

Kampala Protocol for Blended Finance

June 18, 2019

We, the leaders from the private sector, academic institutions, governments, multilateral institutions, and nongovernmental organizations from Uganda and seven other African countries, who are gathered for the High Level Regional Event here in Kampala, co-hosted by the Government of Uganda and the United Nations Capital Development Fund (UNCDF), under the theme “**Blended finance and leaving no one behind: opportunities and challenges in Southern and East Africa**”, adopt the following Declaration.

Three years after the adoption of the Addis Ababa Action Agenda and the 2030 Agenda for Sustainable Development, consensus has been reached that public and private finance will both be needed – at scale – to meet the SDGs. World Economic Forum estimates that up to \$4.5 trillion per year in investment will be required in developing countries to achieve the Sustainable Development Goals (SDGs) by 2030. Job creation, agricultural development provision of human capital development, supply of infrastructure services, these and many others have long been viewed as a key ingredient for economic development and critical for the achievement of the sustainable development goals. There is thus increasing pressure to scale up investments in blended finance in order to mobilize additional commercial finance to plug the funding gap for the Sustainable Development Goals. However, this potential has not been fully utilized in developing countries. The average amounts of private finance mobilized per transaction in least developed countries is quite dismal which is a true reflection of the smaller size of private-sector transactions and/or the greater use of concessional finance required per transaction.

Today, at this first ever launch of the blended finance solution in Africa, we acknowledge the important value of blended finance for the implementation of the sustainable development goals and regional transformation. We therefore issue this Declaration with three mutually interconnected and reinforcing objectives: (1) to summarize the practical achievements of the high level regional launch event on blended finance; (2) to reiterate our shared aspirations for financing the SDGs; and (3) to suggest practical measures and a roadmap for scale up blended finance as one of the solutions for financing the SDGs and regional development.

Sharing a common belief that achieving the SDG requires innovation and deliberate re-orientation of approach of doing business by Governments, private sector and development partners and innovating alternative financing options;

Convinced about the important role blended finance plays in the implementation of the Sustainable Development Goals;

Cognizant of the immense financial gaps for the implementation of the SDGs and the existing resource limitation and the need for alternative sources of financing on the other hand;

Mindful of the fact that private investments, including foreign direct investments, as well as advanced financing techniques often bypass the 47 least developed countries;

Aware of the availability of investment capital from the private sector, the immense opportunities to attract this capital to sub-Saharan Africa, and the barriers to private capital flow to the region;

Recognizing further the increasing attention blended finance is receiving as alternative financing solution for the SDGs and regional development and the need to increase attention to economic infrastructure for blended finance projects;

Recognizing further the need for development of bankable projects and challenges the private sector, government agencies and local governments face in developing economically viable and bankable projects;

Cognizant of the blended finance potential to create demonstration effects that support commercial replication over time, inform government-led policy improvements and potentially support the development of local markets as well as of the limitation and risks associated with blended projects;

Convinced about the imperative for central governments, local governments, Development Partners and private sector to look for and adopt blended financing solutions for the implementation of the SDGs;

Recalling the Jinja Declaration of the Urban Expo 2018 that stressed the importance of alternative financing solutions for local economic development and urban development in particular to make secondary cities investment-ready and investable;

Determined to realize the required financing for SDGs and making achieving of SDG by 2030 a reality, with blended finance being one of the key financing modalities,

We, hereby, resolve as follows:

- 1. To take an active role in the ongoing debates about blended finance to advocate for approaches and solutions aligned with the conditions and interests of the countries of the region**
 - (i) Advocate with development partners and other international stakeholders for representation of our countries in relevant universal forums, such as the Financing for Development and Development Cooperation Forums held at the United Nations and in other international and regional forums;
 - (ii) Advocate and promote responsible application of blended finance through our membership in the African Union and its subsidiary bodies with a view to improving best practice and global and regional policymaking on blended finance;

- (iii) Leverage the existing regional forums and regional economic communities and their mechanisms for substantive discussions on blended finance to work out and implement common platforms and approaches, including Southern African Development Community (SADC), East African Community (EAC), Intergovernmental Authority on Development (IGAD);
- (iv) Working closely with providers of concessional finance to identify the areas and sectors in our countries particularly suitable for blended finance as well as the appropriate mechanisms for implementation of blended finance solutions.

