



Federal Ministry  
for Economic Affairs  
and Climate Action



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**Policy Brief:**  
**Innovative De-Risking  
Instruments, Viable Tax  
Instruments, Penalties and  
Fines Under the Climate  
Change Legal Regime**

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## Key Messages

- Following the COVID pandemic, it is critical to build back and 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.
- 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.
- Blended finance will be critical for crowding in private sector financing and helping projects get off the ground
- Government catalytic funds enhance bankability so as to catalyze in private, institutional, and commercial funds.
- Uganda needs an explicit carbon tax as carbon taxes are a straightforward carbon pricing instrument which can be comprehensively applied, and revenues directly channeled to financing climate action.
- 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
- 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.
- 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.
- 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.

# Introduction



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## 1.0 Introduction

Uganda has over the years recognized the threat posed by climate change and has responded with a robust climate change legal regime. In more broad terms, Uganda took a bold and long overdue step to revamp its over 20-year-old environmental law, the National Environment Act (Cap. 153) (the “NEA”). The National Environment Act 2019 (the “NEA 2019”) which repeals and replaces the 1995 NEA primarily addresses emerging environmental issues including climate change. The NEA 2019 creates new offences and greatly enhances the penalties both in monetary fines and custodial sentences.<sup>1</sup>

The NEA 2019 however largely maintains the framework approach from the old law, with a few prescriptive provisions on environmental protection and the need to comply with international legislation. In cognizance of this legal gap, Uganda has recently enacted a Climate Change Law (The National Climate Change Act 2021) to among others give the force of law in Uganda to the United Nations Framework Convention on Climate Change, the Kyoto Protocol, and the Paris Agreement; and to provide for financing for climate change. The Act provides for a Framework Strategy on Climate Change that will among others specify the mechanism for achieving climate-resilient development and low greenhouse gas emissions, and its financing.

Under that Climate Change Act, the Ministry of Finance in consultation with the Ministry of Water and Environment has the responsibility for providing climate change financing including providing grants, loans and incentives to individuals, private entities and local governments for climate change, research and innovation in industry, technology, science, academia and policy formulation; and also by statutory instrument, make regulations setting out procedures for accessing the financing; provide incentives to persons engaged in implementing response measures for adaptation and mitigation and make regulations prescribing the nature of incentives, the conditions for the grant or withdrawal of incentives and such other matters related to incentives.<sup>2</sup>

In line with this, the National Climate Change Act further provides for a viable financing vehicle at national level. As Uganda continues to deliberate and define the form and scope of the National financing vehicle which is envisaged to pool all forms of finance, it is important to highlight the potential of innovative de-risking instruments, viable tax instruments, penalties and fines. This paper explores these and more in the next chapters.

## 2.0 Innovative de-risking instruments, viable tax instruments, penalties and fines

Resource mobilization is a shared responsibility among all climate action stakeholders within the government of Uganda. This enables a better harness of the knowledge that exists throughout the country in terms of technical knowledge and contacts with funding partners to generate resources for the set priorities. To enhance the ability to tap into various potential funding sources not only globally, but also regionally and nationally, the Ministry of Finance with support from Ministry of Water and other Ministries, Departments and Agencies is strategically positioned for its central role in resource mobilization. Uganda’s position as one of the 5 pioneer countries for Access to Climate Finance Task Force , makes MoFPED a strategic actor for advancing climate finance.<sup>3</sup> In line with resource mobilization, below is an overview and analysis of potential accelerators of green financing instruments including innovative de-risking instruments and the role of taxes and penalties.

### 2.1 Innovative de-risking instruments

It is generally observed that low-carbon technologies are much more capital-intensive than their high-carbon alternatives and so are the investment risks and related financing costs that are more significant for low-carbon projects. De-risking presents a powerful policy option to re-direct financial flows from high- to low-carbon investments by lowering the financing costs and consequently the greenhouse gas abatement costs of low-carbon technologies. This is usually achieved through a two- pronged approach namely:

<sup>1</sup> <https://www.ensafrica.com/news/detail/1132/the-national-environment-act-2019-revamping-t>

