EN

THIS ACTION IS FUNDED BY THE EUROPEAN UNION

ANNEX 4

to the Commission Implementing Decision on the financing of the multiannual action plan in favour of the Republic of Uganda for 2022-2024

Action Document for Climate Action for Sustainable Development in Uganda

MULTIANNUAL PLAN
This document constitutes the multiannual work programme within the meaning of Article 110(2) of the Financial Regulation, and action plan within the meaning of Article 23(2) of the NDICI-Global Europe Regulation.

1 SYNOPSIS

1.1 Action Summary Table

1. Title **CRIS/OPSYS business reference** **Basic Act**	Climate Action for Sustainable Development in Uganda OPSYS number: ACT-60951 Financed under the Neighbourhood, Development and International Cooperation Instrument (NDICI-Global Europe)
2. Team Europe Initiative	No
3. Zone benefiting from the action	The action shall be carried out in Uganda, nation-wide
4. Programming document	EU Multi-Annual Indicative Programme for Uganda 2021- 2027
5. Link with relevant MIP(s) objectives / expected results	Priority area 1: Green and Climate Transition, Objective “Promoting sustainable investments” and its Specific objective 1.4 – Supporting Uganda to develop financing for climate action, Expected result 1.4: Access to finance for climate action, including in innovative sectors is improved and Expected result 1.5.b: Planning and management capacities are strengthened at the local level, notably in promoting domestic resource mobilisation, leveraging external financing (e.g. green bonds or Green Climate Fund), improving public finance management, and providing e-services. MIP Priority Area 2 – Promoting sustainable and inclusive jobs and growth and its Specific Objective 2.1. Increased mobilization, equitable access and utilization of green economy finance across all investment sectors.
PRIORITY AREAS AND SECTOR INFORMATION	
6. Priority Area(s), sectors	Priority area 1: Green and Climate Transition, Objective “Promoting sustainable investments” and Priority Area 2: Promoting sustainable and inclusive jobs and growth DAC code 240 – Banking and financial services
7. Sustainable Development Goals (SDGs)	Main SDG: SDG13: Climate Action Other significant SDGs: SDG 8: Decent Work and Economic Growth SDG 1: No poverty SDG 2: Zero Hunger

	SDG 5: Gender Equality SDG 7: Affordable and Clean Energy			
8 a) DAC code(s)	DAC code 240 – Banking and financial services – 20% DAC code 250 – Business & Other Services – 27% DAC code 151 – Government & Civil Society-general – 53%			
8 b) Main Delivery Channel	Channel 41111 *UNCDF* Channel 47136 *GGGI* Channel 11004 *EC*			
9. Targets	☐ Migration ☒ Climate ☒ Social inclusion and Human Development ☒ Gender ☒ Biodiversity ☐ Education ☐ Human Rights, Democracy and Governance			
10. Markers **(from DAC form)**	**General policy objective @**	**Not targeted**	**Significant objective**	**Principal objective**
	Participation development/good governance	☐	☒	☐
	Aid to environment @	☐	☒	☒
	Gender equality and women's and girl's empowerment	☐	☒	☐
	Trade development	☒	☐	☐
	Reproductive, maternal, new-born and child health	☒	☐	☐
	Disaster Risk Reduction @	☐	☒	☐
	Inclusion of persons with Disabilities @	☒	☐	☐
	Nutrition @	☒	☐	☐
	RIO Convention markers	**Not targeted**	**Significant objective**	**Principal objective**
	Biological diversity @	☐	☒	☐
	Combat desertification @	☐	☒	☐
	Climate change mitigation @	☐	☐	☒
	Climate change adaptation @	☐	☐	☒
11. Internal markers and Tags:	**Policy objectives**	**Not targeted**	**Significant objective**	**Principal objective**
	Digitalisation @	☐	☒	☐

		YES	NO	
	digital connectivity digital governance digital entrepreneurship digital skills/literacy digital services	☐ ☐ ☒ ☒ ☐	☒ ☒ ☐ ☐ ☒	
	Connectivity @	☒	☐	☐
	digital connectivity energy transport health education and research	YES ☐ ☐ ☐ ☐	NO ☒ ☒ ☒ ☒	
	Migration @ (methodology for tagging under development)	☒	☐	☐
	Reduction of Inequalities @ (methodology for marker and tagging under development)	☐	☒	☐
	Covid-19	☒	☐	☐
BUDGET INFORMATION				
12. Amounts concerned	Budget line(s) (article, item): BGUE-B2023-14.020121-C1-INTPA Total estimated cost: EUR 15 000 000 Total amount of EU budget contribution: EUR 15 000 000 The contribution is for an amount of EUR 15 000 000 from the general budget of the European Union for 2023, subject to the availability of appropriations for the respective financial year following the adoption of the relevant annual budget, or as provided for in the system of provisional twelfths.			
MANAGEMENT AND IMPLEMENTATION				
13. Type of financing	**Indirect management** with the entity(ies) to be selected in accordance with the criteria set out in section 4.4.1 and 4.4.2 **Indirect management with** a Lead Finance Institution. This contribution to the Regional Blending Facility shall be implemented in indirect management by the entities indicated in the appendix of this Action Document, in accordance with the Regional Blending Facility's award procedure.			

1.2 Summary of the Action

Uganda is a least developed country (LDC) and the 12th most vulnerable country globally to climate change. The rural poor and marginalized groups are particularly vulnerable and poorly equipped to cope with and adapt to the adverse impacts of climate change. Uganda is committed to tackling the effects of climate change as recognised in the National Climate Change Policy[1] (NCCP) and the recently adopted Climate Change Act[2], as well as in the country's Green Growth Development Strategy.

To support Uganda in tackling these challenges, the climate action proposes a comprehensive approach to provide and facilitate access to climate financing at the sub-national and national levels, as well as for green SMEs / the private sector. It is also fully in line with the European Green Deal – financing the green transition and leave no one behind – and the Action Plan on Financing Sustainable Growth[3] and on the Communication on Achieving Inclusive and Sustainable Growth[4] through a stronger collaboration with the private sector. It will contribute to SDGs 13 and 8 (main) and SDGs 1, 2, 5 and 7 (significant).

The three components constituting the action intend to:

1. increase the resilience of communities and local economies in Uganda, through regular, predictable, systemic and verifiable climate finance in support of Nationally determined contributions (NDC) and national adaptation plan (NAP)-aligned and locally-led adaptation action.
2. contribute to mobilising more climate finance and targeting it towards worthy green projects at national level. This will be done through a comprehensive approach of supporting the Ministry of Finance, Planning and Economic Development and other selected public institutions
3. contribute to facilitating climate finance to green Ugandan SMEs for adaptation or mitigation actions.

The country's Green Growth Development Strategy recognises that Uganda needs to reconsider its growth model to deliver inclusive economic and social outcomes while protecting natural capital, addressing climate change, creating jobs and accelerating economic growth. This has been reinforced through the National Climate Change Policy (NCCP) and the recently adopted Climate Change Act and is reflected in the ambitions presented in the revised National Determined Contributions. In order to achieve these goals and transform the economy, access to sustainable, reliable and affordable finance both by the private sector and national and subnational authorities is key.

2 RATIONALE

2.1 Context

The proposed Action contributes directly to the MIP 2021-2027 priority area 1: Green and Climate Transition, Objective "Promoting sustainable investments" and its Specific objective 1.4 – Supporting Uganda to develop financing for climate action, Expected result 1.4: Access to finance for climate action, including in innovative sectors is improved and Expected result 1.5.b: Planning and management capacities are strengthened at the local level, notably in promoting domestic resource mobilisation, leveraging external financing (e.g. green bonds or Green Climate Fund), improving public finance management, and providing e-services, and also to the MIP Priority Area 2 – Promoting sustainable and inclusive jobs and growth and its Specific Objective 2.1. Increased mobilization, equitable access and utilization of green economy finance across all investment sectors.

