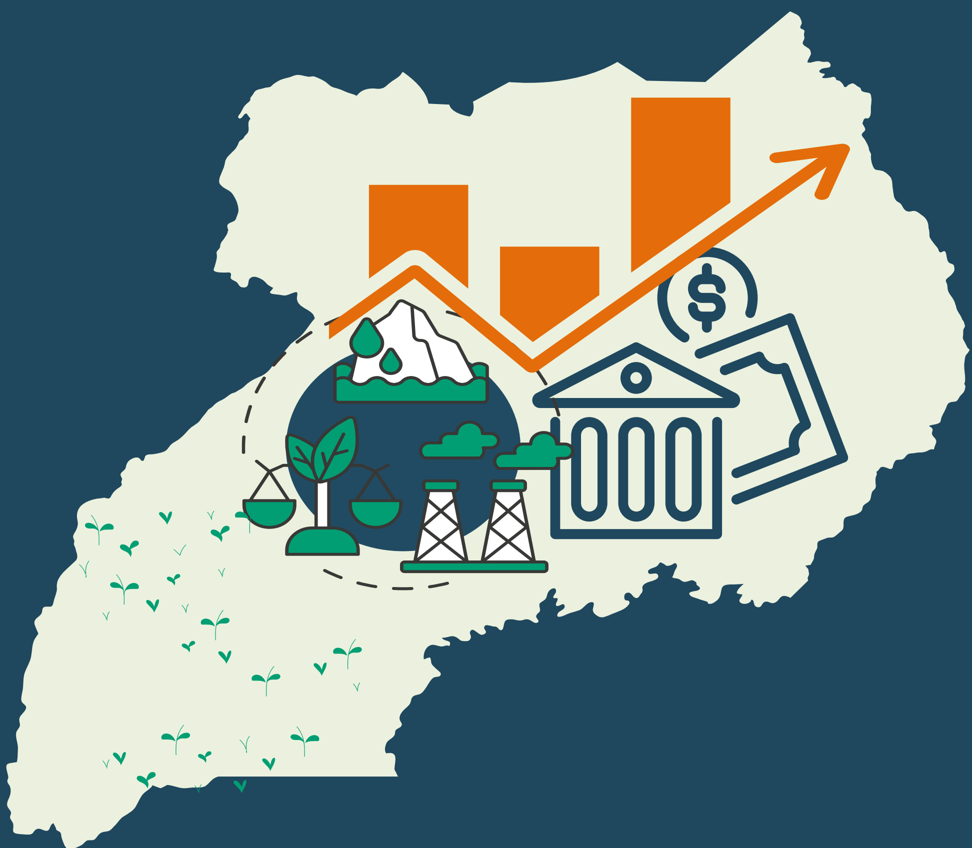
Guidelines for Mainstreaming Climate Action in the Financial Sector of Uganda



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This document is produced by Climate Analytics Africa through the NDC Partnership.

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Abbreviations and Acronyms

AF	:	Adaptation Fund
AFAC	:	African Financial Alliance on Climate Change
AFD	:	Agence française de développement
AfDB	:	African Development Bank
AFOLU	:	Agriculture, Forestry and Other Land Use
AR6	:	Sixth assessment report
ASDR	:	Annual State of Disasters Report
BAU	:	Business-As-Usual
BoU	:	Bank of Uganda
BPED	:	Budget Policy and Evaluation Department
CCD	:	Climate Change Department
CFF	:	Climate Finance Facility
CFU	:	Climate Finance Unit
CMA	:	Capital Markets Authority
CSR	:	Corporate Social Responsibility
DFI	:	Development Financial Institutions
DPID	:	Debt Policy and Issuance Department
EDPR	:	Economic Development Policy and Research Department
ECB	:	European Central Bank
ESG	:	Environmental, Social, and Governance
ESMS	:	Environmental and Social Risk Management Systems
EX-ACT	:	Ex-Ante Carbon Balance Tool
FAO	:	Food and Agriculture Organisation
FSD	:	Financial Services Department
GCF	:	Green Climate Fund
GEF	:	Global Environment Facility
GIZ	:	German Agency for International Cooperation
GDP	:	Gross Domestic Product
GHG	:	Greenhouse Gas emissions
IFRS	:	International Financial Reporting Standards Foundations
IMF	:	International Monetary Fund
IPCC	:	Intergovernmental Panel on Climate Change
IPPU	:	Industrial Processes and Product Use
ISSB	:	International Sustainability Standards Board
ISSD	:	Infrastructure and Social Services Department
IRA	:	Insurance Regulatory Authority of Uganda
ITK	:	Indigenous and Traditional Knowledge
KfW	:	Kreditanstalt für Wiederaufbau
KPI	:	Key performance indicators
LDC	:	Least Developed Countries
MIS	:	Management Information Systems
MDIS	:	Microfinance Deposit taking Institutions
MDP	:	Macroeconomic Policy Department
MoFPED	:	Ministry of Finance, Planning and Economic Development

MRV	Monitoring, Reporting and Verification system
MSC	Microfinance Support Center Limited
MWE	Ministry of Water and Environment
NCCP	National Climate Change Policy
NDC	Nationally Determined Contribution
NDC-P	NDC Partnership
NDPIII	Third National Development Plan
NEF	National Environment Fund
NEMA	National Environmental Management Authority
NGFS	Network of Central Banks and Supervisors for Greening the Financial System
NPA	National Planning Authority
NSFF	National Social Security Fund
NTFP	Non-timber Forest Products
OECD	Organisation for Economic Co-operation and Development
PA	Paris Agreement
PAPID	Projects Analysis and Public Investment Department
PFMA	Public Finance Management Act
PPPD	Public Procurement Policy Department
PSAD	Public Sector Accountability Department
PSF	Private Sector Facility
PS/ST	Permanent Secretary/ Secretary to the Treasury
SACCO	Savings and Credit Cooperative Associations
SCF	Supply Chain Finance
SDG	Sustainable Development Goals
TNC	Third National Communication
TPD	Tax Policy Department
UBS	Uganda Bureau of Statistics
UCSCU	Uganda Cooperative Savings and Credit Union Limited
UDB	Uganda Development Bank
UDC	Uganda Development Corporation
UNFCCC	United Nations Framework Convention on Climate Change
URBRA	Uganda Retirement Benefits Regulatory Authority
UMRA	Uganda Microfinance Regulatory Authority
UNEP	UN Environment Programme
UNFCCC	United Nations Framework Convention on Climate Change
UNMA	Uganda National Meteorological Authority
US	United States of America
USD	United States Dollars
USE	Uganda Securities Exchange
WFP	World Food Programme
WMO	World Meteorological Organisation

Foreword

Climate change is no longer a distant threat but one of the most significant and escalating risks to Uganda's economic stability, financial systems, and development aspirations. From prolonged droughts affecting agricultural productivity to floods damaging critical infrastructure, the impacts of climate variability are already undermining national growth, food security, livelihoods, and development. Managing climate-related risks and aligning investment flows with Uganda's development priorities are no longer optional but necessary actions for safeguarding our economy and future.

The Ministry of Finance, Planning and Economic Development, as the custodian of the national economy and charged with the role of resource mobilisation for among others climate adaptation and mitigation, recognizes the pivotal role that the financial sector can play in addressing climate change. In recent years, Uganda has experienced significant growth in its financial sector, with the emergence of new financial products, services and an increase in the number of financial institutions operating in the country. A number of financial institutions have shown interest to engage in climate action but have hitherto not had the requisite information and guidance on how to integrate climate action into their processes and firms. The limited awareness, participation and understanding of climate finance among financial institutions has persistently hindered the integration of climate change in financial decision-making processes and the mainstreaming of sustainable finance practices into business processes.

The National Climate Change Mainstreaming Guidelines for the Financial Sector are therefore a timely and strategic response that is firmly anchored in Uganda's policy and legal frameworks, including the Climate Change Act (2021), Vision 2040, the National Development Plan III, and the Nationally Determined Contributions (NDCs). The National Climate Change Policy of 2015 requires all sectors to develop sector-specific climate change mainstreaming guidelines. These guidelines are therefore developed to meet these policy requirements for the financial sector and to illustrate how to mainstream climate action in the financial sector.

Mainstreaming climate action will ensure that climate change considerations are taken as a core component of how an institution conducts business presenting a shift from incremental financing of climate activities to ensuring that climate change is a core consideration and "lens" through which institutions deploy capital, new opportunities, and manage risk. It is envisaged that financial institutions will be able to better reflect and manage climate-related risks and take advantage of available opportunities while ensuring that institutional goals align with national and international climate goals. They are designed to equip financial sector actors including regulators, commercial banks, insurance companies, pension funds, and microfinance institutions with the tools and frameworks to integrate climate considerations into financial planning, lending, investment, risk assessment, and reporting.

In Uganda's pursuit of a climate-resilient and low-carbon economy, I urge all our esteemed stakeholders in the financial sector to embrace and operationalize these guidelines in their strategic planning, risk management, and product development processes.

The Government of Uganda remains committed to creating an enabling environment for sustainable finance, including integrating climate risks into public financial management, mobilizing climate finance at scale, and building institutional capacity for implementation.

Together, we can build a financial sector that is not only robust and competitive but also climate-smart and aligned with Uganda's sustainable development trajectory.

For God and My Country

Henry Musasizi - MP,

MINISTER OF STATE FOR FINANCE, PLANNING AND ECONOMIC DEVELOPMENT {GENERAL DUTIES)/ ALSO HOLDING PORTFOLIO FOR THE HON. MINISTER OF FINANCE, PLANNING AND ECONOMIC DEVELOPMENT

Executive Summary

Uganda is one of the most vulnerable countries to climate impacts and risks. 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 risks are increasing in Uganda. Temperature and precipitation are projected to increase in Uganda over the years (NDC, 2022). An increasing occurrence in extreme events (such as drought, floods, landslides, etc) is also expected.

In 2020, Uganda suffered USD 152.2 million in economic losses due to natural disasters – a 14% increase from 2019. Extreme meteorological and climate events threaten the livelihood of over 80% communities in Uganda. In 2023, the IMF's fourth review under the extended credit facility arrangement assessed climate change as a high risk in the medium to long-term on the Ugandan economy. It will lead to severe economic damages, slow progress on growth, increase poverty levels and will worsen public debt sustainability.

The government of Uganda has made significant efforts at addressing climate change by instituting several policies and strategies on climate change. Under the United Nations Framework Convention on Climate Change's Paris Agreement, the country has fulfilled its obligation by submitting a Nationally Determined Contribution which details its climate mitigation and adaptation actions.

Uganda requires USD 28.1 billion to implement this NDC, of which USD 4.1 billion is expected to come from domestic sources. Climate finance in Uganda largely comes from public and international sources. Domestically, the government allocated UGx 547 billion of the financial year 2023/2024 budget to natural resources, environment, climate change, land, and water management programmes. Uganda mobilised USD 447.4 million, USD 423.9 million and USD 272.6 million of climate finance in 2021, 2022 and 2023 respectively from international sources (MoFPED, 2024). Projections for the 2024 to 2025 financial year are around USD 500 million (MoFPED, 2024). This is less than 5% of its climate finance needs as communicated in the updated NDC. To meet climate investment needs, significant climate finance and resource mobilisation well beyond current levels of public and/or private climate investment is required.

In recent years, Uganda has experienced significant growth in its financial sector, with the emergence of new financial products and services and an increase in the number of financial institutions operating in the country. As Uganda continues to grapple with the impacts of climate change, it has become increasingly important to ensure that every sector, including the financial sector, contributes to climate action. Financial institutions play a crucial role in supporting sustainable development and addressing climate change through climate finance. The scale of climate risks and impacts also affects the financial sector and poses a risk to its growth. Physical and transition risks affect the value of assets on financial markets. In addition, temperature variations and droughts can change the value of assets and bonds on financial markets when activities of producers are affected.

Environmental conversations taking place within the financial sector are happening within the environmental, social and governance (ESG) context. A number of sector players have put in place ESG frameworks and environmental and social risk policies as key mechanisms for addressing environmental concerns. Very few, however, have climate specific policies or climate finance facilities; product and policy development within the sector is slow.

These guidelines illustrate steps for mainstreaming climate action in the financial sector to help financial institutions:

- manage climate-related risks;
- take advantage of available opportunities;
- ensure that institutional goals align with national and international climate goals while supporting the achievements of Uganda's updated NDC.

The guidelines have been developed for use by several actors in the Ugandan financial sector, including: Ministry of Finance, Planning and Economic Development, Ministry of Water and Environment, sector regulatory and policy bodies, public and private financial institutions, and those involved in investing, lending, and insurance underwriting decisions at all levels e.g. Savings and Credit Cooperatives (SACCOs).

Climate finance, being a nascent area, and continues to evolve, it is recommended that the guidelines are periodically reviewed to align with emerging trends.

1. Introduction

1.1. Background

Latest scientific evidence shows that global surface temperatures have reached 1.1 °C above 1850 to 1900 levels from 2011 to 2020 (IPCC, 2023). The year 2022 was the fifth or sixth warmest of the Earth's recorded history (WMO, 2023). In order to limit the impact and risks of climate change, global temperature should be limited to 1.5°C. Currently, global action by governments is falling short of meeting this goal. Global 2030 targets are putting the world on track to warm 2.5°C by 2100 (Climate Action Tracker, 2023).

Africa, and particularly least developed countries (LDCs), are named in the Intergovernmental Panel on Climate Change's (IPCC) sixth assessment report (AR6) as one of the most vulnerable regions 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 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 will number in the thousands and 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 received higher than normal rainfall, others experienced droughts in 2022 (WMO, 2023).

Despite these challenges, climate finance flows to Africa are very limited. 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.

Uganda requires USD 28.1 billion to implement its updated NDC, of which USD 4.1 billion is expected to come from domestic sources. Climate finance in Uganda largely comes from public and international sources. From public sources, Uganda mobilised:

- USD 447.4million in 2021,
- USD 423.9 million in 2022 and
- USD 272.6 million in 2023

of climate finance (MoFPED, 2024). Projections for the 2024–2025 financial year indicate USD 500 million will be mobilised (MoFPED, 2024). This is less than 5% of its climate finance needs as communicated in the updated NDC. 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.

In recent years, Uganda has experienced significant growth in its financial sector, with the emergence of new financial products and services and an increase in the number of financial institutions operating in the country. As Uganda continues to grapple with the impacts of climate change, it has become increasingly important to ensure that every sector, including the financial sector, contributes to Uganda's updated NDC.

Financial institutions play a crucial role in supporting sustainable development and addressing climate change through climate finance. However, there is a lack of adequate awareness, participation and understanding of sustainable finance among financial institutions in Uganda. This lack of awareness hinders the integration of climate change in financial decision-making processes and the mainstreaming of sustainable finance practices.

Mainstreaming climate action in the financial sector implies a shift from financing climate activities in incremental ways, to making climate change, both in terms of opportunities and risks, a core consideration and 'lens' through which financial institutions deploy capital (Bonnel and Swann, 2015). These guidelines aim to provide financial institutions in Uganda with clear and practical steps on how climate action can be mainstreamed into their operations.

1.2. Why mainstream climate action in the financial sector?

Incorporating climate change considerations into the operations, investment, and lending activities of financial institutions will enable the achievement of sustainable business and national development outcomes both in the short and long term. Climate change increases costs for the financial sector. Assets and investments are exposed to losses from extreme weather events and climate disasters. Investment and lending decisions should be made within the context of climate risks and opportunities to avoid heavy losses and missed business opportunities.

Mainstreaming climate action presents opportunities for the sector. New products and services that offer climate benefits could be developed to attract new customers and investors, allowing new markets to be accessed. Climate action offers the opportunity to collaborate with new partners and stakeholders that are otherwise non-traditional partners such as agricultural extension service providers, climate scientists and researchers, green investors, green technology and innovation companies and environmental groups.

There are climate adaptation and mitigation related opportunities and demand which offer ideas for new markets and services for the financial sector. These include the need for construction materials and designs for new infrastructure, risk modelling tools, climate risk insurance, early warning system models, flood management structures, improved seed varieties, renewable energy products, recycling services, waste management and overall circular economy business models.

The financial sector can develop products and services tailored to meet such needs to access these new markets. Applying climate-smart and circularity principles such as, the use of energy saving lights, renewable energy, reduced water usage and consumption, and building resilient business infrastructure; in business operations also provides cost savings opportunities for the business.

1.3. Objectives

Within Uganda's 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. This guideline is set to meet these policy requirements for the financial sector.

The objective of the guidelines is to illustrate how to mainstream climate action in the financial sector in order for financial institutions to better reflect and manage climate-related risks and take advantage of available opportunities and ensure that institutional goals align with national and international climate goals while supporting the achievements of Uganda's updated NDC.

Specific objective of the guidelines is to guide policymakers and financial institutions to:

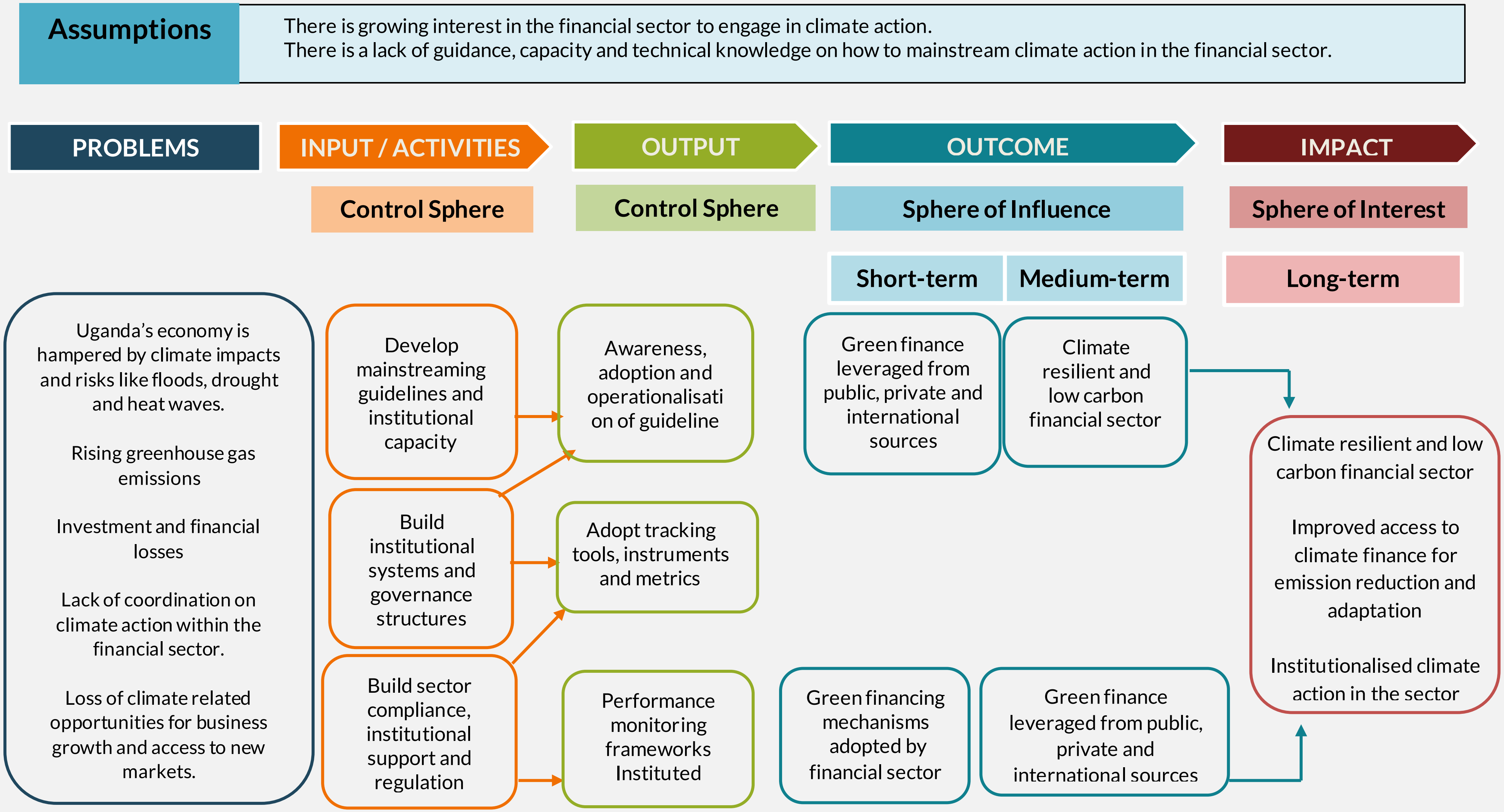
1- raise awareness on the importance of addressing climate change in planning and budgeting decisions;
2- build capacity and technical know-how on climate change mainstreaming and policy development in the financial sector;
3- gain insights into the risks and opportunities of climate change for the financial sector;
4- identify and prioritise initiatives needed by the financial sector to achieve development; investments and sustainability goals and meet their fiduciary responsibilities;
5- address financial vulnerabilities and inclusion;
6- identify entry points for mainstreaming climate action in the financial sector.

1.4. Theory of change

Climate risks and impacts such as flooding, irregular rain, rising temperature among others raises the risk profile of businesses in the financial sector. Along with the risks comes new opportunities from climate change that are being missed. Additionally, climate action within the financial sector lacks proper coordination. By building institutional systems and governance structures that mainstream climate action in the financial sector, the sector will be informed and able to track climate risks and opportunities leading to a resilient and low carbon financial sector.

By adopting and deploying these guidelines, financial institutions will gradually adapt and promote climate-smart investments by allocating capital toward low carbon, resilient activities and managing exposure to physical impacts of climate change as well as opportunities. The causal relationship between the inputs, outputs and medium to long term outcomes is presented in the Figure 1.

Figure 1: Theory of change of climate action mainstreaming in the financial sector



1.5. Methodology of the guideline development

The guidelines were developed with a comprehensive methodology that involved multiple stages. Gender equality and social inclusion are key components of the methodology, ensuring that the process is inclusive.

Project inception: two meetings were organised with the Climate Finance Unit of Ministry of Finance, Planning and Economic Development (MoFPED), the Central Bank of Uganda (BoU) and the German Agency for International Cooperation (GIZ) to present and discuss the expectations, scope of work, and methodological approaches.

Literature review: existing research and publications on climate change impacts on the financial sector, climate, and national policies in Uganda were reviewed. Best practice guidelines for mainstreaming climate action in the financial sector from other countries and international organisations were also reviewed.

Consulting with experts and stakeholders: about thirty stakeholders were interviewed and consulted with during this phase to gather insights on the challenges and opportunities for mainstreaming climate action in Uganda's financial sector. The stakeholders include a broad base of public, private and civil society actors as well as experts from the financial sector.

Analysing existing policies and practices: a thorough analysis was conducted on existing policies, regulations, and practices within Uganda's financial sector to identify gaps and areas that need improvement on climate change mainstreaming.

