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Federal Ministry
for Economic Affairs
and Climate Action

NDC PARTNERSHIP



Economic Advisory Initiative

*Uganda's Experience
and Lessons Learnt.*

MARCH 2022

1.0 Background

In response to COVID-19, in June 2020, the NDC Partnership launched the Economic Advisory Initiative to support governments in preparing climate compatible recovery packages by embedding economic advisors into ministries of finance and/or planning. This was a direct response to the outcome of a survey conducted by the Partnership in May 2020 covering 68 developing country members. ¹By August 2021, the Partnership had deployed 45 advisors in 30 countries. The advisors have registered remarkable results including preparing national recovery plans and budgets, developing project concepts and pipelines and mobilizing finance. ²

The Government of Uganda has developed an Interim Updated Nationally Determined Contribution (NDC) which is promising higher ambition through a higher emission reduction target of 24.7 below the BAU trajectory in 2030 up from 22%. Its mitigation component has also been enhanced through addition of the Transport, Waste and Industrial Processes & Productive Use (IPPU) sector. However, it was anticipated that the COVID 19 pandemic would delay the current efforts and divert attention from urgent climate actions. Despite the COVID-19 constrained situation, the Ministry of Finance, Planning and Economic Development (MoFPED) and the other NDC Partnership focal points — Ministry of Water and Environment/Climate Change Department (MWE/CCD) and National Planning Authority (NPA) needed to keep the momentum of climate action going while ensuring a sound economic recovery. Through the NDC-Partnership, the German Federal Ministry of Environment, Nature Conservation and Nuclear Safety (BMU) commissioned the Global Carbon Markets Programme which supported the position of an Economic advisor to work on a 'Green economic recovery' for Uganda.

The Technical Advisor was embedded in the Ministry of Finance, Planning and Economic Development under the direct supervision from the Director - Debt and Cash Policy. The Technical advisor worked in close collaboration with Ministry of Water and Environment/Climate Change Department and the National Planning Authority.

This Brief comprises 5 sections namely: Background, Key responsibilities, Completed Advisory Support, Lessons Learnt and Concluding Remarks and Way forward

2.0 Completed Technical Advisor Support

In consultation with the Director Debt and Cash Management, the following deliverables were completed:

- i. **Provide technical input to integrate climate - resilient and low-emission measures into Government's short-, mid- and long-term responses to COVID-19 including but not limited to Uganda's COVID 19 Response strategy.**
- ii. **Strategic level planning to guide implementation of post COVID 19 green economic recovery activities focusing on greening the 18 programs of the NDP III.**
- iii. **Facilitate resource mobilization towards COVID 19 green economic recovery measures including project proposal development and identification of detailed sources of funding.**
- iv. **Engage government, private sector, development partners and other key stakeholders to facilitate identification of suitable green economic recovery measures.**
- v. **Produce quarterly and final progress reports.**

¹ <https://ndcpartnership.org/economic-advisory-support#:~:text=In%20response%20to%20COVID%2D19,of%20finance%20and%20For%20planning.>

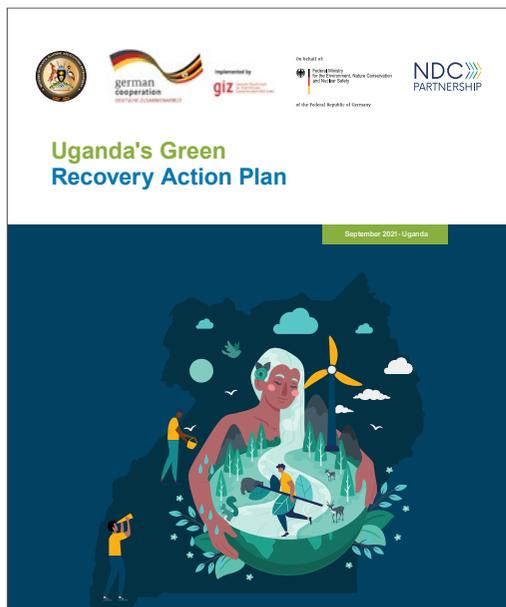
² NDCP Economic Advisory Initiative Progress Update Steering Committee Meeting, Fall 2021

