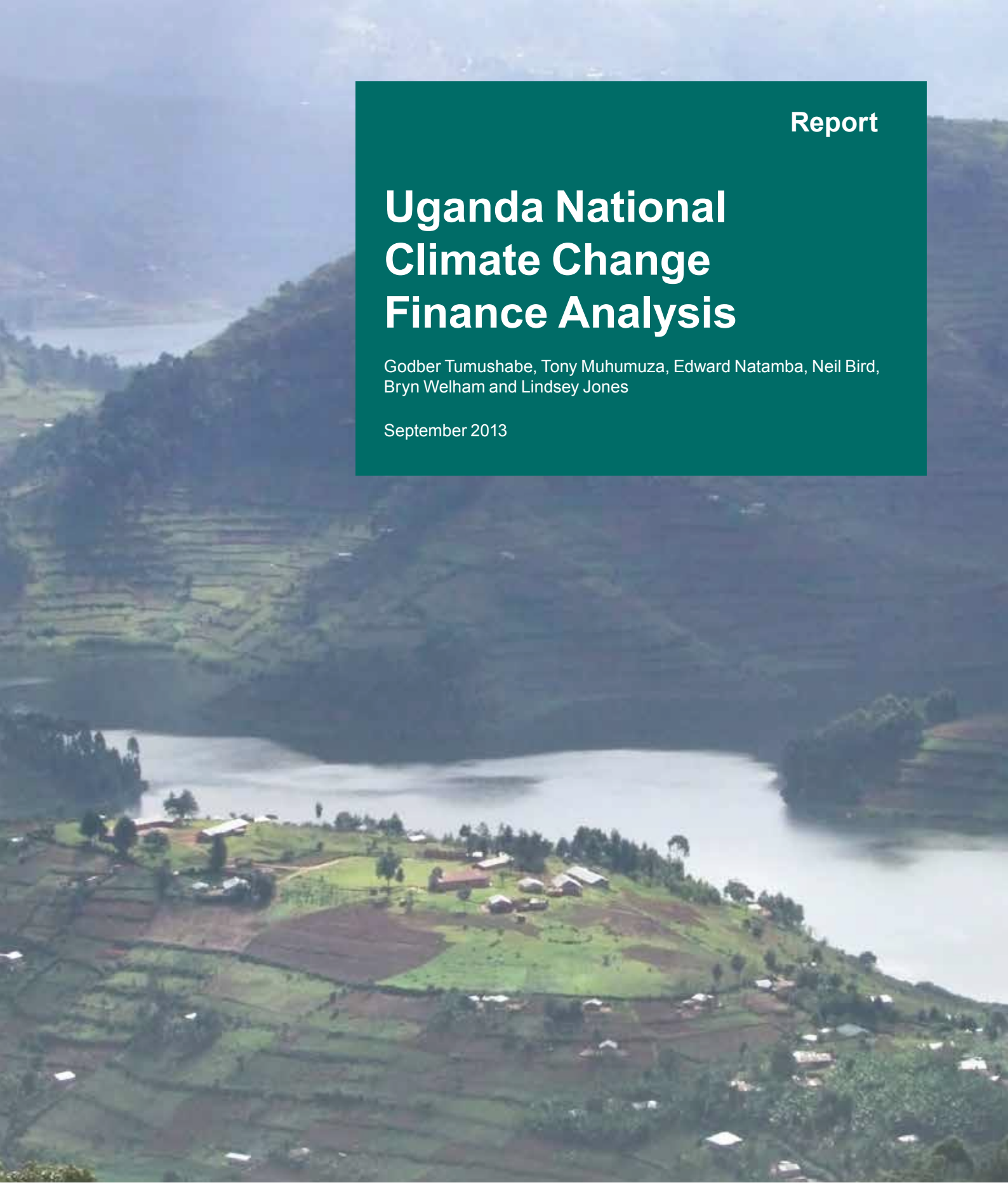

Report

Uganda National Climate Change Finance Analysis

Godber Tumushabe, Tony Muhumuza, Edward Natamba, Neil Bird, Bryn Welham and Lindsey Jones

September 2013

ODI | ACODE

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Key messages

- This study provides a first estimate of climate change relevant expenditures that appear in the national budget of Uganda over the period 2008/9 – 2011/12.
- National policy narratives on funding with regard to the volume, sources and the delivery mechanisms for climate finance have yet to mature.
- On-budget climate change relevant spending is approximately 0.2 per cent of GDP. This contrasts with that recommended in the draft Implementation Strategy of the Climate Change Policy, which estimated that around 1.6 per cent of GDP needs to be spent on climate change-relevant activities.
- Over the period studied, available evidence does not show significant levels of funding to have come from international climate funds.
- Actions taken by the Government of Uganda, and in particular the ministry of finance, to address the current weaknesses in public finance management will be a key determinant of effective climate finance delivery.

Authors: Godber Tumushabe, Tony Muhumuza, Edward Natamba, Neil Bird, Bryn Welham and Lindsey Jones

2013

Overseas Development Institute, London and the Advocates Coalition for Development and Environment, Kampala

Promoting Effective Climate Finance: ODI is building an evidence base on climate finance delivery and management through a number of country case-studies. This report presents the findings of the first country study in Uganda.

How climate finance is accessed, managed and then spent in ways that effectively reduce vulnerability, promote development and gender equity, and reduce greenhouse gases represents a major challenge for national governments as well as the international community. The tracking of this finance, at both the international and national level, faces the problem that climate-related actions are difficult to identify with precision, and this lack of clarity leads to uncertainty over estimates of spending.

These national studies explore the concept of 'climate finance' and propose pragmatic ways forward that will strengthen the policy debate. All publications of this series are available at: http://www.odi.org.uk/projects/2537-climate-finance-climate-change-fast-start-finance

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The views presented in this paper are those of the authors and do not necessarily represent the views of ODI and ACODE. In particular, no responsibility for the opinions here expressed should be attributed to the Government of Uganda or DFID, UK.

Abbreviations

ACODE	Advocates Coalition for Development and Environment
CCD	Climate Change Department (proposed)
CCU	Climate Change Unit (within the Ministry of Water and Environment)
CDM	Clean Development Mechanism
GDP	Gross Domestic Product
GHG	Greenhouse Gases
KCCA	Kampala Capital City Authority
MAAIF	Ministry of Agriculture, Animal Industry and Fisheries
MEMD	Ministry of Energy and Mineral Development
MGLSD	Ministry of Gender, Labour and Social Development
MoH	Ministry of Health
MoFPED	Ministry of Finance, Planning and Economic Development
MoLG	Ministry of Local Government
MoWT	Ministry of Works and Transport
MoTIC	Ministry of Tourism, Industry and Culture
MLHUD	Ministry of Lands, Housing and Urban Development
MRV	Monitoring, Reporting and Verification (of GHG emissions)
MTIC	Ministry of Trade, Industry and Cooperatives
MTEF	Medium Term Expenditure Framework
MTTI	Ministry of Trade, Tourism and Industry
MTWA	Ministry of Tourism, Wildlife and Antiquities
MWE	Ministry of Water and the Environment
NARO	National Agricultural Research Organisation
NAADS	National Agricultural Advisory Services Secretariat
NAMA	Nationally Appropriate Mitigation Action
NAPA	National Adaptation Programme of Action

NCCAC	National Climate Change Advisory Committee
NCCPC	National Climate Change Policy Committee
NEAP	National Environment Action Plan
NEMA	National Environmental Management Authority
NDP	National Development Plan
NFA	National Forest Authority
NPA	National Planning Authority
OPM	Office of the Prime Minister
ODI	Overseas Development Institute
PEFA	Public Expenditure and Financial Accountability assessment
PFM	Public Financial Management
UNRA	Uganda National Road Authority
ULG	Uganda Lands Commission
URF	Uganda Road Fund
UTB	Uganda Tourism Board

Executive summary

Climate finance delivery in Uganda

Climate finance is central to global efforts that aim to achieve the objectives of the United Nations Framework Convention on Climate Change (UNFCCC). At the international level, climate finance has dominated much of the UNFCCC negotiations, reflecting a divergence in position between developed and developing countries. At the national level, particularly for the least developed countries and African countries such as Uganda, it represents one of the key limiting factors holding back delivery of national obligations.

The Fifth Assessment Report of the Intergovernmental Panel on Climate Change (IPCC) will provide an authoritative global view on climate change, yet understanding such change at the national level remains problematic. This uncertainty raises doubts for policy makers who have to determine an appropriate level of funding going to climate change actions among the many development challenges facing the country. This report has been prepared to help build greater awareness on how far the national response to climate change has evolved. Looking forward, the expected rapid growth of spending on climate change actions can be expected to raise governance and management challenges for implementing agencies, which should be considered in the design and execution of national climate change programmes.

The Ugandan Government and the international community presently do not have sufficient ways of measuring public flows of climate finance, nor of promoting effective practice in the delivery of financial support for climate change-related actions. This study aims to address both of these constraints, by identifying relevant public expenditure and measuring the effectiveness of such spending against an explicit assessment framework (annex 1). This is the first time this has been attempted in Uganda and therefore represents an early exploration of the relevant issues. The methodological approach combines a qualitative analysis of the policy context and institutional arrangements with a quantitative review of public spending on climate change relevant actions.

The study focuses on climate change relevant expenditures that appear in the national budget over the period 2008/9 – 2011/12. A first step in identifying these relevant expenditures is to determine which Ministries are actively engaged on this issue. The study team identified 11 Ministries (and a further nine subsidiary agencies) based on their policy engagement. The expenditure for these ministries is approximately 76% of total public expenditure over the four years covered by the study.

The Government of Uganda Chart of Accounts does not contain a marker for 'climate change relevant' spending, so the study team had to identify these programmes and projects manually. A total of 96 expenditure lines were classified as climate change relevant (annex 2). The study team developed a categorization of these expenditures based on the degree of their relevance to climate change. This has allowed a first estimation of climate change relevant expenditures to be made. The methodology separates spending between two main climate change strategies: adaptation and mitigation.

Climate change policy issues that relate to financing

Climate change is a policy concern that has matured in Uganda over the last five years. Important statements of national policy include the 2010 National Development Plan, the draft 2012 Climate Change Policy and the 2013 National 2040 document. Overall, national policy articulation on climate change has increasingly become

consistent, clearer and more coherent. However, the policy narratives on funding with regard to volume, sources and the delivery mechanisms are only now beginning to emerge.

A major articulation of policy is contained within the National Development Plan (NDP), which devotes a separate chapter to climate change and its potential impacts on national development. The NDP makes the central point that Uganda's development agenda must address the issue of climate change.

The draft Climate Change Policy emphasises the importance of adaptation, particularly in those sectors considered vulnerable to climate change. A significant innovation of the policy is its adoption of a sector approach to articulating objectives and strategies that address the climate change challenges within each sector. However, the draft policy is silent on how to manage the delivery of climate finance and what financial instruments should be utilised. In addition, no mechanism is indicated that would commit all key actors to high standards of transparency.

The draft Climate Change Policy is supported by a costed implementation strategy that sets out the estimated financial requirements for the implementation of identified public interventions. A first estimate of the costs of responding to climate change is put at Shs. 664 billion (USD 258 million) per year. This approximates to 1.6% GDP – a very considerable amount compared to current levels of spending.

Institutional issues to secure effective climate finance delivery

The present institutional arrangements concerning government's response to climate change are in a state of transition, as described in the draft 2012 National Climate Change Policy. The policy proposes the creation of several new institutional structures: a ministerial committee on climate change (the national climate change policy committee); a national climate change advisory committee, and a new climate change department within the Ministry of Water and Environment. However, the roles and responsibilities of these new institutional structures are not fully described in the policy, leading to uncertainty as to how they will interact with existing ministries, departments and agencies.

The draft national policy distinguishes two key institutional functions: coordination and implementation. The policy focuses on the former function. Implementation of policy will be strongly influenced by sector institutional capacity, particularly in those key sectors identified as being vulnerable to climate change. However, at present there is limited capacity within sector institutions with regard to understanding the likely impacts of climate change. Limited success in securing new funding from international sources suggests constrained institutional capacity across government; determining where first to strengthen this capacity is an unresolved issue.

The national policy assigns leadership on climate finance to the Ministry of Finance (MoFPED) and hence the actions taken by MoFPED will be a key determinant of the national effectiveness of climate finance delivery. However, the current institutional framework does not show clear lines of responsibility and accountability between the Ministry of Finance and the other mandated agencies. Securing greater clarity on institutional mandates may be the most important factor that will determine whether the public finance system will allocate the funding necessary to finance agreed climate change actions.

Capacity constraints at the national level are amplified at the local government level. Much as efforts have been made across all levels, the necessary institutional capacity is yet to be realised both at the centre and within local government. As such, existing local institutions appear not well prepared to respond to climate change, nor to spend any increased flow of finance in support of relevant climate change actions.

Macroeconomic and Public Finance Management context for spending on climate change

Uganda's macroeconomic performance over the recent past has been strong, with steady growth in GDP (averaging over 6 percent) since the late 1980s. GDP composition has shifted, with significant growth coming from services, although employment remains concentrated in the climate-vulnerable agricultural sector. Growth has dipped slightly in the last couple of years, in part as a result of the global economic slowdown and national policy measures taken to restrain inflation. With inflation now much reduced and the prospect of significant oil and gas development on the horizon, macroeconomic prospects look broadly positive.

Although domestic revenue levels have risen, expenditures have increased more rapidly and as a result the budget deficit has widened. However, substantial future revenues from oil and gas are likely to increase the scope for further public spending, with potential at least to include additional financing for climate change-related expenditures.

Recent Public Finance Management diagnostic studies suggest that budget credibility is weak, both in-year and over the medium-term due to erratic cash management, volatile inflation, low tax revenue, and uncertain donor funding. These factors will make regular financing of climate change- relevant programmes difficult to manage.

Public expenditure on climate change relevant actions, 2008/9 – 2011/12

Total spending on climate change-relevant activities is estimated at less than one per cent of government expenditure, and this has remained broadly constant over the four year period, 2008/9 – 2011/12.

Climate change expenditure as a share of government expenditure

	Total government expenditure (bn Shs)	Total climate change relevant expenditure (bn Shs)	% of government expenditure
2008/09	3,901	41.5	1.06
2009/10	5,443	53.6	0.98
2010/11	8,213	66.5	0.81
2011/12	8,251	71.8	0.87

This level of spending equates to approximately 0.2 per cent of GDP, which is in stark contrast to that recommended in the draft Implementation Strategy of the Climate Change Policy, which estimated that around 1.6 per cent of GDP needs to be spent on climate change-relevant activities. The years 2008/9 – 2011/12 did not see any major change in the pattern of climate change-relevant expenditure. Most Ministries continued with broadly the same number of programmes by relevance over the period studied, suggesting that the step-change in funding called for in the draft Implementation Strategy remains a major challenge. At present, there is little sign of significant scaling-up of relevant spending within the key ministries.

In common with public expenditure more generally, the credibility of budgeting climate change-relevant expenditures is low, with only around half of planned expenditure being spent in each of the four years.

There appears to have been limited domestic investment aimed specifically at climate change actions. Instead, a great deal of expenditure passes through programmes that aim at other impacts, and therefore only a part of

the expenditure can be considered climate change relevant. Only two projects across the whole of government could be classified as being highly relevant over the study period, where the main objective of the expenditure was to deliver specific outcomes that improve climate resilience or mitigate carbon emissions. These were the establishment of the Climate Change Unit housed in MWE and the development project promoting renewable energy and energy efficiency in MEMD. Most programmes identified by the study team are of low relevance, where the objective of expenditure is not explicitly related to climate change.

Climate change-relevant expenditure by relevance category as a percentage of total climate change-relevant expenditure

	High	Medium	Low	Total
2008/09	0.3	12.0	87.7	100.0
2009/10	1.0	40.2	58.8	100.0
2010/11	0.6	26.8	72.6	100.0
2011/12	1.9	33.8	64.3	100.0

More is spent on adaptation than mitigation activities, but the relative balance changes year-on-year, with greater mitigation spending in 2009/10. This is mostly due to the start of investments in major clean energy projects, such as hydropower generation. Nevertheless, over the period studied the majority of funds expended on climate-change relevant activities have been directed at adaptation.

Expenditure on, and percentage spend of, adaptation compared to mitigation activities for climate change-relevant expenditures across all Ministries

	Adaptation spend (bn Shs)	%	Mitigation spend (bn Shs)	%
2008/09	27.6	66.5	13.9	33.5
2009/10	21.2	39.9	31.9	60.1
2010/11	46.6	70.2	19.8	29.8
2011/12	46.9	65.3	24.9	34.7

Climate change-relevant expenditure is heavily concentrated in relatively few Ministries: the Ministry of Works and Transport, the Ministry of Energy and Mineral Development, the Ministry of Water and Environment, the Office of the Prime Minister, and the Ministry of Agriculture, Animal Industry and Fisheries. No climate change-relevant expenditure could be identified within the Ministry of Health, despite this ministry being identified as requiring significant funding in the draft Climate Change Implementation Strategy.

Climate change relevant programs within key ministries

	Examples of climate change programs
Ministry of Works & Transport	Review and update of the ministry's engineering standards to include a manual for climate change vulnerability assessment
Ministry of Energy & Mineral Development	Rural electrification that promotes the use of renewable energy sources
Ministry of Water & Environment	Provision of data on weather, climate and climate change to support sustainable social and economic growth
Office of the Prime Minister	Disaster preparedness and management to prevent, mitigate and prepare the country against climate-related disasters
Ministry of Agriculture, Animal Industry & Fisheries	Development of a national early warning system to provide timely information on crop production, livestock, fisheries and national food security

The relationships and linkages between central Ministries and their subordinate agencies need to be better understood to ensure that relevant expenditure is handled most effectively. Focusing attention and funding on the lead Ministry of a particular grouping may not necessarily be the most effective way to engage with the staff actually undertaking climate change-relevant work.

For the period studied (2008/9 – 2011/12) international climate funds do not appear to have delivered significant levels of financing. Publically available information suggests that in the order of Shs 400 million (USD 160,000) was disbursed over the four year period, most of which has been directed at mitigation actions. This is in contrast to the intentions of the National Vision 2040, which expects significant financing for national climate change-related expenditures to come from international climate funds.

Donor funding for climate change-relevant activities is potentially significant in terms of the size of committed funds, but this study has found it difficult to estimate actual expenditure over the four year period accurately given the lack of information in the public domain regarding specific disbursements of these donor programmes.

Delivering climate finance at the local level

Whilst responsibility for coordinating climate change-related activities rests with central government, implementation will take place at the local level, and will need to involve district governments. Local governments are heavily dependent on conditional financial transfers from central government, constituting over 90 per cent of all local government funds. As a consequence, at the present time they have little flexibility, if any, to determine the scope and scale of climate change actions and financing within their jurisdiction. In addition, there are currently no financial or regulatory incentives for district governments to include climate change relevant projects within planning instruments such as the District Development Plans.

An analysis of climate expenditure in two district governments, Tororo and Ntungamo, over the period 2008/9 – 2011/12, reveals that only a small percentage of district spending can be considered as climate change-relevant (2 per cent of total district expenditure). Of this spending, the vast majority of activities relate to adaptation (98 per cent of total climate change relevant expenditure). This reflects the primary focus of district

planning on helping local communities deal with the consequences of existing climate variability. Mitigation is not considered a development priority.

No single project in either district was rated as being highly relevant to climate change; the majority of climate change-relevant actions (in the water, agriculture and natural resources sectors) are either of medium or low relevance. Much awareness raising is needed, as the causes, impacts and possible responses to climate change remain poorly understood amongst district government officials.

The effectiveness of public spending on climate change actions

The effectiveness of climate finance delivery depends on the linkages that exist between policy formulation processes, the institutional architecture of implementing agencies and the national budgetary system. These interactions are complex and are subject to a wide range of influences, including the international attention given to climate change, which may be significant in terms of possible funding levels for climate change actions.

Much progress has been made, over a relatively short period of time, on developing an overarching policy for climate change in Uganda. Once Cabinet approval is achieved, the climate change policy, together with its implementation strategy, will provide guidance for both the coordination and implementation challenges that confront the country's response to climate change. In many respects, the trajectory of government's delivery programme has now been set.

More challenges remain in securing the clarity needed in this new area of public policy over institutional mandates, roles and responsibilities. The intent to establish new structures needs to be balanced with the need for established parts of government – notably MoFPED and the Ministry of Water and Environment – to build strengthened capacity. What holds for central governments agencies is magnified at the local government level, where the implementation challenge is most acute.

Delivering public financial resources for climate change-relevant actions depends critically on the strength of the public finance management system. The known weaknesses of the national system will lessen the effectiveness of climate finance delivery until they are addressed. The long-term nature of climate change investments places particular demands on this system. Considerable investments in system strengthening will continue to be required if the level of expenditure highlighted in the climate change implementation strategy is to be achieved and resource an effective national response to climate change.

Study recommendations

Based on the analysis contained within this report, the study team offers the following recommendations to government, believing these will improve the effective delivery of climate finance in Uganda. Suggested lead institutions are indicated for each priority action; however, implementation will depend on broader participation. The proposed time frame is an indicative one, but suggests a possible sequence of actions.

(i) Improving information on climate finance

Priority actions	Specific actions to consider	Time frame	Lead institution(s)
The possibility of actively tracking the most relevant and high value climate change programmes within the national budget should be explored with the relevant ministries.	In the first instance, a design workshop (involving financial statisticians, economists and climate specialists) should be held to address the design issues of tracking climate finance.	Next 6 months	MoFPED, CCU
Climate change finance information, focusing initially on high and medium relevant government programmes, should be compiled and shared with all key stakeholders.	Build this subset into the MoFPED Output Budgeting Tool so that reports can be produced as part of the main budget documentation (e.g. in budget framework papers)	Next 12 months	MoFPED, CCU
Internationally supported 'off-budget' projects related to climate change should be identified and recorded (including those carried out by government agencies, NGOs and other project implementers.)	Climate change-relevant donor supported projects could be included as a separate category in the data management system of the Aid Liaison Department in MoFPED.	Next 12 months	MoFPED, CCU, Donors

(ii) Planning climate finance delivery

Priority Actions	Specific actions to consider	Time Frame	Lead institution(s)
The Vision 2040 ambition to use international climate funds to finance planned climate related actions should be reviewed in light of inadequate disbursement to date from international funds	International sources of climate finance should be assessed to determine the requirements to secure better access to existing funds	Next 6 months	NPA; CCU
The climate change implementation strategy needs to prioritize rigorously its planned delivery schedule of investment projects to take account of existing (and likely future) funding levels.	For all priority national investments, the proposed timeline, funding requirements and potential source of funding should be identified.	Next 12 months	CCU; lead institutions for respective policy priority areas

(iii) Supporting the institutional response for effective climate finance delivery

Priority Actions	Specific actions to consider	Time Frame	Lead institution(s)
The most immediate action required of the proposed institutional architecture is to clarify the mandates of all the institutions named in the draft climate change policy, with particular emphasis on the need for effective coordination between the Ministries of Finance and Water & Environment.	Incorporate a CC component into the Sector Working Group structure for better institutional collaboration and budget linkages.	Next 6 months	MWE; CCU
Sector institutions need to take into account the national climate change policy and strategy and build the necessary capacity to allow implementation of priority actions (e.g. Ministry of Health's expected additional spending on account of climate change).	SWG structure – led by CC unit – present in all meetings for the 2014/2015 cycle	Next 12 months	OPM; NPA; MoFPED; Line ministries

(iv) Climate change actions at the local government level

Priority Actions	Specific actions to consider	Time Frame	Lead institution(s)
Incentives should be created for the inclusion of climate change related activities within District Development Plans. Adequate financial resources and technical support should then be provided for their implementation.	Examine options for incorporating climate change activities in conditional grant guidelines so that these can form part of LG planning.	Next 12 months	MoFPED; MoLG; CCU; District Planning Committees
Awareness raising and technical support relating to climate change (causes, impacts, and adaptation/mitigation options) should be provided to key district government staff	The development of training programme on the impacts of CC to be prepared for district Chief Administration Officers	Next 24 months	MoLG; MWE; CCU; District NR Departments

1 Introduction

1.1 Significance of the study

Climate change is a new area of public policy that will have a significant impact on national economic development and directly on people's lives and livelihoods. However, at present there is limited understanding of what the cost of responding to climate change will be. An important starting point is to identify the financial resources that are currently being spent by government to fund climate change-related activities. This can provide an indication of how far the national response to climate change has evolved. Looking forward, the expected rapid growth of this expenditure can be expected to raise governance and management challenges for implementing agencies, which should be considered in the design and execution of national climate change programmes.

At the international level, the UNFCCC intends to reach an agreement that will avoid the most dangerous impacts of global warming. An important component of the international response is to provide new and additional finance to support actions carried out within the world's vulnerable countries. This is recognised in the goal set by the international community to raise USD 100 billion per year by 2020. International support is already forthcoming to assist countries such as Uganda prepare for and respond to climate change, but this source of funding raises questions of sustainability and how such support should be channelled into national systems. There is also the question of how to prioritise spending of finite financial resources. Budgetary allocations are never sufficient to meet all public spending needs, making a consideration of the strength of the systems that manage climate change-relevant expenditures important.

Measuring the effectiveness of public spending on climate change actions is fraught with difficulties, due to the definitional ambiguity of such actions (Burton, 2004), the complexity of public funding flows, and a lack of clarity on what effectiveness actually means. There are a number of further challenges to be faced: there is generally limited information on actual expenditures (as opposed to budget estimates); the national budget classification can act as a barrier to the interpretation of climate change actions; and a significant amount of international funding does not pass through the national budget.

So, at present the Ugandan Government and the international community do not have sufficient ways of measuring public flows of climate finance, nor of promoting effective practice in the allocation of public funds to climate change-related actions. This study aims to address both of these constraints, by identifying relevant public expenditure and measuring the effectiveness of such spending against an explicit assessment framework.

1.2 Objectives of the study

The primary objective of this study is to review public spending on activities that are related to climate change, and to assess the extent to which this expenditure responds to existing policy and institutional demands. This assessment is intended to show how climate change-relevant expenditure passes through the country's budgetary systems in response to national policy setting, allowing recommendations to be made for the further integration of such expenditure into budgetary allocation and budget execution processes.

The study's objectives are met by examining three interlinked elements: i) the policy context; ii) the institutional architecture; and iii) public expenditures. The last element represents the core focus of the study.

1. Examining the policy context helps to build a picture of the overall policy environment for climate change expenditure, from the formulation of climate change policy to its linkages to spending through national strategies and action plans.
2. Mapping the institutional architecture unpacks the role and responsibilities of institutions involved in managing the response to climate change and their interaction. In doing so, it provides an important basis for understanding public spending on climate change actions.
3. The expenditure analysis quantifies climate change relevant expenditures in the national budget, as well as through other funding channels. This is done by selecting activities, projects and programmes that are recognised as being part of the national response to climate change and then extracting the budget estimates and actual expenditures from the budget documentation.

This study will help map out a strategic financing framework for climate change that promotes a whole-of-government approach to climate change actions through the use of country systems. It identifies baseline climate change-relevant expenditures that may assist the development of a tracking framework; it will also help identify funding gaps where there is a need to increase funding from both domestic and international sources. The study methodology can serve as a tool to enable the Government of Uganda improve the prioritisation, efficiency and effectiveness of the public resources directed at supporting climate change adaptation and mitigation.

1.3 The study's analytical framework

This study's analytical framework (annex 1) provides an approach to measuring the effectiveness of the national systems that underpin public climate finance delivery. As noted in the preceding section, three interlinked elements are assessed: the policy environment that supports climate change expenditures, the institutional architecture that determines relevant roles and responsibilities over funding decisions, and the public finance system through which climate change-relevant expenditures are channelled. Key principles of effective climate finance delivery for each of these three elements have been identified from the literature. Criteria and indicators that reflect a progression towards compliance with the principles have also been formulated. Importantly, the indicators are not intended to reflect any 'ideal state', but provide a means by which current practice can be interpreted and highlight important areas for progress.

Four principles of policy development and implementation that are relevant to the effective delivery of climate change finance have been identified. These are: ease of implementation, legitimacy, coherence and transparency. A further three principles relate to institutional performance: coordination, innovation and local anchorage. In terms of public expenditure, the four principles relate to the execution of the budget cycle in terms of planning, execution, reporting and external audit.

Collectively, these principles, criteria and indicators provide an explicit framework for the study, by which the strength of the national climate finance delivery system is assessed, and from which its effectiveness can be considered.

2 Study methodology

Chapter summary

- The study's methodological approach combines a qualitative analysis of the policy context and institutional arrangements with a quantitative review of public spending on climate change actions.
- The study focuses on public expenditures that appear in the national budget over the period 2008/9 – 2011/12 that are climate change related. This is the first time this has been attempted in Uganda and represents an early exploration of the relevant issues.
- The first step in identifying how government is responding to climate change is to identify which Ministries are actively engaged on this issue. The study team identified 11 Ministries, together with nine subsidiary agencies, based on their policy engagement. The total expenditure of these ministries accounts for approximately 76% of total public expenditure.
- The Government of Uganda Chart of Accounts does not contain a marker for 'climate change relevant' spending, so the study team had to identify these programmes and projects manually. A total of 96 expenditure lines were identified over the four year period (annex 2).
- The study team developed a categorization of these expenditures based on the degree of their relevance to climate change, following a protocol developed by the same team elsewhere. This allows a first estimation of climate change relevant expenditures to be made.
- The methodology enables two main climate change strategies (adaptation and mitigation) to be distinguished.

2.1 Introduction

This chapter outlines the approach the study team adopted to identify and classify climate change-relevant public expenditure in Uganda. It is important to acknowledge that expenditure on climate change can come from a variety of sources. These may include: international climate funds, bilateral and multilateral donor funds, public funds, and private sector finance. This study focuses on public funds allocated to finance climate change actions through the national budget, as such spending is most closely aligned with national policy setting and domestic institutional arrangements.

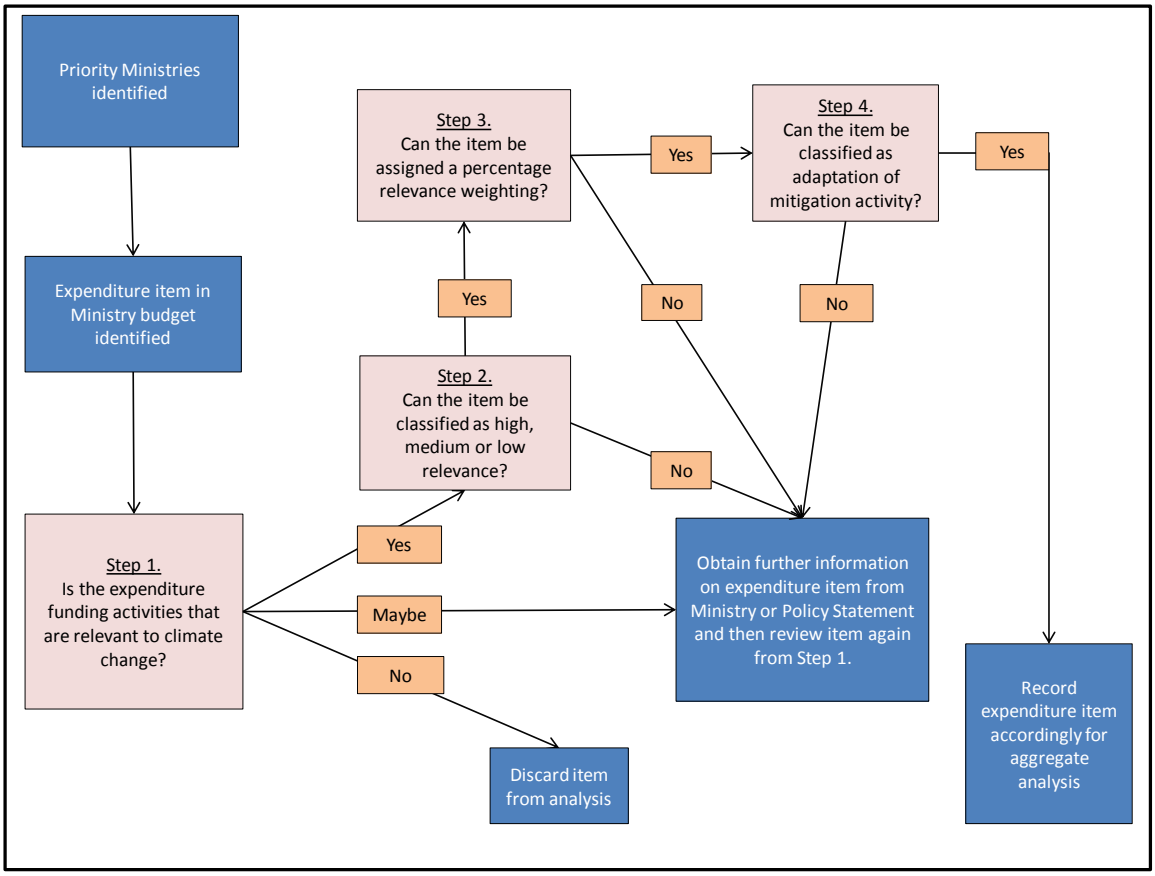
2.2 Approach to classifying government expenditure

Overall, the methodology aimed to classify relevant public expenditure through four stages, by determining: (i) whether spending was relevant or not relevant to climate change; (ii) whether the identified expenditure was of high, medium or low relevance to climate change; (iii) what percentage weighting could be assigned to each item of expenditure; and (iv) whether the expenditure was focused on adaptation or mitigation. This methodology builds on the experience of other climate change expenditure reviews undertaken primarily in South and South East Asia (e.g. Government of Bangladesh 2012; Government of Thailand 2012).

The exercise explicitly takes a 'prioritised' approach to identifying climate change-relevant expenditure and does not exhaustively review each and every expenditure item within the national budget. Given the limitations of time, it was not possible to review every last government of Uganda expenditure item. The methodology begins by identifying those sectors most likely to be related to climate change, and then drills down into the details of sector financing in order to identify and categorise expenditure. As a result, there remains a risk – albeit a small one – that climate change-relevant activities are being undertaken by agencies in sectors considered generally less relevant to climate change (for example, in the defence sector), and that these are being missed by the analysis. The judgement of the review team is that this risk is small, and any climate change-relevant activity that is being undertaken in a ministry not included in the priority list is unlikely to affect the overall conclusions of the analysis.

Figure 2.1 shows a summary stylised view of the process. As can be seen, where issues of classification are uncertain, further investigation is undertaken in order to determine the exact nature of the expenditure item. This can involve detailed review of the relevant Ministerial Policy Statements that outline the spending plans of the Ministry in more detail, cross-checking against other government policy statements such as the Climate Change Policy and its implementation strategy, or it can take the form of direct follow up with key informants or relevant personnel in the line ministries.

Figure 2.1: Diagrammatic representation of approach to classification of expenditure items



2.3 Identifying policy areas and ministries

Nine policy areas were identified as being most relevant to climate change in Uganda. Although the exact impacts of climate change in Uganda remain uncertain, based on experience in other countries and extrapolations from existing models, the likely impacts of climate change across these policy areas are listed in Table 2.1.

Table 2.1: Anticipated impacts of climate change in key policy areas in Uganda

Policy area	Example of climate change impact
Agriculture	Changes to crop, livestock and fisheries production levels; losses caused by catastrophic events
Forestry	Changes to crop production levels; losses caused by catastrophic events
Energy	Changes in demand levels; hydro-electricity supply weakened by changing river flows/lake levels
Transport	Physical damage to existing infrastructure; higher maintenance costs
Water and sanitation	Changes in water quantity and quality; greater water demand
Health	Increase in climate-related disease incidence
Housing and settlements	Physical damage to existing settlements caused by catastrophic weather events
Tourism	Potential increases in transportation costs; damage to key tourist areas and natural heritage
Trade	Decline in production, worsening terms of trade resulting from high product prices

Following the identification of these policy areas, the analysis then related the findings to the Ministries mostly likely to be active in those areas. In common with budgeting systems across the world, expenditure in Uganda is managed on the basis of an individual Ministry or other institution, rather than by sector. As a result, identification of spending lines needed to be done on an institution-by-institution basis. In total, 121 central government institutions listed in the Approved Budget Estimates FY 2012/13 (Central Government Votes) that receive money through a specific Parliamentary appropriation (a 'Vote') were examined. Of these 121 votes, 20 were identified as likely containing programmes and projects relevant to climate change.