This Action builds on the European Green Deal and the Action Plan on Financing Sustainable Growth and on the Communication on Achieving Inclusive and Sustainable Growth through a stronger collaboration with the private sector. It will contribute to SDGs 13 and 8 (main) and SDGs 1, 2, 5 and 7 (significant).

---

[1] https://www.mwe.go.ug/sites/default/files/library/National%20Climate%20Change%20Policy%20April%202015%20final.pdf

[2] https://storage.googleapis.com/cclow-staging/1ve4ayfc1cit0n4cx4bkx3jiltyw?GoogleAccessId=laws-and-pathways-staging%40soy-truth-247515.iam.gserviceaccount.com&Expires=1666801567&Signature=XmYP%2F3tBvbjtCv45P8NeVvKZjYpoE6608S9Fitbqf3FFJ4WJHdQl2kydzcPUpjEDp1urSavEAUBBIsJspayw3xpSYY1zOKNJU1sVEJQYDAHAPLxGTcP3%2FiraUXevm5JKt9hRd07vjqZb%2FoC1zwusK5UQMB2UnwjoIxmnAIfjQYkgJX8x3JHIWZtOySOigz8Vrrgdqc2dqI%2Fo%2B4yt%2BsTorpi4QJpewV0d%2B0N5CidsCn25%2F4uMgnfrgRr7x8sJE9jfOp9DhKG%2Bl0ayt2zJMtpATMMWAvQyOx1OWLU1IphLwulRruT%2BIdFWdr9ELsfxwCqqd8b7FNnEA5AxS0reIykijw%3D%3D&response-content-disposition=inline%3B+filename%3D%22National+Climate+Change+Act+2021+%25281%2529.pdf%22%3B+filename%2A%3DUTF-8%27%27National%2520Climate%2520Change%2520Act%25202021%2520%25281%2529.pdf&response-content-type=application%2Fpdf

[3] COM(2018) 97

[4] COM(2014) 263

It is also fully in line with the country's Green Growth Development Strategy, which recognises that Uganda needs to reconsider its growth model to deliver inclusive economic and social outcomes while protecting natural capital, addressing climate change, creating jobs and accelerating economic growth. This has been reinforced through the National Climate Change Policy (NCCP) and the recently adopted Climate Change Act. These documents provide guidance on the climate change governance landscape in Uganda. They aim to support the integration of climate change into planning, decision making and investments in all sectors and trans-sectoral themes through appropriate institutional arrangements and legal framework. The national institutional framework[5] provides for coordination and implementation at both the national level through ministries departments and agencies (MDAs) and at local government level.

In order to achieve these goals and transform the economy, access to sustainable, reliable and affordable finance both by the private sector and national and subnational authorities is key.

In Uganda, the EU is a key partner in the areas of access to finance and climate action. In the specific area of climate finance, other key partners of the country are the UNFCCC, UK, WB and Ireland through the LIFE AR initiative, the GGGI, UNDP, and GIZ. The EU is also one of the active members of the newly established Climate Finance Forum set up under the coordination of Ministry of Finance, Planning and Economic Development. In the area of access to finance for SMEs, the EU is a frontrunner in the country together with the Danish Government, the World Bank, IFAD, GIZ, USAID, FAO and the Kingdom of the Netherlands.

In all the sectors covered by this intervention, the EU is already playing a key role in the country, not only in terms of programme implementation but also in regards to policy and political dialogue. The proposed actions are fully embedded in an EU long-term strategy with the country in particular to promote climate action and sustainable economic development. They are key components of two priorities of the MIP and fully aligned to the priorities of the EU (in particular in relation to the Green Deals and sustainable investments and job creation) and global commitments (Paris Agreement).

The Government of Uganda is stepping up its efforts to promote a more sustainable growth in the country. Beside the ongoing Green Growth Development Strategy, the GoU has approved the Climate Change Bill in 2021, which has a dedicated section on financing for climate action. Uganda has also finalised the revision of the National Determined Contributions, which provides the framework for climate action in the coming years. The commitment of the GoU is also shown in the establishment of a Climate Finance Forum and the willingness to create a Climate Finance Department in Ministry of Finance and to set up a dedicated financing vehicle. In parallel to the GoU efforts, it is also noted that the interest of financial institutions to support climate action is increasing together with the availability of international climate funding.

The GoU's legal frameworks and institutions for mitigation and adaptation to climate change have some women-focus frameworks. For instance, in 2016, the MoFPED issued a budget call circular mandating all sectoral ministries and district local governments to mainstreaming of gender and climate change into all sectoral budget framework papers and district local government plans from FY 2017/18114. The FAO and the Ministry of Agriculture Animal Industry and Fisheries became the first government ministry to implement the MoFPED circular on gender mainstreaming in their different sectors[6].

In general, the GoU is aiming to mobilise climate finance through public sector fiscal financing, private sector funding and by attracting investments from Global Funds such as the Green Climate Fund, the Global 20 Environment Facility, the Adaptation Fund and other international funds.

2.2 Problem Analysis

Climate change is a global issue, and its impacts are felt most acutely at the local level by women, men and those living already in the most vulnerable situations. As a LDC and the 12th most vulnerable country globally to climate change[7], the effects of climate change and Uganda's high growth of population (estimated at 44 million with a growth rate of 3.3% per annum) will result in extreme challenges for the country. For example, increasing variability in rainfall and rising temperature are presenting additional stress on development of the country with its high dependency on rain-fed agriculture. Rising temperatures and shifting or increasingly unpredictable rainfall patterns can reduce the amount of agricultural land, shorten growing seasons, hamper crop production, undermine

[5] The guiding organogram in the NCCP doesn't provide a full picture of all entities currently involved in climate change coordination and implementation - as elaborated upon in the following paragraphs.

[6] https://www.isdb.org/sites/default/files/media/documents/2020-09/Uganda%20Gender.pdf

[7] University of Notre Dame (2020). Global Adaptation Index. URL: https://gain.nd.edu/our-work/country-index/

the (ground) water resources and alter the occurrence and distribution of pests[8]. Uganda is furthermore experiencing significant impacts characterised by changing weather patterns, drop in water levels, increased frequency of extreme weather events (e.g., mudslides, landslides, and flooding) that have increased over the last 30 years[9]. Climate change has affected agriculture, water, health and human settlements. The people living in poverty in rural areas and minorities groups are particularly vulnerable and poorly equipped to cope with and adapt to the adverse impacts of climate change.

An overall estimation of the implementation of the (yet to be adopted) NDC is based on the third National Development Plan budget estimations at 16.2 bn USD. This NDC also indicated that 67% of the budget is expected to come from the public sector both domestic fiscal financing as well as from other public financing mechanisms, including but not limited to Development Assistance Grants, petroleum and petroleum related revenues, Public and Private Partnerships, South-South Cooperation and public debt acquisition. An estimated 33% is expected to come from private sector funding including domestic private investments, FDI, private remittance/diaspora resources, NGO/CSO/philanthropy and blended financing solutions.

