

Fact Sheet

Title of the proposed Joint Programme Financing the SDGs: Jamaica's Innovative Outcome Fund

UNCT MCO Jamaica

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Relevant UNDAF Outcome/s and Output/s

The proposal is well aligned with priority area 1 of the UN Multi-Country Sustainable Development Framework for the Caribbean (UN MSDF) which focuses on -An inclusive, equitable and prosperous Caribbean.

Outcome 1: Access to quality education and life-long learning increased, for enhanced employability and decent and sustainable economic development.

Relevant objective/s from national strategic document/s

GOAL 1: Jamaicans are Empowered to Achieve their Fullest Potential

GOAL 3: Jamaica's Economy is Prosperous

- National Outcome # 8 – An Enabling Business Environment
- National Outcome # 9 – Strong Economic Infrastructure
- National Outcome # 11 – A Technology-Enabled Society
- National Outcome #12 – Internationally Competitive Industry Structures

The results also align with the following SDGs: 2, 4, 5, 8, 9, 10, 11,12, 16 and 17

SDG targets on which the progress will be accelerated (includes targets from a range of SDGs and development pillars)

Goal 1: End Poverty

Goal 2: Zero Hunger

Goal 3: Good Health and Well-Being

Goal 4: Quality Education

Goal 5: Gender Equality

Goal 6: Clean Water and Sanitation

Goal 7: Affordable and Clean Energy

Goal 8: Decent Work and Economic Growth	8.2
	8.3

Goal 9: Industry, Innovation and Infrastructure	9.3
	9.5

Goal 10: Reduced Inequalities

Goal 11: Sustainable Cities and Communities

Goal 12: Responsible Production and Consumption	12.a
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Goal 13: Climate Action

Goal 14: Life Below Water

Goal 15: Life On Land

Goal 16: Peace, Justice and Strong Institutions

Goal 17: Partnerships for the Goals	17.1
	17.3
	17.5
	17.6

Self-Assessment

The proposal reflects the integrated nature of the SDGs	Yes
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The proposal is based on an inter-agency approach (two or more UN entities involved), with RC coordinating Joint Programme preparation and implementation	Yes
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The proposed results are part of the UNDAF and aligned with national SDG priorities	Yes
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The proposed Joint Programme will be led by government and include key national stakeholders	Yes
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The proposal is based on country level consultations, as explained in the Concept note, and endorsed by the government (the letter of endorsement)	Yes
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The proposal is based on the standard template for Concept Notes, it is complete, and it includes:	Yes
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- **Theory of Change demonstrating contribution to SDG acceleration and transformation to implement the 2030 Agenda and awareness of relevant financial policy efforts at regional or national level,**
 - **Results-oriented partnerships, including a strategy to engage and partner with IFIs/MDBs,**
 - **“Quick wins” and substantive outcome-level results, and**
 - **Initial risk assessment and mitigation measures.**
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The proposal is expected to leverage resources for the SDGs at scale	Yes
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Proposal for Joint Programme

1. Summary of the Joint Programme

The purpose of the Joint Programme (JP) is to introduce a results-based innovative financing model that addresses the challenges of nascent financial ecosystems in SIDS like Jamaica, which have not been able to attract sufficient funds from the global capital market to invest in national and local sustainable development projects.

The Government of Jamaica (GOJ) has made significant strides in localizing and integrating the SDGs in its planning framework, evidenced by over 91% alignment with the country's Vision 2030 Jamaica - National Development Plan (NDP). The NDP is financed mainly through the national budget; however, this financing model is challenged by tight budgetary constraints and limited fiscal space for additional debt, due to the commitment to the execution of the Economic Reform Programme (ERP), which has successfully created stable macroeconomic conditions. This has left a funding gap for development investment due to declining ODA and unpredictable flows of FDI. Currently, there are insufficient financing mechanisms attracting investment from the global capital market, which has over US\$17 trillion invested in negative-yielding bonds. The funding gap restricts investments in development programmes that could lift the most vulnerable out of poverty and create a greater level of socio-economic inclusion. In a country where inequality is relatively high, achieving the SDGs is critical given the risk of the most vulnerable being left behind.

