

Green Finance Developments in Uganda

UGEFA CASE STUDY



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List of Acronyms

aBi	Agricultural Business Initiative
AfDB	African Development Bank
CFU	Climate Finance Unit
CSF	Credit Support Facility
DFIs	Development financial institutions
EDF	European Development Fund
EIB	European Investment Bank
EIP	External Investment Plan
ElectriFI	Electrification Financing Initiative
ERT	Energy for Rural Transformation
ESIA	Environmental and Social Impact Assessment
ESMAP	Energy Sector Management Assistance Program
EU	European Union
FCDO	UK Foreign, Commonwealth and Development Office
FIs	Financial Institutions
GEF	Global Environment Facility
GCCA	Global Climate Change Alliance
GCF	Green Climate Fund
GGGI	Global Green Growth Institute
GGPER	Green Growth Public Expenditure Review
KfW	Kreditanstalt für Wiederaufbau
MEMD	Ministry of Energy and Mineral Development
MFIs	Microfinance Institutions
MoFPED	Ministry of Finance, Planning, and Economic Development
NDP II	Second National Development Plan
NEMA	National Environment Management Authority
NES	National Electrification Strategy
PAYG	Pay-as-you-go
RBI	Reserve Bank of India
SACCOs	Savings and Credit Cooperative Organizations
SMEs	Small and medium enterprises
UBA	Uganda Banker's Association
UDB	Uganda Development Bank
UECCC	Uganda Energy Credit Capitalisation Company
UGEFA	Uganda Green Enterprise Finance Accelerator
UGGDS	Uganda Green Growth Development Strategy
UNEP	UN Environment Programme
URSB	Uganda Registration Services Bureau

1. Introduction: Green Finance in Uganda

In the last years, the Ugandan government has set ambitious sustainability targets. They are anchored in various policies such as the *Uganda Vision 2040*, the *Uganda Green Growth Development Strategy* (UGGDS) 2017/18 – 2030/31, the *Agenda 2030* and the *Third National Development Plan* (NDP III).¹ For reaching the goals enshrined in these policies, a considerable amount of funding is required and for this, the *Green Growth Public Expenditure Review* (GGPER) was conducted in 2020. It showed a green growth finance deficit and outlined the need to develop a green financing strategy to address this deficit and deliver the green finance needed to achieve Uganda's sustainability targets. An estimation of the GGPER outlined that the UGGDS is going to cost around USD 11 billion. The GGPER also highlighted that the transition to a green economy made innovative financing mechanisms, like incentives to push private sector financing and green bonds, essential.² These mechanisms need to address the common challenges of core actors, such as SMEs and the private sector, which accelerate the transition through their products and services. Often high cost and limited access to finance are one of the key barriers to growth and the longevity of enterprises in Uganda.³ Specifically, enterprises in green sectors often face additional difficulties when applying for a loan due to the lack of suitable green finance instruments by financial institutions (FIs).⁴

According to the UN Environment Programme (UNEP), the term “green finance” can be defined as the level of financial flows (from commercial banks, micro-credit institutions, investment and insurance) from the private, not-for-profit and public sectors dedicated to sustainable development priorities.⁵ Green finance encompasses the development of financial products and services that consider environmental factors in the lending process and stimulate the commercialization and development of low carbon technologies, businesses and industries, as well as promote responsible investments. In order to ensure a green transition towards a carbon neutral economy, it is specifically important that banks provide access to green finance to small and medium enterprises (SMEs), as they are the backbone of many economies, including in Uganda.⁶

In recent years, interest in green finance has grown, moving the topic center stage in climate conversations all over the world. This shift reflects growing environmental concerns and consequently the need to channel investments in the direction of initiatives and projects which promote environmental sustainability and address these challenges.⁷ The topic of green finance has similarly taken increasing importance within the local commercial banking sector. Environmental risk management plays an important role in this conversation, as environmental risks pose threats to financial markets and businesses and through mitigating these risks, financial institutions are able to ensure financial stability and safeguard investments. Like in case of Uganda, regulatory drivers are also important. Worldwide, regulatory bodies and governments have implemented policies which promote and incentivize sustainability and green

1 SEED & ACODE (2022): Enhancing Green Finance Access for Green Growth. Policy Landscape Paper Uganda.

2 SEED & ACODE (2022): Enhancing Green Finance Access for Green Growth. Policy Landscape Paper Uganda.

3 FSDU (2025) : National Small Business Survey of Uganda, p.41

4 SEED & ACODE (2022): Enhancing Green Finance Access for Green Growth. Policy Landscape Paper Uganda.

5 UN Environment Programme (UNEP), Green Financing.

6 SEED & ACODE (2022) : Enhancing Green Finance Access for Green Growth. Policy Landscape Paper Uganda.

7 Reza, Khan & Benkraim, Guesmi (2024) : The importance of climate policy uncertainty in forecasting the green, clean and sustainable financial markets volatility.

investments. A further factor why financial institutions are moving in the direction of green finance is a growing demand from investors for sustainable investment options. Furthermore, green finance offers economic opportunities to banks through tapping into continuously growing markets in sustainable sectors like clean energy, green manufacturing, green technologies or sustainable infrastructure.

The Uganda Green Enterprise Finance Accelerator (UGEFA) aims at increasing the volume of green finance deployed by financial institutions through innovative blended finance mechanisms. UGEFA achieves this by improving the bankability of green enterprises and projects through capacity building workshops, and by facilitating the provision of debt finance from commercial banks to green SMEs. UGEFA works alongside banks in order to co-create green finance mechanisms, ensuring better access and tailoring of loans specifically to green business models and also technologies.

This case study sheds light on latest developments in the green finance landscape in Uganda, investigating the general green finance landscape before the implementation of the UGEFA project (before 2020) and between 2020 and 2024. A specific focus is placed on the role of commercial banks: UGEFA's partner banks and banks that participated in the UGEFA Green Finance Academy. There are six partner banks: Equity Bank, Opportunity Bank, Yako Bank, Stanbic Bank, dfcu Bank and NCBA Bank. The partner banks benefit from innovative funding facilitation mechanisms developed by UGEFA, access to a pipeline of green UGEFA-supported SMEs, as well as tailored green SME finance trainings through the UGEFA Green Finance Academy. Besides UGEFA's partner banks, nine additional financial institutions and organizations joined UGEFA Green Finance Academy trainings. The goal of the trainings is to strengthen the financial sector's capacity to mobilize and deploy green finance to green SMEs in Uganda.

2. Green Finance Products

The provision of different green finance products which cater to the individual needs of different stakeholders is crucial to foster green growth and leverage green finance in the market. To better understand the green finance landscape in Uganda, it is therefore important to first shed light on the most common green finance products generally available:

- **Green Bonds:** the majority of green finance is made up of green bonds. Green bonds are debt products that can be issued by financial institutions, governments, municipalities or corporations to increase capital specifically for green projects. First the issuer identifies a suitable green project, then the bonds are priced and sold to potential investors interested in green investments. Periodically, the investors then receive interest payments and also the main amount at maturity.⁸
- **Green Loans:** green loans are loans which fund green projects and therefore aim at increasing environmental sustainability. Examples of green projects are solar panels, energy efficiency or electric vehicles.⁹
- **Green Equity Funds:** green equity funds are structured investment vehicles which pool capital from various investors to invest in projects and companies with a strong green focus. The funds are organized by fund managers which then manage and select a diverse portfolio of green enterprises with the goal of achieving high financial returns and at the same time increasing positive environmental impact. Investors then benefit from capital appreciation and dividends.¹⁰
- **Green Leasing and Asset Financing:** leasing is one of the oldest and also most popular financing structures used to finance equipment and assets. Yet, it is currently still at a very early stage regarding green assets. It has been used for example for clean energy equipment or green car leasing. Through these financial products, enterprises can get sustainable technologies without having to provide high upfront costs and spreading the smaller payments over time. In some cases, also more favorable terms are offered, like lower interest rates or more flexible repayment schedules.¹¹
- **Green Insurance Products:** green insurance products cover the losses connected to climate related events like droughts or floods or protect enterprises from costs connected to environmental damage. Through mitigating risks regarding environmental challenges, those products then encourage businesses to invest in green initiatives. There are also green insurance policies, which offer incentives for adapting green practices.¹²
- **Green Mortgages:** green mortgages are loans which offer favorable terms for buying buildings or renovating properties in order to improve environmental standards. Examples are improvements around energy-efficiency through solar products or insulations upgrades.¹³
- **Blended Green Finance Products:** blended green finance mechanisms are a combination of public, private or philanthropic capital which is used to fund green projects and improve the conditions

