

## Joint Programme Document

### A. COVER PAGE

- |  |   |
|--|---|
| <b>1. Fund Name:</b>                               | Joint SDG Fund  |
| <b>2. MPTFO Project Reference Number:</b>          |   |
| <b>3. Joint programme title:</b>                   | Catalyzing private investment, enterprise, and SDG impact through innovative finance  |
| <b>4. Short title:</b>                             | BUILD Fund Malawi   |
| <b>5. Country and region:</b>                      | Malawi, Africa  |
| <b>6. Resident Coordinator:</b>                    | Maria Jose Torres<br>maria.torres@one.un.org  |
| <b>7. RCO Joint Programme focal point:</b>         | Santiago Quinones, SDG Acceleration Fund Coordinator, <a href="mailto:santiago.quinones@one.un.org">santiago.quinones@one.un.org</a>  |
| <b>8. Lead agency Joint Programme focal point:</b> | Cinzia Tecce, UNDP Malawi<br><a href="mailto:Cinzia.tecce@undp.org">Cinzia.tecce@undp.org</a>   |
| <b>9. Government Joint Programme focal point:</b>  | Ministry of Trade<br>Charity Musonzo<br><a href="mailto:charitylonje@yahoo.com">charitylonje@yahoo.com</a>  |
| <b>10. Type of financial intervention:</b>         | First-loss, debt, and equity  |
| <b>11. Short description:</b>                      | <p>The project will establish and operationalize a structured blended finance vehicle in Malawi, the first of its kind in the country. It will operate as a sub-fund to the Global BUILD Fund. The Malawi window will mobilise US\$ 35 million and invest this as patient and flexible capital to enable 50 businesses in Malawi to grow and drive achievement of targeted SDGs.</p> <p>The project will complement the blended finance vehicle with a technical assistance facility to enhance the prospects of commercial and social returns of investments by creating an investable pipeline for investors, assisting businesses that receive investment to improve the quality of their growth and SDG impact, and reducing risks and costs of doing business through more functioning investment ecosystem.</p> |

The demonstration effect from the blended finance vehicle and the outcomes of the technical assistance facility will be expected to trigger a wider response in the market, with domestic and international investors crowded in to invest in businesses in Malawi.

## 12. Keywords:

Impact-investment, gender-lens investing, MSMEs, employment, catalytic-capital, technical assistance, Malawi, investment-ecosystem, investment-readiness, investment-advisory.

## 13. Overview of budget:

|  |                      |
|--|----------------------|
| Joint SDG Fund contribution                            | USD 8,000,000        |
| Co-funding committed<br>UNDP                           | USD 250,000          |
| Co-funding anticipated X<br>(indicate source)          |                      |
| <b>TOTAL</b>   | <b>USD 8,250,000</b> |
| Co-financing<br>FCDO                                   | USD 8,000,000        |
| Old Mutual Insurance                                   | USD 10,000,000       |
| NICO Holdings  | USD 10,000,000       |
| Co-financing ratio (1:<br>Total/SDG Fund Contribution) | 1: 3.4               |

## 14. Timeframe:

| Start date        | End date          | Duration<br>(months) |
|-------------------|-------------------|----------------------|
| <u>01/01/2021</u> | <u>12/31/2024</u> | <u>48</u>            |

## 15. Gender Equality Marker: 2

## 16. Participating UN Organizations (PUNO) and Partners:

### 16.1 PUNO

#### Convening agency:

United Nations Development Programme (Malawi)  
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#### Other PUNO:

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Food and Agricultural Organization of the United Nations  
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## 16.2 Partners:

Ministry of Trade  
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Potential investee companies<sup>1</sup>

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<sup>1</sup> See Annex: 8

## UN SIGNATURE PAGE

|  |  |
|--|--|
| Resident Coordinator<br><i>Date and Signature</i><br>30-11-20  |  |
| Participating UN Organization (lead/convening)<br><i>Name of PUNO:</i> UNDP Malawi<br><i>Name of Representative:</i> Shigheki Komatsubara<br><br><i>Date</i> 30-11-2020<br><br><i>Signature and seal</i> |  |
| Participating UN Organization<br><i>Name of PUNO:</i> UN Capital Development Fund<br><i>Name of Representative:</i> Judith Karl<br><br><i>Date</i> 30-Nov-2020<br><br><i>Signature and seal</i>          |  |
| Participating UN Organization<br><i>Name of PUNO:</i> FAO Malawi<br><i>Name of Representative:</i> Zhijun Chen<br><br><i>Date</i> 30-Nov-2020<br><br><i>Signature and seal</i>                           |  |



## GOVERNMENT SIGNATURE PAGE

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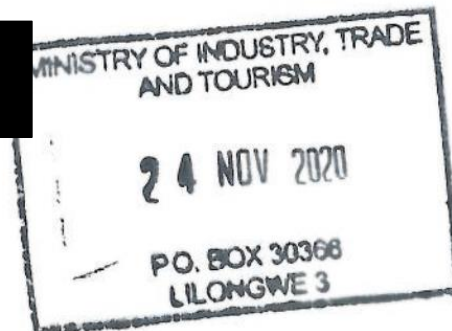
National Coordinating Authority

*Name of institution:* Ministry of Trade

*Name of representative* Christina Chatima Zakeyo, Principal Secretary

*Date* 20 November 2020

*Signature and seal*



☐ Official support letter attached

## B. STRATEGIC FRAMEWORK

### 1. Call for Joint Programmes: SDG Financing (2020) – Component 2

**2. Programme Outcome:** Additional financing leveraged to accelerate SDG achievement (Joint SDG Fund Outcome 2)

### 3. UNDAF Outcomes and Outputs:

#### 3.1 Outcome:

- i. By 2023, Malawi has strengthened economic diversification, inclusive business, entrepreneurship, and access to clean energy.
- ii. By 2023, Malawi has more productive, sustainable, and diversified agriculture, value chains and market access.

#### 3.2 Outputs<sup>2</sup>:

- i. Agriculture service delivery able to address the challenges of modern sustainable agriculture.
- ii. Support strategic agriculture value chains.
- iii. Enabling environment for agricultural entrepreneurship, agro-processing, and commercialization.
- iv. Establish means for protecting and strengthening tenure right of smallholders.
- v. Enhancing competitiveness and market access.
- vi. Upskilling Malawi for a competitive, productive, and resilient economy.

### 4. SDG Targets directly addressed by the Joint Programme

#### 4.1 List of goals and targets:

The Joint-Programme will make the most direct contribution to 8 SDG targets, while also indirectly contributing to an additional 9 SDG targets<sup>3</sup>. The 8 SDGs most directly impacted include:

- i. **SDG target 1.2:** By 2030, reduce at least by half the proportion of men, women and children of all ages living in poverty in all its dimensions according to national definitions
- ii. **SDG target 1.4:** By 2030, ensure that all men and women, in particular the poor and the vulnerable, have equal rights to economic resources, as well as access to basic services, ownership and control over land and other forms of property, inheritance, natural resources, appropriate new technology and financial services, including microfinance
- iii. **SDG target 2.3:** By 2030, double the agricultural productivity and incomes of small-scale food producers, in particular women, indigenous peoples, family farmers, pastoralists and fishers, including through secure and equal access to land, other productive resources and inputs, knowledge, financial services, markets and opportunities for value addition and non-farm employment.

<sup>2</sup> The UNDAF Malawi 2019-2023 Report does not state Outputs. Thus, the respective "Strategic Interventions" from the Theory of Change were listed instead.

<sup>3</sup> The 10 SDGs indirectly impacted include SDG 1.1, SDG 2.4, SDG 2.b, SDG 7.a, SDG 8.5, SDG 9.2, SDG 17.1, SDG 17.7, SDG 17.11

- iv. **SDG target 2.A:** Increase investment, including through enhanced international cooperation, in rural infrastructure, agricultural research and extension services, technology development and plant and livestock gene banks in order to enhance agricultural productive capacity in developing countries, in particular least developed countries.
- v. **SDG target 5.5:** Ensure women's full and effective participation and equal opportunities for leadership at all levels of decision-making in political, economic, and public life.
- vi. **SDG target 8.2:** Achieve higher levels of economic productivity through diversification, technological upgrading, and innovation, including through a focus on high value added and labour-intensive sectors.
- vii. **SDG target 9.3:** Increase the access of small-scale industrial and other enterprises, in developing countries, to financial services, including affordable credit, and their integration into value chains and markets.
- viii. **SDG target 17.3:** Mobilize additional financial resources for developing countries from multiple sources.

#### **4.2 Expected SDG impact:**

The Joint-Programme will directly impact **mobilizing additional financial resources** for Malawi; **ending poverty and hunger** by increasing investment in sustainable agriculture and other manufacturing and service supply-chains, as well as increasing productivity within these supply-chains through technology, innovation, and energy and resource efficiency; and **achieving gender equality** by supporting business where women are significantly represented in boards, management, staff, suppliers, or buyers.

#### **5. Relevant objective(s) from the national SDG framework:**

The MGDS III fully incorporates the goals and principles that underpin Agenda 2030 and the 17 Sustainable Goals (SDGs). It has five key priority areas:

- i. Water development and climate change
- ii. Education and skills development
- iii. Energy, industry, and tourism development
- iv. Transport and information and communication technology infrastructure
- v. Health and population

#### **6. Trans-boundary and/or regional issues:**

Malawi is about to ratify the African Continental Free Trade Area (AfCTA) as a way of creating a single continent-wide market for goods and services, as well as promoting the movement of capital and people. This could have a transformative impact on Malawi's private sector and provide opportunities to scale value chains and opportunities for agro-processing businesses that have historically had limited opportunities in continental market due to lack of harmonization on rules of origin, quality standards and trade facilitation.

## C. JOINT PROGRAMME DESCRIPTION

### 1. Baseline and Situation Analysis

#### 1.1 Problem statement

Breaking the cycle of low growth, ecosystem degradation, lack of competitiveness, and low private sector productivity are key priorities for the Malawi Government as articulated by its third medium-term national development strategy - *the Malawi Growth and Development Strategy (MGDS) III – 2017 -2022*. In pursuing this strategy, the Government has targeted significant reductions in poverty and improvements in Sustainable Development Goals around: decent work and economic growth; industry, innovation, and infrastructure; reduced inequalities; and responsible consumption and production.

To deliver the inclusive and environmentally sustainable growth needed to achieve these ambitious SDG targets, Malawi needs a vibrant financial sector with the availability of patient capital, diverse blend of instruments including debt and equity, and structured finance that can help catalyze growth from a low base. Despite this, the financial sector is heavily geared towards Government lending and only limited lending is available to the private sector because of very low risk tolerance. Bank credit as a percentage of bank deposits is 56 percent compared to 69 percent in Zambia and 79 percent in Tanzania (World Bank, 2019). The sector is also characterized by a limited range of financial services, inflexible loan repayment offerings with average short tenors of 2-years, significant collateral requirements, and high lending rates well in excess of 20 percent. Furthermore, Malawi has one of the lowest rates of total investment in Sub-Saharan Africa, averaging 15 percent of GDP from 2000-18 compared to 24.5 percent in Tanzania and 34.7 percent in Zambia. Foreign Direct Investment (FDI) inflow during this period was just 2 percent of GDP, reflecting a dearth of international or regional investors as well as impact investors operating in Malawi (around 1 percent of all non-development finance impact capital disbursed in Southern Africa has been placed in Malawi – GIIN, 2016). In turn, this lack of investment and finance has stunted business expansion, sustainable job creation and inclusive supply chain development in the country.

The private sector in Malawi is often characterized by a dualistic structure with a few large companies engaged primarily in the agricultural sector, over 1.1 million small businesses and micro enterprises (FinScope, 2020), and less than 10,000 medium sized firms. However, the UN, particularly through UNDP's contribution to private sector development in Malawi, has demonstrated, using matching grants and technical assistance, that there is a large cohort of businesses that need growth capital which existing financial markets are unwilling or unable to provide. Over the past decade UNDP with its donor partners have built up a significant pipeline of "bankable" inclusive business projects and businesses that can deliver significant social and environmental impacts. However, these businesses lack the type and quantum of investment needed to scale, replicate, and facilitate economic transformation.

#### 1.2 Related interventions

Malawi's low rates of impact investing is primarily due to the relative infancy of the market, particularly for non-Development Finance Institution investors, coupled with falling levels of Foreign Direct Investment - from US\$ 102 million in 2018 to around US\$ 98 million by 2019, focused around less than 10 major deals per annum. To stimulate the market, several Development Finance Institutions have supported different sectors spanning from banking and finance, construction, IT infrastructure, and agribusiness:



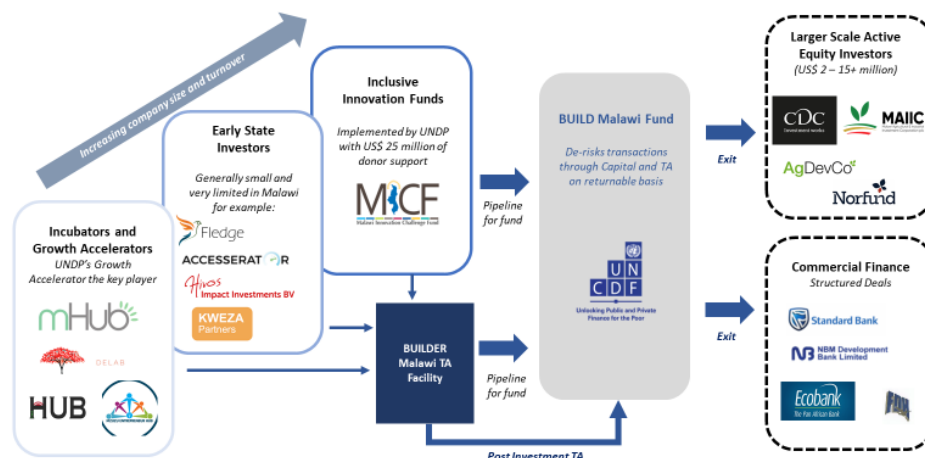
- The UK Commonwealth Development Corporation has a portfolio of 6 large investments ranging from US\$ 7 million - US\$ 25 million.
- AgDevCo provides patient capital (equity and debt) to currently 6 agribusinesses and commercial farms. Its deal sizes are smaller than CDC's, ranging from US\$ 2.5 million - US\$ 6 million but still significantly larger than the target of the BUILD Malawi Sub-Fund.
- Norfund is providing relatively fewer deals between US\$ 2.75 million – US\$13 million primarily to two major businesses.
- Malawi Agricultural and Industrial Investment Corporation (MAIIC) is a local Development Finance Institution recently created by the Government of Malawi with US\$ 20 million seed funding with a mandate to raise funding privately and publicly to support Malawian businesses within a medial range of investments between US\$ 1 million – 12 million across 6 deals, however, it has also supported 3 deals with ticket sizes between US\$ 27,000 to US\$ 5,478,000.

While these initiatives together with other smaller private incubators and investors in early-stage businesses (e.g. Accelerator, Kweza partners, Hivos and Fledge LLC) are addressing large companies and the sub US\$ 50,000 market, few financing options are currently available to companies needing financing in the range of US\$ 200,000 to US\$ 2 million. Squeezed financing for the “missing middle” is stymying the more inclusive economic growth needed to kick start economic transformation in Malawi.

Experiences of identifying and supporting this type of company through UNDP's Malawi Innovation Challenge Fund (MICF), and early stage investments through UNDP's Growth Accelerator project, have highlighted the importance of pre- and post-investment technical assistance to investee companies if capital deployments are to be successful. This support is critical to reduce financial and operational risks, and to maximize SDG impacts.

The BUILD Fund Malawi Window thus aims to act as a catalyst to provide the continuum of financing and technical assistance required to bridge the gap between smaller investments, “bankable” SMEs and inclusive business projects delivered by UNDP's MICF and Growth Accelerator initiatives, and the scale required for larger commercial investors in the ecosystem as highlighted below. This is particular timely given the impact of COVID 19 on supply chains and investor confidence.

*Figure 1: BUILD Fund Malawi within the Impact Investment Ecosystem*



### 1.3 SDGs and targets

The following table lists the SDGs targeted by the Joint-Programme and shows how progress will be measured against those targets through the Outcomes and Outputs of the Joint-Programme's Results Framework (see Annex 2).