Developing the guidelines: based on the findings from the literature review, expert consultations, and analysis of existing policies and practices, a guideline for mainstreaming climate action in Uganda's financial sector was developed.

Validation, dissemination, and training: the guideline was validated at an online meeting and an in-person meeting in Kampala. MoFPED serves as the custodian of the report and leads in its dissemination. The dissemination of the report will be supported by Climate Analytics. Upon completion of the guidelines, MoFPED and actors within the financial sector are trained on how to use and apply the guideline.

1.6. Target users of the guidelines

These guidelines are developed for use by the actors of the financial sector of Uganda; including, Ministry of Finance, Planning and Economic Development, Ministry of Water and Environment, sector regulatory and policy bodies, public and private financial institutions, and those involved in investing, lending, and insurance underwriting decisions at all levels e.g. Savings and Credit Cooperatives (SACCOs).

- **Financial institutions:** Banks, microfinance institutions, insurance companies, and other financial institutions can use the guidelines to develop policies and procedures that integrate climate change considerations into their lending criteria, risk management practices and overall business operations.
- **Regulators and policymakers:** the guidelines can serve as a reference for regulators and policymakers in Uganda to identify gaps in regulatory frameworks and policies and develop those to promote climate resilience in the financial sector.
- **Investors and business clients:** investors and clients can reference the guidelines to assess the sustainability and climate resilience of financial institutions, helping them make informed decisions about where to invest or seek financial services.
- **Researchers, trainers, and academics:** the guidelines can provide a basis for further research and development of subsector-specific climate change mainstreaming guidelines in the financial sector. It serves as a resource for researchers and academics interested in understanding the challenges and opportunities of integrating climate change considerations into financial institutions' practices.
- **Other actors that collaborate with the financial institutions:** these include development partners, business development services, traditional authorities, and systems among others. They can reference the guideline to inform their work within the financial sector.

1.7. Structure of the guidelines

The guidelines are organised in four chapters.

Chapter 1 provides a general background on climate change, discusses the goals and objectives of the guidelines, the methodology used and the importance of the guidelines for the financial sector.

Chapter 2 delves into the climate change and climate finance trends in Uganda. It shows the state of the financial sector and the policies and regulations that guide it. Finally, it highlights the vulnerability of the financial sector to climate risks.

Chapter 3 puts forwards specific actions on how the different actors and sub sectors of the financial sector can mainstream climate risks and opportunities in their business activities.

Chapter 4 presents the budget and financing for climate change mainstreaming in the financial sector.

Chapter 5 presents the monitoring and evaluation framework for climate action mainstreaming

2. Climate Change and Finance in Uganda

2.1. Climate change in Uganda

Uganda is one of the most vulnerable countries to climate impacts and risks. Agriculture, fisheries, forestry, energy, industry, and services are key sectors of the economy. The country is rich in and highly dependent on natural resources such as water. The agricultural 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.

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 risks are increasing in Uganda.

The Third National Communication and NDC indicate a trend in decreasing rainfall, with observed rainfall decreasing at the rate of 10.3 mm per decade from 1951 to 2020. Temperatures have been rising at a rate of 0.23°C 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. Rainfall patterns are inconsistent across regions, varying between normal, above normal, and below normal levels. Whereas some regions are experiencing heavy rainfall (namely eastern, north-eastern and some parts of south-western), other regions are receiving decreasing rainfall (UNMA, 2021).

Temperature and precipitation are projected to continue to increase in Uganda over the years (NDC, 2022). Moreover, the country is experiencing an increased occurrence of extreme events such as droughts, floods, and landslides (NDC, 2022; TNC, 2022; Department of Disaster Preparedness and Management, 2011). The Climate Impact Explorer and Climate Change Knowledge Portal indicate that mean temperatures will increase by 0.5–3.5°C by the 2050s and by 1–5°C by the 2090s, depending on the emissions scenarios (Annex 1). The same projections show that the number of hot days and hot nights will increase in the country (Annex 1).

Rainfall projections are more balanced. Annual precipitation is expected to increase in some areas of the country, and decrease in others – notably the northern and north-eastern areas (Uganda Climate Risk Profile, 2020). The intensity and frequency of extreme rainfall events are set to increase in the future. Damages from river floods will increase annually by 12.9% in 2040 to 26.8% in 2100 (Annex 3) (Climate Analytics, 2023). The area of land exposed to heatwaves is projected to increase annually by 2.9% in 2040 to 5.5% in 2100. Likewise, the proportion of the population exposed to heatwaves is projected to increase annually by 3.6% in 2040 to 5.6% in 2100 (Annex 3)

(Climate Analytics, 2023). 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 (Climate Analytics, 2023). Finally, labour productivity is projected to decrease by 6.8% in 2040 to 12% in 2100 due to heat stress (Annex 3).

2.2. Climate finance in Uganda

The unfolding climate disaster has brought the need for swift action to the forefront. Climate finance, a key mechanism for climate action and implementation, is gaining traction with many players from the public and private sectors involved. The prioritisation of climate finance by the Ugandan government is evident in the ongoing efforts to institutionalise climate finance through the development of new structures and strategies. A Climate Finance Unit has recently been set up under the MoFPED to coordinate climate finance. In addition, MoFPED is assigned the Green Climate Fund National Designated Authority. MWE is accredited as the national implementing entity for the Green Climate Fund and Adaptation Fund, further elevating the strategic importance of climate finance for the government.

A significant amount of climate finance in Uganda comes from international climate finance mechanisms such as the Global Environmental Facility (GEF), Least Developed Countries Fund, Green Climate Fund, Adaptation Fund, grants, and concessional loans. USD 447.4million, USD 423.9 million and USD 272.6 million of climate finance was mobilised in Uganda in 2021, 2022 and 2023 respectively (MoFPED, 2024). Climate finance projection for the 2024 to 2025 financial year is USD 500million (MoFPED, 2024). Finance flows from the Green Climate Fund to Uganda to date equals USD 100.6 million under 13 projects. From the GEF, finance flows till date amounts to USD 287 million covering 40 national and multi-country projects. Funds have been invested in both mitigation and adaptation projects, such as ecosystem protection, renewable energy financing, resilience building in agriculture, water, and sanitation sectors. The Adaptation Fund provided USD 7.75 million funding to Uganda aimed at increasing the resilience of Awoja, Maziba and Aswa communities to the risk of floods and landslides.

Domestically, the government allocated UGx 547 billion of the financial year 2023/2024 budget to natural resources, environment, climate change, land, and water management programmes. Other national level funding mechanisms and those that contribute to climate finance include the National Environment Fund (NEF); the Wildlife Fund; 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, 2020).

Uganda's NDC articulates its finance needs as USD 28.1 billion from 2022 to 2030. It commits to mobilise domestic resources to cover USD 4.1 billion equivalent to 15% of the total implementation cost. The remaining cost will require international support. Most of the cost (USD 17 billion) is earmarked for adaptation actions and measures whereas USD 10.3 billion is allocated to mitigation actions and support. Cross cutting activities such as coordination will cost USD 0.1 billion. Priority mitigation and adaptation actions in the NDC are detailed in the tables below (**Error! Reference source not found.** & **Error! Reference source not found.**). Aside from 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 further enhancing climate finance mobilisation in Uganda, the country has prepared action plans and a number of strategies such as the Green Growth Development Strategy, Uganda's engagement with the GCF, Green Investment Facility, among others. To deliver on the updated NDC and applicable strategies, a climate finance strategy is currently under development by the CFU. The strategy aims to enhance mobilisation, utilisation and tracking of climate finance for Uganda. Concurrently, the CFU is also contributing to the development of the disaster risk finance strategy.

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).

Table 1: Priority NDC mitigation actions

Sector	Actions
Agriculture, forestry and land use **(30.4 Mt CO_2e)**	➢ Climate Smart Agriculture. ➢ Sustainable fuelwood and commercial charcoal production. ➢ Large scale commercial timber plantations. ➢ Restoration of natural forests in the landscape. ➢ Energy Efficiency. ➢ Livestock Management. ➢ Wetlands and Peatlands.
Transport **(2.78 Mt CO_2e)**	➢ Road transport fuel efficiency. ➢ Alternative fuel switch. ➢ Development of non-motorised. ➢ Transport (NMT) infrastructure. ➢ MGR – Meter Gauge Railway. ➢ Rehabilitation for freight transit. ➢ Efficient operation of public transportation. ➢ Residential trip avoidance through town planning and transport orientated. ➢ BRT – Bus Rapid Transit. ➢ GKMA Passenger service. ➢ Metro rail. ➢ LRT – Light Rail Transit. ➢ SGR – Standard Gauge Railway.

Sector	Actions
Energy **(2.34 Mt CO_2e)**	➢ Renewable energy generation. ➢ Reduction in transmission and distribution losses. ➢ Improved efficiency of charcoal production. ➢ Industrial energy efficiency. ➢ Industrial fuel switching. ➢ Increased electricity access for households. ➢ Lighting energy efficiency in households. ➢ Cooking mitigation measures, incl. energy efficiency and fuel switch.
Waste **(1.10 Mt CO_2e)**	➢ Planned green cities waste management. ➢ NAMA - Schools bio latrines.
Industrial processes and product use (IPPU) (0.14 Mt CO_2e)	➢ Cement sector. ➢ Refrigerant use.

Source: Uganda's updated NDC

Table 2. Priority NDC Adaptation Actions

Sector	Actions
Ecosystems	• Enhance wetlands management and restore peatlands, riverbanks and lake shores. • Protect and restore mountain ecosystem. • Protect manage and restore rangeland. • Enhance biodiversity conservation and management.
Water and Sanitation	• Ensure resilient access to water supply for domestic and productive purposes. • Promote sustainable water harvesting and storage. • Enhance sanitation and wastewater treatment infrastructure and services. • Scale-up Integrated Water Resources Management approach and use efficiency.
Transport	• Build climate resilient roads, bridges, water and rail transport infrastructure systems. • Revise design codes, regulations and guidelines to climate proof strategic transport infrastructure.
Energy	• Improve access and utilisation of electricity from sustainable sources. • Promote use of renewable energy sources and energy efficient technologies. • Increase access to clean energy cooking technologies. • Rehabilitate and climate proof electricity transmission infrastructure.
Agriculture	• Scaling up climate smart agriculture including agroecology. • Strengthen water harvesting and irrigation farming. • Promote development of climate resilient crop varieties (crop-diversification). • Expand postharvest handling, storage, value addition and marketing. • Promote highly adaptive and productive livestock breeds. • Promote agricultural (livestock) diversification. • Promote climate resilient capture fisheries. • Promote ecosystem approach to aquaculture management.
Forestry	• Promote afforestation and reforestation to reduce vulnerability of people and ecosystems. • Encourage agroforestry to enhance nutrient cycling and integrated pest management.

Sector	Actions
	• Encourage sustainable forest management to enhance forest ecosystem function. • Promote use of non-timber forest products (NTFPs) to diversify livelihoods and improve resilience of communities.
Disaster Risk Reduction	• Incorporate climate and disaster risk reduction in planning, budgeting and reporting. • Expand climate information accessibility. • Build effective early warning systems. • Promote local, indigenous and traditional knowledge (ITK) and practices in disaster risk reduction. • Strengthen policy linkage and actions on climate change, migration and disaster risk reduction.
Cities and Built Environment	• Promote sustainable urbanisation and housing. • Expand and maintain cities with greenbelts. • Promote efficient mobility in cities. • Improve solid waste management.
Health	• Integrate climate considerations into national health plans and strategies. • Improve early warning, surveillance and response system for climate sensitive health hazards. • Strengthen climate resilience of health infrastructure and system. • Implement integrated health related climate interventions considering policies on water and sanitation, education, social protection and reproductive health care.
Manufacturing, Industrial Processing and Mining	• Scale-up adoption of resource-efficient technologies. • Build capacity in research and Innovation. • Promote circular economy.
Education	• Integrate climate change education into the national curriculum (primary, secondary and higher institutions of learning). • Improve education and awareness raising on climate change. • Develop knowledge systems for scaling up adaptation.
Tourism	• Integrate climate considerations into national tourism sector plans and strategies. • Promote natural and cultural/heritage conservation. • Establish and protect existing wildlife corridors to strengthen the resilience of wildlife against climate risks and hazards.

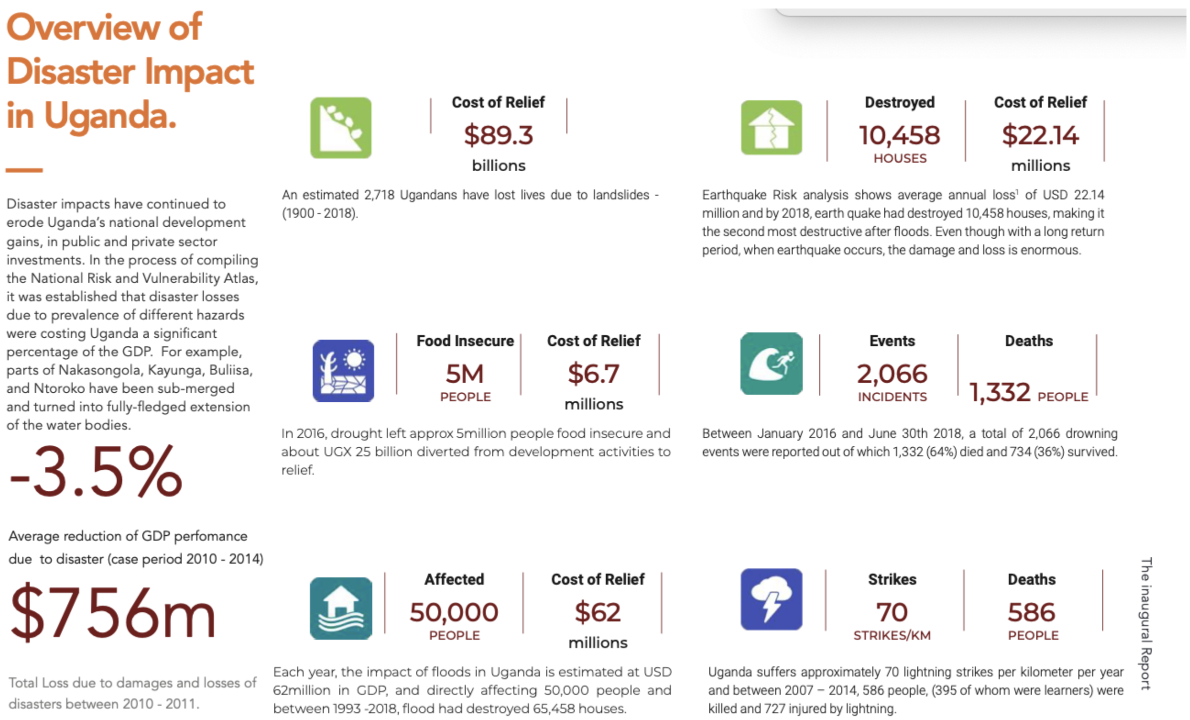
Source: Uganda's updated NDC

2.3. Economic impacts of climate change in Uganda

In year 2020, Uganda suffered USD 152.2 million in economic losses due to natural disasters according to the 2020 annual state of disasters report (ASDR), a 14% increase from 2019 (Figure 2). Extreme meteorological and climate events threaten the livelihood of over 80% communities in Uganda (ASDR, 2020). Over the years, the country's vulnerability to natural disasters has increased and will continue an increasing trend. As per August 2021, about 222,930 people were affected by floods, droughts, landslides, heavy storms, and fire outbreaks and close to 20,107 individuals were internally displaced. In July 2021, heavy rainfall caused the river Nyamwamba to overflow leading to floods that destroyed houses and roads in 30 villages in the district. In Kasese, about 270 people were displaced due to flooding. In the north and northeast of the Karamoja region, dry spells and droughts caused crop failure that affected about 785 households (UNMA, 2021).

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 in Uganda (IMF, 2023). The midterm review of the second National Development Plan 2015/16-2019/2020 attributed the failure to achieve the plan's targets on economic growth, employment, export volumes and income poverty to the impacts of climate change.

Figure 2: Overview of disaster impact in Uganda



Source: Annual disaster report 2020

Every increase in warming will cause more severe climate impacts and climate risks will become increasingly complex and challenging to manage and control. The Uganda Climate Risk Profile (2020) estimated that the losses of food crops by the 2050s could reach up to USD 1.5 billion.

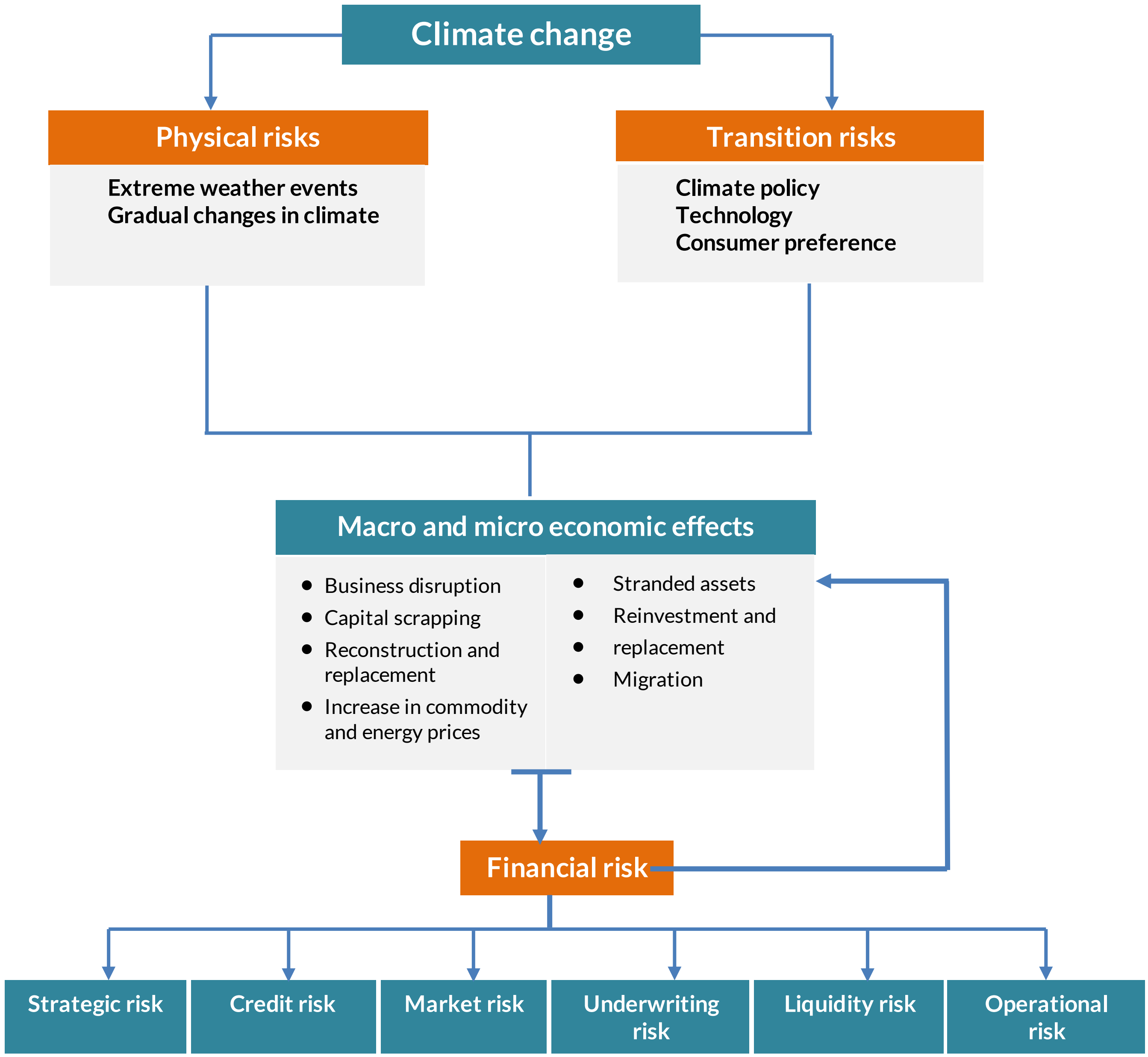
Negative economic impacts of climate change fall heavily on women compared to men. The vulnerability of women and girls to climate impacts is due to a combination of economic, political, and cultural norms and practices. Women are mostly engaged in crop farming thereby highly likely to lose revenue sources when climate induced disasters strike. Men own and control land and productive assets, this grants them more economic power and access to finance compared to women. With limited economic power and resources women have limited capability to respond and adapt to climate risks and changes. Climate change compounds and erodes gains in poverty alleviation among the women of Uganda.

Overall, climate change hinders the ability of Uganda to meet sustainable and socio-economic development goals. Without action, climate change will cost Uganda USD 3.2–5.9 billion per year with the most impact on water, energy, agriculture, and infrastructure respectively. This is an estimated total cost of USD 273–437 billion between 2010 to 2050 (Ministry of Water and Environment, 2015; NDC, 2022).

2.4. Impacts, risks and vulnerabilities of the financial sector to climate change

The growing occurrence of extreme floods, heat waves, drought tied to climate change is putting people and economies at risk. In 2023, the IMF's fourth review under the extended credit facility arrangement assessed climate change as a high risk in the medium to long-term on the Ugandan economy. It will lead to severe economic damages, slow progress on growth, increase poverty levels and worsen public debt sustainability. The financial sector is critical for economic growth, and therefore has the responsibility of ensuring that Uganda's economy is resilient from the short to long-term horizon.

Figure 3: Transmission channels of climate change to financial sector



Source: Adapted from NGFS (2019) and NGFS (2022)

The impact of climate change on the financial sector in Uganda can be significant and wide-ranging. Increased frequency and severity of extreme weather events, such as floods or droughts exposes the sector to physical risks, which can result in physical damages to infrastructure and properties (**Error! Reference source not found.**). Shifts in rainfall patterns and temperature increases can affect business productivity, agricultural productivity, and food security. This can have cascading effects on the financial sector, particularly for institutions involved in agricultural lending or insurance. Rising sea levels and erosion can threaten properties and infrastructure, including those financed by banks and other financial institutions (**Error! Reference source not found.**). In 2023, heavy rains caused flooding in the Centenary bank's office at the Forest Mall, Lugogo; leading to losses in banks assets, information and other resources. Extreme climate events also impact customers assets and businesses, reducing their capacity to pay back loans and increase deposits, savings, and investments.

The sector is also exposed to transition risks which arise from regulatory changes, technology, and market disruptions. Financial institutions can be found liable and complicit of contributing to climate change, exposing institutions to liability and reputational risks. Liability risk could also stem from investors' claim against business losses due to poor or lack of climate risk management practices.

