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Insights on Climate Finance in Tanzania's National Budget Process

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Background and Purpose

In August 2025, ClimateFiGS and Mzumbe University brought together experts and practitioners in Dar es Salaam, Tanzania, for a climate finance co-design workshop. Participants discussed topics related to the quality, quantity, and effectiveness of climate finance, as well as the extent to which it aligns with the needs of its intended beneficiaries. The workshop featured five roundtables focused on different aspects of climate finance. **This brief summarizes the insights from the session on climate finance in Tanzania's national budget process**, which brought together 17 participants.

The aim of this brief is to present key themes and insights from the discussion and to highlight the most pressing research areas identified. We hope it can help guide researchers, policymakers, and other stakeholders toward areas where attention and contributions are most needed.

The Tanzanian Context

Climate-related spending in Tanzania is concentrated in a few key ministries, particularly those responsible for water and energy, which lead on adaptation and mitigation through initiatives such as water resource management, irrigation, and renewable energy.[1] Funding for these projects comes from both international and domestic sources.

While funds from international sources are relatively well documented, for example through the OECD database on climate-related development finance, the scale of climate-related spending from national budgets remains unclear. A 2023 study found that roughly USD 1.7 billion was allocated to adaptation-relevant projects in the national budget between 2014 and 2022, but it was not possible to determine how much originated from domestic versus international funds.[2] The Ministry of Finance introduced a new budget code in 2023 called Objective X to mark climate-relevant spending. While this new code should improve tracking moving forward, its use has so far been limited to a few ministries, historical data are lacking, and disaggregating international from domestic sources remains largely unfeasible.[3]

[1] Bird, N. and Yanda, P., 2014. Climate finance in Tanzania: What is recorded in the national budget? London: Overseas Development Institute.
[2] Pauline, N., Rogers, P., Mabhuye, E., Sumari, B., Katera, L., Msami, J., Tidemand, P. and Friis-Hansen, E., 2023. Climate change adaptation relevance of Tanzania's national budget and its level of devolution. Copenhagen: Danish Institute for International Studies (DIIS Working Paper, 2023:02).
[3] Pauline, N.M., Sumari, B.K. and Hansen, E.F., 2025. *The ambiguity of "climate change adaptation" and financing decisions in public budgets: insights from Tanzania. Climate and Development* [online]. Published 20 October 2025.

The roundtable discussions surfaced eight themes: dilution of priorities, planned vs. actual spending, coordination, citizen priorities, national budget integration, off-budget finance, fiscal tools, and earmarking vs. mainstreaming. The sections below outline the main insights emerging from each theme.

Dilution of Priorities

Participants discussed how community-identified climate priorities are diluted as they move through the budget process, despite the system being formally designed as a decentralized, "bottom-up" structure. They identified four factors contributing to this dilution. First, the central government provides the vast majority of climate-related funding for local governments, creating a power dynamic where national priorities can override local needs. Second, the process of consolidating village priorities at the ward level means local inputs are often filtered or reframed. Third, although priorities may originate from the local level, final decisions often reflect political considerations, with the central government "picking and choosing" from local submissions. Finally, centrally issued budget guidelines further constrain local discretion, leaving little room for community-identified climate priorities to shape final allocations.

> "Without a shift in political will away from short-term, visible gains toward sustained resilience and adaptation, formal budget mechanisms will remain insufficient."

Planned vs. Actual Spending

Participants discussed several factors driving gaps between planned and actual spending revealed in Controller and Auditor General reports,[4] which indicate that funds are often spent without reaching intended beneficiaries and highlight a divergence between planned allocations and actual outcomes. Participants also noted that sudden central government political directives can redirect funds toward emerging priorities, disrupting planned activities.

Finally, partial or delayed disbursements, linked to bureaucratic and logistical hurdles, were identified as a major obstacle to implementation. While mechanisms like direct facility financing aim to streamline fund flows by channeling resources directly to service delivery points, participants emphasized that delays and under-disbursement persist, undermining the effectiveness of climate spending.

Coordination

Participants described coordination on climate budgets between ministries and local government authorities (LGAs) as fragmented and challenging, shaped by power asymmetries and limited capacity. Although participants noted that the National Climate Response Strategy[5] calls for mainstreaming climate priorities into LGA planning, weak linkages between LGAs and the central government, along with poor coordination among line ministries, have led to overlaps, gaps, and inefficiencies. Participants emphasized that line ministries and the central government largely dictate priorities, leaving LGAs with little autonomy to align or coordinate their own climate budgets. Even when LGAs attempt to improve coordination, their efforts are constrained by centralized control over funding and strategic direction.

[4] National Audit Office of Tanzania, 2025. *CAG's Reports* [online]. Dar es Salaam: National Audit Office of Tanzania. Available at: https://www.nao.go.tz/en/reports.
[5] United Republic of Tanzania, 2021. *National Climate Change Response Strategy (2021–2026)* [online]. Dodoma: Vice President's Office, Division of Environment, Government Printer. Available at: https://www.ncmc.go.tz/national-climate-change-response-strategy.