The financial mechanism proposed is a technology-enabled outcome fund. The Outcome Fund will attract capital from development financial institutions and development-oriented investors to complement sustainable development projects aligned with the NDP. This blended approach allows for a larger pool of investment funds to be available to finance and scale successful ventures. The Outcome Fund will be complemented by an Impact Venture Studio, which will be a purpose-built innovation platform designed to generate a robust deal flow of investable impact/development ventures to support the achievement of the NDP and SDGs. In addition, the creation of a digital impact investment platform will automate the deal identification and screening process, allowing global investors to efficiently identify investable impact ventures that meet their requirements.

The expected results of the JP include a significant scale-up of SDG aligned investment and spending through the mobilization of additional financing from multiple development and private sources. The JP also aims to create a robust pipeline of investable ventures.

The initiative is in the proof of concept stage.

2. Thesis and theory of change of the Joint Programme

The proposed JP will address the development challenge of insufficient funding for the integrated SDGs and Vision 2030 Jamaica programmes, which require more funding than available in the national budget. In order to solve these challenges, a significant scale-up of SDG-aligned investment is urgently required. Immediate causes of this challenge are insufficient financing mechanisms to mobilize additional financing and inadequate capacity to generate investable opportunities to attract national and international private capital. The underlying causes of which are that significant capital is not being mobilized despite private investor interest in the achievement of the SDGs due to insufficient institutional capacity to develop a pipeline of investable SDG projects. The root causes contributing to these challenges are the high levels of perceived country risk, high transaction costs for relatively small deals and the nascent state of the financial ecosystem, where social innovation capacity is underdeveloped.

The proposed JP seeks to address these tiered challenges through the creation of an ecosystem that combines an Outcome Fund, a Digital Impact Investment Platform and an Impact Venture Studio. The Outcome Fund will mobilize financing from multiple sources

thereby strengthening domestic resource mobilization and using blended finance risk mitigating strategies to attract risk averse investors. The Digital Impact Investment Platform will showcase deals with the potential to deliver risk-adjusted rates of returns to potential investors. The platform will also make investment, monitoring and evaluation processes transparent and accessible. The third component of the JP is the creation of an Impact Venture Studio (IVS) which will pool talented human capital to produce scalable and investable impact ventures. The IVS will leverage advanced technologies to strengthen institutional capacity to generate innovative business models attractive to impact investors.

Main Assumptions (see appendix 2):

- Investors will be open and willing to use a Digital Impact Investment Platform.
 - The GOJ will be an active player in an innovative finance mechanism and implement the associated policy and regulatory support.
 - The JP will be able to access and inform potential investors of the value of the innovative financing mechanism.
 - IVS business models, programmes, and projects will achieve SDG/NPD goals and objectives.
 - The mechanism is easily replicated in other countries despite varying risks.
 - The IVS can churn out deals attractive enough to pull the interest of major investors.
 - Governments, international financial institutions, and private financial markets are willing to direct adequate flows of capital into sustainable ventures in SIDS.
 - The outputs of the Venture Studio will be aligned with national development priorities, policies and strategic imperatives.
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3. What are the expected results of the proposed Joint Programme?

The proposed innovative financial mechanism is expected to produce the following results:

1. Establishment of an impact venture studio (innovation lab) that will design, develop, implement and scale-out innovative and sustainable business models that will produce results aligned to the SDGs and NDP indicators
2. Creation of a technology enhanced impact investment platform that can attract multiple sources of investment to finance SDG related initiatives including those generated by the IVS and Public Investment Management System (PIMS)
3. Development of an Outcome Fund, which complements the national budget, with funding from official development partners, to pay for performance contributing to the achievement of the SDGs and national outcome indicators.
4. Private Sector partnership, e.g., the venture studio will develop the innovation capacity to partner with private firms so that they have the means and capacity to sustain their support through innovations such as “Cause Marketing”, “base of the pyramid” distribution strategies and digital transformation.