*Table 1: Joint-Programme's Contribution to the SDGs*

| <b>SDG target</b>  | <b>Joint Programme's SDG contribution – measurement of progress</b>   | <b>Baseline (year)</b>  |
|--|---|---|
| <b>SDG Target 1.2</b><br>By 2030, reduce at least by half the proportion of men, women and children of all ages living in poverty in all its dimensions according to national definitions  | Post-investment TA maximize the impact of the finance received and de-risk investment for BUILD Fund Malawi Window [ <i>Output 1.3</i> ].<br><br>Eco-system assistance fosters viable supply chains in various sectors and sustainably integrates small-scale producers and businesses into higher-value supply chains [ <i>Output 2.1</i> ]. | According to the Malawi 2020 Voluntary National Review (VNR) Report, more than half the population (51.5 percent) is living below the national poverty line (NSO, IHS4 2017).   |
| <b>SDG Target 1.4</b><br>By 2030, ensure that all men and women, in particular the poor and the vulnerable, have equal rights to economic resources, as well as access to basic services, ownership and control over land and other forms of property, inheritance, natural resources, appropriate new technology and financial services, including microfinance | Provision of impact capital enabled inclusive businesses to scale up, increase productivity and serve more customers with affordable products / services. [ <i>Outcome 1</i> ]<br><br>Progress also made through Post-investment TA [ <i>Output 1.3</i> ].  | Currently there is no data available for the relevant SDG 1.4.1 indicator: 'Proportion of population living in households with access to basic services'. According to the FinScope Consumer Survey Malawi 2014, there are 46% financially excluded adults in Malawi. |
| <b>SDG Target 2.3</b><br>By 2030, ensure agricultural productivity increase by 50% and incomes of small-scale food producers.  | Targeted through Eco-system assistance [ <i>Output 2.1</i> ] and through post-investment TA [ <i>Output 1.3</i> ].  | According to FAO measurements, agricultural output per labour day by small-scale producers amounts to US \$5.99 in 2013. <sup>4</sup>   |

<sup>4</sup> See <http://www.fao.org/sustainable-development-goals/indicators/231/en/>

|   |   |   |
|---|---|---|
| <b>SDG Target 2.a</b><br>Increase investment, including through enhanced international cooperation, in rural infrastructure, agricultural research and extension services, technology development and plant and livestock gene banks to enhance agricultural productive capacity in developing countries, in particular least developed countries | Progressed measured by Eco-system assistance [ <i>Output 2.1</i> ] and through generating data and insight on investment opportunities and fund mobilization activities [ <i>Output 3.1</i> ].                              | The respective SDG Indicators 2.a.1 and 2.a.2 solely relate to government expenditure, while the JP seeks to increase investments in the mentioned agricultural activities through the BUILD Fund Malawi window.  |
| <b>SDG Target 5.5</b><br>Ensure women's full and effective participation and equal opportunities for leadership at all levels of decision-making in political, economic, and public life  | BUILD Malawi's business processes and decision making reflect gender disaggregated analysis and gender lens investing.<br><br>Gender disaggregated targets are included in the JP's Result Framework (see <i>Annex 2</i> ). | According to the Malawi 2020 Voluntary National Review (VNR) Report, the proportion of women in managerial positions reported nationally as the percentage of women represented in decision-making positions reported nationally was estimated at 24.0 percent in 2016. |
| <b>SDG Target 8.2</b><br>Achieve higher levels of economic productivity through diversification, technological upgrading, and innovation, including through a focus on high value added and labor-intensive sectors   | Inclusive, investment-ready SMEs receive debt and equity finance [ <i>Output 1.2</i> ].<br><br>Also, targeted through Eco-system assistance [ <i>Output 2.1</i> ] and through post-investment TA [ <i>Output 1.3</i> ].     | According to the Malawi 2020 Voluntary National Review (VNR) Report, Real GDP annual growth rate percent has increased from 2 percent in 2012 to 3.3 percent in 2015 and to 4.0 percent in 2018   |
| <b>SDG Target 9.3</b><br>Increase the access of small-scale industrial and other enterprises, in developing countries, to financial services, including affordable credit, and their integration into value chains and markets  | Progress measured through by provision of debt and equity finance [ <i>Output 1.2</i> ] and also targeted through Eco-system assistance [ <i>Output 2.1</i> ] and through post-investment TA [ <i>Output 1.3</i> ].         | According to the SDG 9 monitoring by UNIDO <sup>5</sup> , the proportion of small-scale industries with a loan or line of credit were 23.0 percent in 2014.   |
| <b>SDG Target 17.3</b><br>Mobilize additional financial resources for developing countries from multiple sources  | Reserve Bank of Malawi and other financial regulators adopt regulatory improvements to ease the operations of BUILD Malawi Window (and any future impact investment funds) [ <i>Output 2.2</i> ]                            | According to the Reserve Bank of Malawi the Foreign Direct Investment (FDI) in Malawi was US \$112.30 million in 2019.  |

<sup>5</sup> See <https://stat.unido.org/SDG/MWI>

## 2. Programme Strategy

### 2.1 Theory of Change

**Summary:** The overall objective of the Joint-Programme is to contribute towards the transformation of Malawi's economy to become more competitive, productive, and resilient. To achieve this goal, the Joint-Programme aims to establish and operationalize Malawi's first structured blended finance solution that provides "patient" and flexible capital solutions to transformative, inclusive business models that drive the achievement of the SDGs in Malawi. It differs from other International Financial Institutions (IFIs) in that the joint programme explicitly seeks to unlock domestic and international capital, explicitly targets social and environmental outcomes as a complement to commercial return expectations and take a more patient capital approach.

**Detailed:** Over the past decade, the UN with UNDP in lead, has been a significant player in developing the private sector in Malawi. This has included firm-level assistance to start-ups, early stage businesses, and innovative high-impact business models in medium-sized businesses in agriculture, light manufacturing, financial services, energy services, distributive retail trade, hospitality, and light infrastructure.

UNDP alone has deployed two signature platforms – *Growth Accelerator and Malawi Innovation Challenge Fund (MICF)* – with external fund managers to professionally establish robust infrastructure and business-processes to source, structure and manage investments in businesses in Malawi using capital grant and technical assistance instruments. These platforms have discovered more than 200 business models in as many companies with potential for high commercial and social returns. More than 117 have received more than US\$ 40 million to incubate start-ups, as well as test and grow innovative private sector business approaches. Through UNDP, the Growth Accelerator and the MICF are in effect performing the role of a surrogate investment warehouse.

The BUILD Fund Malawi Window capitalises on the UNDP's substantial portfolio of businesses, UNCDF's global BUILD Fund architecture, and FAO's deep technical capability in the agricultural sector to hasten the impact of their private sector development strategy. The theory supporting the Growth Accelerator and the Malawi Innovation Challenge Fund was that assistance will create compelling business cases to attract growth investment from banks and other investors. The reality is that despite the significant flow of compelling business cases, the supply for growth capital remains highly rationed, particularly for start-ups and small businesses – the "*missing middle*" of financing. BUILD Malawi directly addresses the challenge of offering an investment continuum to Malawian businesses and create a bridge to banks and investors.

As presented in *Figure 2*, the BUILD Fund Malawi Window will raise and invest capital into the most promising businesses in Malawi committed to positive social and environmental outcomes. Drawing on the portfolio of companies under the Growth Accelerator and the MICF, UNDP's will also leverage its sourcing infrastructure and processes to continue to refresh the investment pipeline with companies that are outside of this existing portfolio. The investments will allow companies to expand and advance into the next growth stage through financing from banks and other investors. The financial transactions from the BUILD Fund Malawi Window will create technology upgrades and business expansion that allow investee companies to increase their production capacity, serve a broader customer base, as well as become more efficient and effective.

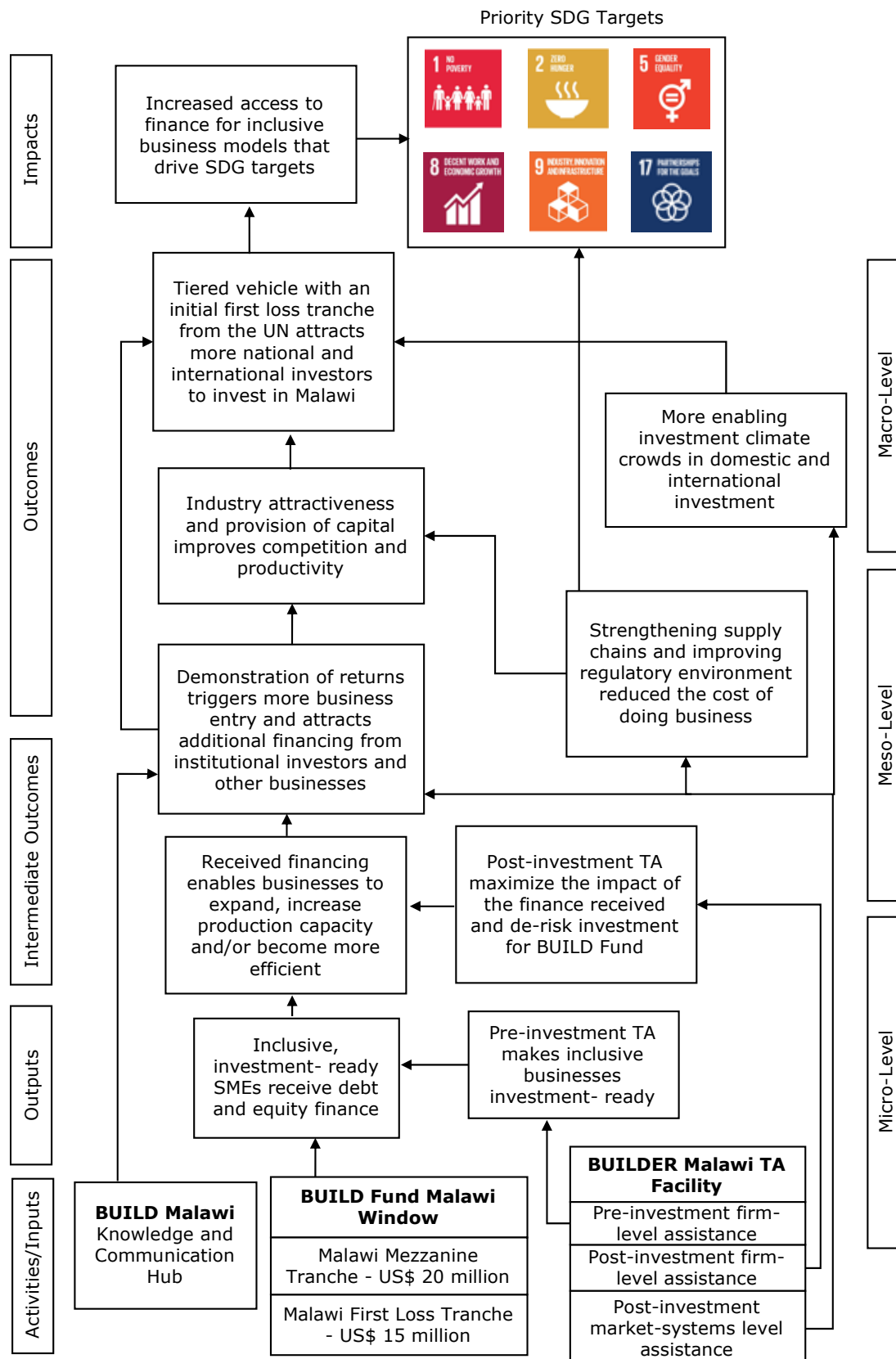
Based on the assumption that the demonstration effect of positive returns will trigger more business entry (both horizontally and pull small-scale producers into higher-value supply-chains vertically), these industries will become more competitive, productive, efficient, inclusive and resilient. Such economic growth will, in turn, create income and job opportunities for the poor, particularly women and youth, and further drive SDG impact, particularly Goal 1 and Goal 2.

However, provision of access to finance is not the panacea for industry-wide change. To achieve transformational change and to accelerate and broaden SDG impact requires interventions at the system-level. The BUILDER Malawi Technical Assistance Facility, a national technical assistance facility, supported by UNCDF's global BUILDER Facility, seeks to raise programme grant funds to prepare enterprises that have a proven business case for the follow-on growth funding (pre-investment support). This support will not only ensure that potential candidates are 'investment-ready' but also that, particularly female business owners are encouraged to take on new investment opportunities and fully understand the terms of financial agreements before they enter. Once financial transactions are made, the BUILDER Malawi Technical Assistance Facility will provide post-investment support to maximize the SDG impacts of the investment.

Based on the assumption that the BUILD Fund Malawi Window successfully creates new industry opportunities, the BUILDER Malawi Technical Assistance Facility *will* strengthen the respective supply-chains and provide agricultural capacity building, such that small scale producers are prepared and can be sustainably integrated into these supply chains. Combined with regulatory improvements, the cost of doing business will be reduced across these industries and further improve productivity and moderate risks.

At macro-level, BUILD Fund Malawi Window and BUILDER Malawi Technical Assistance Facility, together with UN's wider work on strengthening private sector development, will generate data and evidence to support help *inform, coordinate, facilitate and activate* stakeholders in private sector development and contribute to creating a more enabling investment climate that will crowd-in both public and private investments locally and from abroad (FDI). Thus, establishing Malawi's first structured blended finance solution will demonstrate to domestic and international investors that Malawi's markets can generate commercially viable returns, contribute to the SDGs, and serve as a gateway for future investments into the country. Transforming the provision of access to finance to inclusive business models will drive SDG impact, thereby accelerating progress to meet the 2030 targets.

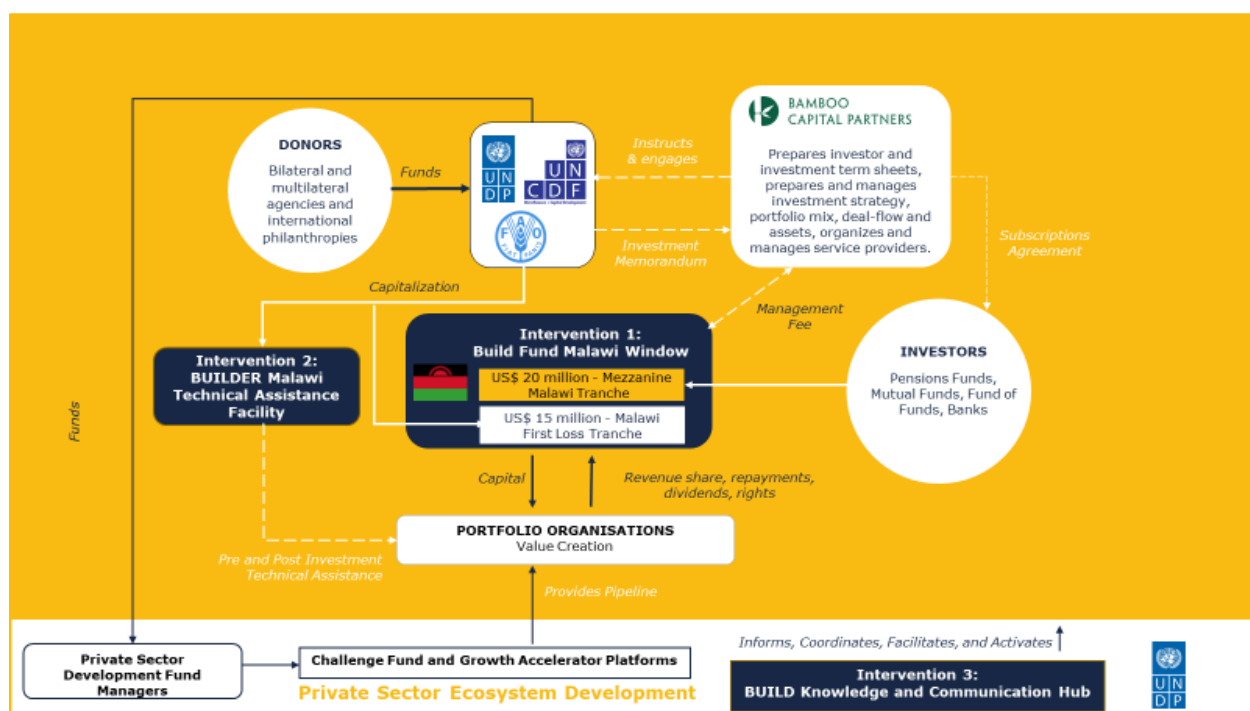
Figure 2: Theory of Change



## 2.2. Proposed intervention

The central aim of the Joint-Programme is to leverage the UN's long-term support to strengthen private sector ecosystems in Malawi and improve conditions for business ventures to access additional capital, reduce risks and accelerate SDG achievement. This will be achieved through three interrelated interventions, which are structured around the BUILD FUND Malawi Window, the BUILDER Technical Assistance Facility, and a BUILD knowledge and communication hub.