<sup>2</sup> The National Climate Change Act 2021

<sup>3</sup> Announced at the COP 26: <https://ukcop26.org/taskforce-on-access-to-climate-finance-fourth-steering-committee/>;

- i) Financial where the financial impact of a negative event is reduced by transferring large portions of the impact to other parties through for example risk insurance or guarantees offered by public sector actors (e.g., development banks) who cover damages, e.g. in the form of reduced or no payment of the customer. For example, the credit worthiness of a power purchase agreement (PPA) may often be a concern to lenders. Partial loan guarantees can provide local banks with the security to lend to project developers, thereby kick-starting the local financial sector's involvement in renewable energy.<sup>4</sup>
- ii) Policy de-risking where the likelihood of a negative event is reduced by removing barriers in the investment environment and improving local institutions. Policy de-risking instruments utilize policy and programmatic interventions to mitigate risk for example through streamlining the permitting process that reduces the likelihood of construction delays,<sup>5</sup> clarifying institutional responsibilities, reducing the number of process steps and providing capacity building to programme administrators.<sup>6</sup>

In line with de-risking for example, the AfDB, along with its partners, commits to mobilizing private sector investment by supporting policy and regulatory reforms; aligning price signals; making innovative use of policy and finance instruments; and leveraging concessional finance to help scale up public and private investments in climate projects. The CIF<sup>7</sup> also continues to test and define financing models that break down barriers to private sector participation in climate action by: covering high upfront costs and risks; championing first-movers; stimulating markets; bridging financing and information gaps.<sup>8</sup>

### 2.1.1 Blended Finance

Among the tools to mitigate risk and facilitate financing for private sector-led projects is blended finance. Blended finance is an effective tool to crowd in private sector financing where it is most needed delivering high-impact, high-risk projects and helping projects get off the ground. It is however important to note that blended finance provides “de-risking” for financial risks, but non-financial risks remain.<sup>9</sup>

### 2.1.2 Government Catalytic Funds

Government funds mostly play the role of de-risking projects and enhances bankability so as to catalyze in private, institutional, and commercial funds.

National Green Finance Catalytic Facilities: The concept of creating national or local green funds or facilities that can act to de-risk green projects is especially relevant in the post-COVID-19 environment. Risk perceptions over bankability considerations have emerged as a key constraint on private capital flows. Creating a finance facility in contrast to a stand-alone project approach is beneficial for reasons that include: (i) scale of funds to be attracted; (ii) faster timescales; (iii) efficiency in the administration of a range of funds collated and pooled; and (iv) diversification of risks across a range of sectors and geographies. Such a facility should also combine project structuring and capacity building functions, which is much needed for local government project sponsors and can work to create a pipeline of bankable projects. Cross-learning can also be effectively built up through such a facility, ideally placed at a national government or national development finance institution level. Green frameworks can also be institutionalized at such an entity as well as some of the necessary green policy actions such as project screening mechanisms, reporting, and monitoring, which will give much greater confidence to global investors.

A facility that supports projects at various stages of development such as this could also access capital markets through green bonds and raise further capital. Such a programmatic response is critical to rapidly finance post-COVID-19 climate projects and to capitalize on the window of opportunity posed by COVID-19 recovery stimuli.<sup>10</sup> Governments including Uganda have formulated green recovery packages in response to the economic crisis caused by the health crisis. Many of these have an infrastructure or energy element which are all mostly capital intensive.

### De-risking the Infrastructure Sector

For de-risking institutional investment in green infrastructure for example, OECD highlights the role of blended finance and defines it as the strategic use of development finance for the mobilization of additional finance towards sustainable development in developing countries. Contrary to the general understanding, OECD emphasizes that whereas blended finance involves the use of de-risking, it is not a de-risking instrument itself. Below is a typology of de-risking instruments and corresponding adoption rates by institutions.<sup>11</sup>

<sup>4</sup> UNDP 2020 Derisking Renewable Energy Investment

<sup>5</sup> Schmidt 2015 Low-carbon investment risks and de-risking

<sup>6</sup> UNDP 2020 Derisking Renewable Energy Investment

<sup>7</sup> The CIF has allocated over USD 2.3 billion—close to 30% of total funding—to projects and programs that attract private sector investments in renewable energy, clean transport, sustainable forestry and climate resilience. In turn, the CIF anticipates that approximately USD 19 billion in co-financing—or 33% of total expected co-financing of USD 58 billion—will come from the private sector.