The contribution of the proposed results to SDG acceleration will be determined by measuring:

1. Percentage increase in the number of innovative and sustainable deals in the pipeline
2. Percentage increase in funding available for Vision 2030/ SDGs projects and ventures
3. Percentage increase in funds mobilized from the private sector, bilateral, and multilateral financing.
4. Percentage increase in the number of Projects funded
5. Percentage increase in the number of projects that successfully achieve their development objectives

The UN Multi-country Sustainable Development Framework (UN MSDF) is the successor to the six (6) current United Nations Development Frameworks (UNDAFs) across Barbados & the OECS, Belize, Guyana, Jamaica, Suriname, and Trinidad and Tobago. The results seek alignment with (UN MSDF) priority area “An inclusive, equitable and prosperous Caribbean,” which “demands economic development from a human-centered perspective that can respond to the specific factors that have affected the ability of the Caribbean to remain competitive, taking into consideration issues such as brain drain and limited fiscal space to support technological innovation.”

The results sought also align well with the GOJs aim of financing Vision 2030 and more specifically its Medium-Term Socio-Economic Policy Framework (MTF) outcomes:

National Outcome # 8 – An Enabling Business Environment

National Outcome # 9 – Strong Economic Infrastructure

National Outcome # 11 – A Technology-Enabled Society

National Outcome #12 – Internationally Competitive Industry Structures

The results also align with the following SDGs: 2, 4, 5, 8, 9, 10, 11, 12, 16 and 17.

4. Describe the innovative nature of the Joint Programme

This JP will create the first Outcome Fund in the Caribbean. Small uncoordinated initiatives have been attempted but were not sustainable due to limited deal flow and the nascent state of the financial ecosystem.

Beyond just an Outcome Fund, the initiative will orchestrate an operating system with multiple mechanisms that address both demand and supply constraints. It will reverse insufficiencies in innovative and sustainable deal flows with scalable potential. The combination of an outcome fund and impact investment fund creates a closed loop (with a built-in exit strategy via the Outcome Fund); which implies features which could complement the current privatization or PPP model adopted by the GOJ. The Outcome Fund will be structured as a risk-adjusted and performance-based vehicle that is attractive to development partners and investors, thereby generating additional funding for the NDP and SDG investments.

The implementation of this JP is timely and likely to succeed because of the high levels of liquidity and limited investment opportunities which currently exist. Investors have already demonstrated an openness to explore innovative and impactful deals, through growing participation in the Jamaica Stock Exchange and other alternative financing mechanisms.

This JP will accelerate the work of the UN system. As stated in the Secretary-General's Roadmap to Financing the SDGs, there is a great need to “leverage the UN development system reform to increase support to countries on strategic financing for the SDGs, including to catalyze new sources of finance and leverage financial technologies.” The JP is aligned with programmes from: The Inter-American Development Bank's - Boosting Innovation, Growth and Entrepreneurship Ecosystems Programme; The World Bank's - Economic Resilience Development Policy Loan and the Caribbean Development Bank's - Special Development Fund. The JP will also build on the work done in Jamaica via two UN funding windows for SDG implementation.

The alternative approach is to execute a stand-alone innovative financing mechanism, such as an impact investment fund; however,

such attempts have been hindered by the absence of an investable deal flow and the inability to raise funds from risk averse investors. The operating system proposed is the best approach because it creates a microcosm of a well-functioning ecosystem, where innovative investable deals are generated, finance is provided upfront through multiple development-oriented investors and exit strategies are built-in to guarantee returns based on agreed performance.