8 Climate Bonds Initiative (2024) : Explaining Green Bonds.

9 Persefoni – Climate Management & Carbon Accounting Platform (2024): Green Finance Explained.

10 KPMG (2020) : Green finance – Emergence of new green products to fund decarbonization.

11 KPMG (2020) : Green finance – Emergence of new green products to fund decarbonization.

12 KPMG (2020) : Green finance – Emergence of new green products to fund decarbonization.

13 Persefoni – Climate Management & Carbon Accounting Platform (2024): Green Finance Explained.

of accessing finance. Examples are grants, partial grants, subsidised interest rates, guarantees or support for collateral. Through blending different financing sources, these initiatives are usually able to mobilize larger amounts of capital for green projects because initial risks are decreased, and investments made more attractive. Therefore, blended finance supports in bridging the gap between green projects often seen as high-risk and commercial viability.¹⁴ One example is the UGEFA funding facilitation mechanisms. Here, green enterprises apply for a loan at one of the six UGEFA partner banks and as soon as the loan is approved, UGEFA directly pays back one third of the total loan amount to the bank. In this way the risk, collateral requirements and also the total amount of interest is decreased.

In Uganda, the most common green finance products include green loans, green bonds, green leasing, asset financing, green insurance products, and blended green finance products. Green loans are extensively used to support renewable energy and sustainable agriculture enterprises. Green bonds, while still emerging, have begun to play a role, often backed by international organizations aiming to mobilize funds for climate-resilient infrastructure and renewable energy projects. Green leasing and asset financing are primarily used to support the acquisition of clean energy systems, such as solar power installations, which are widely adopted under pay-as-you-go (PAYG) models in rural areas. Additionally, blended green finance has gained traction in large-scale renewable energy and conservation projects, often involving global institutions like the European Union or the Green Climate Fund.¹⁵ However, some green finance products, such as green mortgages and green equity funds, are not yet widely available in Uganda. Green mortgages face challenges due to a nascent real estate market for green buildings and limited awareness among financial institutions and other stakeholders. Similarly, green equity funds require further market development and institutional capacity building. The underutilization of such products highlights the need for enhanced policy frameworks, capacity development for financial institutions, and increased public awareness to diversify Uganda's green finance landscape.

14 Global environment facility (2024) : Blended Finance.

15 Wamala, Pius (2023) : Green financing mechanisms and the role of financial institutions, in Pulse Uganda.

3. Comparison of Green Finance Initiatives in Uganda before 2020 and between 2020 and 2024

Worldwide, green finance initiatives have evolved strongly over the past decades. In Uganda there has also been a significant expansion in the scale and scope of green finance initiatives from government bodies, financial institutions, private sector, donor agencies and development finance institutions. There has been stronger regulatory support from the Ugandan government, the provision of green finance programmes by national and international organizations and the introduction of new innovative financial products by financial institutions. This analysis looks at the changes specifically in the last four years and therefore compares the situation before 2020 with the developments between 2020 and 2024.

3.1. Challenges and Opportunities of Green Finance before 2020

There are several opportunities - but also challenges - around green finance. Before UGEFA started, the most common **challenges** on a general level were identified:

Regulatory

Unclear definition of Green Finance: an unclear definition of green finance leads to possibilities for “green-washing”. For example, there are issuers of “green assets”, which make misleading claims regarding the environmental nature of their assets and some investments are declared as environmentally friendly, but there is no substantial proof.¹⁶ In Uganda, this is closely linked to the absence of a green taxonomy, defining guidelines for green finance.

Regulatory Inconsistency: different regulatory frameworks across countries and regions can lead to uncertainty for investors. In connection to that, as green finance is a new field, regulations are still continually evolving. Repeated changes in regulatory frameworks create uncertainty, which might make it difficult for financial institutions to plan strategies and investments and develop financial products for green finance for the long-term. Moreover, lack or unclear regulatory incentives for green finance, like subsidies or tax benefits, can deter financial institutions from using resources for green projects.¹⁷

Financial Institutions

Short-term mentality of investors: the generally short-term mentality of investors does not match with the usually long-term green investment projects. The reason for the long-term nature of green investment projects lays in often significant upfront investments in the initial phase and the return of investment generated, for example through carbon credits, takes time. This is then linked to high risks and uncertainty, due to the danger that that projects might be abandoned. In comparison, less sustainable investments can often lead to higher short-term returns, but also longer-term instability due to climate risks.¹⁸

¹⁶ German Development Institute (2016): Green Finance: Actors, Challenges and Policy Recommendations.

¹⁷ Reza, Khan & Benkraim, Guesmi (2024): The importance of climate policy uncertainty in forecasting the green, clean and sustainable financial markets volatility.

¹⁸ Purata, Valeria & Gomes, Sheccid & Rodriguez, Sarai (2022): 5 Barriers That Hinder Green Financing.

Financial Institution's lack of Green Finance knowledge: financial institutions play a crucial role in pushing transformational change towards a green economy. However, many financial institutions and investors lack expertise and awareness regarding green finance. It is crucial to understand the needs and problems of green enterprises and projects in order to create suitable finance mechanisms.¹⁹

Financial Institutions & SMEs

Complexity of measuring data: both for enterprises and financial institutions, it is often complex to measure and report the environmental impact of investments, as methodologies, metrics and reliable data are still evolving. However, for the private sector it is crucial to have an understanding of the reach of capital in green investments. This leads to an information gap for investors to guide their financial decisions.²⁰

SMEs

Inadequate access to finance: financial resources exist, but the majority of potential users cannot access them. One of the reasons for this lays in factors such as unstable cash flows at an enterprise level, limited awareness of financing opportunities, low financial literacy especially regarding digital finance and high probability of failure.²¹

Lack of collateral to secure loans: enterprises without sufficient collateral are considered as high risk.²² Commercial banks typically require land or property to secure debt financing, which many SMEs do not have. This lack of collateral then leads to higher perceived risk, resulting in fewer loan approvals and often higher interest rates.²³

Besides the challenges, the following **opportunities** were identified:

Increasing Demand: the demand for green finance is strongly growing. As awareness of environmental degradation and climate change increases, governments, investors, and consumers increasingly prioritize eco-friendly businesses and projects. Therefore, this shift is pushing substantial capital towards green sectors like sustainable agriculture, energy efficiency, renewable energy and other green projects. Financial institutions which offer green finance products, like loans, green bonds or investment funds, have the possibility to capitalize on this demand and therefore competitive returns.²⁴

Sustainable Financial Instruments: through the increased popularity of green finance, new green financial products and services by financial institutions are developed. This provides innovative opportunities for green entrepreneurs and sustainable projects and attract a wide range of investors.²⁵

19 CDP - Disclosure Insight Action (2023) : Financial Institutions Failing To Integrate Nature And Climate: New Report Warns Inaction On Nature Impedes Net-Zero Ambitions, <https://www.cdp.net/en/articles/media/financial-institutions-failing-to-integrate-nature-and-climate-new-report-warns-inaction-on-nature-impedes-net-zero-ambitions>

20 Reza, Khan & Benkraim, Guesmi (2024): The importance of climate policy uncertainty in forecasting the green, clean and sustainable financial markets volatility.

