

# TANZANIA

Mapping REDD+ Finance Flows 2009-2012



Federal Ministry for the  
Environment, Nature Conservation  
and Nuclear Safety

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# TANZANIA

## Mapping REDD+ Finance Flows 2009-2012

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## Executive Summary

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This report presents the findings from the first round of REDD+ financial tracking in Tanzania under the REDDX initiative led by Forest Trends. The REDDX initiative is the first comprehensive attempt to track financial commitments and disbursements for REDD+ activities in Tanzania.

REDD+ has attracted a significant amount of funding (US\$93.5 million) for forest conservation and management in Tanzania between 2009 and 2012. Over 95% of this finance has been committed by international donor governments. The vast majority of these funds (US\$84.4 million) have been committed by the government of Norway, followed by the government of Finland (US\$4.2 million). The UNREDD program (contributing US\$4.2 million) is the only multilateral program to date funding REDD+ activities in Tanzania.

However, while this funding is significant, it is well below the minimum required to halt the current rate of deforestation in the country (which stands at 403,000 ha per year, equivalent to 1.16%). Deforestation is driven by the prominence and profitability of other land use alternatives such as charcoal production, which alone, is estimated to generate US\$ 650 million per year<sup>1</sup>. This means that significant additional financial commitments will be required to make Tanzania 'REDD-able'.

Tanzania published a National REDD+ Strategy and Action Plan in March 2013 which is an important instrument against which to raise funding for the continued implementation of REDD+ activities. However, despite the well-articulated interventions, the strategy does not contain any cost estimates for the level of funding required to fully implement the proposed activities. This is a major gap that leaves fundraising efforts for REDD+ rather vacuous. The National REDD Task Force should consider filling this gap by estimating levels of REDD+ finance still required to deliver the national REDD+ strategy.

Tanzania is currently developing a national REDD+ fund, which alongside the benefit sharing mechanisms developed and tested by the REDD+ pilot projects<sup>2</sup>, is well placed to provide an effective and transparent financial management system. However, such mechanisms will be wasted without continued long term financial support from donors, philanthropies and/or markets. Hence deliberate efforts should be made to secure funding for continued implementation of REDD+ activities under these existing arrangements.

Private sector investments are key to delivering REDD+ activities in Tanzania, but to date, the private sector has not been adequately engaged. Subsequent phases of REDD+ should ensure effective engagement of the private sector.

REDDX tracking in Tanzania demonstrates wider challenges emerging in the REDD+ financing landscape. REDD+ commitments to Tanzania reached a plateau in 2010 with no additional commitments tracked in 2011 or 2012. Furthermore the majority of existing commitments, notably the government of Norway, are nearing the end of their grant life cycle with funding and activities to be completed by the end of 2013. Funding from phase I of the UNREDD program ended in September 2013 with phase II not yet defined. Support from the Finnish government for

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<sup>1</sup> This is based on World Bank Policy Note of 2009. The estimated value of \$650 million per year includes charcoal sector employment, support for rural livelihoods and the wider economy e.g. through biodiversity and tourism and water catchment services.

<sup>2</sup> Development and testing of a fair, equitable and transparent benefit sharing mechanism was one of the key requirements for all the 9 REDD+ pilot projects implemented in Tanzania with financial support from the government of Norway. Hence the main modalities developed fall under 3 main categories (i) international/ national funds go directly to individual community members based on their conservation efforts-in this case a register is kept for all contributors (ii) funds go to the village community-based organization (CBO) which in turn allocate to households based on their contribution to environmental conservation (iii) funds are directed to the village government and the village assembly decides on the best use of the funds-in most cases these funds are utilized for supporting community development projects such as construction of health facilities, schools, and or protection of water sources. It has been difficult to assess and ascertain the effectiveness of any of these modalities largely due to the fact no actual carbon funds have started flowing. To date, the pilot projects have used project funds to facilitate discussion of how to effectively finance community engagement in the future and to establish the necessary institutional arrangements (such as CBO) for managing funds.

NAFORMA<sup>3</sup> through FAO was also an initial Readiness effort and one-off support, which ended in December 2013, while support from the Clinton Climate initiative ended in March 2013. This means that funding for follow-up activities beyond piloting and Readiness is not secure, a fact that could significantly impact success in motivating communities already engaged in REDD+ activities throughout the country.

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<sup>3</sup> NAFORMA-National Forest Resource Monitoring and Assessment is the national forest inventory project that was conducted in the country for the first time between 2009-2012. This project produced data (biophysical and socio-economic) which is considered to be the most comprehensive and accurate country-wide assessment. Data from this study has been used to help establish reference emission levels and baseline scenarios.



## Table of Contents

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<b>Acknowledgements .....</b>	<b>3</b>
<b>Executive Summary.....</b>	<b>i</b>
<b>Table of Contents .....</b>	<b>iii</b>
<b>Acronyms .....</b>	<b>iv</b>
<b>Glossary and Common Reported Terms .....</b>	<b>v</b>
Institutions.....	v
REDD+ Activities and Projects .....	vi
<b>Introduction.....</b>	<b>1</b>
<b>Methodology .....</b>	<b>2</b>
<b>National Context .....</b>	<b>3</b>
Background on the Forest Sector in Tanzania.....	3
Towards REDD+ .....	4
Financing REDD+ .....	6
<b>Findings.....</b>	<b>7</b>
Overview .....	7
Levels of REDD+ Finance .....	9
Donors .....	9
Recipients .....	11
REDD Activities .....	12
<b>Challenges .....</b>	<b>13</b>
<b>Conclusion and Recommendations.....</b>	<b>14</b>

## Acronyms

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AWF	African Wildlife Foundation
CCIAM	Climate Change Impacts Adaption and Mitigation
EPMS	Environmental Protection and Management Services
ESRF	Economic and Social Research Foundation
FAO	Food and Agriculture Organization
FCPF	Forest Carbon Partnership Facility
IRA	Institute of Resource Assessment
JGI	Jane Goodall Institute
MCDI	Mpingo Conservation and Development Initiative
MINRT	Ministry of Natural Resources and Tourism
MRV	Measurement Reporting and Verification
NAFORMA	National Forest Resource Monitoring and Assessment programme
NGOs	Non-governmental Organizations
PDDs	Project Design Documents
R-PIN	Readiness Plan Idea Note
R-PP	Readiness Preparation Proposal
REDD+	Reducing Emissions from Deforestation and forest Degradation. Includes the role of sustainable forest management, management of forest carbon stocks and enhancing forest carbon stocks
REDDX	REDD+ Expenditures Tracking
SUA	Sokoine University of Agriculture
TaTEDO	Tanzania Traditional Energy Development Organization
TFCG	Tanzania Forest Conservation Group
UNFCCC	United Nations Framework Convention on Climate Change
UNDP	United Nations Development Program
UNREDD	United Nations Program on REDD+
US	United States of America
WCS	Wildlife Conservation Society
WCST	Wildlife Conservation Society of Tanzania
WWF	World Wildlife Fund



## Glossary and Common Reported Terms

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**REDD+:** REDD+ is defined by the UNFCCC as “reducing emissions from deforestation and forest degradation and the role of conservation, sustainable management of forests and enhancement of forest carbon stocks in developing countries”. The details behind the “+” are not yet defined, such as eligibility of activities, requirements on land type, species, etc. Thus, some questions remain regarding how exactly the plus will work.