<sup>8</sup> De-risking Investment to engage the private sector- [https://www.afdb.org/fileadmin/uploads/afdb/Documents/Publications/CIF2017/AfDB-CIF2017AR-De-risking\\_investment\\_to\\_engage\\_the\\_private\\_sector.pdf](https://www.afdb.org/fileadmin/uploads/afdb/Documents/Publications/CIF2017/AfDB-CIF2017AR-De-risking_investment_to_engage_the_private_sector.pdf)

<sup>9</sup> <https://ieg.worldbankgroup.org/blog/what-blended-finance-and-how-can-it-help-deliver-successful-high-impact-high-risk-projects>

<sup>10</sup> Asean Catalytic Green Finance Facility (ACGF) 2020, Green Finance Strategies for Post-Covid-19 Economic Recovery in Southeast Asia Greening Recoveries for People and Planet

<sup>11</sup> OECD, Derisking institutional investment in green infrastructure.2021 Progress Update. Policy Perspectives

Table 1: Typology of De-risking instruments		
Name	Description	Frequency in Database
<b>Co investment (Project Equity)</b>	Public actor(s) provide equity alongside private investor(s) directly at the project level. Equity stake of public actor(s) may be equal or lower than that of private investor(s)	14
<b>Co-investment (Equity Fund)</b>	Public actor(s) co-capitalize an unlisted fund alongside private investor(s) as a limited partner. The fund provides equity to projects	174
<b>Co-investment (Debt Fund)</b>	Public actor(s) co-capitalize an unlisted fund alongside private investor(s) as a limited partner. The fund provides debt to projects	3
<b>Co-financing</b>	Debt provision by a public actor(s) alongside other private financiers directly at the project level	12
<b>Cornerstone stake (Fund level)</b>	Investment by a public actor in a fund amounting to a majority equity stake so as to achieve a demonstration effect and attract other investors	55
<b>Subordinated equity (Fund Level)</b>	Mezzanine or junior financing provided by a public actor to a fund with the purpose of minimizing potential losses to private investors.	2
<b>Subordinated debt</b>	Junior debt provision by a public actor	4
<b>Anchor investment in CDOs</b>	Investment by a public actor(s) in a collateralized debt obligation (CDO) or a collateralized loan obligation (CLO) amounting to a majority stake in a securitized loan or other debt extended to infrastructure projects	7
<b>Loan</b>	Debt issuance by a public actor	63
<b>Loan guarantee</b>	Guarantee by a public actor to pay any amount (either in full or part) due on a loan in the event of non-payment by the borrower	17

Source: OECD 2021 Typology of De-risking instruments and transaction enablers that have already been deployed by public actors to mobilize institutional investments

In its 2018 Progress Update on approaches to mobilizing Institutional Investment for Sustainable Infrastructure, OECD provides the following typology with examples:<sup>12</sup>

**Figure 1:** Approaches to mobilizing Institutional Investment for Sustainable Infrastructure

<sup>12</sup> OECD Environment Working Papers No 138

Risk Mitigants		Risk Mitigants are defined as either a direct use of public finance or backing a project with public funds which puts public funds at risk. In short the public actor has a contingent liability.			
			Example		
Name	Description	Frequency in Database	Project	Public Actors Involved	Institutional investor
<b>Co-investment</b>	Public actor(s) invest alongside private investor(s) with either debt or equity with an equal or lower stake than a private investor (any larger investment would be classified as cornerstone stake)	79	Kathu Concentrated	Development Bank of Southern Africa (DBSA)	Government Employees Pension Fund (GPIC)
<b>Cornerstone stake</b>	Investment by a public actor in a fund, issue or project amounting to a majority equity stake so as to achieve a demonstration effect to attract other investors	68	NAB Low Carbon Shared Portfolio Project 1	Clean Energy Finance Corporation (CEFC) Australia	Insurance Australia Group Ltd. undisclosed institutional investors
<b>Loan</b>	Debt issuance by a public actor	60	Veja Matte Offshore Wind Farm	KfW, Bayerische Landesbank, Landesbank Hessen-Thuringen Girozentrale	PensionDanmark A/S and other undisclosed institutional investors through Copenhagen Infrastructure II
<b>Loan guarantee</b>	Guarantee by a public actor to pay any amount (either in full or part) due on a loan in the event of non-payment by the borrower	20	Walney Island Offshore Wind Farm Extension Phase II	EKF	PensionDanmark A/S, Pensionskassernes Administration A/S, Legal & General Group PLC Pension Insurance Corp, undisclosed institutional investors through asset management companies
<b>Public seed capital or grants</b>	Concessional fund allocation using public money	6	Solar Reserve Crescent Dunes STEG Plant	United States Department of Energy	Canada's Public Sector Pension Investment Board, Ontario Teachers' STEG Plant Pension Plan

