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CLIMATE FINANCE FACILITY

Green Products and Services Offering

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Background

Uganda Development Bank is cognizant of the increasing threat of climate change and environmental degradation that have the potential to cause high socio-economic risks to the economy. With over 70% of Ugandans heavily dependent on small and medium enterprises (SMEs) for employment in the natural resources sector, these generally have less capacity to withstand financial shocks that come with the effects of climate change.

The vulnerability of Uganda's population requires urgent need to adapt and maintain future economic growth opportunities by transitioning to a low carbon (green) economy. This will require massive investment in green technologies. As such, this calls for a better alignment of the financial sector with policies and practices that support green growth.

The Bank together with its partners has positioned itself to support the country realise its greenhouse gas emission reduction targets of 24.7% by 2030 by enhancing its efforts to mobilize green finance, increase access to credit, manage climate and environmental risks, and act as a financial intermediary through affordable green products.

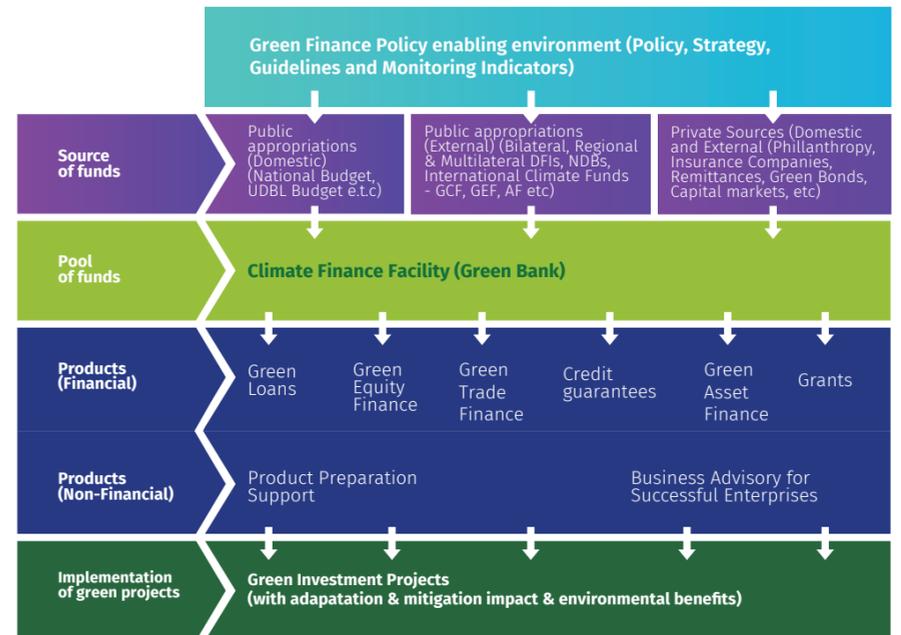
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Structure of the Climate Finance Facility



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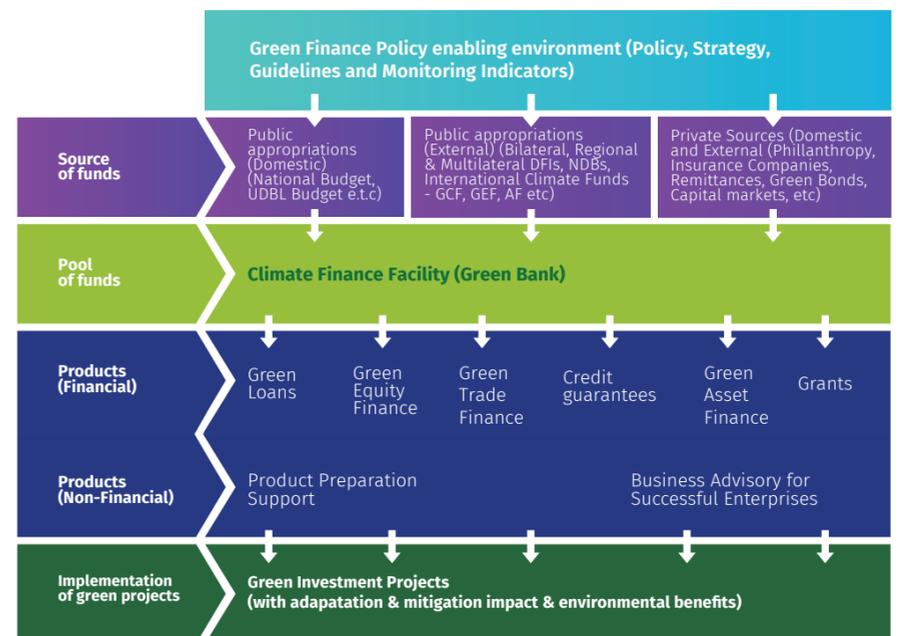
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Structure of the Climate Finance Facility