21 German Development Institute (2016): Green Finance: Actors, Challenges and Policy Recommendations.

22 Kurokawa, Tembo, & Velde, (2008) : Donor support to private sector development in sub-Saharan Africa. Understanding the Japanese OVOP programme, JICA-ODI Working Paper 290. OOT.

23 SEED & ACODE (2022): Enhancing Green Finance Access for Green Growth. Policy Landscape Paper Uganda, Berlin, Germany.

24 Iulia Lupu, Adina Criste (2022): Challenges and Opportunities for Green Finance, "Ovidius" University Annals, Economic Sciences Series, <https://stec.univ-ovidius.ro/html/anale/RO/2022-2/Section%205/16.pdf>

25 Ceres (2023) Sustainable Finance Opportunities - A Guide for Financial Institutions.

Reputation of companies: financial institutions and companies which engage in green finance are able to improve their reputation, can attract sustainability focused investors and customers and improve their credibility and relationship with regulatory institutions or the government.²⁶

Policy benefits: governments can access subsidized capital of international climate funds like for example the Green Climate Fund (GCF), Global Environment Facility (GEF) or Adaptation Fund. Also Development Finance Institutions like the European Investment Bank (EIB) provide governments with subsidized loans for green initiatives. With support of these funds, many governments and international organizations then create favorable policies and regulatory frameworks for green finance. This encourages green investments and projects by the private sector and drives market growth.²⁷

Technological Advancement and Innovation: through prioritising green projects, companies are encouraged to innovate, leading to technological breakthroughs for example in clean technologies or sustainable practices. These innovations drive economic growth, lead to new business opportunities and also contribute to decreasing environmental damage.²⁸

3.2. Green Finance Initiatives in Uganda before 2020

Before 2020, only a few financial institutions in Uganda had launched green finance initiatives or provided suitable financial products for green enterprises on their own. However, there were already several organizations that had been pushing the topic of green finance since over a decade, with some activities also involving financial institutions. In the table below, important green growth and finance milestones from before 2020 are listed.

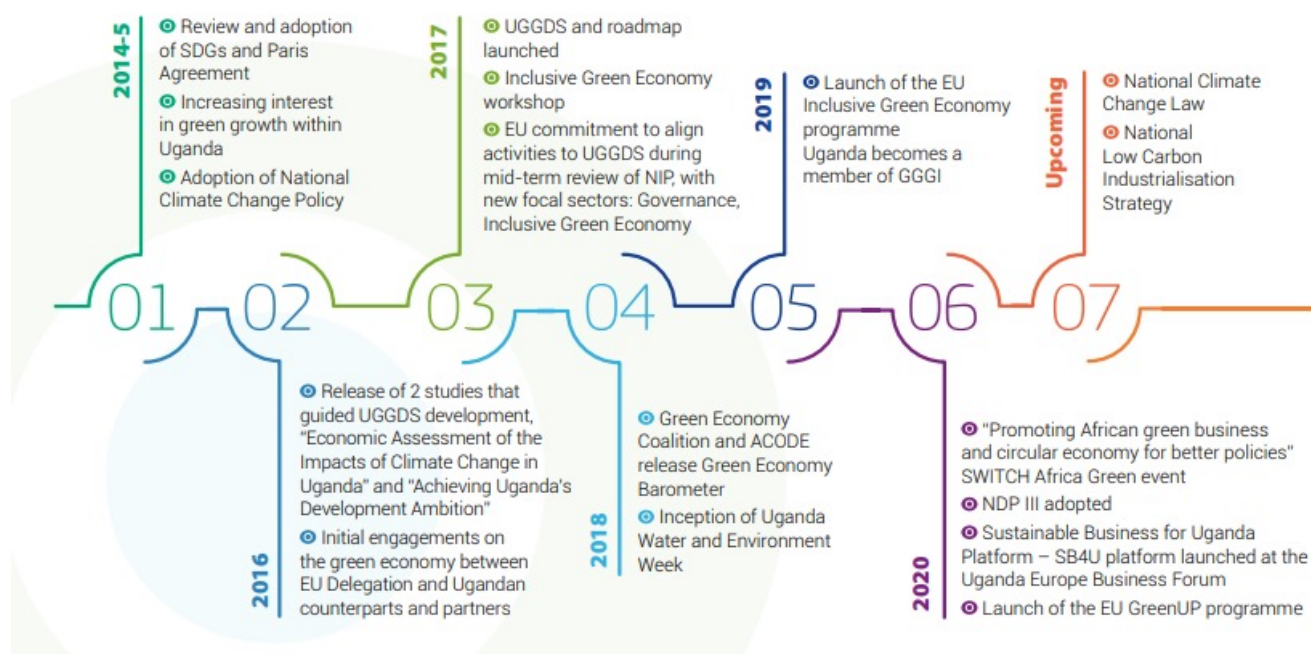


Figure 1: Milestones of Uganda's initiatives for Green Growth and Finance²⁹

26 Iulia Lupu, Adina Criste (2022): Challenges and Opportunities for Green Finance, "Ovidius" University Annals, Economic Sciences Series.

27 German Development Institute (2016), Green Finance: Actors, Challenges and Policy Recommendations.

28 Nepal, Rabindra & Liu, Yang & Wang Jianda & Dong, Kangyin (2024) : How does green finance promote renewable energy technology innovation? A quasi-natural experiment perspective, Energy Economics Volume 134.

29 SWITCH to Green (2021) : Uganda goes green and circular.

Already before 2020, the government in Uganda launched initiatives to promote green finance, with a specific focus on renewable energy, sustainable agriculture and resource management. For example, in 2009, the Ugandan government founded the *Uganda Energy Credit Capitalisation Company* (UECCC), which had the goal of facilitating investments in Uganda's renewable energy sector, especially enabling private sector participation.³⁰ In 2016, with support from the World Bank through seed capital, under the *UECCC ERTII* project, a Credit Support Facility (CSF) for renewable energy projects was established. The goal of the CSF was to provide credit support to partnering financial institutions, which then provided loans to renewable energy projects. One of the initiatives was solar refinance to financial institutions for onlending to beneficiaries acquiring solar systems. This facility was extended to Centenary Bank, PostBank, Pride Microfinance and Finance Trust Bank.³¹

Also, Microfinance Institutions (MFIs) and Savings and Credit Cooperative Organizations (SACCOs) in Uganda had already a few green finance initiatives before 2020. These initiatives mostly targeted the agricultural and energy sector and included green finance products for sustainable agricultural practices and renewable energy solutions, like eco-friendly farming inputs, solar water pumps or adaptation measures to increase climate resilience of crops. For example, the Microfinance Institution FINCA launched in 2010 their *MicroEnergy loan program*, which provided loans to its clients to purchase solar products. These solar loans used a pay-as-you-go (PAYGo) financing model and therefore enabled customers to make manageable payments over time.³² FINCA also started the *Agriculture Loan* (2015), which is a credit facility for individuals in active farming operations (solar irrigation purchases are also possible).³³

The European Union (EU) already supported green growth and finance initiatives from the mid-2000s onwards and has intensified its initiatives in the last years. Its support includes many different programs and also financial instruments with the goal of fostering green growth, green jobs, mitigation of climate change and sustainable development in Uganda. In 2007, the EU launched the *Global Climate Change Alliance* (GCCA) which focused on strengthening cooperation and dialogue on climate change between developing countries and the EU. Uganda was one of the focus countries due to its vulnerability to climate change. In 2014, the 11th *European Development Fund* (EDF) was initiated, which included € 578 million for Uganda. It underlined the importance of environmental sustainability and climate change projects in Uganda with a special focus on renewable energy, sustainable agriculture and water resource management.³⁴ In 2017, the EU Delegation to Uganda started the External Investment Plan (EIP), focusing on instruments to scale private investments and develop green economy capacities and awareness (in-house and in partner organisations in Uganda).³⁵ Under the above-mentioned initiatives, the EU has already collaborated with financial institutions in order to push green finance, including the Uganda Development Bank (UDB) and the African Development Bank (AfDB), with which the EU has worked to support green technical assistance and finance initiatives.