3.0 COVID 19 - Country Assessment Report

This Report clearly highlights the impact of COVID-19 on climate actions and how the current economic recovery strategies relate with NDC-related investments and Projects. The report concludes by noting that while the Ugandan Government has taken commendable steps to contain the virus, and has decisively focused on health, economic and social issues through its 'rescue' aligned stimulus package, there is need to enhance efforts for environment and climate action. The rich policy and legal frameworks are a good starting point in this regard yet the transition to a green economy will itself require a paradigm shift in the use and management of the natural resources. This calls for catalytic investments in sectors with high green growth multiplier effects as illustrated in the NDCs. Moving forward, it will be important to leverage these and more opportunities as Uganda builds forward better. It was recommended that:

- i. The Country should leverage and fast track the implementation of already existing policy and planning tools including the Green Growth Development Strategy
- ii. The Government should align its recovery strategies with the NDCs as a means of not only achieving the goals of the Paris agreement but also ensuring that recovery measures do not further exacerbate climate vulnerabilities.

3.1 Uganda's Green Economic Recovery Plan



Uganda's COVID 19 Recovery Plan comprises short-term fiscal stimulus measures concerned with boosting household and business spending through lowering taxes or providing tax rebates, direct transfer to households,

among others. Suffice to note is that the proposed stimulus measures are focusing on economic activity in the short-run yet the most effective short-run measures in terms of economic recovery often do not have an environmental aspect.

Introducing environmental aspects into the packages allows government to make progress towards long-term environmental objectives, such as the transition to a low-carbon and resource efficient economy, while also providing a boost to economic activity in the shorter term. Uganda's economic recovery faces a huge and complex set of challenges, which can only be overcome through an integrated response across shorter-term recovery macro management policies and longer-term actions that will spur a greener, more resilient, and inclusive recovery.³ Leveraging on the entry points for greening Uganda's economic recovery and the proposed transition to green growth policy options,⁴ several pathways for greening Uganda's economic recovery are traceable. The Green Growth Development Strategies prioritizes areas with the greatest green growth multiplier potential for Uganda namely: (i) Sustainable agriculture production and value chains; (ii) Sustainable transport; (iii) Natural capital management; (iv) Sustainable energy sources; and (v) Planned Urbanization (green cities). Similarly, the draft Nationally Determined Contributions prioritize the following sectors: i) Water and Environment, ii) Agriculture, iii) Forestry, iv) Fisheries, v) Energy, vi) Health, vii) Urban, Transport and the Built Environment and viii) Disaster Risk Reduction (Cross-cutting)

To prioritise areas for greening Uganda's recovery, the pertinent policy frameworks were analysed to tease out the strategic direction of the country in regard to the green agenda. Coupled with the analysis of emerging challenges and opportunities presented by the pandemic and the coping strategies Uganda's population have devised, the following emerged as the key priority areas for greening Uganda's recovery:

Priority 1: Finance

Climate finance flows still appear to be far below the level needed to achieve the Paris goals and there is also uncertainty

³ World bank Economic Update: From Crisis to Green Resilient Growth: Investing in Sustainable Land Management and Climate Smart Agriculture, 17th Edition

⁴ National Planning Authority (2017) Policy Paper on Transition to Green Growth: Policy Options

over the mid to long-term prospects of climate finance due to the pandemic. Current and estimated future levels of international public climate finance fall far short of the amount needed to effect real change and enable low-carbon, climate resilient growth in developing countries and this may only get worse amidst COVID 19. Although official statistics of estimated flows over time have not yet been determined, Uganda benefits from both domestic and global climate finance sources with global financial flows more significant than domestic sources.⁵ Most of Uganda's international climate finance is presently being sourced from climate funds and multi-lateral and bilateral development banks and partners. As the country seeks to green its recovery, the following will be critical:

No	Action Points
1	Green the financial sector: Develop green finance guidelines and frameworks aimed at guiding banks towards greener lending
2	Integrate climate financing in Uganda's capital markets plans
3	Leverage carbon markets for climate finance
4	Launch green bonds
5	Put in place specific eco-funding or eco-condition existing grants and loans provided for the starting of new enterprises taking into the climate resilience, energy efficiency, water efficiency and sustainable waste management.
6	Develop a national green growth financing and investment plan

Priority 2: Information and Communication Technologies (Digitalization of sectors)

The COVID pandemic has clearly demonstrated the potential of the ICT sector in ensuring business continuity. ICT is indeed

manifesting as an accelerator of national development. The challenge however remains that of limited access to ICT services across the country. The focus of green recovery will therefore be to increase access of ICT services for social and economic development. The following are proposed:

No	Action Points
1	Mainstream ICT in all sectors of the economy and digitize service delivery (payments, access to markets via digital platforms and e-commerce, and digital SME finance), consumers (e.g. mobile money, remittances and e-commerce) and the most vulnerable (e.g. expanded and new short-term social safety nets).
2	Extend broadband ICT infrastructure coverage countrywide in partnership with the private sector and implement last mile connectivity in public service delivery areas
3	Expand the Digital Terrestrial Television and Radio Broadcasting network
4	Introduce a prepayment mechanism through operationalization of the national health insurance scheme, and digitalization of healthcare

Priority 3: Transport

The main drivers for transport emissions are population and economic growth. As Uganda's population grows and becomes wealthier, the overall demand for transport will increase and there is an emerging shift from non-motorized transport

and public transport to private car use. Vehicle ownership (excluding motor cycles) increased from only 2/1000 in 2008 to 22/1000 in 2016.⁶ In terms of Uganda's green recovery therefore, focusing only on growing the market for zero

⁵ Bakiika, R., Mbatuusa, C., Mugeere, A., Amumpiire, A. (2020). Climate Finance Mobilization in Uganda: The most viable financing option, Kampala: ACODE, Policy Briefing Paper Series No.51.

emission private vehicles may not be very effective. Rather, the quickest and most cost-efficient way to decarbonize people's daily mobility is to provide an increase in low and zero emissions public transport and promote active mobility alternatives. Investment in public transport not only connects people and communities to economic and social opportunities but also creates millions of decent, sustainable jobs.⁷The following are outlined as key entry points for greening the sector:

No	Action Points
1	Climate proof existing and future transport infrastructure through design codes and guidelines
2	Increase access to high-volume public transport options e.g. Bus Rapid Transit Systems, non-motorized transport, traffic controls
3	Provide Non-Motorized Transport infrastructure within urban areas
4	Put in place and implement urban drainage master plans to address drainage and storm water management: including Paving of roads with durable materials; raising road levels as a solution to climate change adaptation to impacts like floods

Priority 4: Urban and Built Environment

It has been posited that green recovery will start in cities as they are essential economic engines for jumpstarting national economic recovery. Urban transformation towards more compact, connected, clean and resilient cities can support a wide range of development priorities, including enhanced

economic competitiveness, improved public health, higher living standards and reduced pollution. It is vital that governments introduce national policies that prevent urban sprawl; enhance the environmental and job creation impact; promote energy efficient buildings; promote resilient urban transportation among others as enumerated below:

No	Action Points
1	Scale up solar street lighting in all urban centers and promote household solar security lighting across the country.
2	Support public work programmes in green sectors e.g urban agroforestry, urban tree-planting programmes (taking care of diversity of tree species along streets, public institutions and private.
3	Develop green parks /belts /spaces by increasing green cover and trees on lowland areas and hilltops as a way of increasing tree cover and habitats for biodiversity.
4	Promote urban agriculture in high value crops e.g. mushrooms and vegetables
5	Undertake city-wide slum upgrading through investment in low cost housing and extension of support infrastructure and utilities especially safe water
6	Regulation of Real Estate: Establish a regulator for real estate to eliminate haphazard mixed development, slums
7	Support the creation of SMEs on green economy (green tourism activities – eco-friendly approaches, (energy, water, waste, eco material, biodiversity, mobility) helping business access capital conditioned on eco-friendly practices and environmental performance
8	Put in place specific programs that target employment and business enterprises of women, youth and marginalized groups and communities with specific attention to green city development.
9	Invest in eco-industrial/business parks dedicated to green activities that could innovate, demonstrate, and train in green activities and offer training to SMEs.
10	Gazette, protect and restore critical wetlands and other ecosystems that support urban drainage systems.