The action addresses the financing gap by providing and facilitating access to climate finance at three different levels:

1. *Local Level*. Parties to the UNFCCC recognize the local and subnational dimensions of adaptation to protect people, livelihoods and ecosystems, country ownership including at subnational and local levels and the need to take into account the urgent needs of developing country Parties recognised by the convention as particularly vulnerable nations (Art. 7 and 11, Paris Agreement). Additional recognition came at COP26, with the Glasgow Climate Pact urging 'the Parties to further integrate adaptation into local, national and regional planning' and called for multilevel and cooperative action. Local authorities are increasingly seen as key in the promotion of climate change adaptation and in building resilience to climate change at the local level. They are in a unique position to identify the climate change adaptation responses that best meet local needs of women and men, and typically are mandated to undertake the small- to medium-sized adaptation and infrastructure investments needed for building climate resilience gender and human rights sensitive – e.g. land use and sustainable agriculture, water management, irrigation and drainage, environmental and natural resources management, and disaster risk management. Plus, they have the legitimacy and convening power to coordinate, co-finance and interact with stakeholders, including national level institutions, civil society bodies, the private sector and various local government departments. Yet, they frequently lack the technical capacity and resources to fulfil this mandate – especially in a way which is aligned with established decision-making processes and public planning and budgeting cycles. Based on this, UNCDF has developed a methodology, with EU funding, to support Local Climate Adaptation actions. The LoCAL initiative started 10 years ago and since then more countries have joined, including Uganda.
2. *National Level*. Central Government plays a key role in mobilizing financing for climate action. The Government of Uganda wants to ensure they are able to access more innovative climate finance mechanisms such as emissions trading through carbon markets, green bonds, loans, and credit guarantees and to develop more of the projects as proposed as part of the third NDP, its Programme Implementation Action Plans (PIAPs) and new projects that are brought to MoFPED's attention through the Ugandan Public Investment Management System (PIMS) process . The GoU would like to develop more climate change related projects funded by ensuring more project concept notes are developed into fundable/bankable project proposals. They also need to ensure investment projects are turned into green projects that are inclusive and are gender responsive. Furthermore, it is important for the government that the relevant government entities catalyse these processes, and dependency on third parties is limited.
3. *Private Sector*. As stated 33% of the financing is expected to come from the private sector. Banks and green SMEs will play a key role in unlocking the financing of the projects, nonetheless neither sides is ready for the shift from "business as usual" to climate sensitive projects.
   Regarding gender aspects, it can be mentioned that there are shortfalls: unclear gender terminology and gender stereotypes, insufficient consideration to gender structural constraints in policy and instruments, ineffective decentralization as a key barrier for gender sensitive policies. Those shortfalls are due to customary laws and traditions greatly influencing the governance systems of rural communities (example: land ownership and policy, choices of adaptation strategies, different responsibilities).[10]

[8] MFA (2018). Climate Change Profile Uganda. Accessed here
[9] MAAIF (2018). URL: https://www.agriculture.go.ug/wp-content/uploads/2019/09/Guidelinesfor-Mainstreaming-Climate-Change-Adaptation-and-Mitigation-in-the-Agricultural-Sector-Policies-Plans-1.pdf
[10] https://www.wocan.org/sites/default/files/PACCA%20Gender%20Info%20Note%20Uganda.pdf

Identification of main stakeholders and corresponding institutional and/or organisational issues (mandates, potential roles, and capacities) to be covered by the action:

- *The Ministry of Finance, Planning and Economic Development (MoFPED)* holds the overall leadership for climate finance and also is the National Designated Authority (NDA) of the Global Climate Fund. Some of the relevant roles and responsibilities are: strengthening local government entities in climate finance, instituting legal and regulatory reforms to create an enabling environment for private sector engagement in climate finance, re-orienting the financial markets in Uganda to be viable investment vehicles for areas such as green bonds, strengthening technical capacity and availing financial resources to fully coordinate all MDAs to plan, budget, and implement climate change interventions across programmes.
- *The Ministry of Water and Environment (MoWE)* hosts the Climate Change Department (CCD), created in 2015 as a result of the NCCP. CCD functions as the National Climate Change Commission (NCCC) as described in the NCCP. CCD is responsible for overall coordination of all climate change work in-country, including guiding implementation of the NCCP and the NDC. The CCD serves as the National Focal Point for the UNFCCC, responsible for climate change reporting to the Government of Uganda and the UNFCCC. CCD is the Designated National Authorities (DNA) for the Paris Agreement.
- *The Ministry of Local Government (MoLG)* is responsible for guiding, mentoring, supervising, inspecting, monitoring, and supporting LGs. In addition, MoLG provides overall oversight of the Discretionary Development Equalisation Grant (DDEG), including issuance of grant guidelines and is responsible for the coordination of the performance implementation task force and initiatives that strengthen LG capacity, based on gaps identified in the annual performance assessments.
- *The Office of the Prime Minister (OPM)* is in charge of progress monitoring of all central and LGs public bodies – e.g. annual government performance reviews, coordinates the new LG annual performance assessments and chairs the intergovernmental task force on the LG PA. It also provides overall policy coordination through the Policy Committee on Environment (which also covers CC) chaired by the Prime minister and with representation from all ministries.
- *The National Planning Authority (NPA)* is charged with coordination of all planning, including the new LG development planning guidelines to LGs, and mainstreaming of CC in the new planning guidelines and certificates for compliance by LGs. NPA will support development and implementation of guidelines and planning at the LG level, including CC mainstreaming.
- *Local Governments (LGs)* are responsible for local service delivery and implement development plans at the district level. LGs in Uganda have the mandate and the responsibility for providing a range of climate change relevant investments (drainage, irrigation, smaller road networks and the maintenance of paths, bridges and other public utilities).
- *Civil society organizations (CSOs) in all its diversity (women organization, youth organization and those representing the people living in the most vulnerable situations)* focus on service delivery and citizens' economic and social empowerment, policy advocacy work and holding Government accountable. The voice of civil society representing the voices of the right holders (people) is beginning to be heard more loudly on issues, including environment, climate change, human rights, gender issues, basic needs of women and men, especially those living in the most vulnerable situations.
- *Private sector* is a major stakeholder in ensuring a robust climate change space and financing. The private sector players in Uganda are not only climate change project financiers (financial institutions) and implementors (the MSMEs), but also potential investors in green bonds critical to increase climate financing. The private sector is largely engaged through Association such as Private Sector Foundation Uganda (PSFU), Uganda Manufacturers Association (UMA) which currently has over 1220 members and Federation of Small and Medium-Sized Enterprises (FSME) a federation with over 25,000 members nationwide.
- *Development partners* are grouped in Uganda through the Local Partners Development Group (LPDG), which is split in over 18 sectoral Development Partner Groups. Climate Finance related matters are discussed in the Environment, Natural Resources and Climate Change Development Partner Group (ECC DPG). The ECC DPG includes for example the World Bank, UNFCCC RCC, GiZ, FCDO, UNHCR, Embassies of Denmark, Netherlands and Sweden, UNDP, AFD, FAO, ADA, WFP, EU, AFDB, USAID, NDC Partnership and more.

3 DESCRIPTION OF THE ACTION

3.1 Objectives and Expected Outputs

The Overall Objective (Impact) of this action is to contribute to Uganda's achievement of its climate change commitments and sustainable development goals.

The Specific(s) Objective(s) (Outcomes) of this action are to

1. Strengthen effectiveness of climate change adaptation mechanisms of communities and local economies in targeted districts in Uganda.
2. Increase central government effectiveness in attracting and managing climate financing.
3. Increase access to inclusive finance for green SMEs.

The Outputs to be delivered by this action contributing to the corresponding Specific Objectives (Outcomes) are:

1. *SO1 - Strengthen effectiveness of climate change adaptation mechanisms of communities and local economies in targeted Districts in Uganda*
   - 1.1. The awareness and climate change response capacities of local governments, communities and local actors are strengthened.
   - 1.2. Enhanced capacity of local governments to integrate sustainable climate change adaptation interventions in local plans and budgets and to implement interventions and investments in selected local governments in line with the Performance-based Climate Resilience Grants (PBCRG) system.
   - 1.3. Enhanced scope of climate resilient grant system (finance mechanism) across Uganda.

2. *SO2 – Increased capacity to attract and manage climate financing of the central government*
   - 2.1. Climate Budget Tracking (CBT) and Green Taxonomy are developed and better implemented.
   - 2.2. Enhanced capacity of Uganda's government to issue its first Sovereign Green Bond.
   - 2.3. Uganda has better access to international carbon markets.
   - 2.4. Enhanced capacity of Transitional Climate Finance Unit (TCFU) to accelerate climate finance flows to Uganda.