Besides the European Union, other organizations were also working on topics of green finance in Uganda before 2020. One of them is the Global Environment Facility, which launched the *GEF Small Grants Programme* in 1992 already. The programme provides technical and financial support to community-led environmental focused projects. Since the early 2000s, it has also been funding several renewable energy

30 UECCC (2024): Welcome to UECCC.

31 UECCC (2016): A Presentation at Practitioner's workshop on Climate Finance for low carbon development.

32 Financial Integration, Economic Leveraging and Broad-Based Dissemination (FIELD)-Support Program (2010): Microfinance and Energy Clients Win with Partnership Model in Uganda.

33 FINCA (2024) : FINCA Agriculture Loan.

34 EEAS (2014): Uganda – 11th European Development Fund (EDF), National Indicative Programme.

35 European Commission (2021), Switch 2 Green, Uganda goes green and circular.

projects in Uganda.³⁶ The Kreditanstalt für Wiederaufbau (KfW) has also been active in the area of green finance in Uganda. In 2014, they implemented a programme on the development of the financial sector to support enterprises in accessing financing. The focus was not specifically on green SMEs, but support of renewable energy played a big role. The World Bank is also active in green finance support in Uganda. It has implemented the *Energy Sector Management Assistance Program* (ESMAP) and further intensified its efforts in the 2000s, with a strong focus on projects in the area of renewable energy as well.³⁷

Yet, the above-mentioned challenges and generally the missing middle financing gap for green SMEs were still very present in 2020. Especially many commercial banks were not involved in green finance initiatives yet and from the ones that had participated in mostly international development financial institution (DFI) and donor driven programmes before 2020, only a few had really integrated the topic in their internal processes and spread the knowledge about green finance amongst their staff. Therefore, in 2020, in the area of debt financing, it was still difficult for green enterprises to access financing and there was still lack of understanding for green business models by the commercial banks.

3.3. Green Finance developments in Uganda between 2020 and 2024

From 2020 onwards, globally the topic of green finance moved further towards the center stage of ministries, organizations and financial institutions and global climate finance increased strongly:

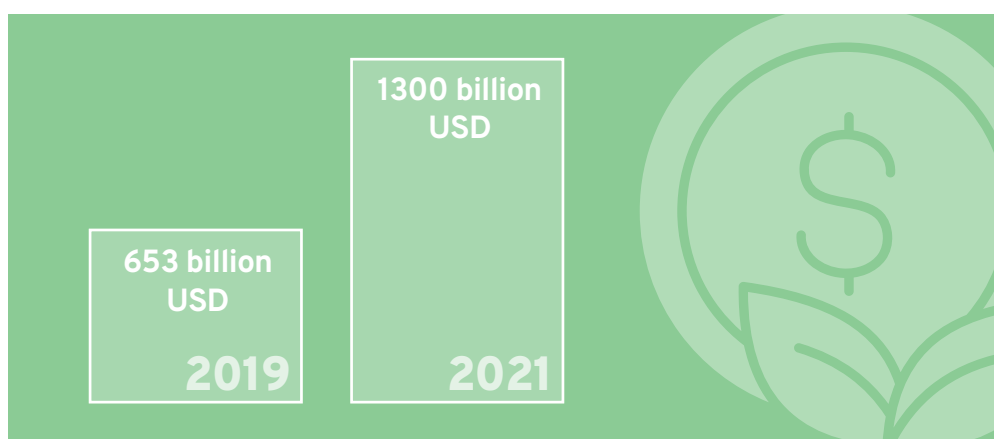


Figure 2: Global Climate Finance comparison 2019 and 2021³⁸



Figure 3: Green Bonds Value Comparison 2019 and 2021³⁹

³⁶ Global Environment Facility (GEF), Small Grants Programme.

³⁷ NDC Partnership, Energy Sector Management Assistance Program (ESMAP).

³⁸ Climate Policy Initiative and Global Center on adaptation (2023) : State and Trends in Climate Adaptation Finance 2023.

³⁹ Reza, Khan, Benkraim, Guesmi (2024), The importance of climate policy uncertainty in forecasting the green, clean and sustainable financial markets volatility.

One of the reasons for this shift lays in the tangible effects of climate change and its strong impacts on financial portfolios. There are increased financial risks connected to climate change, especially in sectors like agriculture or infrastructure. In this context, there is a strong need for long-term financial stability, which leads financial institutions to increasingly prioritize green finance. Moreover, the missing middle financing gap and the strong need for blended finance mechanisms for green enterprises creates international pressure and calls also on the involvement of financial institutions to meet the sustainability goals. Besides the above-mentioned climate change risks and external pressure, green finance also represents a significant opportunity for banks, as the volume of green finance provided by development financial institution and donors in most countries strongly increases, and often the collaboration with banks is foreseen in those projects. Consequently, globally many commercial banks publicly announced environmental initiatives and policies. There are still shortcomings and discrepancies between commercial banks' announced environmental efforts and their actual lending practices.⁴⁰ Yet, there are also concrete positive developments visible. Many banks are now tightening criteria for lending to high-carbon industries and energy companies, increasingly fund renewables and further green technology and enter green finance partnerships with development institutions and governments.⁴¹

This shift is also pushed by several Central Banks around the world, which increasingly adopt various strategies to promote green finance in their countries. As an example, the Reserve Bank of India (RBI) has taken significant steps in facilitating green banking. It anchored the principle of green priority lending for clean transportation and renewable energy, which means that commercial banks have to allocate a specific portion of their lending for these sectors. Another example is the European Central Bank (ECB), which as well integrated many climate change considerations in its financial policy framework. In its asset purchase programs, it started purchasing green bonds, which directly finance projects that lead to environmental sustainability. It also includes climate risk assessments inside its macroeconomic models, making sure financial institutions can mitigate climate risks.⁴²

Also in Uganda, the Central Bank has selected green finance as a priority topic and is currently creating a policy and regulations for green enterprise financing, which helps guide financial institutions on how to best implement green initiatives.⁴³ At the UGEFA Green Finance Dialogue Forums in 2023 and 2024, this goal and need to further push green finance was further underlined by the Central Bank of Uganda. In 2023, the Ministry of Finance, Planning, and Economic Development (MoFPED), supported by the Global Green Growth Institute (GGGI) and the British High Commission in Kampala and the UK Foreign, Commonwealth and Development Office (FCDO), established a *Climate Finance Unit* (CFU), with the aim to further support access to climate finance in Uganda. MoFPED, GGGI and FCDO, with support from the European Union, also currently develop a *National Green Taxonomy*, which provides a list of green economic activities or investments in green priority sectors eligible for receiving green finance, which helps financiers, the private sector and further stakeholders to determine which type of investments can be considered “green” and therefore should be supported.⁴⁴ The National Planning Authority is also very active in pushing green finance, currently developing a green finance strategy for Uganda, which aims to align and also close the current gaps of existing approaches to green finance. An issue tackled by the strategy is limited coordination among initiatives around green finance which creates duplicated

40 Giannett, Jasova, Loumioti, Mendicino (2023): “Glossy green” banks: the disconnect between environmental disclosures and lending activities.