5. Expected added value of the UN and the Joint SDG Fund

The UN in Jamaica comprises a diversity of agencies with an amalgamation of different mandates designed to deliver high impact and sustainable results. The knowledge, experience, capacity, and aptitude of the UN agencies bestow a comparative advantage in advancing the SDGs. UNDP, for example, has done significant work in supporting the localization of the SDGs and advancing innovative financing in Jamaica. UNICEF has recently supported public expenditure reviews and results-based budgeting. In addition, the UN knows the development space and is familiar with the development agenda of the country. The UN's global presence also provides opportunities to tap into global networks and knowledge to support the successful implementation of the JP. The UN is also willing to explore, innovate and take on challenges that might be difficult for other development partners. Achieving the SDGs and navigating the proposed SDG Fund is complex, interconnected and multidimensional requiring an integrated approach that only the UN can provide. Furthermore, the need for innovative financing came from recommendations from the Roadmap for SDG Implementation in Jamaica which called on UN agencies to join forces in supporting the country in achieving the SDGs. This JP now provides an opportunity for the UN entities to deliver as one in advancing the SDGs through innovative financing which is aligned to the requirement of the UN Multi-country Sustainable Development Framework.

A country-wide consultation to identify opportunities for the introduction of innovative financing mechanisms, highlighted the need for sponsors with a credit global brand to inspire and convene both local and international investors. Given the high levels of perceived country risk and the nascent stage of the financing ecosystem, the UN's lead role as anchor investor will be critical to the success of the programme.

6. Leadership and implementation of the Joint Programme

UNDP and UNICEF will lead in implementation with the RCO to catalyze interest, engagement, galvanize and strengthen partnerships and initiate activities to develop the ecosystem for innovative financing. The RCO will also be integral with coordination, capacity development, visibility/communication assistance and brokering new partnerships in support of the SDG Fund. The key partners and sponsors will be the UNDP, UNICEF, Planning Institute of Jamaica (PIOJ) and the Ministry of Finance and the Public Service (MOFPS). The role of the MOFPS is critical to support the establishment and piloting of the Fund and supporting any required policy changes. The PIOJ, as central planning agency will play the integral role of coordinating the Government entities involved as well as ensuring that the deliverables of the outcome fund are aligned to and advance Jamaica's development agenda.

The capacity to generate investable deals that are innovative, sustainable, and scalable will be addressed by engaging top talent to be part of the Venture Studio (innovation lab). In addition to selective recruitment, the skill sets of individuals will be enhanced through advanced training, exposure, and exchange programmes. The successful projects generated, funded, and scaled from the venture studio will serve as a demonstrated proof of concept, which will inspire others to follow. It is likely that the initial members of the venture

studio will be recruited to support the startup ventures, thus creating a cascading effect of evolving capacities.

List of additional support and capacity:

- UN experience in creating Innovation Labs to support the establishment of the venture studio
- SDG Fund or UNCDF, support in establishing the Outcome Fund
- Technical Advisory service to the government would be required during the formation and operationalization of the Outcome Fund.
- Support in establishing a regulatory sandbox to facilitate the proposed innovative finance mechanism.

7. Expected period of implementation

The JP will be implemented over four years for the mindset of private investors, donors and government to change and favourable risk perception to evolve and take root. Also, there are policy implications that may require adjustment or declaration, potentially a lengthy process that will be managed as best as possible.

The Impact Venture Studio will require approximately 12 months for establishment and generation of a credible pipeline of investable deals. Between 12-18 months are needed to achieve the first close of the Outcome Fund. The digital impact investment platform will require between 12-18 months to be launched and functional. The remaining approximate 3 years will entrench the new practices and approaches of the JP for meaningful and far-reaching effects in the achievement of the SDGs and Vision 2030 Jamaica.

Critical Milestones

1. Establishment of IVS and a percentage increase in the number of innovative and sustainable deals in the pipeline.
2. The Outcome Fund is capitalized and a percentage increase in funding available for NDP/SDGs projects.
3. Launch of the Digital Impact Investment Platform and an increase in the amount of funds mobilized from the private sector and number of projects funded.

8. Cost, co-funding, and co-financing of Joint Programme

A total of \$10,000,000 is requested from the SDG Fund. An additional \$23,150,000 will be raised through partnership contributions for a total of \$33,150,000. 30% of the total amount of funds needed for this initiative will be generated from the SDG Fund.