The identification of Ministries was also cross-checked through reference to the draft 2012 Government of Uganda Climate Change Implementation Strategy. This implementation strategy identifies a large number of required climate change programmes to be carried out over the coming years, and also the Ministries that are expected to deliver them. This was used to cross-check that the list of Ministries identified by review of the policy areas above matched those considered high priority in the national strategy. Broadly, the identified Ministries from the policy area analysis were consistent with the highest priority Ministries identified in the strategy document.

This process led to the identification of the following ministries:

- Ministry of Agriculture, Animal Industry and Fisheries (MAAIF)
- Ministry of Energy and Mineral Development (MEMD)
- Ministry of Health (MoH)
- Ministry of Water and the Environment (MWE)
- Ministry of Works and Transport (MoWT)
- Ministry of Tourism, Industry and Culture (MoTIC)
- Ministry of Lands, Housing and Urban Development (MLHUD)
- Ministry of Trade, Industry and Cooperatives (MTIC)
- Ministry of Gender, Labour and Social Development (MGLSD)
- Office of the Prime Minister (OPM)
- National Planning Authority (NPA)

At first glance, the OPM may appear to have little to do with implementing climate change-relevant projects and programmes. However, through discussion with key informants, and from a review of the Climate Change Strategy, it was clear that a number of high profile projects and programmes are implemented through the OPM. The Department for Disaster Preparedness and Management, which is expected to play a key role in preparing the country for extreme climate change-related weather events, is also located under the OPM.

In addition to Ministry-level expenditure, it was recognised that relevant spending may also be channelled through agencies under the relevant ministries. Consequently, all agencies within the above ministries were included in the analysis. These are:

- Uganda National Road Authority (UNRA)
- Uganda Road Fund (URF)
- Uganda Tourism Board (UTB)
- Kampala Capital City Authority (KCCA)
- National Agricultural Research Organisation (NARO)
- National Environmental Management Authority (NEMA)
- National Agricultural Advisory Services (NAADS) Secretariat
- Uganda Lands Commission (ULC)
- National Forestry Authority (NFA)

Taken together, the expenditure for these Ministries and Agencies accounted for approximately 76 per cent of average public spending over the four year period (2008/9 – 2011/12).

Having used the Government of Uganda's own Climate Change Implementation Strategy as a cross-check for the selection of Ministries suggests that the most significant Ministries have indeed been identified, and detailed analysis of this 76 per cent of public expenditure is a robust basis on which to proceed.

2.4 Identifying climate-relevant programmes and projects

Once the relevant Ministries were identified, the analysis moved to a detailed review of the individual programmes and projects within each Ministry's budget. The Government of Uganda uses a budget system with several layers of information. All expenditure items are coded to express a number of categories that help identify the nature of individual expenditures, including categorisation of expenditures by Ministry, by department, by programme and project and by economic function. The study team obtained a full list of programmes and projects for each of the Ministries identified, and then began a process of reviewing these in terms of their relevance for climate change.

The Chart of Accounts of the Ugandan budget system was used to gather together all programmes and projects within each Ministry for analysis. The Chart of Accounts system made sure that all programmes from a relevant ministry were considered, since they all share a common coding characteristic. However, the Chart of Accounts does not contain a marker or code for 'climate change relevant' expenditure that would allow for a straightforward exercise in simply extracting from the budget all expenditure lines with that code. The Chart of Accounts does include a marker for whether expenditure is related to an Environmental Impact Assessment, but this is not the same as climate change relevancy and could not be used as a guide to relevant expenditures. As a result, a manual review of all potentially relevant expenditure was necessary.

The description of programmes in the budget documents was usually very brief, for example 'Administration' or 'Rural water and sanitation'. It was relatively easy for the team to review and exclude certain items from the expenditure analysis on the basis that they were not related to climate change, for example the project 'Construction of State House'. Certain programmes and projects were clearly relevant to climate change adaptation or mitigation (e.g. 'Hydropower construction'), whereas others were less clear (e.g. 'capacity building in the Ministry of Agriculture').

Where expenditure items were less clear in their relationship to climate change-relevant activities, further investigation was undertaken. The first reference point was the annual Ministerial Policy Statements. These documents are published alongside the budget and contain more information on the activities of the Ministry concerned, including detail on the programmes and projects being implemented. This information includes statements on programme objectives as well as output indicators. Using this information it was usually possible to finalise the decision as to whether expenditure items were climate change relevant or not. Where this was not possible, contact was made with appropriate individuals in the Ministry concerned. This process was aided by the fact that Ministerial Policy Statements include a named officer responsible for each programme or project.

2.5 Identifying the source of climate related expenditure

The Ugandan budget system allows for some identification of the source of expenditure. Within the coding of expenditure through the Chart of Accounts, it is possible to identify the funder of the expenditure line. The budget identifies expenditure as being recurrent, development or donor funded. Recurrent and development expenditure items are financed from Government of Uganda revenues, and can be considered domestically funded.[1] Items listed as 'donor' are externally financed (although the Ugandan budget system does not identify

[1] The complication to this analysis is general budget support, which is provided by donors but goes to fund general expenditure through the Consolidated Fund. The picture in Uganda is particularly complicated as at the time of the report several donors had ceased direct funding of government, including general budget support, due to concerns over corruption. General budget support revenues are a sizeable aspect overall government revenues. However, given that they are provided on the explicit understanding that they are not allocated or earmarked, but are intended to fund general government activities, they are considered 'own revenue' in this analysis.

the specific donor providing funding within the budget system). The study team was able to secure this source information for one year, and therefore the analysis on source of funding provides an indicative 'snapshot', assuming relatively little change over the period.

2.6 Allocating high, medium and low relevance to identified expenditures

Once a relevant expenditure was identified in each Ministry, it was assessed for its relevance to climate change. This process takes into account that most public expenditure has more than one objective. Some programmes have a clear focus on climate change adaptation or mitigation, where the stated primary objective of the expenditure is to deliver specific outcomes that are climate change-related. These are considered highly relevant climate change expenditure items. Medium relevant expenditure items are those projects and programmes that have a secondary objective relating to climate change adaptation and/or mitigation outcomes, but where the primary focus of the expenditure lies elsewhere. The third category of the classification is low relevant expenditure, which supports activities that display attributes where indirect adaptation and mitigation benefits may arise. This third category attempts to identify actions where although there was no intention to respond to climate change the outcome of the expenditure leads to greater adaptation or mitigation capacity.

Table 2.2 sets out the definitions used in allocating expenditure lines into high, medium or low relevance categories, using experience gathered from previous studies and building on the national experience of responding to climate change and the actions likely to be part of the country's response. The list of proposed actions described within the national climate change policy statement, and elaborated in the implementation strategy, provided much additional guidance. The study team also drew upon the expertise of government officials in drawing up sector specific lists to guide the categorization of relevant actions.

Table 2.2: Examples of high, medium and low relevance expenditures

Relevance	Definition	Examples of projects and programmes
High	Clear primary objective of delivering specific outcomes that improve climate resilience or contribute to mitigation	• Energy mitigation (e.g. renewables, energy efficiency) • The additional costs of changing the design of a programme to improve climate resilience (e.g. extra costs of climate proofing infrastructure, beyond routine maintenance or rehabilitation) • Healthcare for climate sensitive diseases • Building institutional capacity to plan and manage climate change, including early warning and monitoring • Raising awareness about climate change • Anything meeting the criteria of climate change funds (e.g. GEF,PPCR)

Medium	Either (i) secondary objectives related to building climate resilience or contributing to mitigation, or (ii) mixed programmes with a range of activities that are not easily separated but include at least some that promote climate resilience or mitigation	• Forestry and agroforestry that is motivated primarily by economic or conservation objectives, because this will have some mitigation effect • Water storage, water efficiency and irrigation that is motivated primarily by improved livelihoods because this will also provide protection against increasing drought • Bio-diversity and conservation, unless explicitly aimed at increasing resilience of ecosystems to climate change (or mitigation) • Eco-tourism, because it encourages communities to put a value on ecosystems and raises awareness of the impact of climate change
Low	Activities that display attributes where indirect adaptation and mitigation benefits may arise	• Water quality, unless the improvements in water quality aim to reduce problems from extreme rainfall events, in which case the relevance would be high • General planning capacity, either at national or local level, unless it is explicitly linked to climate change, in which case it would be high • Livelihood and social protection programmes, motivated by poverty reduction, but building household reserves and assets and reducing vulnerability. This will include programmes to promote economic growth, including vocational training, financial services and the maintenance and improvement of economic infrastructure, such as roads and railways

Expenditure lines were considered of lower or higher relevance depending on their region of operation. Where expenditure takes place in a particular region that is widely expected to be negatively impacted by climate change, this may increase the relevance of expenditure items. For example, an expenditure line that may be considered to have no, or low, relation to climate change in a particular region (e.g. a water access programme in the capital city) may be considered to have low to medium relevance in a region where climate change is expected to have a significant negative impact (e.g. the same programme in an arid area of the country with expectations of hotter and drier conditions in the future). Within Uganda, it is expected that the north of the country will be most affected by rising temperatures and increased risk of drought, and expenditures were rated in terms of relevance accordingly.

2.7 Determining the percentage weights to identified expenditures

Following the logic of the relevancy approach, if only a part of the intended impact of a programme is relevant to climate change adaptation and/or mitigation, then only a commensurate part of the expenditure should be counted as climate change-relevant. As a result, percentage expenditure weightings were applied based on the definitions of high, medium and low relevance. Table 2.3 indicates the range of percentages for each level of relevance. The final decision of the actual percentage to be applied to any one item of expenditure was made based on available information for the project using ten per cent intervals within each relevance category.

Table 2.3: Percentage weighting of expenditure for different levels of relevance

Relevance category	Percentage weighting for expenditure
High	More than 75 per cent
Medium	Between 26 and 74 per cent
Low relevance	Between 10 and 25 per cent

This element of the classification is subject to the judgement of the study team. There is no objectively 'correct' percentage of spending to attribute to climate change expenditure, and so this approach should be viewed as a 'best estimate'. Percentage weightings have been applied to each climate change-relevant expenditure item based on information gathered from Ministerial Policy Statements, the knowledge of the study team, and individual follow up with relevant officials in the Ministries concerned. It is acknowledged that different researchers might apply different weights. However, using a 'range' approach limits the discretion of those applying a weighted judgement, and increases the likelihood that a different study would come to broadly similar conclusions.

2.8 Adaptation versus mitigation

Mitigation and adaptation are two strategies in response to climate change, and all expenditure items in this review were classified as contributing to one of these strategies. There are conceptual differences between an expenditure that aims to help institutions, systems and communities adapt to the realities of a changing climate; and those that seek to reduce the change in the climate itself by mitigating the impacts of human activity. Therefore, understanding the relevant balance of climate-related activities between these two policy objectives provides important information on the nature of the Ugandan government's response to the public policy challenge of climate change.

Defining expenditures as 'mitigation' compared to 'adaptation' requires expert judgement. In a similar way to the classification on relevance, allocation into a mitigation or adaptation category cannot be externally and objectively determined. The definitions used to make these judgments are outlined in Table 2.4. Once again, where information in the budget documentation was insufficient to make a determination, further investigation was undertaken through additional budget documentation and/or direct contact with the Ministry concerned.

Table 2.4: Definitions of mitigation and adaptation

Category	Definition
Mitigation	Human interventions to reduce the sources, or enhance the sinks, of greenhouse gases (GHGs). All climate change mitigation actions aim to reduce the concentration of atmospheric GHGs.
Adaptation	Adjustment in natural or human systems in response to actual or expected climatic stimuli or their effects, which moderates harm or exploits beneficial opportunities.

Other classification approaches include additional categories, such as ‘capacity building’ or ‘technology transfer’, alongside mitigation and adaptation, but these have not been used. Given that this is the first attempt at reviewing and classifying climate change public expenditure in Uganda, the study team decided to use only the two categories of adaptation and mitigation as a starting point. Future analyses could consider expanding the range of activities to be included in the classification so as to gain a clearer understanding of the climate change-related impact of public spending.

3 Policy analysis

Chapter summary

- Climate change is a new policy concern that has matured quickly over the last five years. Three relevant national policy statements are the 2010 National Development Plan, the draft 2012 Climate Change Policy, and the 2013 National 2040 document.
- National policy articulation on climate change has increasingly become consistent, clearer and more coherent. However, the policy narratives on funding with regard to volume, sources and delivery mechanisms are only now beginning to emerge.
- The first major articulation of national policy is contained within the National Development Plan (NDP), which devotes a separate chapter to climate change and its potential impacts on national development. The NDP makes a central claim that Uganda's development agenda must address the issue of climate change.
- The draft Climate Change Policy emphasises the adaptation response, particularly in those sectors considered vulnerable to climate change. An important innovation of the policy is its adoption of a sector approach to articulating objectives and strategies that address the climate change challenges within each sector.
- The draft policy is silent on how to ensure that the delivery of climate finance happens in a transparent way. No mechanisms that would commit all key actors to high standards of transparency are described.
- The draft Climate Change Policy is supported by an Implementation Strategy. A first approximation of the costs of responding to climate change has been estimated at Sh. 664 billion per year. This approximates to 1.6% GDP – a very considerable amount compared to present climate change-related spending.
- With the Implementation Strategy still at the formulation stage there is an important opportunity for Government to provide more specific direction on the public funding instruments that will be required, including putting in place mechanisms to ensure effective, comprehensive and timely funding to respond to climate change.
- The Vision 2040 document equates climate finance with financing from international sources, which is at odds with the present reliance on domestically sourced financing. Available evidence shows that in spite of the existence of a wide range of global funding mechanisms, Uganda has not received any major publicly sourced financial flows for climate change activities.

3.1 Climate change as a global policy issue

Climate change refers to the expected substantial changes in the climate that are directly related to the human-induced increase in Green House Gas (GHG) emissions. Climate change is now considered to be an unavoidable phenomenon. Consequently, there are no policies that focus on preventing climate change. On the contrary, climate change policy responses take two different forms: adaptation and mitigation.

Adaptation is defined by the Intergovernmental Panel on Climate Change (IPCC) as an "adjustment in natural or human systems in response to actual or expected climatic stimuli or their effects, which moderates harm or exploits beneficial opportunities". Mitigation is defined in the context of climate change as human interventions that aim to reduce the sources or enhance the sinks of greenhouse gases. All climate change mitigation actions aim to reduce the concentration of atmospheric GHGs.

Over the last two decades, a global policy appreciation of the potential impacts of climate change has emerged. The growing evidence suggests that climate change will have serious and irreversible impacts on growth and development and that the benefit of strong, early action to mitigate those impacts outweigh the costs associated with taking action. The costs of stabilizing the climate have been estimated to be in the order of 1% of global GDP but that this could increase to about 5% if action is delayed.[2] It is this economic realization that has catapulted climate change up the policy agenda at both the international and national level.

3.2 Early climate change policy narratives in Uganda

The first statements of climate change policy were articulated in the National Environment Management Policy (NEMP) promulgated in 1994[3] and the National Environment Action Plan (NEAP) published in 1995.[4] The NEMP laid the foundation for reforms and specific actions related to the governance of the environment in Uganda. The overall goal of the policy is stated as "*sustainable social and economic development which maintains and enhances environmental quality and resource productivity on a long-term basis that meets the needs of the present generation without compromising the ability of future generations to meet their own needs."* The policy set out an ambitious agenda, outlining a set of broad principles and strategies that Government would implement in pursuit of sustainable development.

Based on the state of knowledge at the time, the NEMP mainly looked at climate as a natural resource that needed to be harnessed for development. Both the guiding principles as well as the strategies outlined in the policy put emphasis mainly on the collection, utilization and exchange of climate and atmospheric information. The policy also made muted references to the importance of climate to agriculture, as well as the need to create awareness among policy makers. However, the policy made no specific reference to adaptation as a strategy for managing the impacts of climate change. Box 3.1 contains the objective and guiding principles for climate change as articulated in the NEMP.

The National Environment Action Plan (NEAP) contained a package of strategies to achieve the NEMP policy objectives. However, it can be argued that the focus on weather-related actions highlights the incomplete understanding of the overall impacts of climate change, which were still evolving at the time. Indeed, the NEAP emphasized the need to improve coordination of meteorological information, decentralization of the monitoring and information dissemination functions of the meteorology department, and capacity development in this area. The plan to enact appropriate legislation for the management of the country's atmospheric environment, particularly with respect to climate and air pollution monitoring, did not materialise.

[2] Stern report

[3] Republic of Uganda (1994). The National Environment Management Policy for Uganda 1994. Ministry of Natural Resources. Kampala.

[4] Republic of Uganda (1995). The National Environment Action Plan for Uganda. Ministry of Water, Lands and Environment. Kampala.

Box 3.1. The National Environment Management Policy, 1994

Objective:

To monitor the climate and atmosphere of the country in order to better guide land-use and economic development decisions, and better manage air pollution and greenhouse gas emissions.

Guiding principles:

- Climate is a vital natural resource which should be properly harnessed (or its effects mitigated) for social and economic development;
- The utilization of climate and atmospheric information is critical in agriculture and for the efficient management of the environment;
- Resources users (particularly farmers) should be involved in the monitoring and dissemination of climate information;
- The promotion of international cooperation for the smooth exchange of climate information and the control of trans-boundary atmospheric air pollution is important in the management of the resource; and
- Access to climate data and information should be guaranteed on terms determined by the relevant authority.

From 1994 to 2010 when the National Development Plan (NDP) was adopted, a precise articulation of climate change policies cannot be found in any of the major macro-policy frameworks. The most important of such instruments are the Poverty Eradication Action Plan (PEAP), first published in 1997[5], and the Plan for the Modernization of Agriculture (PMA), launched in 2000.[6] Both of these strategies made only passing reference to the potential impacts of climate change on the economy and the need to take appropriate action.

Following the adoption of the Poverty Eradication Action Plan (PEAP),[7] a National Environment Sector Programme was developed by the National Environment Management Authority (NEMA) to align public investments with the poverty eradication objectives set out in the PEAP. Whilst the sector programme contained climate-related projects, there is no evidence that the programme was pursued or the anticipated outputs delivered.[8]

Although not being explicit on the relationship between poverty eradication and climate change, the PEAP as a macro-policy framework recognizes the intricate linkages between poverty and the environment. In particular, in its second chapter, PEAP III (2003-2007) contains an analysis of the trends and patterns of poverty in Uganda, with environmental concerns running through this analysis. The one explicit reference to climate change in PEAP III was the recognition of the need to 'strengthen data collection capacity to ensure adequacy

[5] Republic of Uganda (2001). Poverty Eradication Action Plan (2001-2003) (Volume 1). Ministry of Finance, Planning and Economic Development. Kampala.

[6] Republic of Uganda (2000). Plan for modernisation of agriculture: eradicating poverty in Uganda. Ministry of Agriculture, Animal Industry and Fisheries/Ministry of Finance, Planning and Economic Development. Kampala.

[7] For 10 years (1997-2007), the PEAP was the overarching macro-policy framework for planning and development in Uganda. The flow of financial resources to any sector heavily depended on how the particular sector was seen as contributing to the attainment of the objectives set out in the PEAP.

[8] Republic of Uganda (1999). The Environment Sector Programme. National Environment Management Authority. Kampala. Pg. 55-63.

and timeliness of data, assessment of user needs, strengthening human capacity and establishment of appropriate institutions to take advantage of the Clean Development Mechanism (CDM).'[9]

The 2000 Plan for the Modernization of Agriculture (PMA) equally made only passing references to climate, particularly with regard to water for production and the need to develop a robust early warning system as a major input into the process of agricultural modernization.[10] The limited attention given to climate change under the PMA is noticeable given the fact that by 2000 the level of knowledge on climate change had advanced considerably and, to a large extent, the impacts of climate change were becoming evident. For example, in 1998, Uganda experienced the El Nino phenomenon which had devastating effects on the economy. Feeder roads were destroyed, cutting off access to markets for major rural products. The destruction of the road links to the ports of Mombasa and Dar es Salaam increased the cost of importing and exporting goods and commodity prices. The increased prices for petroleum in particular pushed inflation levels higher than anticipated.[11] The slowdown in agricultural output registered in 2000 was directly linked to the 1999 drought that hit most of the country following the 1998 El Nino phenomenon.[12]

It is evident from the foregoing analysis that during the early 2000s, there was limited articulation of climate change in national policies and strategies. However, as evidence of the effects of climate change continued to emerge and become more manifest particularly in extreme weather events, the policy narrative on climate change began to evolve. The regular occurrence of droughts directly impacting on agriculture and food security, the persistent flooding in many parts of the country and the outbreak of major epidemics led to increased political and policy consciousness of the need to confront the phenomenon of climate change.

In 2007, the National Adaptation Programme of Action (NAPA) was published. By its very nature, the NAPA is not an articulation of policy principles and strategies but rather a collection of agreed response actions generated through a participatory process. It is generally accepted that the NAPA was never fully implemented. There are two reasons that may explain why the implementation of this climate change-related Action Plan never materialized. First, and critically, the Government of Uganda never committed any funding towards its implementation. It was assumed that since the funding for the development of the Plan was provided by the Global Environment Facility (GEF), the Facility would provide funding for the follow-up and implementation (which did not happen). The second reason, which is linked to the first, is that the process of accessing funding under the GEF was considered complex and cumbersome, and the mandated Government agencies did not have the capacity to apply for funding through this process.

However, the NAPA set the stage for elevated national policy and political consciousness and a more coherent national conversation on climate change. At the political level, two of Uganda's major political parties made specific commitments to address the problem of climate change as part of their campaign manifestos for the 2011 presidential elections (Box 3.2).[13]

[9] Republic of Uganda (2004). Pg. 108

[10] Republic of Uganda (2000). Plan for Modernization of Agriculture, Ministry of Agriculture of Agriculture, Animal Industry and Fisheries/Ministry of Finance, Planning and Economic Development. Kampala. pg. 78.

[11] Ibid

[12] Background to the Budget 2001/2002. pg. 48

[13] NRM Manifesto 2011-2016; FDC Manifesto 2011-2016.

Box 3.2. Climate change narratives and commitments by Uganda's major political parties

National Resistance Movement (NRM)

2.11 Environment

"…. The NRM Government is fully committed to the sustainable development of the country and *Greening the economy;* addressing the issues of deforestation, degradation of soils, wetlands, river banks, lake shores and water resources, **climate change and weather variability,** and indeed the implementation of the national aspirations regarding the environment." Pg. 117

"… NRM will also put in place additional measures to ensure that environmental quality, quantity and diversity are enhanced. The measures will include: …..

"implementation of activities to cope with the adverse impacts (drought, flood) of climate change;

"finalization of transforming the Meteorological Department into the National Meteorological Authority."

"Uganda as a member of the African Union Committee on Climate Change, will continue to play a prominent role in the Climate Change negotiations in order to create a healthy balance between the development objectives of Developing Countries and the need for cleaner energy. This is needed for ensuring commitment by the international community to mobilize substantial and adequate resources for the necessary mitigation and adaptation measures with the required technology transfer." Pg. 237

Source: NRM Election Manifesto 2011-2016

The Forum for Democratic Change (FDC)

"1.0: PROTECT THE ENVIRONMENT: COMBAT CLIMATE CHANGE

We will reduce carbon emissions. We will plant trees and safeguard our forests. We will quickly develop a waste disposal management policy to protect our environment." Pg. 37

It can be seen that Uganda's climate change policy discourse up until 2007 was poorly developed, perhaps with the qualified exception of the broad principles and strategies set out in the NEMP. The policy regime lacked a clear articulation of the policy problem, and by implication, the regime did not contain specific policy objectives, strategies, or a definition of institutional roles to confront the problem. Most importantly, the policy regime remained conspicuously silent on the fundamental question of financing climate change actions. Nevertheless, these initial narratives on climate change policy created the foundation for the development of a more coherent climate change policy agenda, which is now reflected in the long-term National Vision 2040 document[14], the National Development Plan 2010/11-2014/15, and the draft 2012 National Climate Change Policy.[15]

3.3 Contemporary climate change policy and implications for climate finance delivery

The contemporary policy discourse and action on climate change can be traced to 2007 when Government published the National Adaptation Programme of Action. In the same year, the Poverty Eradication Action Plan

[14] Republic of Uganda (2013). Uganda Vision 2040.

[15] Republic of Uganda (2012). Uganda National Climate Change Policy (Final version for Cabinet approval). December 21, 2012. Ministry of Water and Environment. Kampala.

was abandoned as the overarching national macro-policy framework and a National Development Plan was adopted in its place. Equally significant is the fact that 2007 was an important year in Uganda's political calendar, as it marked the beginning of a new 5-year term of office for the National Resistance Movement Government, following the February 2006 elections.

Since 2007, a number of important climate change policy instruments have been adopted. These include: the National Policy for Disaster Preparedness and Management;[16] the draft National Policy on Climate Change[17]; the REDD Readiness Strategy and the Uganda Vision 2040. Together with the NDP, these four instruments represent the most contemporary articulation of Uganda's climate change policy. Our task in this section is to map out the specific policies and strategies that constitute what can be termed as Uganda's climate change policy approach.

The most current official statements of Uganda's climate change policy are found in the 2010 National Development Plan. Throughout its 417 pages, the NDP makes a central claim that Uganda's development agenda must address the issue of climate change. In terms of the narratives and focus, climate change and meteorology are considered as integral components of the 'enabling sectors' that encompass all sectors and sub-sectors, which provide a conducive environment and framework for the efficient performance of all sectors of the economy.[18] The poor management of the environment and climate change is stated as one of the characteristics of weak public sector management, which is seen as a major constraint to Uganda's development and transformation process.[19]

Perhaps for the first time, Government recognizes that the "concentration of development on the improvement and advancement of economic, social, cultural and political conditions and less on preserving the environment has resulted in global warming and other adverse environmental conditions associated with climate change."[20]

The NDP envisages that increasing water for production will be an important adaptation strategy to address the adverse impacts of climate change and the resultant unpredictability of weather patterns.[21] Consequently, Government envisages a total overhaul and automation of meteorological instrumentation to increase reliability of forecasts. Such forecasts are seen as a major input into agricultural production, aviation and national defence, as well as other sectors of the economy.

A set of climate change relevant policy objectives covering agriculture, climate change, meteorology and public sector management are outlined in the National Development Plan. For example, it is recognized that one of the major problems facing the agricultural sector is the absence of systematic and integrated planning. In this regard, Government sets itself a policy objective to create an enabling policy environment for competitive investment in agriculture by, among other things, enhancing sector policy formulation, planning and coordination and building capacity to respond to climate change.

The National Development Plan is the first macro-policy planning document to provide for specific policy objectives, strategies and intervention actions on climate change. Climate change has its own sub-chapter

[16] Republic of Uganda (2010). The National Policy for Disaster Preparedness and Management

[17] Republic of Uganda (2012). Uganda National Climate Change Policy (Final version for Cabinet approval). December 21, 2012. Ministry of Water and Environment. Kampala.

[18] Ibid., pg. 22

[19] Ibid., pg. 27

[20] Ibid., pg. 41

[21] Ibid., pg. 52

devoted to it (section 8.5), which begins by identifying the following seven constraints to the performance of the climate change 'sector':

(i) Critical shortage of requisite expertise.
(ii) Limited awareness at all levels about the causes of climate change and/or climate variability as well as their devastating impacts on social and economic development plans and activities.
(iii) Lack of policy, legislation, regulation and guidelines for mainstreaming climate change into development plans at all levels.
(iv) Inadequate conceptualization of the importance of weather and climate information by strategic planners.
(v) Insufficient and unreliable scientific data and information especially weather and climate data necessary for forecasting scientific phenomenon.
(vi) Inadequate institutional and financial resources.
(vii) Weak coordination mechanisms.

It then goes on to list four policy objectives and associated strategies and interventions actions to tackle climate change (Table 3.1).

Table 3.1: The climate change strategies and interventions actions of the NDP

Climate change relevant objective	Climate change relevant strategies	Intervention actions
Objective 1: Develop national capacity for coordination and implementation of climate change adaptation and mitigation activities in the country in support of social welfare and economic development.	Address legal and institutional frameworks necessary for the implementation of the UNFCCC	Domesticate and enforce UNFCCC and its associated protocols Strengthen the capacity and mandate of the Climate Change Unit to allow for effective sector coordination and streamline roles and linkages with other sectors Undertake sector studies and understand their role in climate change action Develop a national climate change policy to provide a conducive policy and regulatory framework
Objective 2: Ensure climate-proof development planning	Redefine climate change as a development issue	Increase climate change awareness, training and education at all levels. Implement the NAPA with a focus on building community and ecosystems' resilience to adverse impacts of climate change. Build capacity through institutional and manpower development. Strengthen weather and climate monitoring for improved data generation. Conduct climate change research (adaptation and mitigation) and technology development. Develop mainstreaming guidelines, with a strategy to climate-proof development initiatives for use at all levels of government.

Objective 3: Promote a low carbon economic development path	Provide and promote incentives for clean development	Intensify public awareness on the role of emissions in global warming. Develop and implement incentive mechanism for reduced or avoided emissions. Build the capacity of the private sector to participate effectively in clean energy development initiatives. Reduce overheads for CDM project formulation and development.
Objective 4: Meet Uganda's international obligations	Implement Climate Change Conventions	Follow up the commitments and obligations in the conventions. Implement COP decisions. Participate in climate change forums

Climate change policy objectives and actions are also set out in two of the other enabling sectors of the NDP: meteorology and public sector management. The policy objectives on meteorology focus on revamping and enhancing the functionality of Uganda's meteorology infrastructure. However, the weaknesses of Uganda's meteorology infrastructure were first recognized under the National Environment Management Policy almost two decades ago. Since then, the same problem has been re-stated in the Poverty Eradication Action Plan, the Plan for the Modernization of Agriculture and the NAPA. Consequently, there are lessons to be learnt with regard to the quality of policy making - what makes government implement certain policies and not others, or simply why are certain policies that governments consider important never implemented?

The policy objectives relevant to climate change under public sector management are mainly those related to disaster preparedness and management. The declared policy objectives of Government are to reduce the social, economic and environmental impacts of disasters on people and the economy and to reduce natural and human-induced disaster risks. Among the strategies outlined to achieve these objectives, there are commitments to: develop an appropriate policy, legal and institutional framework for handling national disasters; enhance the capacity of government, private sector and civil society for disaster preparedness and management; ensure the rehabilitation and long-term welfare of disaster affected communities; and develop a quick response mechanism to disasters. Significantly, this is the only part of the NDP that commits Government to 'ensure sustainable financing of the national response to natural and human-induced disasters.'[22]

3.4 From the national development plan to the national climate change policy

Since the National Development Plan was launched in 2010, Government has formulated two relevant national policy instruments: the draft National Policy on Climate Change and the Uganda Vision 2040. In particular, when finally approved by Cabinet,[23] the National Policy on Climate Change can be said to represent the most contemporary consensus on what Uganda's policy on climate change will entail. Hence the adequacy of the goals, objectives and strategies stated in the policy will determine whether they are implemented or not, and whether the various sectors have adequate guidance with regard to the scope of the actions, targets or timelines.

The climate change policy sets out a goal, an overall objective and a set of six specific objectives.

[22] Efforts are underway to establish a national contingencies fund originally provided for under the Constitution.

[23] The policy was adopted by stakeholders in December 2012 and is currently awaiting approval by Cabinet.

- The *goal* of the policy is stated as 'to ensure a harmonized and coordinated approach towards a climate resilient and low-carbon development path for sustainable development in Uganda.'[24]
- The *overall objective* of the policy is stated as 'to ensure that all stakeholders address climate change impacts and their causes through appropriate measures, while promoting sustainable development and a green economy.'
- Its *specific objectives* focus on identifying and promoting: (i) common policy priorities to address climate change; (ii) adaptation policy responses; (iii) mitigation policy responses; (iv) monitoring, detection, attribution and prediction policy responses; (v) supporting the integration of climate change issues into planning, decision making and investments in all sectors and trans-sectoral themes through appropriate institutional arrangements; and (vi) facilitating the mobilization of financial resources to address climate change in Uganda.

One of the important innovations of the policy is its adoption of a sector approach in articulating the policy objectives and strategies to address the specific climate change-related problems in each of the sectors. This will facilitate the tracking of the implementation of strategies and actions at the sector level.

Consistent with the 2011 East African Community regional policy on climate change, the primary focus of Uganda's policy response to climate change is adaptation; mitigation is considered a secondary priority. This is a clear statement of policy direction that has implications not only for the institutional architecture of the climate change response but also on the current and future directions of climate change finance delivery.

Since the 'final version for approval' of the National Policy on Climate Change was published in 2012, the Government has approved the Uganda Vision 2040, an ambitious agenda to transform Uganda from an economy dominated by subsistence production to a modern and prosperous country within 30 years[25]. In Chapter 5 of the Vision 2040 document, a number of policy relevant observations are made. First, the direct link between climate change and long-term development is recognized and in particular the impact of climate change on infrastructure, agriculture, hydropower generation and public health. Second, the numerous efforts by government in the form of international treaty commitments and the policy agenda ranging from the NAPA to the NDP are recognized. Third, it is recognized that 'there is insufficient attention being given to climate change initiatives by the Government, the private sector, the civil society and at community levels.'[26] In this regard, Government commits itself to:

- develop appropriate adaptation and mitigation measures to ensure that Uganda is sufficiently cushioned from any adverse impacts brought about by climate change
- develop policies and organizational structures to address climate change, with particular emphasis on strengthening coordination systems at both national and local levels and building the capacity of local government
- put in place enabling strategies with legal instruments
- Increase capacity to cope with the 'up-surge' of funding to climate initiatives in a bid to reduce the level of vulnerability
- put in place a comprehensive monitoring and evaluation mechanism to observe the implementation of national actions

[24] Republic of Uganda (2012). Uganda National Climate Change Policy (Final version for Cabinet approval). December 21, 2012. Ministry of Water and Environment. Kampala. Pg. 10

[25] Republic of Uganda (2013). Uganda Vision 2040, pg. xiii

[26] Ibid, pg. 101

Besides the National Policy on Climate Change, Uganda Vision 2040 is a major national policy instrument that commits Government to address the issue of climate finance. However, climate finance is implicitly linked to external funding from development partners.[27] Vision 2040 makes no reference to allocating funding for climate change interventions through the national budget process. However, it is envisaged that the promulgation of the national policy on climate change will create the appropriate mechanisms for making the implementation of Vision 2040 actions compliant with Uganda's climate change commitments.

3.5 Relationship of NDP policy objectives to the national policy on climate change

The need to develop a national policy on climate change was recognized and stipulated in the National Development Plan. It can therefore be argued that the accelerated development of the policy owes itself to this statement of intent, as much as to the development partners who supported the process. Generally, the relationship between the climate change policy objectives expressed in the NDP and those set out in the national climate change policy are not clear. However, the National Climate Change Policy represents an important step towards the codification of government policy responses to climate change. Consequently, future reference to the policy will help avoid potential policy inconsistencies and mandate overlaps that often affect the implementation of national policies.