Figure 3: BUILD Fund Malawi's key interventions, stakeholder relationships and activity flows



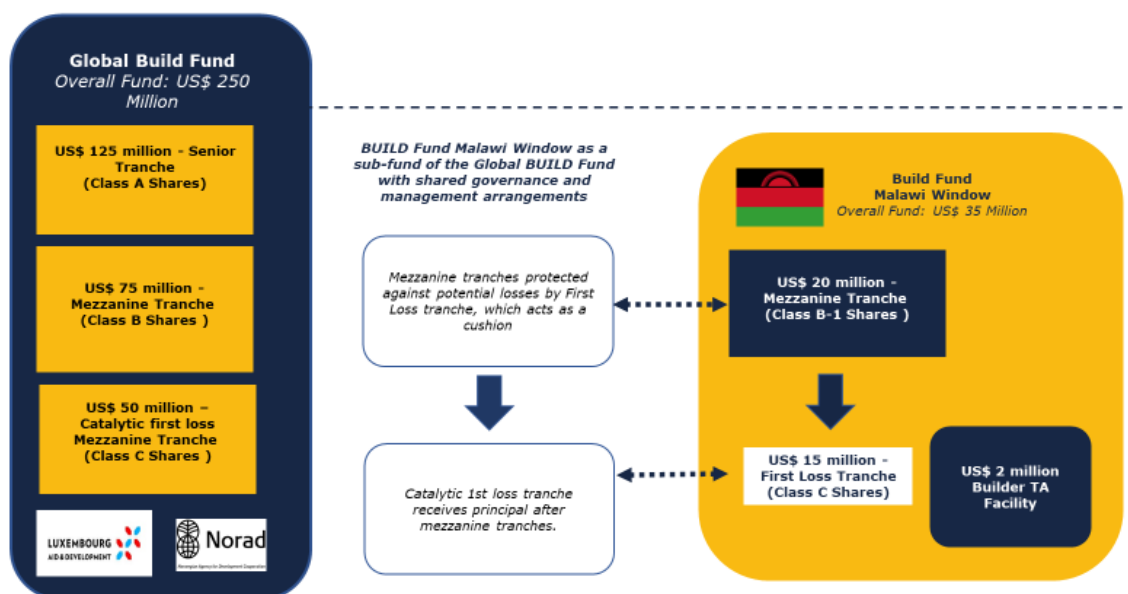
### 2.2.1. BUILD Fund Malawi Window

The BUILD Fund Malawi Window will unlock private and public capital, from domestic and international sources, and deploy these as investments into private enterprises in Malawi to accelerate progress on the SDGs.

**Fund Structure:** As shown in Figure 4, the BUILD Fund Malawi Window will be established as a sub-fund under BUILD Fund S.A., a Société anonyme qualifying as a *Société d'investissement à capital variable - fonds d'investissement alternatif reserve* (SICAV-RAIF), which was organized under the laws of the Grand Duchy of Luxembourg in 2020. BUILD Fund S.A., SICAV-RAIF (Bamboo-UNCDF Initiative for the Least Developed Fund), is an established innovative 3<sup>rd</sup> party blended finance vehicle, borne out of a partnership established between UNCDF and Bamboo Capital Partners in 2018.



Figure 4: BUILD Fund and BUILD Fund Malawi Window



The creation of a separate sub-fund is driven by the need of investors seeking to specifically invest in Malawi. This includes investors from within Malawi and as well as the Southern Africa region<sup>6</sup>. In this context, the more general risk-rewards profile of the global BUILD Fund is not sufficient or appropriate to attract Malawi-specific investors. However, the sub-fund arrangement will allow the BUILD Fund Malawi Window to share the same governance and legal architecture of the global BUILD Fund, thus benefiting from the economies of scale on some of the fund administration / formation expenses already carried by the global BUILD Fund, while simultaneously serving as a distinct legal entity with purely ringfenced risks and rewards. In addition, the sub-fund arrangement also offers the opportunity to leverage the global fund fundraising efforts and reach a larger group of investors than might otherwise be possible for a fund domiciled in Malawi.

The BUILD Fund Malawi Window will be established as an open-ended permanent capital vehicle. It will continue to invest funds in target Malawian companies until such a time as an alternative domestic or international investment vehicle is willing and able to raise and invest capital into “missing middle” companies to generate both commercial returns and SDG impact. It will be structured with two layers (or “tranches”) of capital to invest in the same portfolio of companies, but with different risk and return features to the ultimate investors dependent on the tranche. These include a first-loss, or catalytic, tranche and a mezzanine tranche. The first-loss layer will be the first to bear losses, thereby protecting the middle, or mezzanine, layer of investors.

The structured vehicle is appealing to donors and investors alike. The first-loss layer offers traditional donors and impact-first investors with an opportunity to use their contribution beyond grantmaking to support their development objectives, while the mezzanine layer offers much greater leverage potential than through grant funding alone. Similarly, the first-loss layer offers institutional investors opportunities to transfer the risk of investing in Malawian ventures with uncertain returns since in the event of a loss, the first-loss tranche will be the first to bear it, thereby protecting the mezzanine layer of investors.

<sup>6</sup> [https://theqiin.org/assets/documents/pub/Southern%20Africa/Malawi\\_GIIN\\_southernafrica.pdf](https://theqiin.org/assets/documents/pub/Southern%20Africa/Malawi_GIIN_southernafrica.pdf)



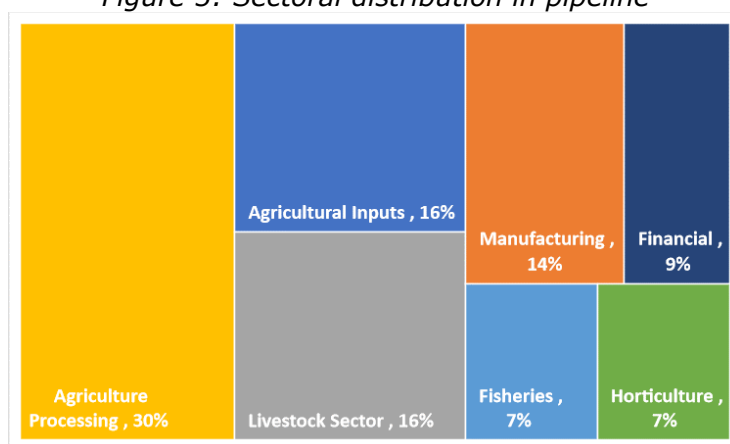
**Fund Size:** The target size of BUILD Malawi Window is US\$ 35 million with a US\$ 15 million catalytic, or “first-loss”, layer and a US\$ 20 million mezzanine layer. This target is based on a demand assessment undertaken initially by UNCDF and subsequently followed-up by a more detailed assessment commissioned by UNDP. The preliminary results from the latest assessment indicates interest among an initial 21 potentially investible companies<sup>7</sup> with a total demand of over US\$ 48 million and median ticket size of US\$ 1 million (see *Figure 6*).

US\$ 6.75 million from the SDG Fund will be used to capitalize the first-loss layer. The remaining will be mobilized from bilateral and multilateral actors active in Malawi. The British Foreign, Commonwealth and Development Office (FCDO) is strongly committed to supporting the Fund as a second partner. There is strong likelihood that other development partners may join at a later stage based on a similar crowding-in the experience of UNDP’s MICF, which has grown from US\$ 8 million and one donor in 2014, to US\$ 26 million and four donors in 2020. While UNCDF has obligated its contribution to the global BUILD Fund for pipelines outside of Malawi, it has also committed to fundraise for the BUILD Fund Malawi Window. FAO will also facilitate technical support towards increased private investments aligned with the SDGs into agri-food systems, by leveraging public funds and its expertise to support private companies to unlock technical bottlenecks and transition to sustainability.

Intensive engagement with few institutional investors in Malawi has revealed clear interest in the mezzanine layer. The most advanced is Old Mutual and Nico, two of Malawi’s oldest and largest pension funds. They have expressed interest in investing up to US\$ 20 million (combined) in the mezzanine layer, subject to a fully capitalized catalytic first-loss tranche.

**Investment Strategy and Sectors:** The BUILD Fund Malawi Window will target investment in the sectors that have the widest spillover effects in terms of growth, social equity, and the SDGs. It will initially invest in sectors represented in the pipeline of companies emerging out of MICF and the Growth Accelerator<sup>8</sup> (*Figure 5*) with 75 percent of the companies operating in agriculture, livestock and fisheries sub-sectors, and the remaining 25 percent operating in manufacturing and financial services.

*Figure 5: Sectoral distribution in pipeline*



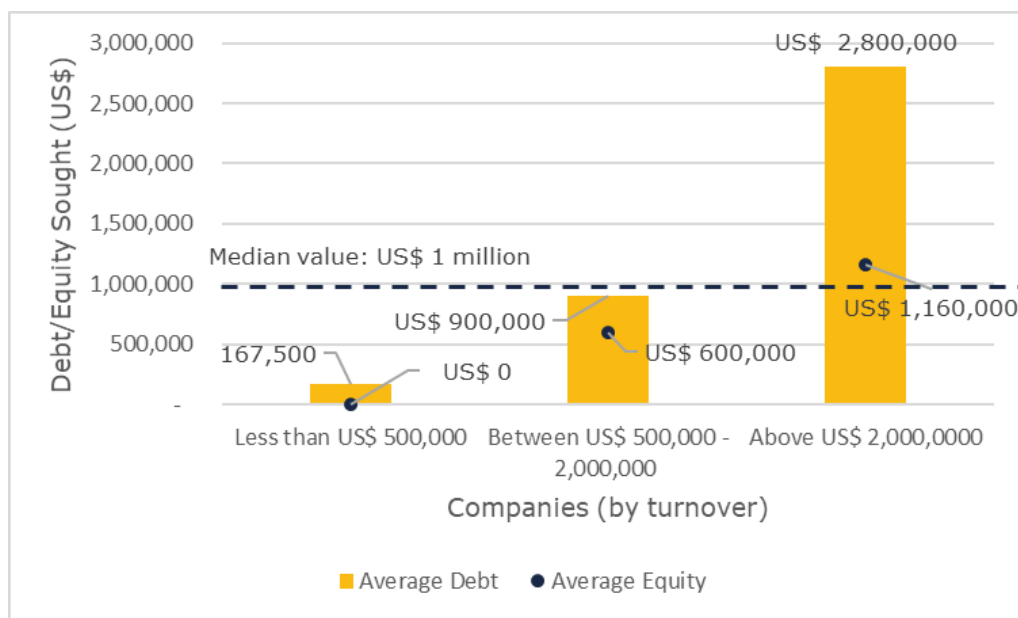
<sup>7</sup> See Annex 8 for a list of the potential companies and their sectors.

<sup>8</sup> A deep preparatory assessment was conducted across the portfolio of 114 companies supported by UNDP’s MICF and the Growth Accelerator. 45 companies were longlisted after an initial desk-based screening using key criteria, including 1. Maturity (Number of years operating) 2. Established Supply Chain Structure 3. Revenue / Size 4. Year on Year Growth. Deep-dive assessments were undertaken with these companies, including interviews and analysis of self-reported financial data.

The BUILD Fund Malawi Window will also explore investment opportunities in energy and infrastructure sector as well given strategic interest among stakeholders and investors.

The BUILD Fund Malawi Window will primarily deploy fixed income instruments, including senior loans (secured and unsecured) and subordinated loans. It will also issue quasi-equity instruments, such as convertible notes and mezzanine debt. Finally, it is envisioned that in specific occasions the Fund should be able to invest in equity, with a recommended aggregated value up to a maximum of 50 percent of the first loss tranche of the BUILD Fund Malawi window. Preliminary analysis of the detailed assessment commissioned by UNDP indicates demand for US\$ 45 million debt and US\$ 6.5 million equity investments

*Figure 6: Average debt and equity requirements (by company's annual turnover)*



As shown in Figure 6, firms with sub-US\$500,000 in annual turnover are seeking only debt, averaging around US\$ 167,500. These are owned almost exclusively by the principal and their family with no interest to dilute equity shareholding at this stage of company development. Firms with annual turnovers between US\$500,000 and US\$ 2 million, are fewer in number but with preference for a combination of debt and equity averaging US\$ 900,000 and US\$ 600,000, respectively. Firms with annual turnover exceeding US\$ 2 million have significant interest in dollar denominated debt which is not readily available in the local market; average demand for debt is US\$ 2.8 million and US\$ 1.16 million for equity. These averages are skewed by outliers as the median value of investment sought is US\$ 1 million.

The Build Fund Malawi Window will deploy investments to companies in both US dollar and Malawian kwacha, and these will be priced at the preliminary analysis and deal structuring stages but will seek to offer competitive rates.

Role: UNCDF will serve as the exclusive investment advisors to BUILD Fund Malawi Window's investment manager Bamboo Capital, and it will aggregate advisory from UNDP and FAO and channel these to Bamboo Capital. UNCDF will also be able to serve, when needed, as an investor of record in the first loss tranche of the BUILD Fund Malawi Window. Within the scope of its specific capital investment mandate, UNCDF has designed solutions to help route

catalytic first-loss capital from UN member states or other donors (including the Joint SDG Fund) into the BUILD Fund, where such donors encounter internal restrictions on directing its funding into blended finance vehicles. Such solutions include the creation of investment instruments<sup>9</sup> that confer no ownership, economic rights or voting rights under applicable national or international laws, effectively rendering the investment as a grant or concessional investment, whereby UNCDF would be able to serve as the provider of such solutions.

UNDP will continue to generate a pipeline through its on-going private sector development programme, leveraging the MICF and the Growth Accelerator. UNDP, together with UNCDF, will also undertake analysis of the potential investment transactions before these can be referred to the BUILD Fund Malawi Window. In addition, UNDP will identify and raise capital from donors and investors in Malawi. UNDP will also lead the fundraising effort with commercial investors in Malawi, enabling them to directly invest in the BUILD Fund Malawi Window.

UNCDF will play a role on the governance side, representing UNDP and FAO, seeking primarily to appoint non-voting observer(s) on the Fund's investment committee, and as a member of its advisory committee.

## 2.2.2 BUILDER Malawi Technical Assistance Facility (BUILDER Malawi)

BUILDER Malawi will be a national technical assistance facility designed to reduce or eliminate key non-capital hurdles that maintain low levels of investment in private enterprise in Malawi. BUILDER will initially focus on enabling faster deal flow for the BUILD Fund Malawi Window. Over time, it will assess efficacy of expanding its scope to serve other investors, enabling it to play an interlocutor and service provider role to the market as a whole with the added benefit of providing an additional revenue stream to support sustainability.

**Structure:** BUILD Technical Assistance Facility will be a tiered technical assistance facility. It will be initially structured as a two-tier facility (an enterprise or firm "tier" and a market "tier") with the possibility of adding additional tiers of intervention if demanded by businesses, investors, and donors. The initial two-tier facility will focus almost exclusively on firm level interventions that have the greatest immediate impact on the risk and rewards for businesses and investors. These will include:

- i. ***Pre-investment firm-level assistance*** to source and screen a pipeline of potentially investible projects (through for example accelerators, challenge funds, other donor interventions, RFA and referrals), and prepare enterprises that have a proven inclusive business case for the follow-on growth funding, including the initiation and preparation of feasibility and market studies; registration and valuation of assets; preparation of strategic/business plans; financial modeling of historical and future business performance; currency hedging; understanding the mechanics of debt and other financial obligations; aligning appropriate companies or projects with BUILD Fund Malawi Window.

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<sup>9</sup> For example, the BUILD Fund as a SICAV-RAIF incorporated and organized under the laws of the Grand Duchy of Luxembourg has the ability to offer Parts Bénéficiaires ("beneficiary units" or "BUs") to catalytic investors who are interested in playing a first loss role in the Fund but are unable to (1) purchase shares in the Fund (2) purchase notes in the Fund or (3) invest in the Fund as a lender. BUs are flexible security instruments, allowed under Luxembourg law, that are not part of the formal capital structure of an investment vehicle, but can be designed to behave as first-loss or grant capital. Specifically, BUs can be issued with no voting rights, no economic rights (e.g. rights to dividends / distributions), and/or can be pari passu or subordinate in the right of payment to other investors, as desired.

- ii. **Post-investment firm-level assistance** to maximize the commercial returns and SDG impacts, including assistance to measure and report on social and environmental impacts; design and implementation of Standard Operating Procedures; implementation of processes and controls for operational and financial management; adopting digital systems and processes to improve cash, inventory and receivables management of the business; support to integrate traceability systems; design and execution of strategic personnel and governance; design and execution of customer segmentation strategies; and developing effective sales and marketing strategies.
- iii. **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.

The structure of BUILDER is tiered at the firm level initially, before broadening out to include market ecosystem and macro-economy levels. It is designed to appeal among investors and traditional donors who would either see the assistance as de-risking investments in case of investors, or as leveraging private capital and developing the private sector in case of donors. Funders can offer general unrestricted funding enabling management to distribute across the different tiers, or funders may offer earmarked restricted funds against one or more tiers.

The BUILD Malawi Technical Assistance Facility will initially operate in a 'project' environment under UNDP's Private Sector Development Programme (PSDP II). It will be a blended revenue model with revenue streams coming from a range of different sources including (a) fees for services or success fees from investee businesses that are successful in securing investment, (b) finder or service fees from investors seeking to source investible projects and businesses in Malawi, (c) grants from donors seeking to understand and shape market systems and investment climate in Malawi, and (d) returns on first-loss investments in the BUILD Fund Malawi Window<sup>10</sup>. In the first 2 years of the programme, assistance will be mostly subsidized to 'prime the pumps' and develop a portfolio at a critical mass to credibly test the assumptions and business case for each tier of assistance. Recipients will be expected to contribute between 10 percent to 25 percent of the cost of technical assistance<sup>11</sup>. Overtime as the facility builds a track record and proves its business case to the recipients, UNDP and other partners in the joint programme will seek to gradually increase the contribution coming from the investee companies. A full feasibility study will be undertaken during the mid-term review to assess whether there is realistic revenue model for technical assistance without incurring any conflict of interest or materially diluting the BUILD Fund Malawi Window. The ambition is to phase-out the BUILDER Malawi Technical Assistance Facility from a project environment and into an independent national trust that act as a credible and capable service provider for investors, businesses and donors seeking to increase impact capital for business in Malawi.