Physical and transition risks affect the value of assets on financial markets (**Error! Reference source not found.**). Temperature variations and droughts can change the value of assets and bonds on financial markets when activities of producers are affected (Alvarez et al., 2020; Herwadkar and Ghosh, 2023).

2.5. Financial sector of Uganda: current status and trends

The financial sector has experienced growth over the last decades. It is dynamic, rapidly changing and involves actors from the formal, semi-formal, informal institutions and payment systems. Formal institutions are made up of commercial banks (25 with 3 transitioning to tier 2 institutions by June 2024), microfinance deposit-taking institutions (3), credit institutions (4, moving to 7 after transition in June 2024), insurance companies (28), development banks (1), pension funds, and capital markets (9 listed companies and 8 cross border listings). Semi-formal institutions include savings and credit cooperative associations {(SACCO), (46)} and microfinance institutions (150). Informal institutions are mainly the village savings and loans associations.

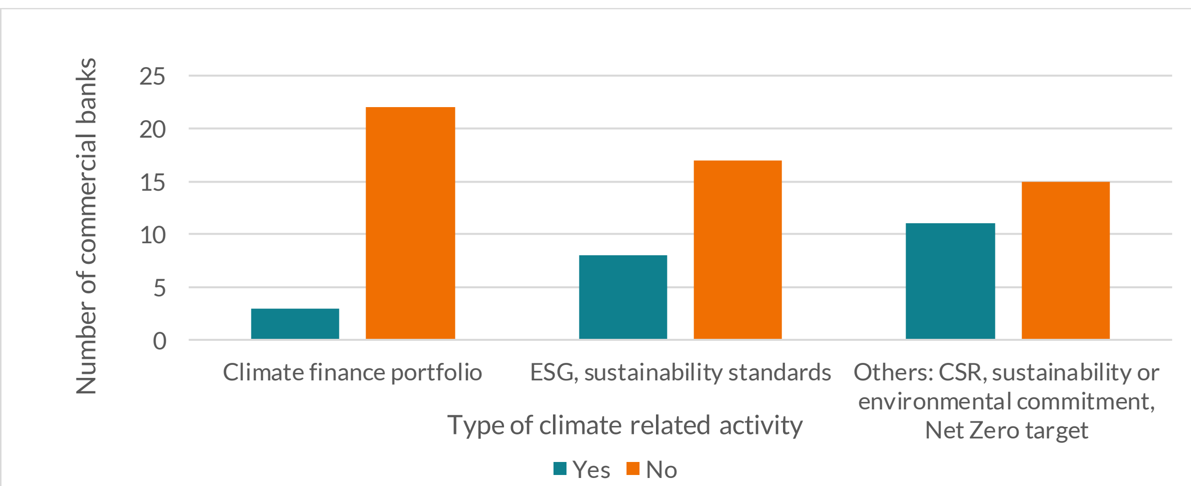
In 2022, the Bank of Uganda (BoU) started including climate reporting in their annual organisational report. The bank has developed a climate risk policy and made efforts at incorporating climate risks in its risk management frameworks. BoU is also part of the Network of Central Banks and Supervisors for Greening the Financial System (NGFS), a network of banks who share best practices on climate risk management. Reporting on climate change in the insurance, microfinance and other financial sub sectors is not available.

The sector has been working on strategies to improve financial inclusion. Financial inclusion now stands at 66% according to the 2020 to 2027 financial inclusion strategy. Although this is progress from a decade ago, financial inclusion is still a major challenge of the sector that needs to be addressed. Women should be a key target for financial inclusion to ensure that financial services are accessible to them, and products are designed to meet their needs. Financial inclusion is key for addressing climate vulnerabilities. The 2022-2023 annual report of the BoU also highlights poor risk management practices, outdated and insufficient banking systems, governance lapses and deficiencies, high staff turnover rate, operational and credit risks, and vulnerabilities in digital platforms as some of the challenges of the sector.

Another new risk thriving in the financial sector is climate change. Environmental conversations taking place within the sector are happening within the environmental, social and governance (ESG) context. A number of sector players have put in place ESG frameworks and environmental and social risk policies as key mechanisms for addressing environmental concerns. Very few have climate specific policies or climate finance facilities. Analysis of the status of climate and environmental related activities within commercial banks, MDI's, credit institutions, insurance companies, and development finance institutions reveal the following results.

Three out of twenty-five commercial banks have dedicated climate finance portfolios (Figure 4).[1] However, eight have ESG frameworks or sustainability standards for business conduct. Banks with climate finance facility, ESG framework, sustainability standards or environmental policies are mostly those with international presence. In some cases, international banks have climate finance portfolio at global branches, but none at the local level (in Uganda). Many more banks (11) have climate related corporate social responsibility (CSR) activities, or commitment to sustainability or net zero targets. In some cases, however, there are no policies or climate finance facilities accompanying these commitments.

Figure 4: Overview of environmental or climate action trends within commercial banks

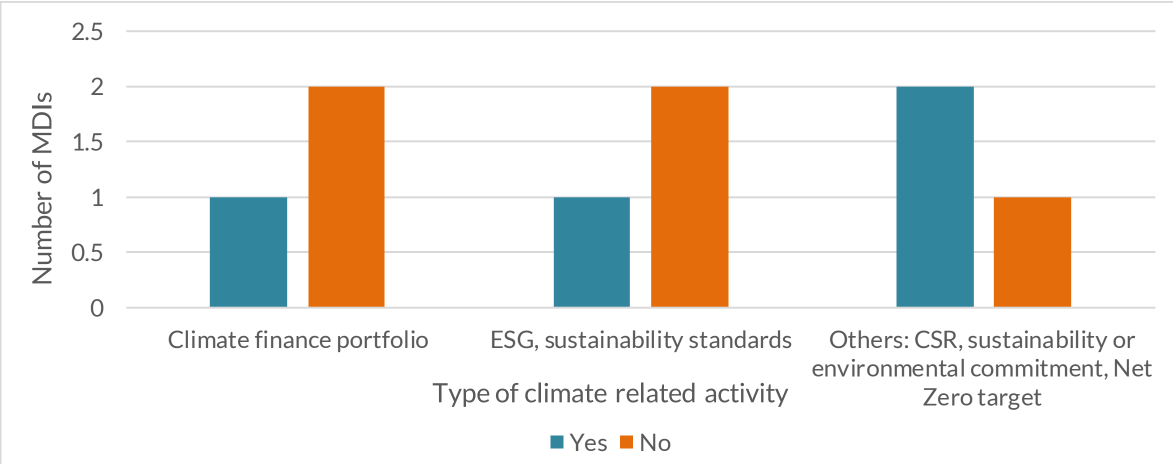


Source: authors own compilation

One out of three MDIs have climate finance facility, i.e. a clean energy lending product (Figure 5). Two have committed to sustainability although only one has specific facility accompanying the commitment.

[1] This is based on information available online, data on a green financing survey received from BOU and data collected during the stakeholder consultation phase. SACCOs, MFIs and CMA institutions are not included in the analyses due to lack of available information.

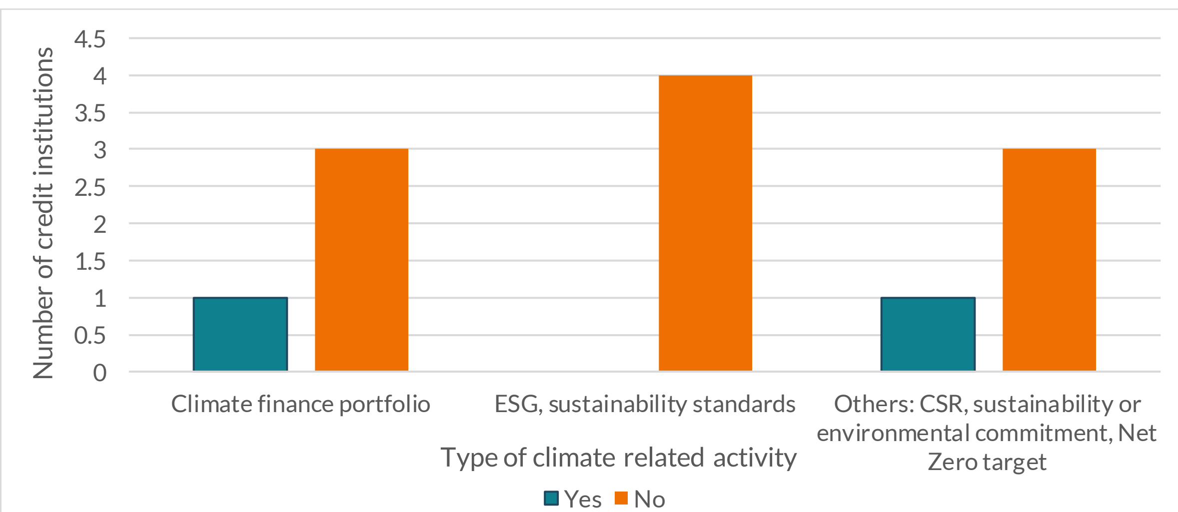
Figure 5: Overview of environmental or climate action trends within MDIs.



Source: authors own compilation

One credit institution has a solar loan product although this is offered as part of the existing suite of loan products (Figure 6). There is no standalone climate finance facility but there is a plan to do so in the future. One other credit institution undertakes climate initiatives under CSR.

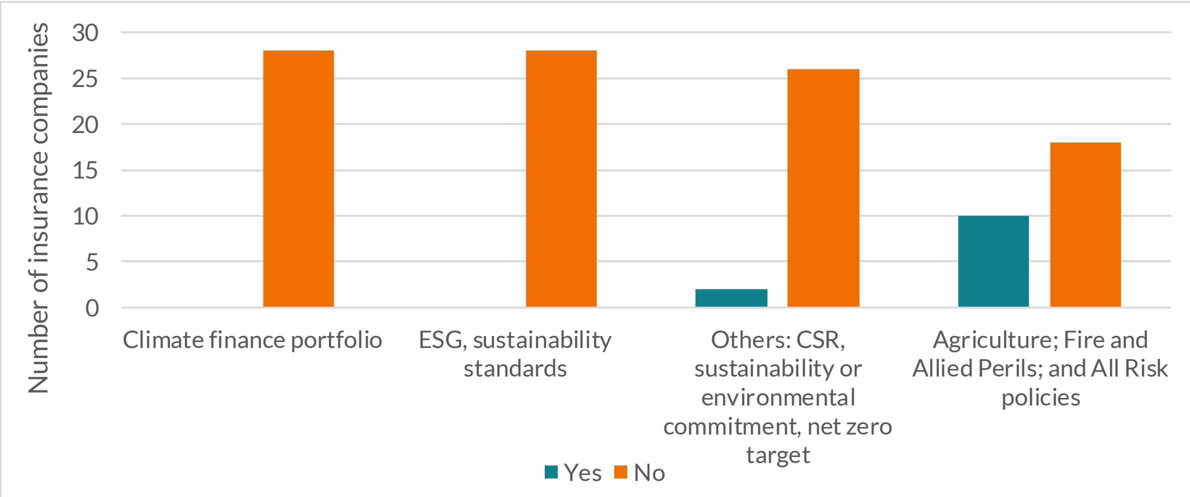
Figure 6: Overview of environmental/ climate action trends within Credit Institutions



Source: authors own compilation

There are currently no climate facilities nor environmental policies existing within the insurance sub-sector (Figure 7). There are some ESG mentions and engagements at the international level in standards development, however. In one case, there is a mention of ESG framework for business conduct but no climate or environmental polices nor products available. Some climate related activities have been undertaken under CSR in some cases. Notwithstanding, many insurance companies (10 out of 18) however, have products that are climate related such as agriculture and fire and allied perils policies. These offer an entry point for innovating climate products and facilities within sub sector.

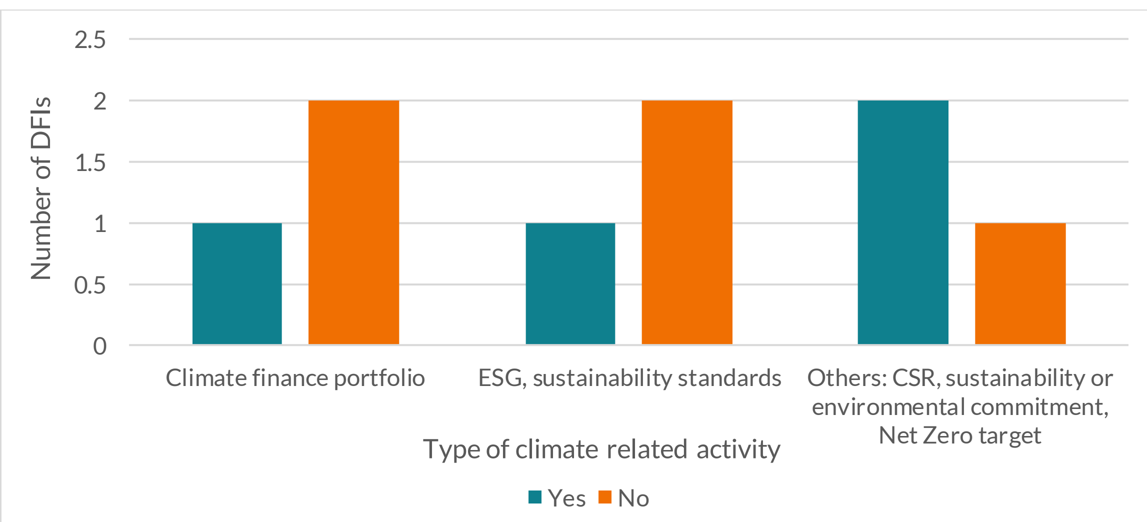
Figure 7: Overview of environmental/ climate action trends within insurance companies.



Source: authors own compilation

The Uganda Development Bank leads the way on climate change mainstreaming within the development finance sub sector (Figure 8). It has a climate finance facility and has committed UGX 50 billion towards capitalisation of the facility. The bank adopted an Environmental and Social Risk Policy which provides the mandate for mainstreaming environmental sustainability in its operations and credit processes. Other Development Finance Institutions (DFIs) in Uganda do not have climate finance facilities or policies in place.

Figure 8: Overview of environmental or climate action trends within DFIs.



Source: authors own compilation

The financial sector recognises the importance of aligning business activities with environmental needs, this is evident in the ESG conversations taking place. However, product and policy development within the sector is slow. Most institutions with environmental commitments or climate finance facilities are those with international presence. Additionally, commitments do not always accompany action. Climate change must be seen as a strategic issue, that goes beyond ESG and CSR. It should be the lens through which business is delivered.

2.6. Policy, regulatory and institutional frameworks for climate finance

2.6.1. 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 (NDPIII) 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 businesses innovating climate technologies, increasing access and use of clean energy among other climate initiatives. The financial sector plays a key role in the attainment of a green economy as envisioned by Vision 2040 and NDPIII.

Over the years the financial sector has undergone several regulatory reforms. There are a number of legislations and regulations governing the sector which protect the integrity and stability of the sector. The main Acts, policies and strategies of the sector are highlighted in the Table 3.

Table 3: Regulations and policies of the financial sector

Name of policy or regulation	Description	Climate change provision
Public Finance Management Act 2015	Assented to in 2015, it provides for fiscal and macroeconomic management by MOFPED.	No climate provision included
Anti-Money Laundering Act, 2013 (amended in 2017, 2020)	Last amended in 2013, it was enacted to prevent money laundering in Uganda.	No climate provision included
Financial Institutions Act, 2004 (amended 2016, 2023)	Last amended in 2023, it provides BOU the mandate to regulate and control financial institutions.	No climate provision included
Capital Market Act, Cap 84, 1996 (amended in 2011, 2016)	Last amended in 2016, it establishes a Capital Markets Authority to promote and facilitate the development of an orderly, fair, and efficient capital markets industry.	No climate provision included

Name of policy or regulation	Description	Climate change provision
Microfinance Deposit-taking Institutions Amendment Act, 2003 (amended in 2023)	Amended in 2023, this Act provides a mandate for the regulation and supervision of microfinance businesses in Uganda.	No climate provision included
Foreign Exchange Act 2004 – (amended in 2023)	Last amended in 2023, it provides for the regulation of foreign exchange business in Uganda.	No climate provision included
Insurance Act 1996 (amended in 2017)	Last amended in 2017, this Act provides the mandate for the Insurance Regulatory Authority to regulate, supervise and control insurance business in Uganda.	No climate provision included
Tier 4 Microfinance Institutions and Money lenders Act 2016	Assented in 2016, this Act established the Uganda Microfinance Regulatory Authority which regulates and manages tier 4 microfinance institutions.	No climate provision included
Uganda Retirement Benefits Regulatory Authority Act, 2011	Assented to in 2016, this Act establishes a Retirement Benefits Regulatory Authority to regulate the establishment, management and operation of retirement benefits schemes in Uganda in both the private and public sectors of Uganda.	No climate provision included
National Microfinance Policy, 2023-2028	Aims at improving the regulatory and supervision roles of stakeholders; enhancing the provision of microfinance services; providing an appropriate mechanism for tracking activities; and setting up mechanisms for certification, capacity building and training for microfinance.	Has a strategic focus on green finance and climate change resilience
National Financial Inclusion Strategy, 2023-2028	A strategy promotes affordable, inclusive and quality financial services in Uganda to reduce poverty and promote economic growth	Has a strategic focus on green finance development
Financial Literacy Strategy, 2019-2024	Approved in 2019, this sets us strategies to improve financial literacy in Uganda.	No climate provision included
National Payment Systems Policy, 2017	Approved in 2017, this policy aims to promote an efficient and safe payment system in Uganda. A national e-payment strategy has been designed following this policy.	No climate provision included

On the other hand, there are national and international policy frameworks that guide 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 stabilise greenhouse gas concentration in the atmosphere. Under the Kyoto Protocol, Uganda has committed 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, recognising 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, including 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 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 on to. These obligations are recognisable by the courts of justice of Uganda and climate action is therefore backed by the law. The 2019 Environmental Act provided the legal framework for managing and protecting the environment. Other pertinent 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 among other policies and strategies.

Uganda submitted an updated NDC in 2022, committing to an economy-wide greenhouse gas emissions reduction of 24.7% below business-as-usual levels by 2030. This is an increase compared to the first NDC target of 22% emissions reduction covering the energy, forestry, and wetland sectors. In the updated NDC, key sectors for emissions reductions have been expanded to include agriculture, forestry, and other land use (AFOLU), industrial processes and product use (IPPU), transport and waste sectors. The total cost of implementing this updated NDC is estimated at USD 28.1 billion.

As climate change continues to distinguish itself as a real time and unrelenting challenge to development, the need for climate finance is growing. Under the National Climate Change Act, financing mechanisms at both the national and international levels such as grants and loans are to be pursued for climate research, technologies, incentives provision to the private sector and implementation of other climate change projects. Other strategies such as the ongoing national climate finance strategy will enhance Uganda's climate finance mobilisation efforts.

These set of climate policies, regulations, strategies, and plans show Uganda's commitment to climate action at both the national and international levels. It serves as the guidepost for the private and financial sector to develop its own policies and actions on climate change on the ground. However, an analysis of the above financial acts, policies and strategies show that, with the exception of the National Financial Inclusion strategy, none of the Acts, policies and strategies have climate change provisions. This is true for those enacted before 2015 (when the National Climate Change Policy was developed) and a number of those that were passed after the National Climate Change Policy.

2.6.2. Institutional framework

The Cabinet within the office of the President is responsible for leading national development in Uganda (Figure 9). 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.

The financial sector is regulated by a number of bodies, namely:

- **The Central Bank of Uganda (BoU):** The banking sector in Uganda operates under the supervision and guidance of the Bank of Uganda. It has a mandate to formulate and implement monetary policy, currency issuance, and oversee the overall financial system ensuring price and financial stability and to supervise and regulate banking activity.

- **The Insurance Regulatory Authority of Uganda (IRA):** The IRA supervises and oversees the insurance sector in the country.

- **The Uganda Retirement Benefits Regulatory Authority (URBRA):** URBRA is responsible for regulating and supervising the retirement benefits sector in Uganda.

- **The Uganda Microfinance Regulatory Authority (UMRA):** UMRA is responsible for regulating and supervising the tier 4 microfinance institutions in Uganda.

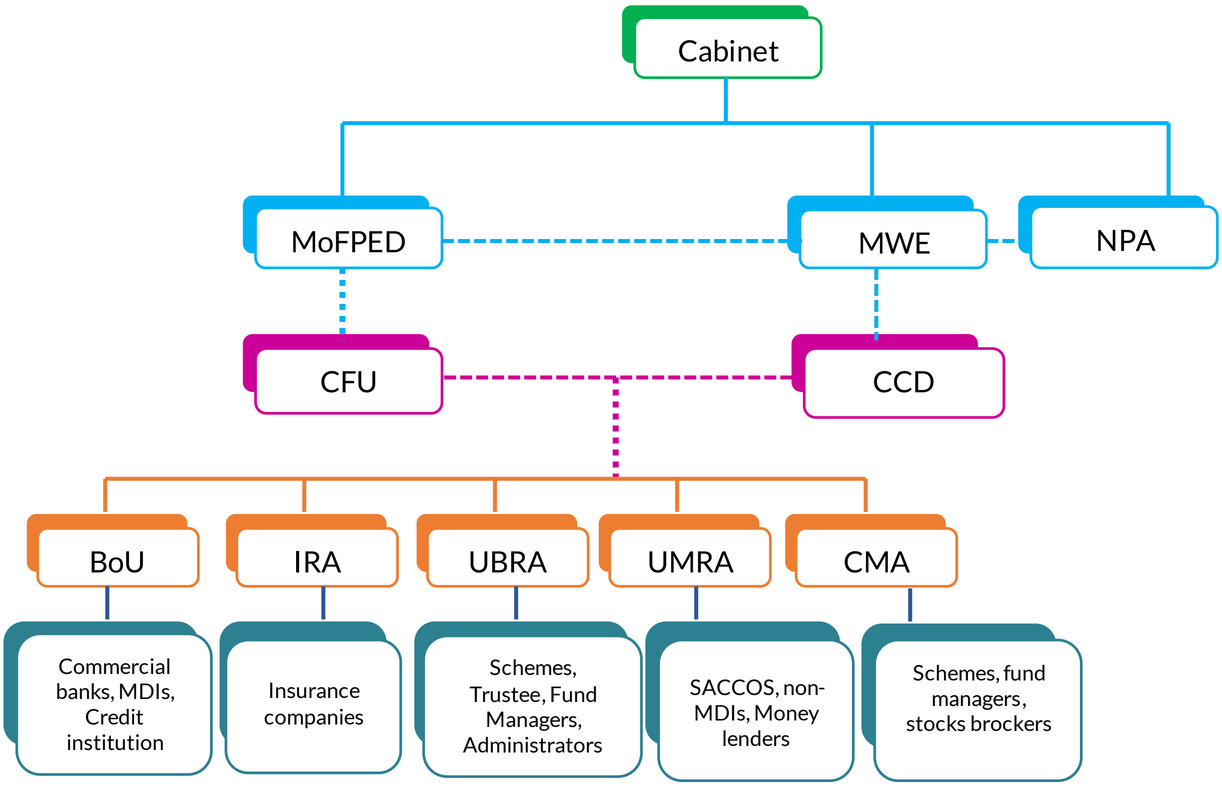
- **The Capital Markets Authority (CMA):** CMA is responsible for regulating and controlling the capital markets in Uganda.

