

# MAINSTREAMING CLIMATE CHANGE IN THE NATIONAL BUDGET

## MEMORANDUM OF ISSUES FROM THE REVIEW OF THE BUDGET FRAMEWORK PAPER FY 2021/2022

### 1.0 INTRODUCTION

The fourth report of the Inter-Governmental Panel on Climate Change (IPCC) highlights developing countries such as Uganda as the most vulnerable to climate change effects. This is mostly due to the limited capacity to cope with climate change impacts such as floods and prolonged dry spells in developing countries. Uganda's third National Development Plan (NDPIII 2020/21-2024/25) flags climate change as one of the persistent challenges to development. In addition, the Mid-Term Review of the second National Development Plan (NDPII 2015/16-2019/20) attributed the failure to achieve the plan's targets on economic growth, employment, export volumes and income poverty to climate change effects. Therefore, the integration of climate change in development planning and budgeting processes is significant in supporting the realisation of development goals and objectives espoused in the third National Development Plan 2020/21-2024/25 and Uganda Vision 2040. Whilst there has been remarkable progress in integrating climate change concerns in planning at different levels of government, the budgeting process at national and sub-national level is still deficient in terms of appropriating financial resources to planned climate change interventions. This continues to derail climate change responses yet the severity of its effects is increasing by the day.

It is against this background that the Advocates Coalition for Development and Environment (ACODE)<sup>1</sup> with support from CARE International in

<sup>1</sup> ACODE is an independent public policy research and advocacy Think Tank registered in Uganda but working in Eastern and Southern African sub-regions. For more details on ACODE's work, visit [www.acode-u.org](http://www.acode-u.org). This analysis was undertaken by an ACODE team comprised of Onesmus Mugenyi, Dr. Anthony Mugeere, Anna Amumpiire, Emmanuel Keith Kisaame and Fred Kasalirwe.

Uganda seeks to leverage the budgeting process as an entry point for integrating climate change issues in a bid to close the gap between climate change integration in planning and budgeting processes.

This policy memorandum therefore analyses the extent to which climate change is integrated in the National Budget Framework Paper (NBFP) for Financial Year 2021/2022. This will inform policy and the final budgetary appropriations for climate change interventions in key NDPIII Programmes.

### 2.0 CLIMATE CHANGE ISSUES IN THE NBFP

Climate change has increasingly been recognised as a current and existential threat globally.<sup>2</sup> The Government of Uganda through its third National Development Plan (NDP III) recognises climate change as one of the risks to achieving sustainable development and devotes a programme (NDPIII Programme 9) to address it. The government is commended for giving climate change prominence in the budgeting processes including the Budget call Circular and National Budget Framework Paper.<sup>3</sup> The NDPIII program which is named Natural Resources, Environment, Climate Change, Land and Water Management Development brings climate change to the fore. The program has further brought together all the key actors working on climate change and harmonised their planning and resource allocation.

It should be observed that despite climate change being given prominence under the Natural Resources, Environment, Climate Change, Land and

<sup>2</sup> Spratt, D., & Dunlop, I. (2019). Existential climate-related security risk: A scenario approach. Breakthrough - National Centre for Climate Restoration. Melbourne, Australia

<sup>3</sup> National Budget Framework Paper FY 2021/22

Water Management Program in the National Budget Framework Paper (NBFP) FY 2021-22, the other programs particularly those prioritized in Uganda's Nationally Determined Contributions (NDC) are deficient in terms of climate change response.

Therefore, the programmes should ensure that their Ministerial Policy Statements have clear strategies to attract climate change financing in the country. The programme and their policy statements should also provide for strategies to enhance efforts to reduce emissions and build resilience to climate change and strengthen the coping capacity of vulnerable populations to the effects of climate change and disasters. It also needs to leverage research, innovation and adoption of appropriate green technologies to incentivize conservation and diversify economic opportunities for communities within the vicinity of natural resources. These measures were not sufficiently articulated in most of the programmes' strategies. In addition, whilst the second Budget Call Circular encourages programmes to attract climate finance from external sources, local efforts are more feasible in the face of COVID-19 which has significantly constrained the availability of development assistance.

### **3.0 THE INTEGRATION OF CLIMATE CHANGE IN THE FY 2021/22 NATIONAL BUDGET FRAMEWORK PAPER**

#### **3.1 The Natural Resources, Environment, Climate Change, Land and Water Management Development Program**

The program sets out a number of strategies to achieve its objectives and contributes to the NDP III objective 1 which is; enhance value addition in key growth opportunities. However, there are a number of gaps.