**REDD+ finance:** A working definition of “REDD+ finance” remains heavily debated within the international policy context. For the sake of this project and to promote consistency with other REDD+ tracking initiatives and broader international approaches to REDD+, it was agreed that REDD+ finance will include:

1. **International REDD+ Finance:** Any international financial transfers earmarked to support REDD+ mechanisms or initiatives, as currently defined by the UNFCCC, that are developed with the aim of reducing net GHG emissions from the forestry sector.
2. **National REDD+ Finance:** Monies earmarked and spent for any activities or actions that fall within the scope of the REDD+ definition found within an individual country’s approved REDD Readiness Preparation Proposal or other existing country REDD+ strategy.

**Commitment:** REDDX defines “commitment” as a formal indication from a donor that they will fund REDD+ activities in a country. This “commitment” will be backed up by a legal or formal agreement specifying the total amount of funding for the recipient, a timeline for activities and a schedule for when finance will be spent. (This is not to be confused with a “pledge”).

**Disbursement:** A “disbursement” in the context of the REDDX initiative is the transfer of funds from a donor to a recipient or from a recipient to an additional recipient in the funding chain.

## Institutions

**Donor government agency:** A federal agency or ministry in the donor or recipient country. Examples of donor government agencies are GIZ (Germany), KfW (Germany), JICA (Japan), DEFRA (UK), and FORMIN (Finland). Donors governments are increasingly in both the developed and the developing world and are increasingly transferring funds outside traditional bilateral funding mechanisms (from a donor government to a recipient government).

**Multilateral financing institution:** International organizations that are comprised of members from many countries. Examples include the World Bank, UN-REDD, UNDP, UNEP, FAO, IDB, ADB, IFAD and ITTO. The UN-REDD Programme builds on the convening role and technical expertise of its three participating UN organizations: the Food and Agriculture Organization of the United Nations (FAO), the United Nations Development Programme (UNDP) and the United Nations Environment Programme (UNEP).

**Dedicated funds:** Funds collected from a specific revenue source that must be appropriated for a specific expenditure. Examples are the Amazon Fund and Congo Basin Forest Fund (CBFF).

**Private Foundation:** A charity that receives the majority of its support from individual and corporate donations, not public funds, and whose funds and programs are managed by its own trustees or directors. Some examples are Climate Works, Ford Foundation, Rockefeller Foundation, Moore Foundation, and Packard Foundation.

**International NGO/Academic institution:** International NGOs/academia includes international, non-governmental organizations (NGOs) such environmental organizations *and/or* independent academic institutions with headquarters

outside the recipient country. In general, academic institutions that are funded by governments, such as national universities and research centers are grouped under “donor governments”.

Many international institutions receive donor funding for REDD+ activities to be implemented at the international, regional and/or national level. Their finance is typically spent in the following ways:

- At headquarters on their own staff and operations supportive of donor and/or recipient country objectives;
- At regional or national offices on their own staff and operations supportive of donor and/or recipient country objectives;
- Passed on to other international organizations through sub-grants, or consultancies to implement activities (and who may, in turn, pass on to additional organizations);
- Passed on to other national organizations through sub-grants or consultancies to implement activities (and who may, in turn, pass on to additional organizations);
- Passed on directly to local communities or households for payments for environmental services.

**Local NGO/Academic institution:** Civil society organizations and academic institutions based in the REDD+ recipient country.

## REDD+ Activities and Projects

**Stakeholder engagement:** Funding aimed at improving participation of non-governmental stakeholders through the design, implementation, and/or monitoring phases of REDD+, and/or funding that promotes media outreach.

**Rights and tenure:** Funding directed at addressing issues of rights and tenure – including clarifying land, property and carbon rights.

**MRV and reference levels:** Funding aimed at improving the monitoring, reporting and/or verification of REDD+, including changes in forest cover, forest degradation, biodiversity, or social and governance levels. Funding to define or implement reference levels to measure emissions, co-benefits and governance in country.

**Safeguards:** Funding aimed at identifying barriers to forest conservation and enabling social and environmental benefits.

**Policy and law development:** Funding aimed at promoting research, advocacy and outreach to policymakers including policy and law analysis, policy development, REDD strategy development & advocacy.

**Institutional strengthening:** Funding aimed at developing in-country public institutions, ministries, staffing capacity and resources for REDD+.

**Forest Carbon Project Design:** Funding aimed at developing project design documents (PDDs) and validation activities. This includes credited projects that go to the market and those that want REDD+ payments.

**Improved forest and land management:** Funding supporting protected areas, sustainable forest management, and reforestation management activities – including enforcement and compliance.

**Carbon offsets or performance based payments:** Funding aimed at carbon offsets, direct payments, actual benefits sharing, and actual payments such as incentive and performance-based payments.

## Introduction

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Over US\$7.3 billion has been pledged to support REDD+<sup>4</sup> Readiness in the run up to 2015. However, information remains limited on how much of this finance is actually flowing to national level initiatives, the types of REDD+ activities supported and the organizations managing and actually implementing REDD+ on the ground.

To address these gaps, Forest Trends developed REDDX, a REDD+ Expenditures Tracking initiative, in 2011 to follow REDD+ finance from donors to in-country recipients and ultimately REDD+ projects and activities on the ground to determine:

- ❖ Actual commitments and disbursements of REDD+ finance;
- ❖ Timelines between when funds are committed and actually disbursed;
- ❖ The types of organizations receiving and implementing REDD+ activities;
- ❖ Types of activities supported by the current financial commitments.

Through this initiative, REDDX seeks to improve transparency around REDD+ financing mechanisms and ultimately provide information that will help governments and other REDD+ stakeholders better assess gaps and needs against national REDD+ strategies.

Tanzania is one of fourteen tropical forest countries participating in REDDX (the other REDDX countries currently include Brazil, Colombia, Ecuador, Guyana, Mexico and Peru in Latin and South America, the Democratic Republic of Congo, Ethiopia, Ghana and Liberia in Africa and Indonesia, Papua New Guinea and Vietnam in Asia-Pacific). Emerging results and trends across the fourteen countries demonstrate that REDD+ financial commitments have slowly, yet steadily increased since 2009. Most commitments are multi-year grants with long disbursement schedules. At the end of 2012, 32% of REDD+ committed funds tracked had been released to first recipients/implementing organizations.<sup>5</sup> The majority of REDD+ finance continues to be committed by donor country governments and multilateral financing institutions but private foundations have also played a significant role particularly in the early years of the REDD+ process.