Owing to the importance of streamlining climate finance coordination and mobilisation in Uganda, the Climate Finance Unit (CFU) was established under MoFPED, to coordinate and lead climate finance mobilisation. The Ministry of Water and Environment (MWE) has a Climate Change Department (CCD) which is responsible for coordinating action on climate change, including policy formulation and regulation. It serves to strengthen the implementation of Uganda's commitment under international policy frameworks such as the UNFCCC. The National Planning Authority (NPA) is another key stakeholder for climate change mainstreaming, it is responsible for mainstreaming climate action into national planning and budgeting processes. The NPA ensures that Ministries, Departments and Agencies have mainstreamed climate change in their annual work plans. The collaborative arrangement between MoFPED, MWE and NPA ensures that climate change is effectively, regulated, financed and implemented at the national to local levels.

There are other players involved in climate change and finance activities in Uganda, however only key players have been highlighted. Other bodies that cooperate with these key institutions to ensure a sound economy system and sustainable national development in Uganda include the

Uganda Revenue Authority, the Uganda Bureau of Statistics, the Office of the Prime Minister, and many others.

Figure 9: Institutional framework for the climate change and finance interaction



2.6.3. Actors of the financial sector and their roles

There are various actors in the financial sector value chain in Uganda. These actors have distinct roles in promoting financial stability, consumer protection, and fostering sustainable economic development. To address the challenges posed by climate change and ensure the long-term sustainability of Uganda's financial sector, it is crucial for all actors to understand their role and how they can contribute to climate action. The actors and their roles include:

Government and regulatory authorities: set policies, regulations, and standards that promote climate resilience in the financial sector.

Financial Institutions: incorporate climate considerations into decision-making processes and risk management strategies and frameworks. By doing so, risks can be effectively managed, and opportunities capitalised.

Investors and shareholders: demand financial institutions to prioritise climate change measures and invest in institutions with climate strategies and risk frameworks. By engaging in responsible investment practices and advocating for sustainable business practices, they can drive positive change within the financial sector.

Customers: engage with financial institutions that prioritise climate change considerations and promote sustainable investments

3. Mainstreaming climate action in the financial sector

Climate change presents an unprecedent combination of risks to financial sector, introduces high levels of uncertainty along a variety of occurrent dimensions into the decision-making process of financial institutions, and involves varied impacts that occur both immediately and over a much longer time horizon than managers typically consider.

3.1. Principles

The successful realisation of climate action can best be achieved through collective financial stakeholder efforts to commit and align their actions towards supporting low-carbon and climate resilient economic development and climate finance mobilisation. The financial sector must be guided by principles to ensure that investments promote low-carbon and climate-resilient development and aligns with Paris Agreement goals on Climate Change. Globally, climate action is guided by a set of principles recognised by the UNFCCC. These include no-harm, sustainable development, precautionary, common but differentiated responsibilities and polluter pays principles (Figure 10).

3.1.1. General principles

The **no-harm principle** is a widely recognised principle of customary international law whereby a State is duty-bound to prevent, reduce and control the risk of environmental harm to other states.[2] A State may exploit its own resources, however, it must not cause harm to areas beyond its jurisdiction.

The **sustainable development principle** concerns development that meets the needs of the present generation without compromising the ability for future generations to be able to meet their needs (Article 3.4 of the UNFCCC).[3] This principle recognises that human activities should not deplete or harm natural resources and ecosystems, but rather use them in a way that ensures their long-term availability for future generations.

The **precautionary principle** states that if an action or policy has a suspected risk of causing harm to the public or the environment, the absence of scientific consensus should not prevent States from taking precaution regarding the threats of harm (Article 3.3 of the UNFCCC).[4] This principle emphasises the need to take preventive cost-effective action to avoid or minimise potential harm

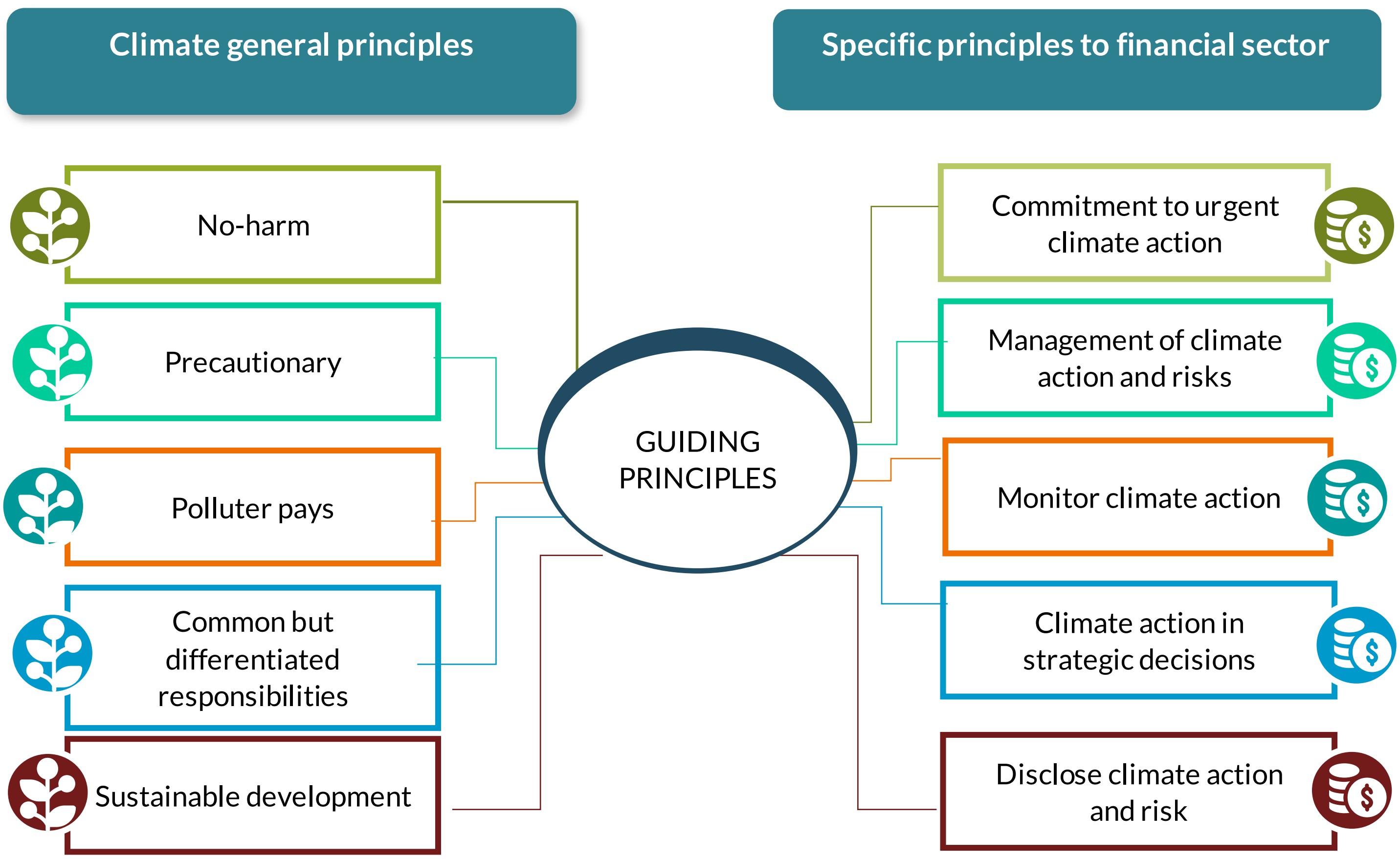
[2] Ian Brownlie, Principles of Public International Law, 7th ed., 2008, pp.275-285; Patricia Birnie, Alan Boyle and Catherine Redgwell, International Law and the Environment, 3rd ed., Oxford 2009, pp.143-152.
[3] Brundtland, G.H. (1987) Our Common Future: Report of the World Commission on Environment and Development. Geneva, UN-Dokument A/42/427.
[4] Sands, P. & Peel, J. (Eds). (2012). *Principles of international environmental law, third edition*. Cambridge University Press.

to the environment and human health, even in the absence of scientific certainty. The core elements of the precautionary principle are the need for environmental protection; the presence of threat or risk of serious damage; and the fact that a lack of scientific certainty should not be used to avoid taking action to prevent that damage.

The **common but differentiated responsibilities principle** recognises that while all countries have a responsibility to address climate change, developed countries should take the lead in reducing greenhouse gas emissions and providing financial and technological support to developing countries to help them adapt to and mitigate climate change. (Article 4.1 of the UNFCCC).

The **polluter pays principle** is enacted to make the party who is responsible for causing the pollution pay for the damage caused by the pollution (Article 3.1 of the UNFCCC). The principle means also that polluters bear the costs of their pollution including the cost of measures taken to prevent, control and remedy pollution and the costs it imposes on society.

Figure 10: Guiding principles for mainstreaming climate action into the financial sector in



Uganda.

Source: Bonnel & Swann (2015) and TCFD (2016, 2023)

3.1.2. Specific financial sector principles

In addition to these general principles, there are several principles developed specifically for the financial sector. The UNEP Finance Initiative principles (1992), the Equator Principles (2003), the UN Principles of Responsible Investment (2006), the Climate Action in Financial Institutions principles (2015), the Task Force on Climate-related Financial Disclosures principles (2016) and the African Financial Alliance on Climate Change (AFAC) principles have been used to develop the principles on which these guidelines are based.

The guidelines for mainstreaming climate action into financial sector in Uganda are based on the following additional principles (Figure 10):

01 **Commitment to urgent climate action:** Uganda is vulnerable to climate change and for its economy to survive and thrive, the financial sector must urgently align its operations, strategies, and policies to climate change. Clear intention to drive climate action must be promoted by capital owners at the board and management levels.

02 **Management of climate action and risks** The financial sector needs to progressively increase investments in climate smart projects, promote financial products that de-risk investments in climate smart technologies as well as enhance capacity internally to prioritise climate action in investments and in risk management.

03 **Monitor climate action** To entrench good practice and system change, the financial sector should develop tools and methodologies that are transparent and credible to measure progress and encourage conformity within the sector.

04 **Climate action in strategic decisions:** Mainstreaming climate action in operations is facilitated by directives and policy statements that are translated into action plans and guidelines for investments. The entity has to formulate and promote decisions that signal the promotion of climate action within the entire business operation's chain.

05 **Disclose climate action and risk:** Transparent disclosure of climate information promotes informed investment decision-making which makes markets more efficient and correctly reward innovation and good practice. Disclosure systems must be comparable, robust, and reliable such that climate risks are adequately priced and managed.

All principles should be guided by gender equity, and social inclusion ensuring that those groups most impacted by climate change are included in financial sector climate action plans and activities. These include women, girls, and other minority groups.

3.2. Environmental, social, and governance, sustainability and climate change

There is a significant relationship between Environmental, Social, and Governance (ESG) and climate change. Environmental, social, and governance principles require the consideration of sustainability, good social and corporate governance measures in business operations. It is an important framework to assess how business operations are sustainable and ethical. Investors and clients are increasingly using ESG as a criterion to measure the impact of a company's activities on the environment, their treatment of staff and communities they work in and the effectiveness of their governance structures and frameworks (Folqué et al., 2021). ESG comprises environmental, social and governance components. The extent to which businesses factor climate considerations into all decisions play a key role here. In particular, how a business manages climate related risks and opportunities. Transparency in climate risk disclosures and reporting, climate policies and strategies to reduce carbon footprint in business operations and compliance to environmental standards and regulations are key under the governance component.

ESG rating agencies such as Sustainalytics, Bloomberg ESG ratings, Thomas Reuters evaluate and rank companies on their ESG performance. Businesses that receive higher ratings have a good public image. They are seen as sustainable, responsible, and better positioned to manage business risks. Investors are increasingly using ESG as a benchmark for making investment decisions (Folqué et al., 2021).

As climate change poses significant challenges to businesses and society, incorporating ESG considerations is a key strategy for promoting sustainability, resilience, and responsible corporate practices in the face of climate-related risks. ESG offers many advantages for the financial sector, including:

- **Investment attraction**: many investors are increasingly using ESG as a key benchmark for investment decisions (Folqué et al., 2021; Ditlev-Simonsen, 2022). Businesses that apply ESG principles will be in a better position to attract more investments.
- **Risk management and mitigation:** ESG places businesses in a position to better manage risks including environmental and climate related risks.
- **Improve access to capital:** as ESG becomes an international requirement; foreign investors, donors and even international development aid would gradually base capital allocation decisions based on this (Ditlev-Simonsen, 2022). For example, the International Finance Corporation (IFC) has a policy on financial and social sustainability since 2012 which it

applies in its work in developing countries through investments it funds either directly or indirectly through intermediaries.

- **Legal and regulatory compliance:** international and national regulations are advancing on ESG. In Uganda the National Environmental Act 2019, the National Climate Change Policy 2015, the National Climate Change Act 2021, are some of the key environmental regulations that govern institutions and companies in the country. In 2023, The International Sustainability Standards Board (ISSB) issued new standards, the International Financial Reporting Standards Foundations (IFRS) Standard 1 and 2 which requires global capital markets to disclose climate-related risk and opportunities in their reporting. To remain compliant and competitive on the market, businesses would be required to comply with these regulations.
- **Contribution to national goals and objectives:** There is correlation between ESG and the Sustainable Development Goals (SDGs). ESG can support SDG 6 on clean water and sanitation, SDG 8 on decent work and economic growth, SDG 10 on reduced inequality and SDG 13 on climate action. The government of Uganda as a Party to the UNFCCC has made climate mitigation and adaptation commitments through its NDCs. Businesses can contribute to the government's achievement of its NDC targets by applying ESG principles.

In Uganda, there is no binding framework yet. ESG applications are currently voluntary and vary from business to business. An ESG framework is under development and to be rolled out for the private sector. The full implementation of ESG principles in Uganda will be influenced by regulatory frameworks, investor demands, and the awareness and commitment of businesses to sustainable practices.

3.3. Mainstreaming climate action into the financial sector at national level

3.3.1. The Ministry of Finance, Planning and Economic Development (directorates, departments, and auxiliary agencies, etc)

3.3.1.1. General Framework

The Ministry of Finance, Planning and Economic Development (MoFPED) has a central role to play in mainstreaming climate action in the financial sector. The MoFPED through some key functions namely **macroeconomic function**, **planning function**, **fiscal policy and budget management** and **financial policy and regulation and oversight of financial system** can promote climate change mainstreaming in the financial sector (Figure 11). To move towards low-carbon and climate-resilient economies, MoFPED needs to take action beyond considering climate change as cross-cutting risk. These actions should be gender responsive.

Mainstreaming climate action in the financial sector starts at the national level by the production of scientific evidence or forecasts on the projected climate patterns in medium and long run and analyse in each case the impact of climate change on financial sector and on the global economy.

This activity can be part of the macro-fiscal forecasting role of the MoFPED. The production of evidence and forecasts will support the capacity building of financial actors and contribute to the creation of awareness on climate related risks and on their impacts of the financial and economic sectors.

Figure 11: Entry points for mainstreaming climate action into financial sector at the national level.

1	2	3	4	5
Macro-economic strategy	Oversight of national development and structural reform planning	Fiscal policy and budget management	Financial policy and regulation and oversight of financial system	Capacity building, awareness creation and partnership

The next step is the integration of climate change in the national and sector policies, strategies, and plans. MoFPED needs to amend the Public Finance Management Act (PFMA) and integrate climate change considerations. Some sections of the PFMA, section 9 on budget framework paper, sections 13 and 14 on annual budget, section 26 on the contingencies fund, section 67 on appointment and qualifications of members of Investment Advisory Committee, section 68 on functions of Investment Advisory Committee, can be amended to include climate change considerations. For example, a climate change expert from the MWE can join the Investment Advisory Committee and the committee can include climate change among the investment criteria.

MoFPED, through its national development and structural reform planning and oversight functions can integrate climate change in all the economic sectors. MoFPED must ensure that all the sectors are investing in climate change to avoid financial losses.

The planning of climate action is not enough for its implementation, provision of financial resources is essential. **MoFPED, through its fiscal policy and budget management function must ensure that the financial sector is investing enough capital (public and private) to combat climate change. Fiscal policy and incentives (such as taxes, subsidies, and subventions) can encourage actions among financials actors**. MoFPED, through its budget management function should ensure that all the economic and financial sectors include climate change in their budgets. Green budgeting must be promoted and opportunities for concessional finance must be increasingly sought to increase capital availability. MoFPED can also through its policies on public procurement encourage financial institutions and all the other sectors to adopt green methods and measures. Resources and policies must be allocated to de-risk green and smart investments.

Finally, **MoFPED through its financial policy and regulation and oversight of financial system function must promote financial policy formulation and reviews to include climate considerations**. MoFPED is responsible for the regulation of the financial sector and as such should oversee and support the review of the regulatory frameworks (regulations, Acts) for the supervision of the financial sector. MoFPED should ensure that climate risks and opportunities are considered in the current and future mandates, plans, programmes, projects of financial institutions, including MoFPED autonomous agencies namely Bank of Uganda, Uganda Revenue

Authority, Office of the Auditor General, Public Procurements and Disposal Authority, Uganda Bureau of Statistics, Uganda Retirements Benefits Regulatory Authority. The development and implementation of policies and regulations that require financial institutions to incorporate climate change considerations into their lending, savings, and insurance practices and investment decisions are fundamental.

Mainstreaming climate action in the financial sector will not be possible without the awareness and willingness of decision-makers to integrate climate change into their activities. MoFPED should establish a capacity building and awareness creation and partnership and collaboration programmes on climate related financial risks and opportunities. Development of a platform for knowledge, information and best practices sharing is essential for capacity building. These programmes can be led by the Climate Finance Unit and/or a special climate dedicated taskforce.

3.3.1.2. Entry points for mainstreaming climate action at the national level

The Ministry of Finance, Planning and Economic Development has made a lot of progress in climate change mainstreaming, however, there exist more opportunities for further mainstreaming. These are listed in the table below (Table 4). These actions should be gender responsive.

Table 4: Entry point for mainstreaming climate action in the financial sector at the national level

Steps	Action / Intervention	Term[5]	Responsibility[6]
Macroeconomic strategy	Include climate-related risks and opportunities in national data collection and research activity.	Short & Medium	UBS, MPD, EAD
	Develop climate mainstreaming tools and analytical approaches for data collection and economic decision-making.	Short & Medium	UBS, MPD, EAD
	Develop green investment strategies including by assessing investment needs for the transition.	Short & Medium	MPD, PAPID, ISSD
Oversight of national development and structural reform planning	Participate in the development of national climate strategies.	Short & Medium	MoFPED
	Support the review/formulation of sector policies, and strategic plans to include climate change.	Medium	MoFPED
Fiscal policy and budget management	Amend the Public Finance Management Act (PFMA), sections 9, 13, 14, 26, and 67, to include climate change considerations or experts.	Short	MoFPED
	Provide fiscal incentives (such as climate adaptation and mitigation awards in the form of grams and technical assistance) and regulations for catalysing green sectors.	Medium	TPD, EDPRD, MPD, PS/ST
	Work with URA to provide green tax incentives for the financial sector. i.e. through a policy directive.	Medium	TPD

[5] *Short term is defined as 6 months - 1 year; Medium term is defined as 1 year to 2 years and long term is defined as 2 years to 5 years.*
6 PS/ST: Permanent Secretary/ Secretary to the Treasury; BPED: Budget Policy and Evaluation Department; ISSD: Infrastructure and Social Services Department; PAPID: Projects Analysis and Public Investment Department; FSD: Financial Services Department; TPD: Tax Policy Department; MPD: Macroeconomic Policy Department; EDPRD: Economic Development Policy and Research Department; PSAD: Public Sector Accountability Department; PPPD: Public Procurement Policy Department; DPIP: Debt Policy and Issuance Department

Steps	Action / Intervention	Term[5]	Responsibility[6]
	Future proofing the public finances through tax reform to identify long-term alternative revenues to taxing fossil fuels.	Medium	TPD, EDPRD, MPD, BPED, PS/ST
	Carbon taxes and pricing, subsidy reform, other forms of environmental taxation.	Medium	TPD, EDPRD, MPD, CFU, BPED
	Mainstream climate action within MTEFs and annual budgets (Budget Strategy Paper, Budget Call Circular, Budget Framework Paper, etc).	Medium	BPED, PS/ST
	Domestic resource mobilisation including frameworks for debt financing, green bonds, and sub-national finance for climate action.	Medium	TPD, EDPRD, MPD, BPED, PS/ST
	Catalyse private capital through greening the financing sector, innovations in financing models and sustainable finance roadmaps.	Medium	TPD, EDPRD, MPD, BPED, DPIP, PS/ST
	Green public procurement.	Medium	PPPD
	Develop a green taxonomy.	Medium	CFU,
	Reform national accounting approaches and metrics of prosperity.	Medium	PSAD, BD, PS/ST
Financial policy and regulation and oversight of financial system	Support the regulatory entities and development financial institutions to include climate change in their mandate, Acts and regulatory sandboxes.	Medium	FSD, CFU.
	Green publicly backed financial institutions and central banks.	Medium	FSD, CFU, MPD, PAPID
	Support all the financial actors in leveraging international climate finance (development of concept notes).	Short & Medium	FSD, CFU,
Capacity building, awareness creation and partnership	Strengthen mandate reflecting MoFPED role in driving climate action.	Short	CFU, EDPRD
	Strengthen champions at senior and official level to drive climate mainstreaming or establish a task force on climate related financial risks.	Short	CFU, EDPRD
	Develop processes for driving effective collaboration on climate action with other public agencies, private sector, civil society, MDBs, global financial architecture, other actors.	Short	CFU, EDPRD
	Design an effective communication strategy for consultation and communication around climate policies.	Short	CFU, EDPRD
	Set up a capacity building on climate related financial risks and opportunities.	Short	CFU, EDPRD
	Set up a platform for knowledge, and information exchange and sharing of best practices.	Short	CFU
	Put in place a national steering committee on climate financing that brings together all relevant ecosystem actors (i.e. state and non-state actors).	Medium	MoFPED
	Dedicate staffing resources responsible for mainstreaming climate.	Short	CFU, EDPRD

3.4.2. Regulatory authorities

Regulatory entities operating within the financial sector, namely Bank of Uganda, Insurance Regulatory Authority, Uganda Microfinance Regulatory Authority, Uganda Retirements Benefits Regulatory Authority, Capital Markets Authority and others can play pivotal role in mainstreaming climate action into financial sector in Uganda.

