



# UGANDA: Establishing the State of Adaptation Finance

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# **UGANDA:** **ESTABLISHING THE STATE OF ADAPTATION FINANCE**

**actalliance**

**STUDY REPORT**

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Rural Action Community  
Based Organization

... Bringing Hope To The Community...

## AKNOWLEDGEMENTS

RACOBAO has prioritized climate change advocacy and continues to engage communities in local adaptation actions and advocacy to inform decision making on adaptation finance and build resilience. This is because climate change has increasingly become a threat to lives, destruction of properties and livelihoods of vulnerable communities we serve. Climate change disasters have devastating impacts and persistent long-term negative effects on social economic and human development. Strengthening community resilience and adaptation to climate change becomes critical. This is only possible when the country has adequate adaptation finance.

On behalf of RACOBAO and ACT Alliance Uganda Forum, I am honored to present the publication of our study titled **“Establishing the State of Adaptation Finance in Uganda”**. This study represents a significant milestone in our continued efforts to inform evidence-based decision making by policy legislators and relevant stakeholders to support Uganda’s resilience in the face of climate change. The report further aims at ensuring Uganda benefits from the global climate finance architecture and, and that citizens’ climate adaptation concerns are addressed through increased budget allocations to reduce local community vulnerabilities.

We are grateful to our funding and consortium partners of the **‘Needs-based Advocacy on Adaptation in Africa’** for their generous support and belief in the importance of bridging the climate adaptation finance gap. It’s our hope that this report will cause duty bearers especially Ministry of Finance, Planning and Economic Development to deliver their mandate of climate finance mobilization and utilization as stipulated in the National Climate Change Plan (NCCP) and Clause 20 of the Climate Change Act, 2021 which calls for mobilization of climate finance from domestic and international sources.

I hope that the findings will inspire collaborative efforts, drive policy innovation and reinforce the shared commitment to a sustainable climate resilient future for all.

**Mr. Haq Makumbi**  
*Executive Director*  
RACOBAO



# STENZON

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PHOTO: Sadiiki Adam/Church of Uganda.



## ABBREVIATIONS AND ACRONYMS

<b>AF</b>	Adaptation Fund
<b>ADB</b>	African Development Bank
<b>AFOLU</b>	Agriculture, Forestry and Other Land Use
<b>BAU</b>	Business-As-Usual
<b>BOU</b>	Bank of Uganda
<b>CFU</b>	Climate Finance Unit
<b>CSR</b>	Corporate Social Responsibility
<b>DB/DFI</b>	Development Banks / Development Financial Institutions
<b>GDP</b>	Gross Domestic Product
<b>GHG</b>	Greenhouse Gas emissions
<b>ESG</b>	Environmental, Social, and Governance
<b>GCF</b>	Green Climate Fund
<b>GEF</b>	Global Environment Facility
<b>GIZ</b>	German Agency for International Cooperation
<b>IPCC</b>	Intergovernmental Panel on Climate Change
<b>ITK</b>	Indigenous and Traditional Knowledge
<b>KPI</b>	Key performance indicators
<b>LDC</b>	Least Developed Countries
<b>MoFPED</b>	Ministry of Finance, Planning and Economic Development
<b>NDC</b>	Nationally Determined Contribution
<b>OECD</b>	The Organisation for Economic Co-operation and Development
<b>PA</b>	Paris Agreement
<b>SDG</b>	Sustainable Development Goals
<b>TNC</b>	Third National Communication
<b>UDB</b>	Uganda Development Bank
<b>UDC</b>	Uganda Development Corporation
<b>URBRA</b>	Uganda Retirement Benefits Regulatory Authority
<b>UMRA</b>	Uganda Microfinance Regulatory Authority
<b>UNFCCC</b>	United Nations Framework Convention on Climate Change
<b>UNMA</b>	Uganda National Meteorological Authority
<b>US</b>	United States of America
<b>USD</b>	United States Dollars
<b>USE</b>	Uganda Securities Exchange
<b>WMO</b>	World Meteorological Organisation



# EXECUTIVE SUMMARY

## INTRODUCTION AND CONTEXT

Countries in the global south are particularly vulnerable to the impacts of climate change. In Uganda, these effects are increasingly evident through extreme weather events such as unprecedented rainfall, floods, and prolonged droughts. The agricultural sector, which forms the backbone of Uganda's economy, is especially affected. Furthermore, women, girls, and other minority groups bear a disproportionate burden of these climate-related challenges.

Uganda has updated its Nationally Determined Contribution (NDC) alongside its Green Growth Development Strategy. Both documents outline the country's strong commitment to climate action, placing a primary focus on adaptation. However, significant financing is required to effectively implement these plans.

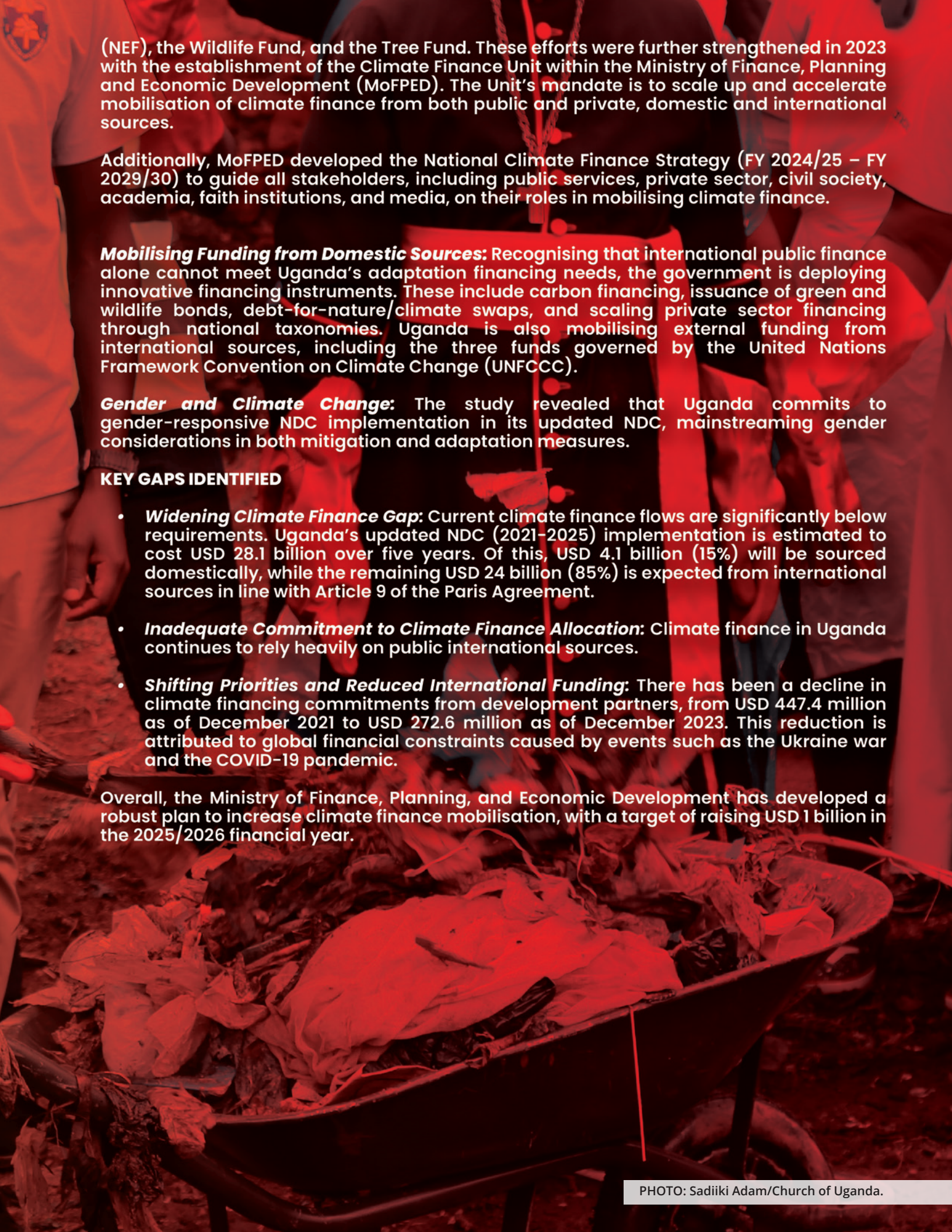
## PURPOSE AND SCOPE OF THE STUDY

Rural Action Community Based Organization (RACOB AO), a national member of the ACT Uganda Forum, conducted this study to provide an overview of Uganda's adaptation finance landscape. The study examines the allocation and distribution of adaptation finance, identifies gaps and challenges, and highlights lessons learned over the past three years (2022-2024). The findings aim to inform effective climate change advocacy and build a strong case for increasing adaptation finance in Uganda.

## KEY FINDINGS

**Climate Finance Mobilization Effort at National Level:** The study found that the Government of Uganda has established several climate and environmental funding mechanisms to address climate finance needs, including the National Environment Fund





(NEF), the Wildlife Fund, and the Tree Fund. These efforts were further strengthened in 2023 with the establishment of the Climate Finance Unit within the Ministry of Finance, Planning and Economic Development (MoFPED). The Unit's mandate is to scale up and accelerate mobilisation of climate finance from both public and private, domestic and international sources.