Delivery Mechanisms

The Bank delivers these services through different channels:

- i) Inhouse green advisory service unit,
- ii) Investment clinics organized by the Bank,
- iii) UDB Business Clubs,
- iv) Partner Financial Institutions with the Bank and
- v) Firms /individual consultants contracted by the Bank.

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The Enabling Environment

To achieve its ambition and become more deliberate and intentional towards its commitment of contributing to lowering the carbon footprint, the Bank established a Green Finance Unit, developed a Green Finance Policy, Green Finance and Investment Strategy, and Monitoring Indicators as a policy enabling environment for green investments.

The Bank has further structured special green products such as green loans, green equity, partial credit guarantees, asset and trade finance channelled through the Climate Finance Facility (CFF) to increase its interventions targeted towards the high impact sectors of the economy as presented in the National Development Plan and the Uganda Green Growth Development Strategy.

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The Climate Finance Facility

The CFF is a green financing vehicle specifically created to mobilize capital from both domestic and external sources targeting both private and public entities. The resources mobilized will be directed towards low carbon and climate resilient investments.

The Bank will take lead, arrange and structure deal transactions that can shape development of green innovations, technologies and markets. The idea is to build a strong pipeline of deal syndications, attract co-investments and demonstrate climate finance engineering solutions in the local context.

The Bank will strive to source for and attract non-repayable grants for blend financing. Grants will be blended with debt to reduce the risks associated with high start-up capital, high transaction costs and long maturity periods of green investments.

The Bank has committed UGX 50 billion towards capitalization of the facility. This is expected to grow with support from various partners over time.



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Non-financial Products

What your business should do to qualify for a green loan today?

01

Green Investment Advisory

The idea is to build a pipeline of projects with a high green impact through training and technical backstopping. In addition to the best management practices (record keeping, financial management and good governance), the Bank provides technical readiness to support green enterprises start and or scale up their businesses through innovation labs/hubs.

02

Project Preparation and financial structuring

This is mainly to fill the void of inadequate stock of bankable projects that are required to propel development. It is commonly used to manage the planning and implementation of large capital projects. The Bank supports investments with innovative ideas to conceptualise designs, undertake pre-feasibility and feasibility studies, and financial structuring that guides commercial operations. This is common for large infrastructure projects, energy projects, water for production and development among others.

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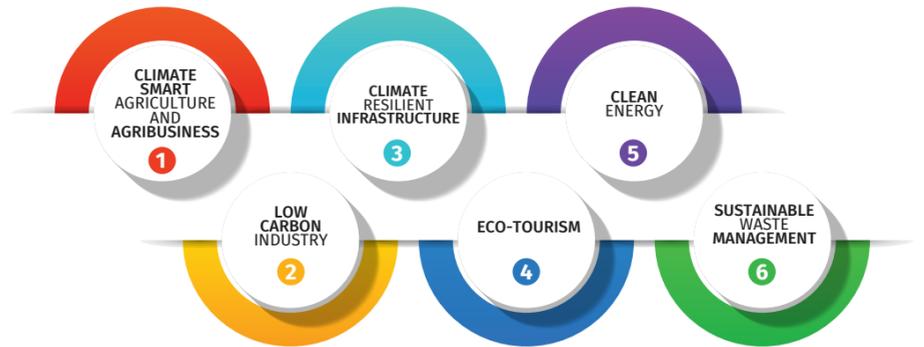
Eligible Sectors



Table 1: Green Financial Products (Continuation)