REDD+ financing results for REDDX countries are published through Forest Trends' REDDX website and report series available at [reddx.forest-trends.org](http://reddx.forest-trends.org).

This report specifically focuses on the national results for the United Republic of Tanzania.

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<sup>4</sup> REDD+ is defined by the Cancun Agreement and is broadly considered to include efforts to reduce emissions from deforestation and forest degradation, foster conservation, sustainable management of forests, and enhance forest carbon stocks.

<sup>5</sup> Based on REDDX results tracked in seven countries (Brazil, Colombia, Ecuador, Ghana, Liberia, Tanzania, and Vietnam).

## Methodology

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The process of tracking REDD+ finance in Tanzania started in July 2012. It involved introducing the project to the government through the Division of Environment in the Vice President's Office, which is both the UNFCCC national focal point for climate, and coordinator (custodian) of all environmental programs in the country. The Director of Environment who is also a chair of the National Task Force on REDD+ served as a focal point for this project.

To demonstrate and confirm government interest and support for the REDD+ initiative, the chair of National REDD Task Force and a focal point for this project facilitated a letter of support submitted to the President of Forest Trends in March 2013, marking the official start of the initiative. In addition, the director designated one of his staff members to be a permanent member of the project team to ensure continuous presence and progress of the project.

Following this official start, the REDD+ financial data collection process got underway. Data collection was based on standardized formats provided by Forest Trends to aid analysis across the diverse countries participating in the initiative.

The process of data collection involved the following steps:

- ❖ Scoping exercise informed by a comprehensive review of literature (reports and websites) to determine the status of REDD+ finance in the country up to 2012. Data fields collected and tracked include:
  - **Key actors in the REDD+ process** including donors, the full chain of recipients, implementing agents and co-financers.
  - **REDD+ financial arrangements** including total commitments, commitment types (grants, loans, performance based payments, in-kind technical assistance etc.) the schedule for disbursing funds and total disbursements to date.
  - **REDD+ projects and activities** including the start and end date of projects, REDD+ activities supported and the extent to which activities fit within the national definition of REDD+.
- ❖ Interviews with key representatives from institutions providing or receiving REDD+ finance to collect more information that was not publicly available and to seek clarification to questions emerging from the literature search.
- ❖ Follow-up communication via email, phone calls and in-person visits to clarify and supplement data from relevant staff for each institution/organization. This also served to validate collected data.
- ❖ A national workshop was held on 22 October 2013. A total of 29 participants representing the government (the national REDD Task Force and REDD Secretariat) NGOs that have been implementing REDD pilot projects, academic and research institutions and representative of indigenous peoples. This meeting served to share the REDD+ data, provide a comprehensive overview of REDD+ finance for interested stakeholders, and discuss gaps and needs. The workshop also served as an opportunity to build interest in, and commitment to, the next iteration of data collection planned for early 2014.

It should be noted that data presented in this report represents about 80 percent of the available information on REDD+ financing and transactions in Tanzania as determined by national REDD+ experts and other stakeholders at the national validation workshop held in October 2013. It is very possible that there are other financial transactions for REDD+ activities that have not been tracked for one reason or another during this first round. It is expected that an ever more comprehensive picture will emerge in the subsequent rounds of reporting when more data has been tracked in 2014.

## National Context

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### Background on the Forest Sector in Tanzania

Tanzania has about 33.5 million hectares of forests and woodlands, representing 39.9% of total land area.<sup>6</sup> The main forest and woodland types are the extensive Miombo woodlands in lowland areas across the central and southern parts of the country, the acacia woodlands in the northern regions, the coastal forest/woodland mosaic in the east, mangrove forests along the Indian Ocean coast, and closed canopy forests on the ancient mountains of the Eastern Arc in the east, on the Albertine Rift and Lake Tanganyika in the west, and on the younger volcanic mountains in the north. Most (32.3 million hectares) of Tanzania's forests are dry woodland, with the remainder comprising mangrove forests (115,000 hectares) and moist 'high forest' systems (1.14 million hectares).

Of the total forest area, 16 million hectares are reserved forests, 2 million hectares are forests in national parks and the rest (15.4 million hectares) are unprotected forests subject to 'open access' with heavy pressure to convert into other competing land uses.

The Miombo woodlands and Acacia woodlands of Tanzania constitute important wilderness areas for large mammals, including large herbivores (e.g. elephant, rhinoceros, hippo, giraffe, buffalo), migratory plains game (e.g. zebra, wildebeest, eland and gazelle) and large predators (African wild dog, lions, leopards, cheetahs, crocodiles and two species of hyena). The country is also a major staging post and destination for avifauna migrating south during the boreal winter. Well known avifauna include vultures, raptors, ostrich, bustards, cranes and storks. The high turnover of biodiversity across the landscape presents a challenge to conservation managers.

Five high forest systems exist in Tanzania which are rich in biodiversity: (i) the *Eastern Arc Mountains*, part of the Eastern Afromontane hotspot date back at least 30 million years (and possibly 100 million years), and have played an important role as refuge for plants and animals, and as centers of speciation over the millennia; (ii) the *highlands of the Albertine rift*, also part of the Eastern Afromontane hotspot, are a complex mosaic of mountain forests and montane grasslands. (iii) the *Southern Highlands*, part of the Southern Rift montane forest-grassland mosaic are a rich repository of montane forest and grassland biodiversity; (iv) the *Rondo plateau*, part of the coastal forests ecoregion includes a variety of biodiversity rich habitats such as scrub forest, dry evergreen forest, woodland, riverine forest, and thickets and (v) the *lowland Guinea-Congolian forest* with representatives of the forest fauna found further to the west in Central Africa.

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<sup>6</sup> FAO, *State of the World's Forests*. Rome, Italy: Food and Drug Administration, 2009.

## Towards REDD+

Despite the government's efforts, Tanzania's forests and the biodiversity that they contain face considerable threats, with an average of 403,000 ha (equivalent to 1.16 %) of the forest area lost every year.<sup>7</sup> Direct threats to the forests include clearance for subsistence agriculture, increasing energy needs especially charcoal production, timber extraction, overgrazing and uncontrolled fire. In recent years, additional pressures have emerged, including the threat of mining (e.g. for alluvial gold) and clearance for biofuels (e.g., planting of *Jatropha curcas*, palm oil, sunflowers or sugarcane).

Based on these threats, Tanzania committed at the 2007 Bali UNFCCC Conference of the Parties, to embark on REDD+ activities by developing a national REDD+ strategy to curtail deforestation and forest degradation. Since then a number of international partners have been providing technical and financial support to Tanzania under the United Nations Framework Convention on Climate Change (UNFCCC) umbrella. Figure 1 below presents an overall implementation framework for delivery of REDD+ activities in Tanzania.

