Introduce a Community Investment Plan (CIP) to be submitted by the CBO to DWNP and district authorities prior to receiving the quota. The CIP is a tentative budget that will show Government as well as the community to what extent the forecasted revenue will be used in line with the above 25%/75% benefit distribution clause.

2. Problem: Financial management capacity at community level is in some cases not sufficient to account for the CBNRM funds

Strategy: Government extension services, NGOs and donor programmes all try to tackle this problem through training and capacity building programmes but realise this cannot be achieved overnight. Furthermore, building capacity to keep the books in order is not enough. There have to be financial control mechanisms in place to avoid deliberate mismanagement.

Suggested financial control mechanisms (see above) are the following:

- There needs to be a basic financial management system in place endorsed by the district authorities and applied by skilled community members or externally contracted service providers on behalf of the community;
- There needs to be a Community Investment Plan (CIP) in place with an attached budget to be approved by the entire community, DWNP and district authorities.
- Up to standard financial reports need to be made quarterly, signed by (for example) an independent registered accountant and submitted to the entire community, DWNP and district authorities.
- An annual external audit report is submitted and approved by the community and DWNP prior to receiving next years' quota.

3. Problem: Insufficient extension services from Government and NGOs results in too little guidance of CBOs in implementing CBNRM projects

Strategy:

- The relevant Government Departments need to improve the volume and the quality of extension services;
- Government should look into the possibility to streamline extension services of Government (e.g. DWNP) and District Councils to make extension services more effective whilst ensuring more involvement of Councils in the implementation of CBNRM in their areas;
- Communities need to be encouraged to tap external expertise when internal capacity is lacking (and the extension services are insufficient to fill the gap). Financial expertise can be hired.

4. Problem: National policy and implementation guidelines are not in place to ensure that benefits are distributed more evenly at community level

Strategy:

The subsequent finalisation of the CBNRM policy and related implementation guidelines such as the reviewed joint venture guidelines, guidelines on preparing a constitution, guidelines on investing CBNRM revenues, etc. can address most of the concerns raised in the above. With a CBNRM policy in place the government extension officers have the necessary support to ensure that amongst other things CBNRM funds are properly accounted for and equitably benefit all households in a community.

Review of CBNRM in Botswana

The authors stressed the importance of a fair and sustainable distribution of benefits generated through CBNRM activities. To achieve this goal they recommended the following:

- CBOs should be made aware of the fragility and volatility of their revenue sources, and the determinants of the value of natural resources. Fragility and volatility should be taken into account in the planning of Trust operations, and require financial buffers;
- Adopt a revenue sharing formula that takes into account the following: benefits to community members trust recurrent expenditures, resource conservation and productive investments.
- Development of a five-year benefit distribution plan. This ensures consistency and transparency in benefit distribution;
- The benefits for individual members and communities need to be increased, and the Trust expenditures reviewed and brought under control;
- Development of guidelines and strategies for vehicle purchase and maintenance, employment strategies and conditions as well as for various types of allowances;
- Focus community support on the poorest, and ensure that households receive compensation for any costs associated with living with CBNRM-resources;
- Restrict JVA community conditions for private companies to areas, where private companies possess expertise and resources. Community needs that cannot easily be met by the private sector should not be incorporated; and
- Subsistence hunting rights and livelihood needs should be honoured. Community rights should not be given to the private company when subsistence hunting needs are not met, and members do directly benefit from commercial hunting;

- Given the low direct benefits of CBNRM projects, opportunities for viable agriculture and other income alternatives need to be better explored, exploited while minimising their possible conflicts with CBNRM resources.