**Size:** The target size of the initial two-tier BUILDER Malawi Technical Assistance Facility is US\$ 2 million. The Joint SDG Fund is expected to contribute US\$ 350k while UNDP has committed US\$ 10k to the Facility. The remaining US\$ 1.64 million will be mobilized by UNDP

<sup>10</sup> Returns from first loss investments will not be used to refund the technical assistance platform, unless differently agreed with the UN Joint SDG Fund

<sup>11</sup> Tier 1 recipients will be expected to contribute, in cash or kind, at least 10 percent of the cost of assistance, while Tier 2 recipients will be expected to contribute at least 25 percent. This pricing structure, particularly at the start-up stage, will help to ensure that recipients have some 'skin-in-the-game' from the start without dampening demand for assistance.

as part of its private sector development offer to bilateral and multilateral actors active in Malawi.

**Roles:** UNDP will manage the BUILDER Malawi Technical Assistance Facility and UDP, UNCDF and FAO will be responsible parties for various assistance streams<sup>12</sup>.

- i. UNDP will directly lead fund mobilization.
- ii. UNDP will lead in identifying and screening investment opportunities aligned to SDG targets through procuring a specialist service provider to undertake the relevant activities. The service provider is expected to harvest existing opportunities from the MICF and Growth Accelerator portfolios in the first instance and then apply a range of additional transparent sourcing methods including challenges, prizes, referrals and digital crowdsourcing to continually refresh the pipeline.
- iii. UNCDF will (a) directly perform the preliminary analysis following initial screening by the UNDP appointed service provider (enhanced screening of prospective investees); and (b) will directly undertake the detailed due diligence, manage fiduciary risk mitigation and prepare the draft investment and risk appraisals for adoption Bamboo Capital Partners (preliminary due diligence for prospective investees).
- iv. FAO will undertake analysis of agricultural value chains and provide metrics, advising the Fund on the soundness of the plans submitted by prospective investees and helping SMEs linking with small pre-processing and processing units, improving their competitiveness, and their access to markets and to financial services.
- v. UNDP, UNCDF and FAO will provide post-investment technical assistance in areas of their distinctive competence.
  - FAO: technical matters related to specific agricultural markets, and agri-enterprises and inclusive small-scale farmer business models.
  - UNCDF: financial sectors, energy, infrastructure, digital transformations, and MSME finance.
  - UNDP: gender, environmental sustainability, business incubation and organizational development.
- vi. The post-investment technical assistance will be coordinated through the Joint-Programme Coordination Committee involving all the UN partner agencies and Bamboo Capital to ensure that the post-investment technical assistance prioritization and work plan is fully aligned with maximizing the commercial returns and SDG impacts.
- vii. The Joint-Programme Coordination Committee will, through UNDP, pre-qualify a roster of service providers (firms) on Long-Term Agreements that are able to be deployed at short notice through simplified call-down work-orders to deliver post-investment technical assistance tailored for each investee firms. Post-investment technical assistance assignments and consultants in the various verticals outlined in (v) above will be backstopped by the relevant agencies.

## 2.2.3 BUILD Malawi Knowledge and Communication Hub<sup>13</sup>

The BUILD Malawi Knowledge and Communication Hub aims to generate data and insights on business models and opportunities to steer both institutional investors and other businesses to increase their stake in the Malawi economy and beyond. Establishing Malawi's first structured blended finance solution will demonstrate to domestic and international investors that Malawi's markets can generate commercially viable returns and serve as a gateway for future investments into the country.

<sup>12</sup> See workplan and budget for further detail.

<sup>13</sup> Knowledge, learning, and communication strategies are outlined in greater detail in Annex 4 and Annex 5.

The BUILD Malawi Knowledge and Communication Hub will be housed inside the UNDP Private Sector Team and will be fully financed by UNDP trac resources. It will be responsible to commissioning research and evidence on business models and market opportunities; intensely communicating knowledge to targeted investors, businesses, the Government, and donors; facilitating investor conferences and market entry.

### 2.3 Leverage potential

The essential features of a tiered fund vehicle and a complementary technical assistance facility are designed to generate significant leverage. Since the first-loss tranche will bear any eventual losses, the theory is that this credit risk transfer will alter the risk-rewards scenario sufficiently to attract commercial private and public capital into the BUILD Fund Malawi Window's mezzanine tranche. In addition, the programme assumes that the tiered technical assistance facility will further improve investor appetite as it sees business development and straitening of supply-chains feeding into lower costs and higher returns for the businesses in the portfolio.

The Joint SDG Fund is critically important as seed funding to enable the leverage potential of the programme. With a US\$ 8 million contribution from the Joint SDG Fund and US\$ 0.25 million co-funding from UNDP, the Foreign and Commonwealth Development Office (FCDO) of the UK Government is committed to be a second mover with a matching US\$ 8 million contribution towards capitalizing the first loss tranche. Similarly, institutional investors in Malawi, including Old Mutual Insurance and NICO Holdings, are committed to investing up to US\$ 20 million in the mezzanine tranche if the programme can mobilize US\$ 15 million under first-loss. *Based on the above commitments alone, the programme's co-financing leverage potential is 3.5<sup>14</sup> and private finance leverage potential 2.5<sup>15</sup>.*

The programme believes that it can generate more leverage as the programme offers a clear business case for other investors to enter. The Fund vehicle would be attractive to DFIs and other impact investors given greater pressures on them to go downstream, particularly after COVID. A well-managed fund, a value-added technical assistance facility and a track record are expected to attract additional investors. The programme assumes US\$ 10 million would be a reasonable estimate depending on fund performance. In addition, the programme expects to trigger a wider response from the banking sector in Malawi given excess liquidity in the system of more than US\$800 million<sup>16</sup>. Assuming conservatively the project triggers the release of 1 percent of excess liquidity, an additional US\$ 8 million will flow to businesses finance by the BUILD Fund Malawi Window.

### 2.4 Value added

The joint SDG Fund support for BUILD Malawi is being requested to capitalize primarily the catalytic capital, or first-loss, tranche in BUILD Malawi Window to crowd-in additional funding from donors into the first loss-tranche as well as unlock domestic capital for the mezzanine tranche. In addition, the SDG Fund will also create a 'down-payment' for the BUILDER Malawi Technical Assistance Facility to enable the implementing partners, particularly UNCDF and FAO, to undertake the critically important preliminary assessment and deal structuring,

<sup>14</sup> Co-financing leverage = Ratio of co-financing to total funding: **USD 28 million** [\$8 m (FCDO) + \$10m Old Mutual + \$10m NICO] / **US\$ 8 million** [\$8m JSDGF]

<sup>15</sup> Private finance leverage = Ratio of private investment to total funding: **US\$ 20 million** [\$10m Old Mutual + \$10m NICO] / **US\$ 8 million** [\$8m JSDGF].

<sup>16</sup> <https://www.businessmalawi.com/financial-system-to-remain-stable/>; this is based on bank assets of US\$2.4 billion, prudential liquidity requirement of 25 percent and actual liquidity of 58.9 percent.



enabling the Fund Manager Bamboo Capital to hasten the conclusion of deals with companies in Malawi.

UNDP, UNCDF and FAO are uniquely placed to drive this initiative given that no similar vehicle exists in Malawi to unlock domestic and international capital for investments into high impact SMEs and business ventures.

- i. UNDP has led donor initiatives in Malawi to support the provision of risk capital matching grants to inclusive private sector business models through the MICF and the Growth Accelerator initiatives. This includes supporting more than 117 companies with more than US\$ 40 million to incubate start-ups, as well as test and grow innovative, inclusive private sector business models. It brings nearly a decade of experience of working and developing pipelines of business projects and opportunities in the sub US\$ 1 million financing space, which DFIs and investment facilities have struggled to address but which is critical for the long term transformation of the Malawian economy. UNDP Malawi already has deep expertise and “boots on the ground” to efficiently deliver accompanying advisory support, including working with regulatory and policy making bodies to ensure that capital deployment comes with the appropriate protections.
- ii. UNCDF has used its mandate as a hybrid development and finance institution in the UNDS, and its ability to issue grants, loans, and guarantees to develop blended finance vehicles such as the global BUILD Fund. The investment team relies on UNCDF’s enterprise risk management and investment policies; strengthened due diligence processes for vetting and assessing risks of potential investment opportunities; investment monitoring systems; and dedicated and growing capacities to manage and oversee a portfolio of capital investments and ensure robust accountability. The platform has a team of investment professionals with development finance (SIDA, CDC), impact investing (Blue Orchard, MCE Social Capital, responsAbility), investment banking (Deutsche Bank AG, Goldman Sachs) and business consulting (TechnoServe, Symbiotics) expertise. These deep capabilities will be used to support the establishment of the fund in Malawi, assessment, and recommendation of candidate companies for independent investment decision-making, and in the overall governance of the fund.
- iii. FAO will contribute mobilizing technical expertise to ensure that companies selected can effectively work with and benefit smallholder producers in their respective supply chains while maximizing their value. The Technical Assistance support that will be facilitated by FAO relies on its wide network of technical experts’ and partners that can be deployed to render technical backstopping to business plans related with the agri-food sector as well to ensure a principled investments, particularly on supporting Responsible Agriculture Supply Chains. This might boost the impact of the investments to be made across society as well as ensure equitable returns and environmental sustainability across the entire supply chain of the invested company. Likewise, FAO will harness the potential of some regional platforms such as its AgriInvest Initiative<sup>17</sup> to enhance business environment for more sustainable and inclusive foods systems in the country.

## 2.5 Innovative nature

BUILD Malawi is a key **institutional innovation** in Malawi that offer a solution to problems of limited instruments to de-risk investments, foster innovation and thus unlock capital for businesses to spur growth and achievement of the SDGs. It also removes some of the barriers for stakeholders seeking to support accelerated business growth and achievement of the SDGs. BUILD Malawi introduces, for the first time:

- a structured investment vehicle

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<sup>17</sup> FAO’s AgriInvest initiative is facilitating the creation of an enabling environment and appropriate business climate to attract and stimulate SDG-compliant investments in agricultural value chains.

- managed by globally recognized fund manager
- that offers a 'pass-through' for businesses supported by the Government and donor assisted accelerators, technical assistance, and challenge funds
- and creates opportunities for donors to leverage their finite public resources by unlocking domestic and international private capital
- have these professionally managed and invested in Malawi
- to generate innovation and commercial return for investors while delivering measurable improvements in key SDG for the public sector
- and creating confidence among domestic financial and capital markets to trigger a wider systemic response with follow-on or parallel financing to businesses supported by BUILD Malawi.



## 2.6 Results

### **Outcome 1: Provision of impact capital enabled inclusive businesses to scale up, increase productivity and serve more customers with affordable products /services**

The JP – through BUILD Malawi Window – will provide catalytic financial support in the form of debt and/or equity to enable inclusive SMEs to reach the next growth level. The newly available financing will allow investments into new technology upgrades, new business models and business expansion to increase efficiency and scale, strengthen productivity, thereby generating private investment, job creation and social and environmental dividends. Along these higher value supply chains, the demonstration effect of positive returns will crowd in other competitors vertically as well as pull in more businesses from upstream and, particularly small-scale producers, downstream.

Thus, within the first four years, the **expected results**<sup>18</sup> are:

- i. The creation of 600 new sustainable jobs and 3,000 jobs created upstream and downstream of value chains (of which 30% minimum are targeting women and youth).
- ii. 75,000 small-scale producers integrated into investee companies' supply chains thereby increasing their income by at least 30%.
- iii. Expanded fiscal space for the Government through aggregated income taxes paid by BUILD Malawi investees amounting to \$19.3 million.
- iv. A growing BUILD Malawi Window with a total disbursed capital amounting to \$35 million.

To achieve these results, the JP will deliver the following outputs:

- i. **Output 1.1 Pre-investment TA makes inclusive business investment-ready:** to provide the BUILD Malawi Window with a steady pipeline of investment-ready businesses, BUILDER Malawi TA provides tailored pre-investment support. Through its local presence and current grant programme (MICF and the Growth Accelerator), UNDP has already screened their current and past grantees and identified 21 companies ready to take on new capital. These programmes provide a vital source for future investment leads generation as the BUILD Malawi window evolves. UNCDF will then pre-screen the pipeline companies and prepare them for potential due diligence as well as ensure that businesses are ready to take on new capital injections.
- ii. **Output 1.2 Inclusive, investment-ready SMEs receive debt and equity finance:** to provide long-term debt and/or equity finance to business models that drive SDG impact and offer prosperous financial returns. The term structure of these investment deals is designed to complement – not replace – existing service offerings from the financial landscape in Malawi. Around each investment, UNCDF together with the fund manager will build a robust Impact Framework to monitor and report on progress made towards the SDG impact by linking cross-portfolio and investment-specific outputs, outcomes and impact metrics reported by each investee company to the relevant SDG.
- iii. **Output 1.3 Post-investment TA maximize the impact of the finance received and de-risk investment for BUILD Malawi Window Fund:** to provide post-investment support, via BUILDER Malawi TA, to maximize the developmental (SDG) impact of the finance received and de-risk financial transactions made by BUILD Malawi Window.

<sup>18</sup> The Joint programme Results framework shown in Section 2.2. of Annex 2 indicates how these results will be captured and who will be responsible for monitoring them.

## **Outcome 2: Strengthening supply chains and improving regulatory environment to reduce the cost of doing business**

More functioning supply chains and enabling regulatory environment will crowd in more business and thereby increase competition and strengthen the supply chain. At the same time, new business entry will also create more off-take upstream and more demand downstream, particularly at small-scale producers' level, thus further strengthen these supply chains. Combined with regulatory improvements, such as standardization and certification of products/services as well as ease of obtaining business registration and permits, will lead to a reduction in the cost of doing business.

This Outcome will be achieved in part as the result of the post-investment support (Output 1.3) and through direct eco-system assistance to foster viable supply chains in the agribusiness sector and to sustainably integrate small-scale producers in these higher-value supply chains (Output 2.1). On the regulatory side, Output 2.2 ensures to ease newly identified business regulatory constraints and/or introduce new standardization and certification of products/services with Malawian regulators. Given its long-standing experience and local presence, activity provided by the BUILDER Malawi TA that relates to agriculture and agri-businesses will be mainly undertaken by FAO. In contrast, UNDP will lead interventions in any other sector beyond and within the business regulatory environment.

## **Outcome 3: More information and better knowledge about attractive business models and SDG impact crowd-in both domestic and international investors as well as additional development partners**

The demonstration effect of positive returns, both commercially and at SDG impact level, will crowd in more public and private capital into Malawi by domestic and international investors as well as other development partners. Through the knowledge-sharing platform, BUILD Malawi Knowledge and Communication Hub, critical insights and learnings about Malawian businesses and investment opportunities will be gathered (Output 3.2). To then disseminated this information to promote Malawian industries and enterprises as well as the BUILD Fund Malawi window, as the first blended finance vehicle in Malawi, itself (Output 3.1) and steer both institutional investors and other development partners to increase their stakes in the Malawi economy and beyond. Further information on objectives and underlying indicators are shown in [Annex 4 and 5](#).

### **Mid-term and long-term Outcomes**

Malawi's first structured blended finance solution, the BUILD Malawi Window, will create a strong demonstration effect that investment vehicles of this type can work in the Malawian context. The Joint Programme will thereby increase the industry attractiveness and business entry into higher value supply chains and thereby further improve competition and productivity. With a more enabling investment climate, the tiered vehicle with an initial first loss tranche from the UN's SDG Fund will serve as an investment gateway into Malawi and attract more and more national and international investors to invest into its growing economy. This holistic approach will, therefore, transform the financial landscape of Malawi and provide better access to finance for inclusive business models that drive and accelerate SDG impacts and thereby ensure that the 2030 SDG targets will be met in Malawi. The expected results tie in directly with the Malawi UNDAF for 2019-2023 Outcome 8: *Malawi has more productive, sustainable and diversified agriculture, value chains and market access* and Outcome 9: *Malawi has strengthened economic diversification, inclusive business, entrepreneurship and access to clean energy*.

## 2.7 Gender and human rights plan

The Joint Programme is grounded in the Government's commitment to achieve sustainable development, notably the SDGs which are part of the rights-based policy framework Agenda 2030. The JP is anchored in the commitment to implement the ten core human rights treaties that Malawi has ratified, including the Convention on Elimination of All Forms of Discrimination Against Women (CEDAW). The Joint Programme also considers the implementation of human rights obligations of businesses as stipulated in the UN Guiding Principles on Business and Human Rights.

Participating UN Organizations (PUNO) have reviewed the concerns and recommendations of the Human Rights Committee regarding the legislative measures taken by Malawi in terms of Human Rights, in particular, the concern by the Human Rights Committee there were still laws in force which discriminate against women.