Second, the tone of some parts of the policy adopts a language that may raise questions about the ownership and hence the likely acceptability of the policy. The policy adopts 'external' language in its narrative and in some cases the formulation of policy objectives and actions. The use of phrases such as 'Government of Uganda (GoU) must…'[28], or 'the GoU should…'[29] or 'Specific strategies for tackling this sectoral policy priority could include the following…' can be clearly distinguished from the more appropriate language used in the rest of the text, stating that 'Uganda will pursue' specified policy objectives. This language could imply that either the policy formulation was led by consultants and delivered to the Government of Uganda or it might be a simple matter of editing. Whatever is the case, the language used in the final text could undermine the legitimacy of both the process and the policy implementation arising out of that process if left as it currently stands.

3.6 The effectiveness of Uganda's climate change policy

The effectiveness of these national policy processes in supporting the delivery of climate finance can be assessed through the use of our analytical framework, which is summarized in annex 1 of this report.

3.6.1 First Policy Principle for Effective Climate Finance Delivery: Climate change policies shall be designed for ease of implementation

Uganda's climate change policy objectives are clearly stated in the aforementioned policy instruments. In spite of the apparent lack of harmony between the NDP objectives and those set out in the National Climate Change Policy, the stated objectives for each sector is an important innovation in climate change policy making. The mandate for each of the sectors is clearly set out by their respective objective or objectives allowing for implementation.

[27] Ibid, pg. 102

[28] Republic of Uganda (2012). Uganda National Climate Change Policy (Final version for Cabinet approval). December 21, 2012. Ministry of Water and Environment. Kampala. Pg. 13

[29] Ibid., pg. 14

However, the policy objectives themselves do not contain clear timelines, other than the policy's overall focus on immediate actions that will be carried out over the next 5 to 15 years.[30]

The policy also provides only the briefest of references to financing the implementation of the policy. Five sources for financing climate change actions are mentioned.[31] These are: (i) national and sector investment plans; (ii) private sector investments; (iii) multilateral and bilateral donor support; (iv) market-based financing mechanisms; and (v) payment for ecosystem services schemes. Within the policy document these different sources are merely listed, with little indication given of their likely scale of contribution.

Subsidiary instruments accompany policies to facilitate implementation

Implementation of national policies can be facilitated by subsidiary instruments that detail what is needed to achieve specific objectives. One such instrument is an implementation plan that identifies priority programmes, their budgeted costs, and the sources of funding to allow for the implementation of the policy. The draft 2012 'costed implementation strategy' (annex C of the national climate change policy) [32] attempts to do this. This document provides cost estimates for a range of actions that are consistent with the policy's strategies, and provides a timeframe for these costs (in terms of immediate actions to be undertaken in the next five years, medium-term actions to be completed over the next decade, and long-term actions with a time horizon of up to 15 years).

Overall, the implementation strategy estimates a total of USD 3.9 billion will be required over the next fifteen years to fund climate change actions in Uganda (at a nominal level of USD 258 million per year). This scale of investment approximates to an annual level equal to 1.6% of GDP – a very considerable amount. Clearly some prioritisation process (upon which the implementation plan is silent) will have to be brought into play if measurable progress in the implementation of the policy is to be realized.

3.6.2 Second Policy Principle for Effective Climate Finance Delivery: The legitimacy of climate change policies shall be recognised by stakeholders

The legitimacy of climate change policies is determined by evaluating two important criteria: (i) the extent to which diverse stakeholders are represented in the policy-making process and (ii) whether policy making is evidence-based, which implies the deployment of up-to-date scientific knowledge in determining the appropriate course of action.

As already discussed in the preceding sections, immediate climate change actions and policy priorities for Uganda can be found in three major documents: the NAPA, the NDP and the draft National Climate Change Policy. To determine the legitimacy of climate change policies, therefore, it is necessary to consider the extent to which the processes that produced these instruments provided opportunities for broad multi-stakeholder engagement and input.

Uganda's policy processes are generally considered open to different stakeholder groups. This is also true of the processes that produced the key policy instruments that codify Uganda's climate change policy. For example, the NDP was developed through a consultative process involving different thematic groups, where stakeholders could present their views to provide input and influence the process. For its part, the National Climate Change Policy formulation process was an open one, with the Climate Change Unit providing the primary vehicle for engagement. The emphasis given in the policy document to a list of guiding policy

[30] Climate Change Policy, draft of 18 July 2012, pg. 7

[31] Ibid., pg. 41

[32] Republic of Uganda (2012). Uganda National Climate Change Draft Costed Implementation Strategy (Draft for consultations). December 19, 2012. Ministry of Water and Environment.

principles – including the promotion of participatory approaches and providing a credible delivery structure – is also evidence of an intention to secure legitimacy of the policy process. Stakeholder meetings were held regionally to discuss prioritization and inclusion of activities in both the policy and implementation strategy. The findings of these regional meetings were then presented to national stakeholders at meetings in Kampala. Stakeholders were also engaged in preparing background papers for the policy process. Besides expert inputs provided through background analytical studies, the Climate Action Network Uganda (CAN-U) also provided an important vehicle for organizing civil society input into the process.

However, neither document contains an articulation on how stakeholder views were collected, analysed and incorporated into the policies. For example, although the NDP was formulated through a fairly elaborate process with a variety of thematic platforms where civil society presented thematic papers, anecdotal evidence suggests that civil society organisations felt that their inputs were not incorporated into the final policy. The dissatisfaction with the NDP policy process inspired civil society to develop and present alternative policy proposals that outline the fundamental 'binding' constraints to Uganda's development and transformation.[33]

As part of the policy formulation process of both the NDP and the National Climate Change Policy, significant background analytical work was undertaken to generate evidence for policy development. However, a key question is whether this background analytical work was used in the formulation of the final policy proposals and priorities. Clearly, the NDP makes extensive reference and uses background literature on national and international development. This seems to be less the case with the National Climate Change Policy, which contains very limited mention of the background papers that were prepared as part of the policy process.

3.6.3 Third Policy Principle for Effective Climate Finance Delivery: Climate change policies shall be coherent with national development policies

Over the last five years, climate change has been catapulted up the policy agenda of the Government of Uganda. At least in theory and policy articulation, it is seen as an integral part of the development process, with the need to integrate climate change in policy making, planning and development. Under the NDP, climate change is considered one of the enabling sectors for economic development and transformation. This narrative is carried through to the National Policy on Climate Change where climate policy actions are reflected in all the key sectors that are likely to have an impact or be impacted by climate change. It can therefore be said that Uganda's contemporary climate change policy not only makes references to national development, it is about national development.

What is less clear is whether climate change is also recognised as an issue within sector policies. At least for those sectors considered vulnerable to the impacts of climate change, such recognition is important to secure across-sector coordination and coherence of the national response to climate change. It is one thing for the climate change policy to take a sector approach, but much will depend on a reciprocal acknowledgement in sector policy processes. At present, evidence of this is lacking.

3.6.4 Fourth Policy Principle for Effective Climate Finance Delivery: Climate change policies shall promote transparency in climate finance delivery

The current policy on climate change does not identify in explicit terms strategies to ensure that the delivery of climate finance happens in an open and transparent manner. It can be discerned from the available documentation that the financing of climate change actions is treated more or less as a budget rather than a

[33] See NGO Forum (2009). Unlocking Uganda's Development Potential: 8 Fundamental for the Success of the National Development Plan (NDP), July 2009.

policy issue. Indeed, this area of climate change is relatively undeveloped, with the current policies not suggesting specific mechanisms for enhancing transparency and accountability in climate finance delivery. The fact that this study has encountered challenges in identifying relevant public expenditures within the national budget, as well as there being no public database of international funding for climate change actions, is evidence that this fourth policy principle is not yet strongly demonstrated.

3.7 Conclusions

Uganda's policy on climate change has evolved considerably since the early 1990s. However, a more comprehensive articulation of the potential impacts of climate change and the need for a fairly aggressive policy response did not take hold until the formulation of the National Adaptation Programme of Action in 2007. Since then, every major policy process has sought to highlight and provide guidance on the need to take appropriate action to address the many challenges brought about by climate change. Broadly speaking, national policy articulation has increasingly become consistent, clearer and more coherent. However, the policy narratives on funding, with regard to volume, sources and the delivery mechanisms are only beginning to emerge.

The fact that the Climate Change Implementation Strategy is still at the formulation stage provides an important opportunity to ensure that Government provides a more specific policy agenda and direction on the public funding instruments that will be required, including putting in place mechanisms to ensure effective, comprehensive and timely funding to respond to climate change.

4 Institutional analysis

Chapter summary

- The institutional arrangements concerning government's response to climate change are in a state of transition, as described in the draft 2012 National Climate Change Policy. The policy proposes the creation of several new institutional structures: a ministerial committee on climate change (the national climate change policy committee); the national climate change advisory committee, and a new climate change department within the Ministry of Water and Environment.
- The roles and responsibilities of these new institutional structures are not fully described in the national policy, leading to uncertainty as to how they will interact with existing ministries, departments and agencies.
- The national policy distinguishes two key institutional functions: coordination and implementation. The draft policy focuses on the former. Implementation of policy will be strongly influenced by institutional capacity, particularly in those key sectors identified as being vulnerable to climate change. The capacity of sector institutions to respond to climate change is limited.
- The national policy assigns leadership for climate finance to the Ministry of Finance (MoFPED) and hence the actions taken by MoFPED will be a key determinant of the national effectiveness of climate finance delivery. However, the current institutional framework does not show clear lines of responsibility and accountability between the Ministry of Finance and the other mandated agencies. Securing greater clarity on institutional mandates may be the most important factor that will determine whether the public finance system will allocate the funding necessary to finance agreed climate change actions.
- Lack of success in securing new funding from international sources suggests limited institutional capacity; determining where best to strengthen this capacity is an unresolved issue.
- Capacity constraints at the national level are amplified at the local government level. Existing local institutions appear not well prepared to respond to climate change, nor to spend any increased flow of finance in support of relevant change actions.

4.1 Institutional architecture for climate change and implications for climate finance delivery

At the heart of any national response to climate change is the set of institutions that are responsible for the implementation of the policies and actions set out by Government. This chapter examines the institutional arrangements for the implementation of climate change policy in Uganda, and the extent to which these institutional arrangements are configured to ensure the effective delivery of climate finance.

There are three key challenges associated with assessing the effectiveness of the climate finance delivery institutional mechanism in Uganda. First, the institutions are currently in transition since they are to be considered within the context of the draft National Climate Change Policy. Second, climate change has not been considered a major public policy issue for very long and therefore there are likely to be considerable gaps in assessing climate change-relevant expenditures of any mandated organisation. Third, significant funding for

climate change activities, such as for the Climate Change Unit within the Ministry of Water and the Environment, has been provided by donors and information on the level of this funding is not readily available.

The institutional framework for climate change policy implementation and its implications for effective climate finance delivery can be analysed in two ways. First is to examine the vertical integration of the institutional arrangements. The objective here is to ascertain the level or levels at which key climate finance decisions are made. The second approach is to consider the horizontal integration of the institutional framework, focussing on the range of institutions that play complementary roles at each level of decision-making and to analyse how these institutions are coordinated to pursue common policy goals and objectives.

Until 2007, the responsibility for climate change-related interventions was vested with the Department of Meteorology. Throughout the PEAP process (1997-2007), this Department made considerable efforts to use the Environment and Natural Resources Sector Working Group (ENR SWG) to highlight the relationship between climate change, poverty and poverty-related spending. In spite of these efforts, little progress was made in terms of attracting adequate policy attention and hence directing funding to climate change issues. The institutional configuration also tended to limit the scope of interventions to issues of meteorology. A more comprehensive effort to integrate climate change discussions into national policy processes did not take root until the establishment of the Climate Change Unit.

The Climate Change Unit was established in 2008. It is evident that its establishment was mainly triggered by the availability of donor funding and spirited individuals within the Meteorology Department and the Ministry responsible for environment at the time.[34] What is also clear is that the establishment of the Climate Change Unit brought about more coordination and focus on the climate change policy agenda. Following the NAPA process, climate change desks were designated in several ministries. However, the sector coordination that was expected from this administrative action did not materialize as the designated officials only looked at their climate change mandate as a secondary responsibility, and most of the units remained unfunded.

Besides ensuring Uganda's participation in the international climate change policy discourse, the Climate Change Unit and the designated sector coordinating units have kept the national policy debate alive. Indeed, the comprehensive articulation of climate change policy in the National Development Plan and the successful coordination and development of a national policy on climate change are evidence of the strategic usefulness of having an entity to coordinate national climate change action. However, it has also become increasingly clear that the magnitude of the climate change policy problem surpasses that administrative mandate of the Climate Change Unit. In this regard, the National Climate Change Policy proposes to re-structure the current institutional architecture. It is in the context of this proposed new institutional architecture that the issue of climate change finance delivery has to be considered and analysed.

4.2 The proposed institutional framework under the draft national climate change policy

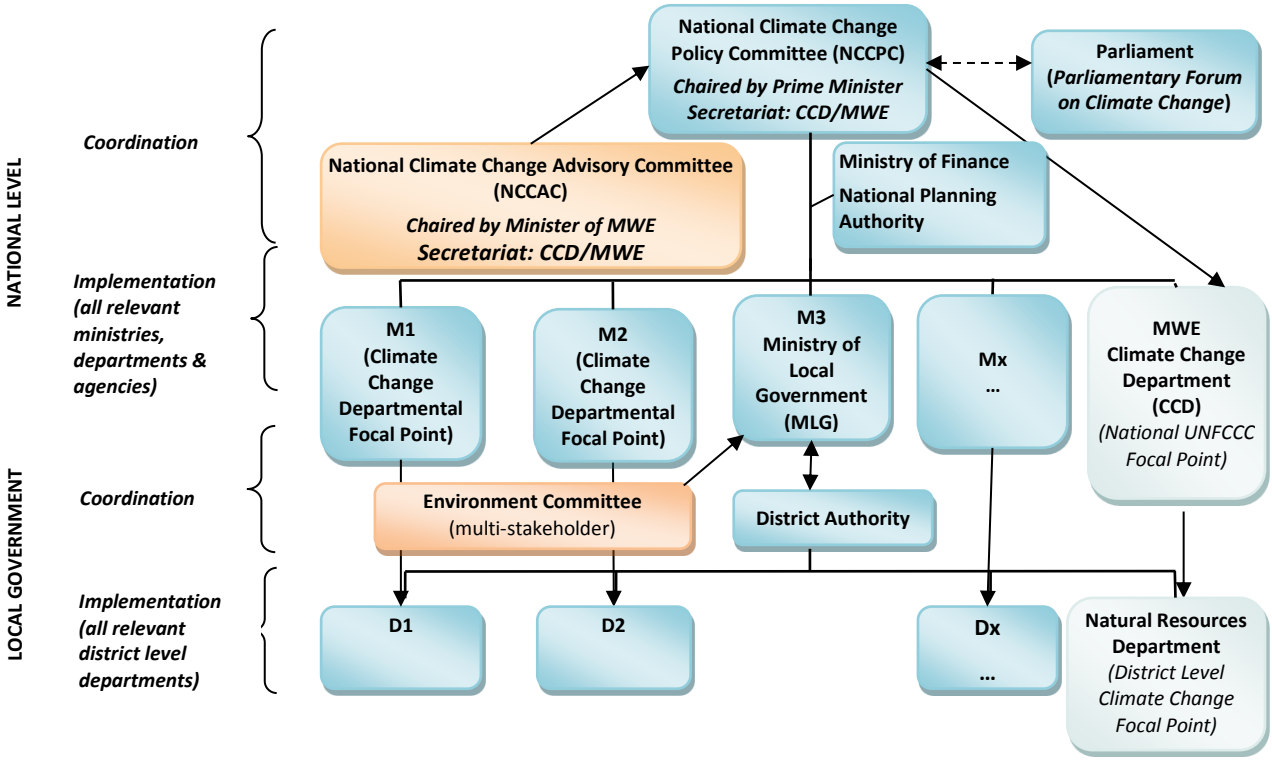
The final draft of the National Climate Change Policy seeks to improve the current institutional arragements with the objective of supporting the 'integration of climate change issues into planning, decision making and investments in all sectors and trans-sectoral themes through approprite institutional arragements.'[35] Under the policy, Government seeks to elevate the current Climate Change Unit (CCU) to a Climate Change Department under the Ministry of Water and Environment (MWE). The policy also identifies three key institutions that are vested with a coordination function. These are the Ministry of Finance, Planning and Economic Development

[34] Personal conversation with selected GoU Uganda officials familiar with the climate change policy and institutional developments.
[35] Republic of Uganda (2012). Uganda National Climate Change Policy (final version for approval), pg. 38

(MoFPED); the National Planning Authority (NPA); and the Ministry of Local Government (MoLG). Besides the Climate Change Department as the national focal institution and these three coordinating agencies, it is evisaged that sector agencies will play a central role in the implementation of the policy and be accountable for the implementation of their prescribed policy actions, in part through the designation of departmental focal points. One of the key innovations of the policy is that it vests the responsbility for ensuring effective climate finance delivery in the Ministry of Finance, Planning and Economic Development (MoFPED), which is the key GoU ministry responsible for budget allocations.

The vertical and horizontal set up of the institutional arrangments at the national level is expected to be mirrored at the decentralized level, through the local government system. A schematic presentation of the proposed institutional arrangement is shown in Figure 4.1.

Figure 4.1: Proposed institutional structure contained within the 2012 draft policy



4.3 National level inter-agency collaboration and coordination

The institutional arrangements proposed under the National Climate Change Policy categorize climate change institutions at the national and local government level and group them into two distinct categories according to their function: coordination and implementation.

At the national level, four institutions are considered as policy coordination institutions, whilst a fifth – the Parliament – is considered to play a secondary role in this regard (as implied by the doted arrow line in Figure 4.1). Two new institutional structures are proposed to complement the existing MDAs: the National Climate Change Policy Committee (NCCPC) and the National Climate Change Advisory Committee (NCCAC). The policy

provides for the NCCPC and the NCCAC to act as multi-stakeholder coordination mechanisms to ensure implementation of policy.[36] The National Climate Change Policy Committee is expected to be responsible for coordinating 'policy implementation and ensuring the information flow on resource allocation for the implementation of the policy'[37], whilst the National Climate Change Advisory Committee is mandated to 'ensure working level coordination and provide technical guidance to the NCCPC.' [38]

A number of observations may be made with regard to the national level coordination functions. First, the horizontal and vertical relationships between the four institutions are not clear from either the Policy or the Organogram. In particular, the reporting and accountability relationship between MoFPED and the National Planning Authority on the one hand and the relationship between these two institutions and the Ministry of Water and Environment as the host institution for the Secretariat to the NCCPC is not clear. Indeed, the functions assigned to MoFPED and the National Planning Authority seem to be suited for the NCCPC since it would be able to direct both the Ministry and the Authority or any other mandated agency to ensure that these functions are fully discharged.

Second, the mandate of the NCCPC as stated in the policy is thin on detail. It would add value if the policy were to have prescribed the ministerial composition of the Committee, its overall mandate, its powers and the effect of its decisions, and perhaps how often it should meet to discharge its functions. This is in spite of the common fact that the Committee derives its authority from Cabinet.[39] The policy should provide for a very clear accountability mechanism with regard to the decision making process expected from the Committee.[40]

Third, the position of the NCCAC and its linkages to the rest of the institutional structure other than the Policy Committee is not clear from the Organogram. In particular, its linkage with the Ministry of Finance, which is the lead national agency for climate change finance delivery, is not indicated. It seems inconceivable that the NCCAC will advise the NCCPC on everything else other than climate change finance delivery.

At the policy coordination level, the secondary role of parliament is expressed by the dotted lines implying the need for an interface between the NCCPC and the parliament. Although what is highlighted in the Organogram is the Parliamentary Forum on Climate Change, the Forum is only a platform of members interested in climate change and therefore not part of the formal structures of Parliament. Institutionally, the Parliamentary Committee on Natural Resources would be a more appropriate entry point. However, it may not be necessary to indicate the position of the Forum or the Committee on the Organogram since the legislative, oversight and representation functions vested in the Parliament are exercised by Parliament as a whole and not the parliamentary committees.

[36] Pg. 40, para 5.1.6

[37] The NCCPC is comprised of all ministers from the relevant ministries and is to be chaired by the Prime Minister with the NCCD as its Secretariat.

[38] The NCCAC is the only multi-stakeholder forum where the participation of non-state actors is provided for in the policy.

[39] Previous reviews of a similar ministerial policy committee – the Policy Committee in the Environment established under the National Environment Act showed that the Committee did not meet often enough in spite the environmental crisis facing the country. When they did take place, the meetings were not attended by the responsible ministers but by junior officers from the relevant ministries.

[40] A recent study of the functionality of the Ministerial Policy Committee on the Environment (PCE) established under the National Environment Act and with a related mandate to coordinate policy in the Environment and Natural Resources Sector shows that the Committee has not performed as envisaged. Its meetings are irregular, the meetings are often attended by low level officials and hence lack the authority of ministerial authority and the record of the Committee's minutes does not show the nature of decisions and policy guidance provided. See Republic of Uganda (2011). Protected Areas and Biodiversity Conservation in Uganda. ACODE/NEMA/GEF/UNDP (Unpublished).

4.4 The position of the Climate Change Department (CCD)

The National Climate Change Policy states that '… a national coordination function will be assigned to a strengthened CCU. Since the coordinating body must possess the authority to conduct business with the various cross-sectoral departments involved in the implementation of the policy, the CCU will be promoted to the level of a governmental department under the Ministry of Water and Environment.'[41] The functions of the Climate Change Department (CCD) as stated by the Policy are set out in Box 4.1.

Box 4.1. Functions of the proposed Climate Change Department

- Acting as an information clearing house on climate change concerns.
- Providing policy and strategic advice on climate change.
- Supporting communication and outreach on climate change.
- Ensuring the integration of climate change concerns into overall national planning through coordination with the relevant ministries, departments and governmental agencies.
- Providing secretariat services to the National Climate Change Policy Committee, the National Climate Change Advisory Committee and the CDM-Designated National Authority.
- Monitoring the implementation of the Climate Change Policy and its Implementation Strategy.
- Serving as the National Focal Point for the United Nations Framework Convention on Climate Change.

The CCD would also be the operational entity with regard to climate change operations within the Ministry of Water and Environment. The mandate ascribed to the Department makes it the operational institution for inter-agency collaboration for the purposes of policy making and coordination of policy implementation at all levels. Indeed, without an effective and efficient coordinating entity, the functioning and outputs of the MWE, the NCCAC and the NCCPC would be undermined. The fundamental policy question therefore is whether the CCD is positioned appropriately within a reconfigured institutional framework and whether it would have sufficient authority to discharge or facilitate inter-agency collaboration.

It may be argued that the underlying rationale for elevating the Climate Change Unit into a fully-fledged Climate Change Department (the need to give the entity authority to transact business with the various cross-sector and sector departments) cannot be achieved by its positioning in the proposed institutional architecture. It is important to recognize that a coordinating agency should be possessed with various forms of authority that enables it to coordinate others and organize them around a shared policy goal. This ought to include the authority to convene; to ensure adherence to reporting requirements; to demand accountability for assigned responsibilities; to direct others to meet agreed targets and time frames; and to create incentives and disincentives in case of non-compliance or absence of accountability. The positioning of the CCD within the Ministry for Water and Environment raises important questions with regard to its envisaged role and authority to ensure inter-agency collaboration at the implementation level. In addition, the apparent disconnect with the Ministry of Finance raises a fundamental question as to how the Department's mandate informs or contributes to the design of effective climate finance mechanisms that seem to fall exclusively within the remit of the MoFPED.

[41] Republic of Uganda (2012). Draft National Policy on Climate Change, pg. 38

4.5 Effectiveness of the proposed institutional arrangements

Our analytical framework sets out three key principles against which a country's institutional arrangements can be assessed to determine the effectiveness for climate finance delivery. These are: (i) the existence of a national mechanism for coordination between institutions involved in climate finance delivery; (ii) whether these institutions demonstrate a strong ability to change and innovate; and (iii) whether the relevant climate change institutions are locally anchored.

4.5.1 First Institutional Principle for Effective Climate Finance Delivery: a national mechanism shall exist for coordination between institutions involved in climate finance delivery

Effective climate finance delivery involves actions at three critical levels: budget allocations to the relevant spending priorities within the national budgeting process, the delivery of the budgeted funds, and monitoring the implementation of the financed climate change programmes. In assessing whether the mandated institutions can be effective in ensuring the delivery of climate finance, a set of four criteria are used:

- Leadership of the national response to climate change with regard to climate finance delivery is established within the government administration.
- The roles played by actors in the delivery of climate finance are known by key stakeholders.
- Other actors within the policy making process outside government (e.g. the legislature, party governing committees or other political institutions) review and challenge policy.
- Institutional arrangements are in place for inter-agency collaboration.

According to the proposed institutional mechanism as set out in the draft national climate change policy, the MoFPED is vested with the lead responsibility to ensure the effective delivery of climate finance in the country. It is expected to fulfil this role in the following ways:

First, the Ministry is mandated to ensure that national, sector and district level budgets and indicative planning figures integrate climate change through appropriate provisions for implementation of the policy and strategy. As the lead ministry on the budgeting process, the ministry of finance is best placed to ensure that the mandated entities make adequate budget provisions for the implementation of their mandates under the policy and the strategy.

Second, the Ministry is mandated to 'review quarterly and semi-annual reports from the ministries, departments and agencies concerned, to ensure that resource use is in line with expected and actual progress in implementing the policy'. This mandate satisfies our second indicator for this criterion which assesses whether the national lead institution has the opportunity to provide specific inputs and guidance into the budget process and the budget on what constitutes climate finance. However, neither the policy nor its implementation strategy contains guidance on the capacity of the Ministry to discharge this critical monitoring function or how fast any existing capacity implementation gaps may be addressed to ensure accelerated implementation of the policy.

Third, the MoFPED is mandated to facilitate the introduction of financial mechanisms and tools to relevant stakeholders, as per the implementation strategy, to support financial resource mobilization and investment for the implementation of the policy. Since the policy does not prescribe the types of financial instruments that may be introduced, it can be presumed that such instruments can be proposed by any competent institution but their introduction would be at the full discretion of the Ministry of Finance.

The National Climate Change Policy seeks to establish the roles of the different actors in the delivery of climate finance. In particular, the National Planning Authority (NPA) and the Ministry of Local Government (MoLG) as key coordinating agencies are mandated to complement the work of the Ministry of Finance in ensuring that the various agencies of government develop work plans and budgets that are consistent with their mandate to implement the climate change policy. Under both the Policy and the Implementation Strategy, all ministries and agencies that have been assigned a role in the implementation of climate change policy are expected to report their expenditures on climate change to the Ministry of Finance on a regular basis. However, it is one thing to state such an outcome in policy documentation, and quite another thing to have the institutional capacity to put in place the necessary systems. The presence and effectiveness of such systems will have clear implications on the recurrent budgets of all these institutions to secure the necessary resources.

Another important criterion for assessing the effective coordination of climate finance delivery is whether actors within the policy making process outside the executive have the opportunity to review and challenge the policies and actions of the mandated agencies. Such actors may include the legislature and its committees, political parties, the private sector and civil society. Generally, there is nothing in the policy that prohibits the engagement of such actors. Indeed, practice has shown that the legislature through its Committee on Natural Resources and the Parliamentary Forum on Climate Change consistently engages in climate change policy development and climate finance delivery. Parliament also provides an opportunity for political parties represented in parliament to make their contributions through the parliamentary budget process. This implies that the legislature can play a crucial oversight role in ensuring that climate finance is effectively integrated into the budgeting process.

Other key players including civil society and to some extent the private sector are engaged in the policy development process, as well as advocating for the effective financing of climate change activities.[42] However, the full engagement and contribution of civil society organizations and other non-governmental actors is severely constrained by limited capacity, given the fact that climate change focussed CSOs have only begun to emerge over the last few years. As a consequence, few civil society organizations have developed adequate analytical competencies to ensure input in the climate finance delivery system both in terms of independent policy ideas and advocacy.

The final criterion for assessing the national mechanisms for institutional coordination is whether appropriate institutional arrangements for inter-agency collaboration exist to allow for effective coordination of the policy implementation process. There are two interrelated forms of inter-agency collaboration that are important for any policy process. These are: (i) coordination of policy formulation and review and (ii) coordination of policy implementation. For the purposes of clarity, coordination of policy implementation may be divided into horizontal coordination and vertical coordination. This is perhaps one of the most unclear areas under the proposed institutional framework.

4.5.2 Second Institutional Principle for Effective Climate Finance Delivery: Institutions shall demonstrate a strong ability to change and innovate

Another important criterion for assessing the effectiveness of climate change institutions is whether the mandated institutions are able to change and innovate to take advantage of new funding opportunities. This implies the ability of institutions to cope with high levels of complexity and uncertainty in the face of new

[42] For example, the Advocates Coalition for Development and Environmental and the Climate Action Network Uganda were at the forefront of ensuring that appropriate funding is available to the country through the existing global financing mechanisms and in particular REDD.

challenges. As already alluded to, any assessment of the ability of Uganda's climate finance delivery institutions is limited by the fact that this is an emerging and continuously evolving area. The majority of the institutions mandated to be responsible for climate change, including climate finance delivery, are either new organisations or are taking on new roles, so evidence is currently lacking.

4.5.3 Third Institutional Principle for Effective Climate Finance Delivery: Climate change institutions shall be anchored at the local level

The National Climate Change Policy considers the local government system as an integral part of the climate finance delivery mechanism. As a climate change policy coordination mechanism, the vertical and horizontal institutional structure at the national level is to be mirrored at the district level. In this regard and based on the Organogram presented in the Policy (Figure 4.1), the District Local Council is the overall institution responsible for climate change policy formulation, policy implementation and the effective delivery of climate finance. The Environment Committees are the equivalent of the NCCAC at the national level. The Natural Resource Department is the equivalent of the Ministry of Water and Environment and the Climate Change Department while the district departments are the equivalent of the various ministries that they are aligned to.

At present, little is known about the capacity of the current institutions at the district level to discharge a climate policy or climate finance delivery mandate. The background study on the existing policy and institutional arrangements conducted in preparation for the policy formulation process observed that there was need to review the structure and expertise of local governments to cater for climate change mainstreaming capacity needs. Among other things, the study recommended that a technically qualified person with relevant expertise will be required to take charge of climate related activities. Most importantly, the study recommended that roles and responsibilities at the district level will need to be clarified to 'avoid conflict and the bureaucracy that threaten many of the local governments.'[43]

Fieldwork conducted for this study in the districts of Tororo and Ntungamo (Chapter 7) re-enforce the need for more detailed analytical work with regard to the configuration of the current local government institutional arrangements to discharge their mandate for climate change policy implementation and climate change finance delivery.

4.6 Conclusions

Present policy development represents a tremendous opportunity to address the deficiencies in the current institutional architecture for climate finance policy and delivery. These processes have the advantage of hindsight given the challenges of funding and coordination experienced throughout the earlier Poverty Eradication Action Plan process. One of the key lessons from that process is that achieving the desired outcomes in terms of adequate budget allocations requires institutional leadership at the appropriate level of government; clear institutional responsibility to allow for accountability in the event of inaction; and clarity over mandates.

The current draft of the National Climate Change Policy clearly attempts to draw on these lessons. However, assessed against our criteria for institutional effectiveness, it is apparent that the proposed institutional arrangement has yet to codify organisational mandates. More importantly, the proposed institutional architecture lacks clarity in its vertical and horizontal integration and this may result in lack of effective

[43] Republic of Uganda. Development of climate change policy and implementation strategy for Uganda: Policy, institutional and coordination issues (Background Paper). Ministry of Water and Environment/Climate Change Unit, April 2012.

coordination and accountability in the implementation of the policy in general and climate finance delivery in particular.

It is important that these issues are addressed as a matter of priority since they, in part, will determine whether the public finance system will allocate the necessary funds to finance agreed climate change actions.

5 Macroeconomic context and public financial management

Chapter summary

- Uganda's macroeconomic performance over the recent past has been strong, with steady growth in GDP since the late 1980s.
- GDP composition has shifted, with significant growth coming from services compared to other sectors, although employment remains concentrated in the climate-vulnerable agricultural sector.
- Growth has dipped slightly in the last couple of years, in part as a result of the global economic slowdown and national policy measures taken to restrain inflation. However with reducing inflation and the prospect of significant oil and gas development on the horizon, macroeconomic prospects look broadly positive.
- Although domestic revenue levels have risen, expenditures have increased more rapidly and as a result the budget deficit has widened. Despite this, substantial future revenues from oil and gas will increase the scope for financing climate change-relevant expenditures.
- Recent PFM diagnostic studies suggest that budget credibility is weak, both in-year and over the medium-term due to erratic cash management, volatile inflation and uncertain donor funding; this makes regular financing of climate-change relevant programmes difficult to manage.
- As is the case in most other countries, climate change-relevant expenditure is not recognised in government budgeting systems. This acts as a barrier to understanding the financing of the national response to climate change.

5.1 Introduction

The previous chapters have discussed the policy and institutional dimensions of the national response to climate change. This chapter provides context and background for the discussion of climate change-relevant public expenditure through a summary exploration of the current macroeconomic and fiscal position of government over the recent past and the strength of its public expenditure management system. The state of the economy and the general position of government finances will have a substantial bearing on the resources available to fund any programmes relevant to climate change. Similarly, most public resources flow through government financial management systems and therefore the strength and robustness of these systems will have an impact on the effectiveness of the public sector response to climate change.

The analysis below uses secondary sources of data to review both issues. In the case of the macroeconomic and fiscal analysis, Government of Uganda budget and official macroeconomic data are combined with reports by external observers such as the IMF to provide much of the basis for the discussion. Regarding public expenditure, the main data source consulted is the 2012 Public Expenditure and Financial Accountability (PEFA) assessment (MoFED, 2012). PEFA assessments represent the most commonly used international approach to

assessing the strength of public financial management systems through assessment against a number of key performance indicators covering the entire public finance cycle. A full PEFA assessment was also undertaken in 2008, and thus an approach using PEFA 2012 allows for understanding changes in public expenditure management performance over time.

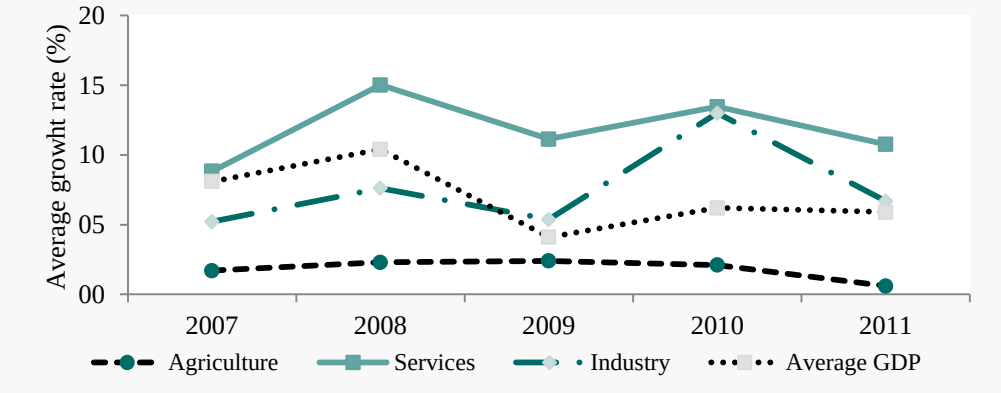
5.2 Macroeconomic context

Uganda's recent economic performance has been ranked as one of the success stories in Africa. The country's macroeconomic indicators have shown significant growth since the late 1980s. This growth record has been divided into two periods: post-war recovery and economic reforms (Bigsten and Kayizzi-Mugerwa, 2001, Collier and Reinikka, 2001). The post-war period between 1986 and 1990, witnessed growth in the country's GDP by 6.1 percent annually, stemming mostly from growth in productivity. The second period was characterized by significant reforms that resulted in an average GDP growth of 6.3 percent between 1990 and 2000, and substantial reduction in inflation from more than 100 per cent in 1987 to single digit figures in the 1990s and beyond. The reforms also facilitated the growth of the private sector, which stimulated business growth. Between 2000 and 2010, GDP growth has been sustained at an average of 6 percent (IMF, 2010). These reforms also translated into reduction of poverty levels, with the proportion of the population below the poverty line declining from 56 percent in 1992 to 38 percent in 2003 and 24 percent in 2009 (UBoS, 2010; IMF, 2010).