Additionally, MoFPED developed the National Climate Finance Strategy (FY 2024/25 – FY 2029/30) to guide all stakeholders, including public services, private sector, civil society, academia, faith institutions, and media, on their roles in mobilising climate finance.

**Mobilising Funding from Domestic Sources:** Recognising that international public finance alone cannot meet Uganda's adaptation financing needs, the government is deploying innovative financing instruments. These include carbon financing, issuance of green and wildlife bonds, debt-for-nature/climate swaps, and scaling private sector financing through national taxonomies. Uganda is also mobilising external funding from international sources, including the three funds governed by the United Nations Framework Convention on Climate Change (UNFCCC).

**Gender and Climate Change:** The study revealed that Uganda commits to gender-responsive NDC implementation in its updated NDC, mainstreaming gender considerations in both mitigation and adaptation measures.

#### KEY GAPS IDENTIFIED

- **Widening Climate Finance Gap:** Current climate finance flows are significantly below requirements. Uganda's updated NDC (2021-2025) implementation is estimated to cost USD 28.1 billion over five years. Of this, USD 4.1 billion (15%) will be sourced domestically, while the remaining USD 24 billion (85%) is expected from international sources in line with Article 9 of the Paris Agreement.
- **Inadequate Commitment to Climate Finance Allocation:** Climate finance in Uganda continues to rely heavily on public international sources.
- **Shifting Priorities and Reduced International Funding:** There has been a decline in climate financing commitments from development partners, from USD 447.4 million as of December 2021 to USD 272.6 million as of December 2023. This reduction is attributed to global financial constraints caused by events such as the Ukraine war and the COVID-19 pandemic.

Overall, the Ministry of Finance, Planning, and Economic Development has developed a robust plan to increase climate finance mobilisation, with a target of raising USD 1 billion in the 2025/2026 financial year.



# 1

## Introduction and Contextual Background

### 1.1 Background

The latest scientific evidence shows that global surface temperature has reached 1.1 °C above 1850 to 1900 levels from 2011 to 2020 (IPCC, 2023). 2022 was the fifth or sixth warmest year on earth (WMO, 2023). Regions across the world are experiencing many climate induced disasters, leading to losses and damages in resources, key infrastructure, and human life. Some observable impacts of climate change include sea level rise, floods, drought, heatwaves, heavy precipitation, tropical cyclones etc. These impacts cumulatively pose risk to infrastructure, biodiversity, and people. In order to limit the impact and risks of climate change, global temperature should be limited to 1.5 °C, but global government action fall short of meeting this goal. Global governments 2030 targets put the world on a 2.5 °C warming by 2100 (Climate Action Tracker, 2023).

Countries in the global south are particularly vulnerable and disproportionately impacted by climate change. Africa and particularly Least Developed Countries (LDCs) are named in the sixth assessment report (AR6) of the Intergovernmental Panel on Climate Change (IPCC) as one of the most vulnerable in the region to climate impacts. According to the World Meteorological Organisation (WMO), the warming rate in Africa supersedes that of other regions of the world. Climate change in Africa is characterised by the heatwaves, heavy rains, floods, tropical cyclones, and prolonged droughts. Agricultural productivity has reduced by 34% since 1961 due to climate change. The rate of decline is the highest when compared with other regions of the world (WMO, 2023). Climate change caused deaths in the thousands and led to economic damages in the billions of dollars in Africa. The estimated cost of loss and damage in Africa under increasing warming of 2 °C and 4 °C is between USD 290 billion and USD 440 billion (WMO, 2023). In East Africa, while some countries are received higher than normal rainfall, others experienced droughts in 2022 (WMO, 2023). Drought is severe particularly in Kenya, Ethiopia, and Somalia. Rainfall in Uganda was less than the average in 2022 (WMO, 2023). The region has suffered from crop and pastureland decline as a result of climate induced drought.

Despite these challenges, climate finance flows to Africa are very limited. Climate finance mainly provides technical support to develop climate policies, plans and strategies such as Nationally Determined Contributions (NDCs), National Adaptation Plans (NAPs) but financing for the implementation of these policies and strategies is lagging. Climate finance requirement for implementing NDCs of all African countries with submitted NDCs between 2020 and 2030 amount to USD 2.8 trillion (WMO, 2023) but finance flow is short of this amount. According to the Organisation for Economic Co-operation and Development (OECD), developed countries provided USD 89.6 billion climate finance to developing countries in 2021 out of the USD 100 billion goal pledged. Funding is imbalanced between mitigation and adaptation actions, with a larger amount going to mitigation. However, adaptation remains the priority for Africa. Least developed countries (LDCs) such as Uganda received an annual USD 15 billion share of climate



finance between 2016 to 2021, representing 17% of total climate finance (OECD, 2023). At the regional level The African Development Bank (AfDB) has committed USD 25 billion by 2025 to climate change.

Climate change continues to be a key development factor in Uganda and its negative impacts has compromised the realization of the Vision 2040 targets and frustrating Uganda's efforts to transform into a competitive upper middle income country (GoU, 2015a). Damages due to impacts of climate change in the agriculture, water, infrastructure and energy sectors collectively have been estimated at 2-4% of GDP between 2010 and 2050 (MWE, 2015). Despite receiving international finance flows for climate change adaptation, there is limited explicit reporting on whether funded adaptation activities in Uganda reflect reality on the ground.

The updated NDCs show a need of USD 28.1 billion to implement both adaptation and mitigation actions and cross-cutting issues across all sectors up to 2030. The unconditional actions to be undertaken by Government of Uganda require domestic funding worth USD 4.1Bn leaving USD 24Bn to external funding.

Climate finance in Uganda largely comes from public international sources. An annual USD 785 million of climate finance was mobilised in Uganda between 2019 to 2020 (AfDB, 2023). This is less than 5% of its climate finance needs as communicated in the updated NDC. The private sector contribution to the USD 785 million climate finance mobilisation between 2019 to 2020 was 3.4% (AfDB, 2023). To be able to meet the USD 4.1 billion domestic climate finance target, an incremental scale up of private sector finance and climate action is required. The financial sector of Uganda has a huge role to play in domestic climate finance mobilisation.

## 1.2 Objectives and scope of the study

The climate finance landscape of Uganda is not well streamlined, and coordination is though starting to take shape is still insufficient to take proactive actions at securing the requisite finance especially from the private sector to supplement public and international finance to implement climate action. Within the financial sector, there is growing interest to engage on climate action however the “how to engage” is blurred with a lack of guidance, knowledge and know-how on how to integrate climate action in financial operations. Within the national policy framework, the Vision 2040 strategy and the National Climate Change Policy of 2015, all sectors are required to develop sector-specific climate change mainstreaming guidelines that are later accompanied with mobilisation of finance to implement. Guidelines existing to date include the guidelines for mainstreaming climate change into the Lands, Housing and Urban development sector and urban local government plans, guidelines for mainstreaming climate change adaptation and mitigation in agricultural sector policies and plans. Those under development include the National climate change mainstreaming guidelines.

### **1.2.1 Objectives**

The study aims to establish the state of adaptation finance in Uganda. The purpose of the study is to collect data whose information will inform efforts towards scaling adaptation financing in Uganda.

The purpose of the study is to collect data whose information will support effective engagement in climate change advocacy and build a justification for scaling adaptation finance in Uganda. The overall objective is to provide a comprehensive analysis of state of climate adaptation finance in Uganda. The consultant would like to establish how much climate finance Uganda has received in financing of its nationally determined contributions (NDCs) for both conditional and non-conditional financing. The consultant will establish the instruments of deployment of the adaptation finance and the sources of the adaptation finance Uganda has accessed.

Specific objective of the guidelines is to guide policymakers and RACOBAG to:

- Information to engage Parliament of Uganda on legislative policy engagement and budget allocations but also to place Ministry of Finance, Planning and Economic Development on the spot to meet the NDC target on climate finance mobilization for Uganda.
- Data to undertake community based adaptation actions to reduce climate change related vulnerabilities of the local communities, redirect advocacy efforts and build a justification for national, regional and global advocacy.
- The allocation of adaptation finance mobilized and accessed by Uganda according to the key sectors of the economy prioritized in the NDCs.
- The instruments of deployment of the adaptation finance and the sources of the adaptation finance Uganda has accessed.
- The gaps or challenges Uganda faces in mobilization and access of adaptation finance in addition to provide recommendations to address the gaps and scale up mobilization of adaptation finance.
- Provide build capacity and technical know-how on climate change and financing.

### **1.2.2 Scope**

The scope of this study is provide an overall picture of adaptation finance landscape in Uganda by interrogating Uganda's adaptation finance allocations, distribution, gaps, challenges and lessons in its mobilization and access in the last 3 years.



## 2

## Context of Climate Change and Financing in Uganda

### 2.1 Climate change in Uganda: trends, current and future impacts

Uganda is not immune to climate change and its impacts; It is among the countries most vulnerable to climate change. Uganda has a tropical climate with two rainfall peaks and a dry season in between. Agriculture, fisheries, forestry, energy, industry, and services are the key sectors of the Uganda economy. Uganda is rich in and highly dependent on natural resources such as water. The agriculture sector is the main employer, employing 68.1% of the working population and contributing 24.1% to gross domestic product (GDP), ranking as the third most important sector (Uganda Bureau of Statistics 2022). The industry sector (including mining, construction, electricity, water, and gas) contributes to 22% of GDP while the service sector including tourism contributes 6.6% to GDP. Furthermore, the population is growing faster, with an annual population growth rate of 3.7% (2018), leading to rapid increase in food demand and pattern. Uganda's population is projected to reach 63.8 million by 2030 and 105.7 million by 2050 (Uganda Bureau of Statistics, 2022). Feeding of such an increasing population will require an increase in food production to minimize food insecurity and poverty.

