

Joint SDG Fund – Component 2 – SDG Financing

Joint Programme Final Progress Report (preparatory funding)

Cover page

Reporting period: June 30 – December 30, 2020

Country: Jordan

Joint Programme (JP) title: Accelerating Private Capital Towards SDG Investing in Jordan

Short title: SDG Accelerate

List of PUNOs: UNDP, UNIDO and UN Women

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Budget: USD 199,876

Budget Expenditures: USD 199,876

Delivery Rate: 100%

$$\text{Prep Funding Rate (\%)} = \frac{199,876.00}{199,876.00} = 100\%$$

Short Description of the Joint Programme

SDG Accelerate combines an evergreen “Fund-of-Funds”, with Technical Assistance (TA). It aims to achieve fair investment returns by leveraging its capital to crowd in additional financing and to co-invest alongside private, public and/or philanthropic capital in financial instruments that accelerate progress towards the SDGs in Jordan. TA and investments will take place in tandem to make investment activities more effective. Understanding that Jordan’s nascent pool of teams, designing and fundraising for SDG-aligned financial instruments, face challenges in launching their funds, SDG Accelerate will partner with an established ecosystem player and a fund-of-funds manager to provide knowledge and capital that address key challenges faced by those teams. This will help propel new fund managers (equity, debt, matching capital, or hybrids thereof) to launch financing instruments that apply two investment lenses – gender (SDG 5) and climate (SDG 13) - in an accelerated fashion and unlock new financing. SDG Accelerate will catalyze jobs, sectors and opportunities that are more inclusive and innovative, and in the context of COVID-19, help Jordan ‘build forward better’.

Financial leverage (estimated target in US\$):

Expected results include the recycling of SDG Accelerate’s Fund-of-Funds capital for direct investment over 15 years to grow from USD5.5M+ to USD30M+, while mobilizing an estimated USD85M of additional capital investing alongside SDG Accelerate in the first 5 years (with a ratio of USD15 of co-investment for every USD1 of investment). With future sustainability in mind, SDG Accelerate will also provide establishment capital for no less than 3 SDG-aligned funds and provide TA to up to 45 other teams, with the overarching goal to achieve SDG-related success stories in Jordan that would attract further inbound investment.

Joint SDG Fund contribution	USD 9,800,000
Co-funding committed by PUNOs ¹	USD 940,000
Co-funding anticipated by BeyondCapital	USD 600,000
TOTAL	USD 11,340,000
Co-financing (ISSF matching capital fund for direct investment (no less than USD 1 M) and co-investments into indicative fund-of-funds portfolio (does not include co-financing for TA)	no less than USD 85,000,000
Co-financing ratio (1: Total/SDG Fund Contribution) Co-financing ratio of SDG Accelerate’s fund-of-funds: 15	8.67

Challenge:

In 2019, Jordan faced modest growth rates of 2% and recorded the 4th lowest female participation rate globally at 14%. COVID-19 has exacerbated socio-economic pressures with unemployment rising to 23.9% (21.2% male, 33.6% female) in Q3, and a 3% contraction of the economy expected for 2020². Consequently, Jordan needs to increase and prioritize public and private investments that

¹ Co-funding by PUNOs and Beyond Capital is in-kind including through staff resources.

² <https://www.imf.org/en/News/Articles/2020/10/27/pr20323-jordan-imf-staff-reach-staff-level-agreement-on-the-first-review-under-eff>

accelerate progress towards the SDGs. This requires aligning existing investments to SDG priorities and working directly with investors and development partners to improve the ecosystem for impact investing so that additional financing can be catalyzed. Component I under the SDG Fund and SDG Accelerate aim to address these challenges in partnership with other ecosystem players. Meeting the demand for investment-ready, impact-focused SMEs and projects and targeting impact investors would also catalyze commercial investors, including domestic institutional investors, such as the Social Security Investment Fund (SSIF) to SDG-aligned opportunities.

As funds face cash flow limitations in Jordan, mainly attributed to long fundraising cycles (18 – 36 months), while investors want to see whole teams employed. Limited access to support networking and knowledge, high expectations on proving previous track record and a need to warehouse deals, the lack of prioritization for Jordan and the MENA in the impact investment community, and the lack of familiarity of investors to hybrid fund models are challenges that SDG Accelerate can help address, by leveraging the UN's network of partners, expertise and financing.