3. *SO3 – Increased access to inclusive finance for green SMEs*
   - 3.1. Strengthened capacity for local banks to develop products which qualify as climate finance with a gender sensitive approach
   - 3.2. Capacity of green SMEs to conduct sustainable business operations is strengthened with a gender sensitive approach.
   - 3.3. Affordable medium-term finance is unlocked for green MSMEs with a gender sensitive approach.

3.2 Indicative Activities

SO1 - Strengthen effectiveness of climate change adaptation mechanisms of communities and local economies in targeted Districts in Uganda

1.1. The awareness and climate change response capacities of local governments, communities and local actors are strengthened.

Indicative activities: capacity and needs assessments and baseline setting, gender sectoral analysis, sensitization and training workshops, analyses of climatic hazards, vulnerabilities and risks, outreach and communication strategy, strengthen community engagement and participation (with a special attention to women's and girls' participation as well as people living in the most vulnerable situations) in local development and decision-making processes, awareness raising and training at central and LG levels, Support current update and roll-out of the climate change handbook for LGs, etc.

1.2. Enhanced capacity of local governments to integrate sustainable climate change adaptation interventions in local plans and budgets and to implement interventions and investments in selected local governments in line with the Performance-based Climate Resilience Grants (PBCRG) system.

Indicative activities: support to annual planning for funding under the Performance-based Climate Resilience Grants (PBCRGs), developing annual Climate Adaptation and Resilience (CAR) plans for utilizing the allocated PBCRGs, technical support to selected Districts, allocation of PBCR grant based on performance of LGs, implement approved CAR projects, implementation support to LGs for efficient utilization of funds, regular monitoring (including social impact gender and human rights sensitive) and backstopping.

1.3. Enhanced scope of climate resilient grant system (finance mechanism) across Uganda

Indicative activities: baseline review, deployment and institutionalization of the PBCRG system, guidelines for the LG Performance Assessment (LG PA) with climate change performance measures, support to the LG PA Task Force and to the Office of the Prime Minister (OPM), establishment of expenditure tracking system for LoCAL expenditures, development of a brief PBCRG guideline (linked with the DDEG), development of M&E frameworks, preparation of concept notes and project proposals, South-South exchange of experience and international outreach to UNFCCC related events and conferences.

2. *SO2 – Increased capacity to attract and manage climate financing of the central government*
   2.1. *Climate Budget Tracking (CBT) and Green Taxonomy are developed and better implemented.*

Indicative activities: policy review, systems review, establishment of governance mechanism, stakeholder consultations, preparation of the Green Taxonomy, development of a budget tagging system related to climate finance, development of CBT and integration in the MOFPED system (software & hardware requirements), operationalization of the CBT including a testing phase.

   2.2. *Enhanced capacity of Uganda's government to issue its first Sovereign Green Bond*

Indicative activities: capacity building on green bonds pre- and post-issuance requirements, establishing the Green Bond Committee and Framework, identification of a pipeline of eligible green projects.

   2.3. *Uganda has better access to international carbon markets*

Indicative activities: helping Uganda to analyse the range of financing options available and or support to integrate international financing strategies into domestic policies and commitments.

   2.4. *Enhanced capacity of Transitional Climate Finance Unit (TCFU) to accelerate climate finance flows to Uganda*

Indicative activities: support the TCFU to facilitate the delivery of innovative climate finance solutions, capacity building to transition the TCFU from a unit into a department (Climate Finance Department or CFD) including the development of the necessary documentation, guidelines development for the Upstream Project Development Facility (UPDF), support project selection and prioritisation based on the guidelines, project development support in the form of feasibility studies, environmental impact assessments, etc., facilitating funding for these projects.

3. *SO3 – Increased access to inclusive finance for green SMEs*
   3.1. *Strengthened capacity for local banks to develop products which qualify as climate finance with gender sensitive approach*

Indicative activities: identification of local banks interested in climate finance, technical assistance and capacity building for local banks to develop climate strategies and integrate climate change principles with a gender perspective in their standard operating procedures and develop green products for their clients (women and men), support for better understanding and adapting their working methods to the green MSMEs clients with a special attention to women led MSMEs.

   3.2. *Capacity of green SMEs to conduct sustainable business operations is strengthened with a gender sensitive approach*

Indicative activities: technical assistance and business development services (BDS) to address MSME's capacity gaps and to promote a green transition towards responsible production and enabling them to develop bankable investment proposals based on green and circular economy principles. Special attention to women led MSME.

   3.3. *Affordable medium-term finance is unlocked for green MSMEs with a gender sensitive approach*

Indicative activities: matchmaking services to identify appropriate providers of capital and other partners, specialized financial/legal services for green credit enhancement, de-risking tools to make credit affordable for the matched MSMEs.

3.3 Mainstreaming

Environmental Protection & Climate Change

Outcomes of the SEA screening (relevant for budget support and strategic-level interventions)

The Strategic Environmental Assessment (SEA) screening concluded that no further action was required. The action consists in providing or facilitating access to climate finance at three different levels, namely: the central level (central government), local level (local government) and for the use of private sector (banks and MSMEs). It also aims at mainstreaming climate change action at these three levels. Furthermore, the Action will: conduct strategic environmental assessment/poverty and social impact analysis/cost-benefit analysis of sector policies and plans, conduct integrated ecosystem assessments and climate change adaptation planning, influence monitoring systems (e.g. indicators and data collection and analysis); influence budgets and financing options (economic instruments, expenditure reviews), strengthen institutional capacities of stakeholders and coordination mechanisms with respect to climate action.

Outcomes of the EIA (Environmental Impact Assessment) screening (relevant for projects and/or specific interventions within a project)

The EIA (Environment Impact Assessment) screening classified the action as Category C (no need for further assessment). The Action is purposefully designed to have a positive impact on the environment in the medium to long term, as it works to put in place the right mechanisms for attracting and disbursing more financing for climate action. It also plans to finance some of the climate adaptation and mitigation projects.

Outcome of the CRA (Climate Risk Assessment) screening (relevant for projects and/or specific interventions within a project)

The Climate Risk Assessment (CRA) screening concluded that this action is no or low risk (no need for further assessment). The environment and tackling climate change are at the heart of the proposed Action.

Gender equality and empowerment of women and girls

As per OECD Gender DAC codes identified in section 1.1, this action is labelled as G1. Gender will be mainstreamed into the action through the use of specific tools in each of the components of the Action, as follows:

- Under the local level component, women and other vulnerable groups will be involved in the capacity needs assessments, the Climate Risk and Vulnerability Assessments, annual planning process and participate in the decision making processes, implementation of investments and the monitoring and oversight that follows. Climate change risk, vulnerabilities and adaptation responses will be identified and analysed at local level using both quantitative and participatory approaches. The assessment will provide gender-disaggregated findings and poverty alleviation linkages. Gender-sensitive performance measures and performance measures that promote participation are integrated in the grants design. The menu of investments also includes measures that are specifically targeted at women to further ensure concrete investments directly benefitting them.
- Under the central level component, inclusive and meaningful consultation processes will be organized, a particular attention will be given to the number of jobs created for women and youth, and women and youth will be prioritized in terms of capacity building and training activities
- Under the private sector component, gender-sensitive criteria will be used for identification of projects financed through the facility. The project will ensure that the investments disbursed increase women's access to productive resources, improve the business-enabling environment for women and the businesses they establish/manage and improve conditions for their access to social and economic services and equitable employment.

The action contributes particularly to the EU Gender Action Plan III (GAP III) at all levels of the action, specially to the thematic areas of engagement 2) Addressing the challenges and harnessing the opportunities offered by the green transition.