However, the key sectors of Uganda's economy are climate sensitive and vulnerable. Several reports including: Uganda's Third National Communication [TNC] (2022), Updated Nationally Determined Contribution [NDC] (2022), Uganda Climate Risk Profile (2020), State of Climate of Uganda (2022), and Economic Assessment of the Impacts of Climate Change in Uganda (2015) demonstrate that climate is changing in Uganda, temperature especially is rising. The Third National Communication and NDC indicate an observed decreasing rainfall trend, decreasing at the rate of 10.3 mm per decade from 1951 to 2020, and temperature rise at a rate of 0.23 degrees Celsius per decade since 1950. Uganda National Meteorological Authority (UNMA) showed in their 2021 State of Climate Uganda report that, since 1950, 2021 was the third hottest year on record following 2019 and 2009 respectively. Western Uganda is on record as the region with the fastest rate of warming compared to other regions.

Every increase in warming will cause more severe climate impacts and climate risks will become increasingly complex and challenging to manage and control. These changes will impact directly and indirectly key economic sectors of the country. Climate Analytics (2023) predicts that damages from river floods will increase annually by 12.9% in 2040 to 26.8% in 2100, portion of lands exposed to heatwaves is projected to increase annually by 2.9 percentage points (pp) in 2040 to 5.5pp in 2100 and population exposed to heatwaves is projected to increase annually by 3.6pp in 2040 to 5.6pp in 2100 (Annex 1). The International Monetary Fund (IMF) reports show that unfavourable weather conditions caused agricultural productivity to decline in the first half of financial year 2022/2023 (IMF 2023). Climate Analytics (2023) predicts that annual maize yield is projected to increase by 4.1% in 2040 and decrease by 2% in 2100 while wheat yield is projected to decrease annually by 1% in 2040 to 2.3% percent in 2100. Finally, labour productivity is projected to decrease by 6.8pp in 2040 to 12pp in 2100 due to heat stress (Annex

1). The Uganda Climate Risk Profile (2020) estimated that the losses of food crops by the 2050s could reach up to US\$1.5 billion.

## **2.2 Gender and climate change in Uganda**

Studies continue to show the disproportionate impact of climate change on women and girls. Women and girls hold lower adaptive capacities due to a combination of social, economic, and cultural factors. Existing gender inequalities and discrimination worsen the adverse effects of climate change. Women and girls have limited access and control over resources such as land, water and agricultural inputs. Although they hold less control, the majority of small holder farmers are women. With the agricultural sector being climate sensitive, climate impacts adversely disrupt their livelihood sources making them susceptible to economic shocks. Women and girls have less access to education, this hinders their ability to read and write which impact their ability to access information and knowledge on climate change to be able to adapt to the impacts. Climate-induced migration exposes women and girls to gender-based violence and loss of access to reproductive health services which leads to high rate of maternal mortality, diseases, and infection. Maternal mortality can also result from temperature rise and extreme climate events that causes outbreak of diseases. Cultural norms that leave women out of the decision-making table and assign them to certain roles and responsibilities such as caregiving and household management places the burden of care on women when climate disasters strike. House management duties such as cooking leads women to travel longer distances in search of water and food items to be able to feed their family.

The above assessment is true in the case of Uganda. The Uganda gender analysis (2020) shows that women in Uganda have less access to education, work opportunities finance and technology. There is an imbalance of asset ownership against women and as well disproportionate representation of women in decision making spaces. All these are compounded by the high gender-based violence against women and girls which makes women and girls in Uganda vulnerable to climate change.

Culturally women and girls in Uganda are responsible for household management. Their roles at the household level include cooking, washing, fetching water, caring (elderly, children, husband, the sick, etc). These responsibilities require them to walk long distances in search of water, firewood, and food items for housekeeping. This not only limits the time available for them to engage in productive activities (such as education, income generating activities) but also exposes them to harm and other dangers such as gender-based violence. During climate disaster women are exposed to more dangers but they possess limited capacity and resources to adapt and cope.

According to the gender analysis (2020), only 31% of women in Uganda own land. This contributes to the low access to finance as loans require collateral which many women in Uganda do not have. Access to agricultural extension services is limited among women farmers, and so is credit, insurance, technology, and other productive resources. The limited access or lack thereof of these resources has led to a 13% agricultural production deficit among women in Uganda. The



agricultural sector employs 77% of women out of the total work force within the sector, with agriculture being a climate sensitive sector, climate impacts expose a large proportion of women in Uganda to climate vulnerability and poverty.

Uganda commits to a gender responsive NDC implementation in its updated NDC. Gender is mainstreamed in both mitigation and adaptation response measures and actions. Gender and climate change are interconnected and therefore policies should seek to always address the ways in which different genders are impacted by climate change and appropriately respond with targeted policy actions.

The financial sector allocates the financial resources in Uganda. Unlocking access to women and girls to improve their climate resilience is one of the key measures or action for climate change mainstreaming in Uganda.

## **2.3 Policy, regulatory and institutional frameworks**

### **2.3.1 Policy and regulatory framework**

Uganda's overall development is guided by the overarching Vision- 2040 which articulates Uganda's vision and strategies for becoming a modern and prosperous country by 2040. Under this vision, Uganda aspires for a green economy and development that protects and preserves the environment. The Third National Development Plan (NDP III) reinforces the Vision 2040 and sets a pathway for Uganda's development from 2020 to 2025. This pathway includes addressing climate risks and opportunities through the development of national green growth financing and investment, development of local finance solutions for green entrepreneurs and business innovating climate technologies, by increasing access and use of clean energy among other climate initiatives.

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#### ***i. The National Climate Change Policy (NCCP 2015)***

The NCCP provides national climate change policy guidance and describes the institutional responsibility centers. The Policy stipulates that 70 percent of Uganda's climate finance will be sourced from external funders whilst the remaining 30 percent will be mobilized domestically. This was premised on the principle of climate justice given that Uganda is highly vulnerable and a victim of the climate crisis yet her contribution is insignificant.

#### ***ii. The United Nations Framework Convention on Climate Change (1992), the Kyoto Protocol (1997) and the Paris Agreement (2015).***

There are national and international policy frameworks that guide and mandates action on climate change in Uganda. Internationally, Uganda is a Party to the United Nations Framework Convention on Climate Change (1992), the Kyoto Protocol (1997) and the Paris Agreement (2015). Parties to the United Nations Framework Convention on Climate Change acknowledge climate change and commit to act within their national mandate to prevent

dangerous climate change by taking action to stabilize greenhouse gas concentration in the atmosphere. Under the Kyoto Protocol, Uganda commits to cooperate with other Parties on climate policies and measures. Signatories to the Paris Agreement commit to “holding the increase in the global average temperature to well below 2°C above pre-industrial levels and pursuing efforts to limit the temperature increase to 1.5°C above pre-industrial levels, recognizing that this would significantly reduce the risks and impacts of climate change” and to foster climate resilience. Uganda therefore has an obligation to pursue mitigation efforts to reduce greenhouse gas emission and adaptation efforts to enhance resilience. At the national level, the country has developed and passed several climate and environmental policies and regulations, the main ones which include the National Climate Change Act (2021), the National Climate Change Policy (2015), and the Environmental Act (2019). The National Climate Change Policy (NCCP) was developed to ensure a nationwide coordinated climate action approach and a sustainable development on built on a low carbon development and a climate resilient pathway. The National Climate Change Act passed in 2021 enforced the legal obligations of Uganda`s commitment to the international policy frameworks it has signed to, ie the UNFCCC, PA and Kyoto Protocol. These obligations are recognisable by the courts of justice of Uganda and climate action in Uganda is backed by the law. The 2019 Environmental Act provided the legal framework for managing and protecting the environment. It addresses the biodiversity conservation, air and water pollution and the overall sustainability of natural resources. Other policies include National Disaster Preparedness and Management Policy, 2010; National Agricultural Policy, 2013; Renewable Energy Policy, 2007; National Forestry Policy, 2001; National Irrigation Policy, 2017, National Health Policy, 2010; National Land Policy, 2013; Uganda non-motorised transport policy, 2013 and many others.

### ***iii. Strategies***

A number of strategies and plans have been developed namely the Uganda Green Growth Development Strategy 2017/18-2030/31; the Uganda National Climate Change Communication Strategy 2017-2021; the Strategic Program for Climate Resilience, 2017; the National REDD+ Strategy, and Action Plan, 2017; the National Biodiversity Strategy and Action Plan II 2015 -2025; the Uganda Sustainable Land Management Strategic Investment Framework (2010-2020); the Climate Smart Agriculture Program (2015 – 2025). Uganda also developed the Forest Investment Plan 2017 and the National Adaptation Plan for Agriculture 2018; the Uganda NDC Partnership Plan 2018 and many others. A climate finance strategy is currently under develop to enhance mobilisation, utilisation and tracking of climate finance for Uganda.