41 CFA Institute (2024): How banks and green finance are helping address climate change.

42 Heinrich Böll Stiftung (2024): Central Banks and the Global Green Transition.

43 MONITOR (2022), Central Bank crafts guidelines for SME Green financing.

44 GGGI (2022) : GGGI to support the Ministry of Finance, Planning and Economic Development to establish a Transitional Climate Finance Unit in Uganda.

efforts and therefore dilutes the transformative effects financial resources available could have.⁴⁵ Another important institution that actively pushes green finance since 2022 is the Uganda Development Bank, the country's national development finance institution. In 2022, it implemented the *Green Finance Policy*, an investment strategy and specific guidelines, which focus on increasing understanding around sustainable investments and as well supports the green finance infrastructure. Moreover in 2023, it launched the *UDB Climate Finance Facility*, which provides a variety of green loan products.⁴⁶ In a single year, the proportion of green projects in its portfolio grew strongly, from 8,9% to 28,1%.⁴⁷

Many non-governmental stakeholders and organizations in Uganda are also very active in pushing green finance. In 2023, the Agricultural Business Initiative (aBi) Finance released Ugx 120 billion to more than 30 financial institutions to fund and support green projects in the agricultural sector and also provided information and knowledge to financial institutions on how to offer green, inclusive and well-governed financing.⁴⁸ aBi Finance also developed the *aBi Green Finance Taxonomy*, which helps to identify projects and assets that are supporting the environment and therefore pushes green economic growth in Uganda.⁴⁹ Also the Uganda Banker's Association (UBA) plays a crucial role in advancing access to green finance. Since 2023, it provides finance to innovative green businesses with green production practices with a special focus on women or youth business proprietors.⁵⁰

In the past four years, also the European Union further intensified its efforts to support Uganda's transition to a sustainable and resilient economy through the provision of green finance. For example, in 2020, the EU granted Uganda €90.4 million for the creation of innovative projects and products which reduce environmental risks. As focus areas it identified sustainable agriculture, sustainable city development, sustainable transport, renewable energy, sustainable tourism and improved wastewater management.⁵¹ In 2022, under its *Green Deal Policy*, the EU granted Uganda € 58.4 million for a seven-year programme focused on technical assistance, projects or the support of policies of the government in Uganda and the private sector, especially in the area of sustainable forestry and biodiversity.⁵²

3.4. Green Finance Developments of Commercial Banks in Uganda

As outlined above, in the last four years, the topic of green finance has moved to the center stage amongst several stakeholders Uganda. However, the question is whether in comparison to before 2020, in the last four years green finance has been really integrated in the commercial banks' procedures in Uganda. To shed light on this question, this case study analyses green finance activities of commercial banks and their effect on the identified challenges. For this, green finance initiatives of UGEFA partner banks and the banks participating in the UGEFA Green Finance Academy were analysed. Afterwards an analysis of the remaining Tier 1 banks was conducted. The analysis showed that many of the commercial banks launched several green finance initiatives, with specific green loan products, since 2020.

45 SEED (2022), Solutions for the Green Finance Strategy 2021-2030 Uganda. Policy Brief. Berlin, Germany.

46 UDB (2024) : Climate Finance.

47 MONITOR (2024): Green Finance: Uganda's farming lifeline.

48 MONITOR (2023) : aBi Finance releases Shs120b to fund green projects.

49 aBi Development Ltd (2024): aBi Green Taxonomy.

50 The Independent (2023) : Bankers raise awareness on green financing.

51 AEP (2020): Uganda: European Union grants €90.4 million for green economy.

52 The Independent (2022): EU earmarks UGX 232 Billion to support Uganda's climate change goals.

Figure 4: Green Finance Initiatives of Commercial Banks in Uganda

BANK NAME	STATUS	GREEN FINANCE INITIATIVES	YEAR	FINANCE AND/OR TECHNICAL ASSISTANCE PARTNERS	TYPE OF GREEN FINANCE ENGAGEMENT
Equity Bank	UGEFA partner bank Green Finance Academy	Equi Green Loan Product ⁵³	2022	UECCC: Financing & technical assistance	Green loan products
		Africa Recovery and Resilience Plan ⁵⁴	2022		Green finance pledges, commitments and strategic anchoring
		Partnership with UGEFA ⁵⁵	2021	UGEFA & EU: Financing & technical assistance	Green loan products
		Equity Bank Energy and Environment Pillar ⁵⁶	2021		Green loan products Green finance pledges, commitments and strategic anchoring
Stanbic Bank	UGEFA partner bank Green Finance Academy	ESG-based loan and consultancy service ⁵⁷	2021		Green loan products Green finance pledges, commitments and strategic anchoring
		Partnership with UGEFA ⁵⁸	2023	UGEFA & EU: Financing & technical assistance	Green loan products
Opportunity Bank	UGEFA partner bank Green Finance Academy	Partnership with UGEFA ⁵⁹	2021	UGEFA & EU: Financing & technical assistance	Green loan products
Dfcu Bank	UGEFA partner bank Green Finance Academy	Partnership with UGEFA ⁶⁰	2023	UGEFA & EU: Financing & technical assistance	Green loan products

53 UECCC (2022): Equi Green Loan Product Launch.

54 Kenya News Agency (2024): Equity Group Holdings Announces Its Recovery And Resilience Plan.

55 UGEFA (2021) : Equity Bank and UGEFA formally launch their partnership.

56 Equity Bank (2024): Green Initiatives.

57 Ortega Group (2024) : What's Missing: A Review of Stanbic Bank's Sustainability Report 2023.

58 UGEFA (2021): UGEFA's year 2023 at a glance.

59 UGEFA (2021): Opportunity Bank and UGEFA formally launch their partnership.

60 UGEFA (2021): UGEFA's year 2023 at a glance.

BANK NAME	STATUS	GREEN FINANCE INITIATIVES	YEAR	FINANCE AND/OR TECHNICAL ASSISTANCE PARTNERS	TYPE OF GREEN FINANCE ENGAGEMENT
Yako Bank	UGEFA partner bank Green Finance Academy	Partnership with UGEFA ⁶¹	2021	UGEFA & EU: Financing & technical assistance	Green loan products
NCBA	UGEFA partner bank Green Finance Academy	Partnership with UGEFA ⁶²	2021	UGEFA & EU: Financing & technical assistance	Green loan products
Bank of Africa	Green Finance Academy	Promoting sustainable finance for all ⁶³	2020		Green loan products Green finance pledges, commitments and strategic anchoring
Centenary Rural Development Bank	Green Finance Academy	Cente Solar Loan ⁶⁴	2023	European Investment Bank (EIB), in 2024: Financing ⁶⁵	Green loan products
Housing Finance Bank	Green Finance Academy	Women entrepreneurship (renewable energy focus)	2024	European Investment Bank (EIB): Financing ⁶⁶	Green loan products
Post Bank Uganda	Green Finance Academy	Solar Loans for Off-Grid Solar Systems ⁶⁷	2009	Government of Uganda: Financing (loan subsidies)	Green loan products
United Bank for Africa	Green Finance Academy	Green SME Financing ⁶⁸	2024	African Guarantee Fund: Financing & technical assistance	Green loan products
Absa Bank Uganda	Further Tier 1 banks	Sustainable Finance Issuance Framework ⁶⁹	2021		Green CSR projects / programmes

61 UGEFA (2021): Yako Bank and UGEFA formally launch their partnership.

62 UGEFA (2021): UGEFA's year 2023 at a glance.

63 Bank of Africa (2024): Sustainable Finance.

64 Centenary Bank (2024): Cente Solar Loan.

65 European Investment Bank (2024): Uganda: microbusinesses receive €100 million in support via EIB Global and Centenary Bank partnership.