Sector composition of GDP has changed over time, with a declining share of GDP generated by agriculture and an increasing share from services and industry**.** The contribution of the agricultural sector to GDP has declined to an average of 22 per cent between 2007 and 2011, compared to more than 50 percent in the early 1990s. In terms of economic development, the shift of GDP away from agriculture to higher-value added industry and services is usually seen as a positive step. The growth performance of the agricultural sector has been mixed over the recent past. In the late 1990s and early 2000s, it registered an average growth rate of 5.4 per cent (USAID, 2011), but deteriorated markedly thereafter. Over the past few years, the sector grew at less than 3 per cent (Figure 5.1). A number of factors may be advanced to explain this limited growth in the sector over the last two decades. The major ones include: prolonged droughts and unpredictable rainfall patterns (Uganda's agriculture is largely rain-fed); a combination of lack of coherence in agricultural policies and regular policy reversals; and low public investments in the agricultural sector (for the last two decades, the share of agriculture in the national budget has been in the range of 4 per cent).

Nevertheless, the agricultural sector continues to play a major role in sustaining employment. The sector provides a livelihood for more than 80 per cent of the population, compared to 5 per cent in the industrial sector and 13 per cent in the services sector. The downside of concentration of labour in agriculture, where production is dominated by subsistence production, is that it poses a challenge for government to improve smallholder productivity to reduce rural poverty, and to realise a substantial increase in domestic revenue to finance other developmental activities.

Figure 5.1: Sector contribution to real GDP growth



Source: Author's computation from the UBoS statistical abstract (2012)

The services sector has generated the strongest sector growth over recent years**.** The aggregate contribution of services to GDP between 2007 and 2011 was 48 per cent, with a growth rate of 12 per cent. This is faster than the growth rates in the agriculture and industrial sectors for the same period. Growth of the sector has been buoyed by rapid expansion in transport, communication, and financial services (Table 5.1). This growth has been facilitated by significant economic reforms, including privatization, facilitation of investment and trade liberalization. The industrial sector has also grown faster than agriculture. The share of industry in GDP has been at least 24 per cent since 2007, resulting mostly from the growth of informal activities and rapid urbanization. However, the statistics for the industrial sector are likely to be under-reported given the large and growing number of unregistered companies in the country.

Table 5.1: Real GDP growth broken down by key sectors

Sector	2007	2008	2009	2010	2011
Agriculture	1.7	2.3	2.4	2.1	0.6
Mining and quarrying	5.0	10.4	-8.1	35.7	13.5
Manufacturing	7.6	7.2	10.8	5.3	4.1
Electricity	8.0	1.7	18.6	13.1	3.4
Water	3.9	5.1	5.3	3.6	4.3
Construction	1.6	13.7	0.3	7.3	8.1
Trade, hotels and restaurant	11.1	13.1	5.8	4.3	4.6
Transport and communication	12.6	22.7	9.0	12.2	17.5
Financial and business services	3.2	13.7	18.5	24.7	9.4
Public administration and other services	8.4	10.6	11.4	12.7	11.7
Overall GDP growth	8.1	10.4	4.1	6.2	5.9

Source: UBoS Statistical abstract, 2012

In terms of climate change, this shift in GDP contribution represents challenges and opportunities. An increasing share of GDP generated from the services and industry sectors, which are less immediately vulnerable to changes in climate, will increase the economic resilience of Uganda in the face of a changing climate. These sectors are also typically higher valued-added than agriculture, raising the prospect of larger tax revenues to support higher public expenditure that could be directed at climate change-relevant programmes. However, employment, often at subsistence level, remains concentrated in the agricultural sector. Therefore, the impact of climate change may have less effect on raw GDP figures due to the growth of services and industry, but it will continue to have a significant impact on the livelihoods and welfare of smallholder farmers.

Inflation, which was under control in the 1990s and early 2000s, has become a major challenge since 2008. In 2011, inflation rates rose sharply to more than 20 per cent, mainly resulting from supply side shocks in the food market within Uganda and neighbouring countries (Bank of Uganda, 2012). The IMF (2011) identified three main drivers of the recent rise in inflation in Uganda, namely high food prices, fuel prices, and an accommodative monetary policy by the central bank. The increase in food prices was caused by domestic supply constraints, as well as the rise in global food prices. The increase in global oil prices put pressure on the cost of fuel across Africa, which eventually translated into a general increase in costs for both domestic and imported products. The central bank reacted with a contractionary monetary policy to contain the growth in bank credit in the economy. Money growth has declined steadily, and inflation rates have started to decline, although as noted by a recent IMF report, this has been at the cost of growth (IMF, 2013).

High and volatile inflation has a negative effect on government expenditure management, including for climate change. One of the general short-term effects is the emergence of uncertainties in the budgeting process. Across all areas of expenditure, government will face pressure to make budget adjustments to account for changes in purchasing power, which will create discrepancies between projected expenditure and actual expenditure (Aizemann and Hausmann, 2000).

High inflation rates were partly responsible for the increased submission of supplementary budgets for some sectors in recent years. In the 2008/09 financial year there was a spike in total projected expenditure by 29 per cent during the same year as the country experienced an inflation shock of 14 per cent (Table 5.2). The 2011/12 financial year experienced a 32 per cent increase in the approved budget, coinciding with a rise of inflation from 6.5 per cent in 2010/11 to 23.5 per cent in 2011/12. The rising cost associated with inflation was one of the key factors responsible for the postponement of some large indivisible projects.

However, the actual impact on government expenditure is difficult to determine precisely. While changes in the approved budget estimates show some relation with changes in prevailing inflation, actual spending remained below the budget estimates for several of the years under consideration, suggesting other factors are at work that mean the approved budget does not accurately predict the level of actual expenditure. Some of the possible reasons for this are discussed below.

Table 5.2: Inflation and growth in Government budget compared

Year	Rate of Inflation	Approved budget (bn Shs)[44]	% increase in approved budget	Actual expenditure (bn Shs)	% Increase in actual expenditure
2006/07	7.4	4,149.2		3,803.7	
2007/08	7.3	4,734.4	14.1	4,382.8	15.2
2008/09	14.1	6,129.6	29.5	5,237.6	19.5
2009/10	9.4	7,080.8	15.5	6,831.7	30.4
2010/11	6.5	7,477.6	5.6	8,878.7	30.0
2011/12	23.5	9,869.3	32.0	9,731.5	9.6

With high inflation beginning to respond to recent government actions and the prospect of oil revenue on the horizon, the broadly positive macroeconomic background is encouraging in terms of prospects for the funding of climate change related programmes. Although growth in the recent past has been slow, prospects for a return to a medium-term average of 6-7 per cent by 2014-15 is predicted (IMF 2012), although with continued downside risks from sources both internal and external to Uganda. Revenue from oil exploration and concession licensing has already contributed to public revenue, and the move towards actual production in the medium-term offers the prospect of a substantial increase in public expenditure. This would increase potential resources available to finance climate change-relevant activities. However, there is no certainty that climate change-related expenditure would be prioritised above other expenditure if such additional resources were to become available.

5.3 Trends in revenue and spending

Uganda has registered substantial progress in domestic revenue generation since the creation of the Uganda Revenue Authority in 1991. Domestic revenue has more than doubled in nominal terms, from about 3.2 trillion Uganda Shillings in 2007/08 to about 6.6 trillion in 2011/12. Domestic revenue is generated from tax and non-tax sources. Tax revenue, which constitutes the largest proportion of domestic revenue, is generated from taxes on income, profits and capital gains; taxes on goods and services, which include value added tax (VAT); and excise duty and taxes on permission to use goods or to perform certain activities. Non-tax revenue is obtained from sources such as licenses and concessions. Revenue growth for 2010/11 was mainly attributed to increased collections from oil exploration and related activities.

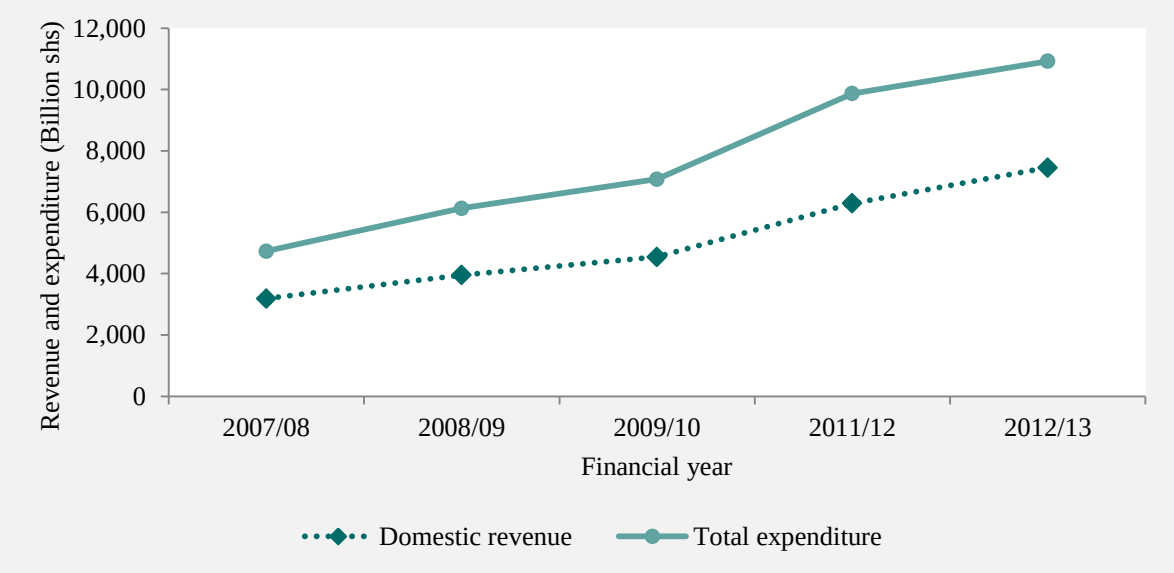
While generation of domestic resources has improved, there still exist challenges to raise resources to a level that can sustain the country's development needs. Domestic revenue has averaged 12-13 per cent of GDP, which is considered too low to cater for the country's budget priorities. In a number of instances, actual revenues have fallen below the target set out in the budget. For instance the revenue in 2008/09 fell short of

[44] As indicated in the table, this column refers to the budget originally approved by Parliament at the beginning of the financial year, and not to the supplementary budget that is usually presented to Parliament mid-way through the year.

the budget target by 4.2 percent, and the gap increased during 2009/10, although this trend has been reversed in later years.

Insufficient revenues have partly resulted from the structure of the economy, which is largely dominated by the informal sector, a high degree of tax evasion and avoidance, largely arbitrary tax incentives and tax holidays, and corruption. As a result, domestic revenues have not kept pace with the country's growing public expenditures needs (Figure 5.2) resulting in deficits.

Figure 5.2: Trends of approved domestic revenue and expenditure growth



Source: Compilation, using approved budget estimates (various years)

On the expenditure side, over the past six financial years (2007/08 to 2012/13), the country experienced an accelerated growth in public spending. Approved public expenditure increased from 4.7 trillion Uganda Shillings during 2007/08 to 10.9 trillion in 2012/13, with an average annual growth rate of 7 percent during this period. This has led to a general increase in the percentage of GDP accounted for by public expenditure (Table 5.3). Government expenditure as a percentage of GDP has risen in the years to 2010/11, before falling back slightly after this, although it is still above its level in 2008/9. This is attributed in part to the 2011 elections and the additional costs to manage and police the exercise.

Table 5.3: Government expenditure as a share of GDP

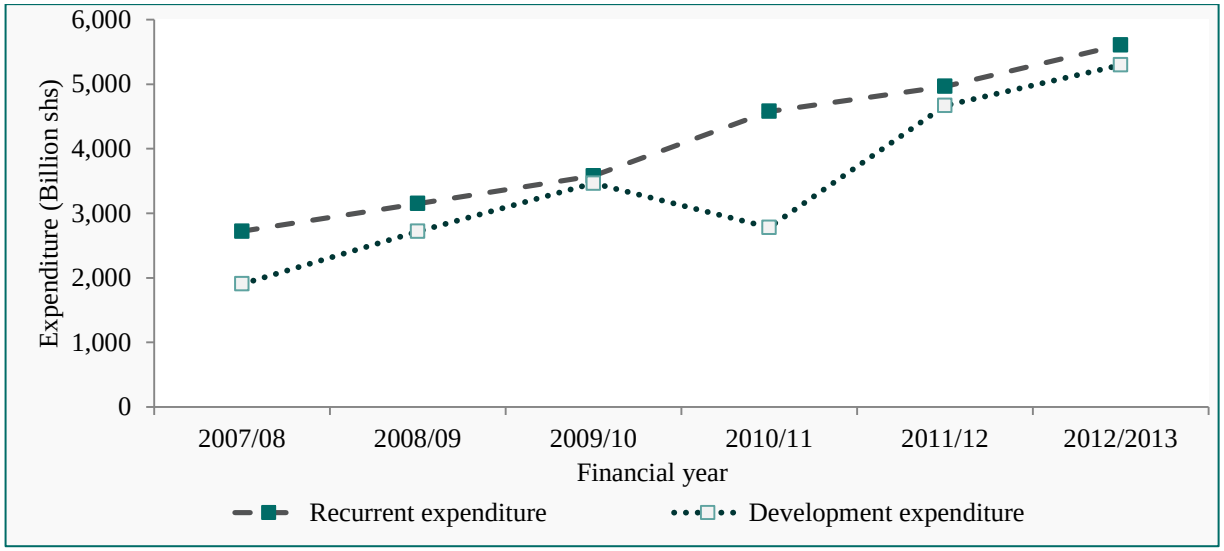
Year	Government Expenditure and net lending (% of GDP)
2008/09	17.3
2009/10	19.8
2010/11	22.7
2011/12	19.4

Source: IMF (2012) and Government of Uganda (2012) – 2011/12 figures are preliminary

Except for 2010/11, budgeted expenditure has been roughly equally split between recurrent and development budgets, with a slight bias to recurrent expenditure (Figure 5.3). Wages and salaries account for around 60 per cent of recurrent expenditure. The growth in development expenditure has, in part, been driven by the government's plans to boost infrastructure investment, and an increase in energy subsidisation. Since 2007, the government has committed substantial resources to rehabilitate and construct roads and hydroelectricity power dams. There are plans to continue expanding the infrastructure budget for the next two decades in line with the objectives of the NDP (MFPED 2009). The one-off decline in development expenditure in 2010/11 is attributed to difficulties in the Ugandan National Road Authority in utilising budgeted funds.

However, strong conclusions based on the distinction between 'recurrent' and 'development' expenditure need to be treated carefully. The recent PEFA report suggested that in practice, distinctions between the two categories are arbitrary (Ministry of Finance, 2012).

Figure 5.3: Comparison of development and recurrent expenditure (2007/08-2012/13)



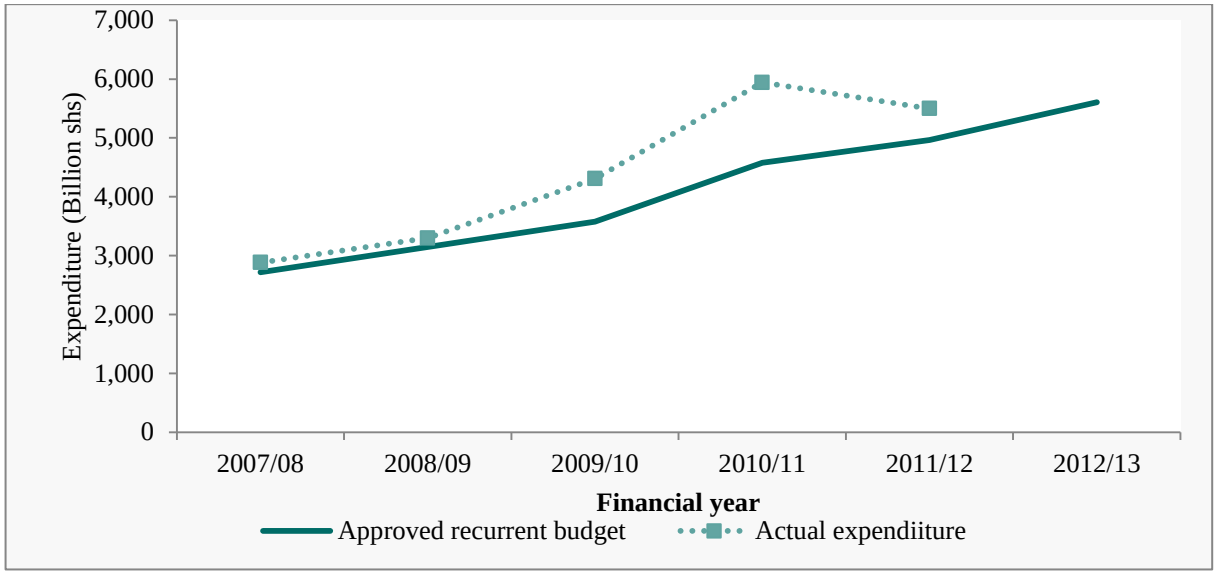
Source: Compilation, using approved budget estimates (various years)

The increase in the share of development expenditure in the national budget could be important for the national response to climate change. For instance, the growth in public expenditure on infrastructure projects and hydro power investment can help to reduce emissions, and enhance adaptation potentials. Expenditures geared towards an increase in electricity distribution can reduce the rate of depletion of forest cover and other forms of biomass. However, the effectiveness of such expenditures must be balanced against the increased costs required for delivery. For instance, while the supply of electricity has increased in the past year, the cost of access has continued to rise. This provides fewer avenues for reducing forest depletion, in the event that forest resources continue to offer a cheaper alternative to hydro energy.

Actual expenditures at the end of the financial year have deviated from planned budgets (Figures 5.4 and 5.5). The divergence between planned and actual expenditure has been significant in both development and recurrent expenditures, with over-spending on the recurrent budget and under-spending on the development budget. Within recurrent activities, actual expenditures have been consistently higher than the approved budgets. This extra expenditure has been financed through supplementary budgeting, and in recent years this has been for less obviously economically productive or climate change-relevant sectors (such as security, Office

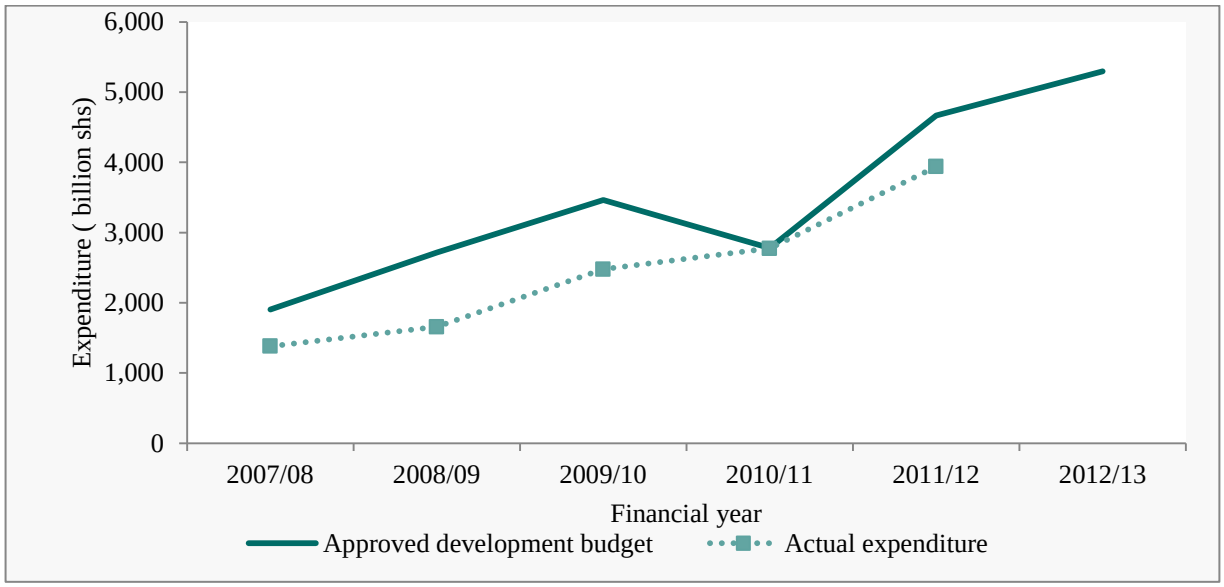
of the President and Parliament). The tendency to rely on supplementary budgets distorts transparency in public spending priorities. Drivers of recent supplementary budgets have been the impact of inflation, exchange rate depreciation, high levels of spending by selected public administration agencies especially the Parliament, State House and the Office of the President, and the need to address funding shortfalls on the wage bill and interest costs (MFPED, 2012). As seen in Figure 5.5, actual expenditure for development activities have been significantly lower than planned, which may affect the pace of delivery of major infrastructure projects related to climate change.

Figure 5.4: Comparison of approved recurrent budget and actual expenditure



Source: Compilation, using approved budget estimates (various years)

Figure 5.5: Comparison of approved development budget and actual expenditure



Source: Compilation, using approved budget estimates (various years)

The growth of expenditure at a faster rate than the growth in revenue has resulted in a widening budget deficit**.** The deficit, excluding grants, significantly increased from 6.6 per cent in 2009/10 to 7.8 per cent in 2010/11. According to the Ministry of Finance, this budget deficit was mainly driven by the need to prepare for the 2011 presidential and parliamentary elections (MFPED, 2011). It declined to 5.3 per cent in 2011/12, representing a slight fiscal contraction over the 2011/12 budget. The 2012 annual budget performance report (MFPED, 2012) attributed the decline in the deficit partly to increase in capital gains from the oil sector and also to the delay in commencement of some large projects.

The impact of sustained deficits on government activity, including activities related to climate change, will depend on a number of factors. Sharp increases in fiscal deficit levels usually raise government's borrowing costs, diverting resources from other spending areas, including climate-relevant programmes. Fiscal deficits can also lead to the increase of lending rates, which can crowd out private investment and reduce economic growth in the long-term. However, if resources financing the deficit are invested in projects that are critical in stimulating economic growth, long-term revenues that accrue from these sectors could compensate for short-term negative effects. From available documentation, it is not possible to state definitively if deficit financing has been used to fund long-term infrastructure or recurrent costs. The information above showing that the development budget has consistently underspent compared to the recurrent budget suggests that deficit finance will have supported recurrent rather than development costs.

Financing of government activity has also come from external donors, who accounted for more than 20 per cent of the total budget between 2008/09 and 2011/12. Donor assistance constitutes more than 4 per cent of GDP. The challenge with donor funding mainly pertains to its unreliability. In the face of aid cuts, coupled with low domestic revenue collection, shocks in aid flows can negatively affect both the macro-economy and government expenditure. Aid cuts in 2012 that resulted from mis-management of donor funds in the Office of the Prime Minister and other cases of gross corruption are a case in point. Volatility in flow of donor funds will make it harder for government to plan effectively and deliver its policy objectives, including those relating to climate change.

External borrowing remains one of the main mechanisms for financing Uganda's fiscal deficit, although overall debt levels are seen as sustainable. In 2009/10, 52 per cent of the budget deficit was financed by external borrowing. The proportion of the deficit financed by external borrowing increased to 85 per cent in 2011/12 (Table 5.4). In spite of the continuous reliance on borrowing, the baseline debt sustainability analysis for low income countries indicates that the country's debt is sustainable given the current size and evolution of the debt stock. Since the HIPC initiative, Uganda's external borrowing was mainly used to finance infrastructure-related projects, and has typically been contracted on highly concessional terms (IMF and IDA, 2012).

Table 5.4: Sources of budget financing

Central Government Operations	2008/09	2009/10	2010/11	2011/12
	Outturn	Outturn	Outturn	Provisional
Domestic revenue (including oil)/GDP	12.4	13.3	13.7	13.5
Domestic revenue (excluding oil))/GDP	12.4	13.3	13.7	12.7
Tax revenue/GDP	12	13.1	13.4	12.5
Total Expenditure incl. domestic arrears repayments/GDP	19.4	22.6	21	18.3
Total Expenditure excl. domestic arrears repayments/GDP	19.7	23.1	21.6	18.9
Budget deficit excluding grants/GDP	-7.2	-6.6	-7.8	-5.3
Budget deficit including grants/GDP	-4.7	-4.3	-4.6	-3.2
Domestic financing/GDP	-2	-2.8	-2	-0.1
Bank financing/GDP	-2.2	-1	-1.8	2.5
non-Bank financing/GDP	0.2	-1.7	-0.2	-2.6
Donor Assistance/Total budget	25.9	19.7	29	25.4
Donor Assistance/GDP	5.5	4.5	6.3	4.8
External borrowing/GDP	-2.2	-1.9	-2.6	-2.3
Ratio of external Borrowing to budget deficit (incl. grants)	36.6	34.2	39.4	51.4
Ratio of external Borrowing to budget deficit (excl. grants)	55.7	52.3	66.8	84.7

Source: Annual Budget Performance Report FY 2011/12

5.4 Growth in 'discretionary' expenditure that could finance climate-relevant activities

Uganda's response to climate change is expected to require significant additional resources. The National Climate Change Draft Costed Implementation Strategy (Government of Uganda 2012) suggests that USD 3.9 billion over the next 15 years is required, equivalent to USD 258 million per year. This represents a huge sum in the context of Uganda's total public spending. While donor funding may be secured to help meet some parts of the cost, it is unlikely to be enough to meet all the Strategy's demands. As already alluded to elsewhere in this report, further prioritization of expenditure within the Strategy will be necessary.

The degree of flexibility within the budget ('discretionary' expenditure) appears to be growing. Defining expenditure as 'discretionary' is difficult as different observers will see different parts of the national budget as more or less valuable, and therefore more open to re-prioritisation. Adopting a simple approach that assumes that wages and salaries and interest payments cannot easily and immediately be re-prioritised (therefore 'non-discretionary'), expenditure beyond these categories has been growing faster than non-discretionary funding, both in terms of approved budget and actual expenditures (Table 5.5).

Table 5.5: Discretionary and non-discretionary spending (percentage of GDP)

	2008/9	2009/10	2010/11
Non-discretionary	5.1	4.9	5.4
Wages and salaries	3.9	3.8	4.3
Interest payments	1.2	1.1	1.1
Discretionary	11.4	14.3	17.0
Goods, services, transfers	5.8	7.6	9.9
Development expenditure	5.6	6.7	7.1

Source: IMF (2011) and IMF (2012)

Discussion with informants suggests that the Ministry of Finance does have an informal system of prioritizing available 'discretionary' expenditure in the event of resource constraints. The areas for prioritization are focused on particular central government functions and the Poverty Action Fund (PAF) transfers to local authorities, rather than obviously climate change-related areas. Furthermore, the evidence suggests that additional 'discretionary' spending in recent years has been heavily targeted on specific projects that do not directly relate to climate change. These include the cost of running and policing the 2011 elections, funding the expansion of local government and a power subsidy programme funded by government (Box 5.1). Much of the government's 'discretionary' expenditure is being used to finance the national development plan's push to invest in specific infrastructure projects, such as the Karuma dam and the national oil refinery, which has raised the development budget faster than other components. Therefore while resources for non-wage and non-interest expenditure have grown, it is not clear that they represent a general increase in the government's plans to finance all activities across the board, which could include a wide range of climate change-relevant expenditures. Instead, they appear to represent increases in specific spending activities not related to climate change activities. However, and as noted above, the prospect of oil and gas revenue may change this situation significantly and open up the prospect of significant additional financing for such activities.

Box 5.1. Government power sector subsidies (Sources: Mwajeje 2012; Reuters 2012; Seruwagi 2012)

In January 2012, the government announced the end of the subsidy for power generators that aimed to keep the consumer tariff low. It is expected that consumer tariffs will steadily increase over time. The Government of Uganda says that since 2005 over $600m had been spent on the subsidy, and that the cost had been rapidly increasing in recent years.

Demand for electricity has grown faster than available hydropower supply over the past few years. The government has therefore used rapidly available, but more expensive, thermal (diesel) generating strategies. The share of electricity generated from such sources has increased from 23 per cent in 2006 to 41 per cent in 2010.

The government claimed that the money freed up by the end of the subsidy will be used to finance additional investment in the power sector, including the 600MW Karuma hydropower project. According to the energy minister, by improving the financial viability of the power sector government policy will encourage the private sector to invest in different renewable energy projects, and provide cheaper sources of electricity in the long term.

5.5 Effectiveness of public expenditure management

The previous sections have provided an overview of the macroeconomic context and overall fiscal position of government. Changes in this context will have an impact on the level of resources available for climate change relevant activities. Beyond questions of the level of resources available, the strength of public expenditure systems in managing climate-relevant funds will be critical to ensure the effective delivery of climate finance. It would be possible, for example, for significant funds for climate change-relevant expenditures to be available as a result of an improving macroeconomic and fiscal context, but for public expenditure management systems to be unable to manage and deploy these resources to enhance climate change adaptation capacity and ensure effective mitigation of the impacts of climate change. This section presents a summary analysis of the strength of Uganda's public financial management systems at the central government level and provides an indication of its effectiveness in ensuring the delivery of climate change-relevant finance.

This assessment is relevant to funds that flow through central government systems. If extensive use of 'off-budget' or non-standard financing systems are used, then a separate analysis will need to be undertaken to review the effectiveness of those systems in handling climate finance, which is beyond the scope of this study. Similarly, the handling of funds by local government is not covered by this discussion. Local government and climate change-relevant expenditure is discussed in chapter 7.

Annex 1 sets out the framework for assessing the effectiveness of PFM systems in terms of principles, criteria and indicators. The framework sets out what effective climate finance management through government systems could look like, acknowledging that the principles may represent an 'ideal' that may not be achievable in the short to medium-term. As can be seen, the framework approaches climate finance through a standard PFM cycle approach looking at four main stages of PFM: planning and budgeting; execution; reporting and accounting; oversight and scrutiny. The recent 2012 PEFA assessment is used as the main source of information for reviewing the performance of the government systems against our framework.

It is important to recognize that effective PFM systems do not necessarily equate to effective delivery of government programmes. While an assessment can be made of the effectiveness of public financial management systems, this does not necessarily provide a guide to the level of impact or the nature of outcomes generated by programmes that are funded through such systems. It may be possible for expenditure to be well-managed through the government systems and for these systems to provide resources to the correct parts of government, and yet for other reasons – beyond those relating to PFM – such expenditure fails to generate the intended effect. Therefore a direct correlation between strong or weak public financial management and programme impact cannot be assumed.

A summary of the PEFA assessments from 2008 and 2012 is presented in Table 5.6. This sets out the aggregate scores for each of the areas of the PEFA assessment. As can be seen, certain areas have shown improvement, while others have not. Care should be taken in extrapolating conclusions from changes between 2008 and 2012, as in some cases the methodology for calculating scores has changed in line with amendments to the global PEFA framework in the intervening period. The discussion below highlights particular PEFA areas and relates these to the four stages of the PFM cycle set out in the framework paper.

Table 5.6: PEFA scores for 2008 and 2012

Credibility of the Budget		2008	2012
PI-1	Aggregate expenditure outturn compared to original approved budget	B	C
PI-2	Composition of expenditure outturn compared to original approved budget	C	D+
PI-3	Aggregate revenue outturn compared to original approved budget	A	D
PI-4	Stock and monitoring of expenditure payment arrears	D+	C+
Comprehensiveness and transparency			
PI-5	Classification of the budget	A	A
PI-6	Comprehensiveness of information included in budget documentation	A	A
PI-7	Extent of unreported government operations	D+	D+
PI-8	Transparency of inter-governmental fiscal relations	D+	D+
PI-9	Oversight of aggregate fiscal risk from other public sector entities	C	C
PI-10	Public access to key fiscal information	B	B
C.(i) Policy-based budgeting			
PI-11	Orderliness and participation in the annual budget process	C+	C+
PI-12	Multi-year perspective in fiscal planning, expenditure policy and budgeting	C+	C+
C.(ii) Predictability and control in Budget Execution			
PI-13	Transparency of taxpayer obligations and liabilities	B+	A
PI-14	Effectiveness of measures for taxpayer registration and tax assessment	B	B
PI-15	Effectiveness in collection of tax payment	D+	C+
PI-16	Predictability in the availability of funds for commitment of expenditures	C+	C+
PI-17	Recording and management of cash balances, debt and guarantees	C+	B
PI-18	Effectiveness of payroll controls	D+	D+
PI-19	Transparency, competition and complaints mechanisms in procurement	D+	D+
PI-20	Effectiveness of internal audit controls for non-salary expenditure	C	C
PI-21	Effectiveness of internal audit	C+	C+
C.(iii) Accounting, recording and reporting			
PI-22	Timeliness and regularity of accounts reconciliation	B	B
PI-23	Availability of information on resources received by service delivery units	B	B
PI-24	Quality and timeliness of in-year budget reports	C+	C+

PI-25	Quality and timeliness of annual financial statements	C+	C+
C.(iv) External scrutiny and audit			
PI-26	Scope, nature and follow-up of external audit	C+	B+
PI-27	Legislative scrutiny of the annual budget law	C+	C+
PI-28	Legislative scrutiny of external audit reports	D+	D+
Donor practices			
D-1	Predictability of direct budget support	D	D
D-2	Financial information provided by donors for budgeting and reporting on project and programme aid	C	C
D-3	Proportion of aid that is managed by use of national procedures	D	D

Source: Central Government Public Expenditure and Financial Accountability Assessment Report (MoFED 2012)

5.5.1 First Public Expenditure Principle for Effective Climate Finance Delivery: Climate change expenditure shall be planned and budgeted for in the annual budget formulation process

Climate change is explicitly recognised as a key policy theme within the budget process and in the National Development Plan. The 2012/13 Budget Policy Framework (MoFED 2012) follows the approach of the National Development Plan (NDP) in recognising a number of key policy themes, of which `climate change' is noted as a supporting sector. Some of the high priority areas identified are relevant to climate change, for example clean energy generation as well as enhancements in agricultural productivity and agro-processing diversification.

Climate change-relevant expenditure is not explicitly recognised with specific coding of expenditure within the budget. Attempting to estimate the level of climate change-relevant spending therefore requires a manual review of all programmes and line items, as has been undertaken in this study. However, while climate change is not part of the budget classification system, it should be noted that in general the classification within the Ugandan budget effectively adheres to the international standards of the Classification of Functions of Government (COFOG) and Government Financial Statistics (GFS). A positive score in this area suggests that if the government wished to undertake further work to map across existing COFOG and/or GFS categories to reach a definition of climate change-relevant expenditure, this could be undertaken.

Evidence from the PEFA assessment suggests that medium-term policy based budgeting is weakly institutionalised, including in those NDP areas that are relevant to climate change. The Medium Term Expenditure Framework (MTEF) should guide expenditure over several years. However, in effect, it operates on a one-year rolling basis, with frequent changes to Ministry and sectoral allocations between years without clear explanation. The recent experience with high and volatile inflation would also make sector financial planning more difficult to achieve. Allocations to Ministries and sectors are not aligned with the NDP, in part due to the fact that budgets for the NDP were initially set in 2010 and external factors such as higher than expected inflation have postponed or delayed certain planned projects, resulting in changes to planned allocations. In practice, where Sector Working Groups (SWGs) exist to plan and coordinate government and donor activity, they appear to operate on a yearly basis, although they might offer scope for improved multi-year planning where they are strongly institutionalised. This suggests that climate relevant expenditure –

along with all multi-year expenditure programmes – will face an annual budgeting round in which to secure funds, rather than having the certainty that a credible medium-term budgeting approach would provide.