These policies, regulations, strategies and plans show Uganda`s commitment to climate action at both the national and international levels. It authorises the private and financial sector to develop its own policies and actions on climate change. Currently climate action is largely non-existent in financial sector policy and regulations. Although many amendments have occurred on financial sector regulations post NCCP, Vision 2040 and NDP III, climate change actions does not feature in these regulations.

### 2.3.2 Institutional framework

The Cabinet within the office of the President is responsible for leading national development in Uganda.

#### *i. The Ministry of Finance, Planning and Economic Development.*

The Ministry of Finance, Planning and Economic Development (MoFPED) leads national development at the technical level and is the mandated institution for the coordination, regulation monitoring and mobilisation of financial resources in Uganda. It formulates economic and fiscal policies for a stable economic development. (MoFPED) leads coordination and management of the various stakeholders in the financing of Climate Change actions in Uganda as provided in the Public Finance Management Act, 2015 & NCCA, 2021. As such, MoFPED works as a co-lead on Climate Finance with the MoWE. This is done through the MoFPED Climate Finance Unit (CFU) which started operation in the third quarter of 2023. The CFU will lead on the coordination of mobilization, access, monitoring, evaluation and reporting of climate finance in Uganda. The CFU is also the National Designated Authority (NDA) secretariat for several multilateral funds including the Green Climate Fund, Global Environmental Facility, Climate Investment Fund, and the Adaptation Fund.

#### *ii. The Ministry of Water and Environment (MoWE)*

Ministry of water and Environment is the leading institution on Climate Change and coordinates the implementation of the NCCP through the Climate Change Department (CCD). The CCD is required to work with the other Government Ministries, Departments and Agencies (MDAs), individuals and the private sector to coordinate climate change activities.

### 2.4 Climate finance in Uganda

The total cost of implementing this updated NDC is estimated at USD 28.1 billion. Uganda commits to mobilize domestic resources to cover USD 4.1 billion equivalent to 15% of the total implementation cost. The remaining cost will require international support. The majority of the cost, that is USD 17 billion will go into adaptation actions and measures whereas USD 10.3 billion goes into mitigation actions and support. Cross cutting activities such as coordination will cost USD 0.1 billion. Aside finance, other means of implementing the NDC include capacity-building and technology development and transfer. The NDC outlines the vulnerabilities of women and girls to climate change and commits to a gender responsive NDC implementation.

In 2009, at the 15th Conference of Parties (COP) developed countries pledged an annual USD 100 billion of finance by 2020 to developing countries to address climate change. A goal which is now extended to 2025 due to developed countries inability to meet the commitment. According to the Organisation for Economic Co-operation and Development (OECD), developed countries



provided USD 89.6 billion for climate finance to developing countries in 2021 out of the USD 100 billion goal pledged. Funding is imbalanced between mitigation and adaptation actions, with a larger proportion going to mitigation actions. However, adaptation remains the priority for Africa. Least developed countries (LDCs) such as Uganda received an annual USD 15 billion share of climate finance between 2016 to 2021, representing 17% of total climate finance (OECD, 2023).

Climate or environmental funding mechanisms set up by the government of Uganda include the National Environment Fund (NEF) and the Wildlife Fund and the Tree Fund. Other finance mechanisms that contribute to climate finance in Uganda include the Bwindi and Mgahinga Conservation Trust; the Agricultural Business Initiative (aBi) Trust; the Road Fund; the Uganda Energy Credit Capitalisation Company; the Agricultural Credit Facility; the Yield Uganda fund; the Uganda Biodiversity Fund and ECOTRUST (Bakiika et al, 2023). Climate finance in Uganda largely comes from public international sources. An annual USD 785 million of climate finance was mobilised in Uganda between 2019 to 2020 (AfDB, 2023). This is less than 5% of its climate finance needs as communicated in the updated NDC. The private sector contribution to the USD 785 million climate finance between 2019 to 2020 was only 3.4% (AfDB, 2023). To meet climate investment need, significant climate finance and resource mobilisation well beyond current levels of public and/or private climate investment is required. Public sector funding from development partners and through climate funds is essential, but bringing climate investment to scale will require engaging the private sector and leveraging significant private capital through equity, loans, and/or project finance across all climate-related sectors. The transition to a low-carbon economy in line with the Paris Agreement requires a radical shift of resource allocation and, thereby an important and decisive response from the financial sector (NGFS, 2019).

Although there is no globally agreed definition of climate finance, data collectors and aggregators use different operational definitions but with common elements. In brief therefore, Climate Finance has been defined as follows:

At the global level, the UNFCCC defines Climate Finance as the local, national or transnational financing drawn from public, private and alternative sources of financing that seeks to support mitigation and adaptation actions to address climate change (This is the common definition).

In Uganda, the FY 2022/23 Report on Public Debt, Grants, Guarantees and other Financial Liabilities for FY 22/23 defines Climate Finance as all forms of finance earmarked for climate change adaptation and mitigation actions.

Uganda will be undertaking the development of its first national climate finance report in the FY2024/25 covering the period from 2016 to date to ascertain progress in realisation of its costed NDC. This process will involve setting up a digital tracking tool to enable Uganda be able to track climate finance mobilisation including adaptation finance. With this system already under test, there will be further no recommendation for the same at this point.

**Table 1. Priority Adaptation Actions as per the NDC**

SECTOR	ACTIONS
<b>Ecosystems</b>	<ul style="list-style-type: none"> <li>Enhance wetlands Management and restore peatlands, riverbanks and lake shores.</li> <li>Protect and restore mountain ecosystem.</li> <li>Protect manage and restore rangeland.</li> <li>Enhance biodiversity conservation and management.</li> </ul>
<b>Water and Sanitation</b>	<ul style="list-style-type: none"> <li>Ensure resilient access to water supply for domestic.</li> <li>And productive purposes.</li> <li>Promote sustainable water harvesting and storage.</li> <li>Increase to sanitation and wastewater treatment infrastructure and services.</li> <li>Scale-up Integrated Water Resources Management approach and use efficiency.</li> </ul>
<b>Transport</b>	<ul style="list-style-type: none"> <li>Build climate resilient roads, bridges, water.</li> <li>And Rail transport infrastructure systems.</li> <li>Revise design codes, regulations and guidelines to climate proof strategic transport infrastructure.</li> </ul>
<b>Energy</b>	<ul style="list-style-type: none"> <li>Improve access and utilization of electricity from sustainable sources.</li> <li>Promote use of renewable energy sources and energy efficient technologies.</li> <li>Increase access to clean energy cooking technologies.</li> <li>Rehabilitate and climate proof electricity transmission infrastructure.</li> </ul>
<b>Agriculture</b>	<ul style="list-style-type: none"> <li>Scaling up climate smart agriculture including agroecology.</li> <li>Strengthen water harvesting and irrigation farming.</li> <li>Promote development of climate resilient crop varieties (crop-diversification).</li> <li>Expand postharvest handling, storage, value addition and marketing.</li> <li>Promote highly adaptive and productive livestock breeds.</li> <li>Promote agricultural (livestock) diversification.</li> <li>Promote climate resilient capture fisheries.</li> <li>Promote ecosystem approach to aquaculture management.</li> </ul>
<b>Forestry</b>	<ul style="list-style-type: none"> <li>Promote afforestation and reforestation to reduce vulnerability of people and ecosystems.</li> <li>Encourage agroforestry to enhance nutrient cycling and integrated pest management.</li> <li>Encourage sustainable forest management to enhance forest ecosystem function.</li> <li>Promote use of non-timber forest products (NTFPs) to diversify livelihoods and improve resilience of communities.</li> </ul>
<b>Disaster Risk Reduction</b>	<ul style="list-style-type: none"> <li>Incorporate climate and disaster risk reduction in planning, budgeting and reporting.</li> <li>Expand climate information.</li> <li>Build effective early warning systems.</li> <li>Promote local, indigenous and traditional knowledge (ITK) and practices in disaster risk reduction.</li> <li>Strengthen policy linkage and actions on climate change, migration and disaster risk reduction.</li> </ul>

SECTOR	ACTIONS
<b>Cities and Built Environment</b>	<ul style="list-style-type: none"> <li>• Promote sustainable urbanization and housing.</li> <li>• Expand and maintain cities with greenbelts.</li> <li>• Promote efficient mobility in cities.</li> <li>• Improve solid waste management.</li> </ul>
<b>Health</b>	<ul style="list-style-type: none"> <li>• Integrate climate considerations into national health plans and strategies.</li> <li>• Improve early warning, surveillance and response system for climate sensitive health hazards.</li> <li>• Strengthen climate resilience of health infrastructure and system.</li> <li>• Implement integrated health related climate interventions considering policies on water and sanitation, education, social protection and reproductive health care.</li> </ul>
<b>Manufacturing, Industrial Processing and Mining</b>	<ul style="list-style-type: none"> <li>• Scale-up adoption of resource-efficient technologies.</li> <li>• Build capacity in research and Innovation.</li> <li>• Promote circular economy.</li> </ul>
<b>Education</b>	<ul style="list-style-type: none"> <li>• Integrate climate change education into the national curriculum (primary, secondary and higher institutions of learning).</li> <li>• Improve education and awareness raising on climate change.</li> <li>• Develop Knowledge systems for scaling up adaptation.</li> </ul>
<b>Tourism</b>	<ul style="list-style-type: none"> <li>• Integrate climate considerations into national tourism sector plans and strategies.</li> <li>• Promote natural and cultural/heritage conservation.</li> <li>• Establish and protect existing wildlife corridors to strengthen the resilience of wildlife against climate risks and hazards.</li> </ul>