⁶ Uganda Tracs: Modelling overview: Assessment of mitigation potentials of priority mitigation actions

⁷ <https://www.uitp.org/news/public-transport-key-to-a-green-recovery-uitp-president-speaks-at-the-pan-european-programme/>

Priority 5: Energy

Economic Stimulus plans that support clean energy and decarbonization will certainly create new models for sustainable growth. A just energy transition across sectors and that leaves no one behind will be very important. The potential of renewable energies and energy efficiency, decarbonization, electrification of sectors, and the circular economy all make energy a key focus area for green recovery. Uganda's focus should be on efforts to:

No	Action Points
1	Reduce electricity unit costs for the domestic consumers at household level too in order to increase the use of electricity as cooking energy
2	Promote uptake of alternative and efficient cooking technologies (electric cooking, domestic and institutional biogas and LPG)
3	Encouraging efficient biomass energy production and utilization technologies e.g making briquettes, energy cooking stoves
4	Expanding electricity or use of off-grid solar system to support water supply
5	Develop and promote energy saving technologies such as energy saving cook stoves and bulbs
6	Carryout energy audits for to assess efficiency among industries and public institutions.
7	Identify and implement tax exemptions for renewable energy equipment and technology.
8	Increase renewable energy installations e.g solar panels in homes and institutions like health centres

Priority 6: Public Procurement

Beyond it being an administrative function, there is an opportunity to ensure that public procurement drives innovation, inclusivity, and sustainability and thus morph into a strategic government function.⁸Sustainable procurement is a driver for creating green jobs and greening small and medium sized enterprises, along with tools like eco-labelling and resource efficiency, which result to profitably and reduced environmental degradation. Uganda has greened its National Public Sector Procurement Policy which is a commendable step. For greening the recovery, the following are proposed:

No	Action Points
1	Raise awareness and capacity building among procurement officials and service providers
2	Develop environmental standards criteria and specifications and initiate Eco-labelling schemes
3	Expand green industries and markets through government purchasing
4	Foster green procurement for public bodies, supporting sustainable supply chains

3.2 Financing a Green Recovery

Following identification of green recovery priorities, it was important to analyze the sources of financing for implementation. This was handled through the following deliverables:

- Deliverable 3: Report on viable sources of financing for low emission and climate-resilient projects to support short-, mid-, and long-term economic recovery identified and tapped
- Deliverable 4: Resource mobilization action plan, with clear targets based on diversification of income streams for post COVID-19 low-emission and climate resilient actions
- Deliverable 5: Policy Paper proposing innovative de-risking instruments, viable tax instruments, penalties and fines under the climate change legal regime.

⁸ <https://www.iisd.org/sustainable-recovery/how-can-procurement-drive-the-global-green-recovery/>

The key highlight is the cognizance of the fact that current and estimated future levels of international public climate finance fall far short of the amount needed to effect real change and enable low-carbon, climate resilient growth. This has even been made worse by the COVID 19 pandemic. In light of this therefore, the government of Uganda has prioritized utilization of innovative climate financing instruments for adaptation and mitigation measures including but not limited to; green and sustainability bonds, blue bonds, blended finance, credit mechanisms, insurance, microfinance, carbon markets, debt for nature swaps. Some of the recommendations are highlighted in the table below:

No	Recommendations
1	Following the COVID pandemic, it is critical to build forward better taking cognizance of climate change as a risk multiplier. This can be achieved only if each dollar of limited public funding for climate action can be leveraged with many more times funding from other sources especially private finance
2	De-risking presents a powerful policy option that can break down barriers to private sector participation in climate action by reducing high upfront costs and risks, fast tracking first movers, stimulating markets and closing information gaps.
3	Blended finance will be critical for crowding in private sector funding and helping projects get off the ground
4	Government catalytic funds enhance bankability so as to catalyze in private, institutional, and commercial funds.
5	Uganda needs an explicit carbon tax as carbon taxes are a straight forward carbon pricing instrument which can be comprehensively applied, and revenues directly channeled to financing climate action.
6	For effectiveness and acceptability, carbon pricing needs to be augmented with productive and equitable use of carbon pricing revenues and complemented with alternative policies namely: energy efficiency standards, emission regulations, clean energy subsidies, taxes on individual fuels and sectoral based carbon pricing among others.
8	To understand the potential acceptability of a carbon tax, there is need for an analysis of the impact of energy price changes on consumers. The high fuel prices experienced at the start of 2022 and the response by consumers would be a good starting point.
9	The Climate Change Act 2021 provides for penalties and fines but there is still need for regulations to guide how the provisions of the Act including the administration of penalties and fines will be enforced.
10	Need to fast track the establishment of the National Financing Vehicle (Climate Change Fund) and ensure a channeling of climate related penalties and fines directly into the fund rather than the consolidated fund

3.3 Project Concept Notes

Three project concept notes were prepared and presented to MOFPED as follows:

- i) Advancing Innovative Climate Financing Mechanisms
- ii) Building Urban Climate Resilience for a Green Economic Recovery in Uganda: A focus on new cities
- iii) Green Manufacturing for a resilient economic recovery

4.0 Lessons Learnt

Capacity building/ sensitization:

A quick analysis at the start of the EA Initiative revealed limited awareness and appreciation of climate change issues across MOFPED's departments, directorates and pertinent Finance Agencies. It is now clear to Uganda (MoFPED) that the business as usual economic model has limits in the face of such multiple crises that have ravaged the country. A green approach to economic recovery that strengthens resilience, creates employment, supports economic growth and promotes low-carbon approaches is slowly gaining attention. Green recovery has presented an opportunity



to include stakeholders at MoFPED who were not at the fore front previously in regard to climate change topics. The Macro- Policy Department for example has benefitted from a better understanding of climate change issues. However, the general belief that business as usual is cheaper in the short run than a green approach to recovery still lingers. In the context of COVID 19, climate change appears an inferior and less urgent issue. In response to green recovery therefore, statements like "Great idea, wrong timing" have occasionally prevailed and this calls for more sensitization and capacity building across all departments. It may take some time, but it is noteworthy that results are beginning to show as evidenced by the adoption of the framing of Economic resilience vs Development in the 2022 5th Annual Economic Growth Forum that also featured climate change for the first time.



Evidence-based planning:

To address the general perception that low carbon development is costlier than business-as-usual investments, scenario modelling and planning (brown vs green policies) are very important in providing the evidence (numbers in terms of jobs, income, GDP growth and other benefits) to enhance policy uptake, mindset change and decision making.

Policy evaluation should be an integral part of green stimulus programmes: Uganda has a rich policy and legal framework including the Green Growth Development Strategy and the NDC/LTS processes which are a good starting point towards green recovery efforts but there is need to advance implementation of green fiscal policies and strategies. Pursuant to this is the importance of mainstreaming climate change within MOFPED and pertinent agencies under the auspices of the Ministry to allow further appreciation of climate change issues and accelerate uptake and implementation.

Climate Finance Budgeting:

Whereas Uganda has advanced in the recognition of climate change as an important development issue as evidenced by the integration into strategic policy planning frameworks (Vision 2040, NDP III among others), this has not been followed with the necessary means of implementation or budget allocation. In the face of COVID, the sector was one of those that were affected by budget cuts. Suffice to note is that the stimulus package was already in place before the Economic Advisory Initiative. Moving forward, the green recovery plan has aligned with the NDC action and pertinent plans in the pipeline.

i) Aligning Public Financial Management (PFM) with green recovery: Frameworks such as green procurement, market-based approaches, climate budget tagging among others, are very critical in terms of

"Before COVID19, we had a very ambitious programme for planting trees, but we thought we needed to spare lives and so the budget was cut down. We have a restoration programme of 10 years and tree planting is on top."

