



UGEFA Green Finance Dialogue

What are “green SMEs” and what do they need to grow?

Clean Energy | 10 November 2020



UGANDA
GREEN ENTERPRISE
FINANCE ACCELERATOR

Funded by



European Union

Implemented by



adelphi

Uganda Green Enterprise Finance Accelerator

We improve access to finance for green enterprises in Uganda.

WE SUPPORT GREEN ENTERPRISES

We support green enterprises to develop the business and financial plans needed to access financing and scale their environmental and social impacts.



Catalyser Programme

Engage with enterprises in hands-on interactive workshops focusing on key topics for financial readiness and growth

Loan Facilitation

Match enterprises with our partner banks to access loan facilities designed to meet their financial needs

Accelerator Programme

Support enterprises with loan management to invest in growth, scaling their contributions to job creation and a green economy



Uganda Green Enterprise Finance Accelerator

We improve access to finance for green enterprises in Uganda.

Establishment of Tailored Loan Mechanisms

Collaborate with financial institutions to support the development & piloting of loans tailored to green SMEs

Technical Assistance for Banks

Support banks to expand their customer base to green & growing SMEs, including with innovative portfolio development tools

Interactive Green-Climate Finance Trainings and Dialogue Fora

Provide trainings for financial institutions to build a case for green SME financing & leverage opportunities for green-climate finance

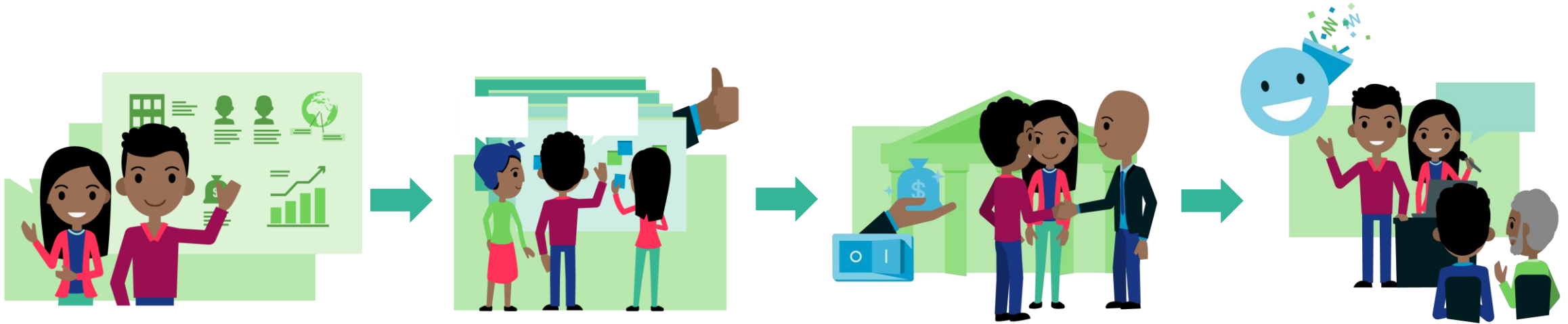
WE REDUCE RISKS OF FINANCING CHANGE

We reduce the risk of financing change by working together with commercial banks to provide green SME lending.



Uganda Green Enterprise Finance Accelerator

We improve access to finance for green enterprises in Uganda.



WE SUPPORT THE TRANSITION TO A GREEN ECONOMY IN UGANDA

100

Enterprises

successfully submitted applications to commercial banks in Uganda to access tailored loan finance

6.1 Mio USD

in Debt Financing

provided to green SMEs across sectors to invest in growth

Up to 1800

Jobs Created
in green sectors

WE WANT TO COLLABORATE WITH YOU!

TODAY...

- Share experiences in supporting green enterprises to grow
- **Map financing needs & pathways** for green enterprises in target sector
- **Lay the groundwork for collaboration** in order to jointly scale access to finance for green SMEs in Uganda

MOVING FORWARD...