3.4.2.1. General framework for mainstreaming climate action within regulatory entities

The framework for mainstreaming climate action within regulatory entities, include reviewing and or adoption of regulations; reviewing and or updating supervision tools and processes; resource allocation; partnership and collaboration; monitoring and evaluation; and capacity building and awareness creation (Figure 12).

The main role of regulatory entities is to supervise and regulate the financial sector through the setting up and enforcement of regulations and licences. Regulatory entities also enforce standards of safety and quality across the sector. Climate change must be integrated into regulatory and policy mandates, and frameworks. The current financial sector Acts e.g. the Financial Institutions Act do not have climate change provisions.

Secondly, climate change considerations should be integrated in supervision activities. Some questions related to climate change mainstreaming in the financial organisation strategy, processes and operations should be added in periodic collection and compilation of data to analyse performance and inherent risks.

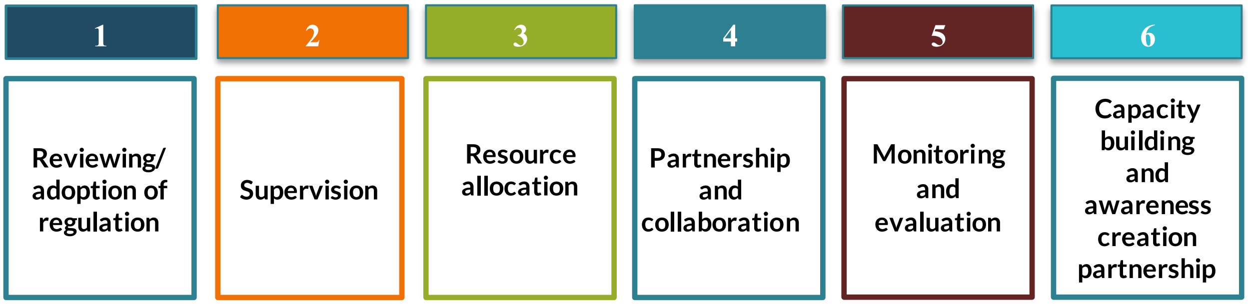
Thirdly, regulatory entities should also allocate resource and offer incentives to financial institutions under their control to promote climate change mainstreaming.

Fourthly, regulatory entities should lead in dialogue, engagement and collaboration with international financial institutions and organisations such as the TCFD, the European Central Bank (ECB) among others, **to access funding and technical expertise for climate change mainstreaming initiatives within the sector.**

Fifthly, regulatory entities should develop new regulations that require financial institutions to assess and disclose their exposure to climate-related risks. A climate related financial disclosure reporting template will guide financial institutions on how to disclose climate related financial risks. Regulators should develop processes for sector regulations, reporting and progress tracking in light of emerging trends and best practices on climate change.

Finally, build **the awareness and knowledge of climate change and intersection with finance**. Initiate awareness campaigns and capacity-building programs to enhance the understanding of climate change risks and opportunities within the sector. Action should be taken to reduce the carbon footprint of their organisation and that of supervised institutions.

Figure 12: Framework for mainstreaming climate action within regulatory entities.



Specific actions for each regulator have been illustrated below. These actions should be gender responsive.

3.4.2.2. Bank of Uganda

The Bank of Uganda started integrating climate risks into its framework in 2022. This is the first step towards climate change mainstreaming within the Central Bank. The BoU can go further by undertaking the following actions (Table 5).

Table 5: Entry points for climate change mainstreaming within BOU

Steps	Climate mainstreaming opportunity	Term[7]	Actor
Reviewing / adoption of regulations	Introduce a concessionary financing scheme for green technologies (low carbon emitting and or adaptation enhancing technologies).	Medium	BoU
	Develop new regulations to govern green financing to ensure a people-centred transition.	Medium	BoU,
	Review existing financial regulatory frameworks under BOU supervision (eg Financial Institutions Acts, regulatory sandbox framework under the National Payment System Act, Microfinance Deposit-Taking Institutions Act etc,) of and integrate climate change provisions.	Medium	BoU
Supervision	Develop green taxonomy, a common language and a clear definition of climate actions.	Short	BoU
	Include climate assessments in product approval processes and encourage the banks to develop the climate change products.	Short	BoU
	Include climate assessment requirement in license issue and review processes.	Short	BoU
	Include climate-related financial risks in the risk analysis system with the Bank Supervision Application (BSA).	Medium	BoU
Resource Allocation	Small Business recovery fund - Include climate assessment as a condition for funds. - Allocate a specific percentage of funds to green businesses.	Medium	BoU
	Petroleum Revenue - Seek green sources of investment for petroleum funds.	Short term	BoU

[7] Short term is defined as 6 months - 1 year; medium term is defined as 1–2 years and long-term is defined as 2–5 years.

Steps	Climate mainstreaming opportunity	Term[7]	Actor
	Develop a green policy for the acquisition of capital projects, and procurement and disposal of goods, works and services.	Medium	BoU
	Agricultural Credit Facility - make smart agriculture a funding requirement	Short to Medium	BoU
	Create incentives for climate action within the sub sector		
Partnership and collaboration	Set up platforms / technical working group/ task force to promote knowledge and experience sharing in mainstreaming climate action within the banking sector.	Short	BoU
	Pursue more opportunities for collaborations at international and regional levels. Membership of NGFS is a good step.	Short	BoU
Monitoring and evaluation	Develop new regulations that require financial institutions to assess and disclose their exposure to climate-related risks.	Medium	BoU
	Adopt and implement International Financial Reporting Standards (IFRS) frameworks related to climate change such as IFRS 1 and IFRS 2 for accounting and reporting standard.	Short	BoU
Capacity building and awareness creation	Lead the macroeconomic modelling of climate-related financial risks and encourage focus of climate risks to business model, credit, market, and operations of financial public and private institutions.	Short	BoU
	Provide climate education and training to institutions regulated by the Central Bank using town hall meetings, monetary policy forum, the financial stability symposium, and other existing or new engagement avenues.	Short	BoU
	Provide climate change training to the Board, senior management team and staff. This could be done under existing employee training and development programs such as the training centre.	Short	BoU (by Climate taskforce team)
	Set a Net Zero target which follows the requirements of the report from the United Nations High Level Expert Group on Net Zero Emissions Commitments.	Medium	Board
	Pursue other measures for reducing the business's carbon footprint. These include measures such as waste management, energy efficiency, use of renewable energy, digitalisation, other resource efficiency measures.	Short to Medium	Senior Management
	Set up a platform for knowledge, and information exchange and sharing of best practices within the sub sector.	Short	
	Study the implications of climate change to monetary policy and incorporate them into monetary policy instruments.	Short	BoU

3.4.2.3. Insurance Regulatory Authority

The Insurance Regulatory Authority regulates the insurance sub sector. IRA should take proactive measures to ensure that climate change considerations are integrated into the policies and practices of insurance companies operating in Uganda. The following are opportunities identified for mainstreaming climate action within IRA (

Table 6).

Table 6: Entry points for climate change mainstreaming within IRA

Steps	Climate mainstreaming opportunity	Term[8]	Actor
Reviewing / adoption of regulations	Integrate climate change within the mandate of the institution.	Short to Medium	Board, Legal & SA directorate, Technical and Risk Management Committee
	Review of the existing regulatory framework of insurance sector to support integration of climate change in sector regulations (e.g. the Insurance Act 2017).		
Supervision	Include climate related risks in the key sector risks and in the stress tests.	Medium	Board, Supervision Directorate, Technical and Risk Management Committee
	Include climate assessments in licenses issue and review processes.	Medium	
	Include the climate related risks in the sector supervision tool.	Medium	
Resource allocation	Develop new products and services tailored to climate change like weather index insurance.	Medium	Board, Planning, Research and Market Development directorate, Legal & SA directorate
	Ensure access to climatic data since the lack of data can hamper the development of product.	Medium	
	Use the existing regulatory sandbox to explore new climate products.	Medium	
	Allocate resource to climate initiatives such as training, climate strategy and policy development etc.	Short	IRA
	Create incentives for climate action within the sub sector.	Short to Medium	
Partnership and collaboration	Pursue national, regional and international collaboration. The Global Shield initiative is an example of an international initiative that can provide resources to support IRA efforts on climate action in Uganda. Others include the Munich Climate Insurance Initiative, International Association of insurance Supervisors among others.	Short	Research and Market Development
Monitoring and evaluation	Design climate related financial disclosures and reporting templates to support insurance companies in reporting the integration of climate change on their risk management processes, lending practices, and investment decisions.	Medium	Board, Legal & SA directorate, Technical and Risk Management Committee, Supervision Directorate
	Lead the macroeconomic modelling of climate-related financial risks and encourage focus climate	Short	Board, Planning, Research and

[8] Short term is defined as 6 months - 1 year; Medium term is defined as 1– 2 years and long term is defined as 2–5 years.

Steps	Climate mainstreaming opportunity	Term[8]	Actor
Capacity building and awareness creation	change risks to the business model, credit, market, and operations of insurance compagnies.		Market Development directorate, Legal & SA directorate
	Study the implications of climate change on insurance sector and policies.	Short	
	Provide climate training for Board, management, staff and companies under IRA supervision.	Short	
	Set a Net Zero target which follows the requirements of the report from the United Nations High Level Expert Group on Net Zero Emissions Commitments.	Medium	
	Pursue other measures for reducing the business's carbon footprint. These include measures such as waste management, energy efficiency, use of renewable energy, digitalisation, other resource efficiency measures.	Short to Medium	
	Set up platform for knowledge exchange and sharing of best practices within the insurance sub-sector.	Short	
	Create a task force on climate related risk with the insurance sector.	Short	
	Develop catastrophe models that apply catalogues of hazard events to inventories of exposure, measures of vulnerability and coverage terms and conditions to estimate the potential financial losses for a given underlying asset.	Short	

3.4.2.4. Uganda Microfinance Regulatory Authority

The Uganda Microfinance Regulatory Authority (UMRA) was established in 2016 to effectively govern Tier IV financial institutions and Money Lenders. The following are some entry points for mainstreaming climate action within UMRA (Table 7).

Table 7: Entry points for climate change mainstreaming within UMRA

Steps	Climate mainstreaming opportunity	Term[9]	Actor
Reviewing / adoption of regulations	Include climate change in the next strategic plan of UMRA.	Medium	Board
	Integrate climate change within the mandate of the institution.	Short	Board
	Review the existing regulatory framework of microfinance sector (e.g. Microfinance Institutions and Money lenders Act 2016) to integrate of climate change in regulatory provisions.	Medium	
Supervision	Include the climate related risks in the sector key risks and, in the profiling, tool used for market supervision.	Medium	Board

[9] Short term is defined as 6 months - 1 year; Medium term is defined as 1– 2 years and long term is defined as 2–5 years.

Steps	Climate mainstreaming opportunity	Term[9]	Actor
Resource allocation	Allocate resource to climate initiatives such as training, climate strategy and policy development etc.	Short	Board
	Create incentives for climate action within the sub sector.	Short to Medium	
Partnership and collaboration	Pursue national, regional and international collaboration.	Short	Senior Management
Monitoring and evaluation	Design climate related financial disclosures and reporting templates to support microfinance compagnies in reporting the integration of climate change on their risk management processes, lending practices, and investment decisions.	Medium	Board
Capacity building and awareness creation	Lead the economic modelling of climate-related financial risks and encourage focus climate change risks to the business model, credit, market, and operations of microfinance compagnies.	Short	Board
	Set a Net Zero target which follows the requirements of the report from the United Nations High Level Expert Group on Net Zero Emissions Commitments.	Medium to long	Board
	Create a task force on climate related risk with the microfinance sector.	Short	Board
	Other measurers for reducing the business's carbon footprint should be pursued. These include measures such as waste management, energy efficiency, use of renewable energy, digitalisation, other resource efficiency measures.	Short to medium	Senior Management
	Provide climate training to Board, management and staff of the Authority.		
	Set up a platform for knowledge, and information exchange and sharing of best practices	Short	Senior Management
	Develop capacity building programmes and training sessions for microfinance institutions and programmes to improve their understanding of climate change and its implications for the sector.	Short	Board

3.4.2.5. Uganda Retirement Benefits Regulatory Authority

The main mandate of Uganda Retirement Benefits Regulatory Authority (URBRA) regulates, supervises, and promotes the retirement benefits sub sector. URBRA should take proactive measures to ensure that climate change considerations are integrated into the policies and practices of supervised entities operating in Uganda. The following are some entry points for climate mainstreaming in URBRA (Table 8).

Table 8: Entry points for climate change mainstreaming within URBRA

Steps	Climate mainstreaming opportunity	Term[10]	Actor
Reviewing / adoption of regulations	Develop climate policies and regulation for the supervision of the sub-sector.	Short to Medium	Board
	Strengthen URBRA mandate for climate change by amending the URBRA Act to include climate change requirement in Acts provisions.	Medium	Board
Supervision	Include climate considerations in the upcoming 'online investment reporting and analysis tool' in conjunction with the Capital Markets Authority.	Medium to Long	Senior Management
	Include climate-related financial risks in the Risk-Based Supervision (RBS) system.	Medium	Senior Management
Resource allocation	Include climate-related financial risks in the next URBRA five-year strategic plan.	Medium	Board
	Promote green investment through regulations and incentives.	Medium	Senior Management
	Create incentives for climate action within the sub sector.	Short to Medium	
	Uptake carbon footprint reduction strategies such as digitalisation, waste management, energy efficiency, renewable energy etc.	Short	Senior Management
Partnership and collaboration	Pursue national, regional and international collaboration. European Insurance and Occupational Pension Authority are examples of possible partnership opportunities.	Short	Senior Management
Monitoring and evaluation	Design climate related financial disclosures and reporting templates to support microfinance companies in reporting the integration of climate change on their risk management processes, lending practices, and investment decisions.	Mediu m	Senior Management
Capacity building and awareness creation	Develop internal capacity to identify and respond to risks and opportunities	Short	Senior Management
	Promote research and development in the retirement benefits sub sector.	Short	Senior Management
	Set a Net Zero target which follows the requirements of the report from the United Nations High Level Expert Group on Net Zero Emissions Commitments.	Short	Board
	Provide climate training to Board, Management and staff of the Authority.	Short to Medium	Senior Management
	Set up a platform for knowledge, and information exchange and sharing of best practices	Short	
	Encourage sub sector to participate in the transition towards low carbon and climate resilient through incentives and regulation.	Short	

[10] Short term is defined as 6 months - 1 year; Medium term is defined as 1– 2 years and long term is defined as 2–5 years.

3.4.2.6. Capital Markets Authority

Capital Markets Authority (CMA) is an autonomous body mandated to promote capital markets, protecting investor and preventing systemic risks. The CMA is currently reviewing offer of security regulations to include green bonds. Other proactive measures that can be undertaken to ensure that climate change mainstreaming in the sub-sector is listed in the table below (Table 9).

Table 9: Entry points for climate change mainstreaming within CMA

Steps	Climate mainstreaming opportunity	Term[11]	Actor
Reviewing / adoption of regulations	Develop climate policies and regulation for the supervision of the sub-sector.	Medium	Board, Senior Management, Market Supervision Department Legal and Finance Department
	Strengthen capital market regulation, mandate and oversight by including climate provisions in sub sector regulations e.g. the Capital Markets Act, Cap 84, 1996, 2011, 2016.	Medium	
	Review regulations and supervision: there is an ongoing review offer of security regulations to include green bonds.	Medium	
Supervision	Include climate-related risks in the risk profiling tool for fund managers and collective investment schemes and for brokers.	Medium	Board, Senior Management, Market Supervision Department Legal and Finance Department
	Include climate requirement in license issue and review processes.	Medium	
Resource allocation	Include climate-related financial risks in the research programme of the research officer.	Medium	Board, Senior Management Legal and Finance Department
	Prioritise green bonds and other green investment opportunities for the sub-sector.	Medium to long	
	Include climate-related strategic initiatives in the next CMA strategic plan along with allocated resources for its implementation.	Medium	
	Create incentives for climate action within the sub sector.	Short to Medium	Board
Partnership and collaboration	Pursue national, regional and international collaboration	Short	Senior management
Monitoring and evaluation	Introduce climate reporting either as standalone reports or inclusion in annual organisation reports,	Short	Board, Senior Management,
	Design climate related financial disclosures and reporting templates to support capital markets in reporting the integration of climate	Medium	Board, Senior Management, Market Supervision Department

[11] Short term is defined as 6 months - 1 year; Medium term is defined as 1– 2 years and long term is defined as 2–5 years.

Steps	Climate mainstreaming opportunity	Term[11]	Actor
	change on their risk management processes, lending practices, and investment decisions.		Legal and Finance Department
Capacity building and awareness creation	Build capacity on green financing in supervision and in risk assessment of the sector.	Short	Board, Senior Management Research Department
	Promote green finance during capital markets awareness campaigns.	Short	
	Set a team or department responsible for climate change within the institutions.	Medium	
	Set a Net Zero target which follows the requirements of the report from the United Nations High Level Expert Group on Net Zero Emissions Commitments.	Medium to long	
	Other measurers for reducing the business's carbon footprint should be pursued. These include measures such as waste management, energy efficiency, use of renewable energy, digitalisation, other resource efficiency measures.	Short to Medium	
	Set up a platform for knowledge, and information exchange and sharing of best practices	Short	
	Build Board, management and staff capacity on green financing though professional development initiatives.	Short	

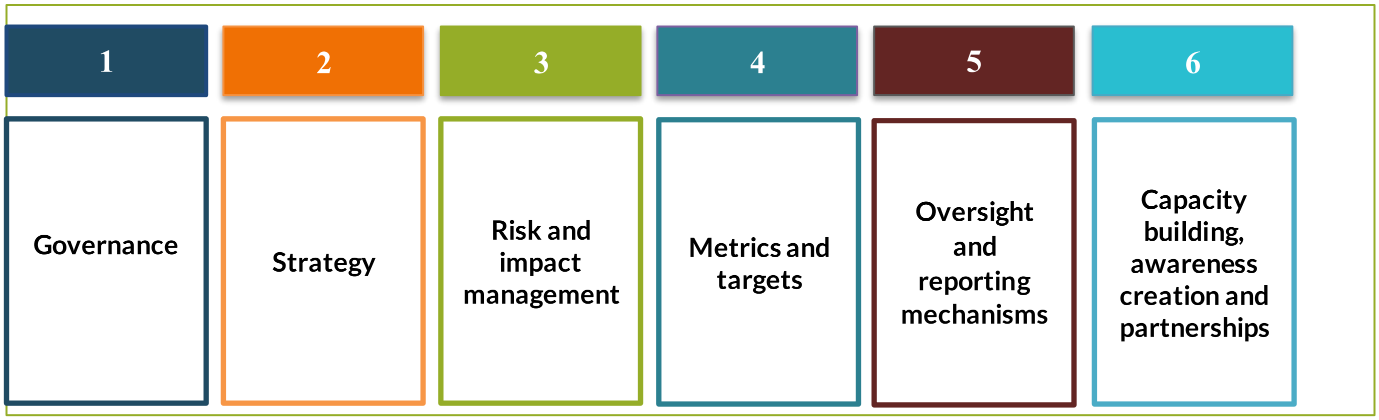
3.4.3. Development Finance Institutions

Development Finance Institutions (DFIs) play a crucial role in promoting economic development, poverty reduction, and sustainable growth in Uganda. Through financial and non-financial services, DFIs can promote climate mainstreaming in the development and private sectors through policies, strategies, and project financing activities.

3.4.3.1. General framework for mainstreaming climate action within Development Finance Institutions

The steps to be considered for mainstreaming climate action in DFIs' include governance, strategy, risk and impact management, metrics and targets, oversight and reporting mechanisms and capacity building (Figure 13).

Figure 13: Framework for mainstreaming climate action into Development Finance Institutions



Under governance, climate change should be set as an organisational priority at the highest level of the organisational governance structure, which is the Board. This could be achieved through written and communicated commitment to climate change to the organisational staff by the Board. The Board should oversee organisational climate strategy and policy development, approval, and implementation. Senior managers are accountable for promoting climate objectives within the institution. Incentive structures must be developed in performance management systems to encourage performance and delivery of results. The Board and senior management must allocate dedicated resources for the creation of new business lines and products that promote climate smart investment.

Under strategy, climate specific policies, targets and quotas must be set, and this must be part of the broad organisational strategy. Climate change must become a core component and pillar of the organisational strategy. In addition to mainstreaming climate action in the broader organisational strategy, specific strategy on climate-smart products and services and climate change risks and opportunities should be developed. This strategy must identify opportunities that exist in mainstreaming climate action in budget allocations, revenue collection and allocation processes as well as in collaboration and external engagement processes.

Under risk and impact management, internal processes need to improve to manage climate risks. Climate risk must be included in strategic plan and risk management framework of the institution. Review of credit applications and supervision should consider the business's exposure to climatic risks.

Under metrics and targets, key performance indicators (KPIs), thresholds and targets for climate change must be set. Such targets could include greenhouse gas (GHGs) emissions and net zero targets, a committed percentage of funds dedicated to green products development among others. KPIs should also be integrated into standard credit granting and portfolio risk analysis procedures.

Under oversight and reporting mechanism, the institution must put in place a mechanism for monitoring the evolution of climate risks as well as climate and environmental policies and legislation. In addition, there should be climate risk reporting and disclosure systems to disclose the impact of climate risks on financial performance. These reports should enable regular monitoring and provide early warning signals to enable proactive actions to be taken.

Under capacity building, the institution should include climate change in staff training and professional development programmes. Climate change training should also be included in non-financial services offered by the bank to its clients. This should improve knowledge and understanding of climate change risks and opportunities within the sector.

Each development finance institution should undertake specific actions in line with the general framework to mainstream climate change. These actions should be gender responsive.

3.4.3.2. Uganda Development Bank

The Uganda Development Bank (UDB) serves as a good example on how climate change can be mainstreamed within a financial institution. The Bank has a Green Finance Unit, has developed a Green Finance Policy, and a Green Finance and Investment Strategy, and Monitoring Indicators. The Bank has green products such as green loans, green equity, partial credit guarantees, asset and trade finance channelled through their Climate Finance Facility (CFF).

In partnership with the Food and Agriculture Organisation (FAO), UDB has developed tools like the Ex-Ante Carbon Balance Tool (EX-ACT) and the Global Livestock Environmental Assessment Model interactive (Gleam-i) that is helping the Bank assess the greenhouse gas emissions and carbon balance of loan applications in food and agriculture. These tools could be shared with other financial institutions to improve learning and capacity building.