Breakdown:

The Impact Venture Studio (IVS): \$250,000 per year for 4 years = \$1,000,000 (3%) from the UN SDG Fund. An additional \$500,000 will be raised from partnership contributions for a total of \$1,500,000.

The Funding/Anchor Investments: \$7,500,000 (22%) for the first year from the SDG Fund with an additional \$22,500,000 raised from partnership contributions for a total of \$30,000,000.

Change Management: \$200,000 per year for 3 years = \$600,000 (1.8%) from SDG Fund.

Policy Support: \$200,000 (0.6%) over the first year from SDG Fund with an additional \$150,000 from partnership contributions for a total of \$350,000.

Project Management Unit: \$125,000 per year for 4 years = \$500,000 (1.5%) from SDG Fund

Evaluation Services: \$135,000 (0.4%) from SDG Fund

Project Preparation Support: \$65,000 (0.2%) from SDG Fund

It is proposed that the Outcome Fund be managed by the UNDP or an appropriate structure established with its direct support. The impact investment fund could be a private public initiative.

The Fund will leverage the anchor investment from the SDG Fund to raise additional investments from foundations, impact investment funds and private investors to include corporate financing vehicles such as corporate ventures and cause marketing financing vehicles. The target total fund size is USD\$30M. The assumption is that a fund size of US\$30M is an achievable target for a first-time fund in a developing market while maintaining acceptable fund economics. Partial funding for the IVS could be pursued through UN Funding windows that support the establishment of Innovation Lab and Accelerator Programmes. The IVS would also benefit from co-funding from complementary initiatives being implemented by IFIs. A foundation in Jamaica has already committed to co-funding in support of aligned initiatives.

The precise mechanism for realizing any GOJ support of the operationalization of the proposed model through the existing result-based national budgetary system will be further defined in collaboration with the Ministry of Finance and PIOJ during the full preparation of the Joint Programme.

9. Risk assessment

The mobilization risk of being unable to attract sufficient investment from private investors will be mitigated by leveraging the UN SDG Fund's convening power to engage a diverse range of investors. The JP will use innovative cause marketing to help local corporate investors transition towards impact-oriented ventures. Lastly, the mobilization risk will be mitigated by reducing the search and transaction costs through increased visibility and accessibility to investable deals via the digital platform. A budgeting risk where the GOJ is unwilling or unable to blend funds with ODA to establish the Outcome Fund will be mitigated by a regulatory sandbox that ensures the JP can be operationalized. Also, the IVS will leverage technical corporation support and exchange programmes to strengthen its abilities to apply blended financing mechanisms. Output-related risks include a partnership risk whereby the ecosystem players are unwilling to collaborate and concentrate resources towards thematic goals. This will be addressed by developing a stakeholder engagement and change management campaign to incentivize creative collaboration and experimentation. The regulatory risk, or the slow implementation of a conducive policy environment will be solved through a regulatory sandbox that facilitates the initial projects piloted by the initiative. Outcome risks include a data risk, slow user adoption risk and capacity risk. The data risk or limited data to establish baselines and realistic KPIs for results-based incentives will be mitigated through the creation of digital architecture that integrates data from all the partnering ecosystem players and relevant ministries/agencies. The risk of slow user adoption to the digital platform will be addressed through gamification to attract and retain the interest of beneficiaries and by leveraging existing channels for data capture. The capacity risk of local institutions to ensure sustainability will be mitigated through partnerships with development institutions to use agile project management to generate robust systems and policy frameworks. Legal and socio-cultural norms that act as barriers to change will be mitigated through change management strategies that will overcome structural barriers.

In regard to safeguarding UN principles, a human rights-based approach will underpin the JP thus reducing inequalities, including gender, and ensuring that development gains reach the most vulnerable. This JP aims to be both financially and environmentally

sustainable. The Programme will establish transparency and accountability mechanisms to safeguard against corruption. There is a reputational risk if the JP is unsuccessful; however, mitigating strategies will be implemented to ensure its success.