Human Rights

The intervention will apply a human rights based approach throughout implementation, while focusing on the five working principles: a) applying all human rights for all; b) meaningful and inclusive participation and access to decision-making; c) non-discrimination and equality; d) accountability and rule of law for all; and e) transparency and access to information supported by disaggregated data.

Disability

As per OECD Disability DAC codes identified in section 1.1, this action is labelled as D0. Nevertheless an inclusive approach will be developed within the action, and in particular for the construction of socio-economic infrastructure (schools, health centres, access roads) for which the action participates in co-financing the additional costs necessary for adaptation to climate change. The integration of specific access for people with disabilities will be requested.

Democracy

In the local level component, the performance grants system will be used to help build stronger and more transparent government systems. The indicators for minimum conditions and performance measures typically include good governance indicators, related to, among other items, public financial management, procurement, transparency and accountability, as well as measures that promote participation and equality. Similarly, in the central government component, the systems put in place will strengthen transparency and accountability of public investments.

Conflict sensitivity, peace and resilience

This Action is not directly addressing conflict, peace and resilience at National level. However conflict, peace and resilience within the Action is pursued at all times which is safeguarded through clear agreements (MoU's, contracts etc.) that stipulate our approach to address conflicts and manage expectations from all parties.

At local level, the aim is to ensure that adaptation capacities and community resilience are strengthened. Planning is undertaken through a multi-stakeholder process and benefits greatly from a vibrant community, and civil society and private sector engagement. Participation is also in itself a powerful means to strengthen social cohesion and community resilience and contributes to conflict prevention and peace.

Disaster Risk Reduction

The action targets indirectly to achieve a substantial reduction of disaster risk and losses in lives, livelihoods and health and in the economic, physical, social, cultural and environmental assets of persons, businesses, communities and countries. It promotes the implementation of integrated environmental and natural resource management approaches that incorporate disaster risk reduction, including structural and non-structural measures.

Climate change integration requires a good understanding of both key climate change concepts and on-the-ground climate risks, vulnerabilities to climate change, and adaptation options. Essentially, the intersection of climate hazards with exposure and vulnerability conditions leads to different levels of climate risks.

Adaptation involves the management of climate risks by the identification, characterization and reduction of the manner in which human and natural systems are vulnerable to climate change, focusing on developing and reinforcing adaptive capacities. In addressing climate risks and vulnerabilities using the LoCAL mechanism, there is a progression from resilience to adaptation to transformational adaptation.

Other considerations if relevant

Migration and Forced Displacement

Although the inclusion of vulnerable groups such as refugees in job creation and growth is a challenge, the action will, whenever feasible, give support to target MSMEs providing jobs to vulnerable groups like refugees. As of 31 July 2021, Uganda hosts 1 499 562 refugees. In line with the spirit of the Global Compact on Refugees, the government of Uganda has launched in May 2021, the multi partner "Jobs and Livelihoods Integrated Refugee Plan" (JLIRP). The plan envisions self-reliant and resilient refugee and host community households in refugee hosting districts by 2025.

3.4 Risks and Lessons Learnt

Category	**Risks**	**Likelihood (High/ Medium/ Low)**	**Impact (High/ Medium/ Low)**	**Mitigating measures**
1	Effects and limitations due to COVID	L	M	Remote working, collaboration and resources could be allocated to ensure implementors and beneficiaries are able to effectively engage online.
1	Political shifts, changes in Government priorities	L	H	The action maintains a good relationship with the political and implementation partners. All activities refer to the support in the implementation of national vision, policies, laws, regulations and institutional framework as well as to international guidelines.

1	Policy shift towards less green-growth friendly policies	L	L	Emphasize practical demonstration of green growth benefits, including short-term economic benefits, jobs, etc.; Operate at multiple jurisdictional levels to maximize potential 'success stories' and reduce political risk; Demonstrate short-term political advantages of green growth orientation; Careful monitoring, and where possible measurement, of green growth trends nationally, including development of relevant indices; Support advocacy & communications to encourage broad positive perceptions of green growth benefits.
2	Lack of coordination between the different ministries and climate departments/units	M	M	Constant engagement at political level on these issues and through the existing government mechanisms. Through Supervisory role of the National Authorising Officer (NAO), through implementation and involvement of the TCFU in a leadership role and with close coordination with partners like MWE/CCD and MoLG the Action will aim to ensure activities and tasks are aligned within government planning and budgeting cycles.
4	Mismanagement in the distribution of funds	L	H	Appropriate due diligence and control measures implemented: safeguards (including management of funds in separate, ring-fenced in terms of account codes and current reporting, and regular auditing of expenditures); rigorous system of expenditure reporting put in place; constant monitoring and audit; constant training on these issues to support beneficiaries in their implementation of the differnet components.
3	Inadequate technical capacity of beneficiaries	M	M (*to high)*	Ensure continuous monitoring and support of beneficiaries. Where genuine expert advice is needed, outsource to private sector (some design work may be contracted to private sector consultants).
3	High staff turnover	M	M/H	Diversify engagement beyond existing champion institutions and individuals. Focus on institutionalization of capacity building, training and awareness efforts within key partner institutions. Support to longer-term visioning and planning processes for systemic change
5	Private sector does not engage as expected	M	M	Engage private sector at earliest stage of dialogue to ensure policy recommendations are taken onboard. Suggest incentives/opportunities for private participation.
3	Sustainability of trainings and other products/ results of the project	M	M	Make sure a sufficient training needs assessment guides the content and the selection of key participants. Ensure a wider participation in trainings. Ensure that trainings are pragmatic and not one-offs, follow-up is needed. Government co-leading and taking ownership in the implementation so that, upon exit of the Action, the departments needed for implementation will be able to continue independently.

Lessons Learnt:

The topic of climate finance is a relatively new topic to Uganda. Nonetheless other countries have more experience in attracting and deploying climate finance at all levels. That is why the Action chose to work with established organisations and models, which have and international outreach and have successfully spearheaded implementation of these activities successfully elsewhere, with respect to the first two components. They have also been working closely and have very good collaborations with the different Government departments and bodies involved in this sector. Furthermore, the proposed projects will be implemented using existing government processes so as to ensure coherence and sustainability.

Component 1 – Local level – The Local Climate Adaptive Living (LoCAL) Facility has evolved into a standard, internationally recognized country-based mechanism to channel climate finance to local governments in least developed countries (LDCs). LoCAL-Uganda builds on the lessons learned from previous experiences with performance-based grants and the LG Performance Assessments being implemented in Uganda since late 1990's. Some of the key lessons from the global expansion which will inform the LoCAL-Uganda include the following:

- ensure **strong political anchorage**. Since Inception, LoCAL works closely with ministries and agencies dealing with climate change, decentralization and finance to ensure effective coordination and buy-in from key central level stakeholders involved in LoCAL deployment and institutionalization process.
- Climate risk and vulnerability assessments should **incorporate local-level indicators**. This is an important component in ensuring effective subnational adaptation via climate risk–informed planning and budgeting at the local level, as gaps exist in terms of production, use and dissemination of climate data at the sub-national level.
- Effective **involvement of communities** enhances ownership of resilience building interventions. LoCAL learned from the experience in Nepal and Niger, where local governments have been pursuing community contracting schemes to construct local infrastructure and rehabilitate ecosystems and provided short-term job opportunities especially for youth, women and other vulnerable groups.

Component 2 – National level

Given the level of reforms and processes that need to be adjusted at national level for Uganda to be able to mobilise more climate financing, **political commitment at the highest level** and **across government departments (coordination)** is critical for the operationalization of a national climate financing outfit. A shared understanding within government that the role and purpose of the establishment is important.

Considering and **mobilising national domestic sources of finance since the beginning** is important for longer-term sustainability, thus avoiding the over-emphasis on external sources of financing.

Furthermore, **linkages with the private sector**, including other forms of finance beyond grants (i.e., debt and equity), are key considerations from the start to draw in the private sector and leverage public finance. When operating on a national scale, especially in new project areas (green), in a development context, the role of technical assistance funding is important, not only initially but also continually, to ensure constant development of project pipelines.