**Table 2. Priority mitigation actions**

SECTOR	ACTIONS
<b>Agriculture, forestry and land use</b>  <b>(30.4 Mt CO<sub>2</sub>e)</b>	<ul style="list-style-type: none"> <li>• Climate Smart Agriculture.</li> <li>• Sustainable fuelwood and commercial charcoal production.</li> <li>• Large scale commercial timber plantations.</li> <li>• Restoration of natural forests in the landscape.</li> <li>• Energy Efficiency.</li> <li>• Livestock Management.</li> <li>• Wetlands and Peatlands.</li> </ul>
<b>Transport</b>  <b>(2.78 Mt CO<sub>2</sub>e)</b>	<ul style="list-style-type: none"> <li>• Road transport fuel efficiency.</li> <li>• Alternative fuel switch.</li> <li>• Development of non-motorized.</li> <li>• Transport (NMT) infrastructure.</li> <li>• MGR – Meter Gauge Railway.</li> <li>• Rehabilitation for freight transit.</li> <li>• Efficient operation of public transportation.</li> <li>• Residential trip avoidance through town planning and transport orientated.</li> <li>• BRT – Bus Rapid Transit.</li> <li>• GKMA Passenger service.</li> <li>• Metro rail.</li> <li>• LRT – Light Rail Transit.</li> <li>• SGR – Standard Gauge Railway.</li> </ul>
<b>Energy</b>  <b>(2.34 Mt CO<sub>2</sub>e)</b>	<ul style="list-style-type: none"> <li>• Renewable energy generation.</li> <li>• Reduction in transmission and distribution losses.</li> <li>• Improved efficiency of charcoal production.</li> <li>• Industrial Energy efficiency.</li> <li>• Industrial Fuel switching.</li> <li>• Increased electricity access for households.</li> <li>• Lighting energy efficiency in households.</li> <li>• Cooking mitigation measures, incl. energy efficiency and fuel switch.</li> </ul>
<b>Waste</b> <b>(1.10 Mt CO<sub>2</sub>e)</b>	<ul style="list-style-type: none"> <li>• Planned Green Cities Waste management.</li> <li>• NAMA – Schools biolatrines.</li> </ul>
<b>Industrial processes and product use (IPPU)</b> <b>(0.14 Mt CO<sub>2</sub>e)</b>	<ul style="list-style-type: none"> <li>• Cement sector.</li> <li>• Refrigerant use.</li> </ul>

## 3

## Findings

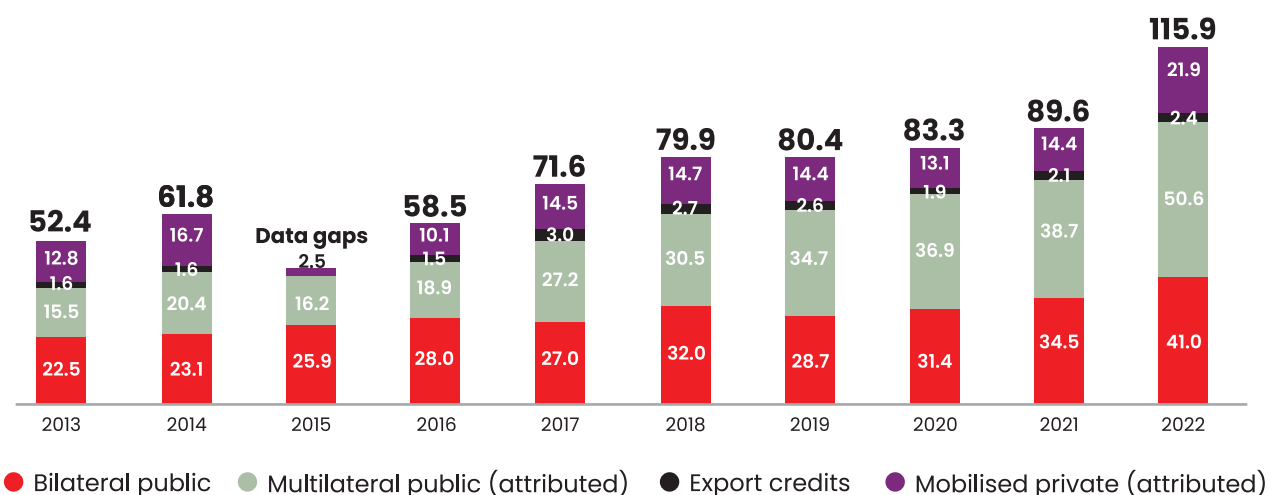
## 3.1 Over View of Global Climate Finance

Globally, a goal of **100bn USD** annually was to be mobilized by developed countries by 2020 through 2025. However, a global stock take process that Parties to the Paris Agreement conducted in 2023 indicated that they had significantly fallen short of delivering **US\$100 billion** per year in climate finance by 2020 and through 2025. The current total climate finance mobilized is reported at **\$83.3bn** by 2020 according to the Oxfam climate finance shadow report 2023 which falls short of the requirement at hand. Due to such shortfalls and challenges, the global finance landscape is evolving with private finance and blended finance as the focus.

In an updated report by OECD released 29 May 2024, Developed countries exceeded the **USD 100 billion** annual goal for the first time in 2022. The OECD indicates that developed countries provided and mobilised a total of **USD 115.9 billion** in climate finance for developing countries thereby reaching their collective annual goal of mobilising **USD 100 billion** for climate action in developing countries for the first time. However, given that we still lack the definition of what constitutes climate finance, the assertion by OECD report could still be challenged in reference to methodology used at arriving at the stated conclusions.

In the figure below according to the OECD, aggregate trends of annual climate finance provided and mobilised by developed countries for developing countries for the period 2013-22.

**Graph 1. Climate finance provided and mobilised in 2013–2022 (USD billion)**

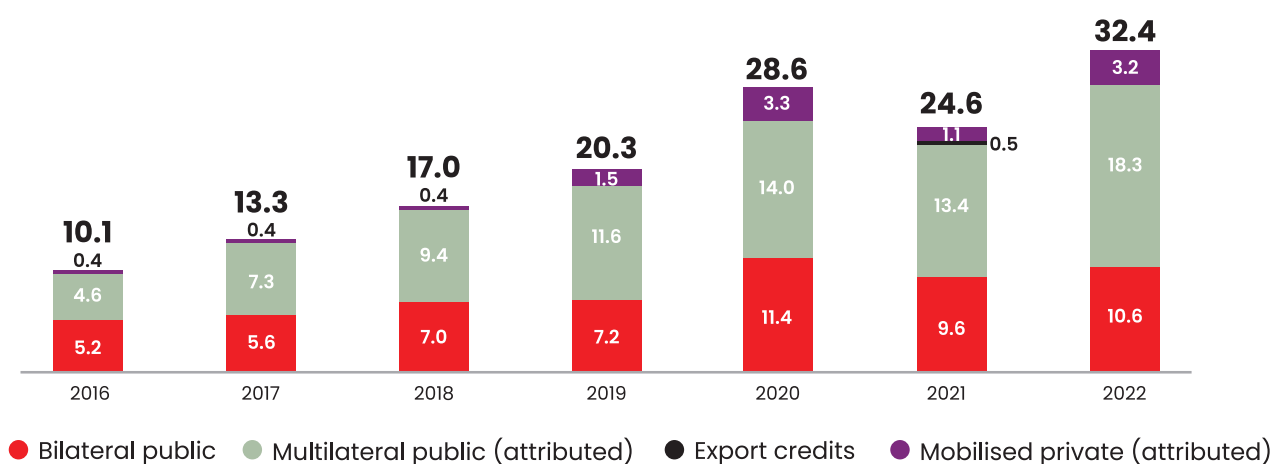


Source: OECD Database Released on 29 May 2024.

### 3.1.1 Global Adaptation Finance

Still according to the OECD report 2024, total adaptation finance provided and mobilised by developed countries though it increased reaching **USD 32.4 billion** in 2022 compared to **USD 10.1 billion** in 2016, this is still below the 50/50 bargain that vulnerable countries especially LDCs and SIDS have been calling for in regard to adaptation and mitigation finance. The 2021 Glasgow Climate Pact at COP26 called on developed countries to at least double their collective provision of adaptation finance to developing countries from 2019 levels by 2025 with a mandate given to SCF to produce a report guiding (UNFCCC, 2021). the UNFCCC Standing Committee on Finance (UNFCCC SCF) conducted work and in its 2023 “Report on the doubling of adaptation finance”, addressed issues relating to the baseline for the doubling, methodological challenges and available evidence up to 2020 (UNFCCC SCF, 2023). The SCF report collaborated the outcomes of the first Global Stocktake of the Paris Agreement in December 2023 reiterating the call for doubling adaptation finance and urged developed countries to prepare a report in 2024 to assess progress – Biennial Transparency Reports.