It is difficult to find examples of the outcomes of previous spending influencing current levels of expenditure on climate change, although this is not surprising given the nature of the budget documentation. As noted above, climate change-relevant expenditure is not easily identified in the budget, although it does feature in the NDP and MTEF priorities; and policy based budgeting over the medium term is weak. As a result, it is not possible to isolate within key budget documentation examples of where climate expenditure has been adjusted to take into account findings of monitoring and evaluation of efficiency throughout the year. It should be noted, however, that such findings are not usually included in high level budget documentation. They might be more usually found in lower level technical documents produced by the Ministries concerned with delivering the specific climate related policies.

Parliament is involved in the discussion of budget proposals. Although the specific dates set out in the official budget preparation process are not always adhered to, budget estimates and the medium term fiscal framework and priorities are typically submitted to Parliament by 15th June, in accordance with the budget calendar, allowing more than two months for the Budget Committee to consider them. Parliament then has until 30th September to approve a final budget. Where approval is late temporary spending authority can be obtained to ensure continuation of public spending for a period.

5.5.2 Second Public Expenditure Principle for Effective Climate Finance Delivery: Climate change expenditure shall be executed through government systems during the budget year

Singling out individual PEFA indicator areas that are specifically relevant for climate relevant-expenditure is difficult. PEFA assessments take a 'whole of cycle' approach to reviewing the performance of government systems. In addition, climate change-relevant activities will be taking place across a range of sectors and Ministries. However, given that climate change-relevant expenditures are expected to finance significant programmes that might be multi-year and capital intensive (for example, hydropower construction, water projects etc.), the credibility of the budget's execution is of particular relevance. Without a credible budget that delivers the required finance to the right institution at the right time, the delivery of such projects will remain an unresolved challenge.

Credibility of budget execution, at an aggregate level and for major budget heads, is relatively low and has deteriorated. PEFA assessments found a good performance regarding budget credibility in 2008/9 and 2009/10 but a decline thereafter. In practice, during the year supplementary budgets are used to revise expenditure in line with excess spending and to accommodate under spending of certain development budgets. Certain areas of government expenditure, according to informants, are well executed. These include core central government running costs, the PAF transfers and key infrastructure investment. However, effective execution in these areas will not be picked up by the PEFA indicators referred to above given their focus on cross-government overall Ministry spending. In 2010/11, selected Ministries received increases in their expenditure above 25 per cent of original budget, while others received unanticipated cuts required by the Ministry of Finance. This suggests that executing expenditure, including climate change relevant expenditure, will be problematic given the lack of certainty that planned budgets – outside of certain 'protected areas' – will be adhered to during the financial year.

Cash management to fund agreed expenditure is weak, with unpredictable and late release of funds to Ministries causing high levels of under-spending as well as unspent balances. This is identified as a key contributor to the low credibility of budget execution. The gap between submission of requests for funds and

receipt of the last instalment of funds was, on average, 100 days. Ministries are not usually warned in advance regarding shortfalls in funding against budget and subsequent low cash releases, and this reduces their ability to plan and sequence expenditure. The PEFA assessment notes that this provides an `easy alibi' for lack of performance by Ministries in delivering their planned outputs, while discouraging any serious attempt at planning. Indeed, it is noted that in practice, strategic planning and budgeting can be likened to a `game' where on the one hand Ministries complete paperwork to attempt to access funds while the MoFPED reduces or amends releases due to concerns about absorption capacity, or lack of cash availability at the centre. In addition, the PEFA indicator dealing with predictability of donor funding also scores poorly, suggesting that the government's challenge in managing expenditure will be exacerbated through unpredictable provision of funds by donors. It is reasonable to assume that the same set of issues affect the cash available for climate change-relevant expenditures, with similar detrimental effects to the execution of climate change-relevant actions.

Weaknesses remain in financial controls relating to correct procedure in a minority of transactions. Internal controls are well understood at a higher level by Accounting Officers and by those most involved in their application, although this is less true at lower grades. Nevertheless, reports from internal and external audit bodies find many irregularities in processing and recording of transactions. These include advances not accounted for, goods accepted that do not meet the specification ordered, commitments made without the correct purchase order and illegal structures. Reports from internal government monitoring bodies suggest that poor supervision by Accounting Officers and lack of compliance with rules and regulations were major constraints to delivery of services. At the time of conducting this study, donors and government were engaged in high-level discussions on improving financial controls following the suspension, in 2012, of significant amounts of aid to government after discovery of widespread fraud and corruption in the government's handling of donor funds. Climate change-relevant expenditure is not singled out from the evidence, but it is likely that the same issues will be present, undermining the impact of expenditures made.

The combined effect of this suggests that Ministries will struggle to maintain an oversight of their climate change-relevant expenditure and therefore struggle to anticipate and manage unexpected financial shocks. The findings above imply that Ministries receive unexpected and sudden decreases in their approved budget throughout the year, and that in practice multi-year budgeting is weak and subject to significant uncertainty. Cash to fund these budgets also appears to be managed erratically with delays and unexpected changes to requested levels of funding. In this situation, maintaining close management of climate relevant expenditure – or, in fact, any expenditure – will be a challenge. Indeed, the PEFA report notes that poor budgeting, even for foreseeable expenditures such as rent, electricity and water, is common, resulting in late payment and regular requests for supplementary expenditure.

5.5.3 Third Public Expenditure Principle for Effective Climate Finance Delivery: Climate change-related expenditure shall be subject to reporting and accounting

There are several strengths to the Ugandan system for reporting and accounting for expenditure, in large part due to the operation of a computerised IFMIS. The IFMIS system has complete coverage of central government departments' transactions and due to its automated nature, reconciliation between expenditure and bank accounts is done daily. Expenditures are classified on the same basis as the budget allowing for straightforward comparison of budget outturn. An improvement in the use of IFMIS in recent years has resulted in more consistent and useful accounts being presented and financial statements are produced in a timely manner at the end of the year. However, end-of-year financial statements refer to the last budget revision (i.e. including virements and supplementary budgets) rather than the original approved budget, making comparison with the original expenditure expectation more difficult. Although accounting standards

do not fully meet international standards, they are considered to be appropriate and to have been applied consistently over time.

As previously noted, climate expenditures are not separately and comprehensively identified within the budget, and therefore it has to be assumed that they are likely to follow the same path regarding correctness of procedures for reporting and accounting. The overall impression is one of relative strength in the area of reporting transactions and accounting for the use of funds, in contrast to significant weaknesses in the area of budget execution. Crucially, the reporting of government expenditure on the basis of the original budget would allow for a relatively clear line of sight in following expenditures from budget through to outturn for key climate change relevant programmes.

Regarding oversight of implementation of activities and impact of expenditure, certain oversight mechanisms and institutions exist within the Ministry of Finance. The Output Budgeting Tool provides an overview of what each Ministry is expected to have produced as a result of its expenditures, and this is published alongside the budget. The Ministry of Finance Budget Monitoring and Accountability Unit (BMAU) also undertake visits and review of execution of certain high priority projects to verify levels of progress made; although the impact of this additional scrutiny on improved delivery are unclear. Were climate-related expenditures clearly identifiable within the Output Budgeting Tool, it would be possible to track their reported progress year-to-year. This is an issue that could be considered in the future as the output budgeting process matures. If the BMAU were to include the most important climate-related projects within its list of monitored projects, this would increase the level of oversight and accountability for these activities.

5.5.4 Fourth Public Expenditure Principle for Effective Climate Finance Delivery: Climate change-related expenditure shall be subject to external oversight and scrutiny

Legislative oversight of in-year changes to the budget is weak. Once the budget is passed, the current rules allow for the executive to amend approved expenditure estimates, both in aggregate and in terms of virements between budget lines. According to current laws, supplementary appropriations must not exceed 3 per cent of the total approved budget for the year, but in the past this limit has been breached.[45] Parliament is required to be informed of changes to the budget within four months of the expenditure, but the current system allows the executive to make amendments without the prior approval of Parliament.

Auditing of government accounts appears to be comprehensive. All entities of central government are audited annually. The nature of audit goes beyond financial audit and has included performance and 'value for money' audits. Audit reports are timely, and are submitted to Parliament within six months of receipt. Following completion of the audit, the Office of the Auditor General agrees with the relevant Accounting Officer the response to the audit management letter and subsequent follow up actions. There are expectations that the submission of accounts, completion of audit and transmission of findings to Parliament will be speeded to a six month rather than the present nine month period in the future. Again, climate change-relevant expenditure is not covered separately from other expenditure categories but can be expected to be covered as part of the same process.

Formal legislative debate and official approval of audit reports appears to have been very weak in the recent past, but is now improving. The Public Accounts Committee (PAC) of Parliament has been working to clear a backlog of audit reports, and at one time up to three years of reports were awaiting approval. Additional

[45] See for example, Article 156(2); The Public Finance and Accountability Act, No. 6 of 2003 (Section 16 & 17); the Budget Act, 2001 (section 12); and the Public Finance Bill 2012.

resources have been provided to expedite the clearance of this backlog. As a result, government's formal response to PAC findings has been similarly delayed.

In contrast, PAC hearings on the key findings from audit reports involving Accounting Officers and the issuance of recommended actions to the executive appear to be more robust. There is evidence that the PAC holds Accounting Officers and heads of Finance Department to account through in-depth hearings, supported by the Office of the Auditor General. The legislature has made recommendations to the executive, which in some cases has led to changes in government policies, laws or remedial actions being undertaken. However, and as noted above, since climate change-relevant expenditure is not explicitly recognised within the budget it is unlikely to receive particular attention in Parliamentary oversight.

5.6 Conclusions

Steady projected economic growth and contained inflation suggest a positive macroeconomic context for climate change-relevant expenditure. The prospects for such stability appear positive over the medium-term; although this is dependent in part on well-judged economic and fiscal policies that prioritise stability and growth and an absence of significant external shocks.

Steady economic growth and the prospects of significantly increased revenues from oil suggest a similarly positive scenario for public finances as a source of financing for climate change adaptation and mitigation interventions. Government expenditure has risen steadily in recent years and, as discussed above, the medium and long-term macroeconomic situation would appear conducive to sustaining higher levels of public investment. Revenue levels are in part a political choice determined by the willingness of government to use its authority to tax, and therefore sustained revenue growth will depend on well-judged decisions being made in revenue policy. The prospect of significant revenues from oil exploration and eventual extraction provide the possibility for a substantially increased revenue base from which government could fund climate change-relevant expenditures in the medium-term. However, as in many developing countries, there are often governance challenges of effectively managing natural resource revenue.

Significant challenges remain in public expenditure management, particularly in the crucial areas of planning and execution. A benign macroeconomic and fiscal environment cannot compensate for weak financial systems that are unable to implement well-designed budgets effectively. The analysis above suggests that the ability of the Ugandan government to develop and implement credible budgets over the medium-term is weak, although with greater strengths in oversight and accountability. Given that many climate change relevant expenditures, particularly those related to capital investment infrastructure, will require multi-year planning and management it suggests that the effectiveness of such expenditure may be compromised by weak management systems.

6 Expenditure review

Chapter summary

- Total spending on climate change-relevant activities is estimated at around one per cent of government expenditure, and this has remained broadly constant over the four year period 2008/9 to 2011/12.
- This spending equates to around 0.2 per cent of GDP, which contrasts with the level set in the draft Implementation Strategy of the Climate Change Policy, which suggests around 1.6 per cent of GDP needs to be spent on climate change-relevant activities.
- The credibility of budgeted climate change-relevant expenditures is low, with around half of planned expenditure being spent in each of the four years.
- Only two projects across the whole of government expenditure could be classified as being highly relevant to climate change: the Climate Change Unit housed in MWE and the development project promoting renewable energy and energy efficiency in MEMD. Most programmes identified by the study team are of low relevance, where the main objective of expenditure is not explicitly related to climate change.
- Relevant expenditure is presently heavily concentrated in a few Ministries: agriculture, water and environment, energy, and transport, and with the exception of the Ministry of Energy, is primarily focused on supporting adaptation activities.
- The years 2008/9-2011/12 have not been one of major change in the pattern of climate change-relevant expenditure. Most Ministries have continued with broadly the same number of programmes by relevance over the period studied.
- The relationships and linkages between central Ministries and their subordinate agencies needs to be better understood to ensure that relevant expenditure is handled most effectively. Focusing attention and funding on the lead Ministry of a particular grouping may not necessarily be the most effective way to engage with the agencies and staff actually undertaking climate change-relevant work.
- International climate funds have not delivered significant financing in Uganda; available information suggests that less than Sh 400 million may have been disbursed to-date; this is in contrast to the intentions of the National Vision, which expects significant financing for national climate change-relevant programmes to come from international climate funds.
- Donor funding for climate change-relevant activities is potentially significant in terms of the size of committed funds, but it is difficult to estimate actual expenditure accurately given the lack of information in the public domain regarding the specific disbursements of these donor programmes.

6.1 Introduction

The preceding chapters have discussed the policy and institutional responses that the Ugandan government has made to the emerging challenge of climate change. It has also set out an overview of the Ugandan

government's fiscal context by situating public spending in the wider macro-economic environment. The previous chapter also discussed the strengths and weaknesses of the government's public financial management systems, and the implications that these have for effective management of climate change-relevant expenditure.

This chapter extends the analysis to consider the total amount and distribution by Ministry of government expenditure that finances climate change-relevant activities, programmes and interventions. By reviewing the distribution of such expenditure across the government's expenditure areas, it is possible to gain an understanding of how public expenditure is currently funding programmes that will support climate change adaptation or mitigation actions. This analysis should help inform policy makers with regard to future allocation decisions and the impact of such decisions on adaptation and mitigation.

The analysis in this chapter adopts the following structure:

a) A summary of the data sources that have been used to inform the analysis, including their strengths and weaknesses.

b) Analysis of findings from a review of the Ugandan government budget, in terms of expenditure on climate change-relevant activities for the financial years 2008/9 to 2011/12.

c) A summary of findings from an exploratory review of non-government expenditure on climate change, primarily expenditure from international climate funds and from major donor initiatives over the same period.

6.2 Summary of data sources used

In order to understand the situation regarding public expenditure on climate change-relevant activities, it is necessary to have a full picture of government expenditure at each stage of the budget process. As set out in the previous chapter, budget credibility across the Government of Uganda public expenditure systems is not fully robust, and has weakened in recent years. This means that spending plans published in the annual budget may not always result in the stated level of funding being released to the relevant spending agencies. Similarly, the release of cash to a spending agency for climate change-relevant activities does not always mean that the available funds are actually spent. Taken together, this can mean a substantial variation between original budgets and final outturns. Therefore, the analysis below has consciously aimed to compare budgets with final outturn spending. To do otherwise, and rely only on budgeted information, risks giving an unrealistic picture as to what has actually been spent in many areas.

Comprehensive Ugandan budget data covering budgeted expenditure and final outturn for the four year period 2008/9 to 2011/12 is not available in one single volume or dataset and had to be constructed. Some datasets – mostly budgeted expenditure – are in the public domain; however, information on actual outturns required direct engagement with the Ministry of Finance in order to access reasonably accurate data. The presentation of the data within the Ugandan budget system's various categorisations is not always consistent and directly comparable from year to year. In addition, machinery of government changes has meant that some Ministries have been split apart and merged into other institutions. This has complicated the task of trying to track expenditure on the same activities through different Ministerial configurations over the four years. As a result, there is no clear and fully comprehensive 'line of sight' of expenditure from budgets to outturns for all programmes on the same basis throughout the years reviewed. In some cases, therefore, it has been necessary to work manually putting together information from a number of slightly different datasets in order to construct a picture of expenditure over the study period. Unless otherwise indicated, the source

data for public expenditure is information provided by the government of Uganda budget documentation, Ministerial Policy Statements and, in some cases, follow-up consultations with individual contacts within the Ministries concerned.

The expenditure analysis covers both recurrent and development expenditure. In common with many other countries in the region, the Ugandan government budget is split between these two categories. In theory, recurrent expenditure meets the day-to-day costs of government services, and the development budget provides funding for capital and new investments. Development budget funding may come from government or from external funders such as donors. However, this distinction is not always adhered to. In a recent report on public financial management systems in Uganda, it was suggested that in practice the distinction between capital and recurrent expenditure lacks meaning (Ministry of Finance 2012).

Regarding international climate funds and donor spending, the expenditure data is less complete. Whereas Ugandan government expenditure passes overwhelmingly through regular public financial management systems and is therefore identifiable through the government budget, spending by other actors is more difficult to track. For example, spending by an international NGO on climate-related disaster preparedness or response to a disaster in a particular district will not always be recorded by government or international climate fund data systems. Yet, if such projects are taking place throughout the country they could form an important part of total national expenditure on climate change-relevant activities. Given time constraints, this analysis has therefore aimed to review the expenditure of the largest non-government actors in Uganda – primarily donor agencies and international climate funds – in order to get a sense of what funds they are using to finance climate change-relevant activities in the country and allow a first, broad comparison to the funds being spent by government. It is acknowledged that this is not comprehensive and further analysis of international funding sources is required.

The following sections review government expenditure on climate change through a number of lenses. First, the analysis considers total expenditure on climate change-relevant activities compared to overall government expenditure and to GDP. Budget credibility is also considered by comparing budgeted expenditure to actual outturn. Second, the pattern of climate change expenditure by Ministry and by high, medium and low relevance, and by recurrent and development budget, is considered. Finally, the analysis reviews the degree to which climate change-relevant expenditure is focused on adaptation as compared to mitigation activity. It should be noted that during the period shown, the Ugandan economy experienced significant inflation (discussed in Figure 5.2 in relation to budget credibility), with annual rates ranging between 6 and 24 per cent. This occurred alongside sizeable currency depreciation over the same period. As a result, comparison of nominal shilling figures between years, and their value in relation to other currencies, needs to be carefully interpreted.

Within the discussion, the term ‘Ministry’ is used to cover both the central Ministry itself but also the subvented agencies for which they are responsible, unless otherwise stated. For example, the figures for the Ministry of Agriculture, Animal Industry and Fisheries include the National Agriculture Research Organisation; the Ministry of Water and Environment also includes expenditure through the National Environment Management Authority and the National Forestry Authority. The analysis considers them as one Ministry where total spending by Ministry is considered below, except where spending is specifically disaggregated by contributing agency.

6.3 Analysis of public expenditure on climate-relevant activities

The analysis of public expenditure on climate change-relevant activities under this section covers the following elements: total climate change related spending; climate change relevant expenditure by ministry; disaggregated spending between ministries and selected agencies under each ministry; climate change relevance of the spending; the relationship between recurrent and development expenditure and implications for climate financing; classification of spending as adaptation or mitigation expenditure; international climate funds; and donor expenditures.

Total spend on climate change-relevant activities

In line with overall government expenditure, climate change-relevant expenditure has grown relatively strongly in cash terms over the period studied – although this has been in the presence of high inflation, as noted above. Total expenditure has increased from Shs 41.5 bn to Shs 71.8 bn (Table 6.1). Total spending on climate change-relevant activities is estimated at around one per cent of government expenditure, and this has remained broadly constant over the four year period 2008/9 to 2011/12 (Table 6.2).

Table 6.1: Growth in climate change-relevant expenditure compared to non-climate change-relevant expenditure 2008/9-2011/12

	Total CC expenditure (bn Shs)	Increase from previous year (%)	Non CC-relevant expenditure (bn Shs)	Increase from previous year (%)
2008/09	41.5		3,859	
2009/10	53.6	28.0	5,389	39.6
2010/11	66.5	25.1	8,146	51.1
2011/12	71.8	8.0	8,179	0.4

Table 6.2: Climate change expenditure as a share of government expenditure, 2008/9-2011/12

	Total expenditure (bn Shs)	Total climate change expenditure (bn Shs)	% of government expenditure
2008/09	3,901	41.5	1.06
2009/10	5,443	53.6	0.98
2010/11	8,213	66.5	0.81
2011/12	8,251	71.8	0.87

Government expenditure has grown substantially faster than GDP over the period shown, as noted in the preceding chapter. As a result, climate change-relevant expenditure has marginally increased its share as a percentage of GDP over the period shown (Table 6.3). However, total expenditure on climate change-relevant public expenditure as a percentage of GDP is very low, at less than one per cent of GDP. This stands in stark

contrast to the costed implementation strategy for the government's climate change policy, which suggests that funding of around 1.6 per cent of GDP a year is required. This would mean that, in order to deliver the strategy, significant additional financing is required above what is currently spent on climate change-relevant actions.

Table 6.3 Climate change-relevant expenditure as a percentage of GDP, 2008/9 – 2011/12

Financial Year	GDP (bn Shs)	Total CC-relevant expenditure (bn Shs)	% of GDP
2008/09	30,101	41.5	0.14
2009/10	34,908	53.6	0.15
2010/11	39,051	66.5	0.17
2011/12	49,087	71.8	0.15

Budgeted expenditure is typically a poor predictor of actual expenditure at an aggregate level. As noted in the preceding chapter regarding the background fiscal and public financial management picture in Uganda, overall budget credibility remains weak. Supplementary budgets and in-year virements between expenditure lines mean that the budget approved by Parliament is often not followed in practice during the year. As can be seen in Table 6.4, actual spending on climate change-relevant activities is around half of the budgeted amount, except for 2009/10.

Table 6.4 Comparison of budgeted vs. outturn for climate change-relevant expenditure

	Budgeted expenditure (bn Shs)	Outturn expenditure (bn Shs)	Difference in cash terms (bn Shs)	Outturn vs. budget as a percentage
2008/09	96.9	41.5	55.4	57.2
2009/10	203.4	53.2	150.2	73.9
2010/11	153.6	66.5	87.1	56.7
2011/12	136.0	71.8	64.3	47.2

The picture is similar at the level of individual Ministries, where budgeted climate change-relevant expenditure is a poor predictor of actual outturn (Table 6.5). Overall, there are substantial variations within all Ministries and for almost all years in terms of outturn compared to budgeted expenditure. The variation is almost always on the downside, with Ministries spending substantially less on climate change-relevant expenditure than originally expected. The reasons for this will vary from programme to programme. The results of the PEFA review of central government (Ministry of Finance 2012) suggest that poor cash management and late release of funds has a major impact on the ability of Ministries to manage their programmes, which would include climate-change relevant programmes.

Table 6.5: Budget compared to outturn for climate change-relevant expenditure by Ministry group, 2008/9 – 2011/12 (billion shs)

	2008/09		2009/10		2010/11		2011/12	
	Budget	Outturn	Budget	Outturn	Budget	Outturn	Budget	Outturn
MAAIF	5.6	5.6	9.4	1.6	3.5	6.5	7.4	2.3
MoH	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
MWE	9.5	6.4	13.9	5.8	16.8	7.1	25.9	13.7
MoWT	16.2	13.4	23.4	12.4	32.3	30.9	10.9	28.2
MLHUD	0.6	0.6	0.8	0.8	1.0	0.6	0.9	0.6
OPM	0.0	2.2	1.1	0.9	3.3	2.0	1.9	4.0
MTTI	0.1	0.0	0.1	0.1	0.1	0.0	-	-
MTIC	-	-	-	-	-	-	0.1	0.0
MTWA	-	-	-	-	-	-	0.0	0.0
MEMD	64.7	13.1	154.2	31.0	96.0	18.5	88.2	22.1
NPA	0.2	0.2	0.6	0.6	0.7	0.7	0.9	0.9
Total	**96.9**	**41.5**	**203.4**	**53.2**	**153.6**	**66.5**	**136.0**	**71.8**

Climate change relevant expenditure by Ministry

Climate change expenditure is concentrated in relatively few Ministries (Table 6.6). Well over half the relevant programmes by number were in just two Ministries (the Ministry of Water and Environment, and the Ministry of Agriculture, Animal Industry and Fisheries). Smaller numbers of climate change relevant programmes were found in the Ministry of Energy and Mineral Development and the Ministry of Works and Transport. Very few were found outside these four Ministries. Interestingly, while the national climate change policy and costed implementation strategy envisage a significant role for the Ministry of Health in contributing to Uganda's climate change response, no relevant programmes where found within this Ministry or its subvented agencies.

Table 6.6: Climate change-relevant programmes by Ministry, 2008/9 – 2011/12

	2008/9	2009/10	2010/11	2011/12
MWE	27	28	29	28
MAAIF	15	19	18	17
MEMD	5	12	12	12
MoWT	12	16	17	8
OPM	2	3	4	4

MTIC	0	0	0	1
NPA	1	1	1	1
MoH	0	0	0	0
MTTI	1	1	1	0
MTWA	0	0	0	0
Total	63	80	82	71

Disaggregating the Ministerial groupings

As noted above, the category of 'Ministry' used above includes subvented and autonomous agencies that operate under the mandate of the Ministry. The MAAIF, MoWT and MWE categorisations each include subsidiary agencies in the above data, while the other Ministries do not. In some cases, it is these agencies that account for the most significant climate change-relevant expenditures; in others, the Ministry is the leading spending agency in relation to climate change (Figures 6.1 – 6.3).

Figure 6.1: Share of climate-relevant expenditure between MAAIF and supporting agencies for budgeted and actual expenditure, average of 2008/9 – 2011/12

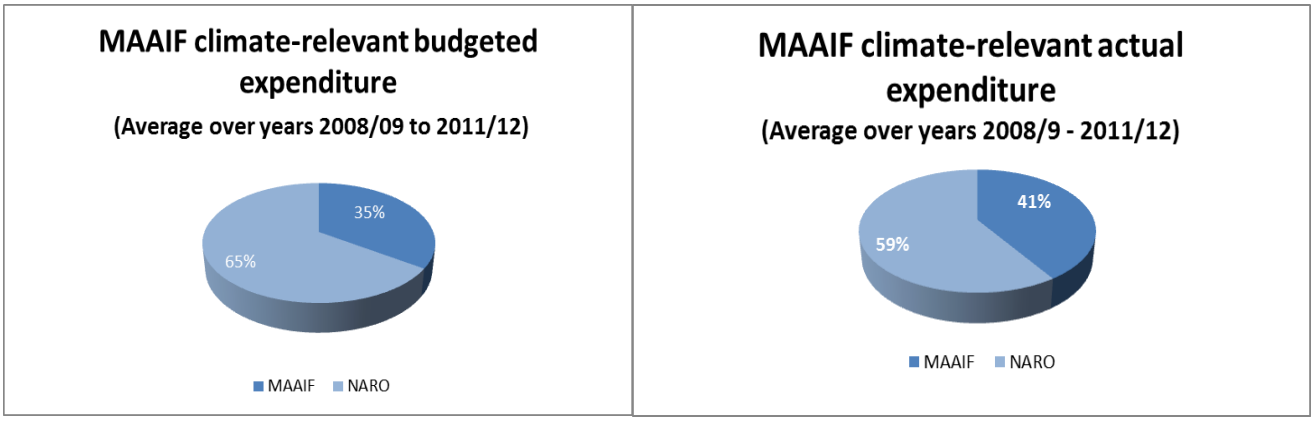


Figure 6.2: Share of climate-relevant expenditure between MoWT and supporting agencies for budgeted and actual expenditure, average of 2008/9 – 2011/12

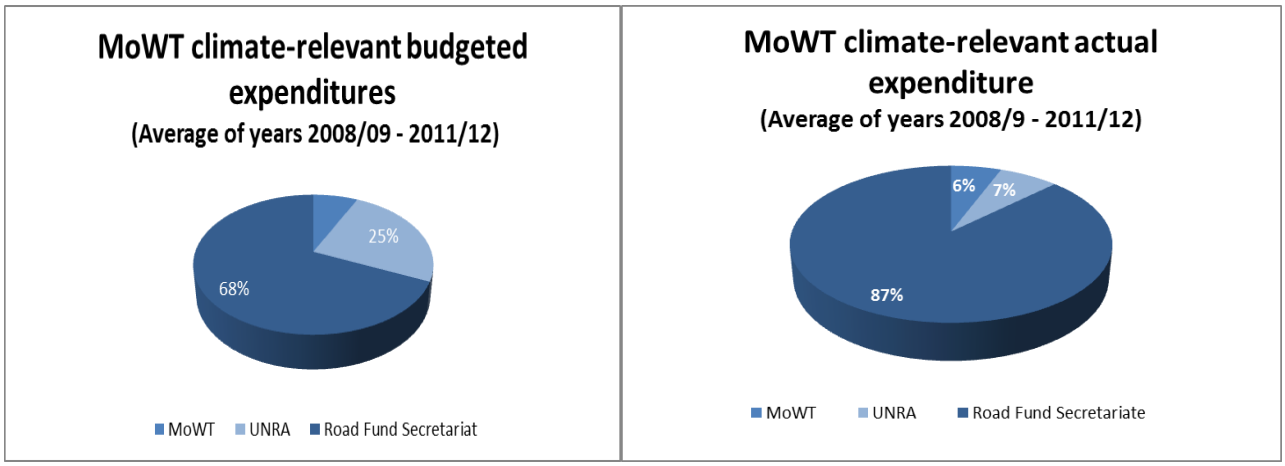
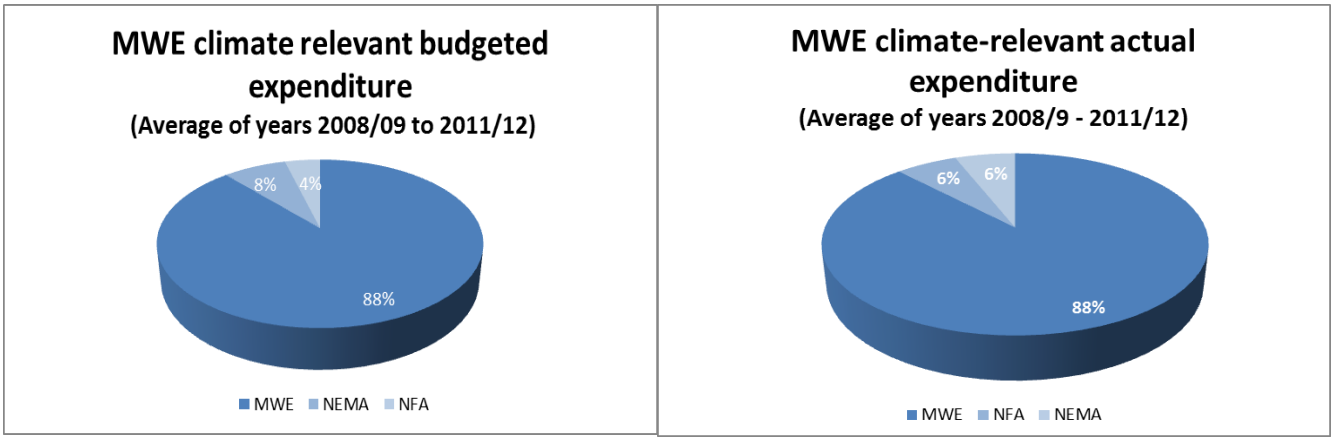


Figure 6.3: Share of climate-relevant expenditure between MWE and su5pporting agencies for budgeted and actual expenditure, average of 2008/9 – 2011/12



While MWE as an institution handles the majority of climate change-relevant expenditure within its collection of agencies, the same is not the case for MAAIF and MoWT. In both these ministerial groupings, other agencies (predominantly the Road Fund Secretariat and the National Agricultural Research Organisation) account for the bulk of climate change-relevant expenditures.

Overall, this would suggest that in terms of future planning for climate change-relevant expenditure, policy makers will need to consider the relationships and linkages between the central Ministries and their subordinate agencies to ensure that climate-relevant expenditure is handled most effectively. Focusing attention and funding on the lead Ministry of a particular grouping may not necessarily be the most effective way to engage with the agencies and staff actually undertaking climate change-relevant work.

Magnitude of climate change relevant spending by ministry

Expenditure on climate change-relevant activities represents a small part of the relevant Ministries' and ministry groupings' budgets. In total, climate-relevant expenditure has decreased from a high of 3.7 per cent in 2009/10 to around one per cent in 2011/12 (Table 6.7). Only for the MAAIF, MWE, NPA and MEMD does climate relevant expenditure account for five per cent or more of their actual expenditure.

Table 6.7: CC-relevant expenditure as a percentage of Ministry spending, 2008/9–2010/11

	2008/09			2009/10			2010/11			2011/12		
	Total spend	CC-relevant spend	CC-relevant as % total	Total spend	CC-relevant spend	CC-relevant as % total	Total spend	CC-relevant spend	CC-relevant as % total	Total spend	CC-relevant spend	CC-relevant as % total
MAAIF	120.9	5.6	4.6	111.5	1.6	1.5	120.7	6.5	5.4	143.4	2.3	1.6
MoH	111.1	0.0	0.0	66.0	0.0	0.0	58.1	0.0	0.0	59.1	0.0	0.0
MWE	55.6	6.4	11.5	61.0	5.8	9.5	72.8	7.1	9.7	87.6	13.7	15.7
MoWT	899.5	13.4	1.5	554.6	12.4	2.2	652.5	30.9	4.7	794.9	28.2	3.5
MLHUD	12.7	0.6	4.8	25.2	0.8	3.1	19.9	0.6	3.2	24.6	0.6	2.5
OPM	57.5	2.2	3.9	100.7	0.9	0.9	102.9	2.0	2.0	8044.4	4.0	0.0
MTTI	11.9	0.0	0.4	22.2	0.1	0.3	14.9	0.0	0.3			
MTIC	-	-	-	-	-	-	-	-	-	13.6	0.0	0.3
MTWA	-	-	-	-	-	-	-	-	-	0.0	0.0	0.0
MEMD	203.6	13.1	6.5	480.2	31.0	6.5	245.9	18.5	7.5	1014.1	22.1	2.2
NPA	6.1	0.2	3.6	6.5	0.6	8.8	7.9	0.7	9.4	9.5	0.9	9.5
Total	**1,479**	**41.5**	**2.8**	**1,428**	**53.15**	**3.7**	**1,296**	**66.5**	**0.1**	**10,191**	**71.8**	**1.0**

Climate change relevance of spending

There has been relative stability in the number of high, medium and low relevance programmes classified in each Ministry over the four years. Over the period studied, there has been very little movement in the number and location (in terms of Ministry) of high relevance programmes. There has been an increase in the number of medium relevance programmes, mostly in the MAAIF. Overall, there is a relatively large number of low relevance programmes, concentrated in three Ministries (MAAIF, MWE, MoWT), and this has stayed constant over the period reviewed. This would suggest that the years 2008/9-2011/12 have not been one of major change in the pattern of climate change-relevant expenditure. Most Ministries have continued with broadly the same number of programmes by relevance over the period studied.

In terms of the number of expenditure areas by relevance, most expenditure items are of low relevance with relatively few of high and medium relevance (Table 6.8). Only two projects across the whole of government expenditure could be classified as being highly relevant to climate change: the Climate Change Unit housed in MWE and the development project promoting renewable energy and energy efficiency in MEMD. The overwhelming number of programmes are of low relevance, where the main intention of the programme is something other than climate change-relevant activities and only a proportion of its intended impact can be

considered to have an adaptation or mitigation impact. Taking this information together would suggest that climate-relevant expenditure is relatively diffused between Ministries and Ministries' programmes.

Table 6.8: Number of high, medium and low relevance expenditure items by Ministry, 2008/9-2011/12

	2008/09			2009/10			2010/11			2011/12		
	High	Medium	Low	High	Medium	Low	High	Medium	Low	High	Medium	Low
MAAIF	0	2	13		5	14	0	5	13	0	5	12
MoH	0	0	0	0	0	0	0	0	0	0	0	0
MWE	0	2	25	1	2	25	1	2	26	1	2	25
MoWT	0	0	12	0	0	16	0	0	17	0	0	8
OPM	0	0	2	0	0	3	0	0	4	0	1	3
MTTI	0	0	1	0	0	1	0	0	1	-	-	-
MTWA	-	-	-	-	-	-	-	-	-	-	-	-
MTIC	-	-	-	-	-	-	-	-	-	0	0	1
MEMD	1	3	1	1	9	2	1	9	2	1	9	2
NPA	0	0	1	0	0	1	0	0	1	0	0	1
Total	1	7	55	2	16	62	2	16	64	2	17	52

Looking at the quantum of expenditure and the percentage of climate change-relevant expenditure under each relevance category confirms the view that the majority of expenditure is focused on low relevance projects. With the exception of the MEMD, almost all expenditure by value is concentrated in low relevance programmes (Table 6.9). MEMD has a slightly higher amount of its climate change-relevant expenditure in the medium relevance category. A review of the Ministry's programmes suggests that this relates to a number rural electrification projects, which might be assumed to experience peaks and troughs of expenditure as capital investment is made.

