Role of Finance Ministries in Catalyzing Private Finance for Adaptation

Uganda Case Study

Thursday 17 August 2023
1. Uganda’s Climate Finance Ambition.
2. Rationale for Prioritization of Climate Change Adaptation.
3. How Uganda is unlocking Private Finance for Adaptation.
4. Conclusion.
Uganda’s Climate Finance Ambition – up to 2030

TOTAL NDC COST – USD 28.1BN
ADAPTATION ACTIONS USD 17.7BN
MITIGATION COST USD 10.3BN
CROSS CUTTING USD 0.1BN

100%
63%
36.6%
0.4%

15% (4.07BN) to be mobilized domestically and 85% (24.02BN) from external sources.
14% (2.5Bn) to be sourced domestically and 86% (15.1Bn) externally sourced.
15% (USD 1.56Bn) to be sourced domestically and 85% (USD 8.76Bn) form external sources.
6.5% to be sourced domestically and 93.5 to be mobilized externally.

Building a Competitive Economy for National Development
Ongoing Interventions to Unlock Private Finance for Adaptation

- Leveraging local development financiers such as the Uganda Development Bank that introduced a Climate Finance Facility.
- Developing a Green Taxonomy to build clarity on what’s green and ensure harmonized reporting.
- Pronounced role of the private Sector in the National Climate Finance Strategy with unprecedented engagement of different clusters of private sector.
- Instituted fiscal reforms such as tax exemptions on goods and services that build adaptive capacity.
- Prudently Integrating climate change within the Public Private Partnerships Frameworks.
- Reviewed National Public Procurement Policy to capture Sustainable Public Procurement to stimulate private finance towards adaptation.
- Creation of an enabling environment – regulations, increasing access and accuracy of weather information to inform design of appropriate insurance products.
Planned Interventions to Unlock Private Finance for Adaptation

- Targeted Sensitization campaigns on the implication of climate risk on business size, profitability and market share.
- Addressing existing structural challenges that undermine private sector participation in the climate finance space.
- Preparing a pipeline of business cases and investment opportunities presented by climate change.
- Working on more fiscal incentives and regulatory interventions as; carbon markets guidelines and strategy, and a reward mechanism for climate responsive private sector players.
Challenges Faced

- Information asymmetry between financiers and adaptation entrepreneurs.
- Capacity gaps in integrating climate risk in financial risk analysis and investment appraisal.
- High uncertainty of climate change which erodes the accuracy of projected climate risk on various investment areas.
- Reconciling climate risk analysis and social inclusiveness. Heightened climate risk increases premium of various adaptation services locking out most vulnerable users who need them most.
- High level of informality of most local green MSMEs.
- Regulatory gaps such as green bonds framework, green taxonomy etc.
- Low effective demand for some adaptation goods and services such as agriculture insurance.
Uganda’s adaptation finance ambitions are immense requiring concerted efforts from all actors including the private sector.

Whilst there are ongoing and planned interventions to stimulate private sector finance for adaptation, more needs to be done to address structural and systemic barriers to optimize private sector finance.

Given the ongoing and planned interventions, the outlook for private sector finance for adaptation remains positive and promising owing to the growing concern about climate change by consumers and investors.