##### **3.1.1 Proposals**

While the program strategies are clearly set out; we propose an inclusion of the following strategies in the ministerial policy statements of the votes under the programme:

- The programme should consider enhancing Public Private Partnerships to increase the availability of alternative livelihood opportunities for the communities living near natural resources. We envisage that this will reduce the reliance on the natural resources and extractives as the sole means of livelihood and help restore degraded

river systems and their catchment areas as well as the forest coverage. The regulation of sand and clay mining is silent in the strategies. Sand and clay mining in the wetlands should be regulated. The NDP III observes that: Uganda loses 846 km<sup>2</sup> of its wetlands annually, the major causes of wetland degradation being poor farming practices, unplanned urbanization, expansion of informal settlements, excessive water abstraction, income poverty, poor intra and inter sectoral coordination with regards to continued issuance of land titles in wetlands, sand mining and industrialization with some of the demarcated business/industrial parks located in wetlands.<sup>4</sup>

- The programme needs a clear strategy on the management of new strains of waste such as masks owing to the COVID-19 pandemic.
- Parliament needs to expedite the passing of the Mining Bill into law to guide the extraction of resources such as sand, murrum and clay.
- Parliament should also consider enacting the Climate Change Bill, 2020 into law. It is perilous to continue operating without a clear climate change legal framework given the growing severity of climate change effects.
- The program still has challenges of inadequate climate change financing. It is notable that the Programme has been allocated fewer resources than its stipulated resource requirement in the NDP III. The projected allocation of UGX 593.61 Bn in the NBFP FY 2021/22 represents only a quarter (25%) of the programme's resource requirement in the NDP III. Consequently, there is need to identify local innovative climate financing mechanisms to ensure adequate climate change funding for planned interventions. A study<sup>5</sup> on climate financing recommended the establishment of a National Climate Green Fund under a semi-autonomous agency with oversight from Permanent Secretaries of Ministry of Finance, Planning and Economic Development and Ministry of Water and Environment emerged as the viable option for a national climate financing mechanism. This option fits within the current operating environment and strengthens current structures especially the National Climate Change Advisory Committee (NCCAC).

#### **3.2 Agro- Industrialisation Program**

The program intends to promote sustainable land and environment management practices in line

<sup>4</sup> NDP III p.97

<sup>5</sup> Bakiika, R., Mbatuusa, C., Mugeere, A., Amumpiire, A. (2020). Climate Finance Mobilization in Uganda: The most viable financing option, Kampala: ACODE, Policy Briefing Paper Series No.51.

with the agro-ecological needs.<sup>6</sup> However most of the climate change interventions in the programme are inclined towards crop resources with none on animal husbandry. In addition, the allocations to the programme's climate change interventions are also meagre to generate any transformative change.

The output which aimed at introducing and up scaling agro-forestry for mitigation of climate change and climate resilience only mentions the procurement and distribution of tree seedlings as an activity to achieve the resilience. It is therefore proposed that:

- Agroforestry practices that sequester carbon dioxide should be promoted.
- Agro forestry should also incorporate other various aspects such as soil fertility management, land productivity enhancement, water conservation, and livelihood support and diversified production of food and forestry products in a sustainable basis. Of recent, agroforestry program and practices are being realized to contribute to multiple aspects of rural livelihood, capacity building of the communities, food production, forestry services, and land productivity. In the context of climate change impacts on rural livelihood, package-based agroforestry practices can contribute to climate change adaptation.<sup>7</sup>

Under sub programme 2: Improve Postharvest Handling and Storage of Agricultural Products by establishing post-harvest handling, storage and processing infrastructure including silos, dryers, warehouses, and cold rooms of various scale and capacities at sub county, district and zonal levels,<sup>8</sup> neither targets nor strategies have been set out to achieve this. According to the climate smart agriculture program<sup>9</sup> in the Ministry of Agriculture, Animal Industry and Fisheries; the Government plans to reduce post-harvest losses from 3% to less than 10% by 2025 (as indicated by an official from the Ministry at a national climate resilience dialogue in 2020). This aspect ought to be considered.

### 3.3 Sustainable Energy Development

The Government is commended for setting out

6 BFP P.23

7 Kishor Aryal; Prakash Singh Thapa; Dhananjaya Lamichhane; Revisiting Agroforestry for Building Climate Resilient Communities: A Case of Package-Based Integrated Agroforestry Practices in Nepal, Emerging Science Journal, Vol. 3, No. 5, October, 2019, p.309

8 BFP p.25

9 One of the strategic programs is Climate Smart Agriculture (CSA) Program (2015-2025)<sup>28</sup> aimed at building resilience of agricultural farming systems for enhanced food and nutrition security.

plans to increase the consumption of alternative clean cooking energy such as Liquefied Petroleum Gas (LPG), biogas and solar thermal applications.<sup>10</sup> The Government is further commended for the recent removal of Value Added Tax (VAT) on LPG. This has made it more affordable and enhances use of clean gas as an alternative to bio mass energy. It is hoped that this move will reduce deforestation (cutting down of trees for firewood and charcoal for cooking energy). However; generally, this program does not set out its strategies.

