

## **Joint SDG Fund – Component 2 – SDG Financing**

The Joint Programme Final Progress Report for Jamaica’s Preparatory Funding Phase

### **JAMAICA**

**Reporting period: June 30 – December 30, 2020**

**Country: Jamaica**

**Joint Programme (JP) title: Financing the SDGs: Jamaica’s Innovative Impact Investment Fund**

**Short title: Financing the SDGs**

**List of PUNOs: UNDP, UNICEF**

**RC: Mr. Garry Conille**

**Representative of Lead PUNO: Ms. Denise Antonio, UNDP**

**Government JP Focal Point: Ms. Barbara Scott, Planning Institute of Jamaica**

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**Lead Agency JP Focal Point: Denise Antonio E-mail: denise.antonio@undp.org**

**Budget (Joint SDG Fund contribution): 17,000**

**Budget Expenditures: 11,346**

**Delivery Rate - Prep Funding Rate (%) =  $\frac{\text{Expenditures PUNO}}{\text{Total transferred funds Jan 2020 to December 2020}}$ : 67%**

## Short Description of the Joint Programme

### Financial leverage (estimated target in US\$):

The JP would create Jamaica Impact, an impact investment fund. This impact investment fund is projected to achieve a fund size of US\$ 30M in equity. The initiative has the ability to leverage additional capital, with private and philanthropic actors, there is currently indicative commitments of an estimated US\$ 1M. If awarded, the JP could also leverage synergies with existing programmes within the Government of Jamaica and the Private Sector.

### Challenge:

The JP aims to tackle the key challenge of insufficient financing mechanisms for environmental, social and governance (ESG) investments, to support the localisation of the SDGs, from both public and private sector actors in Jamaica. While there have been efforts to improve Jamaica's economic situation, the country continues to grapple with several development challenges including poverty and inequality, high unemployment especially among females and youth, and one of the highest levels of crime and violence in the world, especially in poor and disadvantaged communities. The inability to adequately fund ESG ventures restricts investments to advance Jamaica's development goals as elaborated in the country's National Development Plan, Vision 2030 Jamaica and the achievement of the related SGD targets. Therefore, this programme aims to address varying social challenges that continue to prevent Jamaica from reaching a greater level of socio-economic inclusion; establishing and maintaining efficient transparent governance systems and increased economic prosperity while maintaining environmental integrity. Currently, there are no impact investment funds operating in Jamaica. An assessment of innovative financing ecosystems highlighted great interest from significant private actors to support Jamaican-based social enterprises that will contribute to the advancement of Vision 2030 Jamaica and the UN Sustainable Development Goals.

### Innovation (financial instrument/mechanism/approach):

The financial mechanism proposed is an Impact Investment Fund. The Fund will leverage catalytic first loss capital from the Joint SDG Fund to attract additional capital from multiple classes of investors including the public and private sectors. This blended finance vehicle will allow for greater levels of private investment to be mobilized to resolve challenges related to limited access to capital faced by early-stage impact ventures that could accelerate the achievement of the SDGs and Vision 2030 Jamaica. The Fund will be complemented by an Impact Venture Studio, a purpose-built innovation and acceleration platform designed to generate a robust deal flow of investable high impact ventures aligned to the SDGs. The integration of a venture studio (venture builder) model with an impact investment fund structure, is an incremental innovation designed to meet the challenges of introducing advanced financial instruments in a developing early-stage private equity market where the entrepreneurial ecosystem is not yet fully developed. The Fund will pursue an "agglomerated" model, investing in high impact ventures at varying stages for their business lifecycles, and across diverse sectors, where clear attribution to youth empowerment and gender equity can be projected. This inclusive agglomeration approach is more appropriate at this nascent stage of the ecosystem, as it allows more deal flow opportunities to be considered from which a robust pipeline can be developed.

### SDG Impact:

If approved, the JP will first seek to establish a platform to support the mobilization of significant private capital to finance SDG aligned impact ventures. This platform would also strengthen the digital economy in Jamaica. This platform would contribute to the achievement of two national outcomes under the Vision 2030 framework, *A Technology-Enabled Society* and *Internationally Competitive Industry Structures*. The supporting digital and financial environment emerging will support innovations related to the thematic areas on youth empowerment and education. These thematic innovations could contribute to the achievement of two national outcomes, *World Class Education and Training* and *Effective Governance*. Equity, inclusion, and governance are to be broadly integrated in all the investment deals.

Partners:

In preparing to submit the JP Proposal, the team consulted a number of key partners that have expressed an interest in the project's implementation. The Lasco Chin Foundation has committed to investing US\$1 million toward the implementation of the approved project, specifically through the impact venture studio. The Foundation will also provide technical expertise regarding the pipeline of investable projects. Other partners who have expressed an interest in the project implementation including through technical oversight and possible co-investment are: Ministry of Finance and Public Service; Planning Institute of Jamaica; National Commercial Bank (NCB) Capital Market Limited; and the Development Bank of Jamaica.