The Goal of the JP is to accelerate economic diversification and increase opportunities for the poor – particularly Women and Youth. As such, the programme has a cross-cutting focus on Women's Economic Empowerment (SDG 5 – target 5.5) and Youth. Several components in the design and structure of the Joint Programme ensure that the programme will be implemented with Gender and Human Rights considerations:

- (i) The BUILD investment guidelines specify that investments contributing to the empowerment of women and Youth are strongly considered.
- (ii) Gender sensitive outputs and indicators are included.
- (iii) Potential investees are sourced and screened following specific criteria.
- (iv) impact metrics will be designed for BUILD Fund Malawi Window and for investees.
- (v) The Technical Assistance (TA) facility (BUILDER) will aid the investees and improve their development impact.

| <b>List of marginalized and vulnerable groups</b>                        | <b>Dedicated Outcome<sup>19</sup></b> | <b>Dedicated Output<sup>20</sup></b> |
|--|---------------------------------------|--------------------------------------|
| Women and girls  | X                                     | X                                    |
| Children   |                                       |                                      |
| Youth  | X                                     | X                                    |
| Persons with disabilities  |                                       |                                      |
| Older persons  |                                       |                                      |
| Minorities (incl. ethnic, religious, linguistic...)                      |                                       |                                      |
| Indigenous peoples   |                                       |                                      |
| Persons of African Descent (when understood as separate from minorities) |                                       |                                      |
| Migrants   |                                       |                                      |
| Refugees & asylum seekers  |                                       |                                      |
| Internally displaced persons   |                                       |                                      |
| Stateless persons  |                                       |                                      |
| Persons deprived of their liberty  |                                       |                                      |
| Peasants and rural workers   | X                                     | X                                    |

<sup>19</sup> See Annex 2 (2.2. Joint Results Framework.

<sup>20</sup> Ibid.

|  |  |  |
|--|--|--|
| Human rights defenders (incl. NGOs, journalists, union leaders, whistleblowers...) |  |  |
| LGBTI persons (sexual orientation and gender identity)                             |  |  |
| Persons affected by (HIV/AIDS, leprosy...)   |  |  |
| Persons with albinism  |  |  |
| Victims or relatives of victims of enforced disappearances                         |  |  |
| Victims of (slavery, torture, trafficking, sexual exploitation, and abuse...)      |  |  |

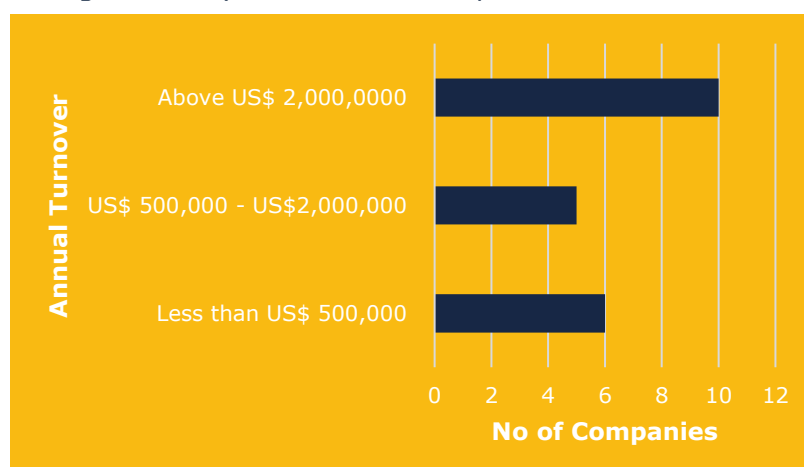
## 2.8 Progress

The BUILD Fund Malawi Window and the Builder Technical Assistance Facility are at advanced stages of development in terms of design and setting the groundwork for a rapid launch. UNCDF has already formed a partnership with Bamboo Capital Partners and has formally registered the Bamboo-UNCDF Initiative for the Least Developed Fund (the global BUILD Fund) in September 2020. The core legal documentation already includes the necessary provisions to allow for the efficient further establishment of the Malawi-specific solution. The main architecture of the fund, its governance, reporting, and monitoring systems are already being adapted to fit the Malawian context by a consultancy recruited by UNDP Malawi in October 2020.

UNDP Malawi has worked for nearly a decade using technical assistance and catalytic grant making tools, to identify, support, and nurture a pipeline of over 70 “bankable” Malawian enterprises that have the characteristics and the funding profile for the BUILD Fund Malawi window. This was tested in November 2019 by a UNCDF mission that resulted in assessment of 15 growth stage companies, three commercial banks and multiple early stage companies.

In addition to this a further, a more detailed assessment of 47 inclusive businesses in Malawi from donor and non-donor supported facilities were assessed by an independent consultancy firm between October and November 2020 including technical assistance requirements within assessed companies and the supply chains in which they operate. Based on this assessment as estimated 21 companies (*Figure 7*) offer potential opportunities for the BUILD Fund Malawi Window based on criteria on growth, profitability, potential financial leverage, and founder commitments. With a median transaction size of US\$ 1 million, about half of these candidates could form the opening portfolio of the fund.

*Figure 7: Key attributes of companies screened*



Since 2019 UNDP Malawi has been in discussions with FCDO, KfW and USAID to mobilize funding for the first loss category of the BUILD Malawi Window, leveraging UNDP's experience of US\$ 38 million resource mobilization for inclusive business models and private sector financing in Malawi over the past 6 years. These discussions have progressed with FCDO expressing an interest to support the first loss tranche if the UN system contributes to the facility.

UNDP Malawi is also seeking private capital through two of the largest and most established pension funds in the country, Old Mutual and Nico Holdings. Old Mutual is ESG (Environmental, Social and Governance) compliant and their strategic areas of investment: agriculture; financial services; and infrastructure are fully aligned with the objectives and expected impacts of the BUILD Malawi Window facility. Nico Holdings will be fully compliant with ESG standards by the end of 2020. Both are in the process of presenting the investment case to their respective financial committees and boards and have expressed that up to US\$ 20 million of financing could be made available if the first loss tranche of funding is in place. Therefore, the financial request to the SDG fund, if successful, could catalyze both the first loss and commercial financial tranches of BUILD Malawi Window, and potentially leverage USD 35 million of capital at the launch of the fund.

## 2.9 Sustainability

**BUILD Fund Malawi Window** will be designed as a permanent sub-fund under the BUILD Fund SA, and will continue beyond the life of the Joint Programme. The initial capitalization of the first loss tranche, funded by the SDG Fund and passed through UNCDF using Beneficiary Units<sup>21</sup>, will have unlocked additional donor funding into the first-loss tranche and additional investor funding into the mezzanine tranche.

**BUILDER Malawi Technical Assistance Facility** is planned to be potentially transformed into an independent national trust in Malawi, acting as a credible and capable service provider for investors, businesses and donors seeking to increase impact capital for business in Malawi. As the facility builds a track record and proves a business case, UNDP will seek to develop a blended-revenue model for the BUILDER Technical Assistance Facility with revenue streams coming from a range of different sources including (a) fees for services or success fees from investee businesses that are successful in securing investment, (b) finder fees or service fees from investors seeking to source investible projects and businesses in Malawi, (c) grants from donors seeking to understand and shape market systems, and (d) returns on first-loss investments in the BUILD Fund Malawi Window. The assumptions are that (a) the fund manager maintains or grows the value of the first-loss layer under BUILD Malawi Window, (b) there will be continued demand for assistance which the market cannot provide in part or in full, and (c) clients are willing to pay the transformed entity for its services. A full feasibility study will be undertaken during the mid-term review to test the assumptions and assess whether there is realistic revenue model for technical assistance without incurring any conflict of interest or materially diluting the BUILD Fund Malawi Window. The ambition is to phase-out the BUILDER Malawi Technical Assistance Facility from a project environment and into an independent national trust that act as a credible and capable service provider for investors, businesses and donors seeking to increase impact capital for business in Malawi.

## 2.10 Replicability

BUILD Malawi's business model – *a sub-fund structure under an established Fund and a technical assistance facility*, - have significant potential for replication across countries,

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<sup>21</sup> See page 16 for description of Beneficiary Units

especially LDCs and lower-middle income countries where UNDP and UNCDF have deep presence, and across other UN agencies including but not limited to FAO by drawing on their deep sectoral competencies (e.g. ILO, IFAD, UN Women, UNEP, UNIDO, and ITU to mention just a few). UNDP Malawi will capture lessons and insights. It will work with its regional office, HQ and UNCDF to create a global offer based the BUILD Fund and BUILDER Malawi architecture and lessons. FAO will also promote globally the platform and instruments used in Malawi as innovative approaches to address capital constraints in in different contexts, particularly for country in which food systems requires sustained investments to curb down food insecurity and boost job creation in the agriculture and food sectors.

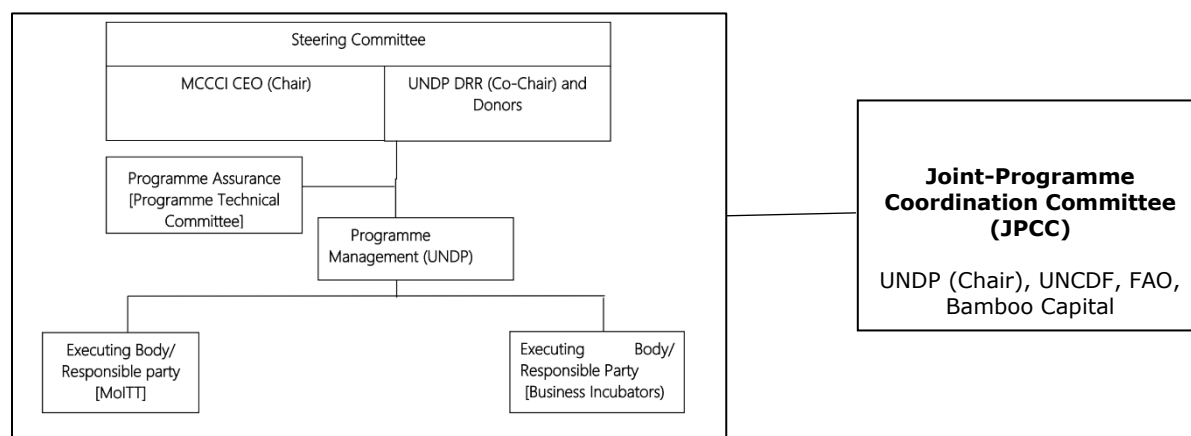
### 3. Programme implementation

#### 3.1 Governance and implementation arrangements

The Joint-Programme will leverage the governance arrangement (see Figure 8) for its approved Private Sector Development programme<sup>22</sup>. This will significantly reduce transaction costs as well as benefit from greater coherence between this programme and other private sector development initiatives.

UNDP will be the lead implementer for the Programme, and the coordinating partner of the Responsible Parties/Executing Bodies. UNDP will also be the lead partner for resource mobilization efforts for the programme. The United Nations Deputy Resident Representative will provide senior representation at the Steering Committee and fulfill the role of the Co-Chair.

Figure 8: Governance Arrangement



The Steering Committee (SC) is responsible for the oversight and strategic leadership of the Programme. The Steering Committee will enable the Programme to have a high-level of strategic consensus on overall direction and provide strategic guidance to the Programme on priorities and risks. The Steering Committee shall convene twice a year, or more often, for extraordinary meetings as requirements dictate. The Steering Committee will be chaired by the Chief Executive Officer for the Malawi Confederation of Chambers of Commerce and Industry (MCCCI) and Co-Chaired by the UNDP Deputy Resident Representative. Development Partners at senior level, providing financial support to the programme, will represent the

<sup>22</sup> Private Sector Development (PSD) II (Programme Number: 00125267).



international community in the Steering Committee. Any major deviations to the Programme Document will be approved through the Steering Committee. Terms of reference and membership for the Steering Committee are attached.

The Joint-Programme Coordination Committee (JPCC) is responsible for ensuring coordination among the implementing UN agencies and Bamboo Capital, the BUILD Fund Malawi Window fund-manager. This is particularly important to align technical assistance delivery to the investment priorities identified by the Fund Manager, as well as to ensure that Bamboo Capital is able to regularly update the UN agencies of the performance of the BUILD Fund Malawi Window to support reporting to donors contributing to the first-loss tranche.

The implementation arrangement for the three agencies are as follows:

- i. **UNDP** with its presence on the ground and its vast experiences in “missing middle” finance in Malawi will lead the implementation of the programme. It will deliver advisory support, including working with regulatory and policy making bodies to ensure that capital deployment comes with the appropriate protections. UNDP will also liaise with donors and DFIs to mobilize funding for the first loss category of the BUILD Malawi Window. UNDP will also seek to mobilize private capital from institutional investors in Malawi. UNDP will manage the BUILDER Malawi Technical Assistance Facility through procuring and managing local and international technical assistance providers directly or indirectly through UNCDF and FAO as responsible parties for specialist procurement and technical support mobilization. UNDP will facilitate interaction with the Ministry of Trade of Malawi which will act as the national coordination authority. UNDP will also coordinate annual reporting for onward transmission to the RC and will be responsible for managing the final evaluation.
- ii. **UNCDF** will serve as the exclusive investment advisor to the Fund’s investment manager Bamboo Capital, screening potential opportunities generated from UNDP Malawi. Opportunities from other UN agencies may also be identified and screened to ensure complementarity among UN agencies in the investment space, as long as there is capital provided to the Fund which is aligned with the risk and return profile of investments from the wider UN system. When required, UNCDF will also be able to serve, as an investor of record in the first loss tranche of the BUILD Fund Malawi Window by routing donors’ contributions into the fund using Beneficiary Units as allowed by its specific capital mandate and financial rules and regulations<sup>23</sup>. UNCDF will serve as an Observer on the BUILD Fund Malawi Window Investment Committee. UNCDF will provide post-investment technical assistance to investee companies in areas where it has comparative advantage vis-a-vis other implementing partners.
- iii. **FAO** will mobilize its network of experts to facilitate a sound evaluation of capacities and limitations of small-scale farmer’s groups and cooperatives that will be engaged by the SMEs that may be accessing funds from the BUILD Fund Malawi Window. This is critical to ensure that selected companies secure their investments while terms of negotiation with small-scale farmers are fair, principled and are financially sound. FAO’s current capacity in Malawi mobilizing technical support in areas related with policy environment, extension

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<sup>23</sup> Parts Bénéficiaires (“beneficiary units” or “BUs”) are flexible security instruments, allowed under Luxembourg law, that are not part of the formal capital structure of an investment vehicle, but can be designed to behave as first-loss or grant capital. Specifically, BUs can be issued with no voting rights, no economic rights (e.g. rights to dividends / distributions), and/or can be pari passu or subordinate in the right of payment to other investors, as desired.

advisory services, implementation of interventions implementing climate smart agriculture, natural resource sustainable management and efficient strengthening of food systems interventions makes possible to facilitate support to ensure that a principled value chain support is mobilized as per international standards.

- iv. **The Resident Coordinator** will play a central role in political and policy advocacy, ensuring that the UN conveys harmonized messages at different policy levels. The RC will provide oversight and be responsible for submitting annual reporting and evaluation of the Joint Programme.



### 3.2 Partnerships and stakeholder engagement

The **engagement with the private sector** has focused around three broad areas focusing on businesses, financial sector providers and the wider finance eco-system in Malawi. They have included the following:

- i. *Screening a pipeline of investible businesses for the opening portfolio of BUILD Malawi Window and assessment of needs for BUILD Technical Assistance Facility:* UNCDF undertook a joint mission in 2019 to assess the appetite amongst a cross section of 15 existing businesses supported by the MICF, the Growth Accelerator and the commercial financial sector to understand the level of interest and willingness to absorb finance from a blended finance facility. Subsequently a more detailed screening of over 40 businesses (both within UNDP's existing portfolio and other inclusive businesses at different stages of growth) occurred between October and November 2020 to understand how finance could be structured, the quantum of finance required and the TA needs of both these businesses and the wider supply chains in which they operate.
- ii. *Supporting commercial fundraising for BUILD Malawi Window:* Since 2019, UNDP Malawi has led on discussions capital on capital fund raising through two of the largest and most established institutional investors in the country, Old Mutual (insurance company) and Nico Holdings (pension fund). They have indicated a willingness to provide finance to the "mezzanine" layer – or initial commercial financing contribution layer of the fund and are currently in discussions with their Boards and Investment Committees about an initial placement of US\$ 20 million. However, this would be dependent on having the protection of a first loss tranche in place in the event of losses in the underlying investment portfolio, including foreign exchange losses.
- iii. *Assessing the need for the BUILD Knowledge facility:* UNDP and an independent consultancy firm have engaged in 2020 with a number financial institutions including Banks, commercial and donor financed accelerators, and MFIs to understand the types of data and insights on business models that could be generated or required to persuade them or investors to scale investment in these models and businesses.