Table 6.9: Expenditure by high, medium and low relevance in cash terms (bn Shs), 2008/9-2011/12

	2008/09				2009/10				2010/11				2011/12			
	High	Medium	Low	Total	High	Medium	Low	Total	High	Medium	Low	Total	High	Medium	Low	Total
MAAIF	0.0	0.2	5.4	5.6	0.0	0.2	1.4	1.6	0.0	0.5	6.0	6.5	0.0	0.3	2.0	2.3
MoH	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
MWE	0.0	0.3	6.0	6.4	0.4	0.3	5.1	5.8	0.2	0.4	6.5	7.1	0.9	0.5	12.3	13.7
MoWT	0.0	0.0	13.4	13.4	0.0	0.0	12.4	12.4	0.0	0.0	30.9	30.9	0.0	0.0	28.2	28.2
MLHUD	0.0	0.0	0.6	0.6	0.0	0.0	0.8	0.8	0.0	0.0	0.6	0.6			0.6	0.6
OPM	0.0	0.0	2.2	2.2	0.0	0.0	0.9	0.9	0.0	0.0	2.0	2.0	0.0	2.0	1.9	4.0
MTTI	0.0	0.0	0.0	0.0	0.0	0.0	0.1	0.1	0.0	0.0	0.0	0.0	-	-	-	0.0
MTIC	-	-	-	0.0	-	-	-	0.0	-	-	-	0.0	0.0	0.0	0.0	0.0
MTWA	-	-	-	0.0	-	-	-	0.0	-	-	-	0.0	0.0	0.0	0.0	0.0
MEMD	0.1	4.4	8.6	13.1	0.2	20.8	10.0	31.0	0.2	16.8	1.5	18.5	0.4	21.5	0.1	22.1
NPA	0.0	0.0	0.2	0.2	0.0	0.0	0.6	0.6	0.0	0.0	0.7	0.7	0.0	0.0	0.9	0.9
Total	0.1	5.0	36.4	41.5	0.5	21.3	31.3	53.2	0.4	17.8	48.2	66.5	1.4	24.3	46.1	71.8

Table 6.10: Expenditure by high, medium and low relevance as a percentage of total Ministry climate change-relevant expenditure 2008/9–2011/12

	2008/09			2009/10			2010/11			2011/12		
	High	Medium	Low	High	Medium	Low	High	Medium	Low	High	Medium	Low
MAAIF	0.0	3.8	96.2		13.7	86.3	0.0	8.2	91.8	0.0	12.0	88.0
MoH	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
MWE	0.0	5.1	94.9	6.1	6.0	87.9	2.6	6.2	91.2	6.9	3.3	89.8
MoWT	0.0	0.0	100.0	0.0	0.0	100.0	0.0	0.0	100.0	0.0	0.0	100.0
MLHUD	0.0	0.0	100.0	0.0	0.0	100.0	0.0	0.0	100.0	0.0	0.0	100.0
OPM	0.0	0.0	100.0	0.0	0.0	100.0	0.0	0.0	100.0	0.0	0.0	100.0
MTTI	0.0	0.0	100.0	0.0	0.0	118.6	0.0	0.0	100.0	-	-	-
MTIC	-	-	-	-	-	-	-	-	-	0.0	0.0	100.0
MTWA	-	-	-	-	-	-	-	-	-	0.0	0.0	0.0
MEMD	0.9	33.8	65.4	0.6	67.0	32.4	1.3	90.9	7.8	1.8	97.5	0.6
NPA	0	0	100	0	0	100	0	0	100	0	0	100

Comparing climate change-relevant expenditure by relevance against total spend by Ministry (Table 6.11) shows that such spending makes up a low share of Ministry expenditure in almost all cases. Only in the MWE does a large number of low relevance expenditures make up between 8-14 per cent of expenditure.

Table 6.11: Climate change-relevant expenditure by high, medium and low relevance as a percentage of total Ministry expenditure, 2008/9-2011/12

	2008/09			2009/10			2010/11			2011/12		
	High	Medium	Low	High	Medium	Low	High	Medium	Low	High	Medium	Low
MAAIF	0.0	0.2	4.4		0.2	1.3	0.0	0.4	5.0	0.0	0.2	1.4
MoH	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
MWE	0.0	0.6	10.9	0.6	0.6	8.4	0.3	0.6	8.9	1.1	0.5	14.1
MoWT	0.0	0.0	1.5	0.0	0.0	2.2	0.0	0.0	4.7	0.0	0.0	3.5
MLHUD	0.0	0.0	4.8	0.0	0.0	3.1	0.0	0.0	3.2	0.0	0.0	2.5
OPM	0.0	0.0	3.9	0.0	0.0	0.9	0.0	0.0	2.0	0.0	0.0	0.0
MTTI	0.0	0.0	0.4	0.0	0.0	0.3	0.0	0.0	0.3	-	-	-
MTIC	-	-	-	-	-	-	-	-	-	0.0	0.0	0.3
MTWA	-	-	-	-	-	-	-	-	-	0.0	0.0	0.0
MEMD	0.1	2.2	4.2	0.0	4.3	2.1	0.1	6.8	0.6	0.0	2.1	0.0
NPA	0.0	0.0	3.6	0.0	0.0	8.8	0.0	0.0	9.4	0.0	0.0	9.5

Following on from a split by Ministry, it is clear that at an aggregate level, the majority of climate change-relevant expenditure is concentrated in low relevance programmes. High relevance programmes account for only around one per cent of climate change-relevant expenditure. Most expenditure on climate relevant programmes is comprised of contributions from a large number of low relevance programmes. The exception is 2009/10, where there is a large increase in the amount of expenditure classified as medium relevance (Table 6.12).

Table 6.12: Climate change-relevant expenditure by relevance as percentage of total climate change-relevant expenditure, 2008/9-2011/12

	High	Medium	Low
2008/09	0.3	12.0	87.7
2009/10	1.0	40.2	58.8
2010/11	0.6	26.8	72.6
2011/12	1.9	33.8	64.3

Recurrent and development expenditure

Uganda divides its expenditure into recurrent and development spending. Recurrent budgets are intended to finance on-going expenditure, whilst the development budget is expected to be on time-limited programmes, often capital investment. As noted in the previous chapter, the integrity of this dividing line has been questioned in recent reviews of the Uganda public finance system (MoFPED, 2012).

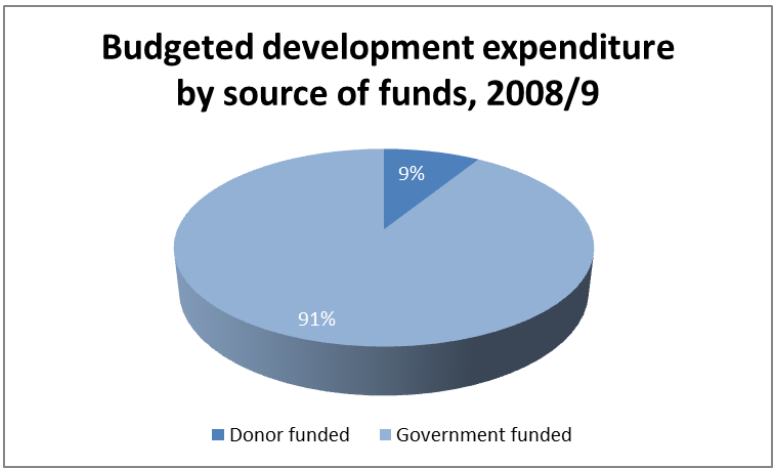
Climate change-relevant expenditures vary considerably by Ministry regarding whether they are scored as development or recurrent spending. Most Ministries have their climate change-relevant activities funded from the recurrent budget. However, certain Ministries with significant climate change-relevant spending focus their budgets on the development side, for example MAAIF, MWE and MEMD. There is also substantial variation between years in some Ministries, for example the MAAIF expenditure split between development and recurrent appears to change considerably from year to year (Table 6.13).

Table 6.13: Percentage of climate-change relevant budget classified as recurrent vs. development by Ministry, 2008/9 – 2011/12

	2008/09		2009/10		2010/11		2011/12	
	% CC spend Development	% CC spend Recurrent	% CC spend Development	% CC spend Recurrent	% CC spend Development	% CC spend Recurrent	% CC spend Development	% CC spend Recurrent
MAAIF	80.4	19.6	35.5	64.5	76.8	23.2	36.0	64.0
MoH	0.0	0.0	0.0	0.0		0.0	0.0	0
MWE	86.8	13.2	89.1	10.9	86.5	13.5	84.6	15.4
MoWT	1.9	98.1	5.3	94.7	1.9	98.1	3.0	97.0
MLHUD	60.5	39.5	51.6	48.4	52.4	47.6	42.8	57.2
OPM	1.6	98.4	23.1	76.9	23.2	76.8	11.3	88.7
MTTI	0.0	100.0	0.0	100.0	0.0	100.0	-	-
MTIC	-	-	-	-	-	-	0.0	100.0
MTWA	-	-	-	-	-	-	0.0	100.0
MEMD	99.9	0.1	99.9	0.1	99.9	0.1	98.8	1.2
NPA	0.0	100.0	0.0	100.0	0.0	100.0	0.0	100.0

Within the Uganda budget system, it is possible to distinguish between development expenditure that is financed by government and expenditures that are financed by donors. This can be applied to climate change-relevant expenditures to show the share of climate-relevant expenditures that are financed by donors, and those financed by government. This will give an indication as to the level of external assistance currently being used to finance the government's climate-relevant expenditures through the national budget. Due to limitation of data availability, information is only available for the year 2008/9; suggesting that there must be caution when attempting to extrapolate the findings to subsequent years.

Figure 6.4: Source of funding (donor and government) for budgeted climate-relevant development expenditure, 2008/9



As can be seen in Figure 6.4, the overwhelming majority of development expenditure that has relevance to climate change adaptation or mitigation is funded by government. While there is no 'correct' funding mix between government and donors on these issues, if the majority of development expenditure on climate change-relevant activities is from government, this increases the ability of government to amend and redirect these expenditures. This may make climate change-relevant development expenditure more flexible in the future as government implements its adaptation and mitigation strategies.

Adaptation and mitigation expenditure

Expenditures within the budget have been classified as mitigation or adaptation depending on the activities being undertaken. Government programmes and activities have been reviewed against their intended impact, and classified according to whether these impacts are concerned with climate change mitigation or adaptation activities. Where the activity appears to be both, the expenditure has been weighted in proportion to the apparent share of the impact of the activity between mitigation and adaptation activities. In programme spending lines where activities and impacts are unclear, additional clarification on intended impact has been sought from the lead Ministry.

Overall, more is spent on adaptation than mitigation activities, but the relative balance changes within the years (Table 6.14). Adaptation is clearly the area of greatest spend within climate change-relevant expenditures, although there was greater mitigation spending in 2009/10. This is mostly due to the start of investments in major clean energy projects, such as hydropower generation. Nevertheless, over the period studied the majority of funds expended on climate-change relevant activities have been on adaptation relevant activities.

Table 6.14: Expenditure on, and percentage spend of, adaptation compared to mitigation activities for climate-relevant expenditures across all Ministries 2008/9 – 2011/12

	Adaptation spending (bn Shs)	% of total climate expenditure	Mitigation spending (bn Shs)	% of total climate expenditure
2008/09	27.6	66.5	13.9	33.5
2009/10	21.2	39.9	31.9	60.1
2010/11	46.6	70.2	19.8	29.8
2011/12	46.9	65.3	24.9	34.7

The pattern of adaptation compared to mitigation spending varies substantially between Ministries. Most Ministries have nearly all their climate-relevant expenditure focused on adaptation activities. For example, among the largest spending Ministries on climate change-relevant activities, the MoWT and MAAIF have nearly all their expenditure focused on adaptation expenditure. As might be expected, only one relatively large spending ministry – MEMD – has its expenditure focused on mitigation activities, as a result of expenditure on hydropower generation projects (Table 6.16).

Table 6.15: Adaptation expenditure in cash terms, as percentage of climate-relevant spending and total Ministry spending by Ministry, 2008/9-2011/12

	2008/09			2009/10			2010/11			2011/12		
	Spend (bn Shs)	As % of CC relevant spend	As % of total ministry spend	Spend (bn Shs)	As % of CC relevant spend	As % of total ministry spend	Spend (bn Shs)	As % of CC relevant spend	As % of total ministry spend	Spend (bn Shs)	As % of CC relevant spend	As % of total ministry spend
MAAIF	5.5	98.9	4.6	1.6	97.5	1.4	6.5	99.7	5.4	2.2	98.5	1.6
MoH	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
MWE	5.8	91.2	10.5	5.3	90.3	8.6	6.2	87.5	8.5	11.4	83.0	13.0
MoWT	13.4	100.0	1.5	12.4	100.0	2.2	30.9	100.0	4.7	28.2	100.0	3.5
MLHUD	0.6	100.0	4.8	0.8	100.0	3.1	0.6	100.0	3.2	0.6	100.0	3.1
OPM	2.2	100.0	3.9	0.9	100.0	0.9	2.0	100.0	2.0	4.0	100.0	0.0
MTTI	0.0	50.0	0.2	0.0	50.0	0.1	0.0	50.0	0.2	-	-	-
MTIC	-	-	-	-	-	-	-	-	-	0.0	50.0	0.2
MTWA	-	-	-	-	-	-	-	-	-	0.0	0.0	0.0
MEMD	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
NPA	0.1	50.0	1.8	0.3	50.0	4.4	0.4	50.0	4.7	0.4	50.0	4.7

Table 6.16: Mitigation expenditure in cash terms, as percentage of climate-relevant spending and total Ministry spending by Ministry, 2008/9-2011/12

	2008/09			2009/10			2010/11			2011/12		
	Spend (bn Shs)	As % of CC relevant spend	As % of total ministry spend	Spend (bn Shs)	As % of CC relevant spend	As % of total ministry spend	Spend (bn Shs)	As % of CC relevant spend	As % of total ministry spend	Spend (bn Shs)	As % of CC relevant spend	As % of total ministry spend
MAAIF	0.1	1.1	0.1	0.0	2.5	0.0	0.0	0.3	0.0	0.0	1.5	0.0
MoH	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
MWE	0.6	8.8	1.0	0.6	9.7	0.9	0.9	12.5	1.2	2.3	17.0	2.7
MoWT	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
MLHUD	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
OPM	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
MTTI	0.0	0.2	0.1	0.0	0.1	0.1	0.0	50.0	0.2	-	-	-
MTIC	-	-	-	-	-	-	-	-	-	0.0	50.0	0.2
MTWA	-	-	-	-	-	-	-	-	-	0.0	0.0	0.0
MEMD	13.1	100.0	6.5	31.0	100.0	6.5	18.5	100.0	7.5	22.1	100.0	2.2
NPA	0.1	50.0	1.8	0.3	50.0	4.4	0.4	50.0	4.7	0.4	50.0	4.7

International climate funds

A number of international climate funds were active in Uganda over the study period of 2008/9 – 2011/12 (Table 6.17). These funds provide finance to various national and international actors for climate change-relevant activities. The funds active in Uganda are the EC's Global Climate Change Alliance; the Global Environment Facility; the UK-funded International Climate Fund; and the Forest Carbon Partnership Facility Readiness Fund. Some of these funds are providing finance to actors in Uganda, and others are operating regionally across a number of countries, including Uganda.

Despite the number of funds active in the country, confirmed total disbursements remain extremely small. Publically available data suggest that disbursements from these funds are only around USD 160,000. The true amount is likely higher, but information from some of the funds notes only that 'partial disbursement' has taken place, and does not provide cash figures. In any case, set against the volume of government expenditure, the contribution of international climate funds to financing climate change-relevant activities in Uganda appears negligible at the present time.

Table 6.17: International climate funds active in Uganda 2008/9 – 2011/12

Project	Focus	Main activities	Financial Instrument	Funder	Approved Year	Implementing partners	Approved (US$m)	Disbursed (US$m)
							(Ug Shs bn)[46]	(Ug Shs bn)
Readiness preparation formulation grant - Uganda	Mitigation – REDD	Support for country REDD-plus readiness activities	Grant	FCPF-RF	2010	NFA, MWE	0.2 0.47	0.16 0.373
Oxfam Climate Action Network (Climate Advocacy Officer)	Multiple foci	Support to civil society	Grant	UK ICF	2011	Oxfam	0.73 1.74	Partially disbursed
Parliamentary Forum on Climate Change (PFCC)	Multiple foci	Support to parliamentarians	Grant	UK ICF	2011	PFCC	1.04 2.59	Partially disbursed
UNDP Territorial Approach to Climate Change (TAAC) in Eastern Uganda	Multiple foci	Support to local government	Grant	UK ICF	2011	UNDP, Mbale district Local Government, MWE	0.16 0.4	Partially disbursed
Global Climate Change Alliance: Adaptation to climate change in Uganda	Adaptation	• Strengthen the institutional capacity of the Climate Change Unit of the Ministry of Water and Environment • CC awareness raised in selected government	Grant	GCCA	2012	MWE, MAAIF, FAO	14.3 35.9	0.00

[46] Projects are denominated in US$; Shilling exchange rates used are an average for the year in which the project was approved (2009: US$1=UGX2,026 ; 2010: US$1=2,335 UGX; 2011: US$1=UGX 2,487; 2012: US$1=UGX2513)

		departments and a target district • Promotion and dissemination of adaptation good practices in agriculture, and their integration into relevant policies and plans • Implementation of concrete actions to strengthen the resilience of rural populations and agricultural production systems						
Uganda: Strengthening Climate Information and Early Warning Systems in Uganda to Support Climate Resilient Development	Adaptation	• investments in weather and climate monitoring infrastructure, including hydrological and meteorological monitoring stations • measures to integrate climate information into development plans and early warning systems	Grant	LDCF	2012	MWE, OPM	4.0 10.0	0.00
LGGE Promoting Energy Efficiency in Buildings in Eastern Africa	Mitigation	To mainstream energy efficiency (EE) measures into housing policies, building codes, and building practices to achieve considerable avoidance of CO2 emissions as a result of improved building practices	Grant	GEF Trust Fund	2009	UNEP	0.70 1.4	unknown
Promoting Sustainable Transport Solutions for East Africa	Mitigation	Increase awareness and build support for the implementation of sustainable transport solutions	Grant	GEF Trust Fund	2010	UNEP	0.70 1.6	unknown

Source: *Climate Funds Update website: www.climatefundsupdate.org*

Donor expenditure

Official Development Assistance (ODA) funding is comparatively large as a percentage of GDP in Uganda, although not all of this goes through government systems. The latest available figures from the OECD-DAC suggest that Uganda received ODA totalling 9.6 per cent of GDP in 2011 (OECD-DAC 2012). The largest donors to Uganda in 2011 were the US ($338m), the World Bank/IDA ($253m), the UK ($163m) and the EU ($149m). In 2011/12, funding to government through grants and budget support totalled 3.3 per cent of GDP, with concessional loans – typically offered by donors, although not solely DAC donors – accounting for another 2.1 per cent of GDP (IMF 2012). This suggests that much donor funding does not flow through government systems.

Accounting for all donor funded climate change-relevant expenditure is not possible**.** Public spending flowing through standard government systems is captured in the national budget according to standardised coding, which allows for detailed analysis and review. Donor expenditure is not captured with the same level of consistency, and donor funds do not all flow through one single financial system. The Government of Uganda aid management system aims to update and track donor funding but, given the number of donors and the complexities of the different modalities that donors use, it is unlikely to be fully comprehensive and accessing data from the system is difficult. Original data collection of all donor and their associated projects to review activities for climate change relevance was beyond the scope of this study. Further complicating the issue is the fact that some donor funds are spent via government systems, leading to a risk of 'double counting' expenditures.

Given these limitations, and in part to maintain the focus of discussion on government actions and capabilities, the study has undertaken only a limited review of donor expenditure. The study has reviewed the largest programmes of the major donors (by volume in 2011 or by total commitment) in order to identify programmes that may be relevant to climate change activities. Although this does not provide a comprehensive view of donor funding for climate change-relevant activities, it does give a sense as to the magnitude of the funds being deployed (Table 6.18).

Table 6.18: Review of donor projects with possible climate change-relevant programmes[47]

Donor	Value (USD million)	Value (bn Shs)	Type of expenditure	Possible relevant climate change relevant programmes
USAID	2.7	6.7	Actual spend 2011	Water and Sanitation
World Bank	115.0	286.0	Total project commitment	Private power generation
	84.0	208.9	Total project commitment	Sustainable Environment and Carbon Finance
	3.1	7.7	Total project commitment	Kakira – Bagasse Cogeneration (Carbon offset)
	3.0	7.5	Total project commitment	Output Based Aid – Kampala Water Connections for the Poor
	120.0	298.4	Total project commitment	Agricultural Technology and Agribusiness Advisory Services
	120.0	298.4	Total project commitment	Electricity Sector Development Programme
	75.0	186.5	Total project commitment	Energy for Rural Transformation
	0.23	0.57	Total project commitment	Improving Management and Development of Uganda's Water Resources
	135.0	335.7	Total project commitment	Water Management and Development Programme
DFID	0.15	0.4	Actual spend 2011	Reducing Community Risk and Strengthening Disaster Response - Support to British Red Cross Working with Uganda Red Cross Society
EU	19.2	47.8	Unclear (10^{th} EDF)	Sector Support to Agriculture
	38.4	95.5	Unclear(10^{th} EDF)	Rural Recovery and Forestry

The figures suggest that donor expenditure on climate change is potentially very significant. Total committed expenditure for all projects runs into hundreds of millions of dollars. It is, however, unclear over how many years these projects are operating, and the degree to which they demonstrate high, medium or low climate change relevance. As noted, it is possible that some of this expenditure is passing through government systems and is therefore already captured in the expenditure analysis outlined above.

It is difficult to determine total donor funding for climate change-relevant activities from available information. As can be seen, the publicly available information is limited in many cases, and in others it is non-comparable.

[47] All currency values converted to US$ and then to UGX at 2011 rates as above

Some donors publish annual disbursements by project, and include detailed project information. Others report none of these. Since donor funding is a major source of financing for climate change activities, a more comprehensive study on such funding should be considered as a priority for purposes of guiding policy and the design of appropriate climate finance delivery mechanisms. There could also be merit in considering whether climate change-relevant donor funded projects could be included as a separate category in the data management systems of the Aid Liaison Unit in the Ministry of Finance.

6.4 Conclusions

Climate change-relevant expenditures are a relatively small part of the Ugandan budget. They account for around one per cent of central government expenditure, and this has remained relatively constant over the period. In addition, the credibility of expenditure in terms of actual spend compared to budget on climate change-relevant expenditure is low, at around 50 per cent for three of the four years considered. This is in line with the findings of other reviews of overall budget credibility in Uganda.

Climate change-relevant expenditure is primarily focused on adaptation activity, does not comprise a significant share of Ministries' budgets, and is made up of a large number of low relevance programmes. Taken together, this suggests that there is little significant, strategic investment in climate-relevant expenditure, and very little regarding mitigation expenditure. Instead, a great deal of expenditure is through programmes that aim at other impacts and activities, and of which only a part of their expenditure can be considered climate change relevant.

International climate funds appear to play a very small role in Uganda at the present time. Levels of committed funding under various climate change-relevant funds are very small and what little funding there is appears not to have been disbursed in many cases. Regarding traditional development partners, substantial funds have been committed through a number of projects that may have some climate change-relevance. However, the level of information required to review donor expenditure in the same way as for government expenditure is not readily available and further review would be required in order to arrive at a figure for donor expenditure on climate change-relevant activities.

7 Sub-national analysis

Chapter summary

- Whilst responsibility for coordinating climate change-related activities in Uganda rests with the central government, implementation will take place at the local level involving district governments.
- Local governments are heavily dependent on conditional financial transfers from central government, constituting over 90% of all local government funds. As a consequence, they have little flexibility, if any, to determine the scope and scale of climate change actions and financing within their jurisdiction.
- An analysis of climate expenditure in two district governments, Tororo and Ntungamo, over the period 2008-2012, reveals that only a small percentage of district spending can be considered as climate change-relevant (2% of total district expenditure).
- The vast majority of climate change-relevant activities are in relation to adaptation (98%) compared to mitigation (2%). The primary emphasis of district planning is on helping local communities deal with existing climate variability. Mitigation is not considered a development priority.
- No single project in either district was rated as 'highly relevant' to climate change; the majority are either of medium or low relevance. In addition, climate change-relevant activities are found in relation to only three sectors: agriculture, water, and natural resources.
- There are currently no financial or regulatory incentives for district governments to include climate change relevant projects within planning instruments such as the District Development Plans.
- The causes, impacts and possible responses to climate change are poorly understood amongst district government officials.

7.1 Introduction

The foregoing chapters have focussed on national-level policies, institutional arrangements and public expenditures relevant to climate change. However a study of this nature is not complete unless it also examines climate finance delivery at the sub-national level. In the case of Uganda, the sub-national level consists of both legal and administrative structures through which public finance is delivered. District local governments (also referred to as districts) and the sub-county local governments are corporate legal entities with powers to plan, budget and receive finance through the public finance management and delivery system. On the other hand, the county, parish and village are solely administrative units through which specific activities and interventions can be executed.

The rationale for an explicit climate change finance analysis at the sub-national level is that whilst national policies, institutions and financial resources need to be in place to undertake actions aimed at mitigation or adaptation, most implementation will take place at the local level. Moreover, the analysis of the sources of climate finance available at the local level can provide evidence of the strength of the links between national policy and local implementation and provide suggestions on how climate change-related investments can be translated into local expenditures and actions.

The methodology adopted for conducting the sub-national analysis combined a mix of qualitative and quantitative methods: a review of the decentralization policy framework that provides the context for local government responsibilities, functions and financing mechanisms; semi-structured interviews with key informants at the district level on their understanding of climate change activities and investments; a mapping of the sources of financing for climate change activities; and the tagging of climate change-relevant expenditures related to local plans and projects.

7.2 The case studies: Tororo and Ntungamo

Two local governments, Tororo and Ntungamo, were selected as case studies for the purposes of this study. Tororo Local Government is located in the Eastern part of Uganda, sharing Uganda's international border with Kenya. The district headquarters are located in Tororo Municipality located about 214 km from Uganda's capital city Kampala.[48] Ntungamo district is located in South West Uganda and shares Uganda's international border with Rwanda and the United Republic of Tanzania. Ntugamo Municipality, the headquarters of the district, is located approximately 400 km from Kampala.

These two local governments were selected for a variety of reasons. The first consideration was the need to select case studies where public officials and data were readily accessible given the constraints of time and funding available. The two districts are covered by ACODE's Local Government Councils Score Card Initiative and hence preliminary data, information and contacts were readily available through the score card data base.[49] The second criterion was their assessed level of vulnerability, as both of these local government areas are considered highly vulnerable to climate change. For example, parts of Ntungamo are located in Uganda's cattle corridor and suffer from intermittent and sometimes prolonged droughts that disrupt the economic and livelihood activities in the district. Over the last decade, Tororo has suffered major food shortages arising out of a decline in agricultural productivity. Like most local governments in Uganda, Tororo and Ntungamo are agricultural economies and they are likely to face major disruptions in economic activity unless appropriate adaptation actions are designed, financed and executed.

Figures based on the 2002 Uganda national population census estimate that Tororo district has a population of 438,500 with an annual population growth rate of 2.4%. Like the rest of the country, Tororo district has a young population with 69% below the age of eighteen. Subsistence agriculture is the dominant economic activity, consisting mainly of smallholder farms of approximately one hectare. Agriculture employs approximately 80% of the population in the district.[50] Given the likely impacts of climate change on water resource availability and crop yield, a failure to address issues of adaptation within agricultural planning may have significant negative implications for the economic well-being of local communities in the area.

Ntungamo district was established in 1993. This district has an estimated population of 386,800 according to projections based on the 2002 National Housing and Population Census. Like Tororo district, the economy of Ntungamo is dominated by crop and livestock agriculture. The majority of the population in the district do not have access to modern energy sources and rely primarily on wood and biomass as their major sources of energy. In addition, the road infrastructure is poorly developed and susceptible to major disruptions from extreme weather events, which result in the destruction of bridges and other associated infrastructure.

[48] Tororo District Local Government, 2011.Tororo District Development Plan for FY 2010/11-2014/2015. P.3.

[49] For more information about the ACODE Local Government Councils Score Card Initiative, see http://www.acode-u.org/documents/infosheet_11.pdf (Accessed on July 20, 2013).

[50] Supra note 5, p.8.

It is important to emphasise that these two districts should not be seen as a representative sample of the 111 local governments and lower local-level governments in Uganda. However, they do provide insights into what may be happening with regard to climate change finance delivery at this level. Since the draft National Climate Change Policy envisages a major implementation role for local governments, a more comprehensive and detailed analysis (with appropriate sampling) would further assist policy, planning and decision making on climate change by both central and local governments.

7.3 The sub-national level policy framework for climate change finance

An understanding of the sub-national policy framework ought to be anchored within the national policy on decentralization, which has been the lynchpin of public policy and the functioning of government in Uganda since independence in 1962. Up until 1986 when Yoweri Museveni became President after a five year insurgency, the decentralization system was mainly an administrative one, with local government administered programmes initiated and directed by the central government. However, from 1986, the government sought to introduce a decentralization system that would give more power, planning and fiscal autonomy to local governments. This implied that communities and local governments would increasingly exercise greater authority, power and autonomy in directing and managing local development planning and implementation. This decentralization philosophy was rooted in the Ten Point Programme, the ideological blueprint of the National Resistance Movement.[51]

In 1992, a fiscal decentralization component was added to the 'decentralization package' seeking to provide more discretionary financial resources to local governments.[52] The principles to guide decentralization and the nature of local government were captured in Article 179 of the Constitution of Uganda adopted in 1995. However, since that time practise has continued to evolve, with a tendency towards re-centralization. This trend is clearly evidenced through a series of constitutional, policy, legal and administrative actions whose effect has been to shrink the discretionary powers and autonomy of local governments with regard to planning, taxation and revenue generation, directly impacting their ability to develop and execute local development interventions.

Within this broad policy framework, sub-national level government units and in particular district local governments have a range of policy instruments through which climate change finance may be conceived, designed and delivered. The most important is the District Development Plan (DDP). The DDP is a multi-year rolling plan that details district policies, priorities and spending targets for the respective local governments.[53] Other relevant instruments include district capacity building plans, as well as integrated annual work plans.

A review of the current development plans for Tororo and Ntungamo does not show any particular emphasis on addressing issues of climate change. Indeed, there are no specific projects intended to address climate change within either DDP (although some projects are climate change-relevant). Tororo's DPP (2010-2015) is particularly silent and contains no explicit references to climate change. This is instructive given that interviews with district government staff point to the fact that Tororo has suffered major disruptions in agricultural productivity and food security due to changing weather patterns. In the case of Ntungamo District, the DDP makes scattered references to climate change, mainly with regards to management support services where

[51] See Ten Point Programme of the National Resistance Movement.

[52] See Republic of Uganda (1991). Fiscal Decentralization in Uganda: The Way Forward (Final Report), January 2001.

[53] The last district development for Ntungamo District covering the period 2008-2010 was approved by the District Council on June 12, 2008. The current district development plan for Tororo District covers the period 2010-2015.

climate change is seen as a threat. The Ntungamo District Development Plan also contains a reference to the fact that weather changes are an underlying cause of food insecurity, and in turn, a driver of poverty.

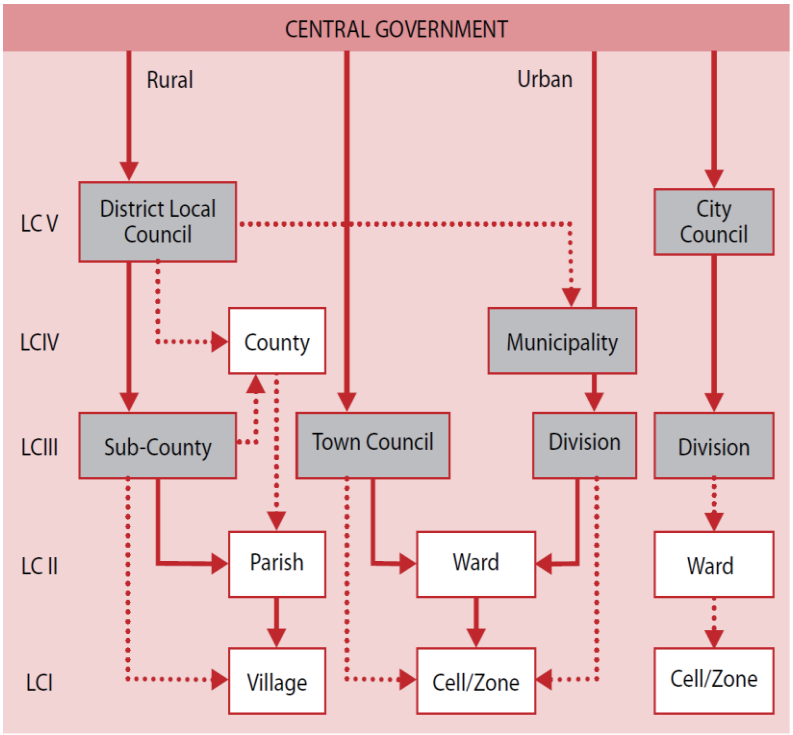
The absence of relevant narratives on climate change policy and actions at the district level is indicative of the fact that the national climate change policy discourse is not yet matched at the local government level. Consequently, unless investments are made to increase awareness among district level political leaders and planners, the full range of policy options contained in the various national policy instruments discussed in the previous chapters may not be pursued appropriately.

7.4 Sub-national level climate change finance delivery institutional framework

The national policy on climate change envisages a major role for local government with regard to the implementation and hence the delivery of climate change finance. The national institutional framework also emphasizes the fact that the local government system remains the most relevant institutional mechanism through which climate change finance can be delivered and for anchoring local ownership of climate change interventions. It is therefore important to understand the current institutional architecture at the sub-national level and the extent to which it is configured to facilitate the effective delivery of climate finance.

There are two dimensions of the institutional framework for climate change finance delivery at the sub-national level. The first comprises the political and administrative structure. This involves the vertical local council structure from the District Local Council downwards to each village unit (Figure 7.1). Within this structure, the district local governments and the sub-county local governments are established as corporate legal entities. This vests them with the requisite legal character that entitles them to receive, manage and spend public funds or impose certain fees and charges to raise local revenues. There are other local government units that are purely administrative in function: these include the county, the parish and the village. This political-cum policy structure is important because of its role in formulating appropriate policies and plans and implementing actions at the respective levels.

