

Joint SDG Fund – Component 2 – SDG Financing

Template for the Joint Programme Final Progress Report (preparatory funding)

Purpose: to provide the UN Joint SDG Fund’s donors with evidence that preparatory funding provides good value for money - so that we can continue allocate resources to your programming.

Instructions: be succinct and to the point; emphasize only results and issues that you want to bring to the attention of the Fund; do not go over the max number of pages.

Deadline: January 31st, 2021

Cover page

Reporting period: June 30 – December 30, 2020

Country: Malawi

Joint Programme (JP) title: Catalyzing private investment, enterprise, and SDG impact through innovative finance

Short title: BUILD Fund Malawi

List of PUNOs: UNDP, FAO, UNCDF

RC (name): Maria Jose Torres

Representative of Lead PUNO (name and agency): Shigeki Komatsubara - UNDP

Government JP Focal Point (name and ministry/agency): Cristina Zakeyo – Ministry of Trade

RCO JP Focal Point (name): Santiago Quinones E-mail: santiago.quinones@one.un.org

Lead Agency JP Focal Point (name): Cinzia Tecce E-mail: Cinzia.tecce@undp.org

Budget (Joint SDG Fund contribution): **100,000**

Budget Expenditures: **88,000**

Delivery Rate 88% - *Prep Funding Rate (%) = $\frac{88,000}{100,000}$* :

Short Description of the Joint Programme (1 paragraph for each section)

This description will be used to update your country page in our online platform (please scan the website before answering) <https://sdginvest.jointsdgfund.org/proposals>

Financial leverage (estimated target in US\$): **35M**

Challenge:

Explain the key challenge(s) the JP aims to tackle with reference to both development and financing challenges and how they interconnect.

Malawi records one of the lowest rates of investment in Africa averaging 15 percent of GDP from 2000-18 compared to 24.5 percent in Tanzania and 34.7 percent in Zambia. The financial sector offers a narrow range of services with inflexible loan schemes. Such an environment obstructs SMEs' access to finance and impedes an inclusive economic growth.

Innovation (financial instrument/mechanism/approach):

Summarize the financial mechanism(s) proposed and why the approach is different from conventional and/or alternative approaches and how it is fit for purpose to address the challenge described above.

The "BUILD Fund Malawi" is a blended finance vehicle providing long-term debt and/or equity to SMEs that have appetite for impact capital. This vehicle will be combined with pre-and post-investment technical advisory support to de-risk financial transactions and to maximize the developmental impacts.

SDG Impact:

Please describe the development impact the JP aims to achieve. Do not list the SDGs.

The Joint-Programme will positively and directly impact mobilizing additional financial resources for Malawi; ending poverty and hunger by increasing investment in agriculture and other manufacturing and service supply-chains, as well as increasing productivity within these supply-

chains through technology and innovation; and achieving gender equality by supporting business where women are significantly represented in boards, management, staff, suppliers, or buyers.

Partners:

Please list key partners involved in implementation as well as secured investors. Do not mention more than 4-5 partners. Do not mention generic stakeholders (e.g. Government, private sector), but only specific institutions/partners.

**Ministry of Trade – Principal Secretary
Old Mutual – Head of alternative Investment**

**NICO Asset Managers – Head of Investments
FCDO – Private Sector Development Advisor**

Final Progress Report (MAX 3 PAGES)

1.1. Progress achieved

Provide brief description of the project's developments, results and achievements during the preparatory phase including 1) financial vehicle design; 2) market assessment; 3) feasibility study; 4) pipeline assessment; 5) legal assessment; 6) investor mapping and matching; 7) others. Please list the names of strategic documents developed (if any).

The preparatory phase, which was instrumental to the preparation of the final proposal submitted to the SDG Fund, included three verticals: a. Assessment of the investment pipeline for the Fund; b. Design of the BUILDER TA pre- and post-investment facility; c. Design of the impact investment metrics for the BUILD Malawi Window.

a. **Investment Pipeline:** Deepening the breadth of the pipeline, existing and potential, includes a variety of interventions in order to prepare the different tiers of companies that have potential to access the BUILD Malawi Window funding. This would include, amongst others, assistance with the preparation of pipeline analysis, beyond those enterprises already analyzed by the UN, and aligning appropriate companies or projects with the BUILD Malawi Window.