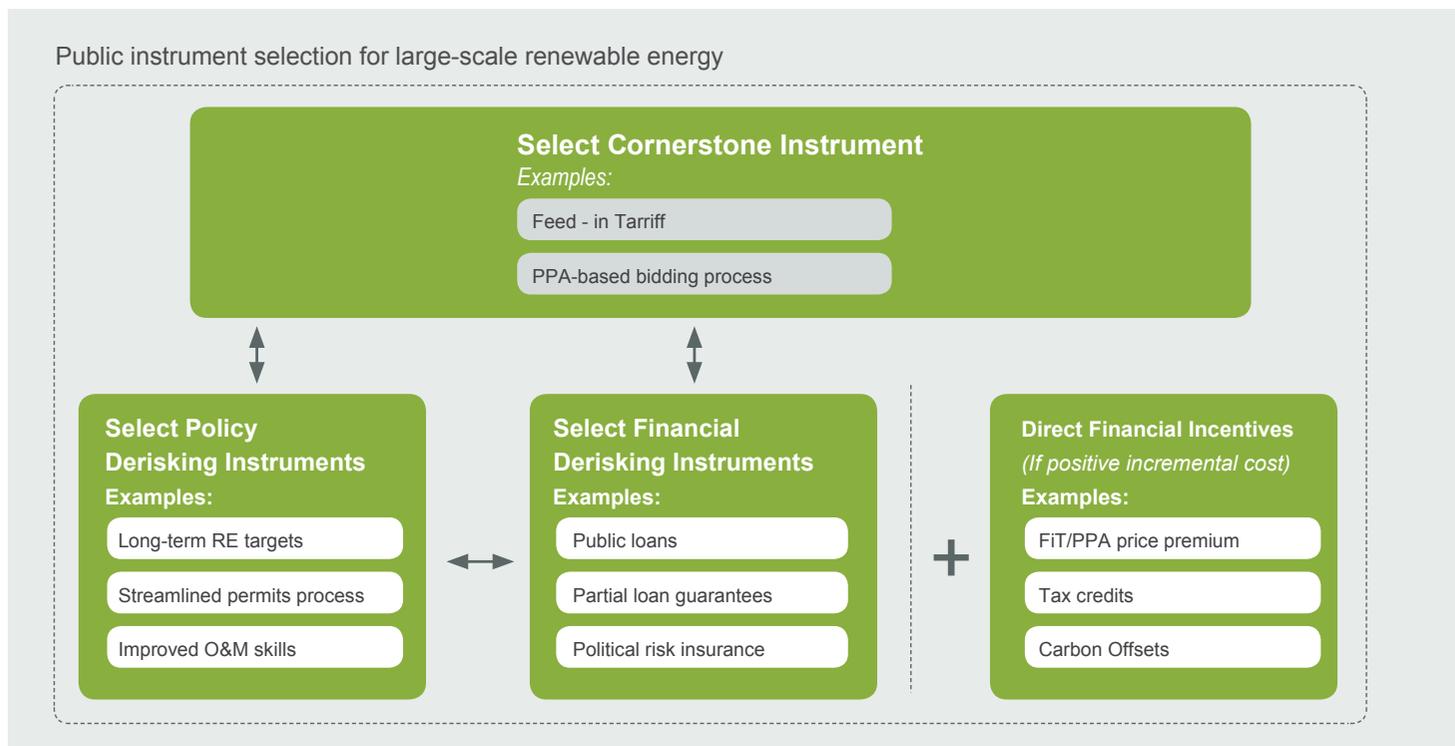
Risk Mitigants		Risk Mitigants are defined as either a direct use of public finance or backing a project with public funds which puts public funds at risk. In short the public actor has a contingent liability.			
			Example		
Name	Description	Frequency in Database	Project	Public Actors Involved	Institutional investor
<b>Revenue guarantee</b>	Guarantee by a public actor to pay for the core product to ensure revenue cash flow for a project	3	Seine Rive Gauche	French Treasury	KGAL Investment Management
<b>Back-stop guarantee</b>	Guarantee by a public actor to purchase any unsubscribed portion of an issue (debt or equity)	3	Hindustan Solar	Asian Development Bank (ADB)	Undisclosed
<b>Liquidity facility</b>	A facility by a public actor allowing the borrower to draw thereupon in case of a cash flow shortfall	3	Thames Tideway Tunnel	Government of United Kingdom	Allianz, Swiss Life Asset Managers, Undisclosed institutional investors through Amber Infrastructure Group, Dalmore Capital Limited
<b>Political risk insurance</b>	Guarantee by a public actor to indemnify in case of political risks like currency inconvertibility, expropriation etc.	1	Elzaig Hospital Campus Project	Multilateral Investment Guarantee Agency(MIGA)	Undisclosed