Another major constraint facing investors is the lack of an investment-ready pipeline, particularly in the context of COVID-19 and its impact on SMEs. Enterprises face significant challenges including regulatory inefficiencies, unpredictable policy environment, inadequate infrastructure to scale with a small local market, but also lack of access to financing, skills gaps in the labour market, , purchasing power and networking opportunities to grow. Connecting to different initiatives targeting SMEs and through targeted TA, SDG Accelerate will contribute to an investment-ready pipeline. TA focused on managing and measuring impact while applying a gender and climate lens will strengthen both the supply and demand side of the spectrum.

Innovation (financial instrument/mechanism/approach):

The JP takes an ecosystem approach, open to all of Jordan's asset management industry with a focus on investment and technical support as an incentive for aligning to the SDGs. SDG Accelerate's Fund-of-Funds is designed as an evergreen fund, a gradual infusion of capital into enterprises, to serve as a foundation for SDG-aligned and gender lens investing. By building it through Beyond Capital, which manages a separate evergreen fund, SDG Accelerate consolidates resources in Jordan's nascent investment landscape and builds on existing experience in developing investments and enterprises. With a catalytic first loss formula/framework to be developed based on current best practices, it supports aspiring finance entrepreneurs, including providing startup capital and other tools we will develop along the way.

Through the IFADA fund manager training programme, SDG Accelerate aims to strengthen the capacity of entrepreneurs and new fund managers to (re)design finance products aligned to the SDGs and integrating gender and climate (from incentives, measurement, returns, fundraising to operations). The specific application of innovation is its focus on up and coming alternative asset managers (teams, corporations, government...etc.) all can benefit from the design and launch capability of SDG Accelerate in unleashing multipliers of capital.

Its sector and product agnostic (a product/solution that is not assigned to a particular brand/vendor/product/sector – or interoperable with all products) approach allows SDG Accelerate to adapt to any needs of holders of capital to create transformational change and enables funds that cater to any industry to align to SDGs. As it pertains to the UN, SDG Accelerate serves as a bridge between innovators in the private sector, investors, as well the UN shaping an impact-based partnership. Building on Component I, existing (and new) resources have a far wider reach within Jordan's private sector. With SDG Accelerate, the UN is placing itself as the most catalytic of tools for the evolution of investment in SDGs in Jordan.

SDG Impact:

Catalytic investments made by SDG Accelerate will accelerate progress across many SDGs. We look to advance SDGs indirectly through supporting companies operating in sectors and sub-sectors that advance national SDG priorities including **SDG 1, 2, 3, 4, 6 and 7**. Furthermore, particularly in light of the socio-economic impact of COVID-19, the UN will prioritize support to businesses that address the people left behind or at risk of being left behind.

SDG Accelerate applies two investment lenses - gender (**SDG 5**) and climate (**SDG 13**) - that represent cross-cutting issues that impact all other SDGs. By incorporating gender and climate dimensions into investment and programme design, assessment, and the decision-making process, SDG Accelerate aims to improve social, environmental, and business outcomes more holistically.

Partners:

Beyond Capital will be the investment manager of the proposed Fund-of-Funds and implement the IFADA fund manager training programme as well as supporting strategic partnerships. Beyond Capital is also leveraging its own funding and internal staff capacities. They will also co-fund the IFADA fund manager training program, which with its products is estimated to generate an additional USD30M in investment capital for gender lens investing and SDG-aligned opportunities.

Beyond Capital is an existing non-profit investment manager that has a strong network of collaboration within the entrepreneurial and investment ecosystem through their Angel Investor network and Scout program to accelerate the growth and reach of early-stage companies, invested in 3 funds through its fund-of-funds program and has made direct investments into companies.

The **Royal Scientific Society (RSS)** will lead SDG Accelerate's capacity building support on the Resource Efficiency and Cleaner Production principles and Transfer of Environmentally Sound Technology tools to scale and multiply the sustainability impact of SMEs by addressing widespread ineffective use of resources and lack of competitiveness.

Innovative Startups and SME Fund (ISSF) is a private sector managed fund investing in innovative start-ups and early stage SMEs with USD 50 million from the World Bank and USD 48 million from the Central Bank of Jordan. They have indicated interest in co-financing and support through matching capital.

EBRD committed to cross-referrals on complementary TA programs (e.g. Women in Business program) and tentatively exploring co-financing at fund-of-funds level (once an investment management team in place).