Figure 7.1: The local government governance structure

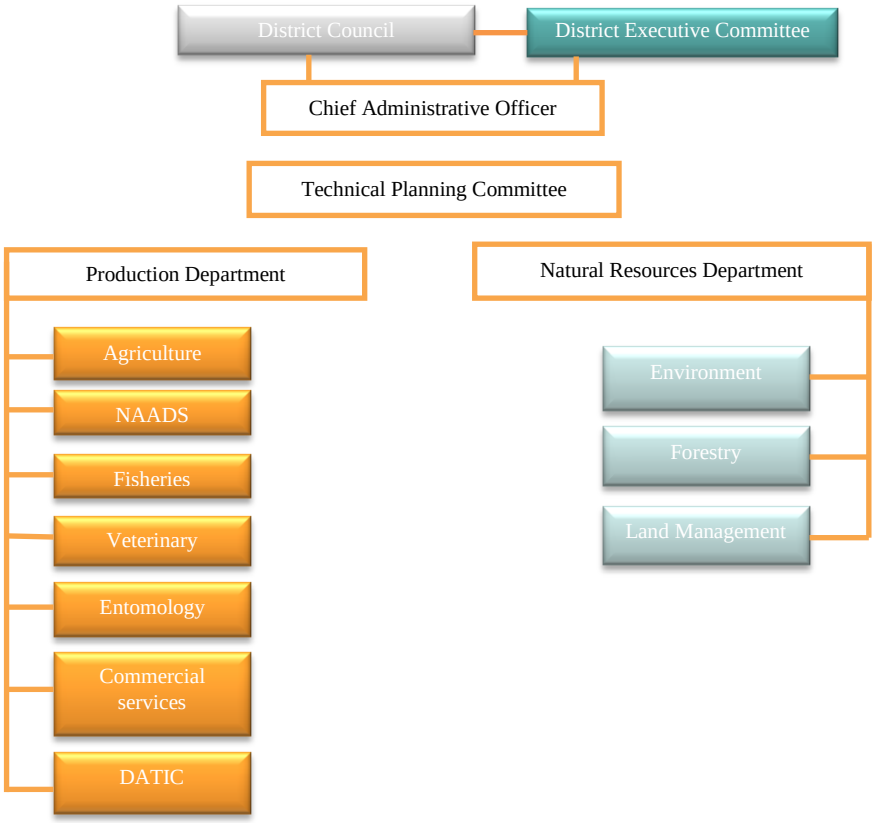


In Figure 7.1 boxes that are shaded imply that the respective level is a corporate structure with legal capacity and mandate. The boxes that are not shaded show structures within the system that strictly perform only administrative functions.

The second dimension of the local government structure relevant to climate finance delivery at the sub-national government level is the technical arm of the local government system (Figure 7.2). This technical side is headed by a Chief Administrative Officer (CAO) and comprises numerous departments with the mandate to plan, budget and execute specific projects and activities. At present, the District Technical Planning Committee is chaired by the CAO and provides the mechanisms for intra-sector coordination at the district level. This coordination can be for planning, budgeting as well as monitoring of implementation of district programmes. The effectiveness of the Technical Planning Committee in directing appropriate funding towards the financing of climate change adaptation and mitigation activities will depend heavily on the competencies of the technical staff.

The implication of this institutional framework is that it provides a tremendous opportunity for effective planning and targeting of climate change actions at the lowest level of government in both rural areas as well as urban centres. The framework also provides an opportunity for channelling public funds to implement local level climate change actions hence increasing the potential for impact. However, as already discussed, this institutional framework can only be meaningful when appropriate financial and other resources are made available to the different departments and offices.

Figure 7.2: a typical administrative structure at the district level

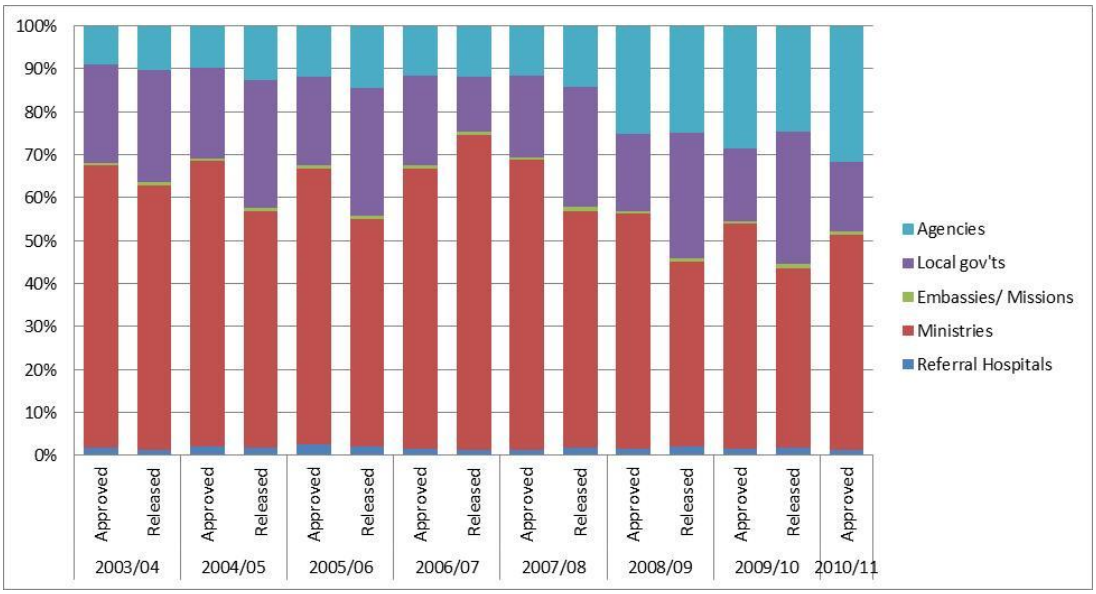


7.5 Public spending at the sub-national level

The decentralization policy and the existence of a comprehensive institutional framework at the sub-national level represent an opportunity for effective climate finance delivery and targeting of locally specific climate change actions. However, public expenditure on climate change is constrained by the fiscal regime and budget architecture. The financing architecture for local governments can be divided into three categories: central government transfers; locally collected revenues; and donor funds. Of these, central government transfers are, by far, the major source of financing.

The bulk of the national budget resources are spent through line ministries. As shown in Figure 7.3, between 50% and 70% of national public funds are allocated to line ministries. This is followed by statutory agencies. In 2010/2011, approximately 80% of the budget was allocated to these two expenditure centres. This implies that line ministries and central government statutory agencies have considerable influence in determining the nature and level of funding channelled towards the financing of climate change actions at the sub-national level.

Figure 7.3: Government spending by mandated institutions



Central Government grants to local government are disbursed through a variety of instruments such as conditional grants, non-conditional grants or equalization grants. These grants, often referred to as central government transfers, constitute over 90% of all funding for local governments. Central government transfers have been increasing over the years (Figure 7.4). This creates the impression that local government financing continues to improve. However grants are tied to specific functions and activities, so as the volume of transfers increase, so do the expectations of what can be delivered. The conditional nature of the bulk of the grants means that local governments do not have the desired flexibility to set local priorities, including for climate change. Also, whilst funding to local governments has increased in absolute terms, the share of local government budget allocations as a percentage of the national budget has declined from 23% in 2005/06 to approximately 16% in the financial year 2012/13 (Figure 7.5).

The current local government financing architecture is compounded by the fact that the majority of local governments do not collect adequate local revenues to fund their own budgets. Since the abolition of

graduated tax in 2006, local revenue collection has much reduced, remaining within the range of 30-40 billion Shs over the period 2005-2009 (Figure 7.6).

Donor funding is the second most important source of funding for local governments after central government transfers. However, there is scant information on this category of funding. Where records exist, this source appears to be of poor reliability. For example, according to the Tororo District Development Plan (2010/2011) only 39% and 58% of total donor funds pledged for the FY2009/2010 and FY2010/2011 were released.

The implication of this funding architecture is that local governments have very little financial flexibility to plan, prioritize and follow through with the execution of climate change actions.

Figure 7.4: Annual releases to local government in absolute terms (2001 – 2012)

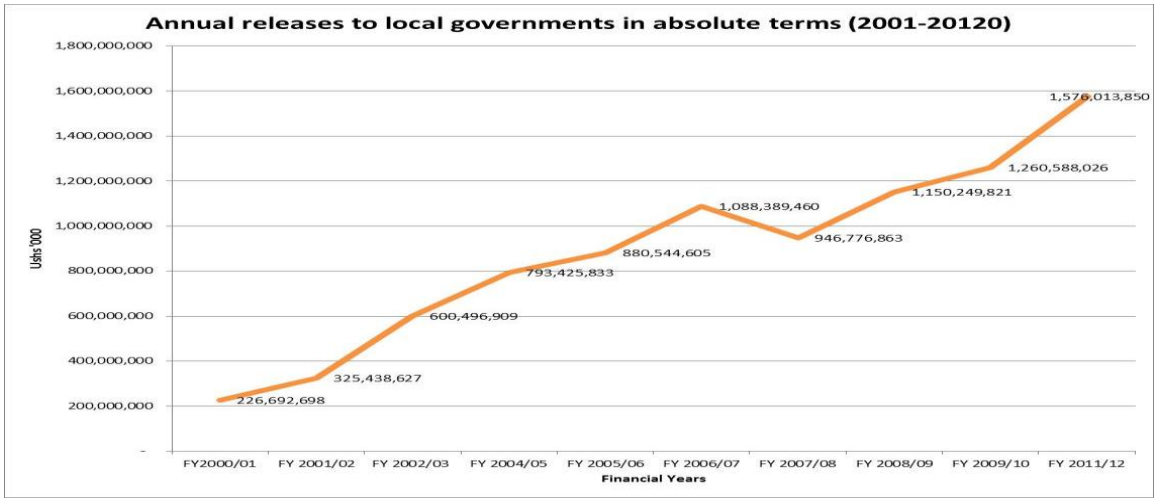


Figure 7.5: Annual transfers to local governments as as percentage of the national budget

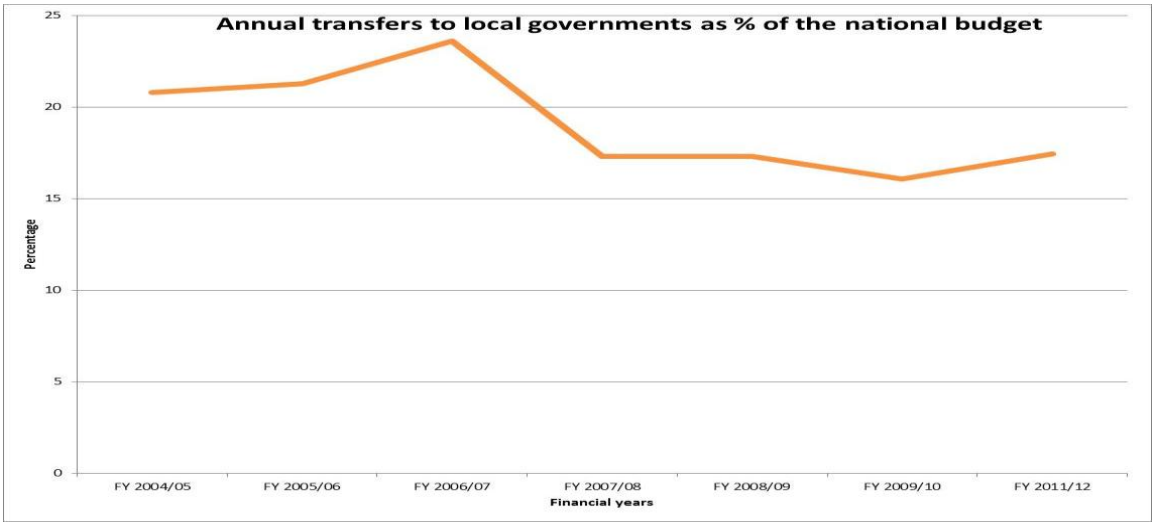
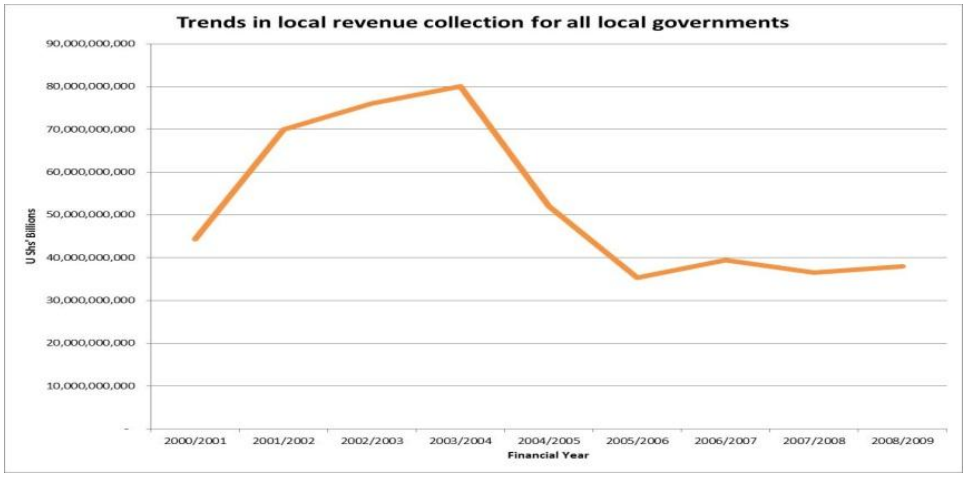


Figure 7.6: Trends in local revenue collection for all local governments, 2000/2001 – 2008/09



7.6 Tororo Local Government Public Expenditure Analysis

Mapping of climate change-relevant investments at the district level mirrored the approach adopted at the national level. Plans, projects and their related expenditures were coded following the study classification methodology, as described in chapter 2. Accessing the budgetary data and annual work plans used to map and classify climate change activities and investments proved to be relatively straight-forward.

In reviewing the data from the district budget, and applying our study methodology, climate change-relevant expenditure in Tororo District has doubled in cash terms over the four year period studied, from Shs 0.21 bn to Shs 0.40 bn per year (Table 7.1). However, the share of overall district government spending has seen only a modest increase (Table 7.2) and represents a very small percentage of district spending, at less than 2 percent.

Table 7.1: Growth in climate change-related expenditure compared to non-climate change-related expenditure 2008/9-2011/12

	Total CC relevant expenditure (bn Shs)	Percentage change from previous year (%)	Non CC-relevant expenditure (bn Shs)	Percentage change from previous year (%)
2008/09	0.21	-	12.86	-
2009/10	0.42	+100	21.26	+65
2010/11	0.59	+40	23.43	+10
2011/12	0.40	-32	21.55	-8

Table 7.2: Climate change-related expenditure as a share of district expenditure, 2008/9-2011/12

	Total expenditure (bn Shs)	Total climate expenditure (bn Shs)	% of district government expenditure
2008/09	13.07	0.21	1.6
2009/10	21.68	0.42	1.9
2010/11	24.02	0.59	2.5
2011/12	21.95	0.40	1.8

As with central government spending, budgeted climate relevant expenditure is not a good predictor of actual expenditure at an aggregate level. The average level of actual climate change-relevant expenditure as a percentage of the budgeted expenditure over the four year period 2008-2012 for Tororo District is 65% (Table 7.3).

Table 7.3 Comparison of budgeted vs. outturn for climate-related expenditure, 2008/9 – 2011/12

	Budgeted climate related expenditure (bn Shs)	Outturn climate related expenditure (bn Shs)	Difference in cash terms (bn shs)	Outturn vs. budget as a percentage
2008/09	0.42	0.21	0.21	50.0
2009/10	0.56	0.42	0.14	75.0
2010/11	0.82	0.59	0.23	72.0
2011/12	0.64	0.40	0.24	62.5

Climate change-relevant expenditure by Sector

Climate change-relevant expenditure is found in only three sectors in Tororo District: agriculture, water, and natural resources. There has been a modest fall in the number of climate-related programmes over the four year period, from eight to five (Table 7.4), although actual expenditure has almost doubled (Table 7.5). Most spending has been in the agricultural sector (Figure 7.7).

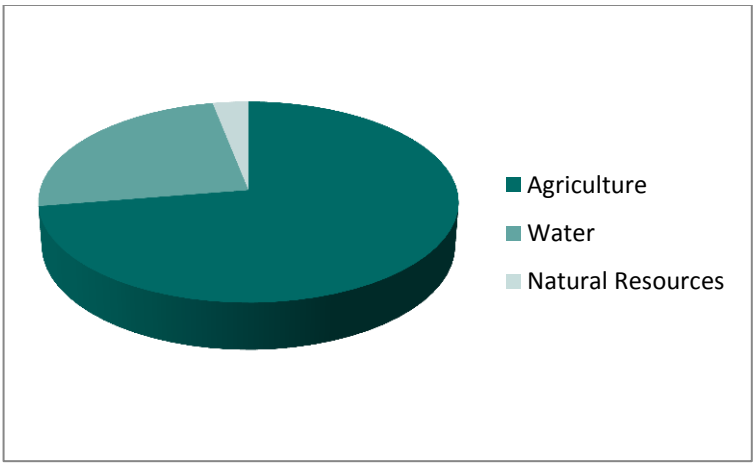
Table 7.4: Climate change-relevant programmes by sector, 2008/9 – 2011/12

	2008/9	2009/10	2010/11	2011/12
Agriculture	4	4	4	2
Water	2	2	2	2
Natural Resources	2	1	1	1
Total	8	7	7	5

Table 7.5: Climate change-relevant expenditure by sector in cash terms (mn Shs), 2008/9 – 2011/12

	2008/9	2009/10	2010/11	2011/12	Total
Agriculture	100.0	272.5	412.8	380.4	1,165.7
Water	103.2	103.7	172.6	13.9	393.4
Natural Resources	3.7	39.2	4.0	2.7	49.6
Total	206.9	415.4	589.4	397.0	

Figure 7.7: Climate change related expenditure by sector, 2008/9 – 2011/12



In terms of the number of expenditure areas by relevance, most expenditure items are of medium relevance, where responding to climate change is recognised as one of the secondary objectives of the expenditure. Examples of such expenditures within the agricultural sector include extension and advisory services on adaptation strategies such as new crop varieties and methods of cultivation tailored to changing agro-climatic conditions. Climate change relevant expenditure also covers research activities into new crop varieties that are adapted to changing agro-ecological conditions. There is clearly increasing appreciation of the potential impact of climate change on agricultural production systems and food security in the district. No high relevance climate change expenditure was found over the four year period (Table 7.6).

Table 7.6: Number of high, medium and low relevance expenditure items by sector, 2008/9-2011/12

	2008/09			2009/10			2010/11			2011/12		
	High	Medium	Low	High	Medium	Low	High	Medium	Low	High	Medium	Low
Water			2			2			2			2
Agriculture		3	1		3	1		3	1		1	1
Natural Resources		2			1			1			1	
Total	0	5	3	0	4	3	0	4	3	0	2	3

Adaptation and mitigation expenditure

The same methodology applied at the national level was used at the district level to distinguish between mitigation and adaptation strategies. District programmes and activities were reviewed against their intended impact, and classified according to whether these impacts are concerned with climate change mitigation or adaptation. Where the activity appeared to contribute to both climate change strategies, the expenditure was weighted equally (at 50:50).

Adaptation expenditure overwhelmingly predominates district level spending (Table 7.7), with mitigation activities only being apparent at a very small scale in the natural resources sector (associated with tree planting). Even here, the purpose of the expenditure is seen as much as being to increase the resilience of the local population (through improved environmental conditions and a potential future income source) as much as any consideration that tree planting acts as a carbon sink.

Table 7.7: Expenditure on, and percentage spend of, adaptation compared to mitigation activities for climate change-related expenditures in Tororo District, 2008/9 – 2011/12

	Adaptation % of total climate expenditure	Mitigation % of total climate expenditure
2008/09	99.1	0.9
2009/10	95.3	4.7
2010/11	99.7	0.3
2011/12	99.7	0.3

7.7 Ntungamo District climate change expenditure analysis

Public expenditure data for Ntungamo district is scant and does not provide adequate guidance on what constitutes climate change expenditures. However, based on our study methodology, a number of climate change-relevant expenditures were identified and analysed. Such expenditure has increased over the four year period. In the FY2008/09, total climate change relevant expenditure was estimated at Shs 0.11 billion. The level of spending increased over the period reaching Shs 0.47 billion in 2011/12 (Table 7.8).

Table 7.8: Growth in climate change-related expenditure compared to non-climate change-related expenditure 2008/9-2011/12

	Total climate expenditure (bn Shs)	Difference from previous year (%)	Non climate-related expenditure (bn Shs)	Difference from previous year (%)
2008/09	0.11	-	17.39	-
2009/10	0.43	+290.9	18.86	+8.5
2010/11	0.43	0.0	20.45	+8.4
2011/12	0.47	+9.3	24.23	+18.5

Table 7.9: Climate change-related expenditure as a share of actual district expenditure, 2008/9-2011/12

	Total expenditure (bn shs)	Total climate expenditure (bn shs)	% of district government expenditure
2008/09	17.50	0.11	0.6
2009/10	19.29	0.43	2.2
2010/11	20.88	0.43	2.1
2011/12	24.70	0.47	1.9

Table 7.10: Comparison of budgeted vs. outturn for climate-related expenditure, 2008/9 – 2011/12

	Budgeted climate related expenditure (mn Shs)	Outturn climate related expenditure (mn Shs)	Difference in cash terms (mn shs)	Outturn vs. budget as a percentage
2008/09	121.4	112.6	-8.8	92.8
2009/10	438.4	429.4	-9.0	97.9
2010/11	453.6	432.7	-20.9	95.4
2011/12	328.5	466.8	+138.3	142.1

Climate related expenditure by Sector

As in Tororo District, climate change-relevant expenditure by Ntungamo District Local Government is found in three sectors: agriculture, water and natural resources. The number of climate change-related programmes has remained the same over the four year period (Table 7.11), although actual expenditure has significantly increased (Table 7.10). By far the most spending has been in the agricultural sector, largely in relation to agricultural extension services (Figure 7.8).

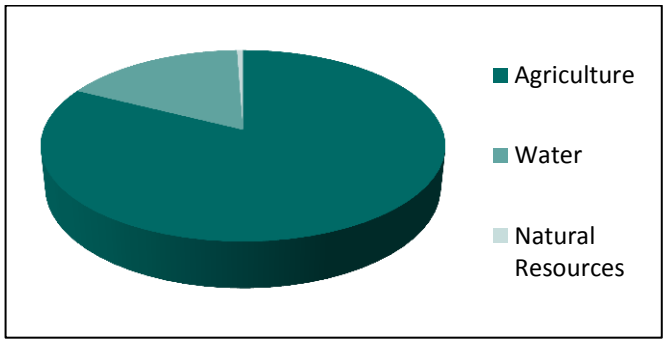
Table 7.11: Climate change-relevant programmes by sector, 2008/9 – 2011/12

Sector	2008/9	2009/10	2010/11	2011/12
Agriculture	3	2	2	2
Water	1	2	1	2
Natural Resources	2	1	1	1
Total	6	5	4	5

Table 7.12: Actual climate change-relevant expenditure by sector in cash terms (mn Shs), 2008/9 – 2011/12

FY	2008/9	2009/10	2010/11	2011/12	Total
Agriculture	68.8	338.8	362.9	388.9	1,159.4
Water	40.8	87.2	69.8	75.3	273.1
Natural Resources	3.0	3.4	0	2.6	9.0
Total	112.6	429.4	432.7	466.8	1,441.5

Figure 7.8: Climate change related expenditure by sector, 2008/9 – 2011/12



In terms of the number of expenditure areas by relevance in the district, most expenditure items are of medium relevance. This implies that responding to a changing climate is recognised as one of the objectives of the expenditure. Examples of such expenditures within the agricultural sector include extension and research activities where there is already an appreciation of the potential impact of climate change on agricultural production systems and food security. These expenditures focus on providing advice and assistance on crop varieties and methods of cultivation tailored to changing agro-climatic and ecological conditions. As in Tororo District, no high relevance climate change expenditure was found over the four year period (Table 7.13).

Table 7.13: Number of high, medium and low relevance expenditure items by sector, 2008/9-2011/12

	2008/09			2009/10			2010/11			2011/12		
	High	Medium	Low	High	Medium	Low	High	Medium	Low	High	Medium	Low
Water			1			2			1			2
Agriculture		3			1	1		1	1		1	1
Natural Resources		2			1			1			1	
Total	0	5	1	0	2	3	0	2	2	0	2	3

Adaptation and mitigation expenditure

As shown in Table 7.14, climate change expenditure in the district is almost exclusively directed at adaptation actions. Mitigation related expenditures are only apparent on a small scale in the natural resources sector where such activities are associated with tree planting.

Table 7.14: Expenditure on, and percentage spend of, adaptation compared to mitigation activities for actual climate-related expenditures in Ntungamo District, 2008/9 – 2011/12

	Adaptation % of total climate expenditure	Mitigation % of total climate expenditure
2008/09	98.7	1.3
2009/10	99.6	0.4
2010/11	100.0	0.0
2011/12	99.7	0.3

7.8 Lessons from the district case studies

Five important lessons can be discerned from this exploration of climate change relevant finance within the two district case studies.

First, there are clear differences in understanding of climate change at the national and the sub-national level. Whilst there is an emerging policy consensus on the development challenges caused by climate change and the need to confront these challenges in a coherent and systematic manner within national decision making, this consciousness is not yet apparent at the sub-national level. The various national policy processes such as the climate change policy, the national development plan, and Vision 2040, have provided platforms that have made climate change an important part of the national development policy discourse, yet such a discourse is not apparent at the sub-national level, where immediate development concerns dominate public policy.

Second, even within the two districts, the understanding of climate change and its relationship with local development policy are understood differently, at least based on the interviews with key informants. In particular, there were differences in understanding of what constitutes climate change activities. While most leaders interviewed in Tororo District were clear on what mitigation and adaptation activities are, the leaders in Ntungamo District considered climate change and environmental protection activities as being synonymous. A common understanding of climate change and climate change actions would be essential in ensuring that common climate finance delivery mechanisms are developed and adopted for sub-national level governments.

Third, in spite of the apparent different levels of understanding, the activities considered to be climate change-related seem to be the same across the two districts. In both cases, the following nine activities are considered to be related to climate change:

- Tree planting along the hills and roadsides to protect soil run-off during heavy rains
- Wetland management planning, with benefits related to flood control and groundwater replenishment
- Training farmers in methods of retaining soil moisture during times of water stress
- Provision of more drought/flood tolerant crop seedlings
- Control of bush burning
- Improved energy access and conservation
- Protecting watersheds
- Sensitization of district officials and communities about climate change
- Knowledge exchange between local communities in coping with and adapting to climate change

Unsurprisingly, most of these activities relate to adaptation. The emphasis of district-level officials is on helping local communities deal with existing climate variability, with longer-term horizons receiving little attention. Mitigation is not considered a priority in either district. However, informants noted the possibility of securing additional financial resources for carbon sequestration from the various carbon markets, although as of yet no projects exist.

Fourth, the two local governments seem to be approaching the issue of the institutional arrangements for climate change differently. In Tororo District, the district (in partnership with Plan Uganda) has formed a District Disaster Management Committee (DDMC). The Committee has formulated a District Disaster Management and Response Plan, although it has not been implemented due to lack of funding. The local government has yet to identify climate change projects to be implemented, as according to district officials interviewed for this study, they expect such plans to be developed after the National Climate Change Policy has been passed. In the case of Ntungamo District, no DDMC was in place[54], despite the respective policies require that they be established.

Finally, there appears to be a gap between what higher levels of government are mandated to do on climate change and what local governments receive in terms of support. Local officials have some awareness about climate change. However, in the absence of a clear definition of climate change activities (and expenditure) agreed at the national level, and with limited support provided by technical ministries and line agencies, the clarity about climate change activities and investments needed depends on the level of knowledge and awareness that local leaders possess.

[54] During the interview with the RDC in Ntungamo, he confirmed that Ntungamo District is not vulnerable to climate change and therefore no need to form those committees however much they are catered for in the National Climate Change Policy.

7.9 Conclusions

This sub-national analysis of climate change expenditures represents a first exploration of the delivery mechanisms associated with the national response to climate change. More in-depth analytical work is needed to understand the nature of climate change adaptation and mitigation actions at this level and how public funds are being channelled to support such actions. However, this preliminary work has provided a glimpse into the issues that may be explored further to provide insights into climate change policy, planning and financing at the sub-national level.

8 Conclusions

This study set out to identify climate change-relevant public expenditures within the Ugandan national budget system, and to carry out a preliminary assessment of whether such funding was being effectively deployed. Effectiveness has been measured through a governance and institutional lens, by examining how national policy processes and the institutions responsible for delivering government's climate change strategy relate to decisions over budget allocations.

These are clearly early days in the national response to climate change. This is not surprising considering the as yet ill-defined boundary that exists between present day climate variability and any significant shift in the parameters of Uganda's climate. The publication in 2014 of the fifth assessment report of the International Panel on Climate Change will provide an authoritative global view; understanding change at the national level remains problematic. This uncertainty raises doubts for policy makers who have to determine the appropriate level of funding going to climate change actions among the many development challenges facing the country. However, much has happened over the last five years, with a theme that had little policy attention now firmly enmeshed in national planning processes. Awareness of the potential impact that climate change will have on the country's developmental trajectory clearly needs to be strengthened further. The national climate change policy and strategy processes have made an early contribution, but much remains to be done, particularly at the sector and sub-national levels, where the implementation challenge will be greatest.

The Ministry of Finance plays the predominant role in managing the national budget and through the public finance management (PFM) system delivers funding to implementing agencies. The draft climate change policy recognises this fact, and clearly identifies leadership for the administration of climate finance to the ministry. Yet what this study has brought out is that the MoFPED has not yet clarified how it will fulfill this responsibility, including the financial mechanisms that will be needed to secure the timely delivery of funding to public service institutions. The long-term nature of responding to climate change, and the necessity for multi-year climate change-related investments in a range of sectors (e.g. energy, transport, and agriculture), places particular challenges on the national PFM system. So, climate finance should not be seen in isolation from public funding in general and the reforms necessary to make the national system more effective in terms of delivery.

The policy and institutional context helps to explain the funding patterns that this study has identified. The fact that the national climate change policy and strategy are still in draft form signals that a purposeful financing package has yet to mature. This is reflected in the fact that this study has not been able to identify a significant number of strategic investments in climate change-related actions across government's spending programmes over the period studied (2008/9 – 2011/12); nor has it been able to discern any major change in spending by the relevant government ministries. However, such change will come, brought about by an increasing incidence of damaging climate-related events, and this will present challenges for the implementing agencies. Now is the time for awareness raising and capacity strengthening of the relevant government ministries, departments and their staff – and an improvement in their administrative systems; otherwise, Uganda will be poorly prepared for the many climate change-related challenges that lie ahead.

Further analysis required

This study has highlighted the fact that much remains unknown about climate finance delivery at the national and sub-national levels and further empirical research will be needed to guide the development of public policy in this area.

First, little is known about the factors that influence the flow of climate finance through existing international climate funds and climate financing mechanisms. National policies that put emphasis on such funds as the source of funding for climate change action may therefore have difficulty in ensuring effective financing of their policy responses if access to this source of funding is not improved.

Second, given the fact that there is no coding for climate change-relevant expenditure in the current public finance management system, continuous research to re-test and reaffirm the criteria adopted in this study would provide useful empirical guidance for policy making and implementation in this area.

Third, the present gap in the data on 'off-budget' financing for climate change, delivered by traditional development partners, calls for an empirical study of relevant aid flows to determine the level of current commitments, actual disbursements and likely trends for future funding.

Finally, the two local government case studies conducted as part of this study only provide a glimpse into the unfinished business of designing appropriate policy response and climate finance delivery at the sub-national level. An in-depth study that builds on this preliminary analysis to improve understanding of the implications of the current financing architecture for climate change response at this level is essential for the full implementation of the national climate change policy and strategy.

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Annex 1. Measuring the effectiveness of public climate finance delivery at the national level[55]

1. Introduction

This framework proposes the use of a hierarchy of principles, criteria and indicators (PCI) that, taken collectively, can provide guidance for the analysis of how public climate finance is managed. The principles are drawn from the international literature and indicate what climate finance delivery should look like in an ideal world. The criteria and indicators differ in nature, as they are limited to reflect a progression towards compliance with the principles. They are not intended to define an ideal, but provide a pragmatic challenge to current practice and highlight important areas for progress. The framework provides, therefore, an outline for 'lines of enquiry' rather than a 'best practice' ideal.

In many ways, the principles attempt to formulate what 'good governance' in the sphere of climate finance management should look like. Extensive literature supports, challenges and critiques the 'good governance' approach and the (mis)use of international 'best practice' formulas to guide development interventions in low income countries. Building on this discussion, it is important to recognise that most government institutions, their policies and spending patterns are often far from ideal. Country context varies enormously, from middle-income high-capability states through to fragile low-income states with weak government capacity. The application of this framework therefore needs to acknowledge these differing contexts and will depend on further country-specific refinement.

2. What makes climate finance delivery effective in the national context?

In the absence of an internationally agreed definition of what makes national climate finance delivery effective, we have identified three interlinked elements of national public administration that can provide information on the performance of the systems in place to manage climate finance delivery. These elements are not separate spheres of activity, but are intimately related, with many interactions:

- first, the overall policy environment that supports climate change expenditure, from the formulation of climate change policy to its linkages to spending through national strategies and action plans.
- second, the institutional architecture that determines the role and responsibilities of the different parts of the government administration involved in managing the response to climate change, and their interaction.
- third, the financial systems through which climate change-related expenditures are channelled, e.g. the national budget and other funding mechanisms. Such funding supports activities, projects and programmes that are recognised as being part of the national response to climate change.

[55] Adapted from http://www.odi.org.uk/sites/odi.org.uk/files/odi-assets/publications-opinion-files/8303.pdf

This approach builds on the methodology adopted for a series of country studies implemented by the United Nations Development Programme (UNDP) in South-East Asia that began the detailed analysis of climate finance delivery at the national and sub-national levels (Bird et al., 2012).

There are already many methodologies and tools available to assess the effectiveness of public administration and public expenditure management in developing countries. There are both high level summary indices (e.g. the World Bank Institute 'World Governance Indicators') and very specific diagnostic tools (e.g. the Public Expenditure and Financial Accountability (PEFA) framework). The approach taken in this paper is to develop a more 'meso' or 'intermediate' level of analysis that is specific to climate change. This provides more detail than that found in high level indices – which do not have a specific 'climate financing' element – or those specific metrics that provide detailed scoring, such as PEFA. The hope is that this intermediate level of analysis will capture more contextual detail on the real day-to-day operation of policies, institutions and public expenditure management and make the analysis more relevant for both country governments and the international community.

3. Applying the principles, criteria and indicators (PCI) approach within each of the three elements

The PCI approach comprises principles (fundamental laws or truths, expressing a core concept), criteria (operational standards by which to judge the principles), and indicators (information to measure or describe observed trends) (Prabhu et al., 1996). This approach can be applied to each of these three elements of the national public administration to draw together a composite picture of whether or not finance for climate change-related actions is being delivered effectively. The next three sections list the principles, criteria and indicators that we have identified under each element.

3.1 Policy requirements for effective climate finance delivery

We identify four principles from the literature that underpin the development and implementation of policy, and are relevant to the effective delivery of national climate change finance:

- ease of implementation (Nill and Kemp, 2009; van den Bergh, 2013)
- legitimacy (Bierman and Gupta, 2011)
- coherence (Bird et al., 2012)
- transparency (Bird, 2010)

Climate change policies shall be designed for ease of implementation

Any framework to assess climate change policies needs to address the issue of implementation. Ultimately, the effectiveness of any policy is measured by its outcomes, as 'no matter how effective a policy may be at achieving certain goals in principle, it is useless if it cannot be implemented' (Thomas and Grindle, 1990: 1178). To allow for implementation, a policy should be costed (which is proving a major challenge for climate change policies), should have explicit, time-bound objectives and be supported by relevant instruments, including economic and regulatory measures as well as administrative norms. In short, if climate change policy is going to ensure the effective delivery of finance it needs to come with a set of implementing instruments and regulations: a complete 'policy package'.

The legitimacy of climate change policies shall be recognised by stakeholders

In many cases, climate change policies will require new governance arrangements and involve a wide set of stakeholders, as climate change requires interdisciplinary and cross-sectoral involvement. In general terms, legitimacy refers to the procedural processes of decision-making as well as the related governance arrangements (Biermann and Gupta, 2011). Legitimacy in the policy-design process is aided by the representation of different stakeholders, including those at greatest risk from climate change (Burton et al., 2002). However, the equal representation of different groups is unlikely, in reality, as it depends on the relative influence of different actors. For instance, those directly affected by climate change at the local level are unlikely to have a powerful voice with which to influence the executive and policy-makers in government.