Purpose	Key features	Details	Duration
4. Green Trade Financing	This facility provides financing for purchase of certified raw materials for production of green finance products such as climate friendly packaging materials, production of biomass substitutes etc.	This product will target to bridge operational gaps for traders investing in green products through a sustainable supply and demand model (circular economy model).	Revolving in nature with repayment cycles up to 120 days.
5. Credit Guarantees	This product targets to unlock green investments that suffer constraints of lack of collateral, high credit risk, and high start-up costs.	The aim is to enhance the credit worthiness of green investments and mitigate structural barriers such as contractors seeking performance or advance payments.	Guarantee coverage ratios, the pricing of guarantees, credit guarantee tenors, & grace periods to be determined according to respective projects.
6. Grants	The Bank shall offer grants to allow developers acquire efficient technology to grow and scale up their activities. This facility will contain some amount of concessional finance which will be blended with market-based finance.	The grants shall aim at supporting project feasibility, market studies, regulatory frameworks, and market development standards and certifications.	Payments are made in several agreed instalments during the duration of the loan period. For sustainability of the interventions, the grants will be attached to debt.

The facility will target climate change mitigation and adaptation initiatives that are aligned to the Bank's priority sectors. The facility will provide opportunities along value chains and supply chains that target to combat climate change impacts through evidence-based and innovative climate smart technologies. Target initiatives will include:



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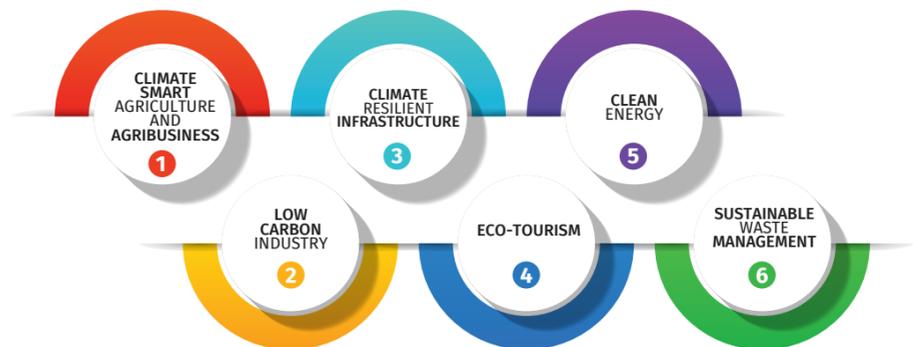
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Green Eligibility Criteria

What your business should do to qualify for a green loan today?

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Green impact

The facility will target investments that demonstrate how they reduce current and/or future vulnerabilities to climate change impacts, and the efforts to reduce or limit greenhouse gas (GHG) emissions or enhance GHG sequestration both in the short and long run. Investments shall demonstrate compliance to environmental sustainability and climate action.

02

Other requirements

In addition to the green impact, the applicants will submit other requirements. Requirements for access to funding through the mainstream lending channel can be found on <https://www.udbl.co.ug/products-services/> while requirements for access to funding through the special programs can be found on <https://www.udbl.co.ug/service/special-programs/>

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Financial Products

Table 1: Green Financial Products.

Purpose	Key features	Details	Duration
1. Green Loans	The Bank shall extend medium, and long-term loans to exclusively finance, in whole or in part, new and/or existing eligible green projects.	This product will be extended for variety of purposes including establishment of a green investment, working capital expenses, purchase of resource efficient equipment, overhaul of plant and machinery etc.	Tenure: 4-15 years inclusive of 3years grace period.
2. Green Equity Financing	This product is designed to address risks associated with start-ups, application of climate technologies, and difficulties underwriting green projects under multiple revenue streams. The idea is to develop sustainable markets for green products and services.	The equity investments should seek to promote environmental sustainability and reduce ecological footprint of intended beneficiaries.	UDB shall hold equity for a period of atleast 10 years, and provide leverage to attract co-investments.
3. Green Asset Financing	The asset finance product allows green investments to access efficient machinery in terms of resource use without having to purchase the equipment upfront. Project developers with high up-front costs are able to spread them over a longer period.	UDB shall aim to offer medium to long term asset financing to enable green businesses to have access to the latest green technologies.	Tenure: 4-8 years inclusive of 3 years grace period depending on useable life.

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