Component 3 – Private Sector

The European Union in Uganda has extensive experience in implementing access to finance for MSMEs programmes. One of those programmes, the Uganda Green Enterprise Finance Accelerator (UGEFA) targets exactly green MSMEs, whilst the other facilities focus more on the agribusiness sector. Nonetheless, the proposed intervention of support to accessing climate finance by Ugandan MSMEs goes a step further by also looking at the local banks' financing side through blending with a development financing institution's funds. Some of the lessons learned from the existing interventions which will be applied to the proposed one are:

- Enough TA is foreseen both for the MSMEs, but also for the local banks to make sure that two categories better understand each other;
- Enough TA is foreseen for the banks to develop their climate strategies and integrate them in their internal processes;
- Follow-up of MSMEs is ensured post-investment to make sure that they are able to absorb it and make best use of it.

3.5 The Intervention Logic

As a LDC and the 12th most vulnerable country globally to climate change , the effects of climate changes on and Uganda's growing population will result in extreme challenges for the country. Increasing variability in rainfall and rising temperatures can reduce the amount of agricultural land, shorten growing seasons, hamper crop production, undermine the (ground) water resources and alter the occurrence and distribution of pests. Uganda is furthermore experiencing significant impacts characterised by changing weather patterns, drop in water levels, increased frequency of extreme weather events (e.g., mudslides, landslides, and flooding) that have increased over the last 30 years . Climate change has affected agriculture, water, health and human settlements. The rural poor and marginalized groups are particularly vulnerable and poorly equipped to cope with and adapt to the adverse impacts of climate change.

In order to increase its resilience and ability to cope with these effects of climate change, the country need to invest massively in green projects, at different levels. The underlying intervention logic for this action is that access to climate finance is vital for the country to reach its sustainable development and climate resilience objectives. Therefore, this action aims to support access to climate financing in a comprehensive approach and at three different levels:

- *Component 1 – local level*. Through the implementation of the Local Climate Adaptation Living Facility at country level. The LoCAL mechanism is recognised as a government-led, internationally recognized country-based mechanism for channelling climate finance transparently and effectively for local action. The LoCAL approach will consist in: 1) raising awareness and strengthening the capacities for subnational climate change adaptation at both District and central levels (including gender sensitivity), 2) supporting the integration of climate change into local planning and budgeting processes and financing local adaptation interventions and investments and 3) establishing and deploying an effective performance-based climate resilience grant system (financing mechanism) that can attract various other sources of climate finance. This will increase the results obtained in terms of climate change resilience at local level.
- *Component 2 – national level*. By supporting the Government efforts to 1) develop a green taxonomy and better identify, measure and monitor climate-relevant public expenditure (climate budget tracking), 2) issue the country's first green bonds, 3) access the international carbon markets under Article 6 of the Paris Agreement, and 4) establish the Transitional Climate Finance Unit (TCFU) for increased institutional coordination and capacity to design funding programmes, this component will improve the capacity of the central Government institutions to attract and manage climate financing for green projects of national importance.
- *Component 3 – private sector/green SMEs*. Since Government alone cannot take on this task, the involvement of the private sector is crucial. This component will streamline green financing by facilitating the access to climate funding to commercial banks in Uganda for their on-lending to green SMEs (with a special attention to SMEs lead by women). This will be achieved by: 1) increasing the capacity of the local commercial banks to attract climate finance and assess business proposals from a climate action perspective (raising their awareness about climate finance and how they could integrate it into their standard operating procedures, as well as building their capacity with respect to issuing green products adapted to the local market), 2) increase the access to finance for local SMEs who would like to green their existing business model or already have a green business model and would like to scale it up through business development services (special attention to SMEs lead by women), and 3) provide de-risking instruments to the local banks for them to be able to provide affordable financing to the green SMEs.

By tackling the issue from these three angles, the Action will achieve its impact objective of contributing to Uganda's achievement of its climate change commitments and sustainable development goals.

3.6 Logical Framework Matrix

This indicative logframe constitutes the basis for the monitoring, reporting and evaluation of the intervention.

On the basis of this logframe matrix, a more detailed logframe (or several) may be developed at contracting stage. In case baselines and targets are not available for the action, they should be informed for each indicator at signature of the contract(s) linked to this AD, or in the first progress report at the latest. New columns may be added to set intermediary targets (milestones) for the Output and Outcome indicators whenever it is relevant.

- At inception, the first progress report should include the complete logframe (e.g. including baselines/targets).
- Progress reports should provide an updated logframe with current values for each indicator.
- The final report should enclose the logframe with baseline and final values for each indicator.

The indicative logical framework matrix may evolve during the lifetime of the action depending on the different implementation modalities of this action.

The activities, the expected Outputs and related indicators, targets and baselines included in the logframe matrix may be updated during the implementation of the action, no amendment being required to the Financing Decision.

Results	Results chain (@): Main expected results (maximum 10)	Indicators (@): (at least one indicator per expected result)	Baselines (values and years)	Targets (values and years)	Sources of data	Assumptions
Impact	To contribute to Uganda's achievement of climate change commitments and sustainable development	1 NDC implementation rate	1 TBC	1 TBC	1 UNFCCC reports	*Not applicable*
Outcome 1	Strengthened effectiveness of climate change adaptation mechanisms of communities and local economies in targeted Districts in Uganda	1.1 Score of the ND-GAIN Index **GERF 2.5 Number of countries and cities with climate change and/or disaster risk reduction strategies: (a) developed, **GERF 2.5 Number of countries and cities with climate change and/or disaster risk reduction strategies (b) under implementation with EU support	1.1 35.6 (2022)	1.1 TBC	1.1 https://gain.nd.edu/our-work/country-index/rankings/	The government ensures the right processes are in place for transferring the funds to the districts
Outcome 2	Increased capacity to attract and manage climate financing of the central government	2.1 Total amount of climate finance mobilised by the Government of Uganda Number of Inclusive Green Economy (IGE) policy instruments adopted and/or implemented, disaggregated by category of document	2.1 0 (2022)	2.1 TBC	2.1 Progress reports for the EU-funded intervention Government Statistics	Attracting climate finance remains a priority for the Government.
Outcome 3	Increased access to inclusive finance for green SMEs	3.1 Amount of green financing secured by MSMEs	3.1 TBC	3.1 TBC	3.1 Progress reports for the EU-funded intervention	The chosen DFI is able to disburse lines of credit locally

		**GERF 2.17 Number of beneficiaries with access to financial services with EU support: (a) firms, (b) people (all financial services), (c) people (digital financial services)				
Output 1 relating to Outcome 1	1.1 The awareness and climate change response capacities of local governments, communities and local actors are strengthened	1.1.1 Number of local government representatives trained by the EU-funded intervention with increased knowledge and/or skills in climate adaptation, disaggregated by sex 1.1.2 Number of local authorities with developed processes for collection, update and analysis of climate change information with a gender sensibility supported by the EU-funded intervention	1.1.1 0% (2022) 1.1.2 0 (2022	1.1.1 TBC 1.1.2 TBC	1.1.1 Progress reports for the EU-funded intervention 1.1.2 Ministry of Local Government data Progress reports for the EU-funded intervention	Local Governments have the human resources available to participate in the trainings
Output 2 relating to Outcome 1	1.2 Enhanced capacity of local governments to integrate sustainable climate change adaptation interventions in local plans and budgets and to implement interventions and investments in selected local governments in line	1.2.1 Number of target LGs, which have added sustainable climate change provisions into the draft annual plans and budgets with support of the	1.2.1 TBC 1.2.2 TBC	1.2.1 TBC 1.2.2 TBC	1.2.1 Annual performance assessments 1.2.2 Database of investments	Local Governments allocate sufficient human resources to implement