**Graph 2. Adaptation finance provided and mobilised in 2016–2022 per component (USD billion)**



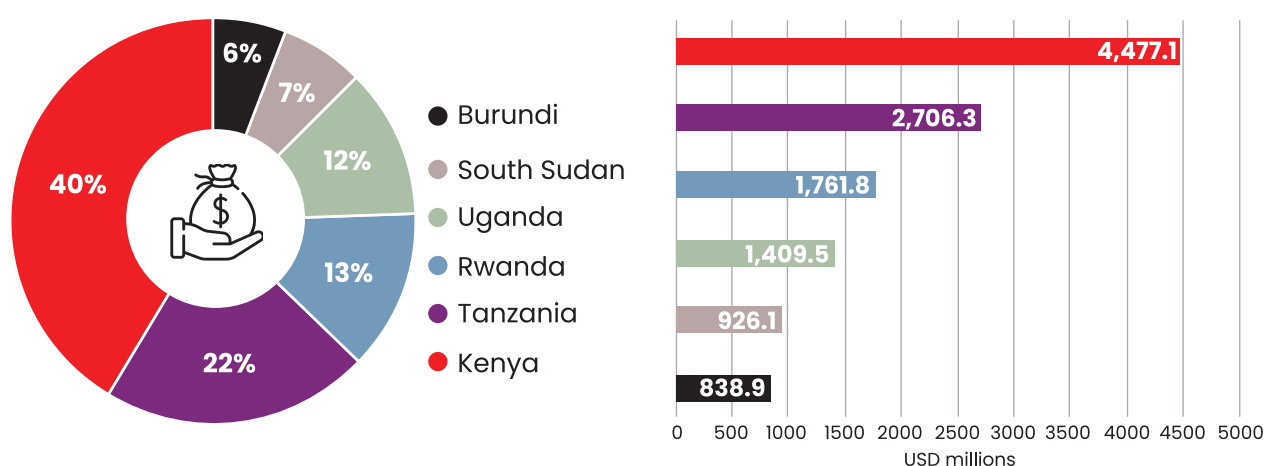
Source: Based on Biennial Reports to the UNFCCC, OECD DAC and Export Credit Group statistics, complementary reporting to the OECD.

### 3.2. Climate Finance Flows in East Africa

At EAC level, according to the OECD report 2023, public climate finance flows from developed countries to address EAC needs for the period 2013–2018 amounted to USD 15 billion, or an annual average of USD 2.5 billion, an equivalent of only about 11.90% of the annual climate finance required by the EAC region.



**Graph 3. Climate Finance Flows to EAC by Country, (2013–2017 total)**



Total CF inflows to EAC region (2013–2017): **USD 12.1 billion**

Source: EAC Climate Finance Strategy.

### 3.2 Climate Finance Flows in Uganda

24

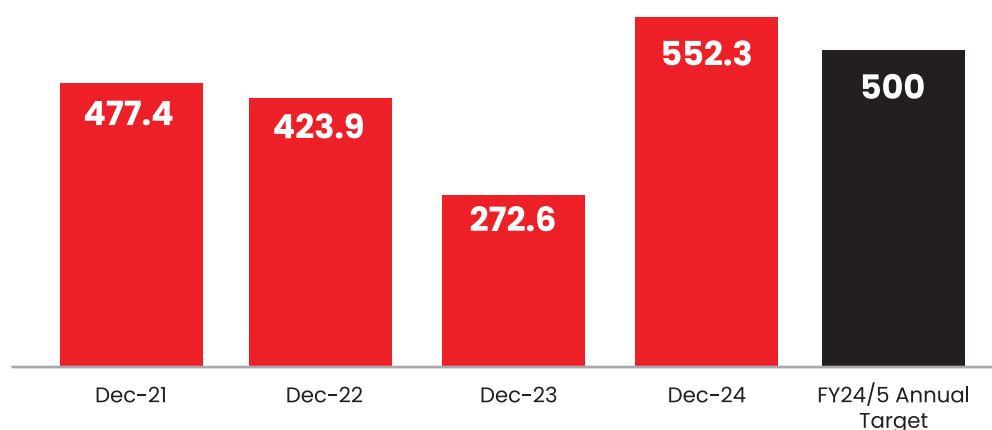
Uganda's Climate financial need and the implementation of Uganda's updated NDC (NDC: 2021 – 2025) is estimated to cost **USD 28.1 billion** over five years. Of this cost, **USD 4.1 billion** or 15 percent (unconditional interventions) will be sourced from domestic sources while the remaining **USD 24 billion** (85 percent) will be sought from intervention sources in line with Article 9 of the Paris Agreement. This underscores that the NDC targets is hinged on compliance to climate justice principles that obligate the developed countries by developed country parties honouring their pledges.

Uganda's updated NDC in addition to the Green Growth Development Strategy, which summarize Uganda's climate action commitment is highly adaptation in nature and financing needed towards its operationalisation (table 3).

At National level according to the Ministry of Finance, Planning and Economic Development Reports on Public Debt, Grants, Guarantees and other Financial Liabilities for financial years 2021/2022, 2022/2023 and half of FY 2023/2024, climate finance inflows totalled **USD 1,143.9 billion**. Of this amount, total adaptation finance was **USD 717.757 million**.

**Table 3. Uganda's updated NDC Cost Disaggregation**

COST DISAGGREGATION	USD (\$) MILLIONS	PERCENTAGE
<b>TOTAL UPDATED NDC COST</b>	<b>28,098.68</b>	<b>100</b>
a) Total Conditional	24,028.24	85%
b) Total Unconditional	4,070.45	15%
<b>TOTAL ADAPTATION COST</b>	<b>17,668.89</b>	<b>100</b>
a) Adaptation Cost Conditional	15,168.43	86%
b) Adaptation Cost Unconditional	2,500.46	14%
<b>TOTAL MITIGATION COST</b>	<b>10,323.09</b>	<b>100%</b>
a) Mitigation Cost Conditional	8,760.08	85%
b) Mitigation Cost Unconditional	1,563.01	15%
<b>TOTAL CROSS-CUTTING COST</b>	<b>106.7</b>	<b>100%</b>
a) Cross-Cutting Conditional	99.72	93.4
b) Cross Cutting Unconditional	6.98	6.54%

**Graph 4. Trade of Grant Based Climate Finance Inflows USD (million) Against Annual Target**

Source: MoFPED 2025.

As at 31st December 2024, for FY2024/2025, Uganda Mobilised **552.3 Million USD** of which Adaptation finance constituted 57% of the total amount mobilised that is **322.3 million USD**.

In Financial Year 2023/2024, Uganda mobilised and accessed climate finance to a tune of **USD 272.6 Million**. Of this, adaptation finance was **190.5 million USD**.

In Finance year 2022/2023, climate financing inflows was to a tune of **USD 423.9 million** was mobilised and of this, adaptation finance was **230.319 million USD**.

In Financial year 2021/2022, climate financing inflows was to a tune of **447.4 USD million** and adaptation finance constituted **296.94 million USD**.

The trend in reduction in climate financing commitments to Uganda in the last three financial years from **USD 447.40 Million** registered as at 31st December 2021 to **USD 272.6 Million** at 31st December 2023 is attributed to financial constraints on the side of Development Partners that emanate from global challenges such as the Ukraine war and the effects of COVID -19 pandemic.

A simple analysis of these figures therefore indicates the following:

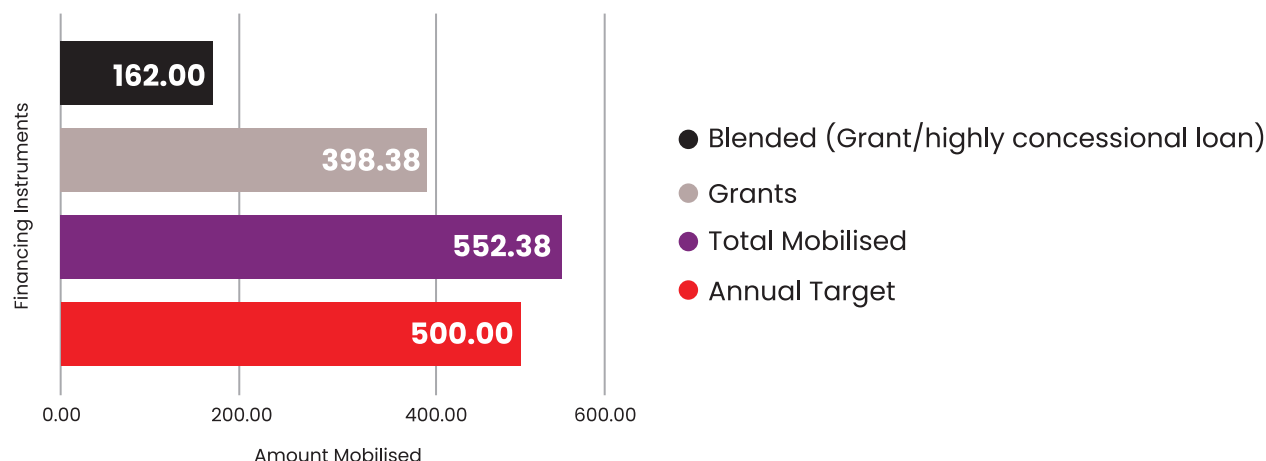
1. Data of three financial years 2021/2022, 2022/2023 and half of FY 2023/2024, climate finance inflows that totalled **USD 1,143.9 billion** places Uganda on a redline with a possibility of not being able to meet the target of **28.1billion** by 2030.
2. Of this amount **USD 1,143.9 billion**, total adaptation finance mobilised was **USD 717.757 million** yet Uganda's total financing needed for adaptation is costed at **USD 17,668.89 billion** by 2030. This again raises doubt if Uganda shall meet the target set.