UDB has committed to communicating and training its staff in new institutional tools and policies on climate change. Although UDB has made a lot of progress in climate change mainstreaming, there exist more opportunities for further mainstreaming. These are listed in the table below (Table 10).

Table 10: Entry points for climate change mainstreaming within UDB

Steps	Climate mainstreaming opportunity	Term[12]	Actor
Governance and strategy	Make climate a requirement for funding application i.e. applicants must include climate disclosure report, organisational climate strategy or policy, or a climate risk assessment as a required document for all funds application.	Short	Board of Directors, Management Credit Committee; Board Credit Committee
	Explore national and international collaboration opportunities e.g. consider an application to the GCF to become an accredited entity.	Short	Green Advisory Unit

[12] Short term is defined as 6 months - 1 year; Medium term is defined as 1– 2 years and long term is defined as 2–5 years.

	Expand UDB exclusion list to include projects that have high greenhouse emissions potential and or not climate resilient.	Medium	Board of Directors, Management team
	Dedicate a percentage of investment portfolio to green businesses and projects.	Medium	Board of Directors, Investment team; Green Advisory Unit
	Include climate resilience assessment in project preparation and financing processes.	Medium	Investment and credit business functions
	Go beyond environmental impact assessment and include climate change mitigation and resilience assessments as a requirement for loan application.	Medium	Board of Director Deal review Committee
	Design and implement a climate smart or green procurement policy for sourcing suppliers and equipment for the Bank and for customers.	Medium to Long	Procurement and Administration unit
Risk and impact management	Include climate risk in risk management framework.	Short	Board, Green Advisory Unit
Metrics and target	Set a Net Zero target which follows the requirements of the report from the United Nations High Level Expert Group on Net Zero Emissions Commitments.	Medium to Long	Board, Senior Management
	Other measurers for reducing the business's carbon footprint should be pursued. These include measures such as waste management, energy efficiency, use of renewable energy, digitalisation, other resource efficiency measures.	Short to Medium	
	Include climate related metrics in KPIs for branches or staff.	Medium	
Oversight and reporting mechanism	Develop monitoring and evaluation mechanisms to track climate activities within the business.	Medium	Board, Green Advisory Unit
Capacity building, awareness creation and partnerships	Include climate services in the business advisory service provided to clients (groups, cooperatives).	Short	Business advisory team, Green Advisory Unit
	Share climate knowledge and tools with other financial institutions	Short	Green Advisory Unit

3.4.3.3. Uganda Development Corporation

The Uganda Development Corporation (UDC) acknowledges climate change as a business threat in their 2020-2030 strategic plan, however the strategic plan does not indicate how this threat will be addressed. There are efforts to mainstream climate change within the corporation through investment feasibility studies, climate efficient business practices and CSR initiatives. UDC has developed an Environmental, Social and Governance policy which is currently awaiting Board approval.

Within the business delivery, governance and operational processes, many more opportunities exist for mainstreaming climate action.

Table 11 details some entry points for climate change mainstreaming for UDC.

Table 11: Entry points for climate change mainstreaming within UDC

Steps	Climate mainstreaming opportunity	Term[13]	Actor
Governance and strategy	Develop, approve and implement a climate strategy and policy.	Medium	Board and Senior Management
	Mainstream climate in all organisational strategies, policies and work plans.	Medium	Board and Senior Management
	Make climate assessment a requirement for all investment activities.	Medium	Board and Senior Management
	Include climate assessment in the project management life cycle.	Medium	Project Directorate
	Include climate strategic goals in the next strategic plan of the corporation.	Medium	Board
	Include a climate expert on the Board or management committee.	Medium	Board
	Develop a fund for green investment.	Medium	Directorate of Investment
	Create a climate department as one of the key outputs of the organisational restructure process.	Medium	Board
	Green the procurement, bid and tender processes.	Medium	Procurement Unit
	Allocate resource and budget for climate mainstreaming.	Short	Board and Senior Management
Risk and impact management	Include climate risk in the risk management framework.	Short	Board and Senior Management
	Evaluate all projects and perform climate risk and resilience assessment of current investments. UDC is investing heavily in agricultural processing (a climate sensitive sector).	Medium	Senior Management
Metrics and target	Set a Net Zero target which follows the requirements of the report from the United Nations High Level Expert Group on Net Zero Emissions Commitments.	Medium to long	Board, Senior Management
	Other measures for reducing the business's carbon footprint should be pursued. These include measures such as waste management, energy efficiency, use of renewable energy, digitalisation, other resource efficiency measures.	Short to Medium	

[13] Short term is defined as 6 months - 1 year; Medium term is defined as 1– 2 years and long term is defined as 2–5 years.

Steps	Climate mainstreaming opportunity	Term[13]	Actor
	Include climate related metrics in KPIs for branches or staff.	Medium	
Oversight and reporting mechanism	Prepare climate disclosure reports.	Medium	Senior Management
	Develop monitoring and evaluation mechanisms to track climate activities within the business.	Short	
	Include climate reporting in organisational annual report.	Short	
Capacity building, awareness creation and partnerships	Train the Board, Investment and Management Committee members and staff on climate risks and opportunities.	Short to Medium	Board
	Offer climate services to clients through investment advisory services.	Short	Business Advisory unit
	Develop internal capacity and expertise on climate change.	Short	Senior Management
	Include climate change in research and development activities.	Short	Research unit

3.4.3.4. Microfinance Support Centre Limited

The Microfinance Support Centre Limited (MSC) offers microfinance services across Uganda. The MSC has the highest potential to reach rural and semi urban populations; mainstreaming climate action in the MSC will enable a wide reach and access to the populations most vulnerable to climate impacts. Some opportunities for mainstreaming climate in the MSC are presented in

Table 12.

Table 12: Entry points for climate change mainstreaming within MSC

Steps	Climate mainstreaming opportunity	Term[14]	Actor
Governance and strategy	Develop, approve and implement a climate strategy and policy.	Medium	Board and Senior Management
	Green the tender and procurement processes.	Medium	Procurement team
	Allocate resources for climate training, product development and service.	Medium	Board and Senior Management
	Develop green products.	Medium	Senior Management
	Set up a specialised fund for green entrepreneurs and projects under the Presidential Initiative on Wealth and Job creation (Emyooga).	Medium	Senior Management
	Mainstream climate in organisational strategies, policies and work plans.	Medium to Long	Board and Senior Management
	Develop, approve and implement a climate strategy and policy.		
	Make climate assessment a requirement for loan application.	Short	Senior Management

[14] Short term is defined as 6 months - 1 year; Medium term is defined as 1– 2 years and long term is defined as 2–5 years.

Risk and impact management	Include climate risk in risk management framework.	Short	Senior Management
	Assess the business's risk through its agricultural projects and investments i.e. local economic growth support (LEGS) project, rabbit project, piggery project, and livestock project.	Short	Senior Management
Metrics and target	Set a Net Zero target which follows the requirements of the report from the United Nations High Level Expert Group on Net Zero Emissions Commitments.	Medium to Long	Board, Senior Management
	Pursue other measures for reducing the business`s carbon footprint. These include measures such as waste management, energy efficiency, use of renewable energy, digitalisation, and other resource efficiency measures.	Short to Medium	
	Set a percentage of the business's capital towards green initiatives.	Medium	
	Include climate related metrics in KPIs for branches or staff.		
Oversight and reporting mechanism	Include climate reporting in the business's annual report.	Short	Senior Management
	Prepare climate disclosure reports.	Medium	
	Develop monitoring and evaluation mechanisms to track climate activities within the business.	Medium	
Capacity building, awareness creation and partnerships	Train the Board, Senior Management and staff on climate risks and opportunities.	Short to Medium	Board
	Deliver information, tools, and training on climate change to clients through the capacity building and community empowerment business delivery services.	Medium	Senior Management
	Include climate training under the capacity building and business advisory services of the Presidential Initiative on Wealth and Job creation (Emyooga) program.	Medium	Senior Management

3.4.5. Commercial banks, Insurance companies, Pension Funds, Capital Markets and Credit Institutions,

3.4.5.1. General framework for mainstreaming climate action in commercial banks, Insurance companies, Pension Funds, Capital Markets and Credit Institutions

Steps to be considered for mainstreaming climate action in these sub-sectors include governance, strategy, risk and impact management, metrics and targets, capacity building, oversight and reporting mechanisms.

Figure 14: Framework for mainstreaming climate action into commercial financial institutions.

1	2	3	4	5	6
Governance	Strategy	Risk and impact management	Metrics and targets	Oversight and reporting mechanisms	Capacity building, awareness creation and partnerships

Under governance, climate change should be set as an organisational priority at the highest level of the organisational governance structure, which is the Board. This could be achieved through written and communicated commitment to climate change to the organisational staff by the Board. The Board should oversee organisational climate strategy and policy development, approval, and implementation. Senior managers are accountable for promoting climate objectives within the institution. Incentive structures must be developed in performance management systems to encourage performance and delivery of results. The Board and senior management must allocate dedicated resources for the creation of new business line and products that promotes climate smart investment.

Under strategy, climate specific policies, targets and quotas must be set, and this must be part of the broad organisational strategy. Climate change must become a core component and pillar of the organisational strategy. In addition to mainstreaming climate action in the broader organisational strategy, specific strategy on climate change risks and opportunities should be developed. This strategy must identify opportunities that exist in mainstreaming climate action in budget allocations, revenue collection and allocation processes as well as in collaboration and external engagement processes.

Under risk and impact management, internal processes need to improve to manage climate risks. Climate risk must be included in strategic plan and risk management framework of the institution. Review of credit applications and supervision should consider the business's exposure to climatic risks.

Under metrics and targets, key performance indicators (KPIs), thresholds and targets for climate change must be set. Such targets could include greenhouse gases (GHGs) and net zero targets, a committed percentage of available funds dedicated to green products development among others. KPIs should also be integrated into standard credit granting and portfolio risk analysis is procedures.

Under oversight and reporting mechanism, the institution must put in place a mechanism for monitoring the evolution of climate risks as well as climate and environmental policies and legislation. In addition, there should be climate risk reporting and disclosure systems to disclose the impact of climate risks on financial performance. These reports should enable regular monitoring and provide early warning signals to enable proactive actions to be taken.

Under capacity building, the institution should include climate change in staff training and professional development programmes. Climate change training should also be included in non-financial services offered by the bank to its clients. This should improve knowledge and understanding of climate risks and opportunities within the sector.

In addition to these global actions, each financial regulatory authority should undertake specific actions to mainstream climate change in its sub financial sector. These actions should be gender responsive.

3.4.5.2. Commercial banks

The performance of the banking sector depends heavily on its capability to minimise defaulted loans, in other words the quality of internal processes to identify, assess, prioritise, and monitor defaulted loans. Climate change can increase the default rate of lenders and therefore banks should mainstream climatic risks in their processes. Banks should not only assess their own risks but those of their customers as well. Some banks such as the Centenary Bank and Equity Bank have made progress on climate mainstreaming in their businesses.

Table 13 presents the opportunities for mainstreaming climate action within commercials banks.

Table 13: Entry points for climate change mainstreaming within commercials banks

Steps	Climate mainstreaming opportunity	Term[15]	Actor
Governance and strategy	Develop, approve and implement a climate strategy.	Medium	Board and Senior Management
	Mainstream climate change in organisational strategies, policies and work plans.	Medium	Board
	Make climate assessment a requirement for all credit operations, i.e. Include climate change in the credit application form and in the credit appraisal sheets (climate risk screening tool) etc.[16]	Medium	Board and Senior Management
	Allocate resource and budget for climate mainstreaming.	Short	Board and Senior Management
	Green the procurement, bid and tender processes.	Medium	Procurement Unit
	Create customer incentives for green finance.	Medium	Senior Management
	Set up a climate finance facility for green products and services.	Medium	Board and Senior Management
Risk and impact management	Include climate risk in the risk management framework.	Short	Board and Senior Management

[15] Short term is defined as 6 months - 1 year; Medium term is defined as 1– 2 years and long term is defined as 2–5 years.

[16] Questions may relate to the physical location of the client's business and assets, potential physical disruptions to the client's supply chain due to climate change, the effects of potential physical disruptions on the valuation of collateral due to climat e change, the use of energy and the sensitivity of the business project to policy and the possible positive or negative impact of the project on the climate.

Steps	Climate mainstreaming opportunity	Term[15]	Actor
Metrics and target	Set a Net Zero target which follows the requirements of the report from the United Nations High Level Expert Group on Net Zero Emissions Commitments.	Medium	Board and Senior Management
	Other measures for reducing the business's carbon footprint should be pursued. These include measures such as waste management, energy efficiency, use of renewable energy, digitalisation, other resource efficiency measures.	Short to Medium	
	Include climate related metrics in KPIs for branches or staff.	Medium	
Oversight and reporting mechanism	Develop monitoring and evaluation mechanisms to track climate activities within the business.	Short	Senior Management
	Climate risk reporting and disclosures.	Medium to long	
	Include climate reporting in organisational annual report.	Short	
Capacity building, awareness creation and partnerships	Train the Board, senior management and staff on climate risks and opportunities.	Short to Medium	Board
	Provide climate education to clients through existing outreach mechanisms as well other mechanisms.	Short to Medium	Business Advisory unit
	Develop internal capacity and expertise on climate change.	Short to Medium	Senior Management

3.4.5.3. Insurance companies

Insurance protects policyholders from negative financial impacts arising out of unexpected occurrences. The role of insurance companies in assuming risk from policyholders requires that they have the ability to quantify the potential losses in order to rightly determine premiums, establish adequate levels of reserves and capital and to transfer risks to reinsurance markets. Climate change will increase the frequency and/or intensity of a range of climate-related perils and could potentially limit the availability of affordable insurance in the future. Risk reduction through climate adaptation will be the only sustainable means to limit the increase in future climate damages and losses and potential disruptions to insurance markets. Opportunities for mainstreaming climate in the insurance sector is detailed in the table below (Table 14).

Table 14: Entry points for climate change mainstreaming within insurance companies

Steps	Climate mainstreaming opportunity	Term[17]	Actor
Governance and strategy	Develop, approve, and implement a climate strategy and policy.	Medium	Board and Senior Management
	Mainstream climate change in organisational strategies, policies and work plans.	Medium	Board
	Include a climate expert on the Board or senior management team.	Medium	Board

[17] Short term is defined as 6 months - 1 year; Medium term is defined as 1– 2 years and long term is defined as 2–5 years.

Steps	Climate mainstreaming opportunity	Term[17]	Actor
	Review underwriting processes to consider business's exposure to climatic risks.	Medium	Board and Senior Management
	Allocate resource and budget for climate mainstreaming.	Short	Board and Senior Management
	Develop green products and services.	Short to Medium	Senior Management
	Create customer incentives for green finance.	Medium	Senior Management
	Green the procurement, bid and tender processes.	Medium	Procurement Unit
Risk and impact management	Integrate climatic risks in insurance form to allow the clients to declare their exposure to climatic risks.	Short	Board and Senior Management
	Develop and or add climate risk screening tool into risk screening procedures.	Short	Board and Senior Management
Metrics and target	Set a Net Zero target which follows the requirements of the report from the United Nations High Level Expert Group on Net Zero Emissions Commitments.	Long	Board, Senior Management
	Pursue other measures for reducing the business's carbon footprint should be pursued. These include measures such as waste management, energy efficiency use of renewable energy, digitalisation, other resource efficiency measures.	Short to Medium	
	Include climate related metrics in KPIs for branches or staff.		
Oversight and reporting mechanism	Develop monitoring and evaluation mechanisms to track climate activities within the business.	Short	Senior Management
	Climate risk reporting and disclosures		
	Include climate reporting in organisational annual report.		
Capacity building, awareness creation and partnerships	Train the Board, Senior Management and staff on climate risks and opportunities.	Short to Medium	Board
	Provide climate education to clients through existing outreach mechanisms.	Short to Medium	Business Advisory unit
	Develop internal capacity and expertise on climate change.	Short to Medium	Senior Management

3.4.5.4. Pension Funds

Pension funds have a fiduciary duty to act in the best interests of their beneficiaries. As climate change poses material risks to investment portfolios, failing to consider these risks could be seen as a breach of fiduciary duty. By integrating climate change considerations, pension funds can support the transition to a low-carbon economy and contribute to a more sustainable future. The National Social Security Fund (NSSF) of Uganda has undertaken some climate mainstreaming activities; it developed an ESG framework which includes climate in the seven key areas.

The NSSF serves as a good example on how climate change can be mainstreamed within pension funds. Although NSSF has made a lot of progress in climate change mainstreaming, there exist more opportunities for further mainstreaming for the whole pension funds. These are listed in the table below (Table 15).

Table 15. Entry points for climate change mainstreaming within pensions funds

Steps	Climate mainstreaming opportunity	Term[18]	Actor
Governance and strategy	Develop, approve, and implement a climate strategy and policy.	Medium	Board and Senior Management
	Mainstream climate change in organisational strategies, policies and work plans.	Medium	Board
	Include a climate expert on the Board or Senior Management team.	Medium	Board
	Review of investment processes and portfolio to consider business's exposure to climatic risks.	Medium	Board and Senior Management
	Seek green investment opportunities.	Short	Board and Senior Management
	Green the procurement, bid and tender processes.	Medium	Procurement Unit
Risk and impact management	Integrate climatic risks among investment criteria.	Short	Board and Senior Management
	Develop and or add climate risk screening tools to risk screening procedures.	Short	Board and Senior Management
Metrics and target	Set a Net Zero target which follows the requirements of the report from the United Nations High Level Expert Group on Net Zero Emissions Commitments.	Long	Board and Senior Management
	Pursue other measures for reducing the business's carbon footprint. These include measures such as waste management, energy efficiency, use of renewable energy, digitalisation, other resource efficiency measures.	Short to Medium	
	Include climate related metrics in KPIs for branches or staff.	Medium	
Oversight and reporting mechanism	Develop monitoring and evaluation mechanisms to track climate activities within the business.	Short	Senior Management
	Include climate reporting in organisational annual report.		
Capacity building, awareness creation and partnerships	Train the Board, Senior Management and staff on climate risks and opportunities.	Short to Medium	Board
	Develop internal capacity and expertise on climate change.	Short to Medium	Senior Management

3.4.5.5. Capital Markets

Uganda is characterised by dynamic capital markets with eco-friendly firms that have started mainstreaming ESG within their governance, processes, and operations. There is a need to add a

[18] Short term is defined as 6 months - 1 year; Medium term is defined as 1– 2 years and long term is defined as 2–5 years.

climate dimension, and these are some opportunities to mainstream climate change in capital markets (Table 16).

Table 16. Entry points for climate change mainstreaming within capital markets

Steps	Climate mainstreaming opportunity	Term[19]	Actor
Governance and strategy	Develop, approve, and implement green financing strategy and policy.	Medium	Board and Senior Management
	Make climate assessment a requirement for all investment activities.	Medium	Board and Senior Management
	Mainstream climate change in organisational strategies, policies and workplans.	Medium	Board
	Include a climate expert on the Board and or Senior Management team.	Medium	Board
	Green the procurement, bid and tender processes.	Medium	Procurement Unit
	Set up a department dedicated to climate change.	Medium to Long	Board and Senior Management
	Allocate resource and budget for climate mainstreaming.	Short	Board and Senior Management
Risk and impact management	Include climate-related risks in the risk profiling tool for fund managers and collective investment schemes and for brokers.	Short	Board and Senior Management
Metrics and target	Set a Net Zero target which follows the requirements of the report from the United Nations High Level Expert Group on Net Zero Emissions Commitments.	Medium to Long	Board and Senior Management
	Pursue other measures for reducing the business's carbon footprint These include measures such as waste management, energy efficiency, use of renewable energy, digitalisation, other resource efficiency measures.	Short to Medium	
	Include climate related metrics in KPIs for branches or staff.		
Oversight and reporting mechanism	Prepare climate disclosure reports.	Short	Senior Management
	Include climate reporting in organisational annual report.	Medium	
Capacity building, awareness creation and partnerships	Train the Board of Directors, Senior Management and staff on climate risks and opportunities.	Short to Medium	Board
	Develop internal capacity and expertise on climate change.	Short to Medium	Senior Management

3.4.5.7. Credit Institutions

Credit institutions can mainstream climate change through the following opportunities (Table 17**Error! Reference source not found.**).

[19] Short term is defined as 6 months - 1 year; Medium term is defined as 1– 2 years and long term is defined as 2–5 years.

Table 17. Entry points for climate change mainstreaming within credit institutions

Steps	Climate mainstreaming opportunity	Term[20]	Actor
Governance and strategy	Develop, approve and implement a climate strategy and policy.	Medium	Board and Senior Management
	Make climate assessment a requirement for all investment activities.	Medium	Board and Senior Management
	Include climate assessment in the project management life cycle.	Medium	Project Directorate
	Mainstream climate change in organisational, strategies, policies and workplans.	Medium	Board
	Include a climate expert on the Board or management committee.	Medium	Board
	Develop a fund for green investment.	Medium	Directorate of Investment
	Green the procurement, bid and tender processes.	Medium	Procurement Unit
	Create customer incentives for green finance.	Medium	Senior Management
	Allocate resource and budget for climate mainstreaming.	Short	Board and Senior Management
Risk and impact management	Include climate risk in the risk management framework.	Short	Board and Senior Management
Metrics and target	Set a net zero target which follows the requirements of the report from the United Nations High Level Expert Group on Net Zero Emissions Commitments.	Long	Board and Senior Management
	Include climate related metrics in KPIs for branches or staff.	Medium	
	Purse measures for reducing the business's carbon footprint. These include measures such as waste management, energy efficiency, use of renewable energy, digitalisation, other resource efficiency measures.	Short to Medium	
Oversight and reporting mechanism	Prepare climate disclosure reports.	Medium	Senior Management
	Develop monitoring and evaluation mechanisms to track climate activities within the business.	Short	
	Include climate reporting in organisational annual report.		
Capacity building, awareness creation and partnerships	Train the Board of Directors, Investment and Management Committee members and staff on climate risks and opportunity.	Short to Medium	Board
	Provide climate education and services to clients through investment advisory services.	Short to Medium	Business Advisory Unit

[20] Short term is defined as 6 months - 1 year; Medium term is defined as 1– 2 years and long term is defined as 2–5 years.