## Final Progress Report

### 1.1. Progress achieved

During the preparatory phase, the Joint Programme document and the associated annexes including an initial pipeline, commitment letters and communication and knowledge management plans were submitted to the Secretariat for review. Significant research was conducted to design the financial vehicle; identify potential investors; and develop an initial pipeline of investable projects to be supported through the impact investment fund (Jamaica Impact). Initially, the project's aim was to establish an outcome fund, an impact investment fund and an impact venture studio. However, after consultative sessions with the Joint SDG Fund Secretariat and ongoing meetings with private and public sector actors, the JP was revised to focus on the development of Jamaica Impact and the associated impact venture studio. The revised project proposal reflects a more attainable financial vehicle to be developed in Jamaica's nascent financial ecosystem. The revised model was validated by local private sector, philanthropic and government stakeholders with interest to commit cash or in-kind resources once the JP is approved.

### 1.2. Challenges faced

- The joint programme development process was consultative with multiple iterations developed to reflect both the local stakeholders' needs, and technical feedback received from the SDG Fund Secretariat. This iterative process resulted in additional days of effort to complete the proposal within the communicated timeline. To address this challenge, UNDP extended the contract of the Innovative Finance Consultant and directed additional human resources to the project to ensure its timely completion through the Virtual Detailed Assignment Programme where colleagues from Yemen, Brazil and Somaliland were onboarded due to their experience with public-private partnerships.
- During the development of the concept note, it was acknowledged that the proposed financial model, if successful, would change the financial landscape within the Jamaican context. Government buy-in was particularly critical and the PUNOs had to manage risk-averse Ministries who were more conservative in their approach to development financing. This resulted in the preparation of a short presentation made to the Ministry of Finance and Public Service. The revised financial model coupled with increasing private sector and philanthropic interest, as well as increased interest from the Honourable Minister of Finance and the Jamaican Ambassador to the United Nations, has contributed to reduced perception of risk and the subsequent endorsement of the final proposal.
- The development of the deal flow/pipeline of investable projects was particularly challenging for the PUNOs as these types of projects had to span development needs and have the potential to be investable. To address this, a selection criteria was developed for the types of projects which could benefit from the impact investment fund and this was also bolstered by a series of consultative workshops to identify and validate suitable pipeline projects with the Caribbean Philanthropic Alliance, the Ministry of National Security, the Development Bank of Jamaica, UNDP SDG Impact Investment and NCB Capital Market. Additionally, in order to address this challenge, UNICEF's expertise in youth and education were leveraged to identify severable investable projects.

### 1.3 Partnerships leveraged

Did you leverage new partnerships during the preparatory phase (e.g., government, private investors, IFIs, bilateral/multilateral banks, etc.)?

Yes

No

With support from an Innovative Finance Consultant onboarded throughout the project preparation process, a number of strategic partnerships were established with private sector and philanthropic organisations. These organisations provided necessary insight into the design of the financial mechanisms the JP intends to create. The below partners have expressed an interest in partnering/supporting the implementation of the JPD.

- **Lasco Chin Foundation:** If the JP is approved, this organisation has committed cash and in-kind resources for the duration of the project.
- **National Commercial Bank (NCB) Capital Market Limited:** This organisation has expressed interest in applying to be the Fund Manager for the Impact Investment Fund. Additionally, if approved, the organisation will assist in mobilising additional funds.
- **ATL Pension Scheme:** The Pension scheme will commit funds and assist in mobilising additional funds from other private sector organizations.
- **Graft Ventures:** This organisation has expressed interest in applying to be the Fund Manager and providing technical expertise where needed throughout implementation.

#### 1.4. Co-funding mobilized

Did you secure additional funding or in-kind support for the proposal during the preparatory phase?

Yes  
 No

If yes, please include amounts committed during the prep-phase.

Source of funding	Yes	No	Type? (\$ or in-kind support)	Name of organization	Amount (USD)	Comments
Government	<input type="checkbox"/>	<input checked="" type="checkbox"/>				
Donors/IFIs	<input type="checkbox"/>	<input checked="" type="checkbox"/>				
Private sector	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Cash	Lasco Chin Foundation NCB Capital Market	\$1,000,000 TBC	
UN/PUNOs	<input type="checkbox"/>	<input checked="" type="checkbox"/>				
Other partners	<input type="checkbox"/>	<input checked="" type="checkbox"/>				

#### 1.5. Budget changes (if relevant)

The delivery rate during the Project Preparation Phase was 67%. Initially, the budget accounted for the services completed by the Innovative Finance Consultant, as well as the procurement of stationery and meeting space. In light of COVID-19 and ongoing virtual consultations in place of in-person events, these budget lines were not utilized. There was a budget line added for a recruitment advertisement in the local newspaper for a Gender Safeguard Consultant for the preparatory phase of the project. This budget line was added after PUNOs attended an Environmental Safeguards and Gender Mainstreaming Training hosted by the Secretariat. PUNOs considered the capacity of a gender consultant necessary to effectively mainstream gender throughout the JP. The team subsequently benefited from a Gender Specialist on Virtual Detailed Assignment to support the proposal at no cost, resulting in savings.