2. To take a deliberate effort to improve the domestic policy and regulatory environment for application of blended finance solutions

- (i) Fast-track policies, regulations and legislations to unlock local financing in our countries using blended finance. This involves developing policies and improving legal regimes to allow for blended finance solutions to take root and expand, such as favorable PPP arrangements, special purpose vehicle (SPV) policies and laws and improving taxation laws that hinder capital inflows;
- (ii) Introduce arrangements to improve transparency of blended finance operations by making publicly available information such as how much ODA is going into blended transactions, any non-commercially sensitive information on deals and portfolios, performance, eligibility criteria and impact metrics.

3. Improve national capacities to design and execute blended finance solutions

- (i) Develop an in-house capacity in central governments, private sector, and local governments to identify and develop a pipeline of SDG-aligned projects that allow application of blended finance solutions;
- (i) Ensure robust metrics are in place for assessing and monitoring development and financial additionality of blended finance projects and that *ex ante* SDG and ESG impact assessments are undertaken, along with analysis to minimize market distortions caused by blended finance interventions;
- (ii) Create mechanisms to ensure involvement of impacted communities in decisions on blended finance projects;
- (iii) Broker collaborations between commercial financiers, development partners and investors to implement deal structures that bring out the best of the public and private sectors and share risks and rewards fairly;
- (iv) Put robust mechanisms in place to ensure transparency and accountability of blended finance projects.

4. Strengthen effective mechanisms and partnerships for blended finance

- (i) For those cases where blended finance is appropriate, establish and/or sufficiently resource existing national and/or regional dedicated funds,

facilities, entities or special purpose vehicles that will support blended projects in our countries throughout their life cycle.

- (ii) Actively encourage international providers of concessional finance, resident and non-resident, to consider and apply blended finance solutions in our countries without endangering our access to other forms of international financial and nonfinancial support;
- (iii) Actively seek out suitable domestic investors and support blended transactions in local currencies;
- (iv) Ensure that linkages are built with local suppliers and entrepreneurs, so that blended transactions can help strengthen domestic industries;
- (v) Support and strengthen technical assistance to SMEs in financial management, governance and marketing to extend blended finance solutions to the “missing middle”.

5. Improve research and knowledge sharing to inform blended finance best practice

- (i) Use the existing regional and domestic mechanisms for SDG and development finance to create regular policy dialogues to share lessons from blended finance successes and failures;
- (ii) Build and scale up existing data efforts on blended finance by making them available to a larger group of stakeholders, including the private sector;
- (iii) Support continuous exchanges between other countries and our partners in the North and the South on blended finance, including through Financing for Development and Development Cooperation Forums held at the United Nations, expert meetings, conferences and field visits;
- (iv) Encourage and strengthen information and data exchange between the relevant technical departments involved in blended financing in our countries, such as PPP units, Project Analysis Units and similar;
- (v) Encourage and support targeted research in our countries and regionally into specific aspects of blended finance, including sectors, approaches, instruments, mechanisms and development impact measurement.
- (vi) Disseminate evidence and past experiences more effectively between different functional and geographical units nationally and regionally.

We therefore call upon all financial sector actors to consider blended finance as an opportunity to complement limited resources available for SDG implementation and join us in the efforts we have undertaken in this first ever launch of the blended finance solution in Africa. We call upon the global community to expand involvement of developing countries in blended finance policy discussions.

We invite development partners and providers of concessional finance to share with us and help us introduce good practices and effective techniques from other parts of the world that can boost the investment in the region and allow effective blended finance solutions.

We call upon our fellow citizens to stand with us shoulder to shoulder to make our common vision a reality. It is not our technical superiority but your ability to make the change that will make it happen. Together, we can.

We propose to develop a realistic and implementable action plan based on the present recommendations and request our Ministries of Finance and Ministries of Local Government to establish a mechanism for monitoring the progress and coordinating the activities of relevant stakeholders in this respect.

We stand committed to this declaration and intend to review regularly updates on our joint progress in blended finance to support achievement of our national development objectives as well as the regional and global goals set in Agenda 2063 and Agenda 2030.