- **Co-publish results from today's session as *Sectoral Brief*** to inform financiers and other ecosystem actors of opportunity to finance the future of green SMEs
- **Align joint project priorities & continue to collaborate** in order to facilitate access to finance for green SMEs in Uganda while driving the transition to a resilient, green and inclusive economy in Uganda

ONGOING OPPORTUNITIES



Access to Networks & Visibility

around topics of green enterprise business advisory and financing for (green) enterprises that you work with



Regular Networking Touchpoints

through future UGEFA Green Finance Dialogue sessions (including **Green Entrepreneurship Day** at Kampala Innovation Week on 27 Nov), Ecosystem Networking Breakfasts and more



High-level Profiling & Insight Dissemination

at annual Green Finance Dialogues and via various formats for sharing ecosystem insights and data, within ecosystem studies/briefs, enterprise case studies and solutions prototyping sessions



Agenda of the Session

15 MIN

WELCOME & INTRODUCTIONS

05 MIN

CELEBRATE GREEN SME ACHIEVEMENTS

55 MIN

MAP INVESTMENT PATHWAYS

15 MIN

WRAPPING UP & LOOKING FORWARD



European Union



Uganda Green Enterprise Finance Accelerator

«4» 17.11.2020

www.ugefa.eu



Clean energy sector overview

Catalysing green growth through clean energy SMEs

While per capita electricity consumption in Uganda is one of the lowest in the world, demand for electricity is growing at an annual rate of about 10-12% ([Netherlands Enterprise Agency, 2019](#)).

Energy access reaches nearly 60% of the population in urban areas, but in rural areas access is still limited to 18% of the population ([European Investment Bank, 2020](#)).

Generation capacity is dominated by hydropower, and supported by heavy fuel oil and biomass cogeneration power plants.

With hydropower vulnerable to prolonged droughts exacerbated by climate change, a low access rate in rural areas, and increasing demand for electricity, the development of the clean energy sector is key to Uganda's sustainable growth.

Uganda Green Growth Development Strategy Targets 2030

- Renewable energy for domestic use for at least 56% of households
- Creation of 54,609 service jobs, with a labour productivity of US\$5,217.65 per worker
- Reduction of 13.0 MtCO₂e through efficient cookstoves
- Reduction of 1.1 MtCO₂e through solar energy; and
- 50% reduction of domestic per capita consumption of biomass



Relevant Policies and Strategies

[Uganda Vision 2040](#)

[The Uganda Green Growth Development Strategy \(2017\)](#)

[National Climate Change Policy \(2015\)](#)






[Third National Development Plan \(NDPIII\) 2020/21 - 2024/25](#)

[Renewable Energy Policy \(2007\)](#)

[Draft National Energy Policy \(2019\)](#)








Clean energy businesses

	Role of SMEs	Common business activities
 Biogas	<p>~10,000 biodigesters & ~20 bio digester construction companies in Uganda (SNV, 2019)</p>	<p>Design, installation and repair of biodigesters</p>
 LPG	<p>Competitive market of LPG suppliers is emerging with SMEs offering smaller canisters for household use (SEforALL, 2019)</p>	<p>Packaging LPG, distributing and bundling products while offering pay-as-you go schemes (William Davidson Institute, 2018)</p>
 Biomass Briquettes	<p>Hundreds of micro-scale briquette producers, producing less than 20 tonnes per year mainly for households (International Water Management Institute)</p>	<p>Producing, packaging, and distributing biomass briquettes</p>
 Solar	<p>17.5% of households use off-grid solar (OGS) devices, with the majority of them owning pico-PV lamps that provide few additional services beyond lighting (UNCDF, 2020)</p>	<p>Distributing off-grid solar devices in rural areas; customising solar home systems, and offering pay-as-you go services (UNCDF, 2017)</p>
 Clean Cookstoves	<p>Many artisanal producers make up to 100 stoves each per month, ~240-300,000 stoves per year (Development in Practice, 2020)</p>	<p>Research and design, production, distribution, and repair of stoves, as well as producing stove parts or bundle products (Institute of Development Studies, 2017)</p>



Clean energy businesses

	Role of SMEs	Common business activities	Financing needs
 Biogas	~10,000 biodigesters & ~20 bio digester construction companies in Uganda (SNV, 2019)	Design, installation and repair of biodigesters	Initial costs of the digester & hiring of trained staff for installation...
 LPG	Competitive market of LPG suppliers is emerging with SMEs offering smaller canisters for household use (SEforALL, 2019)	Packaging LPG, distributing and bundling products while offering pay-as-you go schemes (William Davidson Institute, 2018)	Financing acquisition of packaging technology...
 Biomass Briquettes	Hundreds of micro-scale briquette producers, producing less than 20 tonnes per year mainly for households (International Water Management Institute)	Producing, packaging, and distributing biomass briquettes	Financing new distribution channels...
 Solar	17.5% of households use off-grid solar (OGS) devices, with the majority of them owning pico-PV lamps that provide few additional services beyond lighting (UNCDF, 2020)	Distributing off-grid solar devices in rural areas; customising solar home systems, and offering pay-as-you go services (UNCDF, 2017)	End user financing...
 Clean Cookstoves	Many artisanal producers make up to 100 stoves each per month, ~240-300,000 stoves per year (Development in Practice, 2020)	Research and design, production, distribution, and repair of stoves, as well as producing stove parts or bundle products (Institute of Development Studies, 2017)	Research and development for cookstove improvements...