Notable initiatives have included support from the Royal Norwegian Government and the UN-REDD programme to prepare the National REDD Strategy and Action Plan to implement REDD+ activities including institutional strengthening/establishment as well as development of REDD+ demonstration projects. Other relevant initiatives around REDD+ have included work by the Clinton Climate Initiative and a comprehensive countrywide forest inventory project (the National Forest Resource Monitoring and Assessment programme--NAFORMA) funded by the Government of Finland. NAFORMA has collected significant social and biophysical data at the district level, and this data is providing crucial inputs into both the National REDD+ Strategy and the national MRV processes especially in the establishment of the baseline and reference emission levels.

Tanzania is also part of the World Bank Forest Carbon Partnership Facility (FCPF), but does not currently receive any funding because the Readiness phase is already funded by other programs mentioned above. Therefore, for Tanzania, FCPF membership is a way of keeping up-to-date with international REDD+ policy and learning from other partnership members. To this end, Tanzania submitted a Readiness Plan Idea Note (R-PIN) in 2009, followed by a REDD Readiness Preparation Proposal (R-PP) in 2010 which have both been approved.

Tanzania has achieved a number of milestones related to REDD+ Readiness, from analytical work (e.g., studies on cost elements of REDD+) to establishing institutions such as the National REDD+ Task Force, the National REDD Secretariat, the National Carbon Monitoring Centre, and policy development including the National REDD+ Strategy and an Action Plan which was launched officially in March 2013 (with more information available at [www.reddtz.org](http://www.reddtz.org)).

Other milestones include nine REDD+ pilot projects implemented by different NGOs across the country; a Climate Change Impact, Adaptation and Mitigation Research Programme (CCIAM) implemented by selected universities to train and build capacity of younger professionals around REDD+ and climate change in general; a Monitoring, Reporting, and Verification (MRV) research project using the latest technologies such as LIDAR; development of a national REDD+ fund as well as Social and Environmental Safeguards information Systems.

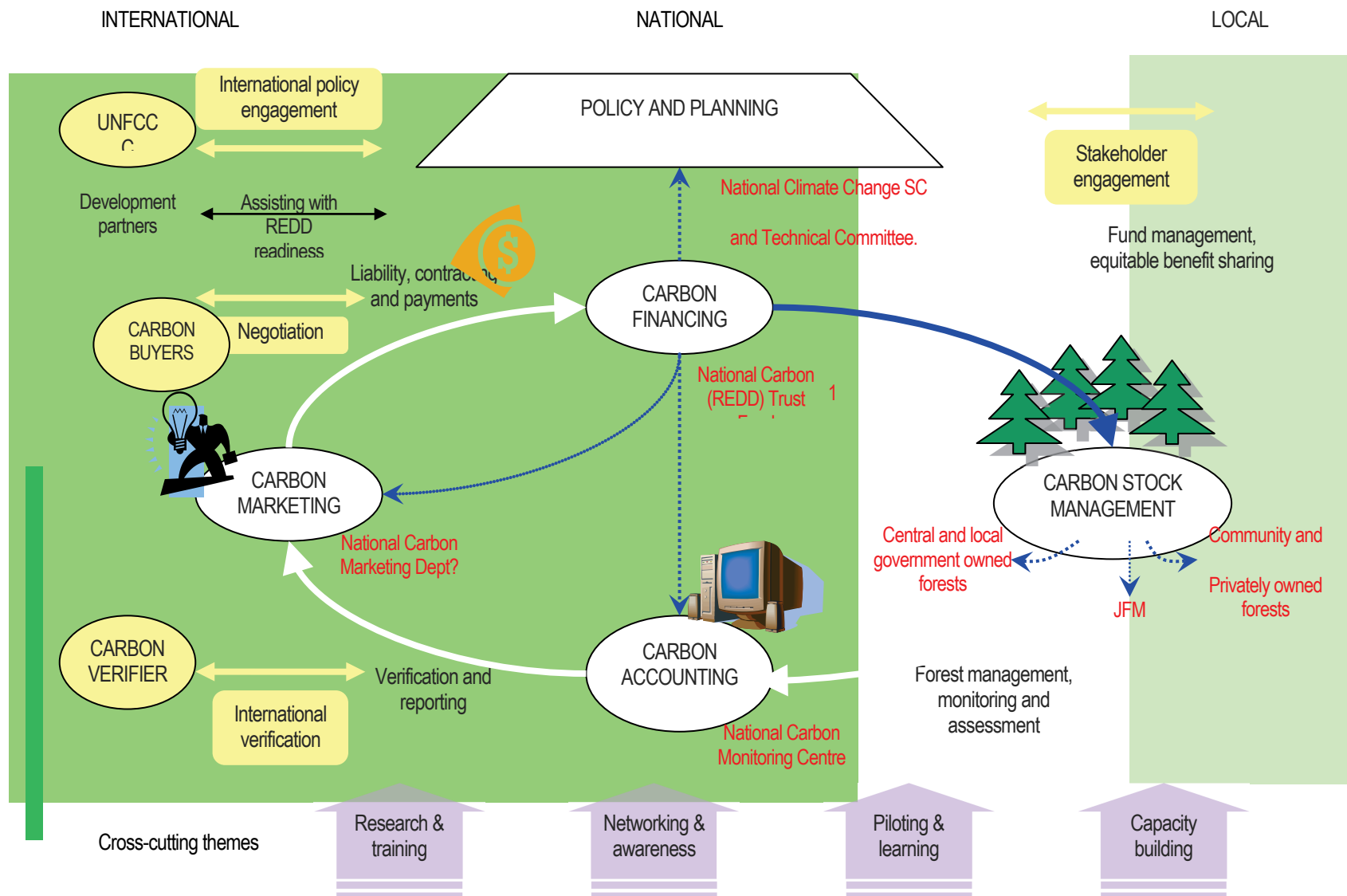
The overall national REDD+ implementation framework (known popularly as the National REDD+ Production chain) is shown in figure 1 below.<sup>8</sup>

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<sup>7</sup> Between 1990 and 2010, mainland Tanzania lost 8 million hectares (~ 19 per cent) of its forest cover, equivalent to an average annual loss of about 403,000 hectares.

<sup>8</sup> UNREDD Programme. 2009. Policy Board Presentation by the United Republic of Tanzania. Accessed November 19 2013.

**Figure 1. National REDD+ Production Chain for Tanzania**



Source: UNREDD Program, Tanzania, 2009.



## Financing REDD+

There have been a number of REDD+ activities funded by different development partners and understanding the nature and level of funding (number of donors, level of funding in terms of actual amounts pledged, committed and disbursed, as well as funded activities) remains a big challenge at the national level. This is largely compounded by the lack of a centralized system/entity for coordinating and monitoring the flow of REDD+ finance in the country. This has meant that the Division of Environment, which is the country's UNFCCC focal point for climate change issues and also the chair of the National REDD Task Force, could only report on public funding (e.g. donor country government and multilateral REDD+ finance) flowing to the country through the very same office.

