



# Climate finance in Tanzania: what is recorded in the national budget?

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## Key messages

- Financing of climate change actions appears to be treated primarily as a technical exercise rather than a policy issue; little attention appears to have been given to setting policy within a resource-constrained environment.
- Climate change-relevant expenditure is presently concentrated in projects that do not specifically aim to tackle climate change. A considerable amount of spending is therefore taking place in ministries without the full realisation of the significance of such spending in terms of its relation to climate change.
- There are a number of actions that could improve the effective delivery of climate finance in Tanzania. These can be grouped under two headings: (i) securing better information on climate change public spending and (ii) strengthening the broader public finance environment to enable effective climate finance delivery.

## Introduction

Much progress has been made, over a relatively short period of time, in developing a national response to climate change in Tanzania. Government's 2012 national climate change strategy provides guidance for many of the implementation and coordination challenges posed. However, less attention has been given to the funding of this response. A better understanding is needed of the policy, budgeting and institutional arrangements that determine the level of climate finance allocated through the national budget. A recent study carried out by the Centre for Climate Change Studies (CCCS) at the University of Dar es Salaam and the Overseas Development Institute (ODI) of London has made a first attempt to identify relevant public expenditure.

The study analysed the funding allocated to climate change actions that went through the national budget over the 4-year period 2009/2010 – 2012/13. Fifteen ministries were identified based on their policy

engagement on climate change and their record of spending was investigated. A total of 87 expenditure lines from the development budgets of these ministries were classified as being climate change-relevant, allowing a first estimate to be made of government funding going towards climate change actions.

The identification of climate change-relevant expenditure is far from straightforward. The Tanzanian budget system does not contain any markers for 'climate change-relevant' expenditure that would allow for the automatic extraction of such data. Instead, all potentially relevant expenditure has to be reviewed manually. In addition, whilst some programmes have clear objectives to deliver outcomes that are climate change related, there is a further category of spending where, although not being an explicit objective of the expenditure, indirect adaptation and/or mitigation benefits may arise. The study aimed to identify both types of expenditure so as to gain as complete a picture as possible of present climate change-relevant spending in Tanzania.

## Policy issues influencing government spending on climate change

From a review of the policy-related documentation, the financing of climate change actions appears to be treated primarily as a technical, budgetary exercise rather than a policy issue. There is not a strong linkage between policy and budgeting on climate change action. Little attention appears to have been given to setting policy within a resource-constrained environment. So, for example, the 2012 national climate change strategy whilst representing a significant milestone contains only the briefest of references to the financing mechanisms required to implement the proposed actions.

This suggests that the national climate change strategy could usefully be further strengthened to secure implementation by: (i) selecting priority programmes from within the strategy; (ii) identifying the geographical areas that require attention (the most resource-constrained and heavily impacted regions); (iii) estimating their cost; and (iv) identifying the expected sources of funding (and the requirements of that funding).

## The institutional architecture supporting climate finance delivery

Tanzania's public institutions are still at an early stage in responding to the new challenge of climate change. The lack of delineation between climate change and environmental-related issues has brought about some confusion, as they tend to be treated as one and the same thing. This is reflected in the current institutional architecture, which has been inherited from one that was designed to address environmental issues. The question is whether such an arrangement will be sufficiently robust to allow for the integration of climate change into the plans, programmes, and projects of all relevant sectors of the economy.

A noticeable absence in the current institutional architecture is the Planning Commission. The Commission is mandated to monitor, analyse and provide advice on long-term sector policies and socio-economic developmental issues. As the country's national planning agency, one would expect to find it embedded in the institutional structure for addressing climate change, yet this does not appear to be the case. The Commission's insights into economic development issues would likely strengthen the policy discussions on the financing of climate change actions.

However, there has been some noticeable innovation in coordination structures: the National Climate Change Steering Committee and the National Climate Change Technical Committee are important forums that can facilitate the coordination of cross-sector climate change

actions, including financing strategies. In principle, both committees have been established and are functioning, but they do not appear to meet on a regular basis, and lack a supporting secretariat beyond the National Climate Change Focal Point. In practice, the process of coordinating climate change actions across sectors and levels of government remains a formidable challenge, limiting the potential for coherence in the allocation of national budgetary resources.