Throughout 2020 UNDP Malawi has **engaged with development partners** including UK's Foreign, Commonwealth and Development Office and USAID, two SDG Fund donors to assess interest in support the wider BUILD Malawi window and in particular mobilize funding for the first loss category of the BUILD Malawi Window Facility. These discussions have progressed with FCDO and KfW expressing an interest to support the first loss tranche if the UN system contribute to the facility.

| Stakeholder name     | Role of stakeholder in structure  | Level of engagement/support to date                                  |
|----------------------|---|--|
| UK FCDO              | Support and financing for the first loss tranche of the BUILD Fund Malawi Window  | US\$ 8 million   |
| KfW                  | Support and financing for the first loss tranche of BUILD Fund Malawi Window and the BUILDER Malawi Technical Assistance Facility | 0  |
| Old Mutual Insurance | Commercial Finance at the Mezzanine level for the BUILD Fund Malawi Window  | Engagement throughout 2020 – indication of US\$ 10 million placement |
| NICO Holdings        | Commercial Finance at the Mezzanine level for the BUILD Fund Malawi Window.   | Engagement throughout 2020 – indication of US\$ 10 million placement |

### 3.3 Monitoring, reporting, and evaluation

Reporting on the Joint SDG Fund will be results-oriented, and evidence based. Each PUNO will provide the Convening/Lead Agent with the following narrative reports prepared in accordance with instructions and templates developed by the Joint SDG Fund Secretariat:

*Annual narrative progress reports*, to be provided no later than one (1) month (31 January) after the end of the calendar year, and must include the result matrix, updated risk log, and anticipated expenditures and results for the next 12-month funding period;

*Mid-term progress review report* to be submitted halfway through the implementation of Joint Programme<sup>24</sup>; and

*Final consolidated narrative report*, after the completion of the joint programme, to be provided no later than two (2) months after the operational closure of the activities of the joint programme.

The Convening/Lead Agent will compile the narrative reports of PUNOs and submit a consolidated report to the Joint SDG Fund Secretariat, through the Resident Coordinator.

The Resident Coordinator will be required to monitor the implementation of the joint programme, with the involvement of Joint SDG Fund Secretariat to which it must submit data and information when requested. As a minimum, joint programmes will prepare, and submit to the Joint SDG Fund Secretariat, 6-month monitoring updates. Additional insights (such as policy papers, value for money analysis, case studies, infographics, blogs) might need to be provided, per request of the Joint SDG Fund Secretariat. Joint programme will allocate resources for monitoring and evaluation in the budget.

Data for all indicators of the results framework which will be shared with the Fund Secretariat on a regular basis, in order to allow the Fund Secretariat to aggregate results at the global level and integrate findings into reporting on progress of the Joint SDG Fund.

PUNOs will be required to include information on complementary funding received from other sources (both UN cost sharing, and external sources of funding) for the activities supported by the Fund, including in kind contributions and/or South-South Cooperation initiatives, in the reporting done throughout the year.

PUNOs at Headquarters level shall provide the Administrative Agent with the following statements and reports prepared in accordance with its accounting and reporting procedures, consolidate the financial reports, as follows:

Annual financial reports as of 31st December each year with respect to the funds disbursed to it from the Joint SDG Fund Account, to be provided no later than four months after the end of the applicable reporting period; and a final financial report, after the completion of the activities financed by the Joint SDG Fund and including the final year of the activities, to be provided no later than 30 April of the year following the operational closing of the project activities. In addition, regular updates on financial delivery might need to be provided, per request of the Fund Secretariat.

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<sup>24</sup> This will be the basis for release of funding for the second year of implementation.

After competition of a joint programmes, a final, *independent and gender-responsive*<sup>25</sup> *evaluation* will be organized by the Resident Coordinator. The cost needs to be budgeted, and in case there are no remaining funds at the end of the joint programme, it will be the responsibility of PUNOs to pay for the final, independent evaluation from their own resources.

The joint programme will be subjected to a joint final independent evaluation. It will be managed jointly by PUNOs as per established process for independent evaluations, including the use of a joint evaluation steering group and dedicated evaluation managers not involved in the implementation of the joint programme. The evaluations will follow the United Nations Evaluation Group's (UNEG) Norms and Standards for Evaluation in the UN System, using the guidance on Joint Evaluation and relevant UNDG guidance on evaluations.

The management and implementation of the joint evaluation will have due regard to the evaluation policies of PUNOs to ensure the requirements of those policies are met and the evaluation is conducted with use of appropriate guidance from PUNOs on joint evaluation. The evaluation process will be participative and will involve all relevant programme's stakeholders and partners. Evaluation results will be disseminated amongst government, development partners, civil society, and other stakeholders. A joint management response will be produced upon completion of the evaluation process and made publicly available on the evaluation platforms or similar of PUNOs.

### **3.4 Accountability, financial management, and public disclosure**

The Joint Programme will be using a pass-through fund management modality where UNDP Multi-Partner Trust Fund Office will act as the Administrative Agent (AA) under which the funds will be channeled for the Joint Programme through the AA. Each Participating UN Organization receiving funds through the pass-through has signed a standard Memorandum of Understanding with the AA. Each Participating UN Organization (PUNO) shall assume full programmatic and financial accountability for the funds disbursed to it by the Administrative Agent of the Joint SDG Fund (Multi-Partner Trust Fund Office). Such funds will be administered by each UN Agency, Fund, and Programme in accordance with its own regulations, rules, directives, and procedures. Each PUNO shall establish a separate ledger account for the receipt and administration of the funds disbursed to it by the Administrative Agent.

Indirect costs of the Participating Organizations recovered through programme support costs will be 7%. All other costs incurred by each PUNO in carrying out the activities for which it is responsible under the Fund will be recovered as direct costs.

Funding by the Joint SDG Fund will be provided on annual basis, upon successful performance of the joint programme. Procedures on financial transfers, extensions, financial and operational closure, and related administrative issues are stipulated in the Operational Guidance of the Joint SDG Fund.

PUNOs and partners must comply with Joint SDG Fund brand guidelines, which includes information on donor visibility requirements. Each PUNO will take appropriate measures to publicize the Joint SDG Fund and give due credit to the other PUNOs. All related publicity material, official notices, reports, and publications, provided to the press or Fund beneficiaries, will acknowledge the role of the host Government, donors, PUNOs, the Administrative Agent, and any other relevant entities. In particular, the Administrative Agent will include and ensure due recognition of the role of each Participating Organization and partners in all external communications related to the Joint SDG Fund.

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<sup>25</sup> [How to manage a gender responsive evaluation, Evaluation handbook](#), UN Women, 2015

### 3.5 Legal context

- i. *Agency name: United Nations Development Programme (UNDP), Malawi*  
Agreement title: Standard Basic Assistance Agreement between the Government of Malawi and UNDP  
Agreement date: 15 July 1977
- ii. *Agency name: United Nations Capital Development Fund*  
Covered under the UNDP Standard Basic Assistance Agreement
- iii. *Agency name: FAO<sup>26</sup>*  
Agreement title: Memorandum of Agreement with the Government of the Republic of Malawi  
Agreement date: 1985

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<sup>26</sup> See Annex 9.

## D. ANNEXES OF THE JOINING PROGRAMME TEMPLATE

### Annex 1. List of related initiatives

| Name of initiative/project          | Key expected results   | Links to the joint programme   | Status  | Lead organization | Other partners                                    | Budget and funding source | Contract person (name and email)   |
|-------------------------------------|--|--|---|-------------------|---|---------------------------|--|
| Malawi Innovation Challenge Fund    | US\$ 24 million financing leveraged 3,000 jobs created 340,000 Malawians benefited through inclusive business models | Development of pipeline of businesses to BUILD Malawi Window facility<br><br>Candidates for support to BUILD Capability          | 45 Inclusive Business Models being tested                             | UNDP Malawi       | UK FCDO<br>KFW<br>Royal Norwegian Embassy<br>IFAD | US\$ 26 million           | Cinzia Tecce, UNDP, <a href="mailto:Cinzia.tecce@undp.org">Cinzia.tecce@undp.org</a> |
| Malawi Growth Accelerator Programme | 42 Entrepreneurs supported 205 jobs created 3,500 supply chains producers supported                                  | Development of pipeline of businesses to BUILD Malawi Window facility<br><br>Candidates for support to BUILD Capability Facility | 41 companies going through a 12-month business acceleration programme | UNDP Malawi       | Royal Norwegian Embassy                           | US\$ 5.5 million          | Cinzia Tecce, UNDP, <a href="mailto:Cinzia.tecce@undp.org">Cinzia.tecce@undp.org</a> |

## Annex 2. Results Framework

### 2.1. Targets for Joint SDG Fund Results Framework

*Set targets in the tables below, if relevant*

Joint SDG Fund Outcome 2: Additional financing leveraged to accelerate SDG achievement

*(set the targets, if relevant)*

| Indicators  | Targets |         |         |         |
|---|---------|---------|---------|---------|
|   | 2021    | 2022    | 2023    | 2024    |
| 2.1: Ratio of financing for integrated multi-sectoral solutions leveraged in terms of scope <sup>27</sup> | 1: 0.6  | 1: 0.6  | 1: 0.6  | 1: 0.6  |
| 2.2: Ratio of financing for integrated multi-sectoral solutions leveraged in terms of scale <sup>28</sup> | 1: 1.17 | 1: 1.17 | 1: 1.17 | 1: 1.17 |

Joint SDG Fund Operational Performance Indicators

*(do not change or add – this is for information only so that teams know what they will be assessed against)*

Level of coherence of UN in implementing programme country<sup>29</sup>

Reduced transaction costs for the participating UN agencies in interaction with national/regional and local authorities and/or public entities compared to other joint programmes in the country in question

Annual % of financial delivery

Joint programme operationally closed within original end date

Joint programme financially closed 18 months after their operational closure

Joint programme facilitated engagement with diverse stakeholders (e.g. parliamentarians, civil society, IFIs, bilateral/multilateral actor, private sector)

Joint programme included addressing inequalities (QCPR) and the principle of “Leaving No One Behind”

Joint programme featured gender results at the outcome level

Joint programme undertook or draw upon relevant human rights analysis, and have developed or implemented a strategy to address human rights issues

Joint programme planned for and can demonstrate positive results/effects for youth

Joint programme considered the needs of persons with disabilities

Joint programme made use of risk analysis in programme planning

Joint programme conducted do-no-harm / due diligence and were designed to take into consideration opportunities in the areas of the environment and climate change

<sup>27</sup>Additional resources mobilized for other/ additional sector/s or through new sources/means

<sup>28</sup>Additional resources mobilized for the same multi-sectoral solution.

<sup>29</sup> Annual survey will provide qualitative information towards this indicator.

## 2.2. Joint programme Results framework

| Result / Indicators   | Definitions   | Baseline          | 2021 Target                 | 2022 Target                  | 2023 Target                  | 2024 Target                  | Means of Verification                 | Responsible partner           |
|---|---|-------------------|-----------------------------|------------------------------|------------------------------|------------------------------|---------------------------------------|-------------------------------|
| Outcome 1: Provision of impact capital enabled inclusive businesses to scale up, increase productivity and serve more customers with affordable products / services |   |                   |                             |                              |                              |                              |                                       |                               |
| Aggregated revenues generated by BUILD Fund Malawi Window portfolio companies (in US\$) <sup>i</sup>  | Sum of annual income generated from the business operations by each investee company  | Not yet available | US\$ 61,736,802             | US\$ 103,289,952             | US\$ 124,885,700             | US\$ 144,843,102             | UNCDF & BUILD Fund – Impact Framework | Bamboo Capital Partners (BCP) |
| Outcome 1 indicator: Aggregated income taxes paid by BUILD Malawi investees amounting to \$19.3 million. <sup>ii</sup>  | Aggregated income taxes paid annually by investee companies   | Not yet available | US\$ 2,743,857              | US\$ 4,590,663               | US\$ 5,550,474               | US\$ 6,437,470               | UNCDF & BUILD Fund – Impact Framework | BCP                           |
| Outcome 1 indicator: Number of new jobs created and jobs maintained in BUILD Fund investee companies ( <i>disaggregated by gender</i> )                             | (Net) job created equates the difference between number of staff reported by an investee company during baseline and at the end of the reporting period. A job is defined as being full time (at least 35 hours per | 0                 | 50 (min. 30% women / youth) | 100 (min. 30% women / youth) | 150 (min. 30% women / youth) | 300 (min. 30% women / youth) | UNCDF & BUILD Fund – Impact Framework | BCP                           |

|   |   |                   |      |    |    |    |   |              |
|---|---|-------------------|------|----|----|----|---|--------------|
|   | week), with employees being paid above the statutory minimum wage and entitled for a minimum of 15 days of statutory leave per annum. |                   |      |    |    |    |   |              |
| Outcome 1 indicator: Number of individuals served (as customers or users) by BUILD investee companies                           | Sum of individuals served as customers or users of products, and / or services delivered by each investee company                     | Not yet available | *iii | *  | *  | *  | UNCDF & BUILD Fund – Impact Framework   | BCP          |
| Output 1.1 Pre-investment TA makes inclusive business investment ready.   |   |                   |      |    |    |    |   |              |
| Output 1.1 indicator: Number of potential leads identified for BUILD fund (per year) <sup>iv</sup>                              | Number of companies interested and eligible for funding from BUILD Fund Malawi Window   | 21                | 9    | 30 | 45 | 45 | BUILD Malawi Investment Pipeline report | UNDP / UNCDF |
| Output 1.1 indicator: Number of potential investee companies underwent the pre-due diligence assessment (per year) <sup>v</sup> | Amount of pre-due diligence assessments undertaken  | 0 (None)          | 13   | 13 | 19 | 19 | UNCDF Annual Reports                    | UNCDF        |



|  |   |                             |                |                |                 |                 |  |                                   |
|--|---|-----------------------------|----------------|----------------|-----------------|-----------------|--|-----------------------------------|
| Output 1.1 indicator: Number of potential investee companies receiving pre-investment assistance (per year)              | Amount of pre-investment assistance activities undertaken                             | 0 ( <i>None</i> )           | 13             | 13             | 19              | 19              | UNCDF Annual Reports                           | UNCDF                             |
| Output 1.2 Inclusive, investment-ready SMEs receive debt and equity finance.   |   |                             |                |                |                 |                 |  |                                   |
| Output 1.2 indicator: Number of new investments made by BUILD Malawi (per year) <sup>vi</sup>                            | Annual amount of investment agreements signed   | No deals signed             | 10             | 10             | 15              | 15              | Signed loan or shareholder agreement           | BUILD Malawi Investment Committee |
| Output 1.2 indicator: Amount of capital disbursed through the BUILD Malawi Window (in US\$ per year) <sup>vii</sup>      | Annual amount of funds transferred on to the balance sheets of all investee companies | US\$ 0                      | US\$ 7,000,000 | US\$ 7,000,000 | US\$ 10,500,000 | US\$ 10,500,000 | Monthly management reports                     | BPC                               |
| Output 1.3 Post-investment TA maximize the impact of the finance received and de-risk investment for BUILD Capital Fund. |   |                             |                |                |                 |                 |  |                                   |
| Output 1.3 indicator: Number of investee companies receiving post-investment TA (per year)                               | Annual number of investee companies receiving post-investment TA                      | 0 ( <i>None</i> )           | 10             | 10             | 15              | 15              | Annual Reports                                 | UNDP / UNCDF / FAO                |
| Outcome 2 Strengthening supply chains and improving regulatory environment reduced the cost of doing business            |   |                             |                |                |                 |                 |  |                                   |
| Outcome 2 indicator: World Bank's Ease of doing business score for Malawi  | Assessment of the absolute level of regulatory performance over time.                 | DB score Malawi 60.9 (2020) | Not applicable | Not applicable | Not applicable  | Not applicable  | Annual World Bank <i>Doing Business</i> Report | UNDP                              |
| Outcome 2 indicator: Number of new ripple jobs created upstream and downstream of  | Reported number of additional   | 0                           | 250            | 500            | 750             | 1,500           | UNCDF & BUILD Fund                             | BCP                               |

|  |  |                   |                          |                          |                          |                          |                                      |     |
|--|--|-------------------|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------------------|-----|
| the supply chains (per year)<br>(disaggregated by gender)  | staff hired by upstream and downstream businesses as a result of partnering with investee company. A job could be defined as permanent employment (at least 35 hours per week with statutory leave) or part time employment with the individual listed on the company's payroll and paid above the statutory minimum wage. |                   | (min. 30% women / youth) | (min. 30% women / youth) | (min. 30% women / youth) | (min. 30% women / youth) | – Impact Framework                   |     |
| Outcome 2 indicator:<br>Percentage increase in incomes generated to small-scale producers in investee companies' supply chains | Percentage increase in income / revenue obtained by individual small-scale producers from participating in investee company supply chains  | Not yet available | 30%                      | 30%                      | 30%                      | 30%                      | UNCDF & BULD Fund – Impact Framework | BCP |