Citizen Priorities

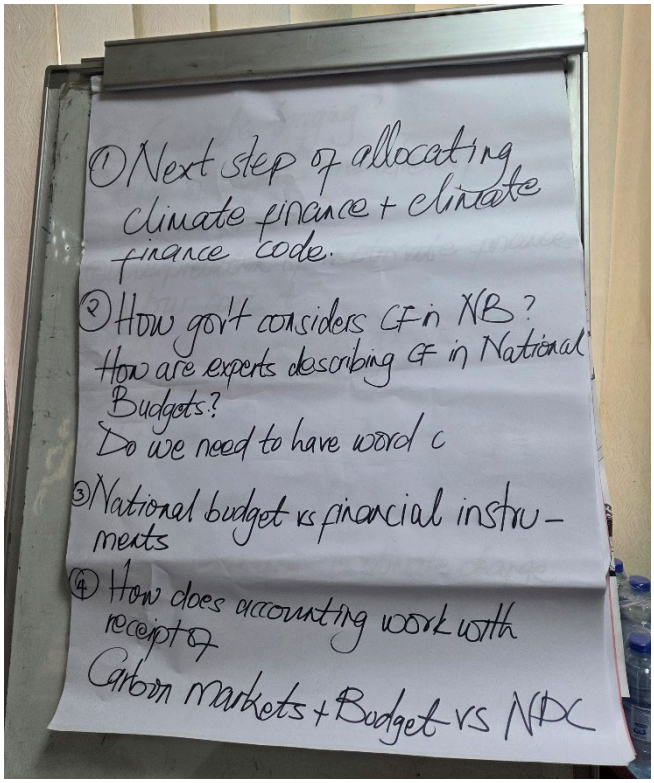
Participants discussed how budgets could better reflect citizen-identified climate priorities by reducing political influence, ensuring funds reach intended beneficiaries, and strengthening accountability mechanisms. They emphasized that community priorities are often reshaped by political considerations as they move upward through the system and that limiting such interference would help preserve the integrity of local inputs. Participants also noted that even when budgets reflect citizen priorities on paper, implementation gaps reflecting potential mismanagement and leakage undermine delivery. Finally, they highlighted the need for stronger monitoring and evaluation frameworks that enforce downward accountability to track fund flows and ensure implementers are held responsible for results. This would make the budget process more transparent and responsive to citizen needs.

Integration into the National Budget

Participants noted that while Tanzania has long financed climate-relevant activities through the national budget, including on-budget donor funds, the use of a dedicated budget code to track climate spending is new. This recent tagging reform aims to improve visibility of climate expenditure across ministries. The participants pointed to the introduction of a new budget code, Objective X, within the annual budget, to track climate-related expenditures. However, they observed that this mechanism is not yet well understood or widely applied, with use largely confined to the Ministry of Water. This raises concerns about communication and coordination surrounding this new system.

Off-Budget Finance

Participants discussed the risks associated with relying on off-budget climate finance, meaning climate-related resources that are not integrated into the national budget. While such mechanisms can help bypass bureaucratic delays—as seen with the new direct facility financing system—they also make it difficult to track and monitor fund flows. Participants noted that the government has established a portfolio within the Ministry of Finance to improve oversight, but the risk of unrecorded financial shifts remains significant. Additionally, reliance on off-budget funds can limit community participation and weaken accountability, as these resources often operate outside the formal planning and reporting structures.



Fiscal Tools

Participants discussed several fiscal instruments identified by a 2025 budget analysis[6] that could help raise climate finance, including taxes, levies on coal and gas, and carbon pricing mechanisms. However, they questioned whether these tools alone would be sufficient and whether a formal carbon tax, similar to South Africa's, would be feasible in Tanzania's economic context. Participants emphasized that such measures should align with Tanzania's economic context to support rather than constrain sustainable development.

[6] Ndesanjo, R., 2025. What Does the 2025/26 Budget Mean for Climate Action in Tanzania? [online]. *The Chanzo*. Published 23 June 2025. Available at: https://thechanzo.com/2025/06/23/what-does-the-2025-26-budget-mean-for-climate-action-in-tanzania.

While Tanzania does not currently have a formal carbon tax, the 2025 budget analysis[6] discussed by participants noted the existence of implicit environmental taxes, such as fuel taxes, import penalties on older vehicles, and fees on forest products. The Finance Act 2025, which introduces an excise duty on carbon emitted from coal and natural gas, was cited as a potential step toward more explicit carbon pricing in the future.

Earmarking vs. Mainstreaming

Participants discussed the trade-offs between earmarking revenues for climate action and mainstreaming them into general revenue. They noted that climate issues often receive low priority within the national budget, and when funds are mainstreamed, they become subject to political agendas, with decision-makers favoring projects that yield visible, short-term results over long-term climate goals. While the introduction of Objective X represents progress toward tracking climate spending, participants questioned whether it will genuinely elevate climate priorities or remain largely symbolic. Participants emphasized that without a shift in political will away from short-term, visible gains toward sustained resilience and adaptation, formal budget mechanisms will remain insufficient.

Earmarking was discussed as a means to secure dedicated funding for climate projects.

However, participants cautioned that earmarks could also create a parallel system outside broader financial planning, making coordination and management more complex.

Looking Ahead

The roundtable highlighted several gaps and opportunities for future inquiry (Box 1). We invite researchers to take these questions forward to strengthen evidence and inform more effective climate finance in Tanzania.

Box 1. Key Areas for Research

- How are mechanisms like Objective X implemented and understood across ministries? Do they improve climate finance integration into budgets?
- How do political agendas and short-term priorities shape or override community-identified climate needs?
- What do audit reports reveal about the gap between planned and actual spending, and what does this mean for financial accountability?
- How can funding innovations, such as direct transfers or local revenue shares, empower communities to manage climate finance more effectively?
- What barriers limit private investment in climate projects, and how effective are current policies (e.g., tax breaks, grants, public-private partnerships) in de-risking and incentivizing such investment?

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