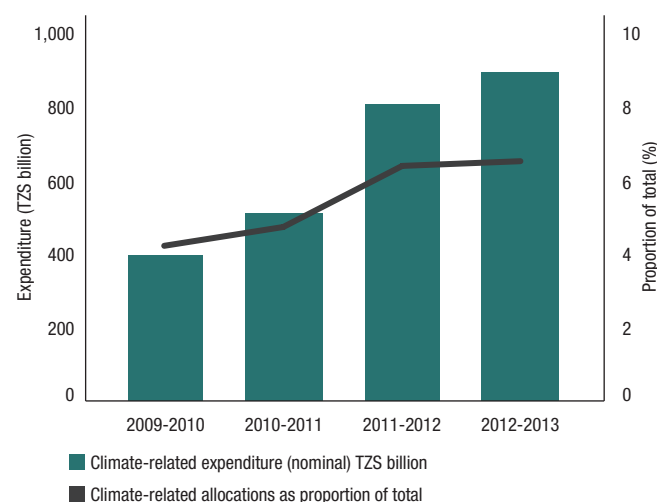
Some government Ministries have established 'desks' to mainstream climate change in their respective sectors. However, the current capacity of these climate change desks is restricted by limited knowledge on climate change, compounded by the meagre allocation of financial resources that they have received.

## Public expenditure on climate change-relevant actions

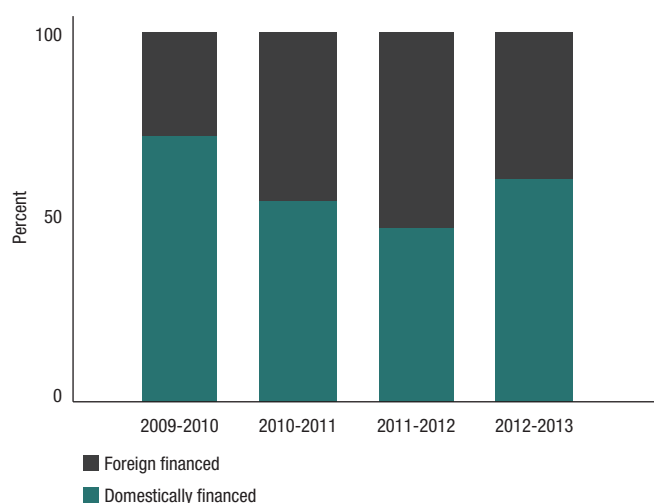
Tanzania has seen a very significant increase in the national budget allocation for climate change-relevant activities. Between 2009 and 2012, the budgeted amount for climate change-relevant activities doubled: it grew from TZS 392 bn in 2009/10 to TZS 896 bn in 2012/13. This expenditure as a proportion of the total budget increased from 4.2 per cent in 2009/10 to 6.5 per cent in 2012/13 (Figure 1).

This significant growth in budget for climate change-relevant activities was driven by an increase in donor funding that was recorded on-budget. Whilst domestically sourced finance actually declined by 4 per cent, foreign-financing grew by 61 per cent, reflecting considerable development partner support for climate change related actions (Figure 2).

**Figure 1: Climate change relevant allocations and as share of total budget**



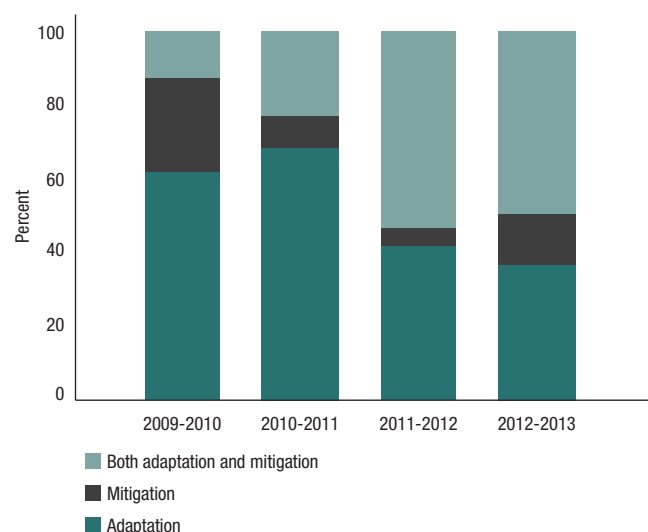
**Figure 2: Composition of climate change finance by source of funds**



Significantly, climate change-relevant expenditure is presently concentrated in low-relevance projects, meaning that few of the identified projects specifically aim to tackle climate change. There is, therefore, a considerable amount of spending taking place in ministries without the full realisation of the significance of such spending in terms of its relation to climate change. This warrants further awareness raising and the explicit inclusion of all such activities in the national response to climate change.