|   |   |          |        |        |        |        |                     |      |
|---|---|----------|--------|--------|--------|--------|---------------------|------|
|   | compared to baseline  |          |        |        |        |        |                     |      |
| Outcome 2 indicator: Number of policies and practices improved <sup>viii</sup>  | Number of business regulatory and policy constraint passed by GoM                                       | 0 (None) | 1      | 2      | 2      | 2      | UNDP Annual Reports | UNDP |
| Output 2.1 Eco-system assistance fosters viable supply chains in the agribusiness sector and sustainably integrates small-scale producers into higher-value supply chains |   |          |        |        |        |        |                     |      |
| Output 2.1 indicator: Number of supply chains strengthened <sup>ix</sup>  | Number of supply chains where TA interventions are undertaken by BUILDER                                | 0 (None) | 15     | 15     | 15     | 15     | FAO Annual Reports  | FAO  |
| Output 2.1 indicator: Number of supply chain actors integrated into investee companies' supply chains <sup>x</sup>  | Sum of small-scale producers supplying investee companies   | 0 (None) | 15,000 | 15,000 | 22,500 | 22,500 | FAO Annual Reports  | FAO  |
| Output 2.1 indicator: Number of small-scale households supported with diversified enterprises (Disaggregated by sex and age) <sup>xi</sup>                                | Number of households with at least one member being a small-scale producer supplying investee companies | 0 (None) | 7,500  | 7,500  | 11,250 | 11,250 | FAO Annual Reports  | FAO  |
| Output 2.2 Identified business regulatory constraints addressed and new standardization and certification of products/services obtained                                   |   |          |        |        |        |        |                     |      |
| Output 2.2 indicator: Number of identified business regulatory and policy constraints addressed   | Advocacy activities to address an identified business regulatory  | 0 (None) | 3      | 6      | 6      | 6      | UNDP Annual Reports | UNDP |

|   |  |                   |                |                |                |                |                     |      |
|---|--|-------------------|----------------|----------------|----------------|----------------|---------------------|------|
|   | and policy constraints   |                   |                |                |                |                |                     |      |
| Output 2.2 indicator: Number of new standardization and certification of products/services obtained by across all investee companies <sup>xii</sup>   | Sum of official documents attesting compliance with specific standards / practices | 0 (None)          | 13             | 13             | 19             | 19             | UNDP Annual Reports | UNDP |
| Outcome 3 More information and better knowledge about attractive business models and SDG impact crowd-in both domestic and international investors as well as additional development partners                                 |  |                   |                |                |                |                |                     |      |
| Outcome 3 indicator: Additional financing raised for the BUILD Malawi window <sup>xiii</sup>  | Amount of additional financing committed for BUILD Fund Malawi by other partners   | Not yet available | US\$ 1,062,500 | US\$ 2,656,250 | US\$ 2,656,250 | US\$ 4,250,000 | UNDP Annual Reports | UNDP |
| Outcome 3 indicator: Additional financing raised for the BUILDER Malawi TA facility <sup>xiv</sup>  | Amount of additional financing committed for BUILDER Malawi by other partners      | Not yet available | US\$ 275,000   | US\$ 687,500   | US\$ 687,500   | US\$ 1,100,000 | UNDP Annual Reports | UNDP |
| Output 3.1 Effective communication raises more awareness among businesses, the Government of Malawi, potential investors and other development partners about the BUILD Fund Malawi Window and the BUILDER Malawi TA facility |  |                   |                |                |                |                |                     |      |
| Output 3.1 indicator: Number of communications campaigns implemented (digital and physical)   | Annual number of digital and physical communications campaigns implemented         | 0 (None)          | 2              | 4              | 4              | 6              | UNDP Annual Reports | UNDP |
| Output 3.1 indicator: Number of targeted fund raising events and meetings with potential investors  | Annual number of fund raising events and   | 0 (None)          | 6              | 15             | 20             | 26             | UNDP Annual Reports | UNDP |

|   |  |          |   |   |   |   |                     |      |
|---|--|----------|---|---|---|---|---------------------|------|
|   | investor meeting held  |          |   |   |   |   |                     |      |
| Output 3.2 Generating insights and learnings about investment opportunities steers both institutional investors and other businesses to increase their stake in the Malawi economy and beyond |  |          |   |   |   |   |                     |      |
| Output 3.2 indicator: Number of learnings and evidence on both business models and market opportunities published   | Annual number of publications made by BUILD Fund Malawi Window | 0 (None) | 2 | 4 | 4 | 8 | UNDP Annual Reports | UNDP |
| Output 3.2 indicators: Investees meeting  | Annual number of investee meetings conducted                   | 0 (None) | 1 | 1 | 1 | 1 | UNDP Annual Reports | UNDP |

### Annex 3. Gender marker matrix

| Indicator |  | Score    | Findings and Explanation  | Evidence or Means of Verification                           |
|-----------|--|----------|---|---|
| N°        | Formulation  |          |   |   |
| 1.1       | Context analysis integrate gender analysis incorporating use of sex disaggregated data | <b>2</b> | <p>The BUILD Fund Malawi Window aims to act as a catalyst to provide the continuum of financing and technical assistance required to bridge the gap between smaller investments, “bankable” SMEs and inclusive business projects delivered by UNDP’s MICF and Growth Accelerator initiatives, and the scale required for larger commercial investors in the eco-system. BUILD Malawi’s business processes and decision making reflect gender disaggregated analysis and gender lens investing.</p> <p>The Goal of the Joint Programme is to accelerate economic diversification and increase opportunities for the poor – particularly Women and Youth. As such, the programme has a cross-cutting focus on Women’s Economic Empowerment (SDG 5 – target 5.5) and Youth. Several components in the design and structure of the Joint Programme ensure that the programme will be implemented with Gender and Human Rights considerations:</p> <p>(i)The BUILD investment guidelines specify that investments contributing to the empowerment of women and Youth are strongly considered;</p> <p>(ii)Gender sensitive outputs and indicators are included.</p> <p>(iii)Potential investees are sourced and screened following specific criteria including gender considerations</p> <p>(iv)impact metrics (including gender metrics)will be designed for BUILD Fund Malawi Window and for investees.</p> | Monitoring reports on the effects of the Programme on Women |

|     |  |          |   |   |
|-----|--|----------|---|---|
|     |  |          | (v)The Technical Assistance (TA) facility (BUILDER) will aid the investees and improve their development impact including considerations of gender.   |   |
| 1.2 | Gender Equality mainstreamed in proposed outputs               | <b>2</b> | <p>The objective of the Joint Programme is to operationalize the BUILD Fund Malawi Window and to accelerate economic diversification, increasing opportunities for the poor through productive partnerships with the private sector, in particular between firms and poor producers and entrepreneurs, especially small holder farmers. The programme has a cross cutting focus on Women's Economic Empowerment (SDG 5) and Youth and the Results Framework reflects the Gender dimension with sex disaggregated data.</p> <p>The three outcomes of the Joint Programme have a gender lens reflected in the proposed outputs. The Joint Programme intends to measure the access of women to managerial positions and the increase in businesses owned and/or led by Women.</p> <p>In addition, the BUILDER Technical Assistance Facility will help the BUILD Fund Malawi Window to design impact measurement frameworks for enterprises and small-scale producers supply chains to measure, monitor and improve the development impact of investees – with special emphasis on Women and Youth.</p> | Monitoring and reporting on output indicators |
| 1.3 | Programme output indicators measure changes on gender equality | <b>3</b> | Specific indicators measuring changes on gender equality are included under the three outcomes of the Joint Programme: (i) Provision of impact capital to enable inclusive businesses to scale up; (ii) Strengthening supply chains and improving regulatory environment; (iii) Providing information and better knowledge about attractive business models.  | Monitoring and reporting on output indicators |



|     |   |          |   |  |
|-----|---|----------|---|--|
|     |   |          | <p>For example, under outcome 1, one of the indicator is the number of <b>new jobs created in the BUILD Fund investee companies, disaggregated by gender</b>.</p> <p>One indicator under outcome 2 will disaggregate by gender the number of new ripple jobs created upstream and downstream of the supply chains. The indicator for output 2.1 will look at the number of small-scale households supported with diversified enterprises Disaggregated by sex and age. <b>Under outcome 3</b>, the Joint Programme will ensure that <b>gender</b> equality is a central element of awareness raising among businesses, Civil Society, the Government of Malawi, potential investors and other development partners.</p> |  |
| 2.1 | PUNO collaborate and engage with Government on gender equality and the empowerment of women | <b>2</b> | <p>The Joint Programme has an overarching impact on reducing poverty and a cross-cutting focus on Gender and Youth. PUNO collaborates pro-actively with the relevant Government Ministries to advance the agenda for Gender equality and the necessity of empowering women to reduce poverty.</p>   | Minutes of relevant discussions, workshops, meetings held between representatives of PUNO and the Government |
| 2.2 | PUNO collaborate and engages with women's/gender equality CSOs                              | <b>2</b> | <p>Each participating PUNO in Malawi has a strong relationship with women's/gender equality CSOs. PUNO engage with CSOs through participation in investment forums, conferences and similar events that provide access to potential investors and investees. PUNO will hold consultations with regulators, NGOs working in the SME space and political/economic consultants. Through this work, a specific focus will be on Gender and Youth.</p>   | Monitoring of beneficiaries of the Joint Programme   |

|  |   |          |  |   |
|--|---|----------|--|---|
| 3.1                                    | Program proposes a gender-responsive budget | <b>2</b> | Gender related outcomes and outputs have dedicated budget lines. In addition, Investments Guidelines prioritize women owned or led businesses as well as businesses whose products and services are targeting women's consumers. | Monitoring and reporting on outcome/output expenditures and evaluation of investments |
| <b>Total scoring (rounded average)</b> |   | <b>2</b> |  |   |

## **Annex 4. Communication Plan**

### *i. Overall narrative of the joint programme*

The overall objective of the Joint-Programme is to contribute towards the transformation of Malawi's economy to become more competitive, productive, and resilient. To achieve this goal, the Joint-Programme aims to establish and operationalize Malawi's first structured blended finance solution that provides "patient" and flexible capital solutions to transformative, inclusive business models that drive the achievement of the SDG targets in Malawi.

This narrative is in line with Objective 1 of the UNDAF Communications Strategy (2019-2023) to communicate the UN's work for the development and people of Malawi, including supporting the Government to deliver the SDGs, leaving no one behind.

### *ii. Objectives of strategic communication plan*

There are two main objectives:

- Raise awareness among businesses, the Government of Malawi, potential investors and other development partners about the BUILD Fund Malawi Window and the BUILDER Malawi TA facility.
  - # of programmes produced and syndicated through community radio, TV
  - # of articles featured in newspapers
  - # of attendees to learning events
  - # of BUILD Fund Malawi prospectus hard and soft copies distributed physically
  - # e-newsletters distributed (and metrics)
  - Social media metrics, such as impressions, retweets, and likes, on SRSP posts
- Activate and coordinate stakeholders to share experience around the BUILD Fund Malawi Window and attract new stakeholders.
  - # of attendees to Annual investee events
  - # of face to face meetings with local investors
  - # of targeted emails sent

### *iii. Strategic approach to key audiences*

The purpose of the communication plan is to operationalize who to target communication to, what knowledge and evidence should be communicated, why, and how. This communication plan will be further refined and detailed during the mobilization phase of the project.

| <b>Key Targets</b>  | <b>Objectives of strategic communication plan</b>   | <b>Means of Communications</b>   | <b>Main Activities</b>   | <b>Budget for four years (in USD)</b> |
|---|---|--|--|---------------------------------------|
| Businesses in Malawi  | To attract applications to the BUILD Fund Malawi Window.  | <ul style="list-style-type: none"> <li>Term sheet and investment strategy</li> <li>Investee testimonials</li> </ul>  | <ul style="list-style-type: none"> <li>BUILD Fund Malawi launch event.</li> <li>Targeted emails and social media outreach.</li> </ul>  | 5,000.00                              |
| Investees   | To enable investees to adapt good practice standards based on shared learning from among the investees in Malawi and others globally.   | <ul style="list-style-type: none"> <li>Approaches used by investees to implement ESG standards, and impact measurement frameworks.</li> </ul>  | <ul style="list-style-type: none"> <li>Annual investee meetings.</li> </ul>  | 5,000.00                              |
| National and international investors and financial institutions | To attract capital into the first loss and mezzanine tranches of the BUILD Fund Malawi Window specifically and into Malawi in general.  | <ul style="list-style-type: none"> <li>Market prospects.</li> <li>BUILD Fund Malawi investment strategy.</li> <li>BUILD Fund Malawi portfolio performance in terms of commercial returns and SDG impact.</li> <li>Lessons learnt.</li> </ul> | <ul style="list-style-type: none"> <li>Below the line communication with key investors locally through face to face meetings.</li> <li>Social media outreach targeting key sites and platforms populated by DFIs, impact investors.</li> <li>Active participation in key national investor events (e.g. Malawi Investment Forum) and regional events.</li> </ul> | 10,000.00                             |
| Government of Malawi  | To increase awareness among key ministries in Government about the UN as a key source of expertise and knowledge on innovative blended finance, as well as to foster a more enabling environment for the operation of the BUILD Fund Malawi Window. | <ul style="list-style-type: none"> <li>Evidence of the scale and content of the UN's contribution to private sector development.</li> </ul>  | <ul style="list-style-type: none"> <li>Targeted below the line face to face presentations to ministers.</li> <li>Assistance in preparing ministerial briefings and speeches, embedding the BUILD Fund Malawi approach and results.</li> </ul>  | 8,000.00                              |
| Development partners  | To attract funding for the BUILDER Technical Assistance Facility and the first loss tranche in  | <ul style="list-style-type: none"> <li>Evidence of the leverage potential of ODA to unlock commercial capital</li> </ul>   | <ul style="list-style-type: none"> <li>BUILD Fund Malawi prospectus hard and soft copies distributed physically at meetings and digitally through embedding in UN emails and websites.</li> </ul>  | 10,000.00                             |

|                          |  |  |  |           |
|--------------------------|--|--|--|-----------|
|                          | the BUILD Fund Malawi Window.  | investments for business growth.   | <ul style="list-style-type: none"> <li>Annual impact, additionality, and value for money reports.</li> </ul>   |           |
| General public in Malawi | To appreciate the role of the UN in catalyzing small business growth.  | <ul style="list-style-type: none"> <li>Evidence of the UN spearheading new approach to unlock investment for small and medium businesses.</li> </ul> | <ul style="list-style-type: none"> <li>Embedding key messages in speeches of senior UN staff and Government Ministers that get picked up and reported by print, voice, and digital media.</li> </ul> | 10,000.00 |
| UNCT                     | To embrace innovative finance platforms and instruments as a key enabler to delivering UNDAF results.  | <ul style="list-style-type: none"> <li>BUILD Fund Malawi's approach.</li> </ul>  | <ul style="list-style-type: none"> <li>Presentation at UNCT meetings.</li> </ul>   | 4,000.00  |
| UN hubs                  | To increase awareness across the UN, through the UN Hubs as channels, about the application of innovative blended finances approaches in Malawi. | <ul style="list-style-type: none"> <li>Results updates</li> </ul>  | <ul style="list-style-type: none"> <li>Social media tagging.</li> <li>Publicity collaboration.</li> </ul>  | 4,000.00  |

## **Annex 5. Learning and Sharing Plan**

### *i. Strategic approach to learning and sharing*

The approach to learning and sharing during and from this JP will be people-centred and utility-driven, with the technology used as a tool to facilitate learning and exchanges. Following international best practice, continued learning and sharing will *build an essential part* of the monitoring and evaluation activities – as opposed to being *applied after*. This approach will ensure that captured results and learnings are shared effectively and thereby create catalytic effects both by crowding in more stakeholders and using new knowledge and insights immediately.

### *ii. Objectives of learning and sharing*

The overarching objective of the learning and sharing plan is to enhance knowledge creation, storage, and transfer, as an integral part of the implementation of the JP to enhance continuous learning and improvement towards achievement of the desired results. The specific objectives for each target groups are:

- UN (UNCT, Technical Staff) – to ensure best practices are adopted at the technical and strategic level
- National Stakeholders – Government, regulatory agencies, private sector) – to ensure best practices are institutionalized
- Donors and international partners (IFIs and DFIs) – to strengthen confidence in Malawi’s capacity to receive investments
- Regional/Global private sector practitioners – to cross-pollinate best practices across different contexts

### *iii. Main activities*

Knowledge will be extracted from continuous monitoring of the Joint Programme activities and of its results and from the final evaluation. UNDP will be the main agency responsible for monitoring and evaluation. Knowledge will be stored on an online platform and disseminated through the communications strategy. Funds are available in the Joint Programme for monitoring and evaluation activities.

| <b>Method</b>                   | <b>Time line</b> | <b>Target group</b>                       | <b>Organizational Level</b> | <b>Means of sharing knowledge</b> | <b>Purpose</b>                                     | <b>Indicators for measuring progress</b> | <b>Data Source</b> |
|---------------------------------|------------------|---|-----------------------------|-----------------------------------|--|--|--------------------|
| Monitoring of JP Implementation | Every Quarter    | JP Staff, Management of PUNOs, RC Office, | Technical                   | Quarterly monitoring              | Ensure smooth implementation of the JP and culling | Number of monitoring reports             | Monitoring Reports |

|   |              |  |           |                         |  |  |  |
|---|--------------|--|-----------|-------------------------|--|--|--|
|   |              |  |           |                         | knowledge for dissemination  |  |  |
| Online Platform for storing and sharing knowledge | Ongoing      | JP Staff, Management of PUNOs RC Office                      | Technical | TEAMS space             | Facilitate knowledge sharing   | Usage of the system – e.g. number of visitors, discussions generated | PUNO   |
| Knowledge sharing meetings with Stakeholders      | Quarterly    | Government, Donors (including IFIs and DFIs), Private Sector | Strategic | Meetings                | Exchange information on the implementation of the programme, including challenges and opportunity to improve continuously implementation | Number of meetings held with target audience                         | Minutes of Meetings                                |
| Presentation to UNCT                              | Quarterly    | UNCT   | Strategic | Meetings                | Keep UN Agencies abreast of innovative blended finances approaches   | Number of UNCT meetings  | Minutes of UNCT Meetings                           |
| Regional/ Global Platforms                        | Twice a year | UN and UNDP Regional and global hubs                         | Technical | Webinars, Online forums | Share experience of Malawi and keep abreast of developments in blended finance   | Number of webinars and online forums                                 | Recording of webinars and online discussion forums |

<sup>i</sup> Based on the identified turnovers of the various firms assessed during the pre-assessment.

