Business readiness for climate & SDG action In Uganda
18TH JUNE 2019
Why Green Finance; Effects of Climate change

- Drought in Northeastern Kenya
- Floods after a cyclone in Mozambique
- Air pollution reach hazardous levels in India
- Floods damage roads and electricity distribution lines
2 major strategic impact areas for Climate finance

The strategic finance areas are also key in sourcing and assessment for finance; there are entities that are particular about mitigation and others adaptation while other may fund both.
Green Bank Design

This is the process of establishing a Bank that practices green lending in its day to day operations. This process is referred to as greening; The Bank however faces some limitation with this concept of low carbon climate resilience

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<tr>
<th>Financial barriers for green finance</th>
<th>Non-financial barriers for green finance</th>
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The concept of low-carbon, climate resilient (LCR) development has emerged as a way of framing policy and action to address climate change, capturing the need for both mitigation and adaptation efforts to be fully integrated into development planning and implementation.

LCR infrastructure focuses on power, transport, water/sewage, and investments in energy efficiency.

There are however challenges both financial and non-financial in adapting LCR financing:

- Financial barriers for green finance
  - Limited access to longer-term financial resources (maturity mismatch)
  - Higher upfront capital costs (technology related)
  - Limited availability of local currency financing
  - Financial/Macro/Country risks

- Non-financial barriers for green finance
  - Lack of priority
  - Lack of trust and access to new technology
  - Lack of institutional capacity and experience with new technologies
  - Weak project and pipeline identification
  - Ineffective E & S Governance Systems
  - Lack of systems for monitoring, reporting and verification of results
Green Bank Design

There are about 4 ways of designing a green financing institutions;

1) Rwanda for example choose to go with establishing a completely new institution that is not a Bank to promote green finance investments in Rwanda; National Climate and Environment Fund (FONERWA)

2) Some countries may choose to use an existing institution not a Bank for example if Uganda choose KCCA, NEMA etc

For Banks however, there are 2 ways of designing a green Bank;

3) Establishing a new and completely Green Bank

4) Greening an existing Development Bank like UDB which is the easiest and most preferable due to the following reasons;
### Roles & Instruments by UDB

#### Pre-Investment phase

<table>
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<tr>
<th>Policy Development/Enabling environment</th>
<th>Demand Creation</th>
<th>Feasibility studies/Project preparation</th>
<th>Financial structuring</th>
</tr>
</thead>
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<tr>
<td>Internal Capacity building</td>
<td>Project proponent educ &amp; awareness building</td>
<td>Develop feasibility study for large projects</td>
<td>Debt on market terms</td>
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<tr>
<td>National dialogue</td>
<td>Ft educ &amp; awareness buildg</td>
<td>Prepare project/Investment plan for smaller projects</td>
<td>Equity on market terms</td>
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#### NBD Instruments

- Grants
- Technical Assistance/Reimbursement contribution

#### Investment phase

- Debt(Commercial/Concessional) Guarantees/Insurance Equity/Sub-debt

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We are drafting green climate strategy and also examining the existing portfolio for facilities that could be greened; then develop a product strategy with the aim of deploying of financial instruments that can catalyze green investments.

We have put in place an advisory Unit, Project preparation, M&E Unit and we are currently building their capacities.
We are putting a side part of our capital beginning next financial year to start a Green fund and are looking for partners to grow it and ensure it is sustainable.

UDB’s GREENING JOURNEY

- Step 1: Green Mandate
- Step 2: E&S Framework
- Step 3: Main barriers
- Step 4: Opportunities defined
- Step 5: Internal readiness & Pdt Dev’t
- Step 6: M&E Framework
- Step 7: Green Capital raising
Sustainability Dimensions

• **Resource Efficiency & Clean Production**: optimization of productive use of natural resources (materials, energy and water)

• **Environmental management**: minimization of impacts on environment and nature (Currently covered in our E&S);

• **Human Development**: minimization of risks to people and communities and support for their development.
Expected Project Impacts

**Mitigation Projects**

1) More small, medium and large low-emission power suppliers
2) Lower country energy-intensity trajectory
3) Increased use of low-carbon transport
4) Stabilization of forest coverage
5) Increased gender-sensitive low-emission development mainstreamed in government
Expected Project Impacts

Adaptation Projects

I. Strengthened government institutional and regulatory systems for climate-responsive development planning

II. Increased generation and use of climate information in decision-making

III. Strengthened adaptive capacity and reduced exposure to climate risks

IV. Strengthened awareness of climate threats and gender-sensitive risk reduction processes
Smart Opportunities in UDB

Powered by Hydrogen
Linkage framework in the Vision 2040, NDP 2, UDB Strategic Plan & Sustainable Development Goals (SDGs)

Uganda’s Vision 2040

Uganda’s National Development Plan 2 (NDP 2) – Priority Sectors

UDBL Strategic Plan 2018 - 2022

Agriculture

Sustainable Dev’t Goals (SDGs)
SDG 1: No Poverty
SDG 2: Zero Hunger
SDG 5: Gender Equality
SDG 8: Decent Work and Economic Growth
SDG 13: Climate Action