While the program intends to Increase access and utilization of electricity through reduction in electricity cost,<sup>11</sup> the BFP provides for reduced unit cost of power for only medium industrial consumers, large industrial consumers and extra-large consumers. The reduction in unit cost for domestic household consumers is not provided for. The use of biomass like charcoal for cooking will continue to increase due to the high cost of electricity as an alternative cooking energy.

#### 3.3.1 Proposals

- It is thus recommended that excise duty is removed from LPG since this will further increase its consumption. Real subsidies are needed to combat the increased forest degradation and deforestation.
- Reduce electricity unit costs for the domestic consumers at household level too in order to increase the use of electricity as cooking energy.

### 3.4 Tourism Development Program

This program does not have any set strategies on combatting climate change yet it should contribute towards the country's adaptation and mitigation strategies.

#### 3.4.1 Proposal

The tourism sector should promote low-carbon initiatives. Low-carbon tourism ensures that any form of tourism promotes low energy intensity, and guarantees that carbon dioxide emissions produced by transport, accommodation and other activities are kept to a minimum. This proposed strategy can be adopted in the Ministerial Policy Statements and the District Development Plans.

### 3.5 Private Sector Development

One of the Program interventions for this FY is to: Build private sector capacity to access green financing and green growth response.<sup>12</sup> This

10 NBFP p.170

11 NBFP p.169

12 NBFP p.132

program does not have any other climate change considerations yet the private sector has a role to play in climate change mitigation and adaptation. Besides, the private sector is also at the heart of practices that degrade the environment. The program further states its challenges in addressing cross cutting issues, which include limited awareness on environmental issues; limited capacity for mainstreaming environment in Government programmes/projects; and lack of guidelines/checklists for mainstreaming environmental issues in specific programmes/projects.<sup>13</sup>

### 3.5.1 Proposal

The program therefore needs to set out a climate change mitigation and adaptation strategy. Companies dealing in clean energy such as solar energy and biogas have a key role to play. The private sector can provide co-financing towards climate change initiatives; and can offer loans for developing long term innovative climate change solutions.

## 3.6 Human Capital Development

The Programme is essential to Uganda's sustainable development. The programme combines both education and health services which make up the largest services that interface with communities. The program is silent on climate resilient practises such as water harvesting in schools. Furthermore, medical waste disposal has not been catered for. Climate resilience is therefore essential to the programme.

### 3.6.1 Proposals

- The construction of seed schools and the upgrading of the health centre II's should incorporate climate resilience standards.
- The disposal of medical waste should be provided for in the Programme's strategies.
- The programme should budget for solar equipment and lighting at health facilities which usually suffer from load shedding and arrears of electricity bills.

## 3.7 Innovation, Technology Development and Transfer

The program does not mention climate change related interventions

### 3.7.1 Proposals

- The program should include the promotion of climate smart innovations such as bio-digesters in domestic and commercial properties.
- The program should encourage the adoption of climate smart technologies.

## 3.8 Integrated Transport Infrastructure and Services

The Program is silent on climate change initiatives apart from tree planting on the Highways to ensure general environmental conservation. The road networks of developing countries like Uganda are generally more vulnerable to climate change impacts due to poor condition, a high proportion of unpaved roads and limited resources and technology to adapt.<sup>14</sup>

### 3.8.1 Proposal

There is need to adopt and promote climate smart road construction technologies. These include: Paving of roads with durable materials; raising road levels as a solution to climate change adaptation to impacts like floods<sup>15</sup>; including use of permeable/reservoir pavements

## 3.9 Regional Development Program

The Program should include the following proposals to achieve its goal, which is to accelerate equitable, regional economic growth and development.

### 3.9.1 Proposal

The Regional Development Programme should clearly allocate financial resources to climate change interventions in its targeted regions lest it defeats its purpose of creating regional equity. The programme targets special regions that are lagging behind in terms of development with more acute income poverty. Climate change has been projected to compound existing vulnerabilities such as poverty and other forms of inequalities.

## 4.0 CONCLUSION

Climate change integration in the NDPIII has not fully cascaded down to the budgeting process. The mainstreaming of climate change in the national programs will ensure sustainable development. The programs should therefore integrate climate change and budget for climate change relates strategies.

In addition, the standing committee on Climate Change in Parliament should make its presence felt by working with the Budget Committee to ensure that budgets are reviewed and approved through a lens of climate change among other issues.

<sup>14</sup> Technology Fact Sheet for Adaptation VIII. Climate resilient roads. Available on the TNA project website <http://tech-action.org/>

<sup>15</sup> Climate Resilient Roads; Cambodia Rural Roads Improvement Project: Results from Climate Change Adaptation-accessed on [https://www.ndf.fi/sites/ndf.fi/files/attach/conference\\_version\\_-\\_climate\\_change\\_resilient\\_roads.pdf](https://www.ndf.fi/sites/ndf.fi/files/attach/conference_version_-_climate_change_resilient_roads.pdf)