10. Convening the private sector and engaging IFIs/DFIs

The initiative intends to convene and crowd-in private/financial sector players, including IFIs and DFIs by offering risk-adjusted returns. The results-based design of the financing instrument appeals to private investors, particularly those invested in negative-yielding bonds. The guarantee from the outcome offers an exit for the impact investors who provide the upfront working capital.

The Impact Venture Studio will use innovative approaches to improve the capacity of private firms to contribute to the fund through mission-aligned initiatives like “cause marketing” and base of the pyramid supply chain optimization. Such initiatives can have a significant impact on market penetration and revenue generation of participating firms. The firms would invest a portion of the additional revenue generated to the impact fund. Also, the Jamaican private financial market is experiencing high levels of liquidity, another opportunity to engage the private sector.

This initiative has received eligibility for support from the Clinton Global Initiative which can lead to increased investments from international funders in the impact investment fund.

Other major international development partners and private sector interests include:

- Development Bank of Jamaica
 - Jamaica Stock Exchange: Social Exchange
 - Inter-American Development Bank
 - World Bank
 - Caribbean Development Bank
 - International Impact Investment Funds
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11. Leverage and catalytic function

Impact Investment Fund: The initiative has tremendous ability to leverage additional capital at scale. A private interest has indicated intent to act as an anchor investor for the impact investment fund of approximately \$500,000 USD. There has also been an expression of early interest demonstrated by the IDB and IDB Invest. A potential investment from a private university to finance a youth education programme is also under discussion. The initiative will also receive assistance in promoting the fund through the Clinton Global Initiative (CGI) which has access to a large pool of private investors.

The Outcome Fund: It is proposed that the outcome fund be a blended financing vehicle where development financing can be used as an anchor investment and/or risk mitigation instrument to attract additional financing which could complement the results-based budgetary allocations from the Ministry of Finance to the Ministries, Departments and Agencies (MDA) executing SDG/Vision 2030 Jamaica aligned initiatives and allowable within the current policy framework. There has also been an indication of interest from the Office of the National Security Advisor within the Office of the Prime Minister to support a security and educational initiative at the

secondary school level, in the Zones of Special Operations. To ensure sustainability and scalability, UNICEF will act as the key sponsor for youth-related projects and will be involved in the identification, design and execution of all youth-targeted initiatives.

Co-Financing leverage is expected from the IDB which expressed early interest in the programme. The JP could also leverage synergies with the GOJ innovation and entrepreneurship programme (BIGEE) which provides technical assistance to develop accelerators and incubators (to support the Impact Venture Studio) and seed funding for the impact investment fund (for aligned activities) related to youth engagement. With the assistance of CGI, we intend to raise a minimum of US\$30 million. Thus, achieving a private finance leverage of at least 3x.

The solution can be replicated in other small island developing states (SIDS), with underdeveloped innovative finance ecosystems. The initiative intends to leverage the UN Innovation Lab Programme and the UNDP Accelerator Labs which are also working to provide solutions for accelerating development and the SDGs. UNCDF and SDG Fund can be used to catalyze the development of local impact investment funds. Technical Cooperation programmes can also be used to build capacity in the local institutions.

12. Technical support and seed funding

Technical Support: Research, digitalization, and change management within the key stakeholders. Ideally, the initiative would like to continue and expand on the work the UNDP Accelerator Labs are doing in the Caribbean. As well as the UN Technology Innovation Labs (UNTILs) which are also leveraging emerging technology to meet the humanitarian needs of the world. Assistance from the Accelerator Labs and UNTILs will be especially helpful with the creation of the Impact Venture Studio.

Financial Support: Advisory fee of approximately US\$10K plus will be required to draft the joint programme.

An administrative budget of US\$ 7,000 is estimated to cover the cost of convening focus group discussions, ideation sessions and validation working group discussions.

Signatures

Signed Signature Form

[Signature Page- Component 2 UN Jamaica.pdf](#) 534.71 KB

Government Endorsement

Letter of Endorsement

[undpjmPIOJEndorsementLetterComponent2-29032020-220848.pdf](#) 818.62 KB