This means that REDD+ funds flowing into the country through other financial channels, such as funds flowing directly to research institutions and or community organizations, remain unknown to the government. The same is true for funds from private sources that are in one way or another contributing to REDD+ Readiness.

Public funding (donor country government and multilateral) has dominated the REDD+ landscape in Tanzania for the period between 2009 and 2012 with the majority of commitments funding activities over several years. Funding committed by the Norwegian government, for example, has been flowing for the past seven years. Funding from the private sector and other philanthropies are considered to be an important source of funding for REDD+ activities and is expected to grow in future. This would provide an important supplement to public funding given the government support for subnational REDD+ programs, which would allow private investors such as corporate companies and multilaterals/bilateral donors to engage directly with local forest owners for implementation of REDD+ projects.

Nevertheless, driven by the ambition to deliver performance-based-payment REDD+ schemes, the government of Tanzania is already designing a national fund for REDD+ finance. This will aim to ensure access to long term and reliable sources of funding expected to emerge in the run up to 2020. The national REDD+ fund is expected to be a semi-autonomous fund detached from the Treasury to handle all REDD+ funds in a transparent, effective and efficient manner.

In addition to the national REDD+ fund, the government has also developed and tested various benefit sharing mechanisms with communities through the REDD+ pilot projects. Such benefit sharing mechanisms are expected to channel funds from national level down to local communities to provide the required incentives for emissions reductions.

Given this ambition, the current REDD+ tracking under the REDDX initiative stands to play a vital role by providing critical (timely, reliable and transparent) financial data that will aid in financial planning including benefit sharing among various stakeholders involved in the REDD+ process.

## Findings

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### Overview

Over 95% of the total US\$93.5 million REDD+ finance tracked as flowing to Tanzania between 2009 and 2012 has been committed by international donor governments. The vast majority of these funds (US\$84.4 million) are from the government of Norway, followed by the government of Finland (US\$4.2 million). The UNREDD program is the only multilateral funding program, contributing US\$4.2 million.

Around 95% of funding from the government of Norway is directed through the Royal Norwegian Embassy in Tanzania as a primary recipient and then passed on to a range of international and local NGOs, academic, research and training institutions and the government of Tanzania.

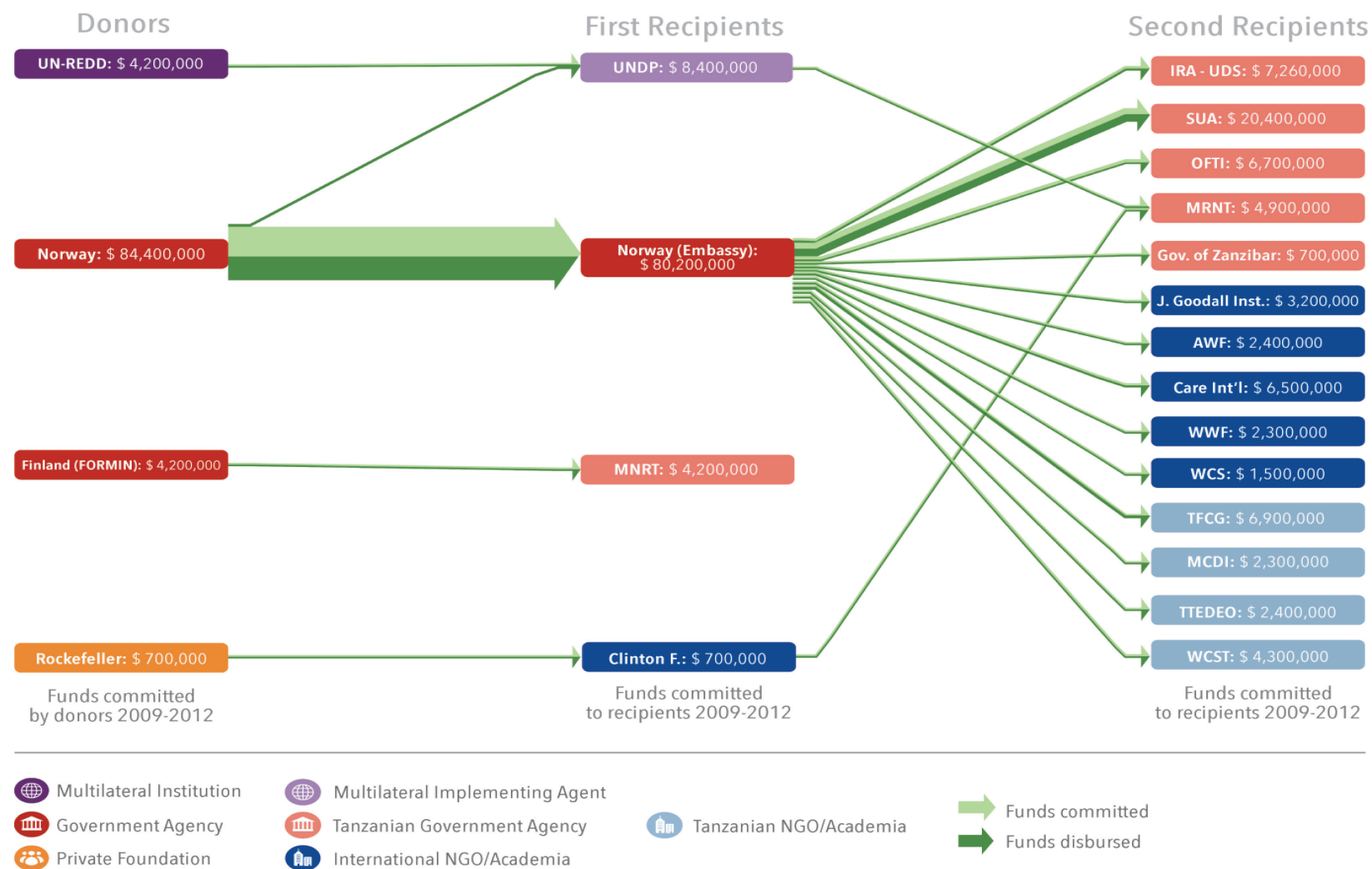
Figure 2 highlights that international and local NGOs are scheduled to receive the largest share (40%) of REDD+ funding as secondary recipients. These include the Wildlife Conservation Society (WCS), CARE international, World Wildlife Fund (WWF), African Wildlife Foundation (AWF), the Jane Goodall Institute, Tanzania Forest Conservation Group (TFCG), Mpingo Conservation and Development Initiative (MCDI), Tanzania Traditional Energy Development Organization (TaTEDO) and Wildlife Conservation Society of Tanzania (WCST).

Research and academic institutions such as Sokoine University of Agriculture, the Institute of Resources Assessment (IRA) (serving as a National Secretariat for REDD) and the Olmotonyi Forest Training Institute (OFTI) are receiving 25% of the funds. This finance is dedicated to research, training and capacity building with focus on natural resource management and climate mitigation/adaptation strategies. Other government or public sector institutions receiving REDD+ funding from the Royal Norwegian Embassy include the Revolutionary Government of Zanzibar.