This vertical builds on the interventions already made over the past seven years by UNDP Malawi through its Private Sector Development work which provides risk capital (matching grants) to the private sector with the Malawi Innovation Challenge Fund (MICF) and the Growth Accelerator initiatives; and is building on its rich legacy of designing multiple interventions to address the challenge of lack of access to financing, particularly for SMEs. Though there is an existing pool of investments (currently standing at 70 investments), this pool requires further assessments and refreshed due diligence to assess the viability for further capital by the existing investees in the form of debt and/or equity through the BUILD vehicle. There is also a pool of additional potential investees that are assessed for the Malawi Window that have not been able to access to date the funding provided by UNDP through the existing financial instruments.

b. **Design of the BUILDER TA pre- and post-investment facility:** The BUILD M-Technical Assistance Facility will be a tiered facility. This includes:

1. **Pre-investment firm-level assistance** to source, screen, assess through due diligence the viability of the investment and prepare *potential investee companies for investments* in order to have a robust pipeline of potentially investible projects.

2. **Post-investment firm-level assistance** to maximize the commercial returns and SDG impacts. This includes *Enhancing investees' financial performance*, including revenue generation, operational improvements through, for example, adoption of ERP solutions or design and implementation of Standard Operating Procedures; risk reduction through, for example, implementation of processes and controls for operational and financial management; and long-term strategic planning.

It also includes Improving or expand the investees' impact, including assistance to measure and report on social and environmental impacts, as well as to improve companies' environmental, social, and governance (ESG) compliance and adherence to other international and regulatory standards.

3. **Post-investment market-systems level assistance** to improve understanding of and strengthen functioning of specific supply-chains and improve policies that regulate their conduct. This may include market systems and supply chain analytics; support to establishing quality standards; assessing and developing regulation and policies; facilitating access to extension services, equitable integration of small-scale producers and suppliers into supply chains and markets. This type of assistance can strengthen longer-term investment pipelines and create more favourable operating environments for portfolio companies.

c. Design of Impact Investment Metrics: The Impact Measurement Framework for the BUILD Fund Malawi Window, which has been developed to provide a consistent framework for capturing, measuring and reporting results across the programme’s interventions.

All three verticals have a distinct detailed report that provides for all the operational and strategic aspects and including: **BUILD Fund Malawi Window – Impact Measurement Framework, BUILDER Malawi Technical Assistance framework; BUILD Malawi Investment Pipeline.**

1.2. Challenges faced

Did the UNCT face any major challenges in the preparatory phase? Briefly explain the challenges, their impacts, and how you overcame those.

The signing of the cover included in the Proposal Submission has been a major challenge that caused delays in the submission of a complete tripartite (UNDP/UNCDF/FAO) signature page as cover to the submission. This is due to different approval processes put in place amongst the different agencies and the different layers of authority for signing official documentation. Notwithstanding the complexities inherent to each agency, the submission was successfully made, in virtue of the instrumental coordination provided by the Resident Coordinator.

Furthermore, the inability of the Lead Agency to be able to transfer to other agencies part of the funds remitted for the preparatory phase has represented a major hurdle which was then resolved in the tripartite agreement to undertake a single procurement process for the various verticals of the preparatory phase under the leadership of the Lead Agency being UNDP. The single procurement process has proven to be a more efficient and cost-effective way of managing the prep-funding envelope, given its limited size.

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

Provide in bullet points the main highlights on strategic partnerships and with whom.

No new partnership was leveraged during the preparatory phase but rather existing partnerships with private investors has been strengthened.

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 type="checkbox"/>				
Donors/IFIs	<input type="checkbox"/>	<input type="checkbox"/>				
Private sector	<input type="checkbox"/>	<input type="checkbox"/>				
UN/PUNOs	<input type="checkbox"/>	<input type="checkbox"/>				
Other partners	<input type="checkbox"/>	<input type="checkbox"/>				

1.5. Budget changes (if relevant)

If there were changes in the actual budget from the one shared as part of the Fund Transfer Request, please briefly justify these changes.

Please, explain briefly:

The total expenditure over the budget amounts to 88,000 USD, hence the resource envelope of 100,000 USD provided was not fully absorbed. However, the activities undertaken remain fully aligned with the budget that was initially submitted to the SDG Fund and for which the funding was released.