	with the Performance-based Climate Resilience Grants (PBCRG) system.	EU-funded intervention 1.2.2 Number of climate- interventions and investments implemented under the PBCRG system (disaggregated by type, sector and ecosystem)				
Output 3 Relating to Outcome 1	1.3 Enhanced scope of climate resilient grant system (finance mechanism) across Uganda	1.3.1 Amount of grants (PBCRG and capacity building grants) disbursed to national and local governments annually with support of the EU-funded intervention 1.3.2 Number of high-level initiatives actively attended by the government of Uganda for global advocacy on scaling up the PBCRGS with support of the EU-funded intervention	1.3.1 0 (2022) 1.3.2 0 (2022)	1.3.1 TBC 1.3.2 TBC	1.3.1 Financial reports of the Ministry of Finance 1.3.2 Progress reports for the EU-funded intervention	Ministry of Finance ensures a smooth process for the grant transfers
Output 1 relating to Outcome 2	2.1 Climate Budget Tracking (CBT) and Green Taxonomy are developed and better implemented	2.1.1 Number of laws developed with support of the EU-funded intervention 2.1.2 Number of new internal systems established or strengthened with support of the EU-funded intervention	2.1.1 0 (2022) 2.1.2 0 (2022)	2.1.1 TBC 2.1.2 TBC	2.1.1 Texts of laws and regulations 2.1.2 Progress reports for the EU-funded intervention	The Government maintains interest in setting up these processes

Output 2 relating to Outcome 2	2.2 Enhanced capacity of Uganda's government to issue its first Sovereign Green Bond.	2.2.1 Amount of climate finance leveraged through green bond issuance	2.2.1 0 (2022)	2.2.1 TBC	2.2.1 Ministry of Finance TCFU	The Government maintains its current capacity to service debt and interest in issuing thematic bonds.
Output 3 relating to Outcome 2	2.3 Uganda has better access to international carbon markets	2.3.1 Amount of climate finance mobilised through international carbon trading with support of the EU-funded intervention 2.3.2 No of projects involved in ITMO trading with support of the EU-funded intervention	2.3.1 0 (2022) 2.3.2 0 (2022)	2.3.1 TBC 2.3.2 TBC	2.3.1 Climate Change Department statistics 2.3.2 Climate Change Department statistics	The Government maintains interest in setting up these processes
Output 4 relating to Outcome 2	2.4 Enhanced capacity of Transitional Climate Finance Unit (TCFU) to accelerate climate finance flows to Uganda.	2.4.1 No of staff of the TCFU trained by the EU-funded intervention with increased knowledge and/or skills on climate finance mobilisation, disaggregated by sex 2.4.2 No of projects that reach bankability stage with support of the EU-funded intervention	2.4.1 0 (2022) 2.4.2 0 (2022	2.4.1 TBC 2.4.2 TBC	2.4.1 Pre-and post-training tests reports 2.4.2 TCFU reports	The Government maintains current capacity to service debt and interest in finding investors for its green projects
Output 1 Relating to Outcome 3	3.1 Strengthened capacity for local banks to develop products which qualify as climate finance, with a gender sensitive approach	3.1.1 Number of local green banking products developed (% gender sensitive) with support of the EU 3.1.2 Number of climate strategies	3.1.1 0 (2022) 3.1.2 0 (2022)	3.1.1 TBC 3.1.2 TBC	3.1.1 Progress reports for the EU-funded intervention 3.1.2. Progress reports for the EU-funded intervention	Local banks develop an interest to offer green products to their customers

		developed by local banks (% gender sensitive) with support of the EU-funded intervention				
Output 2 Relating to Outcome 3	3.2 Capacity of green SMEs to conduct sustainable business operations is strengthened, with a gender sensitive approach	3.2.1 Number of companies supported by the EU-funded intervention to green their existing business model or to further develop their green business models (% of businesses lead by women)	3.2.1 0 (2022)	3.2.1 TBC	3.2.1 Progress reports for the EU-funded intervention	Businesses develop an interest in greening their business models
Output 3 Relating to Outcome 3	3.3 Affordable medium-term finance is unlocked for green MSMEs, with a gender sensitive approach	3.3.1 Number of green MSMEs securing financing for their projects (% MSMEs lead by women) with facilitation of the EU-funded intervention 3.3.2 Value of financing made available for green MSME with support of the EU-funded intervention	3.3.1 0 (2022) 3.3.2 0 (2022)	3.3.1 TBC 3.3.2 TBC	3.3.1 Progress reports for the EU-funded intervention 3.3.2 Progress reports for the EU-funded intervention	Local banks develop products which match MSMEs’ demand

4 IMPLEMENTATION ARRANGEMENTS

4.1 Financing Agreement

In order to implement this action, it is envisaged to conclude a financing agreement with the partner country.

4.2 Indicative Implementation Period

The indicative operational implementation period of this action, during which the activities described in section 3 will be carried out and the corresponding contracts and agreements implemented, is 72 months from the date of entry into force of the financing agreement.

Extensions of the implementation period may be agreed by the Commission's responsible authorising officer by amending this Financing Decision and the relevant contracts and agreements.

4.3 Implementation of the Budget Support Component

N/A

4.4 Implementation Modalities

The Commission will ensure that the EU appropriate rules and procedures for providing financing to third parties are respected, including review procedures, where appropriate, and compliance of the action with EU restrictive measures[11].

4.4.1 Indirect Management with a pillar assessed entity

A part of this action may be implemented in indirect management with the *United Nations Capital Development Fund – UNCDF*. This implementation entails the **Specific Objective 1 -** Increased resilience to climate change of communities and local economies. The envisaged entity has been selected using the following criteria:

- capacity to adapt and implement the Local Climate Adaptive Living Facility (LoCAL) approach to promote climate change–resilient communities and local economies in Uganda;
- previous experience in mobilising climate finance at local level;
- presence in the country;
- operational capacity

In case the envisaged entity would need to be replaced, the Commission's services may select a replacement entity using the same criteria. If the entity is replaced, the decision to replace it needs to be justified.

4.4.2 Indirect Management with a pillar assessed entity

A part of this action may be implemented in indirect management with the *Global Green Growth Institute – GGGI*[12]. This implementation entails the **Specific Objective 2** – Increased capacity to attract and manage climate financing of the central government. The envisaged entity has been selected using the following criteria:

- expertise and experience in supporting partner countries mobilise climate finance at central level;

[11] www.sanctionsmap.eu. Please note that the sanctions map is an IT tool for identifying the sanctions regimes. The source of the sanctions stems from legal acts published in the Official Journal (OJ). In case of discrepancy between the published legal acts and the updates on the website it is the OJ version that prevails.

[12] GGGI is currently in the last phases of the update of their pillar assessment by the EU services. The GGGI final report has been sent by DG INTPA to DG BUDG and the LS for validation. Final approval is expected shortly and certainly before the signature of the Contribution Agreement.

- experience in partnering with the Government of Uganda;
- operational capacity

In case the envisaged entity would need to be replaced, the Commission's services may select a replacement entity using the same criteria. If the entity is replaced, the decision to replace it needs to be justified.

4.4.3 Contribution to the Africa Investment Platform

This contribution may be implemented under indirect management with the entities, called Lead Finance Institutions, identified in the appendix to this Action Document. This entails the implementation of the **Specific Objective 3 -** Increased access to finance for green SMEs.

4.4.4 Changes from indirect to direct management mode (and vice versa) due to exceptional circumstances (one alternative second option)

This action could be implemented in direct management through a grant should the current proposed modality for the implementation of Specific Objective 3 become impractical.

(a) Purpose of the grant

A part of this action (SO3) may be implemented through a grant with an overall objective of implementing financial and advisory support to micro and small enterprises that do not currently have access to mid-term capital for graduation, scale-up and replication of selected green and inclusive Micro and Small Enterprises in non-agriculture green sectors.