Donor governments are also channeling 4.5% of their funds to multilateral implementing agents, notably through the UNDP and FAO, and an additional 4.5% to the government of Tanzania through the Ministry of Natural Resources and Tourism (MNRT). For instance, the MNRT is both a first and second recipient, receiving US\$4.2 million directly from the government of Finland (for the NAFORMA project) and an additional US\$4.9 million from the United Nations Development Programme (UNDP) and the Clinton Foundation's Clinton Climate Initiative.

Contributions from private foundations such as Rockefeller account for only 0.5% (US\$ 700,000) of the total funding and are exclusively financing international NGOs (e.g., the Clinton Climate Initiative) who are in turn financing the national government of Tanzania (MNRT) as a secondary recipient.

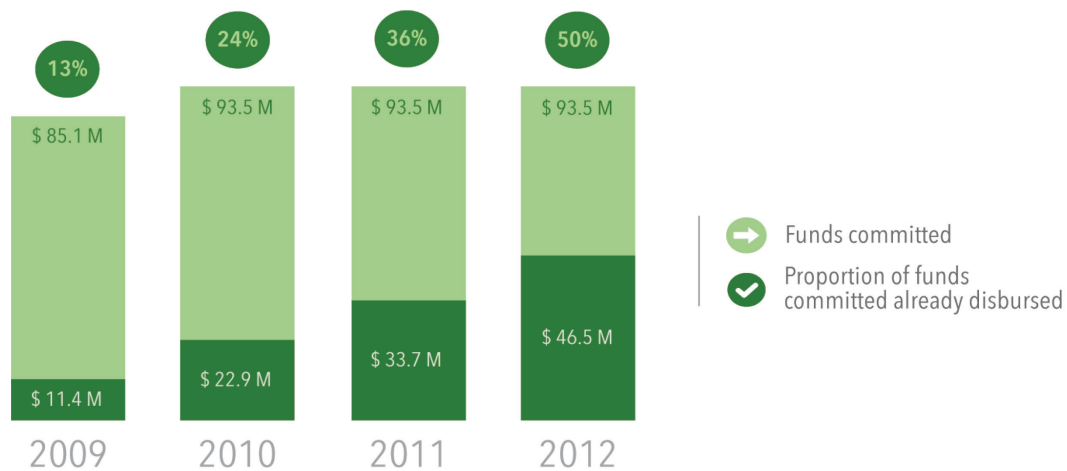
Figure 2. Overview of Financial Flows for REDD+ in Tanzania (2012)



## Levels of REDD+ Finance

Total cumulative commitments amounted to US\$85.1 million in 2009 and increased by roughly 10% in 2010, reaching US\$93.5 million. These large commitments in 2009 and 2010 reflect multi-year grants which are on-going. Total cumulative REDD+ financial commitments to Tanzania reached a plateau in 2010 with no additional commitments tracked in 2011 and 2012. Disbursements in contrast continued to flow at a steady rate totaling US\$11.4 million in 2009 (or 13% of commitments) and increasing to US\$46.5 million (or 50% of total commitments) by the end of 2012.

Figure 3. Cumulative Commitments and Disbursements, 2009-2012



## Donors

Figure 4. Proportional Total Donor Commitments and Disbursements, 2009-2012

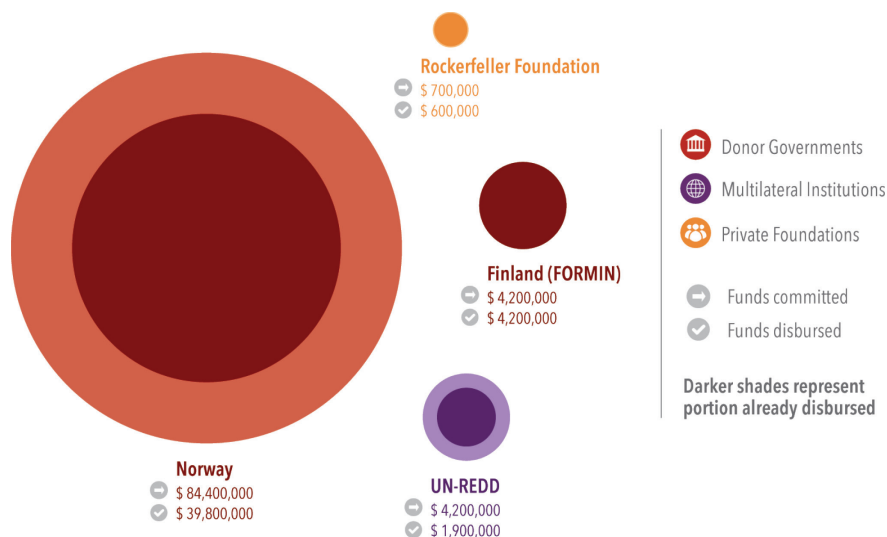
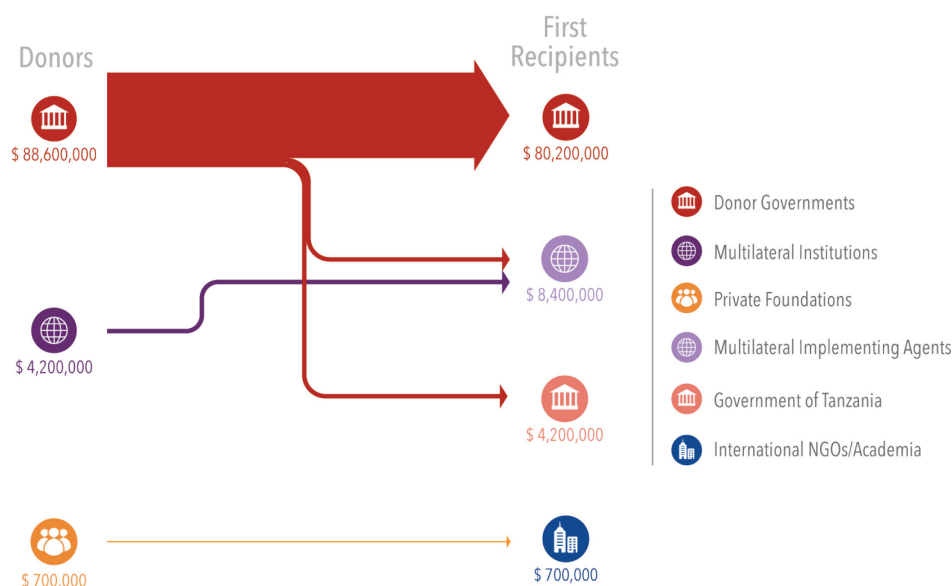


Figure 4 highlights the relative levels of funding donors have committed and the proportion disbursed to their recipients through 2012. The percentage of committed funding that has been disbursed varies by donor, however, the majority of listed donors tend to have a disbursement percentage greater than 70%. Donor governments (Finland and Norway) constitute 95% of all commitments.