66 European Investment Bank (2024): Uganda: EIB Global and Housing Finance Bank announce €50 million investment partnership for private sector with focus on female-led/owned businesses.

67 New Vision (2009): PostBank to give loans for solar power systems.

68 Bello (2024): UBA Gets \$100m African Guarantee Fund Backing For Women-led SMEs, Green Finance, in Leadership.

69 Absa Group Limited (2023): Sustainable Finance Issuance Framework.

BANK NAME	STATUS	GREEN FINANCE INITIATIVES	YEAR	FINANCE AND/OR TECHNICAL ASSISTANCE PARTNERS	TYPE OF GREEN FINANCE ENGAGEMENT
Citibank Uganda	Further Tier 1 banks	Sustainable investing component ⁷⁰	2023		Green bond products Green loan products Green CSR component
Diamond Trust Bank Uganda	Further Tier 1 banks	DTB & KACITA Business and Sustainability Partnership	2023	KACITA: pipeline building ⁷¹	Green finance pledges, commitments and strategic anchoring
		Green loans to 25 percent of loan book. ⁷²	2023		Green loan products
Ecobank Uganda	Further Tier 1 banks	Sustainable Finance Framework ⁷³	2021		Green finance pledges, commitments and strategic anchoring
Exim Bank Uganda	Further Tier 1 banks	Exim Bank Green Finance Framework ⁷⁴	2023		Green finance pledges, commitments and strategic anchoring
KCB Uganda	Further Tier 1 banks	KCB & Green Climate Fund Agreement ⁷⁵	2020	Green Climate Fund: Financing	Green loan products
I&M Bank (previous Orient Bank)	Further Tier 1 banks	Green energy funding scheme ⁷⁶	2021		Green loan products
Standard Chartered Bank Uganda	Further Tier 1 banks	Standard Chartered Bank's Green and Sustainable Product Framework. ⁷⁷	2019		Green loan products Green CSR projects / programmes

70 Citi Bank (2024) : Sustainable investing.

71 DTB (2023) : DTB and KACITA – Uganda Enter Business and Sustainability Partnership.

72 DTB (2023): DTB commits to grow green lending to 25 percent of loan book and achieve net zero carbon neutrality by 2030.

73 Ecobank (2024): Sustainable Finance Framework.

74 Exim Bank (2024): Green Finance Framework.

75 KCB (2024): KCB Green Climate Fund.

76 Business Daily (2022) : I&M lends SMEs Sh2 billion green loans in three years.

77 Standard Chartered (2024): Sustainable Finance.

One of the most active banks regarding green finance is Equity Bank. With its *Equi Green Loan Product* (2022), *Africa Recovery and Resilience Plan* (2022) and *Equity Bank Energy and Environment Pillar* (2021) and the partnership with UGEFA (2021), the bank launched several initiatives between 2020 and 2024. Through the *Equi Green Loan Product*, households, educational institutions and commercial enterprises can apply to a credit for acquiring clean energy technologies.⁷⁸ The *Africa Recovery and Resilience Plan* is a strategic plan for the whole African continent, which focuses on promoting social transformation and climate risk management. For Uganda, Equity Bank set its focus on six pillars: food and agriculture, extractives, manufacturing and logistics, trade and investment, MSMEs, social and environmental transformation and an technology-enabled ecosystem. In these six pillars, entrepreneurs are supported with financial literacy training and asset financing schemes. The measures also include a value chain efficiency and optimization approach, where Equity Bank supports in crowding in investment into shared value chain infrastructure and provides financial services.⁷⁹ Moreover, in its *Energy and Environment Pillar*, Equity Bank supports programs which aim at increasing environmental conservation and clean energy usage and facilitating access to finance for clean energy enterprises⁸⁰. UGEFA's other partner banks were also active in promoting green finance during this time period. Stanbic Bank launched the *ESG-based loan and consultancy service in 2021*⁸¹, Opportunity Bank and Yako Bank started the *UGEFA partnership in 2021* and the three newest partner banks, Stanbic Bank, dfcu Bank and NCBA began their UGEFA partnership in 2023.

Regarding the banks which are not an UGEFA partner bank but participated in the Green Finance Academy, many of these nine banks also started green finance initiatives. Already in 2009, PostBank launched the *Solar Loans for Off-Grid Solar Systems* with the goal to increase access of solar based electricity in rural areas.⁸² Bank of Africa launched the *Promoting sustainable finance for all* initiative (2020)⁸³, Centenary Rural Development Bank the *Cente Solar Loan* (2023)⁸⁴, Housing Finance Bank a partnership with EIB on green finance and women entrepreneurship (2024)⁸⁵ and United Bank for Africa started a green finance partnership with the African Guarantee Fund (AGF)⁸⁶ in 2024. Despite some products being available before 2020, overall most of the banks started their green finance journeys between 2020 and 2024.

An analysis of the remaining Tier 1 commercial banks in Uganda showed that also here most green finance initiatives were started after 2020. Standard Chartered Bank Uganda is one of the exceptions which started its *Green and Sustainable Product Framework* in 2019 already, under which it provides a variety of sustainable finance products.⁸⁷ In 2020, KCB Bank launched a partnership with the *Green Climate Fund*, which supports climate adaptation and mitigation projects through providing green financing.⁸⁸ Amongst the banks that started a green finance Initiative in 2021, Absa Bank launched its *Sustainable Finance Issuance Framework*, where its strategy to provide green loan instruments was anchored⁸⁹, Ecobank

78 Uganda Energy Credit Capitalisation Company (2022), *Equi Green Loan Product Launch*.

79 Equity Bank (2022) : *Africa Recovery and Resilience Plan*.

80 Equity Bank (2024) : *Green Initiatives - Employing revolutionary alternative energy solutions to create wealth and conserve the environment*.

81 Ortega Group (2024) : *What's Missing: A Review of Stanbic Bank's Sustainability Report 2023*.

82 New Vision (2009) : *PostBank to give loans for solar power systems*.

83 Bank of Africa (2024) : *Sustainable Finance*.

84 Centenary Bank (2024) : *Cente Solar Loan*.

85 European Investment Bank (2024) : *Uganda: EIB Global and Housing Finance Bank announce €50 million investment partnership for private sector with focus on female-led/owned businesses*.

86 Bello, Olushalo (2024) : *UBA Gets \$100m African Guarantee Fund Backing For Women-led SMEs, Green Finance*.

87 Standard chartered (2024) : *Sustainable Finance*.

88 KCB (2024) : *KCB Green Climate Fund*.

89 Absa (2023): *Sustainable Finance Issuance Framework*.

Uganda announced its *Sustainable Finance Framework* that provides social, green or sustainability loans and other debt instruments and I&M Bank (previous Orient Bank) set up a *Green energy funding scheme* which provides loans to green MSMEs, especially in the green energy sector.⁹⁰ In 2023, Diamond Trust Bank Uganda started the *DTB and KACITA Business and Sustainability Partnership*, including tailored offerings specifically for social and green businesses and published its decision to grow its *green loans to 25 percent of its loan book*.⁹¹ Also in 2023, Citibank Uganda committed to sustainable investing principles and the ESG integration in impact investments⁹², as well as Exim Bank Uganda, which announced its *Green Finance Framework*⁹³.