Hon Beatrice Atim Anywar - Minister of State for Environment at the National Post COP 26 Forum - March 2022

greening the PFM. In this regard, Uganda developed a manual and piloted climate budget tagging in some sectors and local governments. It now needs to roll out across other ministries. The Public Expenditure and Financial Accountability (PEFA) program has also recently included climate change as one of the indicators for analysis. Together with a Climate Public Expenditures and Institutional Review (CPEIR), PEFA can augment climate budget tagging.

ii) The Strategic role of the Climate change Unit:

Uganda is in preliminary stages of establishing a Climate Finance Unit. This Unit will benefit from inter institutional composition and consequently capacity building. Further, the Unit will need additional dedicated technical expertise to develop bankable projects so as to fast track resource mobilization.

iii) The potential of the Private sector:

The private sector has gleaned some lessons from the multiple crises including the urgency to address climate change. Through their brands, market reach and finances, companies present a remarkable potential for mobilizing climate finance. However, there is need for clear regulations to guide investments. Companies need to be encouraged to integrate climate change within their operational strategies and entire value chains. Further, to motivate companies and crowd in private funds, government catalytic funding will be critical. Market based instruments and innovative sources of climate financing like green bonds present a great potential as highlighted at both the Africa Climate Week and COP 26- where the need for innovative financing to help Africa tackle climate change was emphasized.

Collaboration:

Green recovery measures provide an opportunity for enhanced collaboration with national and international stakeholders. Under the EA Initiative, apart from the direct support to MOFPED, the National Planning Authority has been supported to finalize the Green growth financing strategy. There have been dialogues with other GIZ projects and programmes working on rural development, energy, Minigrids, decentralization, enterprise development among others. Through such synergies, GIZ and the Green Growth Knowledge Platform together with partners have requested MOFPED to be one of the national conveners of the Africa Green Economy Conference.

Extension of the Advisory Support to other sectors, agencies and central banks: To advance the green recovery plan and recommendations, it would be necessary to extend advisory support to sectoral ministries and institutions under the auspices of MOFPED.

The Role of Communication and Visibility:

Visibility and publicity of all efforts towards green recovery is very important as a platform to show case progress, plans and mobilize partners and support. Through a number of platforms including the Africa Climate Week and COP 26, Uganda has showcased its progress and a number of partners have since reached out to MOFPED and GIZ for further engagements on the same.

The Role of the NDC Partnership Support Unit

(Regional Manager Africa (Anglophone and Lusophone Countries) and the In-Country NDCP Facilitator): facilitated synergies and collaboration with other national and international partners in a number of ways including providing information on what other stakeholders were focusing on and in closing the gaps that came with limited physical engagements as a result of lock downs and consequent downsizing of the work force in the Ministry of Finance and other agencies.

The Green Recovery Café: The Café that brought together all the advisors was very useful as a means of ensuring dialogue and sharing lessons from other countries.

Environment and Inclusiveness are matters we now take seriously -

Mr. Francis Kisirinya - Deputy Executive Director Private Sector Foundation Uganda at the Uganda Water and Environment Week, March 2022

5.0 Concluding Remarks And Way Forward

The Economic Advisory Initiative was no doubt a very timely intervention to support countries in their rapid response to COVID 19 and pursuit for an economic recovery that would not further exacerbate climate vulnerabilities. The ground has been laid and there are a number of emerging issues- both challenges and opportunities. Moving forward, it will be important to continue the economic advisory work to address the challenges and harness the opportunities for a more sustained impact and resilient economic recovery in Uganda.

In particular, it will be important for MOFPED and relevant partners to further develop the existing project concept notes into full proposals for funding and implementation.



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