	Develop internal capacity and expertise on climate change.	Short to Medium	Senior Management
	Include climate change in research and development activities.	Short to Medium	Research Unit

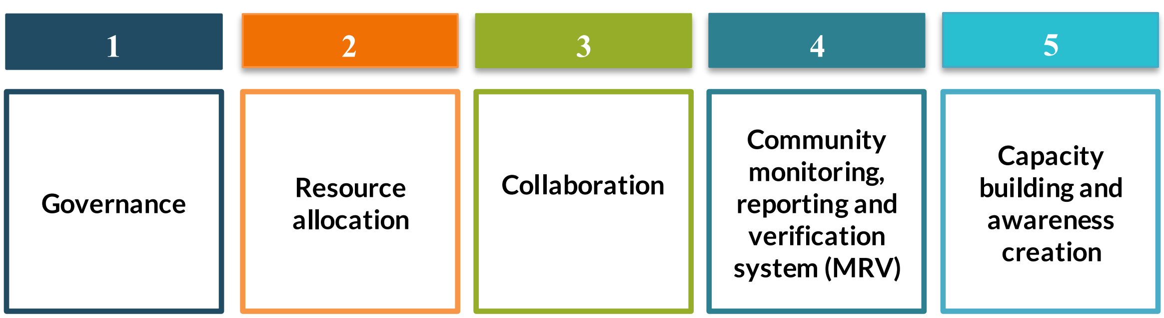
3.4.6. Savings and Credit Cooperatives, Village Savings and Loans Associations, Microfinance Deposit-taking institutions and other Microfinance Institutions

Savings and Credit Cooperatives (SACCOs), Village Savings and Loans Associations (VSLAs), Microfinance Deposit-taking institutions and other Microfinance Institutions (MFIs) are key to the financial ecosystem of Uganda. They are a key mechanism for improving financial access to rural, semi-rural populations as well as those who are not able to access finance through formal finance institutions. These are the populations that are also highly vulnerable to climate impacts due to the heavy dependence on agriculture as a livelihood source and their limited adaptive capacity to climate change.

3.4.6.1. General framework for mainstreaming climate action in Savings and Credit Cooperatives, Village Savings and Loans Associations, Microfinance Deposit-taking institutions and other Microfinance Institutions

SACCOs and VSLAs by mainstreaming climate action can improve the resilience of their members to climate risks and impacts.
Steps to mainstream climate change include, governance, resource allocation, community monitoring, reporting and verification system (MRV), collaboration and capacity building and awareness creation (Figure 1Figure 15).

Figure 15. Framework for mainstreaming climate action within SACCOs and VSLAs



As a first step, Board members and leaders of the cooperative should set and communicate climate change as a high priority in organisational objectives and strategies. Processes such as loan applications, planning meetings, and supervisions should have a dedicated section for climate change.

As a second step, resources should be dedicated towards climate activities i.e. for new products such as green loans, and for capacity building activities. There should be a dedicated percentage of resources that should be allocated for such purposes.

Collaboration is very key if climate change can be effectively mainstreamed within SACCOs and VSLAs. Due to their nature, many activities such as capacity building and resource mobilisation should be done in partnership with government institutions and larger development focused organisations such as Microfinance Support Centre, Uganda Cooperative Savings and Credit Union Limited (UCSCU), Ministry of Finance, Planning and Economic Development, Ministry of Water and Environment etc. Pursuing international opportunities from Adaptation fund, GCF, Loss and Damage Fund and other climate finance mechanism cannot be done solely by these groups. Collaboration and partnership therefore become important for climate change mainstreaming.

Fourthly, it is important to monitor, report and verify the effectiveness of climate activities to identify gaps and improve. This can be done through the already existing community monitoring, reporting and verification systems that exists. When needed, adjustments could be made to fit specific needs for climate reporting, monitoring and verification.

The final step to climate mainstreaming is to build the knowledge of climate change and the existence of it. Members needs to understand the impacts, risk of climate change and the techniques or mechanisms available to adapt their business and day to day activities to these changes and risks. Capacity building techniques include training, workshops and provision of content resources such as reading materials and tools (in local languages and formats that allow for better understanding).

3.46.2. Entry points for mainstreaming climate action in Savings and Credit Cooperatives and Village Savings and Loan Associations

SACCOs and VSLAs have similar features, they are a self-help and democratic co-operative whose members come from the same community. The cooperative is owned, governed and managed by the members. SACCOs, however have a few unique features; there exist a Board and supervisory committee and staff members dedicated to run the day-to-day operations of the SACCO. SACCOs require license to operate and generally have larger memberships than VSLAs. Uganda Cooperative Savings and Credit Union Limited (UCSCU) provides green loans to SACCOs affiliated to the company. These loans are provided through their Central Finance Facility (CFF). Opportunities for mainstreaming climate action within SACCOs and VSLAs are tabled below. These actions should be gender responsive.

Table 18: Entry points for climate change mainstreaming within SACCOs and VSLAs

Step	Climate mainstreaming opportunity	Term[21]	Actor
Governance	Community based trainers (CBTs) or village agents who guide the formation of VSLAs should include climate change in the training offered at the group formation stage to make sure climate is instituted in the governance of the association.	Short	VSLAs
	Mainstream climate change in organisational policies, strategies and workplans.	Medium	SACCOs, VSLAs
	Train Board members and supervisory committee and provide on climate change.	Short	SACCOs
Resource allocation	In partnership with government and development institutions, invest in early warning systems to provide regular updates to farmers on weather changes and disasters. This can be integrated into the digitisation initiatives ongoing.	Medium	SACCOs, VSLAs
	Mainstream climate change in all loans.	Medium	SACCOs, VSLAs
	Pursue measures for reducing the business's carbon footprint. These could include measures such as waste management, energy efficiency, use of renewable energy, digitalisation, other resource efficiency measures.	Short to Medium	SACCOs, VSLAs
	Work with Uganda Cooperative Savings and Credit Union Limited (UCSCU) to incentivise the uptake of green loans by reducing interest and increasing repayment period to a timeframe longer than 24 months. Climate change should also be mainstreamed into all loans under the Central Finance Facility - i.e. CFF Liquidity Management Loans, CFF Development Loans, Business loan and COVID relief Loans. UCSCU should look for green investment opportunities for funds pooled under the Central Finance Facility.	Medium	SACCOs affiliated to UCSCU
	Create incentives for green finance.	Medium	SACCOs, VSLAs
	Dedicate a percentage of total funds to climate initiatives e.g. loan for solar irrigation systems, alternate income generating activities, pico solar lanterns and home systems etc.	Medium	SACCOs, VSLAs
Collaboration	Work with MSC, MWE, MoFPED to apply for funding from GCF, Adaptation Fund, Loss and damage fund and other national and international climate finance mechanisms to develop green products such as green loans, green business advisory services etc.	Medium to Long	SACCOs, VSLAs
	Collaborate with MSC, MWE, MoFPED and other finance, development and environmental institutions to provide build knowledge and technical expertise on climate change.	Short to Medium	SACCOs, VSLAs

[21] Short term is defined as 6 months - 1 year; Medium term is defined as 1– 2 years and long term is defined as 2–5 years.

Step	Climate mainstreaming opportunity	Term[21]	Actor
Community monitoring, reporting and verification system	Develop community monitoring, reporting and verification system (MRV) using existing systems, but tailored to climate needs.	Short	SACCOs, VSLAs
Capacity building and awareness creation	Train, leaders and members of the group on climate change. This includes but not limited to training on sustainable land practices, alternative income generating activities, value, addition, climate impacts, climate risk identification etc.	Short to Medium	SACCOs, VSLAs
	Dedicate section of regular meetings to climate education.	Short to Medium	SACCOs, VSLAs

3.4.5.6. Microfinance Deposit-taking institutions and other Microfinance Institutions

Microfinance Deposit-taking institutions (MDIs) and other Microfinance Institutions (MFIs) are community-based banks that provide innovative and impactful financial services to low-income communities. Opportunities for mainstreaming climate action are listed in the table below (Table 19**Error! Reference source not found.**). These actions should be gender responsive.

Table 19: Entry points for climate change mainstreaming within microfinance deposit-taking institutions and other microfinance institutions

Step	Climate mainstreaming opportunity	Term[22]	Actor
Governance	Develop a climate strategy and policy.	Short to Medium	Senior Management
	Mainstream climate change in organisational strategies, policies and workplans.	Short	Senior Management
Resource allocation	Mainstream climate change in all loan processes.	Medium	Senior Management
	Pursue measures for reducing the business's carbon footprint should be pursued. These include measures such as waste management, energy efficiency, use of renewable energy, digitalisation, other resource efficiency measures.	Short to Medium	Senior Management
	Create incentives for green finance.	Medium	Senior Management
	Develop a climate finance facility.	Medium to long	Senior Management
Collaboration	Work with MSC, MWE, MoFPED to apply for funding from GCF, Adaptation Fund, Loss and damage fund and other national and international climate finance mechanisms to develop green	Short to Medium	Senior Management

[22] Short term is defined as 6 months - 1 year; Medium term is defined as 1– 2 years and long term is defined as 2–5 years.

	products such as green loans, green business advisory services etc.		
	Collaborate with MSC, MWE, MoFPED and other finance, development and environmental institutions to provide build knowledge and technical expertise on climate change.	Short to Medium	Senior Management
Community monitoring, reporting and verification system	Develop community monitoring, reporting and verification system (MRV) using existing systems, but tailored to climate needs.	Medium	Senior Management
Capacity building and awareness creation	Improve internal capacity and expertise on climate change through trainings and professional development initiatives.	Short	Senior Management
	Provide climate education to clients through existing outreach mechanisms.	Short	Senior Management

3.4. Other institutions

Other actors that work within and with the financial sector such as, business development service providers, training institutes, associations, investment authority, transactional advisers, private sector foundation, Fintech, mobile money service providers, money lenders, non-traditional financial (such as private capital providers) and all other financial sector institutions under the Tier structure that have not been named in the section above can also mainstream climate action in their work. They can be guided by the following steps for climate mainstreaming. These steps are elaborated under the commercial banks section.

Figure 16: Framework for mainstreaming climate action.

Entry points have been identified for a select few and highlighted below.

3.4.1. Uganda Institute of Bankers and Insurance Training Institute

The mainstreaming of climate change will require the involvement of the Uganda Institute of Bankers and the Insurance Training Institute. These institutions should:

- Provide the necessary expertise and knowledge to develop guidelines and strategies for integrating climate change considerations into financial sector practices and decision-making processes by integrating climate change issue in their curricula;
- Conduct research and offering training programs, these institutions can help build the capacity of financial sector professionals to understand and address the challenges and opportunities posed by climate change;
- undertake partnerships and collaborations with financial institutions, regulatory bodies, government agencies, and development partners to promote knowledge sharing and capacity building.

3.4.2. Uganda Investment Authority and Private Sector Foundation Uganda

In Uganda, private sector entities vary in their level of awareness and understanding of climate change, particularly as it relates to their specific activities and industries. They may be aware of how climate change can affect their value chain, operations, or overall profitability. In order to effectively incorporate climate change considerations into the financial sector, it is important for private sector actors, who are clients of the financial sector, to have a comprehensive understanding of how climate change can impact their industry. This includes a broader understanding of adaptation and knowledge of potential adaptation measures that are considered best practices within the country or readily accessible for implementation. The Private Sector Foundation in Uganda and the Uganda Investment Authority (UIA) should:

- Collaborate with the financial sector to provide tailored, industry-specific awareness-raising and/or capacity building on climate change impacts, adaptation and mitigation to those actors whose understanding and knowledge of such concepts are limited. This will prepare them to be fully engaged in the management of climate change.
- Organise specific training for actors who are aware of the current and potential effects of climate change on methodologies, ways, and tools to conduct vulnerability assessments and identify adaptation options.
- Provide the necessary expertise and knowledge to implement the guidelines and strategies for integrating climate change considerations into financial sector practices and decision-making processes by integrating climate change issue in their curricula.
- As the first point of contact for investors coming to Uganda; UIA can include climate training and requirement to investor onboarding and approval processes.

3.4.3. Uganda Bankers Association

The Uganda Bankers Association should:

- Collaborate with the banking sector to provide tailored, industry-specific awareness-raising and/or capacity building on climate change impacts, adaptation and mitigation to those actors whose understanding and knowledge of such concepts are limited. This will prepare them to be fully engaged in the management of climate change.

- Organise specific training for actors who are aware of the current and potential effects of climate change on methodologies, ways, and tools to conduct vulnerability assessments and identify adaptation options.
- Include climate change in all decision-making processes in the banking sector so that the sector must prepare for the necessary reforms.
- Provide the necessary expertise and knowledge to implement the guidelines and strategies for integrating climate change considerations into banking sector practices.

3.4.4. Telecom Companies

Telecommunication companies, regulated by the Uganda Communications Commission now offer financial services. Mobile phone loans are increasingly forming a big part of the financial ecosystem especially to the unbanked and informal sectors. In Uganda, the introduction of mobile money services has coincided with the increase in financial inclusion to 78% of the adult population in 2019 from 54% in 2006. As of May 2022, the number of registered mobile money customers in Uganda amounted to over 34 million. In the first quarter of 2022, the value of mobile money transactions in Uganda corresponded to USD 8.2 billion. Like other sectors, the telecommunication industry is not immune to the risks posed by climate change. Unpredictable weather patterns caused by climate change have a critical impact on connectivity infrastructure. Flooding, freezing and other extreme weather events can damage core telecom nodes at any moment, and they have the potential to cause huge connectivity issues. Telecommunications companies face potential financial impacts of climate-related risks, such as the costs associated with infrastructure damage, business interruption, and reputational damage. In addition, telecommunications companies should position themselves to take opportunities that may arise from climate-related risks like reducing energy consumption, increasing the use of renewable energy, or developing new products and services that promote sustainable behaviour.

Telecommunication companies could be key actors in financing climate actions. The following are the actions they should take:

- Develop a risk management plan that outlines strategies for mitigating and managing climate-related risks.
- Invest in climate-resilient infrastructure.
- Diversify their energy sources.
- Develop new products and services that promote sustainable behaviour.

4. Budgeting and Financing Climate Mainstreaming in the Financial Sector

Climate change requires structural transformations of economies to reach carbon neutrality. The structural transformations of economies cannot be achieved without important flows of financials resources. The mobilisation of long-term resources is one of the main activities of financial sector. Successful implementation of the guidelines will require the development and implementation of an effective resource mobilisation strategy. Indeed, at national and international levels, there are several mechanisms that enable all countries to mobilise climate finance. The guidelines identify potentials sources of funding able to support the various activities in the document.

4.1. Mobilising funding at national level

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, Uganda can count on the Green Climate Fund's preparatory support programme to implement the recommendations of the guidelines. It will also be necessary to effectively mobilise the financial and non-financial actors involved in the management of climate change. This mainly involves public services, private sector, civil society, and public development banks. This mobilisation will firstly help to raise awareness among stakeholders of the financial sector. The government can develop a readiness programme to support the implementation of the guidelines.

At the level of the national private sector, the mobilisation of resources targets national and sub-regional businesses, companies, and banks with representative offices in Uganda. Financial institutions, insurance companies, consular chambers, chambers of commerce and industry, financial markets, and savings and credit institutions are strongly targeted in the mobilisation of the private sector. The mobilisation of funding at national level will also involve instruments such as taxes, fees, and environmental and climate fines.

4.2. Mobilising external funding

The mobilisation of external resources targets the following groups: (i) institutions specifically dedicated to climate finance and (ii) development finance institutions.

4.2.1. Mobilising resources from climate finance mechanisms

There are several funds available to support countries and institutions to combat climate change. Three funds are governed by the United Nations Framework Convention on Climate Change: the adaptation fund (AF), the Global Environment Facility (GEF), and the Green Climate Fund (GCF).

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. Other funds that are not under the UNFCCC framework also offer financial and technical supports to countries. Table 20 summarizes these main climate funds with more information on these climate funds available on https://climatefundsupdate.org/the-funds/.

Table 20: Climate Funds

Fund	Objective	Focal areas	Financial instrument
Adaptation Fund (AF)	Dedicated to financing concrete adaptation projects and programmes in developing countries that are parties to the Kyoto Protocol.	Agriculture, Coastal zone management, Disaster risk reduction and early warning systems, Ecosystem based adaptation, food security, forests, multisector projects, rural development, urban development, water management	Grant
Global Environment Facility (GEF) Least Developed Countries Fund (LDCF) and Special Climate Change Fund (SCCF)	Helping developing countries to address the most pressing global environmental problems. Support is provided to government agencies, civil society organisations, private sector companies, research institutions, and other partners.	Biodiversity loss, chemicals and waste, climate change, international waters, and land degradation – takes an integrated approach to support more sustainable food systems, forest management, and cities.	Grant and non-grant instrument
Green Climate Fund (GCF)	Helping developing countries adopt a paradigm towards low-emission climate resilience through 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, loans, equity guarantees, results-based payment
Loss and Damage Fund	A new fund operationalised at COP28 to assist developing countries that are particularly vulnerable to the adverse effects of climate change in responding to economic and non-economic loss and damage associated with climate change.	Losses and damages	Yet to be defined
International Climate Fund (ICF)		Mitigation, forestry, adaptation	Grants, loans, equity contribution, guarantee

Fund	Objective	Focal areas	Financial instrument
Climate Investment Funds (CIF) - Clean Technology Fund (CTF) - Pilot Program for Climate Resilience (PPCR) - Scaling-Up Renewable Energy Program in Low Income Countries (SREP) - Forest Investment Program (FIP)	Promote scaled-up financing for demonstration, deployment and transfer of low-carbon technologies. Provide programmatic finance for climate resilient national development plans. Support developing countries' REDD efforts and promote sustainable forest management.	Power sector; transport sector; energy efficiency; sustainable agriculture; hydrometer and climate information services; coastal zone management; resilient infrastructure; adaptation finance, forestry	Grants, contingent grants, concessional loans, equity and guarantees
Africa Climate Change Fund (ACCF)			Call for projects and project proposals
Forest Carbon Partnership Facility (FCPF)	Support efforts to achieve emission reductions from deforestation and/or forest degradation	Forestry	Grants
Global Climate Change Alliance (GCCA)	Strengthen dialogue and cooperation on climate change between the European Union (EU) and developing countries	Agriculture and food security (including fisheries); economic development and tourism; education and research; environment and natural resources (including forestry); water and sanitation; disaster risk reduction; energy; infrastructure, transport, waste management, and information and communication technology.	Budget support and grants
Global Energy Efficiency and Renewable Energy Fund (GEEREF)	- Obtain benefits from accelerated deployment of energy efficiency and renewable energy technologies. - Achieve high leverage of public finance by offering preferential returns to private funds. - Achieve high degree of financial sustainability.	Energy	Project proposal

In order to scale up GCF's activities and support the private sector, the GCF has set up the Private Sector Facility (PSF) to fund and mobilise private sector actors, including institutional investors, and leverage GCF's funds to encourage corporates to co-invest with the GCF. The national institution in Uganda can seize opportunities offered by the PSF (Table 21). In addition, the GEF also encourages the participation of private sector in climate action.

Table 21: Presentation of the Private Sector Facility

Private Sector Facility	
The Private Sector Facility (PSF) engages both the local and global private sector to support climate change mitigation and adaptation projects in developing countries. PSF aims to de-risk the delivery of private capital and scale up private sector investment flows. PSF offers innovative climate finance solutions including private equity, financial institutions, project finance, and structured finance.	
PROJECT FINANCE	**STRUCTURED FINANCE**
Tailoring life cycle, concessional financing to de-risk high impact projects	Capital/carbon/insurance markets that require bespoke structuring solutions
• Promoting new business models: de-risking and crowding in debt and equity capital. • Supporting transformative and replicable investments at scale: structuring solutions to alleviate barriers. • Seeding climate investment vehicles: systemic intervention to crowd in domestic capital.	• Innovative structured financing solutions: use of securitisation and green bonds. • Support REDD+ and carbon markets: tailored price support to boost private sector emission reduction demand. • Promoting insurance-based financing products: scale up use of insurance as a tool for risk sharing/mitigation.

Source: Green Climate Fund's Private Sector Facility, 2019

The implementation of the guideline's targets GCF, AF, and GEF, etc. Green funds could also be mobilised through the capital markets. The funding from these mechanisms can be used to develop green financial products and services. The financial sector should develop projects that can be submitted to climatic funds and use the mobilised resources to develop green products or finance green projects. The financial sector can also use the resources mobilised to green bankable projects that did not consider climate and environment issues. The financial sector can provide green loans or lines of credit specifically designed to finance green projects with resources mobilised from green sources. The green business sector could become one of the key sectors for development banking finance, these include but not limited to renewable energy, energy efficiency, waste management and climate smart agriculture companies. The financial sector can also mobilise preparatory funds for getting the accreditation from climate funds.

Hence, the role of the private sector is fundamental in the mobilisation 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 mobilise private sector actors, including institutional investors, and leverage GCF's funds to encourage corporates to co-invest with the GCF. The national institution in Uganda can seize opportunities offered by the PSF.

4.2.2. Mobilising resources from financial institutions and bilateral cooperation agencies

The mobilisation of resources from ordinary financial institutions and bilateral cooperation agencies can be used as a lever to request funds from the GCF and other climate finance systems. It can 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.

Institutions such as the NDC Partnership, the Canada Climate Action in Africa project also provide technical support to the private sector including the financial sector on climate action.

5. Monitoring and Evaluation Framework for Climate Action Mainstreaming

5.1. Risk Management

Risk refers to anything that may constrain the achievement of objectives of the developed guidelines. It is important to identify potential risks and establish mechanisms to mitigate them. During the development of guidelines, some assumptions were made. In addition, due to dynamism in the operation environment, events that were not identified might turn out to influence realisation of the objectives of these guidelines. The following matrix identifies potential risks and proposes mitigation measures. The MoFPED will continuously evaluate how these risks manifest during the implementation period. It will then develop measures to ensure that the resultant opportunities are not missed and that the risks do not impair the outcomes of these guidelines.

The following key strategic risks have been identified:

a. **Inadequate financial resources**

The possibility that the MOFPED and institutions fail to raise the resources to finance the implementation of these guidelines due to budget constraints will impair the realisation of desired targets and outcomes. This risk will be mitigated by prudent management of resources and development and implementation of a resource mobilisation strategy.

b. **Inadequate human resource capacity**

This risk relates to the inability to train, retain, and develop financial sector human resource; failure to attain the desired change and non-aligned values to climate change initiatives. This risk shall be mitigated through timely training and change management programmes.

c. **Poor organisation culture**

This relates to the inability of staff to embrace change and harness climate related transformation initiatives. The institutions are urged to lay emphasis on training, effective communication, and provision of the necessary tools.

d. **Failure to implement the guidelines**

This could result from poor alignment of the guidelines with financial sector operations and structures or inadequate resources to facilitate implementation. The institutions will institute structures and undertake adequate staff sensitisation to facilitate implementation of the guidelines. The CFU will also seek adequate resources for implementation and monitoring of the guidelines.

The guidelines have identified several uncertain events or conditions that may affect its implementation and proposed a risk mitigation plan to eliminate or minimise the impact of such events. The main risks that may influence the implementation of the guidelines, with their mitigation strategies and contingency plans, are shown in the table 22.