However, the Ministry of Finance, Planning and Economic Development has developed a robust plan to raise the curve through some actions presented in section IV of this report with a projection of **USD 1Billion** to be mobilised in financial year 2025/2026.

### **3.3 Financial Instrument deployed**

Climate change flows into Uganda take the form of grants, loans and technical assistance. For FY2024/2025, of the \$552 million dollars so far mobilised through the National Designate Authority, \$389.3million was grant based inclusive of components of technical assistance in the project while \$162million was blended financing from one source consisting of both grant element and highly concessional loan at 5% interest rate with a loan repayment period of up to 30 years. This wide scope of financing instruments enables Uganda to receive and pursue resources from a wide range of sources to address climate change challenges for sustainable climate action.

The Ministry of Finance, Planning and Economic Development is currently undertaking the development of the state of climate finance report along with an open source digital tracking tool for climate finance received and this tool will facilitate desegregation of data in several variables including financing instruments. The tool is envisaged to be operational in the FY2025/26. Its commendable efforts for the Government of Uganda to set up the climate finance tracking system in place that will facilitate correct data reporting under several processes including the Biennial Transparency Reports.

**Graph 5. Extract of FY24/25 for Mobilisation Instruments**

Source: MoFPED 2025.

### 3.4 Sources of climate finance

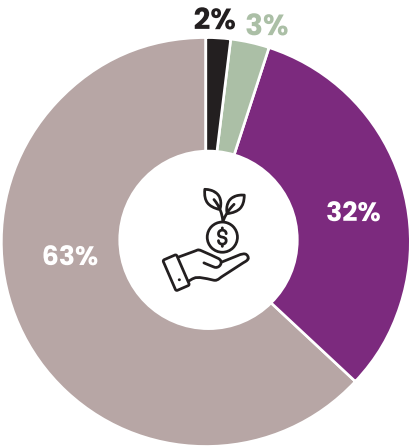
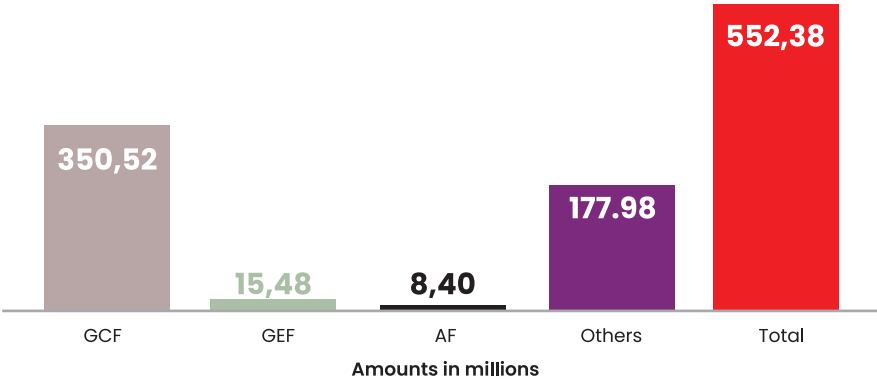
Sources of financing for Uganda's climate action is from the various international funding mechanisms, including the Green Climate Fund (GCF), Adaptation Fund (AF), Global Environment Facility (GEF), Nationally Determined Contributions Partnership (NDCP), and other Bilateral and Multilateral Development Partners in addition to domestic financing (through budget allocation, private sector and other stakeholders).

According to MoFPED FY 2022/2023- 2023/2024 Report on Public Debt, Grants, Guarantees and other Financial Liabilities, the largest providers of climate finance to Uganda in the period were: Germany, Denmark and the African Development Bank, followed by EU institutions (EC and EDF excluding the European Investment Bank), United Kingdom, France, IFAD, United States, GCF and the Netherlands in the 10th position.

In the FY2024/2025 MoFPED data source, the biggest financing was the Green Climate Fund, followed by bilateral financing from other governments, then the Global Environment Facility with Adaptation fund being the lowest as per the Graph 6.



Graph 6. Extract FY 2024/2025 – Financial Mechanisms



Source: MoFPED 2025.

## 4

## Climate Finance Mobilisation Efforts at National Level

Recognizing the urgency to deliver on the Nationally Determined Contributions (NDCs), which requires a substantial annual investment estimated at USD 4.1 billion, the Ministry of Finance, Planning and Economic Development has implemented several strategic measures which are expected to pave way to scale climate finance mobilisation with a projection of USD 1 billion in the FY 2025/26; The strategies to be deployed in the mobilisation efforts are well stipulate in the recently approved National Climate Finance Strategy (NCFS) FY2024/2025 to FY2029/2030.

The efforts to mobilise climate finance comes with the establishment of the Climate Finance Unit in the Ministry of Finance, Planning and Economic Development that commenced operations in 2023. The unit was tasked with laying down the plans to meet the climate finance mobilisation target, these plans are well laid in the NCFS and some of it is highlighted below. Please note these arrangements were non-existent, and currently at initial or pilot stage with no further information is available regarding risks and value adds.

### 4.1 Mobilising funding from domestic sources (national level)

Recognizing the urgency to deliver on the Nationally Determined Contributions (NDCs), which requires a substantial annual investment estimated at USD 4.1 billion, the Ministry of Finance, Planning and Economic Development has implemented several strategic measures which are expected to pave way to scale climate finance mobilisation with a projection of USD 1 billion in the FY 2025/26; The strategies to be deployed in the mobilisation efforts are well stipulate in the recently approved National Climate Finance Strategy (NCFS) FY2024/2025 to FY2029/2030.

The implementation of climate actions requires efforts from the government. Mobilising funding at national level involves developing a strategy for mobilising climate finance. To this end, recognises that it is necessary to effectively mobilise the financial and non-financial actors involved in the management of climate change such public services, private sector, civil society, academia, faith institutions, media, among others. This mobilisation will firstly help to raise awareness among climate change stakeholders.

The government through MoFPED has developed the National Climate Finance strategy FY 2024/2025 – FY2029/30 to guide all actors on what roles they can undertake to scale mobilisation of climate finance.

In addition, government recognising that international public finance will not realise the financing gap needed to address the adaptation priority actions for Uganda, the Government through the Ministry of Finance Planning and Economic Development embarked on deployment of innovative financing instruments to scale up climate finance mobilisation. These include:

### **4.1.1 Carbon financing**

Following the launch of the African Carbon Markets Initiative at COP27 designed to spur the growth of voluntary carbon markets in Africa, Uganda followed suit to operationalise the carbon markets trade at national level. A Task Force to support the design and operationalization of the climate change mechanisms has been established. In addition, Carbon Markets Guidelines and Regulations are being developed under the leadership of the Ministry of Water and Environment with the fiscal framework to guide taxation regimes, incentives, fees 7 levies and share of proceeds being developed by Ministry of Finance Planning and Economic Development.

Within the policy framework for carbon markets in Article 6 that establishes three cooperative approaches for the post-2020 climate market participating countries, and these relates to cooperative approaches to engage in market instruments on the Article 6.2 and 6.4 market mechanisms, as well as the 6.8 non-market mechanism, when deployed by Uganda, its anticipated that 5 million metric tonnes of carbon will be traded in with a possibility of collecting credits worth 100 million US Dollars annually. (Source: <https://www.iea.org/reports/uganda-2023/executive-summary>)

### **4.1.2 Issuance of Green and wildlife bonds**

**30**

As climate change continues to impact communities calling for scaled up finance to enhance adaptation and resilience measures, countries including Uganda are exploring all innovative ways including green bonds, to finance climate action.

The Government of Uganda has commenced engagements for issuance of green/wildlife bonds. Green bonds can be issued by either corporates or governments and quasi-governments and have the same return profile and credit risk as standard bonds. Procedures of issuance are also similar except that proceeds from green bonds are allocated exclusively to projects with benefits to the environment.

### **4.1.3 Debt for Nature/climate swaps**

Debts for nature or climate swaps is another innovative climate financing instrument that MOFPED has commenced deployment to accelerate mobilisation of climate finance. Debt for Nature swap is an arrangement where some current debt of a country is reduced or exchanged ("swapped"), providing some level of debt reduction and some additional funding to protect nature and address climate changes.

Uganda's public debt has risen to unprecedented levels, reaching shillings (UGX) 96.1 trillion (\$25.3 billion or 52 percent of GDP) as of June 2023, according to an Auditor General's report released recently. Of this UGX 44.6 trillion is domestic while UGX 52.8 trillion is from foreign sources. DNS could relieve the country of approximately USD 5.3 billion US Dollars and provide a climate financing to the same tune.

#### 4.1.4 Scaling Private sector financing through national taxonomies

The GOU through MoFPED is currently undertaking efforts to develop the National Green Taxonomy which will identify the activities or investments that deliver on environmental objectives, helping drive capital more efficiently toward priority environmentally sustainable projects. A green taxonomy is a classification system of goods, services, projects, activities covering investments that are deemed to contribute to a country's national targets for climate change as well as environmental conservation, biodiversity preservation, etc.