Pipeline investment partners consulted during the preparatory phase expressing strong interest include Amam Ventures, a revenue-based finance fund for gender lens aligned enterprises with an anticipated leverage of USD 15M (co-investors include Dutch Goodwill Growth Fund, ISSF and Beyond Capital), 17 Venture's Jordan Growth and Impact Fund focusing on providing growth capital to SDG-aligned SMEs with an anticipated leverage of USD 50M (co-investors include SEAF, Government of Canada and the Founding team), Catalyst PE, a second generation clean energy fund with an anticipated leverage of USD 75M (co-investors include several DFIs).

Final Progress Report

1.1. Progress achieved

Building on the momentum generated from Component I of the UN SDG Joint Fund as well as efforts taken in the preparation of the JP for Component II, the participating agencies formed a working

group that leveraged their resources, networks, and ecosystem partners to help design Jordan’s submission. Partnerships under Component I, such as those with Social Value International and the UN Global Compact Jordan on developing a curriculum on gender lens investing and Impact Measurement & Management (IMM), will inform proposed activities under Component II.

With support from the preparatory funding provided by the UN SDG Joint Fund, the team was supported by external advisors including an investment advisor, a sustainable finance advisor, and a gender lens investment and IMM advisor.

Key preparatory work completed to date includes:

Financial vehicle design:

- Design of SDG Accelerate’s vision, mission, theory of change, investment strategy, IMM and governance framework, sustainability, and engagement with key ecosystem stakeholders within the UN, Government of Jordan, Private Sector, Innovation Ecosystem, DFIs, etc.
- Development of an investment strategy and process that applies a gender-lens, as well as a gender-smart IMM framework using Women’s Empowerment Principles (WEPs).
- Presenting its investment strategy to potential investors to stress-test it. The JP development has been informed by feedback from the technical advisory team from Convergence, the Investor Advisory Group, UNDP’s Finance Hub and others.

Pre-selection of investment manager for SDG Accelerate’s fund-of-funds:

- Scanning and pre-selection of an investment manager for SDG Accelerate’s fund-of-funds, after exploring public, private, and non-for-profit options. Upon mapping and analysis of players in the investment ecosystem, the JP team proposed a strategic collaboration with Beyond Capital given their unique non-profit status, unparalleled leverage potential of ongoing programmes, qualified team, and track record. Other key criteria considered included: purpose, structure, capability, SDG alignment, unfair advantage to allow SDG Accelerate to start fast, reputation, ability to leverage, existing and potential partners, governance structure, and sustainability.
- Designed and agreed upon a preliminary governance and compensation structure for SDG Accelerate and Beyond Capital, which are being reviewed by UNDP, the lead agency, for compliance with its policies.

Design of governance mechanisms

- During the preparatory phase, the team developed detailed terms of reference for the governance mechanisms to be set up and prepared initial suggestions for their membership. Potential members for the Board of Trustees and the investment committee were approached, all expressing strong support, including Saad Mouasher, Chairman of Jordan Ahli Bank and Tamam Mango, Chief Executive Officer of the Crown Prince Foundation.

Market Assessment and Pipeline Assessment

- The Royal Scientific Society, a long-standing partner of the UN, was sub-contracted to design part of the investment readiness and resource efficiency technical assistance component.
- The team scanned and pre-selected an initial pipeline of investment opportunities to assess demand as well as key needs of those teams to enable them to catalyze investment towards SDG including gender and climate aligned opportunities. The teams reviewed and pre-screened include [Amam Ventures](#), [Catalyst Investment Management](#), [17 Ventures](#), [Liwwa](#), [Ajyal](#) Impact Fund

Below table gives an overview of the indicative pipeline, leverage and partners consulted.