The analysis above underlines that in the last years, many banks started to support the transition to a green economy. A closer look at the UGEFA partner banks and the other Tier 1 commercial banks in Uganda showed that their activities and interest in green finance initiatives strongly increased in the last four years and it looks like there is yet more to come. Looking closer at the nature of the green finance initiatives before 2020, the focus was mainly on enterprises in the clean energy sectors, especially around solar and sustainable agriculture. There are different reasons why clean energy was and still is so much in the focus of green finance initiatives. One of them is that 43% of Uganda's population in the rural areas is still lacking access to reliable electricity.⁹⁴ Especially solar products address this gap in providing mini-grid and off-grid solutions. Therefore, a huge demand for clean energy products exists. This led to the Ugandan government passing favourable policies which create incentives for clean energy investments. Examples are the *National Electrification Strategy* (NES) in 2022, which provides the regulatory framework regarding production, transportation and storage of biofuels or the *Renewable Energy Policy* established in 2007, that pushes for the increase of renewable energy in Ugandas energy mix. With its policies, the Ugandan government has regulated but also promoted renewable energies through tax breaks and consumer subsidies.⁹⁵ Another factor is that clean energy projects align with the national but also global sustainability goals, reducing the dependence on fossil fuels and consequently lowering greenhouse gas emissions.⁹⁶ Therefore, also many international donors push the support for the clean energy sector. The favourable policies, potential partnerships and existing financing for renewable energy provided by the government in Uganda, but also by international donors, also made green finance initiatives focused on the energy sector very attractive for commercial banks. Therefore, also among commercial banks, especially their loan products often focus on clean energy. This is also still the case after 2020, but in the recent years, more green finance Initiatives included additional sectors. Besides renewable energy, the Ugandan government now also puts strong focus on sustainable agriculture, waste management, sustainable water management and sustainable transport.⁹⁷ And also the commercial banks now widen their green initiatives to other sectors. For example, in the UGEFA Programme, the partner banks provided loans to enterprises in the clean energy sector, waste management, green manufacturing, sustainable transport and sustainable tourism.⁹⁸

90 Business Daily (2022) : I&M lends SMEs Sh2 billion green loans in three years.

91 Diamond Trust Bank (2024) : DTB and KACITA – Uganda Enter Business and Sustainability Partnership.

92 Citi Bank (2023) : Sustainable investing.

93 Exim Bank (2024) : Green Finance Framework.

94 AFD (2024): Seeing the Light in rural Uganda.

95 GIZ (2022): Sector Brief Uganda: Renewable Energy.

96 Environmental Alert (2018): Increasing Financing and Investments for Clean and Renewable Energy Access in Uganda; Policy and Practice Recommendations for Implementation at National and Local levels.

97 GGGI (2022): Uganda Country Planning Framework 2022-2027.

98 Uganda Bankers' Association, Uganda Bankers' Association elects a new chair.

3.5. Changes in Challenges through Green Finance Initiatives between 2020 and 2024

Comparing the challenges from before 2020 to the situation in 2024, it becomes clear that green finance initiatives in Uganda in the last years led to several positive developments, which diminished some of the challenges faced especially by SMEs and commercial banks in Uganda, however other challenges still exist:

Regulatory:

Unclear definition of Green Finance:

Significant Improvement: the fact, that the Ministry of Finance, Planning, and Economic Development, GGGI and FCDO, with financial support from the European Union, are currently developing a National Green Taxonomy, shows already a strong improvement in creating a clearer definition of green finance in Uganda. The National Green Taxonomy provides classifications and a list with investments and economic activities in specific green priority sectors that are eligible for receiving green finance. It is aimed at assisting enterprises and financiers in their decision on which investments can be considered “green” and it is integrating best practices from around the globe through analysing several existing green taxonomies from other countries.⁹⁹

Regulatory Lacks & Inconsistency:

Significant Improvement: in recent years, the Ugandan government improved previous regulatory lacks regarding green finance, through creating standards and institutional frameworks, like establishing the Climate Finance Unit. The CFU is a dedicated department at the Ministry of Finance, Planning, and Economic Development, which manages domestic and international green finance issues including mobilization, utilization, evaluation and also reporting. Regarding inconsistencies with different regulatory frameworks from other countries, they still exist but without a global valid green finance framework, this will always be an issue and cannot solely be fixed by the Ugandan government. Yet, through the integration of successful elements from other countries’ frameworks and taxonomies, the CFU and the National Green Taxonomy already leads to more consistency with other regulatory frameworks.¹⁰⁰

Financial Institutions:

Short-term mentality of financial institutions:

Little improvement: in Uganda, the short-term mentality of many financial institutions and investors regarding the provision of finance still exists. Some minor improvements have been made through capacity building programmes for commercial banks, which increased education and awareness about climate change related financial risks and better data on green investments. Yet, many banks in Uganda still view green projects as high-risk and the practices and considerations of avoiding long-term investments are still very common.¹⁰¹

UGEFA Approach: in the UGEFA Green Finance Academy, UGEFA trains commercial banks on green finance projects and its benefits and also jointly developed suitable green finance products. With guidance from

99 GGGI (2022) : GGGI to support the Ministry of Finance, Planning and Economic Development to establish a Transitional Climate Finance Unit in Uganda.

100 Ibid.

101 EPRC (2024): Actions to address supply side constraints of Green Financing in Uganda.

UGEFA green finance experts, in the trainings 11 green finance products suitable especially for green small and medium-size enterprises were co-created with staff of commercial banks in Uganda.¹⁰²

Financial Institution's lack of Green Finance knowledge:

Some improvement: there is still a lack regarding in-depth knowledge of financial institutions regarding green finance projects. But some progress has been made, especially through capacity-building initiatives implemented by national and international organizations programmes, like the UGEFA Green Finance Academy or the aBi Finance Green Finance Training, which helps financial institutions to categorize green investments in the field of climate change mitigation, conservation, biodiversity conservation and adaptation.¹⁰³ Yet, one of the main issues are that the acquired knowledge on green financing of bank staff through capacity building trainings often stays in a small circle in the bank headquarters and does not reach the loan officers in other branches and in other regions.¹⁰⁴

UGEFA Approach: in the last four years, in its UGEFA Green Finance Academy, UGEFA has already trained more than 180 staff members of commercial banks in Uganda on green enterprise's needs, green business models and green finance. The trainings also equipped the banks to now develop their own tailored financial products for green enterprises. Also here the issue that knowledge on green finance is only slowly spreading inside the bank exists. But through providing trainings not just for the management level but also for a large staff number from several departments, this issue is diminished.¹⁰⁵

SMEs & Financial Institutions:

Complexity of measuring data:

Little improvement: complexities regarding measuring green finance data still exist, however a few improvements have been made since 2020 in Uganda. In 2020, the National Environment Management Authority (NEMA) established the *Environmental and Social Impact Assessment* (ESIA), which is a regulation helping with the assessment of climate change-connected impacts associated with a specific project. This is an important first step, however in its 2024 published study "Technical Assistance Report: Uganda - PFM Climate Assessment: Public Investment and Fiscal Risk Management"¹⁰⁶, the IMF underlined that regardless of the existing ESIA regulation, in Uganda climate change assessment is in practice still not well understood by many stakeholders and often they are not aware about the process and requirements of the ESIA regulation.¹⁰⁷

UGEFA Approach: in its Catalyser and Accelerator programmes for green SMEs, UGEFA puts a strong focus on impact measurement. It developed impact measurement tools on how to measure green finance data and created an *Impact Dashboard* Excel for its participants to be filled during the workshops. The *Impact Dashboard* Excel is a practical tool, which helps enterprises to categorise, compare, visualise and record their impact with tailored and enterprise-focused indicators. It is based on the IRIS+ catalogue of metrics, that standardises impact performances which are used by impact investors on a global level. With this,

102 UGEFA (2024): UGEFA Green Finance Academy: Empowering Banks for a Green Economy in Uganda.

103 The Kampala Report (2023): aBi Finance rolls out Green Finance capacity building sessions for financial institutions.