Table 22: Risks, risk mitigation strategies and contingencies

Risk	Impact (low / medium / high)	Probability of risk occurring (low/medium /high)[23]	Risk mitigation strategies	Contingencies in event of risk occurrence
Failure by institutions to implement favourable actions	Inability to undertake climate change mainstreaming activities as planned (high)	Medium	a. Strengthening the platforms for integrated action. b. Strengthening collaboration arrangements with and between financial sector institutions.	a. Address through the platform's framework. b. Address through collaboration arrangements with financial sector institutions.
Inability to implement the guidelines	Failure to execute planned activities (low)	Low	a. Popularising the guidelines. b. Change management. c. Alignment and incorporation of guidelines actions in annual work plans. d. Strengthening the monitoring and evaluation system.	a. Review and revise the institutional strategic plans to integrate climate action.

From the above table, it can be noted that the high-risk factors are largely external while those that are low risk are internal. During the implementation of these guidelines, the MoFPED will monitor the impacts of the possible risk factors and efforts will be made to keep them as low as possible. Risk mitigation strategies will be implemented proactively.

5.2. Implementation of the guidelines

The guidelines are designed to speed up the greening of the financial sector and its active or increased participation in the financing of climate action in Uganda. The achievement of these objectives requires the implementation of the guidelines which can be achieved through the integration of these guidelines in their strategic plans, business plans and day-by-day operations. The integration of the guidelines in the internal strategic plans, business plans and day-by-day operations of the financial institutions is conditioned by the ownership of the guidelines by all the financial institutions. The CFU must undertake an awareness and communication campaign to enhance the ownership of the guidelines. The unit can mobilise resources through the various

[23] Low risks have less than 20% chances of occurring; medium have less than 50% chances; and high risks have more than 50% chances. This assessment of risks is done to take care of eventuality, particularly with issues that are crucial for the successful implementation of the strategic plan.

climate funds or mechanism to support financial institutions in their integration of the guidelines in their internal processes, policies and plans. For example, at the beginning of each financial year, all entities (e.g. ministries, regulatory authorities, banks, insurance companies, MFIs, SACCOs) will set their performance targets as part of their annual work plans which capture the guideline actions. The internalisation of the guidelines will identify and separate proposed internal greening interventions from market greening interventions to aid in clarity and avoid instances of mixed/unclear budgets that may decelerate progress.

5.3. Monitoring and evaluation framework

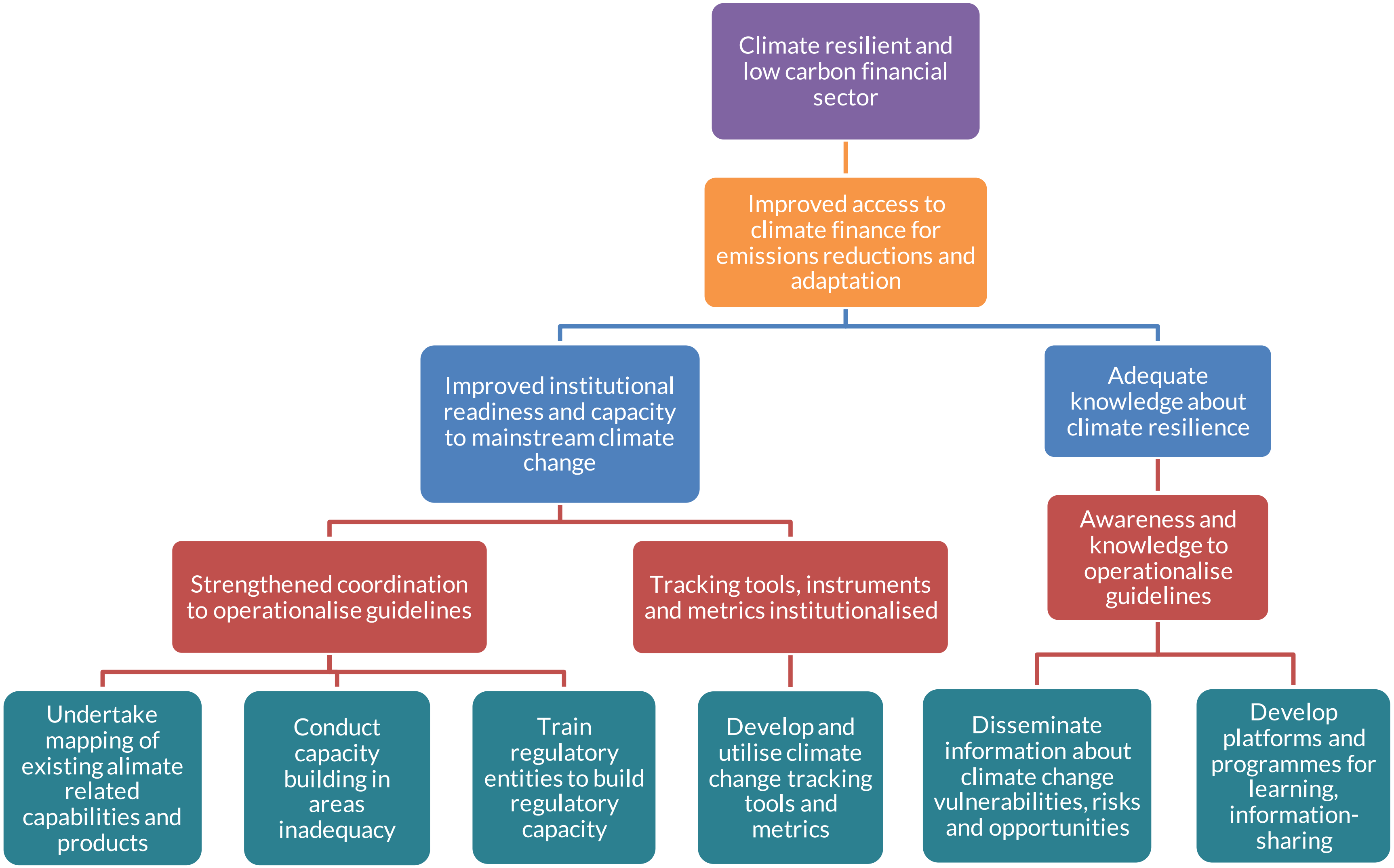
Effective mainstreaming of climate action in Uganda's financial sector requires careful and continuous monitoring to ensure milestones are met and taking corrective action when need arises. Throughout the implementation of these guidelines, the MoFPED will monitor progress and strive to achieve the stated results, indicators, and activities. The aim of this M&E framework, **Error! Reference source not found.**, is to measure the extent to which the guidelines for climate change mainstreaming in the finance sector have been effective in aligning sector actions to the national climate strategy; generate evidence and lessons as a basis for future policy development; and facilitate the coherent integration of M&E of climate change in the sector.

The proposed indicator framework includes:

1. Impact Level Indicators:
    a. **Increased participation of the financial sector in climate action**, **climate finance access, and resilient and low carbon financial sector initiatives for reduced loss and damage.**
2. Outcome Level Indicators: **resilience and institutional readiness indicators related to policies, strategies and capabilities.**
3. Output Level Indicators: **awareness, knowledge, tools and frameworks for climate action**; **climate related services or products developed,** and
4. Activity Level Indicators: **adopt guidelines, undertake actions to build institutional structures and compliance.**

The next step is the definition of periodic monitoring meeting of all the financial institutions for monitoring and evaluating the guidelines. These meetings will enable the various parties concerned to take the necessary actions in good time and resolve any blockages that could delay the implementation of the guidelines. A mid-term review should be carried out after two or three years of implementation of the guidelines to enable progress to be assessed, as well as any obstacles, so that corrective measures can be rapidly identified. This review can also inform about the need to update the guidelines. Annex 6 illustrates the methodology for measuring the performance of the guidelines.

Figure 17: Monitoring and evaluation framework for mainstreaming climate action in the financial sector of Uganda.



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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 normalised by the market value of the portfolio, expressed in tons CO2e / $M invested.

Carbon intensity: is the volume of carbon emissions per million dollars of revenue (carbon efficiency of a portfolio), expressed in tons CO2e / $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 fibre. 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.

ESG framework: Environmental, Social and Governance (ESG) is a framework used to assess an organisation's business practices and performance on various sustainability and ethical issues. It also provides a way to measure business risks and opportunities in those areas.

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: Greenhouse gas: Any gas that traps energy radiated by the Earth, including (but not limited to) water vapor (H_2O), carbon dioxide (CO_2), nitrous oxide (N_2O), methane (CH_4), and ozone (O_3).

Institutional Investors Group on Climate Change (IIGCC): is a global investor membership body and the largest one focusing specifically on climate change.

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.

Impact investing: investments made with the intention to generate positive, measurable social and environmental impact alongside a financial return. Examples include social bond funds, private impact investing and SDG impact funds.

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

M&E indicator: In the context of monitoring and evaluation, an indicator is a quantitative metric that provides information to. monitor performance, measure achievement and determine accountability.

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

Net-Zero Asset Managers Alliance: is a group of international asset managers committed to supporting the goal of net zero greenhouse gas emissions by 2050 or sooner, in line with global efforts to limit warming to 1.5°C; and to supporting investing aligned with net zero emissions by 2050 or sooner.

Net-Zero Asset Owner Alliance: is a group of institutional investors delivering on a bold commitment to transition our investment portfolios to net-zero GHG emissions by 2050.

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.

Platform Carbon Accounting Financials (PCAF): is a global partnership of financial institutions that work together to develop and implement a harmonised approach to assess and disclose the greenhouse gas (GHG) emissions associated with their loans and investments.

Portfolio Decarbonization Coalition (PDC): is a multistakeholder initiative that will drive GHG emissions reductions on the ground by mobilising a critical mass of institutional investors committed to gradually decarbonising their portfolios.

Annex 2: Climate Risk Scoring – Investment risk categorisation.

Category A – High Risk	Category B – Medium Risk	Category C – Low Risk

Likely to have significant adverse impacts and risks of the affected population.	Potentially adverse risks and impacts upon the conditions of those concerned.	Temporary impacts only.
High exposure and vulnerability and extreme weather events.	Medium exposure and vulnerability to climate hazards.	Low exposure and vulnerability to climate hazards in the short and long term
Low adaptive capacities	Improved adaptative capacities.	Likely to have marginal or no adverse risks and/or impacts.
Impacts and risks may potentially be significantly adverse due to the complex nature of the investment, the scale, and the sensitivity of the location of the investment.	Impacts are likely to be less adverse than those of the Category A investments.	
Impacts and risks are irreversible or unprecedented.	Potential impacts and risks are limited to a local area, are in most cases reversible and are easier to mitigate through appropriate measures	

Annex 3: Future projected impacts of climate change in Uganda.

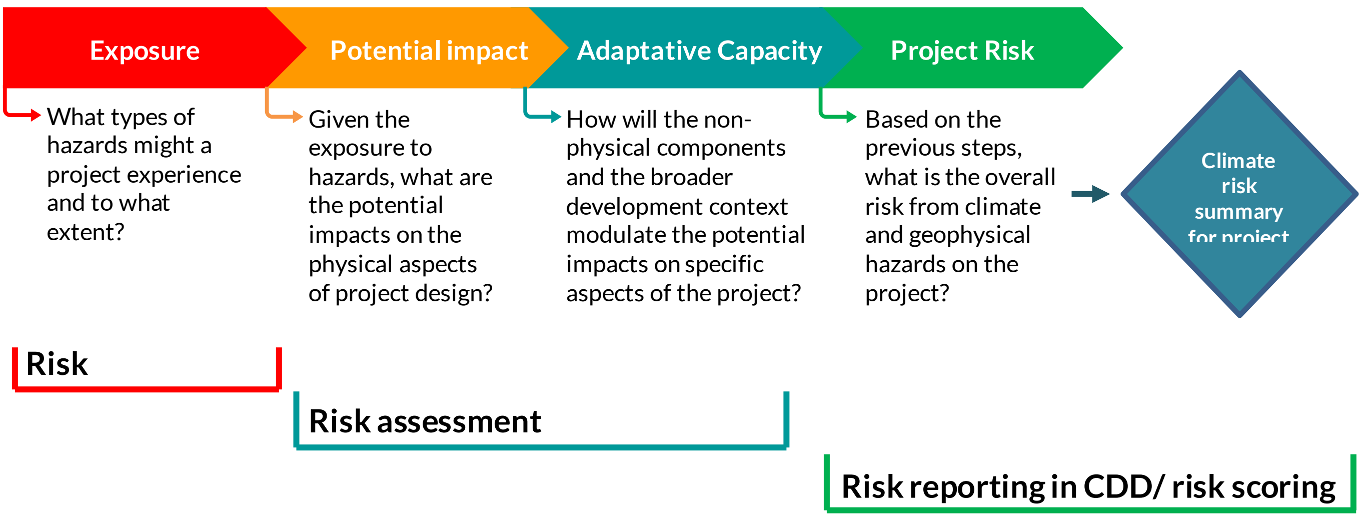
Indicator	Year	Global warming level	Impact
Annual expected damage from river flood compared to the reference period 1986-2006	2040	1.7°C	12.9%
	2060	2.1°C	23.2%
	2080	2.4°C	25.8%
	2100	2.5°C	26.8%
Land fraction annually exposed to crop failures compared to the reference period 1986-2006	2040	1.7°C	0.02pp
	2060	2.1°C	0.02pp
	2080	2.4°C	0.02pp
	2100	2.5°C	0.02pp
Relative changes in fraction of population annually exposed to crop failures compared to the reference period 1986-2006	2040	1.7°C	0.01pp
	2060	2.1°C	0.02pp
	2080	2.4°C	0.03pp
	2100	2.5°C	0.03pp
Relative changes in land fraction annually exposed to heatwaves compared to the reference period 1986-2006	2040	1.7°C	2.9pp
	2060	2.1°C	5.4pp
	2080	2.4°C	6pp
	2100	2.5°C	5.5pp
Relative changes in fraction of population annually exposed to heatwaves compared to the reference period 1986-2006	2040	1.7°C	3.6pp
	2060	2.1°C	6.7pp
	2080	2.4°C	6.8pp
	2100	2.5°C	5.6pp
Relative changes in annual mean maize yield compared to the reference period 1986-2006	2040	1.7°C	4.1%
	2060	2.1°C	0.9%
	2080	2.4°C	-0.5%
	2100	2.5°C	-2%
Relative changes in annual mean rice yield compared to the reference period 1986-2006	2040	1.7°C	5.9%
	2060	2.1°C	8.5%
	2080	2.4°C	8.7%
	2100	2.5°C	7.8%

Relative changes in annual mean soy yield compared to the reference period 1986-2006	2040	1.7°C	7.7%
	2060	2.1°C	9.3%
	2080	2.4°C	13.1%
	2100	2.5°C	12.9%
Relative changes in annual mean wheat yield compared to the reference period 1986-2006	2040	1.7°C	-1%
	2060	2.1°C	-1.6%
	2080	2.4°C	-1.9%
	2100	2.5°C	-2.3%
Absolute changes in mean air temperature compared to the reference period 1986-2006	2040	1.7°C	1.1°C
	2060	2.1°C	1.6°C
	2080	2.4°C	1.9°C
	2100	2.5°C	2.0°C
Relative changes in extreme rainfall (5-day) compared to the reference year 2015	2040	1.7°C	8.1%
	2060	2.1°C	12.4%
	2080	2.4°C	10.5%
	2100	2.5°C	9.7%
Relative changes in Precipitation compared to the reference period 1986-2006	2040	1.7°C	18.3%
	2060	2.1°C	22.1%
	2080	2.4°C	24.5%
	2100	2.5°C	25.3%
Relative changes in Labour Productivity due to Heat Stress compared to the reference period 1986-2006	2040	1.7°C	-6.8pp
	2060	2.1°C	-9.2pp
	2080	2.4°C	-11.3pp
	2100	2.5°C	-12pp

Source: Climate impact explorer

Annex 4. Tools and resources

Box 1: Suggested climate risk screening tool structure[24]



[24] Adopted from the World Bank Group screening tools for climate and disasters risks.

Box 2: Sample questions for risk management assessment

- How are climate considerations integrated in the financial institution's overall strategy?
- Has the financial institution developed climate-related targets? Are any focused-on gender issues?
- Does the financial institution assess and manage exposure to climate-related risks? Is there a focus on gender and climate related risks?
- Does the financial institution have climate-related activities, products, and investments?
- Does the financial institution have access to new sources of climate financing? Is any of it focused on mobilising investments with a gender lens?
- Does the financial institution assess and monitor climate performance?
- Does the financial institution report on climate-related risks and performance?

Annex 5: Best practice of climate change mainstreaming in Uganda.

Institution	Best practice
Uganda Development Bank's Environmental and Social Risk Management Systems	Development of an Environment and Social Risk Management System (ESMS) which contains a set of policies, procedures, tools and internal capacity to enable the assessment, identification and management of environmental and social risks.
Bank of Uganda's 2022–2027 strategic plan	The BOU strategic plan 2022–2027 includes environmental, social, and governance (ESG) as well as the development of tools for the analysis of climate change and policy interactions as part of its 46 strategic initiatives.
Equity Bank Uganda Limited ESG plan	In 2022, Equity embedded sustainability in the organisation by creating a Group sustainability function and a Group Board Sustainability Committee. As part of the Group's commitment to sustainability, Equity has outlined the processes for conducting due diligence and other processes to identify and manage the potential environmental and social impacts in its ESG and Climate Risk Framework which is a principal risk type under the Group's Enterprise Risk Management Framework (ERMF), its Environmental and Social Risk Management Policy and its Environmental and Social Risk Management (ESRM) Procedures.
National Social Security Fund ESG	NSSF developed its ESG framework and included climate action in the seven key areas pertaining to ESG aspect (NSSF, 2023). NSSF acknowledges that climate change, including global warming, poses financial risks to the financial sector and therefore NSSF set and implemented four main range of actions to mainstream climate change within the organisation: • Sustainable transport management and minimising global carbon footprint. • Energy efficiency and management. • Water conservation and waste management. • Environmental impact assessments on real estate projects. Under the 'Sustainable transport management and minimising global carbon footprint', NSSF undertake actions that are aiming at responding to the following questions: *How we control emissions and fuel for Fund vehicles? How we ensure noise control in Fund vehicles? How do we ensure vehicle safety?* Under the 'energy efficiency and management' action, NSSF have taken multiple steps to enhance efficiency in its operations. The NSSF's commitment to energy management performance includes preventing energy wastage and adhering to local and national energy regulations. Electricity serves as the primary energy source for the Fund's buildings, supplied through UMEME distribution feeders, with standby power diesel generators available as well. The aim of the Fund is continual improvement in

	energy management to ensure sustainability and compliance with energy-related regulations. The Fund implemented the following activities during the year to ensure energy efficiency: • Increased use of daylight. • All tenants were encouraged to replace fluorescent lights with LEDs that use less power. • Timers were installed for the security lights enabling them to operate based on specific requirements, ensuring efficient usage. • Improved lighting controls such as occupancy sensors and daylight level sensors. • Use of lift optimisation software to ensure efficient use of the lifts. Under the 'water and waste management', the Fund implemented the following activities to save on water usage: • Installed a water reservoir tank to address water shortages and promote water conservation. • Replaced our taps with push taps. • Shut off water to unused areas. • Made use of closed-circuit cooling systems with cooling towers. Under the 'Environmental impact assessments on real estate projects', NSSF through the National Environmental Management Authority (NEMA), conducted some assessments of all its projects to identify any potential positive and negative environmental and social impacts on the social and biophysical environment in line with Regulation 37 of the Environmental Assessment Regulations, Statutory Instrument No. 13 of 1998 and national environmental and social regulations 2020. The assessment helped the Fund to identify key environmental indicators and determine legally acceptable thresholds on environmental standards for environmental quality (e.g., air, noise, water and soil) and protection of sensitive ecosystems, standards for solid and liquid waste management, land use guidelines, ecological and socio-economic issues and hence implement controls to reduce risks.

Annex 6: Monitoring and evaluation framework for mainstreaming climate action in the financial sector of Uganda.

Goal: By 2030 Climate action is institutionalised and access to climate finance improved to attain climate resilient and low carbon in to attain emission reduction & adaptation in Uganda.												
	Objective/Outcome/ Output/ Activities	Indicator	Definition	Disaggregated by	Source of data	Unit	Baseline	Target Year 1	Target Year 1	Reporting frequency	Sustainability mechanism	Lead / Partners
Long-Term Impacts												
1	**Improved access to climate finance for emission reduction & adaptation**											
2	**Institutionalised climate action in the sector**											
Outcomes, Outputs & Activities												
01	Outcome: Improved institutional readiness & capacity to mainstream climate change	Number of institutions adopting guidelines	Total number of institutions that xxxx	Sub-sector, organisation structure levels, gender, age	Monitoring report	Institution, person				Yearly		
01.1	Output 1: Institutional capacity to operationalise guidelines strengthened	Number of institutions undertaking in capacity building in climate resilient models	Total number of institutions and persons undergoing training	Sub-sector, organisation structure levels, gender, age	Monitoring report	Institution, person						
A1.1.1	Activity 1: Undertake mapping of existing Climate related capabilities & products	Number of sub-sectors, institutions mapped	Total number of institutions listed	Sub-sector								
A1.1.2	Activity 2: Conduct capacity building in areas inadequacy	Total number of trainings and participants trained	Total number of trainings and financial sector									

Goal: By 2030 Climate action is institutionalised and access to climate finance improved to attain climate resilient and low carbon in to attain emission reduction & adaptation in Uganda.												
	Objective/Outcome/ Output/ Activities	Indicator	Definition	Disaggregated by	Source of data	Unit	Baseline	Target Year 1	Target Year 1	Reporting frequency	Sustainability mechanism	Lead / Partners
		in climate resilient models	participants trained in models for integrating climate risks and utilising opportunities									
A1.1.3	Activity 3: Train regulatory entities to build regulatory capacity	Number of regulators trained in climate change supervision and reporting	Number of regulators trained and able to deploy climate tracking tools and metrics in supervision and reporting									
01.2	Tracking tools, instruments and metrics adopted and institutionalised											
A.1.2.1	Activity 1: Develop and utilise climate change tracking tools and metrics											
02	Adequate knowledge of sector about climate resilience											
02.1	Awareness and knowledge to operationalise guidelines											

Goal: By 2030 Climate action is institutionalised and access to climate finance improved to attain climate resilient and low carbon in to attain emission reduction & adaptation in Uganda.												
	Objective/Outcome/ Output/ Activities	**Indicator**	**Definition**	**Disaggregated by**	**Source of data**	**Unit**	**Baseline**	**Target Year 1**	**Target Year 1**	**Reporting frequency**	**Sustainability mechanism**	**Lead / Partners**
A.2.1.1	Disseminate information about climate change vulnerabilities, risks and opportunities											
A.2.1.2	Develop platforms / programmes for learning, information-sharing											