Share your thoughts...

- What was your “aha moment” today?
- What are you excited about for the next year?
- What can we take forward together as a group or bilaterally?

www.ugefa.eu



European Union



Uganda Green Enterprise Finance Accelerator

«Nr.» 17.11.2020

www.ugefa.eu



WE WANT TO COLLABORATE WITH YOU!

TODAY...

- Share experiences in supporting green enterprises to grow
- **Map financing needs & pathways** for green enterprises in target sector
- **Lay the groundwork for collaboration** in order to jointly scale access to finance for green SMEs in Uganda

MOVING FORWARD...

- **Co-publish results from today's session as *Sectoral Brief*** to inform financiers and other ecosystem actors of opportunity to finance the future of green SMEs
- **Align joint project priorities & continue to collaborate** in order to facilitate access to finance for green SMEs in Uganda while driving the transition to a resilient, green and inclusive economy in Uganda

ONGOING OPPORTUNITIES



Access to Networks & Visibility

around topics of green enterprise business advisory and financing for (green) enterprises that you work with



Regular Networking Touchpoints

through future UGEFA Green Finance Dialogue sessions (including **Green Entrepreneurship Day** at Kampala Innovation Week on 27 Nov), Ecosystem Networking Breakfasts and more



High-level Profiling & Insight Dissemination

at annual Green Finance Dialogues and via various formats for sharing ecosystem insights and data, within ecosystem studies/briefs, enterprise case studies and solutions prototyping sessions



We look forward to connecting again!

 www.ugefa.eu

 info@ugefa.eu

 facebook.com/ugefa

 [@ugefa_eu](https://twitter.com/ugefa_eu)

 linkedin.com/company/ugefa/

Funded by



European Union

Implemented by



In collaboration with



UGEFA Green Finance Dialogue | Clean Energy

10 November 2020

Business



- Biomass briquettes
- Clean cookstoves

90% demand biomass-cooking

LPG

Solar

productive use of energy (agri, cold storage, processing)

Financing Needs



Financing to test prototypes & market reach	Inventory financing	Research & design of efficient technology (i.e. engineers for cookstove development)	Tax subsidies on import (high import fees)
Invest in STEM education to catalyse innovation paired with pipeline of skilled people	Employee & distributor trainings for local talent (incl. for stove production)	Greater engagement of FIs with end user financing alternatives	Support to become bankable
disaggregate biomass production			
Higher initial capex required to acquire tech	imported equipment		

Financing Successes & Challenges



Grants to subsidise training costs	End user financing pay-as-you go, many with high levels of non-performing assets	3 years audited accounts, financial statements, collateral (challenge for early stage SMEs)
Tech subsidies for end users	Majority not legally registered & don't have bank accounts	
More successful examples of end user financing?		
funding UECCC in commercial banks (50% guarantee) to cover collateral	Understanding requirements of importation & certification of different products / components (lot of capital in inventory)	Not able to use inventory as collateral
	additional measures to help SMEs access	

working capital for consumer financing

need financing to hire

PAYG - lots of receivables in your books

open regional hubs to reduce distribution costs (19,000)

rent space, office, furniture

administrator, office expenses

transport (e.g. motorbikes)

resources to assess clients well for PAYG

to help SMEs access the money in commercial banks

have looked at supply side more than demand. not based on existing challenges

machinery (quality, cost) not available on the market

consumer financing e.g. smallholder farmers, seasonality

Kenya, Nigeria, others - access to capital quite large

awareness of communities on these opportunities

having partnerships - not just one partner stronger than another or having more power

intermediaries to lend to consumers, work with commercial banks (first loss, loan guarantee) to reduce exposure

interesting to look at partnerships and ecosystem approach (forthcoming research USAID DIV)

distribution, strategic partnerships - ecosystems approach e.g sharing a hub, staffing

user based financing grants (GIZ, UNCDF) - target no. of units

look at performance rather than numbers - grows the client in terms of products accessed

PAYG easier way to push out inventory, but comes with challenges

financial institutions don't necessarily understand the business

lower interest rate needed or PAYG

need to use inventory as collateral