Risk Mitigants		Risk Mitigants are defined as either a direct use of public finance or backing a project with public funds which puts public funds at risk. In short the public actor has a contingent liability.			
			Example		
Name	Description	Frequency in Database	Project	Public Actors Involved	Institutional investor
<b>Warehousing and pooling</b>	Bundling together smaller projects or demand to achieve commercial scale that is attractive and viable for institutional investors.	15	Tappaghan Mountain Wind Farm	UK Green Investment Bank	Undisclosed institutional investors through the Greencoat UK Wind PLC
<b>Offtake agreements</b>	Agreements/arrangements with a public actor that has the effect of mitigating project off-take risk (not necessarily for taking off the core product; could also be a renewables quote/certificate).	5	Kiata Wind Farm	Government of Victoria	Undisclosed institutional investors through asset management company
<b>Blending</b>	The strategic use of development finance for the mobilisation of additional finance towards sustainable development in developing countries <sup>10</sup> . Note that blending can happen without public funds. If indeed a public is involved, this database also records it as co- investment.	3	PT Royal lestari Utama	UN environment	Undisclosed investors through ADM Capital
<b>Syndication platform</b>	Any mechanism put in place by a public actor to syndicate platform investments by institutional investors	1	SolarVision Celina PV Plant	Government of the United States	Undisclosed institutional investors through New energy Capital, Clean Tech Infrastructure Fund

## De-risking the renewable energy sector

UNDP estimates that it could cost up to USD 250–270 billion per year to shift developing countries to 20 percent renewable energy by 2025 and posits that private sector financing together with international capital markets will be critical in this regard. The real challenge however lies in the ability to design packages of public instruments which can cost-effectively catalyze private investment. The figure below, illustrates a typical public instrument package for large-scale renewable energy that comprises a cornerstone instrument, such as a feed-in-tariff (FiT), acting as the centre-piece public instrument, complemented by de-risking instruments (drawing distinction between policy de-risking instruments and financial de-risking instruments), and where necessary, direct financial incentives.

Figure 2: Public instrument selection for large scale renewable energy



Source: Derisking Renewable Energy Investment (2013)

Using the GET FiT (Global Energy Transfer Feed-in Tariff) investment support scheme in Uganda, which has attracted approximately 453 million USD in private sector investment for 17 small-scale renewable energy projects (solar, hydro, bagasse) in only three years, evidence is drawn on the importance of leveraging private investment to expand renewable power generation and the role of financial additionality and productivity gains. It is generally observed that in many low-income countries, merely providing price incentives without tackling the looming sources of financial and policy risk will likely not yield the expected build-out of renewable power generation. Countries particularly suited to the GET FiT approach face short-term

supply constraints that can only be bridged through expensive fossil-fuel based generation (e.g., heavy fuel oil generators in Uganda). As renewable power projects, such as solar, can be developed quickly and relatively cheaply, renewable power projects can be an attractive alternative to conventional generation.<sup>13</sup>