104 EPRC (2024): Actions to address supply side constraints of Green Financing in Uganda.

105 UGEFA (2024): UGEFA Green Finance Academy: Empowering Banks for a Green Economy in Uganda.

106 IMF (2024): Technical Assistance Report: Uganda - PFM Climate Assessment: Public Investment and Fiscal Risk Management.

107 Ibid.

the tool helps to translate broad impact standards in a hands-on assessment tool for green SMEs. Here enterprises can select their specific sector and then the *Impact Dashboard* provides them with tailored indicators which help to assess their impact. UGEFA also created the *UGEFA Eligibility Checking Tool* for green enterprises, which is designed to evaluate whether small and medium-sized enterprises and their activities qualify as environmentally sustainable and pose any ecological risk. Based on the experience with green business models in the UGEFA project, the tool provides a comprehensive assessment based on predefined criteria from the IRIS Catalog of Metrics and in-depth logical frameworks.

SMEs:

Inadequate access to finance:

Some improvement: there have been certain improvements regarding access to finance for green enterprises, but significant challenges still exist. Improvements have been made especially in the urban areas, where knowledge of commercial banks on the needs of green enterprises is growing but this knowledge only slowly trickles down to bank branches in rural areas and often green enterprises still face stricter lending criteria. Also, enterprises in rural areas often lack knowledge and technological requirements to comply with the often complex lending process and also reporting requirements.¹⁰⁸ Yet, the range of suitable green finance instruments and especially innovative financial products like for example blended finance improved.

UGEFA Approach: provides workshops for enterprises and business advisors not only in Central Uganda but also in the Western, Northern and Eastern regions of Uganda to improve knowledge on loan requirements and documentation for green investment projects. Of the supported UGEFA enterprises, 53% have been from the Central region, 18% from the West, 17% from the North and 12% from the East. Regarding the regional distribution of accessed loans by UGEFA enterprises, 55% came from the Central region, 28% from the West, 12% from the North and 3% from the East. Of the enterprises that were able to receive a loan through the UGEFA Programme, 58% were able to access debt financing for the first time. Here, enterprises from the Northern region especially benefitted, as 83% were accessing debt financing from commercial banks for the first time. In the Central region the percentage was 58%, in the Western region 45% and in the East 33%.

Lack of collateral to secure loans:

Some improvement: in Uganda, the major form of collateral, which most commercial banks require, is a land title. However, only 20% of the population in Uganda own land titles, which creates difficulties for 80% of Ugandans to access a loan. In 2019, the *Movable Property Security Interest Act 2019* came into force, which is managed by the **Uganda Registration Services Bureau (URSB)** and allows the registration of movable assets different from land, like for example crops, vehicles or equipment. The URSB also organized workshops for financial institutions, where they were informed and trained on this new law. Regardless of the law, also in the last four years, many of Uganda's financial institutions still prefer traditional collateral like land or real estate. But some financial institutions have started to also accept other forms of collateral, like inventory, equipment, contracts, asset financing, credit guarantee schemes or cash collateral.¹⁰⁹

¹⁰⁸ Kasekende (2013): Improving rural access to finance in Uganda.

¹⁰⁹ Business Focus (2022): URSB Registers Over 15,000 Interests Under Movable Properties Law.

UGEFA Approach: UGEFA addresses the issue of high collateral demands of commercial banks with its *Partial Repayment Scheme*, through which 1/3 of the total loan amount distributed to the enterprises is directly paid by UGEFA to the banks as a grant contribution. With 8.9 billion UGX directly repaid, collateral requirement and the financial risk of the financed green SMEs were decreased by on average 101.6 million UGX. Regarding the type of collateral, there was also a preference of land as collateral by the UGEFA partner banks but also other types were accepted, including machinery, equipment, cash cover and vehicles.¹¹⁰

110 Fischer (2024): UGEFA Impact Assessment 2024: Greening the Ugandan Finance Ecosystem through SME Investments.

4. Conclusion and Recommendations

The above conducted analysis shows that there have been significant positive green finance developments in Uganda, especially in the last four years. Many financial institutions, especially commercial banks, international DFIs, and the Ugandan government have intensified their funding and support for green finance initiatives and increased their efforts in spreading knowledge on the needs of green enterprises within the banks, but also helped to improve enterprise knowledge on financial products and requirements regarding access to finance.

Yet, there are still untapped potentials of green finance. Many financial institutions still focus predominantly on clean energy and sustainable agriculture projects, instead of widening their portfolio and raising their share of green enterprises in further sectors, like waste management, green manufacturing, sustainable transport or sustainable tourism. Also, through increasing green finance initiatives not only in the Central region but also in the West, North and East, further untapped potential can be leveraged. Moreover, there is still room for improvements regarding suitable financial instruments and innovations. For example, the green bond market is yet in an early stage in Uganda and supporting it could attract diverse investors and mobilize even more green financing. Other untapped potential also lays in the strengthening of regulatory frameworks and green finance definitions and develop clear standards and policies regarding green finance.

Based on the conducted analysis above and insights gained through UGEFA in the last four years, the following recommendations were derived:

Increase knowledge of financial institutions on all green sectors: according to the commercial banks that participated in the UGEFA Green Finance Academy, their main challenge in deploying green finance is a lack of understanding of green enterprises due to technical complexity. The complexity derives from the fact, that green enterprises often have innovative technologies and business models, which then leads to increased appraisal times and also higher transaction costs for the banks. Therefore, further trainings like the UGEFA Green Finance Academy and other capacity building programmes for banks on green finance are crucial in helping commercial banks to understand green enterprises better.

Ensure trickle down of knowledge in commercial banks to all employees and branches: it is important to ensure knowledge on green finance is spreading in commercial bank branches in the Central region as well as among staff in other regions. This could be achieved through regular workshops for bank staff at all levels to spread the basics of green finance. Here a format like the UGEFA Green Finance Academy could be suitable if employees of all levels and branches attend. Another recommendation which helps to anchor the knowledge of green finance on all levels of financial institutions is to create focus teams on the topic, which then makes sure all employees involved are up to date. This approach would then also help to improve the knowledge of loan officers in other regions, also outside of Kampala.

Improve access of Green Finance to female entrepreneurs: it is still comparably more difficult for female entrepreneurs to access finance in Uganda than for male led enterprises.¹¹¹ In order to increase the amount of green finance in the market and push female empowerment, it would be important to create

¹¹¹ FSD Uganda (2021). Gender Barriers to Access and Use of Financial Services by Women in Uganda.

access to green finance for all social groups. Here, specific gender focused capacity building programmes for female led green enterprises could be beneficial, as well as integrating the topic of gender-sensitive banking practices in workshops for commercial banks. It would be also important to organize networking events and regional hubs for female entrepreneurs to exchange and support each other with the challenges around access to finance.

Provision of innovative collateral approaches for green loans by financial institutions: in Uganda, the most common form of collateral requested by commercial banks is land and property. In order to leverage green finance and the impact of green projects, it is crucial to develop more innovative collateral options. Especially amongst the UGEFA partner banks, in recent years some banks started already to offer alternative collateral options, like for example asset financing, contract-based collateral or cash collateral. However, there is still a lot of room for spreading these collateral practices throughout all banks in Uganda. Further practices to be more commonly used could be insurance-backed collateral or cash flow-based lending. Such strategies not only increase access to finance for green projects but also support broader financial inclusion of marginalized groups.

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