Third National CBNRM Conference on the 25th and 26th of November 2003

The participants of the third national CBNRM Conference were asked to discuss the results of the review in regard to financial management problems at the community level. The following recommendation were developed by the participants:

- CBNRM Policy and implementation guidelines should include guidelines and control mechanisms to ensure equitable distribution (e.g. ratio administration cost vs. investment in budget).
- CBOs should develop Community Investment Plans, which are to be used as pre-condition for resource allocations.
- CBNRM Policy and implementation guidelines should include institutional framework and explicit roles of all stakeholders including decentralized structures.
- CBNRM Policy and implementation guidelines are to further define and elaborate on the requirements for representation and accountability and should include non-compliance sanctions.
- CBNRM Policy and implementation guidelines are to include minimum requirements of CBO constitutions in terms of representation and accountability.
- More coordination required amongst funding mechanisms in support of CBNRM; additional financial support required for project facilitation services for NGOs and private sector in assisting CBOs.

Steering Committee meeting on the 18th of March 2005

On the 18th of March 2005 a CBNRM Steering Committee meeting was organised to look into this issue and consolidate previous recommendations especially in preparation of the forthcoming National CBNRM Forum meeting. Secondly this issue is likely to come up, when the draft CBNRM policy is being discussed in parliament soon.

The participants endorsed previous recommendation and gave the following recommendations:

- An annual Community Investment Plan ensures more equitable benefit sharing in the communities;
- The Ministry of Environment needs to look into introducing some of the clauses on financial control mechanisms, which were found in earlier drafts of the Policy. Some of the details were however suggested for incorporation in the CBNRM guidelines rather than in the policy itself;
- Communities should be enforced to employ an external and independent manager, who would be responsible for the implementation, coordination and financial management of CBNRM projects. The costs for the manager can be covered either by the communities themselves or in the absence of enough income generated by CBNRM activities DWNP should provide the funding;
- Long term capacity building of CBOs and of Support organisations (Governmental Extension Officers of DWNP and ARB, TACs! and NGOs) to improve the facilitation of CBNRM projects in the communities was highlighted.
- The Ministry of Environment needs to look into previous recommendations and make use of those that are still found to be relevant.

Conclusion

The National CBNRM Forum is convinced that CBNRM has in fact demonstrated to have the potential to combine conservation of natural resources with economic development and poverty alleviation in the remote rural areas of Botswana. On the other hand the Forum shares the opinion that poor financial management and lack of accountability at community level are unacceptable and are threatening the core principles of CBNRM and therefore this issue needs to be addressed. This paper was developed to consolidate the previous thinking and recommendations made at

various meetings of the National CBNRM Forum on this subject and to guide the further elaboration of the Policy and implementation guidelines.

The National CBNRM Forum feels that the draft CBNRM Policy supplemented with amendments based on the previous recommended options to address the problem, as compiled in this paper, will sufficiently address the concerns related to revenue distribution in communities and will give appropriate guidance to a successful implementation of CBNRM in Botswana.

To ensure equitable benefit distribution in the communities and accountability of Community Trusts the National CBNRM Forum has recommended in summary:

- Long term capacity building of CBOs as well as of support organisations to improve the facilitation of CBNRM projects in the communities (planned by the CBNRM Support Programme);
- To intensify and improve the facilitation of CBNRM implementation at community level by Government extension services and NGOs;
- To clearly define how benefits will be distributed in the communities (e.g. Community Investment Plans, Benefit distribution formula, obligatory employment of manager);
- Introduction of “checks and balances” in the CBNRM Policy and related implementation guidelines to ensure an appropriate measure of control over the CBO financial management and benefit distribution practice (e.g. external second signature to authorise expenditure, regular financial reports, clause that not more than 25% of the revenues can be used for administrative purposes);
- To include minimum requirements of CBO constitutions in terms of representation and accountability (e.g. Community, Participation, Development and Conservation Statement)
- Introduction of non-compliance sanctions in the National Policy (e.g. Withholding of quota by DWNP)

With this paper policy-makers are provided with a good basis to look into previous recommendations and to incorporate those that are still regarded as relevant for the Policy and for the implementation guidelines.

References:

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