This is another innovative climate financing instrument that will aim to provide clarity about which activities and assets can be defined as green has long posed a barrier to scaling up green finance. While there are costs associated with a green transition, especially in the short term, such as increased investment and the resultant trade-offs, the long-term benefits outweigh the initial investment costs. Uganda anticipates that if the identified green growth interventions were fully implemented, they could provide a boost to economic activity, worth around 10% of GDP by 2040, deliver employment of up to 4 million jobs and reduce future greenhouse gas emissions by 28%. Boosting the GDP by 10% when compute in monetary terms will translate to 500 million USD mobilised under green financing.

### 4.2 Mobilising external funding (International Sources)

The mobilisation of external resources targets the following groups:

1. Institutions specifically dedicated to climate finance.
2. Development finance institutions.

#### 4.2.1 Mobilising resources from climate finance mechanisms

There are several funds available to support countries and institutions to combat that finance climate change. Three funds are governed by the United Nations Framework Convention on Climate Change: the adaptation fund, the Global Environment Facility, and the Green Climate Fund. These funds house other funds or windows such as the Least Developed Countries Fund, the special fund on climate change placed under the GEF; the Private Sector Facility hosted by the GCF. The table 4 summarizes these main funds under the UNFCCC. There are other funds that support climate actions. These funds, including those cited above, are represented on the diagram according to the focal area and the size of the eligible projects.



**Table 4. Climate Funds under UNFCCC**

<b>FUND</b>	<b>OBJECTIVE</b>	<b>FOCAL AREAS</b>	<b>FINANCIAL INSTRUMENT</b>	<b>ACCESS MODALITIES BY UGANDA</b>
<b>Adaptation fund (AF)</b>	An international fund dedicated to financing concrete adaptation projects and programmes aimed at helping vulnerable communities and sectors in developing countries that are parties to the Kyoto Protocol to adapt to the adverse effects of climate change.	Agriculture, Coastal Zone Management, Disaster Risk Reduction, Disaster risk reduction and early warning systems, Ecosystem based Adaptation, Food Security, Forests, Multisector Projects, Rural Development, Urban Development, Water Management.	Grant.	Direct Access Modalities through the Direct Access Entity –Ministry of Water and Environment.
<b>Global Environment Facility (GEF)</b>	Helping developing countries and countries with economies in transition address the most pressing global environmental problems and achieve the goals of international environmental conventions and agreements. Support is provided to government agencies, civil society organizations, private sector companies, research	Five focal areas – biodiversity loss, chemicals and waste, climate change, international waters, and land degradation – and take an integrated approach to support more sustainable food systems, forest management, and cities.	Grant and non-grant instrument.	Direct Access through the National Designated Authority– Ministry of Finance, Planning and Economic Development.

	institutions, and other partners to implement projects and programs related to environmental conservation, protection, and renewal.			
<b>Green Climate Fund (GCF)</b>	Promote a paradigm shift towards a low-carbon and climate-resilient development trajectory. Helping developing countries adopt a paradigm towards low-emission, climate-resilient development by catalysing innovation and reducing investment risks. GCF employs part of its funds to help mobilise financial flows from the private sector to compelling and profitable climate-smart investment opportunities.	Adaptation: health, food and water security, livelihoods of people and communities, infrastructure and built environment, ecosystems, and ecosystem services.  Mitigation: energy generation and access, Transport, Building, cities, industries and appliances, forest, and land use.	Grant, Loan Equity Guarantees Results-based payment.	Both Direct Access and through accredited implementing Agencies but with letters of No Objection issued by the National Designated Authority which is the Ministry of Finance, Planning and Economic Development.

Hence, the role of the private sector is fundamental in the mobilization of climate finance, but more importantly in the transformation of the global economic and financial system. In order to scale up GCF's activities and support this challenge, GCF has set up the Private Sector Facility (PSF) to fund and mobilize private sector actors, including institutional investors, and leverage GCF's funds to encourage corporates to co-invest with the GCF.

**Table 5. Insights to foster Uganda's access to Climate Funds under the UNFCCC**

<b>Adaptation Fund</b>	<ul style="list-style-type: none"> <li>• Develop more projects for the innovation window of the fund.</li> <li>• Develop large scale projects to attract the full allocation under the Local Led window of the fund.</li> <li>• Use the Readiness Grant funding to develop high level and robust proposals.</li> </ul>
<b>Global Environment Facility</b>	<ul style="list-style-type: none"> <li>• Apportion a bigger percentage of Uganda's allocation under the GEF/Least Developed Country's Fund (GEF/LDCF) to leverage the GEF/Trust Fund (GEF/TF) additional financing.</li> </ul>
<b>Green Climate Fund</b>	<ul style="list-style-type: none"> <li>• Increase development of bankable projects across all NDC sectors.</li> <li>• Tap into other financing windows such as the Private Facility windows through development of investment projects.</li> <li>• Push for accreditation of more Direct Access Entities other the Ministry of Water and Environment.</li> </ul>

#### 4.2.2 Mobilising resources from ordinary financial institutions and bilateral cooperation agencies

The mobilisation of resources from ordinary financial institutions and bilateral cooperation agencies will be used as a lever to request funds from the GCF and other climate finance systems. It will be used to co-finance activities such as training, review of documents, etc. These include technical and financial partners such as the World Bank, ADB, AFD, FAO, UNDP, IFAD, GGGI, GIZ, NDC-P, WFP and KfW.

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# ANNEXES

## ANNEX 1. GLOSSARY

**Adaptation (climate):** It refers to adjustments in ecological, social or economic systems in response to actual or expected climatic stimuli and their effects. It refers to changes in processes, practices and structures to moderate potential damages or to benefit from opportunities associated with climate change.

**Carbon credit:** a permit that allows the holder to emit one tonne of carbon dioxide or the equivalent amount of another greenhouse gas. If the holder exceeds the cap, they have to buy extra credits or are fined. If the permit is not used in full, the balance can be traded at a profit. In this way, the holder is incentivised to reduce emissions. The plan is to reduce the number of carbon credits over time.

**Carbon footprint:** are the total carbon emissions for a portfolio normalized by the market value of the portfolio, expressed in tons CO<sub>2</sub>e / \$M invested.

**Carbon Intensity:** is the volume of carbon emissions per million dollars of revenue (carbon efficiency of a portfolio), expressed in tons CO<sub>2</sub>e / \$M revenue.

**Carbon neutrality:** having a net zero carbon footprint (no net release of carbon dioxide or other greenhouse gases into the atmosphere) through carbon offsetting or eliminating carbon emissions altogether.

**Carbon Removal:** strategies remove carbon dioxide from the atmosphere and store it through various means, such as in soils, trees, underground reservoirs, rocks, the ocean and even products like concrete and carbon fiber. The different natural and technological approaches to carbon removal come with very different risks and benefits.

**Carbon offsetting:** removing or offsetting an amount of carbon omitted by a certain activity. This can be through the purchase of carbon credits or through other actions such as planting trees.

**Carbon pricing:** the cost applied to carbon pollution in order to encourage polluters to lower the amount of greenhouse gases they emit into the atmosphere. This cost may be levied in the form of a carbon tax or through the requirement to purchase a permit through the 'cap-and-trade' system.

**Climate action:** refers to efforts taken to combat climate change and its impacts. These efforts involve reducing greenhouse gas emissions (climate mitigation) and/or taking action to prepare for and adjust to both the current effects of climate change and the predicted impacts in the future (climate adaptation).

**Climate change:** any change in climate over time, whether due to natural variability or as a result of human activity

**Climate risks:** risks linked to climate change that have the potential to affect companies, industries and wider economies. As well as physical risks, these include potential regulatory action, litigation and competitive and reputational risks that can be associated with climate change.

**Green bond:** a fixed income instrument that is earmarked to raise funds for climate and environmental projects.

**Green investing:** an approach that considers investments based on their environmental credentials.

**Greenhouse gas:** any gas that traps energy radiated by the Earth, including (but not limited to) water vapor (H<sub>2</sub>O), carbon dioxide (CO<sub>2</sub>), nitrous oxide (N<sub>2</sub>O), methane (CH<sub>4</sub>), and ozone (O<sub>3</sub>).

**Intergovernmental Panel on Climate Change (IPCC):** is the United Nations body for assessing the science related to climate change.

**International Panel for Climate Finance (IPCF):** an independent collaborative framework to act as a climate finance bridge, bringing together the demand for finance with the supply from private and public finance.

**Mitigation (climate):** refers to efforts to reduce or prevent emission of greenhouse gases.

**Net-Zero:** means achieving a balance between the GHG put into the atmosphere and those taken out without carbon offsetting.

**Paris Agreement:** the international treaty that came into force in November 2016. The agreement is to limit the global rise in temperature from pre-industrial levels to below 2°C this century and ideally below 1.5°C.

**Paris alignment:** refers to the alignment of public and private financial flows with the objectives of the Paris Agreement on climate change. Article 2.1c of the Paris Agreement defines this alignment as making finance flows consistent with a pathway towards low greenhouse gas emissions and climate-resilient development. Alignment in this way will help to scale up the financial flows needed to strengthen the global response to the threat of climate change.







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