(b) Type of applicants targeted

Legal entities, NGOs, EU MS agencies, international organisations, SMEs

4.5 Indicative Budget

Indicative Budget components	**EU contribution (amount in EUR)**
Implementation modalities – cf. section 4.4	
Objective 1 composed of Indirect management with **UNCDF –** cf. section 4.4.1	4 000 000
Objective 2 composed of Indirect management with **GGGI** – cf. section 4.4.2	3 800 000
Objective 3 composed of Indirect management with **a development financing institution** – cf. section 4.4.3	7 000 000
Evaluation – cf. section 5.2 **Audit** – cf. section 5.3	200 000
Totals	15 000 000

4.6 Organisational Set-up and Responsibilities

The overall Action will report to the high-level Steering Committee, indicatively composed of (at least): the Ministry of Finance, Planning and Economic Development (MoFPED), the Ministry of Water and

Environment (MoWE), the Ministry of Local Government (MoLG), the EIB, the Delegation of the European Union and the implementors. The Steering Committee will meet twice a year. Biannual performance report will be submitted at 6-month intervals with a clear focus on achievement of the results.

Each component of this Action will also have its specific project governance set up, necessary to ensure that technical implementation feeds into sectoral policy dialogue and that strategic decisions are taken on the implementation of each specific objective.

For the component to be implemented by UNCDF, a Working Group will be organised, indicatively composed of (at least): the Ministry of Water and Environment (MoWE), the Ministry of Local Government (MoLG), the Delegation of the European Union and UNCDF. The Working Group will meet on a quarterly basis. Additional meetings can be organised on an ad-hoc basis if there is need.

For the component implemented by GGGI, a Working Group will be organised, indicatively composed of (at least): the Ministry of Finance, Planning and Economic Development (MoFPED), the Delegation of the European Union and GGGI. The Working Group will meet on a quarterly basis. Additional meetings can be organised on an ad-hoc basis if there is need.

For the component implemented by EIB, a Working Group will be organised, indicatively composed of (at least): the Delegation of the European Union , EIB and the technical assistance. The Working Group will meet on a quarterly basis. Additional meetings can be organised on an ad-hoc basis if there is need.

As part of its prerogative of budget implementation and to safeguard the financial interests of the Union, the Commission may participate in the above governance structures set up for governing the implementation of the action.

5 PERFORMANCE MEASUREMENT

5.1 Monitoring and Reporting

The day-to-day technical and financial monitoring of the implementation of this action will be a continuous process, and part of the implementing partner's responsibilities. To this aim, the implementing partner shall establish a permanent internal, technical and financial monitoring system for the action and elaborate regular progress reports (not less than annual) and final reports. Every report shall provide an accurate account of implementation of the action, difficulties encountered, changes introduced, as well as the degree of achievement of its results (Outputs and direct Outcomes) as measured by corresponding indicators, using as reference the logframe matrix (for project modality) and the partner's strategy, policy or reform action plan list (for budget support). Indicators shall be disaggregated at least by sex. All monitoring and reporting shall assess how the action is taking into account the human rights based approach and gender equality.

The Commission may undertake additional project monitoring visits both through its own staff and through independent consultants recruited directly by the Commission for independent monitoring reviews (or recruited by the responsible agent contracted by the Commission for implementing such reviews).

Roles and responsibilities for data collection, analysis and monitoring:

- Result-Oriented Monitoring will be contracted by the Commission, under the supervision of the Delegation for its implementation.
- Project implementing partners will be responsible for collection of data from defined sources of information, including their own data collection system.

5.2 Evaluation

Having regard to the nature of the action, a mid-term, final and/or ex-post evaluation(s) may be carried out for this action or its components via independent consultants contracted by the Commission.

The possible mid-term evaluation will be carried out for problem solving and learning purposes, in particular with respect to the possible intention to launch a second phase of the action.

The possible final or ex-post evaluation will be carried out for accountability and learning purposes at various levels (including for policy revision), taking into account in particular the fact that this action is fairly innovative.

All evaluations shall assess to what extent the action is taking into account the human rights-based approach as well as how it contributes to gender equality and women's empowerment. Expertise on human rights and gender equality will be ensured in the evaluation teams.

The evaluation reports may be shared with the partners and other key stakeholders following the best practice of evaluation dissemination. The implementing partner and the Commission shall analyse the conclusions and recommendations of the evaluations and, where appropriate, apply the necessary adjustments.

Evaluation services may be contracted under a framework contract.

5.3 Audit and Verifications

Without prejudice to the obligations applicable to contracts concluded for the implementation of this action, the Commission may, on the basis of a risk assessment, contract independent audit or verification assignments for one or several contracts or agreements.

6 STRATEGIC COMMUNICATION AND PUBLIC DIPLOMACY

The 2021-2027 programming cycle will adopt a new approach to pooling, programming and deploying strategic communication and public diplomacy resources.

It will remain a contractual obligation for all entities implementing EU-funded external actions to inform the relevant audiences of the Union's support for their work by displaying the EU emblem and a short funding statement as appropriate on all communication materials related to the actions concerned. This obligation will continue to apply equally, regardless of whether the actions concerned are implemented by the Commission, partner countries, service providers, grant beneficiaries or entrusted or delegated entities such as UN agencies, international financial institutions and agencies of EU member states.

However, action documents for specific sector programmes are in principle no longer required to include a provision for communication and visibility actions promoting the programmes concerned. These resources will instead be consolidated in Cooperation Facilities established by support measure action documents, allowing Delegations to plan and execute multiannual strategic communication and public diplomacy actions with sufficient critical mass to be effective on a national scale.

APPENDIX 1- List of Lead Finance Institutions

- AFD – Agence française de développement
- KfW
- EIB – European Investment Bank
- Proparco
- DEG – Deutsche Investitions- und Entwicklungsgesellschaft
- COFIDES – Compañía Española de Financiación del Desarrollo
- CDP – Cassa Depositi e Prestiti SpA
- FINNFUND – Finnish Fund for Industrial Cooperation
- BIO – Belgian Investment Company for Developing Countries
- AECID – Spanish Agency for International Development Cooperation
- FMO – Dutch Entrepreneurial Development Bank
- Other pillar assessed institutions by signature of the financing agreement

Appendix 2 - REPORTING IN OPSYS

An Intervention[13] (also generally called project/programme) is the operational entity associated to a coherent set of activities and results structured in a logical framework aiming at delivering development change or progress. Interventions are the most effective (hence optimal) entities for the operational follow-up by the Commission of its external development operations. As such, Interventions constitute the base unit for managing operational implementations, assessing performance, monitoring, evaluation, internal and external communication, reporting and aggregation.

Primary Interventions are those contracts or groups of contracts bearing reportable results and respecting the following business rule: 'a given contract can only contribute to one primary intervention and not more than one'. An individual contract that does not produce direct reportable results and cannot be logically grouped with other result reportable contracts is considered a 'support entities'. The addition of all primary interventions and support entities is equivalent to the full development portfolio of the Institution.

The present Action identifies as

Contract level		
☒	Single Contract 1	Contribution agreement with UNCDF, EUR 4 000 000
☒	Single Contract 2	Contribution agreement with GGGI, EUR 3 800 000
☒	Single Contract 3	Contribution agreement with pillar assessed entity, EUR 7 000 000
☒	Single Contract 4	Support entity: Procurement of service for audit and evaluation, EUR 200 000

[13] Ares(2021)4450449 - For the purpose of consistency between terms in OPSYS, DG INTPA, DG NEAR and FPI have harmonised 5 key terms, including 'action' and 'Intervention' where an 'action' is the content (or part of the content) of a Commission Financing Decision and 'Intervention' is a coherent set of activities and results which constitutes an effective level for the operational follow-up by the EC of its operations on the ground. See more on the concept of intervention.