Manufacturing

Sustainable Dev’t Goals (SDGs)
SDG 1: No Poverty
SDG 2: Zero Hunger
SDG 7: Affordable and Clean Energy
SDG 8: Decent Work and Economic Growth
SDG 9: Industry, Innovation and Infrastructure

Tourism

Sustainable Dev’t Goals (SDGs)
SDG 1: No Poverty
SDG 8: Decent Work and Economic Growth
SDG 15: Life on Land

Infrastructure

Minerals, Oil & Gas

Sustainable Dev’t Goals (SDGs)
SDG 1: No Poverty
SDG 6: Clean Water and Sanitation
SDG 7: Affordable and Clean Energy
SDG 8: Decent Work and Economic Growth
SDG 9: Industry, Innovation and Infrastructure
SDG 12: Responsible Consumption and Production
SDG 13: Climate Action
SDG 15: Life on Land

Human Capital Development

Sustainable Dev’t Goals (SDGs)
SDG 4: Quality Education
SDG 5: Good Health and Wellbeing
<table>
<thead>
<tr>
<th>Project Type</th>
<th>Who can be financed</th>
<th>What can be financed</th>
<th>Impacts</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Buildings</strong></td>
<td>Hotels, Office Buildings, Malls, Schools and Social Institutions etc</td>
<td>Energy efficient building systems, Solar P.V installations,</td>
<td>Reduced energy consumption</td>
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<tr>
<td></td>
<td></td>
<td></td>
<td>Increased occupant comfort</td>
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<tr>
<td></td>
<td></td>
<td></td>
<td>Increased Building market value</td>
</tr>
<tr>
<td><strong>Industrial Production</strong></td>
<td>Processing and Recycling industries</td>
<td>Processing machines and Recycling equipment</td>
<td>Reduced energy consumption and costs</td>
</tr>
<tr>
<td>Equipment</td>
<td></td>
<td></td>
<td>Reduced usage of raw materials</td>
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<tr>
<td></td>
<td></td>
<td></td>
<td>Reduced wastage</td>
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<td></td>
<td></td>
<td></td>
<td>Increased output quality</td>
</tr>
<tr>
<td><strong>Cold Chain Equipment</strong></td>
<td>Food and Beverage Processors, Hotels, Logistics’ providers etc</td>
<td>Efficient Cooling Equipment, thermal storage, closed refrigerated cabinets</td>
<td>Reduced energy consumption and costs</td>
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# Opportunities in UDB

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<td><strong>Industrial Heat Usage</strong></td>
<td>Food and Beverage Processors, Hotels,</td>
<td>Energy efficient ovens, drying equipment, steam boilers, hot water boilers etc</td>
<td>Reduced energy and fuel consumption</td>
</tr>
<tr>
<td><strong>Transportation Fleets</strong></td>
<td>Logistics Companies, Passenger / Pool transport companies</td>
<td>Fuel efficient passenger vehicles, fuel efficient trucks, replacement of high emission transport systems, Replacement of fossil fuels</td>
<td>Reduced exhaust emissions</td>
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<td><strong>Biomass</strong></td>
<td>Food producers, livestock farms, dairy and food processors</td>
<td>Biomass for electricity and heat production</td>
<td>Reduced heat and electricity costs as well as additional income</td>
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<tr>
<td><strong>Solar P.V and Small Hydropower Installations</strong></td>
<td>Independent Power Producers</td>
<td>Rooftop solar systems, Grid connected solar and small hydropower systems</td>
<td>Lower electricity costs, income generation, clean energy</td>
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Possible deal flow for UDB

**“Traditional” Sources**
- Private sector deals
- Existing pipeline
- Origination

**Possible “New” Sources**
- Other DFIs (possible lines of credit?)
- Expressions of interest
- Bankers Association
- Pension Fund Association
- Small Business Association
- EADB Climate Finance
- Governmental initiatives (e.g. water and energy)
- Commercial banks
- Large NGOs

Possible US$1.5 million available from GCF to help UDB scope the work and establish a Business Plan for the creation of a Green Bank.
Examples of sustainable indicators

<table>
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<tr>
<th>Economic co-benefits</th>
<th>Social co-benefits</th>
<th>Environmental co-benefits</th>
<th>Gender-sensitive development impact</th>
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<tr>
<td>• Total number of jobs created</td>
<td>• Improved access to education</td>
<td>• Improved air quality</td>
<td>• Proportion of men and women in jobs created</td>
</tr>
<tr>
<td>• Amount of foreign currency savings</td>
<td>• Improved regulation of cultural preservation</td>
<td>• Improved soil quality</td>
<td>• Reduction of gender gap in salaries</td>
</tr>
<tr>
<td>• Amount of government’s budget deficits reduced</td>
<td>• Improved health and safety</td>
<td>• Improved biodiversity</td>
<td>• Increased number of women in leadership positions</td>
</tr>
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“This is why I really do not want my pictures in your offices, for the president is not an icon, an idol or portrait. Hang your kids’ photos instead, and look at them each time you are making a decision.”

Volodymyr Zelensky, Ukrainian President