**Figure 5. Flows of REDD+ Finance between Donors and First Recipients, 2009-2012**



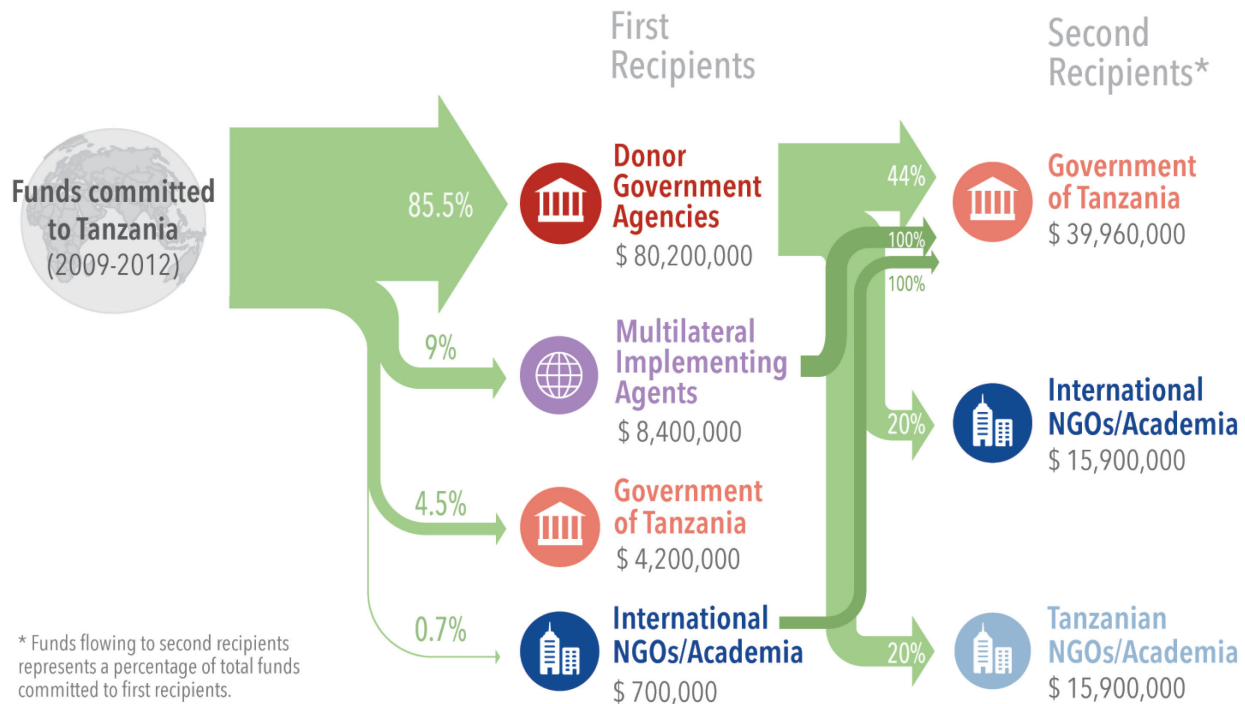
Drawing from Figure 5 above, donor governments account for 95% of all REDD+ finance flowing to Tanzania between 2009 and 2012. Over 91% of this donor government finance is flowing to other donor government agencies as the first recipients. In general, donor governments are not recipients of international REDD+ finance. However in some instances, specific donor government agencies receive funds from another agency within their own government. Flows of finance *from a donor government to another donor government* might take place where development aid or climate finance is disbursed from one centralized department within a government with projects/activities implemented by other government agencies. In this case, the Government of Norway is directing 95% of REDD+ finance commitments through the Royal Norwegian Embassy in Tanzania.

Donor governments are also channeling 4.5% of their funds to multilateral implementing agents and an additional 4.5% to the Government of Tanzania.

Multilateral commitments account for 4.5% of the total US\$93.5 million with all finance directed through multilateral implementing agents (United Nations Development Programme -UNDP). Private foundations account for 0.5% of the total funding and are exclusively financing international NGOs/academia.

## Recipients

Figure 6. Commitments to Recipients by Location and Type



Based on the figure 6 above, the initial institutions or “first recipients” receiving funding for REDD+ activities in Tanzania are predominantly donor government agencies, namely the Royal Norwegian Embassy of Tanzania. Multilateral implementing agent (the United Nations Development Programme-UNDP) is receiving 9% of the total commitments and the Government of Tanzania is scheduled to receive around 4.5% or US\$4.2 directly from donors.

Secondary institutions or “second recipients” receiving REDD+ finance are also displayed in figure 6 above. During the period from 2009 to 2012, around 77% of the total committed funds were passed onto second recipients. Multilateral implementing agents and international NGOs/Academic institutions are scheduled to pass on 100% of the funding they receive from donors. Donor government agencies, namely the Royal Norwegian Embassy of Tanzania, are currently scheduled to pass on 88% of the commitments made by the Government of Norway.

International NGOs/academic institutions and local, Tanzanian NGOs/academic institutions are both receiving about 22% of the US\$71.8 million passed on to second recipients. The government of Tanzania is scheduled to receive around 66% of the total funding flowing to second recipients.

Low percentage transfers of funding from first to second recipients should not be seen as a failure to implement REDD+ activities in Tanzania as recipients may commit funding directly to local communities or households for payments for environmental services or implement the activities directly themselves instead of passing funding to other organizations. A clearer picture will emerge as additional REDD+ data collection continues.

An annual breakdown of funding committed to first recipients shows that the majority of funding (91%) was committed in 2009. Of this US\$ 85.1 million, 94% was committed to donor government agencies, 5% to multilateral implementing agents and only 1% to international NGOs/Academic institutions.

In 2010, 50% of commitments were directed to multilateral implementing agents with the remaining 50% of funds committed to the Government of Tanzania.

## REDD+ Activities

Figure 7. REDD+ Activities in Tanzania

	Stakeholder engagement	Right and tenure	MRV and reference levels	Safeguards	Policy and law	Institutional strengthening	Forest carbon project design	Improved management	Carbon offsets	Other
										
 Donor Governments	✓	✓	✓	✓	✓	✓	✓	✓	✓	✗
 Multilateral Institutions	✓	✓	✓	✓	✓	✓	✓	✓	✓	✗
 Private Foundations	✓	✓	✓	✓	✗	✓	✓	✓	✓	✗

Figure 7 shows the REDD+ activities supported by the different donor institution types. The list of activities and definitions was drawn from broad agreement among REDD+ experts, including pilot projects implementing REDD + projects in Tanzania and the national stakeholders workshop held in Dar es Salaam in October 2013 to validate the findings of this report.

It is important to note that the absence of support for an activity from a specific donor type does not constitute a lack of attention to the activity overall, since the activity could be well-funded through other donor types.