The share of high-relevance projects (where addressing climate change is a main objective of the expenditure) increased from 5 to 13 per cent of the total climate change-related budget over the 4-year period (Table 1). Such development projects range from investments in the rapid transport programme for Dar es Salaam to the mainstreaming of sustainable forest management. It is noteworthy that a direct response is more clearly seen for mitigation activities than for adaptation, and reflects in part the conceptual challenge of separating the latter from good development practice.

**Figure 3: Percentage budgetary allocations by major categories of climate change programmes (development budget only)**



The composition of climate change-relevant expenditure appears to have shifted over the four year period, from projects with a primary focus on either adaptation or mitigation to projects that combine both sets of activities (Figure 3).

Climate change-relevant spending was identified in 78 programmes across 15 ministries over the 4-year period. The number of programmes grew from 58 in the first two-year period to 68 in the second two-year period. However, spending is concentrated in relatively few ministries: the ministries of Water & Irrigation and Energy & Minerals stand out, being natural focal points for the government's response to adaptation and mitigation respectively. Whilst the absolute level of spending within the Vice-President's Office (VPO) is not high, it is significant in percentage terms, reflecting the fact that the VPO-Division of Environment is the National Climate Change Focal Point.

**Table 1: Relevance classification of climate change expenditure**

Climate change relevance category	2009/10		2011/12	
	No. of projects	Share of total budget (%)	No. of projects	Share of total budget (%)
High	3	5	9	13
Medium	4	7	2	3
Low	51	88	57	84
<b>Total</b>	<b>58</b>	<b>100</b>	<b>68</b>	<b>100</b>

# Strengthening climate finance delivery in Tanzania

There are a number of actions that we believe would improve the effective delivery of climate finance in Tanzania. These can be grouped under two headings: (1) securing better information on climate change public spending and (2) supporting the broader public finance environment to secure effective climate finance delivery.

## 1. Securing better information on climate finance public spending

- First, greater transparency of the national budget is required before we can determine how climate change-relevant budgets actually fare. The government does not publish detailed outturn data, which means that it is not possible for organisations outside of government to examine any variance between the budget estimates and actual outturns. This type of analysis would greatly enhance policy and budgetary decision making.
- Second, building on the exploratory analysis completed by CCCS and ODI, the possibility of tracking climate change public expenditure within the national budget should be explored with the Ministry of Finance. A design workshop involving financial statisticians, economists and climate specialists would be a good start to address the design issues of tracking climate finance. Relevant experience from other countries could assist such discussions – Nepal is one example where the government has recently put into operation such a budget tracking system.
- As a first step in the systematic collation of climate change finance information, all high and medium relevant government programmes identified by the CCCS/ODI study should be collated by the Ministry of Finance and the VPO and shared with all key stakeholders.



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- Raising awareness of sector ministry planners should also be developed through tailored training opportunities, so that the likely outcome of their development planning and spending is better understood in terms of possible climate-related impacts.

## 2. Supporting the broader public finance environment to secure effective climate finance delivery

- While important improvements in public financial management systems and expenditure management have been achieved in recent years, significant challenges remain. Therefore if public climate finance is to be delivered effectively, there is a need to further improve these systems, including cash management and work to enhance the credibility of the annual budget to reduce within-year re-allocations.
- Additional investments are required in multi-year planning and budgeting processes through enhancing the capacity for investment planning. Climate change expenditure related to infrastructure investment in particular will require multi-year planning and management and the effectiveness of this expenditure risks being compromised by present management systems.

Climate change will affect the Tanzanian economy for many years to come; the initial response of the public administration of government holds out promise that an effective response will develop in time. For this to happen, additional public funding from both international and domestic sources will need to be mobilised. An improved understanding of such funding through the type of analysis described in this briefing note will assist the government, and its development partners, to make the right investments.

## Notes

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The Figures and Table in this policy brief are extracted from the national analysis report.

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