### 2.2 Viable tax instruments

Carbon dioxide as a by-product of combustion is universally considered a waste product, and an externality that is currently untaxed in most jurisdictions yet with the glaring evidence of

the impact of climate change across sectors, there is increasing justification for introducing a price on carbon alongside addressing the causes of emissions through improvements to investment, technology and policy.<sup>14</sup>

Article 2 of the National Climate Change Act 2021 provides for progressive reduction or phasing out of market imperfections, fiscal incentives, tax and duty exemptions and subsidies in all greenhouse gas emitting sectors that run counter to the objective of the Convention and application of market instruments.<sup>15</sup>

Carbon taxation and various fees are some of the examples of fiscal instruments from the public sector in addition to market financial instruments which provide investment and credit opportunities. Carbon taxes and cap-and-trade systems are indeed a particularly promising source of climate finance.

Uganda does not have an explicit carbon tax, nor a CO<sub>2</sub> emissions trading system. However, it does collect energy taxes, including: Excise taxes on fuels, with the exception of fuels used for fishing; a public lighting charge on electricity consumption. In April 2020 the Ugandan Parliament passed the Excise Duty (Amendment) Bill of 2020, which would increase the tax on petrol and diesel by 12.5% and 17.0%, respectively.<sup>16</sup> Although the rationale for fuel excise taxes may not be principally climate motivated and the tax rate not necessarily aligned with each fuel's carbon content, they can be used as they result in a de facto carbon price as they create economic incentives similar to those of carbon taxes and emission permit prices, even if their primary objective may be to raise revenue. Fuel excise taxes can therefore be seen as implicit carbon taxes.<sup>17</sup>

By imposing a charge on the carbon content of fossil fuel supply, carbon taxes are a straightforward carbon pricing instrument and can be comprehensively applied. In addition, carbon taxes can provide certainty over the future trajectory of emissions prices, and revenues accrue directly to finance ministries.<sup>18</sup> This might be of interest for Uganda now that the Final Investment Decision has been made. The FID announcement signifies the commitment of the oil companies to invest close to US\$ 10 billion to develop Uganda's oil and gas resources through the implementation of the Tilenga Project in Buliisa and Nwoya districts; the Kingfisher Project in Hoima and Kikuube Districts (approximately US\$6-8bn); and, the East African Crude Oil Pipeline (EACOP) that will cross the ten (10) districts of Hoima, Kikuube, Kakumiro, Kyankwanzi, Gomba, Mubende, Lwengo, Sembabule, Kyotera and Rakai in Uganda.<sup>19</sup>

IMF has however generally shown that current fuel excise taxes, carbon taxes and emissions trading systems result in carbon rates that are low and poorly aligned with fuels' carbon content and do not meet policy ambitions to deal with climate change. This therefore calls for more stringent carbon pricing policies or equivalent policies that do not compromise energy affordability or disproportionately affect lower income households, for countries to reach their nationally determined targets.

For overall effectiveness and acceptability, carbon pricing needs to be enhanced with a comprehensive package of measures including: a balance between carbon pricing and reinforcing sectoral instruments; supporting public investment and technology policies; productive and equitable use of carbon pricing revenues; fossil fuel subsidy reform; and measures for a just transition to address industrial competitiveness. In line with this, there is need for: regular updates of greenhouse gas emissions price paths consistent with countries mitigation pledges; assessments of the synergies and trade-offs between emissions pricing and other mitigation instruments; pricing needs to be complemented with and to some degree can be replaced by alternative policies, e.g., energy efficiency standards, emission regulations, feebates, clean energy subsidies, taxes on individual fuels, and sectoral-based carbon pricing since a better understanding of these complementarities and trade-offs helps countries select the policy packages best suited to their economic and political economy circumstances; and an analysis of the incidence of energy price changes on households, industries, and regions, and of assistance measures designed to alleviate adverse consequences.<sup>20</sup> The high fuel prices experienced at the start of 2022 and the response by consumers would be a good case for such analysis to understand the potential acceptability for a tax.<sup>21</sup>