Climate change policies shall be coherent with national development policies

Climate change policies need to be coherent with policies related to national development (Nill and Kemp, 2009). The national climate change response is often characterised by several strategy and planning processes and their integration to ensure the coherence of resource allocation is a major challenge. Although this challenge is not limited to climate-related policy, the interdisciplinary and cross-sectoral nature of climate change makes it essential to secure strong coordination and coherence, which may have to overcome vested interests.

Climate change policies shall promote transparency in climate finance delivery

Transparent funding decisions are essential to demonstrate effectiveness in climate finance delivery. Climate change policy should, therefore, contain appropriate guidance that commits all the key actors along the climate finance delivery chain to high standards of transparency. Transparency of policies and public spending plans may be secured through the official records of the national legislature.

These four principles can be developed further by identifying criteria that are consistent with each principle, and indicators of compliance for each that reflect current-day practice (Table 1). These criteria and indicators are not intended to be comprehensive, but focus on areas where the authors have observed some debate and traction in policy circles.

Table 1: Policy-related effectiveness principles, criteria and indicators (PCI) for climate finance delivery

Principle	Criteria	Indicators
Climate change policies shall be designed for ease of implementation.	• Policy objectives are clearly expressed.	• Targeted objectives are listed in the policy documentation. • Timelines to achieve the set policy objectives are articulated in the relevant policy documents. • The method for mobilising financial resources to implement the policy is contained within the policy statement.
	• Subsidiary instruments for implementation accompany the policies.	• Subsidiary instruments to achieve specific policy objectives are identifiable within the policy documents. • Timelines are in place to establish appropriate subsidiary instruments. • Appropriate subsidiary instruments are legally gazetted.
The legitimacy of climate change policies shall be recognised by stakeholders.	• Key stakeholders' interests are represented in policy-making processes.	• Policy-making platforms exist, where key policy decisions are made (e.g. policy working groups, expert working groups, sector working groups). • Existing policy platforms provide for representation of key stakeholders from both government and civil society. • Existing policy platforms provide opportunities for stakeholders to contribute to the policy-making process.
	• Policy-making is evidence-based.	• The policy formulation process is preceded by, and benefits from, background analytical work. • Policy think tanks and research institutions provide evidence-based analysis to support the policy process. • Relevant policy documents contain explicit references to background analytical work and contributions from policy think tanks.
Climate change policies shall be coherent with national development policies.	• Policy statements on climate change acknowledge national development goals.	• Reference is made to national development in the national climate change policy.
	• Climate change actions are consistent with strategies and planning processes for national development.	• Climate change strategy documents and national development goals refer to each other.
Climate change policies shall promote transparency in climate finance delivery.	• Climate change policies provide for the establishment and operationalisation of mechanisms and modalities to promote transparency.	• Mechanisms and modalities exist to promote transparency of climate finance.

3.2 Institutional requirements for effective climate finance delivery

Effectiveness is a performance measure and its scope depends on the identification of an objective or problem to be solved, which is determined within a particular context. In this case, an institutional assessment would help determine to what existing institutions enable or hinder climate finance delivery, allowing an understanding of their ability (or lack of ability) to achieve this objective. It is important to keep in mind that different disciplines 'look at effectiveness through different lenses and routinely reach divergent conclusions' (Young, 2003:99). An explicit analytical framework is needed, therefore, to conduct the assessment in a replicable manner. The proposed approach consists of an investigation of public, private, and civil society organisations, as well as the rules governing their interaction and dynamics, as part of the institutional architecture for effective climate finance delivery. With this in mind, a literature review was conducted to identify common principles that underpin institutional performance.

We identified three principles from the literature that relate to institutional performance and that are relevant to the effective delivery of national climate change finance:

- coordination (Booth, 2010; Flynn, 2011)
- having the capacity to change and innovate (Imperial, 1999; Peters et al., 2012)
- use of locally-anchored institutions (Booth, 2010)

A national mechanism shall exist for coordination between institutions involved in climate finance delivery

Coordination implies the organisation of different participants to enable them to work together in a systematic way. A government-led process of service delivery is a co-production that involves the participation of diverse types of institutions, including government and non-government, formal organisations and informal collaborations. This mix of actors requires coordination capacity and incentive structures (Booth, 2010), as well as reporting systems (Flynn, 2011) across diverse levels of government. Institutional coordination for effective climate finance delivery is made more complex by the fact that 'the governance of climate change is highly dispersed and fragmented […]. Responsibilities are shared among a multitude of actors operating across numerous scales and in a bewildering number of sites' (Newell, 2011: 34). In most cases, the Ministry of Environment holds the lead on climate change policy and is the national UNFCCC focal point, but decisions over the majority of climate-related public expenditures are often made in parallel by the Ministry of Finance or Planning (Miller, 2012). Fragmentation of inter-ministerial decision-making is exacerbated by multiple channels of external financial flows (Thornton, 2011). A robust coordination mechanism between national leads on climate change policy and expenditure would ensure that when national climate policies are put in place, those priorities are translated into expenditure decisions in the budgetary process.

When parts of external finance are channelled through extra-budgetary funds, donor agency programmes and civil society organisations, an extended mechanism would also involve liaison and, to some extent, coordination, with extra-budgetary fund administrators, multiple donors and civil society representatives.

Institutions shall demonstrate a strong ability to change and innovate

Ability to cope with high levels of complexity and uncertainty in the face of new challenges is crucial in terms of capacity for change (Harris and Penning-Rowsell, 2009). Considering that climate change policy – and hence its funding – is relatively new, and that the vulnerability context changes constantly because of the interactions between social and environmental conditions (Eriksen et al., 2011), the ability to demonstrate such innovation is an important institutional characteristic to secure the effective delivery of climate finance. Mapping how the

current institutional infrastructure responds to such challenges indicates the level of change and innovation capacity of the institutions concerned.

Climate change institutions shall be anchored locally

'Meeting the needs of the most vulnerable to climate change will require a strong local financial delivery mechanism' (Bird, 2012: v). Such a mechanism will depend on the capacity of institutions that have a local (i.e. sub-national) presence or anchorage. Institutions that enable local collective action comply with a double sense of local anchorage: 'the rules they incorporate are problem-solving in the local context and they make use of institutional elements inherited from the past' (Booth, 2010: 34). This principle can, therefore, be expected to exert a strong influence on the effectiveness of climate change finance delivery.

The effectiveness of climate change finance delivery will depend on how far these three institutional principles are respected. Table 2 lists these principles, together with the criteria and indicators that we have selected to support the assessment of progress towards each of the principles.

Table 2: Institutional effectiveness principles, criteria and indicators (PCI) for climate finance delivery

Principle	Criteria	Indicators
A national mechanism shall exist for coordination between institutions involved in climate finance delivery.	• Leadership of the national response to climate change in terms of climate finance delivery is established within the government administration.	• The national lead institution has appropriate authority to determine or advise on what constitutes climate finance. • The national lead institution provides specific inputs and guidance into the budget process and the budget on what constitutes climate finance.
	• The roles played by actors in the delivery of climate finance are known by key stakeholders	• All mandated national institutions report their expenditures on climate change activities each financial year.
	• Other actors within the policy making process outside government (e.g. the legislature, party-governing committees) review and challenge policy.	• Relevant actors provide opportunities (presentation of memoranda, petitions, convening of public hearings) and encourage non-state actors working on climate change to present their voices.
	• Institutional arrangements are in place for inter-agency collaboration	• Mechanisms for inter-agency collaboration between climate change institutions and other national institutions can be identified. • Reports on inter-agency collaboration and climate financed activities are available to the public.
Institutions shall demonstrate a strong ability to change and innovate	• The national response to climate change facilitates the adoption of change and promotes innovation.	• New institutional arrangements are established as demand occurs through appropriate policy, administrative or political action (e.g. through the production of national strategies and action plans).
Climate change institutions shall be anchored at the local level	• Institutional arrangements respond and adapt to local needs.	• Funding is directed within the national budgetary system to local climate change institutions.

3.3 Public expenditure frameworks to assess the effectiveness of climate finance delivery

Policies and institutions provide the guidance and background against which climate finance will actually flow and there is, therefore, a strong interrelationship and feedback across all three PCI elements. We will now examine what effective expenditure management systems should look like to support climate finance. High level principles for effective public financial management (PFM) are set out in numerous handbooks provided by various leading donors agencies (e.g. Schiavo-Campo and Tommasi, 1999; Allen and Tommasi, 2001; Shah, 2007; Potter and Diamond, 1999). In addition, , the PEFA methodology represents the most developed and widely-used diagnostic tool to assess country performance in public expenditure management. As noted, the approach outlined here does not use the PEFA methodology, as this approach aims to assess a more intermediate level of government effectiveness that allows for greater understanding of the context in which climate financing is being handled.

Climate change expenditure shall be planned and budgeted for in the annual budget formulation process

Good practice budget preparation would involve the scrutiny and challenging of spending proposals, based on the results of the monitoring and evaluation of performance in previous years. It would also involve consultations with external stakeholders, such as local civil society institutions, culminating in detailed information on the proposed budget and an understandable public explanation of the budget's intentions.

This matters for climate change expenditure as it helps to ensure compatibility with other areas of spending, ensuring that the adaptation and mitigation goals that are incorporated support climate-compatible development. Where climate spending is 'off-budget', such mainstreaming and scrutiny becomes less likely. An effective planning and budgeting process should require all climate-related expenditure bodies that submit expenditures to the Ministry of Finance to highlight their climate-related plans. A political process would then determine the relative priority of these proposals and generate agreement among climate expenditure agencies that they will abide by the results of the process. This prioritisation process should be informed by monitoring and evaluation of climate-related expenditure from previous years to give decision makers an understanding of the progress being made against overall climate change adaptation and mitigation strategies.

The proposed budget would, ideally, identify climate-related expenditures across different categories of spending (e.g. current versus capital spending; allocations to different ministries) supported by publicly-available budget documents. This is, typically, an area of weakness for national budgets, as few have systems in place to identify climate-related spending, which makes it difficult to track. Ministries of Finance tend to approach budgeting on a case-by-case consideration of increases or decreases to a specific ministry's budget, rather than on the basis of a cross-government programme of expenditure, such as the response to climate change.

Climate-related expenditure shall be executed through government systems using the budget

Spending agencies should follow a standard process: commit expenditure, verify delivery of goods and services, authorise and make payment, and then record the transaction appropriately (Potter and Diamond 1999: Section IV). The Ministry of Finance, as the agency with overall responsibility for overseeing delivery of the approved budget, should have information systems that are robust enough to allow it to monitor and track expenditure on a regular basis. Ministries themselves should actively monitor and manage their expenditure to anticipate expenditure shocks, and to ensure that climate-related activities they have outlined in their budget proposals are reflected in their expenditure.

Effective cash management is often a challenge as domestic revenue and international funding may not be spread equally across the budget period. This presents knock-on challenges for spending agencies that implement plans without sufficient funds to pay for the necessary goods and services. Such challenges are often particularly acute for sub-national governments (e.g. district and provincial authorities) as they are, typically, less powerful than central government agencies. They may not be fully connected to the integrated financial management system, while also facing communication difficulties because of sheer geographic distances. Many of these will have formal responsibility for the delivery of local services that may have significant climate-related impacts.

Given the challenges of identifying climate-related spending within the budget, regular reports for all expenditure generated by the Ministry of Finance are unlikely to provide information on the in-year position of climate-related spending. As donors are likely to have contractual requirements for spending reports on their financing, additional reporting requirements may well be in place for specific projects or funds. Although this means that the contractual requirements of the funds or projects can be met, too little information on climate spending is available to government and stakeholders.

Climate-related expenditure shall be subject to reporting and accounting

Ideally climate-related expenditure would follow the standard pattern of reporting and accounting, with PFM systems able to capture and record expenditure as part of a comprehensive system of accounting. Accounting for expenditure should be done on the same basis as the original budget, allowing for rapid and straightforward comparison of expenditure against original plans. In practice, this means classifying individual expenditures against the same coding system used in budget planning.

The climate public expenditure and institutional reviews carried out in South-East Asia[56] highlighted the progress needed to establish common financial reporting systems across government for climate change-related activities. It found that, in general, the systems in place are not comprehensive. In Nepal, for example, donors, central government and local government use different reporting systems, and in Bangladesh the budget submissions of ministries do not identify climate change activities (Government of Nepal, 2011; Government of the People's Republic of Bangladesh, 2012). In Samoa, it was recommended that financial monitoring and tracking systems should be strengthened in terms of both inputs and outputs (ODI, 2012).

Analyses of spending on climate-related activities is only possible if a system to identify climate spending is in place, or by ensuring that budgets for climate adaptation and mitigation activities contain adequate funding to monitor and evaluate climate-related expenditure.

Climate-related expenditure shall be subject to external oversight and scrutiny

Climate-related expenditures should be seen as part of the whole-of-government approach to audit and scrutiny. External audit and scrutiny aims to review the degree to which the budget has been executed correctly, in accordance with the law and administrative regulations. Typically, this is the role of a publicly-appointed 'Auditor General' or equivalent. This entity is responsible for reviewing the government's published accounts and assuring the accuracy of transactions and the correct reconciliation of accounts, and assessing the evidence that correct procedure has been followed.

Expenditure for climate change adaptation and mitigation strategies should be reviewed and audited in the same way as any other government expenditure. Audit reports should highlight areas of incorrect practice, non-observance of financial rules and any grounds for concern over fraud or misappropriation. Where climate-

[56] http://www.aideffectiveness.org/CPEIR

related expenditures are identified, it should be possible for the audit body to focus on performance in this area of the budget. However, given the current absence of systems to track and monitor climate-related expenditure, specific climate analysis is unlikely. Instead, climate spending that is on-budget is captured within the wider audit. For off-budget funds, specific audit requirements are likely to be in place that are signed off by the funds' governing bodies.

It is also normal for the legislature to be involved in scrutiny and oversight through its review of budget implementation after the end of the year. It might be that the entire legislature is involved in the review of the previous year's budget execution and audit report through debates on the audit findings, or this work may be delegated to specific finance or public expenditure committees that review audit reports in detail and challenge governments to respond to specific findings. Climate-related spending may well be included in the remit of such committees alongside other types of spending, and is unlikely, therefore, to receive specific attention. This is yet another area where the challenges of separately identifying and monitoring climate-related spending has a negative impact on the understanding of national climate change adaptation and mitigation.

Table 3 details criteria and indicators that are relevant to assessing present day practice against these four principles for public expenditure management.

Table 3: Public expenditure effectiveness principles, criteria and indicators (PCI) for climate finance delivery

Principles	Criteria	Indicators
Climate change expenditure shall be planned and budgeted for in the annual budget formulation process.	• Budget preparation captures the actors involved in climate-related expenditures.	• Adherence by all climate-related actors to a budget calendar for the formulation of the national budget. • Representation of climate concerns in the discussion and scrutiny of spending proposals, resulting in the development of the national budget's priorities. • Ex ante scrutiny, challenge and approval of the national budget, and its climate change provisions, by a legitimate authority (e.g. the national legislature).
	• Budget preparation identifies key climate-related expenditure.	• Budget classification structures allow for climate-related expenditure to be identified across ministries, departments and agencies. • Budget information that includes climate-related expenditure is publicly available.
	• Budget preparation captures climate-related expenditure in a medium-term policy framework.	• The government has a medium-term policy and expenditure framework for key areas of spending, including climate-related expenditure.
	• Budget preparation takes into account the findings of the evaluation and monitoring of government programmes.	• The key recommendations of any monitoring and evaluation exercises for climate-related programmes are considered.

Climate change expenditure shall be executed through government systems during the budget year.	• The Ministry of Finance manages cash flow to ensure that resources are available to spending agencies in line with the approved budget.	• Cash is available to agencies to fulfil their climate-related commitments in line with the approved budget.
	• In-year adjustments to the budget are done only when unavoidable and aim to maintain delivery on the government's budget priorities.	• Spending agencies maintain oversight of their climate-related operations to manage any unexpected financial shocks.
	• Climate funds are spent in line with the planned budget.	• Expenditure tracking reports against the budget for climate-funds are available to fund management committees to meet in-year reporting requirements.
Climate change-related expenditure shall be subject to reporting and accounting.	• Government accounts for all expenditure, including climate-related expenditure, are undertaken.	• Spending agencies record and reconcile climate-related transactions as part of routine accounts reconciliation processes. • Government accounts that cover climate-related and all other expenditure are published in a timely manner after the end of the budget period. • Accounts can be related back to the original budget format, allowing assessment of climate-related expenditure compared to the approved budget.
Climate change-related expenditure shall be subject to external oversight and scrutiny.	• Government accounts are audited.	• An independent audit authority undertakes a timely audit – to international public sector standards – of government financial statements, including those of climate-related elements. • Findings from these financial audits are made public. • As a result of these audits, recommendations are made to government on ways to improve their handling of public finances, including climate-related expenditures where appropriate.
	• The legislature reviews government accounts and audit findings and provides challenge and scrutiny.	• Audit findings, including those relevant to climate expenditure, are transmitted to the legislature and/or its relevant committees. • The legislature and/or its relevant committees are able to understand and use the financial information presented. • The legislature and its relevant committees engage in a scrutiny and challenge function regarding government financial performance, including performance against climate-related objectives, based on their findings.

4 Conclusion

This framework is, primarily, a research tool that is intended to assist country level studies on climate finance delivery. It approaches the effectiveness question through a focus on institutional and governance processes and, by so doing, emphasises the earlier stages of the impact continuum. Further study will be required on effectiveness measures based on substantive outcomes associated with the national response to climate change.

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Annex 2. Government climate change-related programmes and projects, 2008/9 – 2011/12

Ministry of Agriculture, Animal Industry and Fisheries - Based on information in the Ministerial Policy Statement, MAAIF 2011-12 Votes 10, 142, 152 (excluding 500 - Local Government)								
Ministry	CC Relevance	Admin 3	Admin 4	Programme Label	Statement of Programme Objectives: including	Programme Outputs: including	M/A	%
MAAIF	Medium		81	Development Of National Early Warning System	To provide timely information on crop production, livestock, fisheries and national food security, to policy makers, farmers and other stakeholders	80 District Staff skilled in climate change and adaptation	A	50
MAAIF	Medium		1082	Sustainable Irrigated Rice Production	To promote the efficient use of natural resources	Improved rice-based cropping systems to reduce risk	A	30
MAAIF	Medium		1011	Dissemination of NERICA & Improved Rice	To promote the efficient use of natural resources	Improved rice-based cropping systems to reduce risk	A	30
MAAIF	Medium		92	Rural Electrification - MAAIF	To transform agriculture through improved energy access	Increased energy access by agricultural enterprises	M & A	30
MAAIF	Medium		1119	Agriculture and Rural Development	To increase rice production and income of resource poor farmers through scaling-up of NERICA and other rice technologies	Improved rice-based cropping systems to reduce risk	A	30

MAAIF	Low		1009	Sustainable Land Management Project	To stimulate improvement of community based sustainable land management	Best practices identified for scaling up	A	20
MAAIF	Low		382	Support For Capacity Building ARTPII	To generate and disseminate improved technologies of priority Crops, forestry, fisheries	Adapting to climate change for increased crop productivity and environmental health improved	A	20
MAAIF	Low	010. 05		Crop production department	To support sustainable, market oriented crop production, for improved food security and household income	Early warning on climate change and food security strengthened	A	20
MAAIF	Low		1118	Regional NERICA Research and Training Centre	To promote the efficient use of natural resources	Quality services provided for rice production	A	10
MAAIF	Low	010. 08		Livestock health and entomology	To support sustainable animal disease and vector control for improved food security	Policies, plans and strategies for controlling the spread of animal diseases	A	10
MAAIF	Low		77	Agriculture Marketing Support WFP	To increase agricultural productivity for increased incomes and food security	Improved skills in Community planning and implementation	A	10
MAAIF	Low	010. 7		Animal production department	To support sustainable market oriented animal production and value addition for improved food security	Policies, plans and legislation in regard to animal production	A	10
MAAIF	Low		970	Crop Diseases and Pests Control	To equip staff with the up-to-date knowledge and skills to control pests and diseases	Agricultural staff in the field trained, skilled and equipped in diagnostics	A	10

MAAIF	Low	010. 04		Crop protection department	To support sustainable crop pests and disease control for improved food security and household income	Policies, Plans and strategies for controlling the spread of crop pests and diseases	A	10
MAAIF	Low	010. 02		Directorate of crop resources	To provide technical guidance for formulation and implementation of policies, plans and strategies	Technical guidance for formulation and implementation of policies	A	10
MAAIF	Low		1138	East Africa Agricultural Productivity Project	To increase the number of regional agricultural research projects	Evaluate cassava germplasm and wild relatives for drought tolerance	A	10
MAAIF	Low	010. 03		Farm development department	To formulate polices and plans for agricultural production and food security	Action plans for sustainable land management developed.	A	10
MAAIF	Low		968	Farm income enhancement project	To facilitate the rehabilitation of irrigation schemes	Technical Assessments of sustainable irrigation technologies	A	10
MAAIF	Low	010. 09		Fisheries resources department	To support sustainable, market oriented fish production	Technical guidance for formulation and implementation of policies	A	10
MAAIF	Low		91	Prod of high yielding germplasm	To increase household incomes through increased livestock productivity	Improved water supply for livestock especially in dry season	A	10
MAAIF	Low		161	Support To National Forestry Authority	To generate and disseminate improved technologies of forestry resources	Foundation seed for improved tree species multiplied and available to stakeholders	A	10
MAAIF	Low			Support to various agricultural research institutes			A	10

Ministry of Water and Environment - Based on information in the Ministerial Policy Statement, MWE 2011-12 Votes 19, 150, 157 (excluding 500 - Local Government)								
Ministry	CC Relevance	Admin 3	Admin 4	Programme Label	Statement of Programme Objectives: including	Programme Outputs: including	M/A	%
MWE	High		1102	Climate Change Unit	To strengthen Uganda's capacity to implement the climate change convention through improved coordination of both mitigation and adaptation actions	Established Climate Change coordination unit; awareness at all levels on causes, impacts and potential solutions to climate change; A national Climate Change policy	A & M	100
MWE	Medium	019. 07		Meteorology	To provide data and information on Weather, Climate and Climate change to support sustainable social and economic growth of the economy.	Provision of advisories on climate change proofing	A	60
MWE	Medium	019. 15		Forest support services	To formulate forestry policies, set standards and legislation	Effective implementation of emerging issues such as REDD+; National REDD Readiness Preparedness Proposal under preparation	M	40
MWE	Low	019. 16		Wetland management services	To manage Uganda’s wetlands wisely in ways conducive to conserving the environment and its biodiversity, as well as promoting sustainable benefits	Provided technical back up support to 24 Western, Eastern and Northern DLGs on improved wetland management	A & M	20
MWE	Low	019. 13		Water for production	To coordinate and undertake design, construction/development of new facilities	Sustainable Water for Production Management Systems established	A	20

MWE	Low		947	Farm Income Enhancements and Forestry	To improve farm incomes and rural livelihoods and food security (all adaptation-related benefits)	24,500 ha of degraded watersheds, local forest reserves, farmlands and natural forests planted	A & M	20
MWE	Low	019. 14		Environment Support Services	To make changes in the restoration of environmentally degraded ecosystems	Improved environmental planning and management	A	20
MWE	Low		146	National wetland Project	To improve the planning and management of wetland management at district level	A wetland monitoring system in place	A & M	20
MWE	Low		137	Lake Victoria Environmental Management Project	To reduce environmental stress in targeted pollution hotspots and selected degraded sub-catchments	Identified littoral zone hotspots sustainably managed and rehabilitated by local communities	A	20
MWE	Low		149	Operational Water Resource Management	To empower Nile Basin countries	Equitable sharing and utilisation of the Nile basin water resources	A	20
MWE	Low		1021	Mapping of Ground Water Resources	To develop tools for efficient and cost effective water resources planning	Updated ground water data base for all districts	A	20
MWE	Low	019. 05		Rural water supply	To coordinate and provide sustainable safe water supply and sanitation facilities to rural areas	Development of standards and guidelines, research/ development	A	20
MWE	Low		158	Schools/Community Sanitation & Water	Increased access to safe water in rural areas	Piped water supply schemes	A	20
MWE	Low		160	South/West Towns Water & Sanitation	To assist people living in the RGCs of South Western Uganda access clean, safe, and adequate water	Improved piped water supplies in 75 small towns and rural growth centres	A	20
MWE	Low		161	Support To National Forestry Authority	To increase the supply of quality tree and fruit planting materials, for restoration of environmentally sensitive areas	Increased protection and productivity of natural forest	M	20

MWE	Low		163	Support To Rural Water Sector	To build capacity for efficient and effective service delivery in the water and sanitation sector	Water supply and sanitation facilities constructed for selected Rural Growth Centres	A	20
MWE	Low		164	Support To Small Towns Water	To support small towns in development and sustenance of appropriate water supply management	Review Water Supply Design Manual	A	20
MWE	Low		165	Support To The WRMD	Appropriate strategy for long-term management of Uganda's water resources developed	70 surface water stations, and 16 groundwater monitoring stations maintained (training on weather index insurance organised by COMESA	A	20
MWE	Low		168	Urban Water Reform Implementation	To increase access to water and sanitation services in the urban areas	Existing Institutions responsible for the provision of water and sanitation services are	A	20
MWE	Low		1075/1075/1130	Water & Sanitation Development Facility	To improve general health conditions through the reduction of water borne diseases	Construction works in 45 identified RGCs of in the districts	A	20
MWE	Low	019. 10		Water resources monitoring and assessment	To monitor and assess the quantity of all water resources at national and trans-boundary levels	Water resources data collected, reports on state of national water resources issued regularly. 2 Staff attended Conference of Parties (COP16).	A	20
MWE	Low	19.11		Water resources regulation	To ensure that policies and legislation for sound water use planning and regulation are developed	Developments of water user plans, reservoir regulation procedures and permit administration	A	20
MWE	Low		1015	Gulu Water and Sewerage Rehabilitation	Rehabilitation and expansion of water supply and sanitation systems in Gulu Water Service Area (WSSA) to meet the projected demand up to year 2025.	Improved reliability for water supply to the Gulu Water Service Area	A	20

MWE	Low		126	Environment Management capacity building	To enhance the institutional capacity of NEMA and its partners	Restoration of the degraded fragile ecosystems. Municipal Solid Waste Composting plants	A & M	20
MWE	Low	019. 04		Urban water supply	To expand coverage of piped water by developing new piped water systems	Continue with the preparatory work on development of a regulatory framework for water & sewerage services	A	20
MWE	Low	019. 18		Office of director environment affairs	To coordinate and supervise the technical departments and agencies under the Environment & NR sector	ENR Sector Investment Plan prepared	A	10
MWE	Low	019. 17		Office of director water resources	To advance policy, practice and advice	Plans and regulatory mechanisms in place to enable effective management and development of water and related resources following IWRM principles	A	10
MWE	Low	019. 08		Office of the director d/dwd	To provide adequate supply of clean and safe water for humans, animals, agriculture and industrial production	To develop and manage water sources in the country	A	10
MWE	Low		151	Policy & Management Support	To provide Effective Planning, Coordination and Management of the Water and Sanitation sub-sector	Consolidated Sector Investment Plan as part of sector reforms	A	10

Ministry of Works and Transport - Based on information in the Ministerial Policy Statement, MoWT 2011-12 Votes 16, 113 and 118 (excluding 500 - LGs)								
Ministry	CC Relevance	Admin 3	Admin 4	Programme Label	Statement of Programme Objectives: including	Programme Outputs: including	M/A	%
MoWT	Low	016. 09		Policy and planning	To carry out strategic planning, coordination and monitoring of work and transport sector	New policies and plans prepared. Communication strategy prepared	A	20
MoWT	Low		995	Community Agricultural Infrastructure Improvement	To enhance farmers access to markets	Rehabilitation of community roads and environment report produced. Operationalization of climate change adaptation strategy.	A	20
MoWT	Low		270	Development & Strength Quality Management	To review, update and develop the ministry's engineering Standards	1000 copies of manual for climate risk management and adaptation strategy printed. Manual for climate change vulnerability assessment developed	A	20
MoWT	Low		297	Transport Master plan	To coordinate and monitor implementation of the National Transport Master Plan	Transport Master Plan Office established	A	10
MoWT	Low		1062	Karamoja Roads Development Program	To plan, coordinate, monitor, rehabilitate and maintain roads in the Karamoja region	Roads rehabilitated and maintained	A	10
MoWT	Low		1103	Feasibility Study of Bus Rapid Transit	To improve mobility in GKMA	Prefeasibility study report	M	10
MoWT	Low		113.01	Admin for National Roads Authority	To prepare plans, monitor and evaluate development and maintenance of the national roads network	Established financial and admin systems, Staff trained	A	10
MoWT	Low		113.02	Road construction	To plan and implement roads development programmes	Roads rehabilitated/reconstructed	A	10

MoWT	Low		113.03	Road maintenance	To plan and implement roads development programmes	Roads rehabilitated/reconstructed	A	10
MoWT	Low		118.01	Road fund secretariat	To finance routine and periodic maintenance of public roads	Prepare annual road maintenance and expenditure plans	A	10
MoWT	Low	016. 11		Transport development	To plan, develop and maintain transport services	National transport master plan developed	A	10
MoWT	Low	016. 12		Transport infrastructure	To develop policies, regulations and standards for the construction industry	Standards developed	A	10
MoWT	Low	016. 07		Transport regulation	To promote cost effective, safe, secure and efficient transport services	Policies, Laws and Regulations reviewed and updated	A	10
MoWT	Low	016. 14		Construction standards and quality management	To develop policies, regulations and standards for the construction industry	National construction industry policy operationalised	A	10
MoWT	Low	016. 15		Public roads	To develop policies, regulations and standards for the delivery of services in the construction industry	Policies developed	A	10
MoWT	Low		1101	Building Infrastructure for Growth-MoWT	To strengthen strategic planning	Annual training report prepared. Management systems improved	A	10
MoWT	Low		1105	Road Sector Institutional Capacity Development	To ensure effective coordination and planning in the works and transport sector	Sector coordination strengthened	A	10

Ministry of Energy and Mineral Development - Based on information of the Ministerial Policy Statement 2009/10 MEMD Vote 17								
Ministry	CC Relevance Revised	Admin 3	Admin 4	Programme Label	Statement of Programme Objectives: including	Programme Outputs: including	M/A	%
MEMD	High		1023	Promotion of Renewable Energy and Energy Efficiency	To promote renewable energy and energy efficiency	Renewable energy and energy efficiency component of the Sector Investment Plan prepared	M	90
MEMD	Medium		325	Energy For Rural Transformation- MEMD	To implement the Renewable Energy policy	Promotion of Biogas Use in households and institutions	M	70
MEMD	Medium		1142	Isimba Hydro power project	To deliver renewable energy		M	70
MEMD	Medium		331	Rural Electrification	To increase access to modern energy services	Promote use of renewable energy resources	A&M	70
MEMD	Medium	017.03		Energy Resources Department	To promote increased investments in renewable energy development	Energy efficiency awareness workshops undertaken and reduced fuelwood consumption by 30% through dissemination of improved stoves	M	60
MEMD	Medium		1198	Modern Energy from Biomass for Rural Development	To increase the production of modern energy from biomass	Biofuels will provide a cleaner and environmentally friendly fuel	M	60
MEMD	Medium		1026	Mputa Interconnection Project	To interconnect the power grid	To interconnect the power grid	M	40
MEMD	Medium		1024	Bujagali Interconnection Project	To interconnect the power grid	Supporting small hydro power generation	M	40

MEMD	Medium		1144	Hoima - Kafu Interconnection	To interconnect the power grid	Supporting small hydro power generation	M	40
MEMD	Medium		1025	Karuma Interconnection Project	To interconnect the power grid	Supporting large hydro power generation	M	40
MEMD	Medium		1137	Mbarara-Nkenda/Tororo-Lira Transmission	To interconnect the power grid		M	40
MEMD	Medium		1149	UETCL/Statnett Twinning Arrangement-Phase		Supporting small hydro power generation	M	40
MEMD	Low	017. 06		Directorate of energy and mineral development	To implement energy policy		M	20
MEMD	Low		999	Power Sector Development Programme	To promote the energy conservation law	Energy audits completed	M	20
Office of the Prime Minister - Based on information of the Ministerial Policy Statement 2011/12 OPM Vote 3								
Ministry	CC Relevance Revised	Admin 3	Admin 4	Programme Label	Statement of Programme Objectives: including	Programme Outputs: including	M/A	%
OPM	Medium	3.18		Disaster Preparedness and Management	To prevent, mitigate and prepare the country against disasters,	National Disaster Preparedness and Management Policy launched	A	30

OPM	Low		9	Disaster Management and Refugees	To prevent , mitigate and prepare the country against disasters	To coordinate other sectors and non-governmental actors in fulfilling their mandates towards disaster issues. Drought Disaster Preparedness Contingency Plan prepared	A	20
OPM	Low	003. 05		Capacity Building for Disaster Management	No information given	No information given	A	10
OPM	Low		1076	Development of Karamoja	To promote the Livelihood and food security programme in Karamoja	Karamoja Food Security Action Plan implementation. Environment conservation enhanced.	A	10
OPM	Low		1153	Karamoja livelihoods programme	To promote development in the region	Water harvesting and valley dams constructed. (The intervention proposals will improve significantly the beneficiaries' capacity to cope better with the consequences of climate change.)	A	10
Ministry of Trade, Industry and Cooperatives - Based on information from the Department's website								
Ministry	CC Relevance	Admin 3	Admin 4	Programme Label	Statement of Programme Objectives: including	Programme Outputs: including	M/A	%
MoTIC (MTTI)	Low	015. 12		Department of Industry and technology	To promote environmentally sustainable industrial development. To implement the provisions of the National Environment Policy	Production of environmentally friendly hydro-electricity generation	M&A	10

Ministry of Lands, Housing and Urban Development - Based on information in the Ministerial Policy Statement, MLHUD 2010-11 Votes 12 and 156								
Ministry	CC Relevance	Admin 3	Admin 4	Programme Label	Statement of Programme Objectives: including	Programme Outputs: including	M/A	%
MLHUD	Low	12.03		Office of director-land management	To secure sustainable management of land in the country	Supervision of the formulation of plans, policies and strategies; national land policy in place	A	10
MLHUD	Low	12.04		Land administration	To offer technical guidance & assistance to land management institutions, stake holders & the general public	Sensitization campaigns; consultative meetings carried out	A	10
MLHUD	Low	12.07		Land sector reform coordination	To coordinate land sector reforms including implementation of the Land Sector Strategic Plan(LSSP) for sustainable utilisation of land resources	Strategies in place to address key land issues	A	10
MLHUD	Low	12.1		Human settlement	Formulate policies, legislation, procedures, monitoring and evaluation of implementation of housing policies	Development of the 10 year strategic investment plan	A	10
MLHUD	Low	12.11		Director of physical planning	To coordinate physical planning and urban development programmes in the country	Supervise the dissemination of the physical planning standards and guidelines	A	10
MLHUD	Low	12.13		Physical planning	To attain orderly, progressive and sustainable urban and rural development	Information, education and communication strategy for the dissemination of the National Land Use Policy prepared	A	10
MLHUD	Low	12.14		Urban development	To promote orderly, sustainable and integrated Urban Development	Urban environmental and disaster management audits	A	10

MLHUD	Low	139	Land tenure reform project	To create an inclusive and pro poor policy and legal framework for the land sector; putting land resources to sustainable productive use	National Land Policy in place that acknowledges climate change	A	10

CC relevance: Three categories (high, medium, low)
M/A: Mitigation or Adaptation expenditure (A, M)
%: Climate change relevance weight

See Chapter 2 and Annex 1 for further details

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