

## RCC Kampala a challenge host for the SEED Practitioner Lab Climate Finance

### **Background**

Uganda is one of the hubs for climate finance in Southeast Africa. International and national public institutions, donors, banks and investors are already channeling significant amounts of money into climate finance, but challenges exist in the creation of a steady deal flow in the private sector. Well-designed climate finance products that reduce investors' risks, enhance their expected returns or bridge existing infrastructure gaps can help to catalyse the deal flow in the private sector bridging the missing-middle gap in Uganda. The Practitioner Lab Climate Finance catalyses this process by drawing on experience and expertise from local champions to identify, prototype, and design the next generation of climate finance products. Those prototyped products provided concrete solutions to challenges faced in climate finance, and can build new mechanisms, attract new investors, and help to increase the deal flow into projects and enterprises. The Practitioner Lab responded to the importance of the deal flow and missing middle challenge by prototyping project-ready solutions complementing existing processes and by moving quickly from idea to action. The Lab invited leaders from investors, banks, development finance institutions, foundations, governments, innovators and intermediaries. By drawing on the experience and expertise of local practitioners and experts the Lab ensured that the prototyped financial products address real-life financing challenges. The first Practitioner Lab Climate Finance helped to turn pressing challenges into prototype financial products. Ideas for prototype solutions on how to address challenges were mapped out in parallel groups. The highly-interactive lab provided an exclusive opportunity to design financial products in four or more parallel groups. It focused on peer-learning between climate finance stakeholders to refine the prototyped financial product. The workshop connected 30-40 key players from the climate financing landscape.

Between June and November 2018, RCC Kampala played the role of a challenge host for the *Renewable Energy Infrastructure Financing* challenge under the [SEED](#) Practitioners Labs for Climate Finance initiative. The [Practitioners Lab for Climate Finance](#) brought together organizations, businesses and stakeholders to jointly address the significant financing challenges that face eco-inclusive SMEs in many developing and emerging economies, through an action-learning platform where lab participants are empowered to turn challenges into solutions and develop tangible and robust financial prototypes.

RCC Kampala as a challenge host for the *Renewable Energy Infrastructure Financing* challenge was tasked with the facilitation of working groups on sub-challenges as a moderator, and provide guidance through the whole process and take the lead for the development of a financial product. The focus area for the financial product was to reduce the numerous challenges faced by the private sector investors that include high investment cost, and short repayment period, technology know-how and access to finance among others the make difficult to finance Renewable Energy Infrastructures.

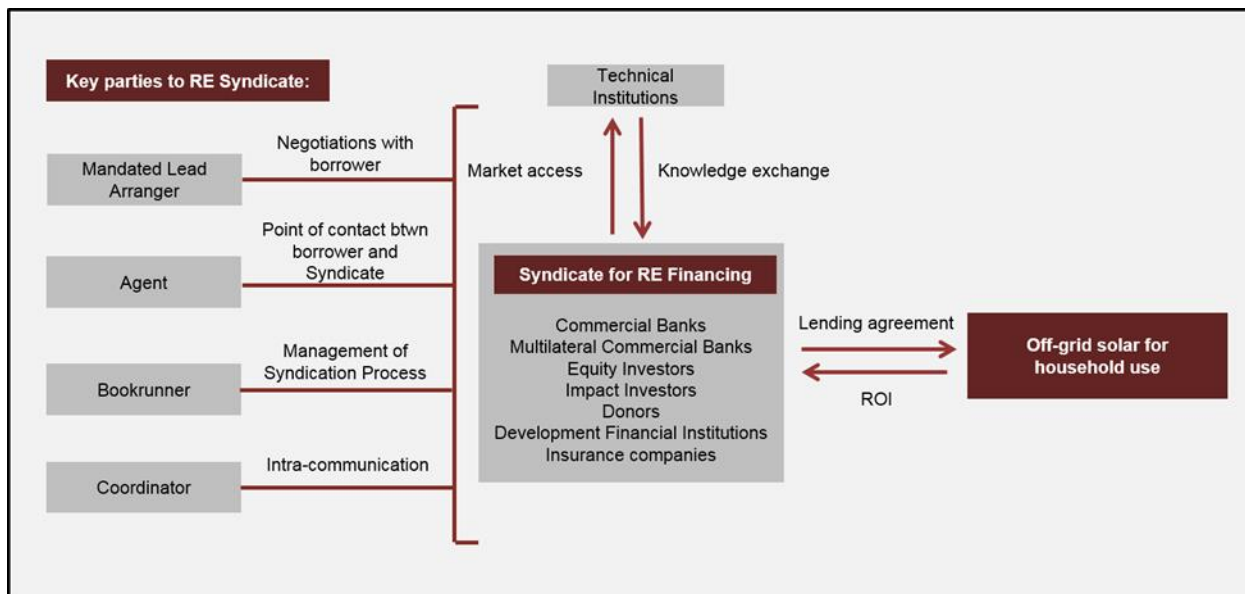
The Practitioners Lab came in four phases of **Key Challenge Identification, the Kick off Lab, Implementation of Prototype innovations, the Transition Lab** and finally the wider **Long-term Change** in the sector.

The designing of financial solutions for Renewable Energy Infrastructure Financing challenge started with a **kick off lab** on the 19<sup>th</sup> June 2018. The event engaged participants to identify key challenges in the Renewable Energy sector which formed a basis for the co-creation of the prototype innovations (see [Kick off Lab report](#)) . During this event, RCC Kampala under its challenge, developed two prototypes which aimed at forging ways of reducing risks involved in financing renewable energy infrastructures. The two prototypes include;

- 1- **The Consortium Prototype:** a facilitative Public Private Partnerships (PPPs) for renewable energy projects through creating a special purpose vehicle (Consortium) that would engage entrepreneurs, public infrastructure developers, development banks and pre-defined government projects. This consortium would help those involved to share the risks associating with renewable energy infrastructure scaling, ease access to markets, and improve the investment climate. This prototype focuses on large scale investments.
- 2- **The Syndication prototype:** which enables and leverages syndication effects in order to increase the number of new financial partnerships/connections, raise new debt in the sector, increase returns on investment in renewable energy infrastructure, offer employment opportunities and improve the scalability and therefore the sustainability impacts of the financial products. This prototype focuses on small, medium and large scale investments.

After the kick-off lab, RCC Kampala organized a series of group meetings to refine the prototypes. Through these meetings, a decision to develop a syndicated method for financing pay go solar and off-grid roof top solar models was made since the objective of this whole exercise was to alleviate barriers for the SMEs. The concept enables and leverages syndication effects in order to increase the number on investment in renewable energy infrastructure, offer employment opportunities and improve the scalability and therefore the sustainability impacts of the financial products. The concept note on the prototype was developed and was expounded on.

**Below is a graphic presentation of the developed Syndicate Value Chain**



**The Transition Lab** held on 13 November marked the last phase of financial product development. The transition Lab built on the success of the initial Kick-Off Lab held in June and enabled climate finance product developers to showcase their prototypes, share their refinement and implementation milestones and secured support from prospective partners and investors. During the event all product developers including RCC Kampala had the opportunity to shape these products and ensure their success at market while driving the green economy transition in Uganda and also cultivate Uganda's ecosystem for climate-smart financing for eco-inclusive enterprises through interactive discussions on challenges, trends and synergies for multi-stakeholder engagement around innovative market-based solutions. RCC Kampala delivered a presentation on the prototype developed under the challenge for renewable energy infrastructure development.

The next steps will be to further work on the concept notes, develop, test and scale up the financeable products.

For more information, please contact [RCC Kampala](#)