Asset Type	Investment Amount	Total Investment (across 15 year recycle)	Leverage (Co-Investment from 1 st 5 year cycle)	Multiple from Initial Leverage	Sample Co-Investors	Date of Investment	Investment Cycle to Re-Investment	SDG-Aligned Businesses Impacted	Indicative Investment (Pipeline Example)
SDG Aligned Equity Funds (all in USD)									
Amam Ventures	1,000,000	3,000,000	15,000,000	10X	DGGF, ISSF	Year 2	10 Years	10	Revenue-based finance fund for gender-lens aligned enterprises.
Jordan Growth and Impact Fund	1,000,000	3,000,000	15,000,000	10X	SEAF, Canada, Others	Year 3	10 Years	15	Growth fund providing growth capital to SDG-aligned SMEs.
SDG Matching Capital Fund	1,000,000	TBD	3,000,000	3X	ISSF/Angels	Year 1	10 Years	25	Matching capital fund in partnership with ISSF investing with angels to accelerate SDG aligned pipeline.
Debt Funds (all in USD)									
Liwwa/Other debt funds	2,000,000	22,500,000	40,000,000	20X	FMO, DGGF, Banks	Year 1	18 Months	400	Lending platform (loans-as-a-service model) for SMEs that are SDG-aligned.
Other Investments (all in USD)									
Catalyst PE	150,000	1,050,000	5,000,000	33X	USAID	Year 1	24 Months	15	Support for 2 nd generation Clean Energy Fund, either as establishment capital or as advance DD capital.
Ajyal	150,000	1,050,000	5,000,000	33X	Private Investors	Year 2	24 Months	15	Support for vehicle providing growth funding for innovative women entrepreneurs running pre-schools and daycares.
National Response Initiative	200,000	1,400,000	5,000,000	33X	Local banks	Year 2	36 Months	15	Support for national SDG-aligned Covid-19 fund in partnership with banks.
Total	5,500,000	32,000,000	88,000,000	15X				495	8

Partnership Development/ Engagement with Investors

- The team held multiple engagement sessions with potential co-financiers within Jordan’s multilateral, bilateral and public finance institutions. These have yielded strong interest in co-financing and leveraging of ongoing TA programs, examples being The Innovative Startups & SMEs Fund’s (ISSF) provisional commitment of USD1M alongside SDG Accelerate for a matching capital programme, as well as Jordan Ahli Bank, potentially collaborating with SDG Accelerate on integrating SDG aligned investing into Jordan’s COVID-19 Resilience Fund being contemplated by a consortium of local banks alongside the Central Bank of Jordan.

SDG Accelerate’s fund-of-funds, with a defined management team that has the capability to start fast, a healthy pipeline, alignment between UN partners, the Government, the private sector and civil society, is ready to commence with design of contracts and constitutive documents for the establishment of SDG Accelerate’s fund-of-funds, designing and entering into a management agreement with BC, and the selection of the Board of Trustees and the Investment Committee, potential members of whom were already approached and expressed interest.

1.2. Challenges faced

Challenges faced during the preparatory phase include:

Design of financial vehicle and governance arrangements. SDG Accelerate seeks to set up an evergreen fund-of-funds. Such a financial vehicle has not yet been set up by UNDP or any of the PUNOs, hence designing the governance mechanisms overseeing and supporting the implementation required multiple discussions with UNDP’s Finance Hub working on innovative financing solutions and other relevant staff. Based on these discussions governance arrangements and TORs have been developed. The proposed governance structure of SDG Accelerate’s fund-of-funds seeks to carefully balance associated risks for the UN to develop and fund a unique financial vehicle and the ability to effectively execute on the ultimate goal of the JP.

Implications of COVID-19 and changes at government. During the preparatory phase parliamentary elections took place and the government changed. This included changes at senior level at the main government focal agency (Ministry of Planning and International Cooperation) delaying discussions on the design of the JP. Throughout the design phase and building on established partnerships and networks, the PUNOs were able to solicit positive feedback and buy-in for the proposed approach from a broad range of government and other stakeholders which resulted in the endorsement of the new Minister shortly after assuming office.

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

New partnerships forged during the preparatory phase include:

- Partnerships with private investors including potential beneficiaries of SDG Accelerate’s fund-of-funds’ catalytic capital and TA. This includes 17 Ventures, Amam Ventures, Liwwa, etc.
- Partnerships with key ecosystem players such as Beyond Capital and ISSF.
- Partnerships with IFIs including EBRD and IFC.

Partnerships forged during Component I such as those with Social Value International and the UN Global Compact were instrumental to the design of activities for Component II.

1.4. Co-funding mobilized

- Yes
- No

Source of funding	Yes	No	Type? (\$ or in-kind support)	Name of organization	Amount (USD)	Comments
Government	<input type="checkbox"/>	<input type="checkbox"/>				
Donors/IFIs	<input type="checkbox"/>	<input type="checkbox"/>				
Private sector	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Cash and in kind	Beyond Capital	600,000	

UN/PUNOs	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<i>Cash and in-kind</i>	<i>UNDP, UNIDO, UN Women</i>	940,000	
Other partners	<input type="checkbox"/>	<input type="checkbox"/>				

[1.5. Budget changes \(if relevant\)](#)

Not applicable.