As can be seen from figure 7 above, the donors tracked in Tanzania are funding a broad array of REDD+ activities. Stakeholder engagement, institution strengthening, improved forest land management and MRV/reference level development were supported in all projects. Similarly, carbon offsets were partially supported in all projects and the four projects working to produce carbon offsets are in the process of finalizing their Project Design Documents (PDDs). These are the Tanzania Forest Conservation Group (TFCG), Mpingo Conservation and Development Initiative (MCDI), Tanzania Traditional Energy Development Organization (TaTEDO) and the Jane Goodall Institute (JGI).



## Challenges

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REDD+ commitments reached a plateau in 2010 with no additional commitments tracked in 2011 and 2012. This poses significant challenges for phase II REDD+ activities in Tanzania. This is compounded by the fact that funding from the major donors, notably the government of Norway, is nearing the end of multi-year grants. Funding from phase I of the UNREDD programme ended in September 2013 with phase II not yet defined. Support from the Finnish government on NAFORMA through FAO was also an initial Readiness effort and one-off support, which ended in December 2013 while support from the Clinton Climate Initiative ended in March 2013. This means that funding for follow-up activities beyond piloting and Readiness is not secure, a fact which could significantly impact the ability to motivate communities already engaged in REDD+ activities throughout the country.

Linked to the lack of long term REDD+ financing in Tanzania post 2013, none of the 9 pilot projects established under phase I of REDD+ Readiness have completed the process of registering for participation in either the compliance or voluntary carbon markets. Only three pilot projects are at the stage of finalizing their project design documents (PPDs) and all have a still significant number of additional steps to go through.

Another challenge is related to the National REDD+ Strategy. The strategy contains a Strategic Action Plan that identifies the ten main result areas for the REDD+ implementation process in Tanzania. These areas are derived from key issues identified from the drivers of deforestation and forest degradation and their underlying causes including baseline establishment, financial mechanisms and incentives, stakeholder engagement, governance and implementation of credible and robust safeguard information systems. Despite the well-articulated interventions, the strategy does not contain any estimates of the level of funding required to fully implement the proposed activities. This is a major gap that leaves fundraising efforts for REDD+ rather vacuous.

A main challenge in collecting information on REDD+ finance is the lack of REDD+ activity-level information. Although, the donor community, notably the Royal Norwegian Embassy was more organized with financial information broken down per activity, most recipients have not disaggregated financial information per activity. Rather funds are allocated for broader budget categories such as community development, which may entail a number of interrelated activities such as capacity building (e.g., education and awareness raising) and entrepreneurial skills, income generating activities and support for infrastructures such as health centers, schools and water sources. This made it extremely difficult to deduce spending for a specific activity such as stakeholder engagement.

Further challenges relate to financial information on the national government's own funding. Discussion with various stakeholders indicated that the government has made significant contributions (both financially and in-kind support) to the REDD+ Readiness process. The Ministry of Natural Resources for example has operated as a technical implementing agency for REDD+ activities in the country and as such has availed invaluable support to REDD+ processes such as staff, workspace and vehicles. However no quantifiable information (in monetary terms) was obtained from relevant authorities especially the Division of Environment in the Vice President's office, which is the focal point for climate change and coordinator for all environmental issues in the country. Lack of a coordinated REDD+ finance management system (national REDD fund) is a possible cause for this challenge.

Furthermore, and as expected, information on funds flowing to communities was difficult to obtain. This is because most projects focused on creating enabling environments (Readying or preparing) for effective implementation of REDD+ programs under future performance-based payment systems. However two pilot projects have attempted, in testing their proposed benefit sharing arrangements, to make direct cash payment to villagers for their conservation efforts through their village government. Nevertheless, information on the amount of funds received by individuals/households from this payment could not be collected during this first phase, as it required significant additional data collection efforts to visit villages to collect all relevant financial information.

## Conclusion and Recommendations

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This report has presented the findings of the first round of REDD+ financial tracking in Tanzania under the REDDX initiative led by the Forest Trends. It is the first comprehensive attempt to track commitments and disbursements of finance for REDD+ activities in Tanzania.

REDD+ has attracted a significant amount of funding (US\$93.5 million) for forest conservation and management in Tanzania over the period between 2009 and 2012. The current rate of deforestation which stands at 403,000 hectares (equivalent to 1.16 %) of the forest area lost every year<sup>9</sup> and while levels of REDD+ financial commitments are significant, they fall well below the minimum required to halt deforestation in the country given the profitability of other land use alternatives. Charcoal alone is estimated to generate US\$650 million per year<sup>10</sup>. This means that significant additional financial commitments will be required to make Tanzania 'REDD-able'.

Support from international donor government agencies constitutes the biggest source (95%) of funding for REDD+ activities in the country. Lack of new commitments for the years 2011 and 2012 presents a significant concern. This needs be addressed with due urgency given that a number of funding commitments from the Norwegian government, the UNREDD program, government of Finland and the Clinton Climate Initiative ended in 2013.

The National REDD Strategy and Action plan presents an important instrument for attracting funding from different sources including donor government agencies, multilateral and philanthropic sources. However, the strategy and action plan do not set out a cost estimate for effective execution and implementation of REDD+ activities in Tanzania. The National REDD Task Force should consider filling this gap by estimating levels of REDD+ finance still required to deliver the national REDD+ strategy.

Benefit sharing models designed by pilot REDD+ projects constitute an important and transparent financial link between international donors (e.g., philanthropies, markets, etc.), the national level (e.g., the national REDD+ fund) and local level (e.g. village communities and individuals). However, these models are a waste without additional commitments for REDD+ funding. Other sources of funding including payments for ecosystem services (PES) and ecotourism should also be explored as potential alternative source of funding for communities and forest conservation in case of delays or lack of additional REDD+ commitments.

Private sector investments will be vital in delivering REDD+ activities and represent a potential source of funding in Tanzania. To date, the private sector has not been effectively engaged under phase I of the REDD+ program. Subsequent phases of REDD+ should ensure effective engagement of private sector.

The government has made a significant contribution to REDD+ programs under phase I of the REDD+ Readiness. However, this contribution is neither documented nor quantified in a monetary value. It will be prudent to evaluate the national government's own funding and put a monetary figure, which can then be communicated and appreciated by REDD+ donors and other stakeholders.

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<sup>9</sup> Between 1990 and 2010, mainland Tanzania lost 8 million hectares (~ 19 per cent) of its forest cover, equivalent to an average annual loss of about 403,000 hectares.

<sup>10</sup> This is largely to the many significant costs involved including opportunity costs, implementation costs, transaction costs and institutional costs. For instance, the study for the cost elements of REDD+ in Tanzania (LTSL, 2012) found that the 'opportunity' costs for the 53 districts for avoiding charcoal and agricultural expansion were as high as US\$ 13.40/tCO<sub>2</sub> while the implementation cost of the same were found to be as high as 17.05/tCO<sub>2</sub>.