<sup>13</sup> <https://www.sciencedirect.com/science/article/pii/S0305750X20304757>

<sup>14</sup> Carbon markets and market financial instruments

<sup>15</sup> Uganda National Climate Change Act 2021

<sup>16</sup> <https://www.oecd.org/tax-policy/taxing-energy-use-uganda.pdf>

<sup>17</sup> Tax Policy and Climate Change IMF

<sup>18</sup> Tax Policy and Climate Change IMF

<sup>19</sup> [https://www.pau.go.ug/announcement-of-the-final-investment-decision-brings-uganda-closer-to-first-oil/?utm\\_source=rss&utm\\_medium=rss&utm\\_campaign=announcement-of-the-final-investment-decision-brings-uganda-closer-to-first-oil](https://www.pau.go.ug/announcement-of-the-final-investment-decision-brings-uganda-closer-to-first-oil/?utm_source=rss&utm_medium=rss&utm_campaign=announcement-of-the-final-investment-decision-brings-uganda-closer-to-first-oil)

<sup>20</sup> Tax Policy and Climate Change IMF

<sup>21</sup> <https://allafrica.com/stories/202202040489.html>- In the week commencing 01 January 2022, the country experienced a hike in petroleum prices by Shs550 from Shs4,450 per litre as of 17 December 2021, to the current Shs5,000 per litre.

## 2.3 Penalties and Fines

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 will be applied. In addition, the issue of the financing vehicle or Climate Change Fund is very pertinent in this regard. In support for a Climate Fund,<sup>22</sup> the Chairperson of the Parliamentary Standing Committee on Climate Change voiced concerns with the legal regime where all environmental levies are deposited to the Consolidated Fund with little or no resources allocated to finance climate activities. Whereas he suggested an amendment of the 2015 Public Finance Management (PFM) Act and tabling a Climate Change law to provide for a Climate Fund so that some percentage of environmental levies is automatically pooled into the Climate Fund, the Climate change Act has not explicitly provided for a climate change fund. It is therefore important for Uganda to expedite the process of defining their preferred design of a National Financing Vehicle as provisioned by the Climate Change Act 2021 (Section 20 on Financing for climate change). However, the broader environment and natural resources

subsector provides some insights and lessons that can inform the climate change space. To close the financing gaps within the Environment and Natural Resources Sector, a number of natural resource funds were established under different legal frameworks including the National Environment Fund (NEF) under the National Environment Act (NEA); the Wildlife Fund under the Wildlife Act and the Tree Fund under the National Forest and Tree Planting Act (NFTPA).<sup>23</sup> The real concern however is whether these have met the objectives for which they were designed.

The National Environment Act 2019 that replaced the law for Environmental management (National Environment Act, Cap. 153) *provides for enhanced penalties for offences under part (XV)- Offences, Penalties, Fees, Fines and other Charges.* Unlike climate change, where there is no Fund (National Financing Vehicle) yet, it would be expected that the Environment Fund would be adequately utilized to, pool resources including those from penalties and fines to finance environment restoration and by extension, manage climate change related matters. The diversion of the Environment Fund from the National Environmental Management Authority to the Consolidated Fund has however constrained achievement of the Fund's intended objectives. In the 2021/2022 financial year for example, NEMA reported that it collected Shs267 billion from the Environmental Levy, yet it was allocated only Shs15 billion for the 2022/2023 financial year meant for salaries, wages and gratuity.<sup>24</sup>

### 20 Financing for Climate Change

(1) The Minister responsible for finance shall, in consultation with the Minister, provide for climate change financing, taking into account -

- (a) viable climate financing mechanism at the national level; and
- (b) international climate financing mechanisms referred to in article 9 of the Agreement.

(2) The financing shall be for the purposes of -

- (a) research, data collection on climate change and systematic observation of the climate change, taking into account the need to minimize duplication of effort;

<sup>22</sup> <https://parliamentwatch.ug/the-civil-society-organisations-cso-meets-the-parliamentary-standing-committee-on-climate-change/>

<sup>23</sup> 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

<sup>24</sup> <https://chimpreports.com/kasajja-grilled-as-nema-is-given-shs-15bn-budget-after-collecting-shs-267bn/>



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