



ADVOCATES COALITION FOR DEVELOPMENT AND ENVIRONMENT

CALL FOR EXPRESION OF INTEREST

TERMS OF REFERENCE FOR THE CONTEXTUAL FINANCIAL STUDY

Introduction

ACODE is an independent public policy research and advocacy think tank registered in Uganda working in the Eastern Africa region. Our core business is policy research and advocacy. Since the organization was formed over 20 years ago, ACODE has emerged as one of the leading regional public policy think tanks in Sub-Saharan Africa. ACODE is a member and hosts Green Economy Coalition (GEC) a membership organisation of 50+ members. Some of these are based in low- and middle-income countries (LMICs). GEC seeks to assist countries in their transition to a sustainable green economy and is convinced that such transition to a green economy requires political leadership to frame policies that respond to societal demands.

Background to the Study

Local Green Enterprises (LGEs) consist of informal and formal micro, small and medium enterprises (MSMEs) and social enterprises that are using green business models, developing green products or greening their business practices. They are important actors within local economies and societies, and key economic players to drive inclusive and sustainable development in low and middle-income countries throughout the world.

A recent survey of 99 countries found that small economic units account for 70% of total employment globally¹. MSMEs are engines of economic growth in both developed and developing economies, accounting for over 50% of GDP and more than 90% of employment in some countries. MSMEs are a source of employment, competition, economic dynamism, and innovation. Because they enjoy a wider geographical presence than big companies, SMEs contribute to better income distribution.² LGEs, as with generic MSMEs, generate local revenue and employment for people and communities who lack access to alternatives. They promote the inclusion of

¹ ILO, 2019, Small Matters https://www.ilo.org/global/publications/books/WCMS_723282/lang--en/index.htm

² Dr. Supachai, Secretary-General of UNCTAD, 2006

disadvantaged groups of society, particularly women, immigrants and minority groups³. They also enable green social business practices to foster local resilience and sustainable prosperity and help craft more inclusive and sustainable economies.

LGEs are key adopters of radical environmental innovations (often neglected by established firms) in the production and manufacturing of environmental goods, services and technologies. Given their role as testing grounds for green innovations which many bigger firms view as high-risk, LGEs have the agility to accelerate access to new markets and play a catalytic role in diffusion and uptake of green innovations. Such enterprises can play a strong role in developing inclusive pathways to sustainability and are at the forefront of climate responses and innovations (both adaptation and mitigation) and environmental sustainability.

However, unsustainable and inefficient production-and-consumption practices of many MSMEs pose major challenges in terms of pollution and environmental degradation. While availability of finance is a key enabler for economic activity, if not matched with policies that drive transition to sustainable MSME practices, products and services, will exacerbate environmental and climate deterioration. On account of their sizeable contribution to economies as well as the need to implement environmentally sustainable business practices, MSMEs are central players in green transitions.

Despite their transformational potential, MSMEs encounter fundamental challenges. These include poor access to finance, inadequate research and innovation systems and limited business skills. These challenges are more pronounced with green MSMEs (LGEs) who face the additional risk that their business model is often centred on innovations (in business process, product or service across economic sectors), many of which are still new, untested and unmarketed. Given the diversity of LGEs, in size, ownership structure, focus and turnover, these challenges cannot be addressed by a one-size-fits-all approach but require engagement with the ecosystem that enables or constrains green entrepreneurship in a country.

A 2017 IFC report estimates the finance gap for MSMEs at US\$ 5.2 trillion, with an estimated US\$ 2.9 trillion potential demand from informal enterprises in developing countries. Unlocking sustainable finance for LGEs is foremost to ensure that green economy transitions are both inclusive and reach those who are at the forefront of restructuring economies. To date, MSME financing and sustainable finance agendas in target countries have operated largely in parallel, with no substantive actions made to link them. This action will identify and promote the development of key sustainable finance policy instruments to improve the investment climate for LGEs and promote greening of MSMEs.

This action will take place in 1 region and 6 target countries – the Caribbean, India, Mongolia, Peru, Senegal, South Africa and Uganda. MSMEs are the backbone of economies in these countries, providing up to 90% of employment in some and contributing substantially to economic growth. Yet in each target countries/region of this action, severe policy and access limitations reduce the capability of LGEs to flourish. Laws, policies, support systems and assurance standards, designed for large formal businesses, are not fit for LGEs and impose cost-barriers that effectively exclude them. Consequently, LGEs rely on inadequate financial, business and technical support

³ Montmasson-Clair, G. et al, 2019. "All Is Not Green: Climate Change Adaptation and Small Business Resilience in Low- and Middle-Income Countries." www.gca.org

services, have limited access to existing opportunities, and thus fail to compete. Investment flows only to large firms thwarting local potential for innovation and growth.

Financial policies must include LGEs for sustainable local prosperity. Inclusive dialogues are an important means to engage the perspectives of diverse LGEs, to foster relevant policies, generate evidence and build critical support. Through inclusive dialogue processes, this action will convene stakeholders, champion LGEs, and foster a critical mass to demand and shape financial reforms.

This action builds on successful GEC dialogues work under EC contract ENV/2016/372-847 “Creating enabling policy conditions for the transformation towards an inclusive green economy.” Building on the foundations of these inclusive green economy dialogues in the target countries and region, this action will focus on sustainable finance, connecting local green enterprises with relevant sustainable finance policy processes to identify, engage and influence the sustainable finance architecture for LGEs. This will ensure that sustainable finance reform processes respond to locally identified priorities and needs, and that finance policies, institutions and mechanisms are locally relevant in order to improve the investment climate for LGEs and support inclusive green economic development.

About the assignment:

The first and foundational activity is to conduct a contextual financial analysis (CFA) for Uganda—to look strategically at the overall sustainable finance architecture and assess how this architecture affects LGE needs and activity. ACODE is mandated to look at complementary initiatives in each country and seek engagement with them where relevant and feasible.

The key output: CFA analysis report to inform discussions at local and national dialogue events held to identify stakeholders.

Reporting Format: The data captured in the spreadsheet will contain the heart of the CFA analysis. This also needs to be portrayed in a readable form that captures the essence of findings in a publishable form. Please therefore prepare reports in the following format

- Introduction: what and who the report is for; opening country context statement
- Executive Summary:
 - Key findings and recommendations
- Economy
 - Signature issues
 - The regulatory landscape
 - The stakeholder landscape
 - Macro indicators
- Finance
 - Signature issues
 - The regulatory landscape
 - The financial landscape
 - The stakeholder landscape
 - Macro indicators
- References and citations

The reports should be written with a view to influencing national policy makers and national sustainable finance stakeholders, including donors.

Duration:

The consultancy is expected to be completed within 2 months from the date of signing the contract.

Submission

Interested applicants should submit an expression of interest on not more than two pages to acode@acode-u.org copied to Lydia.aine@acode-u.org not later than close of business on 29th January 2021.