<sup>ii</sup> This is based on a tax conversation rate of 4.4 % that UNCDF has identified in their *Assessment Report: Viability of "Malawi Window" the BUILD Fund and BUILDER TA Initiative*.

<sup>iii</sup> The number of customers served by each potential investee companies varies too much and depend on the decision of the BUILD Fund Malawi window Investment Committee.

<sup>iv</sup> Based on the assumption that the conversion rate turning identified leads into investments made is a one-third (33%) chance. In 2021 the target is only 9, since 21 companies have already been established during the detailed pre-assessment.

<sup>v</sup> This assumes once potential investee companies have passed the pre-due diligence assessment and received the pre-investment assistance, there is a high conversion rate of 80% that investments will be made into these companies.

<sup>vi</sup> The 70% discounted median investment ticket size of firms assessed during the pre-assessment is US\$ 700,000. Thus, dividing this indicator by the US\$ 35 million available for the BUILD Fund Malawi window leads to a total of 50 investments made over JP's initial life cycle.

- 
- vii Calculated by multiplying the discounted median ticket size with the number of deals anticipated per year.
- viii This assumes that each addressed business regulatory and policy constraint will convert into improved policies and practices with a 33% chance.
- ix Based on the agriculture and agribusiness sector of the companies assessed during the pre-assessment, the 15 agricultural supply chains are: Aquaculture, Banana, Coffee, Dairy, Groundnuts, Honey, Horticulture, Livestock, Macadamia, Mushrooms, Potato, Soyabean, Sugar, Sunflower Oils, Tea.
- x Based on the distribution of turnover among the pre-assessed companies and assuming that companies with turnover below US\$500,000 have the capacity to integrate 250 small-scale producers, while firms with turnover between US\$500k and US\$2 million and firms with turnover above US\$2 million can absorb 1,000 and 2,500 small-scale producers respectively. Further, it should be noted that achieving this target cannot solely be attributed to FAO's activities, but stem from the increased ability of investee companies to absorb small-scale producers as well as further crowding-in as a result of the systemic change.
- xi With an average household size of 4.4 in Malawi, the assumption is that at least two members of the household work in one of the investee companies' supply chains.
- xii Based on the distribution of turnover among the pre-assessed companies and assuming that firms with sub-US\$500,000 in annual turnover will need 2 new certificates/standardization, while firms with higher annual turnover will only need 1.
- xiii While the overall co-financing ratio of BUILD Fund Malawi window is 1:3.4, the estimation was made using a more conservative ration of 1:1.7 (half of the overall ratio).
- xiv Using the UNDP Malawi Growth Accelerator leverage ratio 1:11 as a proxy, the leverage potential of the co-funding of USD 250,000 committed UNDP were estimated.



## Annex 6. Budget and Work Plan

### 6.1 Budget per UNSDG categories<sup>30</sup>

| UNDG BUDGET CATEGORIES  | UNDP                 |                         | UNCDF                |                         | FAO                  |                         | TOTAL                |                         |
|---|----------------------|-------------------------|----------------------|-------------------------|----------------------|-------------------------|----------------------|-------------------------|
|   | Joint SDG Fund (USD) | PUNO Contribution (USD) | Joint SDG Fund (USD) | PUNO Contribution (USD) | Joint SDG Fund (USD) | PUNO Contribution (USD) | Joint SDG Fund (USD) | PUNO Contribution (USD) |
| 1. Staff and other personnel  | 167,771              | 250,000                 |                      |                         | 201,537              |                         | 369,308              |                         |
| 2. Supplies, Commodities, Materials   | 0                    |                         | 0                    |                         | 9,852                |                         | 9,852                |                         |
| 3. Equipment, Vehicles, and Furniture (including Depreciation)  | 0                    |                         | 0                    |                         | 7,588                |                         | 7,588                |                         |
| 4. Contractual services   | 391,845              |                         | 54,590               |                         |                      |                         | 446,435              |                         |
| 5.Travel  | 40,000               |                         |                      |                         | 56,000               |                         | 96,000               |                         |
| 6. Transfers and Grants to Counterparts   | 0                    |                         | 6,308,411            |                         | 142,248              |                         | 6,450,659            |                         |
| 7. General Operating and other Direct Costs   | 0                    |                         | 0                    |                         | 96,794               |                         | 96,794               |                         |
| <b>Total Direct Costs</b>   | <b>599,616</b>       |                         | <b>6,363,001</b>     |                         | <b>514,019</b>       |                         | <b>7,476,635</b>     | <b>250,000</b>          |
| 8. Indirect Support Costs (precisely 7%) - UNDP will bear the support cost for the total contribution of \$ 8 million | 41,973               |                         | 445,410              |                         | 35,981               |                         | 523,364              |                         |
| <b>TOTAL Costs</b>  | <b>641,589</b>       | <b>250,000</b>          | <b>6,808,411</b>     |                         | <b>550,000</b>       |                         | <b>8,000,000</b>     | <b>250,000</b>          |
| <b>Prep work (Year 0)</b>   | <b>100,000</b>       |                         |                      |                         |                      |                         | <b>100,000</b>       |                         |
| <b>1st year</b>   | <b>135,398</b>       |                         | <b>3,398,636</b>     |                         | <b>150,000</b>       |                         | <b>3,684,034</b>     |                         |
| <b>2nd year</b>   | <b>135,397</b>       |                         | <b>3,388,375</b>     |                         | <b>273,500</b>       |                         | <b>3,797,272</b>     |                         |
| <b>3rd year</b>   | <b>135,397</b>       |                         | <b>10,700</b>        |                         | <b>77,000</b>        |                         | <b>223,097</b>       |                         |
| <b>4th year</b>   | <b>135,397</b>       |                         | <b>10,700</b>        |                         | <b>49,500</b>        |                         | <b>195,597</b>       |                         |

The largest budget item of the JP is for Transfers and Grants to Counterparts. The transfer will be made by UNCDF to the BUILD Malawi Fund using Beneficiary Units. Such transfer will be instrumental to anchor the first loss layer of the Fund and attract investors for the mezzanine layer. The second largest allocation is for Contractual Services – the main form of the UN’s provision of technical inputs under the JP. National and international consultants will provide technical assistance to make business investment ready and maximize the impact of the finance received. Funds for UN technical staff and other personnel constitute the JP’s third largest budget item. These funds will enable UN staff to bring their expertise and experience in: (i) providing pre-investment technical assistance in undertaking preliminary analysis and due diligence; (ii) providing post-investment technical assistance to maximize the impact of the finance received and de-risk investments for BUILD Capital Fund; (iii) facilitating policy consultations and dialogue; (iv) advocacy and strategic communication and JP monitoring and reporting. Funds allocated to travel,

<sup>30</sup> This budget includes under “Contractual services” the US\$ 100,000 received by UNDP in 2020 from JSDGF to cover the preparatory costs of this joint-programme.

general operating and other direct costs will be used to support the activities of UN technical staff and contracted personnel. A portion of the budget will be used to focus on gender issues and try to generate gender sensitive results to the extent possible. The JP is budgeted for four years.

## 6.2 Budget per SDG targets<sup>31</sup>

| SDG TARGETS  |      | %          | USD              |
|--------------|------|------------|------------------|
| 1            | 1.2  | 11         | 925,000          |
| 2            | 1.4  | 11         | 925,000          |
| 3            | 2.3  | 5          | 400,000          |
| 4            | 2.a  | 10         | 800,000          |
| 5            | 5.5  | 10         | 800,000          |
| 6            | 8.2  | 5          | 400,000          |
| 7            | 9.3  | 10         | 800,000          |
| 8            | 17.3 | 38         | 3,100,000        |
| <b>TOTAL</b> |      | <b>100</b> | <b>8,150,000</b> |

SDG 17 will benefit from the largest part of the budget - 38% of the JP's total budget which is strongly aligned with the Secretary General's Strategy and Roadmap for financing the 2030 Agenda. More specifically, through providing a vehicle for investors to invest in the Malawian economy. The second largest portion of the budget - 22% - will be directed to SDG 1, through the provision of impact capital and technical assistance that will foster viable supply chains and integrate small scale producers into higher value business chains. SDG 2 will benefit from 15% of the budget with a focus on provision of impact capital to raise productivity in businesses and their ability to offer affordable products and services.

The Gender dimension is cross-cutting through the JP and 10% of the budget is allocated to SDG 5 to ensure that investments keep a focus on the economic empowerment of women. Another 10% will go to SDG 9 with provision of affordable debt and equity finance. Lastly, 5 % will be directed to SDG 8 ensuring that inclusive/sustainable investment ready SMEs receive loans and other financial services.

<sup>31</sup> This budget does NOT include the US\$ 100,000 received by UNDP in 2020 from JSDGF to cover the preparatory costs of this joint-programme.

### 6.3 Work plan<sup>32</sup>

| Outcome 1: Provision of impact capital enables inclusive businesses to scale up, increase productivity and serve more customers with affordable products /services |   |                 |      |      |  |                    |            |     |     |     |     |     |     |     |     |     |     |     |                            |                      |                          |                  |                |        |              |              |                 |                       |
|--|---|-----------------|------|------|--|--------------------|------------|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|----------------------------|----------------------|--------------------------|------------------|----------------|--------|--------------|--------------|-----------------|-----------------------|
| Output   |   | Annual target/s |      |      |  | List of activities | Time frame |     |     |     |     |     |     |     |     |     |     |     |                            |                      |                          |                  | Planned Budget |        |              |              | PUNO/s involved | Implementing partners |
|  |   | 2021            | 2022 | 2023 | 2024   |                    | Q 1        | Q 2 | Q 3 | Q 4 | Q 1 | Q 2 | Q 3 | Q 4 | Q 1 | Q 2 | Q 3 | Q 4 | Overall budget description | Joint SDG Fund (USD) | PUNO Contributions (USD) | Total Cost (USD) |                |        |              |              |                 |                       |
| Output 1.1 Pre-investment TA makes inclusive business investment-ready   | 8 | 6               | 3    | 3    | 1.11 Source and screen potentially investible projects (through MIF), Growth Accelerator, RFAs, peer referrals, scouting, online discovery, etc.)  | x                  | x          | x   | x   | x   | x   | x   | x   | x   | x   | x   | x   | x   | x                          | x                    | x                        | x                | 20,000         |        | 20,000       | UNDP / UNCDF |                 |                       |
|  |   |                 |      |      | 1.12 Undertake preliminary analysis (including market assessment, business model and plan analysis, financial analysis and management and governance analysis                            | x                  | x          | x   | x   | x   | x   |     |     |     |     |     |     |     |                            |                      |                          | 0                |                | 0      | UNDP / UNCDF |              |                 |                       |
|  |   |                 |      |      | 1.13 Prepare deal assessment and structure (including preparing feasibility study, business diagnostic and action plan, financial model, transaction structure and investment memorandum | x                  | x          | x   | x   | x   | x   |     |     |     |     |     |     |     |                            |                      |                          | 80,000           |                | 80,000 | UNDP / UNCDF |              |                 |                       |
|  |   |                 |      |      | 1.14 Undertake due diligence (including governance, social, environmental, accounting, legal and tax)  | x                  | x          | x   | x   | x   | x   |     |     |     |     |     |     |     |                            |                      |                          | 80,000           |                | 80,000 | UNDP / UNCDF |              |                 |                       |
|  |   |                 |      |      | 1.15 Prepare deal completion (including final deal structure and investment memorandum)  | x                  | x          | x   | x   | x   | x   |     |     |     |     |     |     |     |                            |                      |                          | 50,000           |                | 50,000 | UNCDF        |              |                 |                       |

<sup>32</sup> The budget presented in this work plan does NOT include the US\$ 100,000 received by UNDP in 2020 from JSDGF to cover the preparatory costs of this joint-programme.

|   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |  |           |        |           |                              |   |                              |   |  |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|--|-----------|--------|-----------|------------------------------|---|------------------------------|---|--|
| Output 1.2 Inclusive, investment-ready SMEs receive debt and equity finance   | 6 | 4 | 2 | 2 | 1.21 Transfer grant as first-loss contribution to BUILD Fund using "Beneficiary Units" modality   | x | x | x | x | x | x | x | x | x | x | x | x | x | x | Transfers and Grants   | 6,308,411 |        | 6,308,411 | UNCDF                        |   |                              |   |  |
|   |   |   |   |   | 1.22 Validate investment memorandum and negotiate final terms with investee companies   | x | x | x | x | x | x | x | x | x | x | x | x | x | x |  |           |        |           |                              |   | x                            | x | Staff and other personnel, Contractual Services, Travel and other direct costs |
|   |   |   |   |   | 1.23 Secure approval of investment committee  | x | x | x | x | x | x | x | x | x | x | x | x | x | x |  |           |        |           |                              |   | x                            | x |  |
| Output 1.3 Post-investment TA maximize the impact of the finance received and de-risk investment for BUILD Capital Fund | 6 | 4 | 2 | 2 | 1.31 Preparation of impact measurement and reporting system   | x | x | x | x |   |   |   |   |   |   |   |   |   |   | Staff and other personnel, Contractual Services, Travel and other direct costs | 26,158    | 10,000 | 36,158    | UNDP / UNCDF /Bamboo Capital |   |                              |   |  |
|   |   |   |   |   | 1.32 Preparation of ESG strategy  | x | x | x | x |   |   |   |   |   |   |   |   |   |   |  |           |        |           |                              |   | UNDP                         |   |  |
|   |   |   |   |   | 1.33 Assist in strengthening the core organization (including installing Standard Operating Procedures and controls for operational and financial management, installing ERP solutions , design and execution of strategic personnel and governance strategy) | x | x | x | x | x | x | x | x | x | x | x | x | x | x |  |           |        |           | x                            | x | UNDP / UNCDF /Bamboo Capital |   |  |
|   |   |   |   |   | 1.34 Assist in strengthening key elements of the business model (including customer acquisition and care, channel management, sales and marketing, business process optimization)   | x | x | x | x | x | x | x | x | x | x | x | x | x | x |  |           |        |           | x                            | x | UNDP / UNCDF /Bamboo Capital |   |  |
|   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |  |           |        |           |                              |   |                              |   |  |

**Outcome 2: Strengthening supply chains and improving regulatory environment reduced the cost of doing business**

| Output  | Annual target/s |               |              |            | List of activities   | Time frame |     |     |     |     |     |     |     |     |     |     |     |                            |                      |                          |                  | PLANNED BUDGET |         |        |         | PUNO/s involved    | Implementing partners |         |         |     |
|---|-----------------|---------------|--------------|------------|--|------------|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|----------------------------|----------------------|--------------------------|------------------|----------------|---------|--------|---------|--------------------|-----------------------|---------|---------|-----|
|   | 2021            | 2022          | 2023         | 2024       |  | Q 1        | Q 2 | Q 3 | Q 4 | Q 1 | Q 2 | Q 3 | Q 4 | Q 1 | Q 2 | Q 3 | Q 4 | Overall budget description | Joint SDG Fund (USD) | PUNO Contributions (USD) | Total Cost (USD) |                |         |        |         |                    |                       |         |         |     |
|   |                 |               |              |            |  |            |     |     |     |     |     |     |     |     |     |     |     |                            |                      |                          |                  |                |         |        |         |                    |                       |         |         |     |
| Output 2.1 Eco-system assistance fosters viable supply chains in key sectors and sustainably integrates small-scale producers into higher-value supply chains | 18 thousand     | 12.5 thousand | 7.5 thousand | 5 thousand | 2.11 Undertake detailed supply chain analysis to identify business barriers to inform targeted technical assistance plan   | x          | x   | x   | x   | x   | x   |     |     |     |     |     |     |                            |                      |                          |                  |                | 160,153 | 58,333 | 218,486 | FAO / UNDP / UNCDF |                       |         |         |     |
|   |                 |               |              |            | 2.12 Provide targeted technical assistance in key aspects of supply chains that would have the most direct and immediate impact in reducing the cost of doing business and improving productivity (through interventions in input markets, production, logistics and distribution, commercialization and customer) | x          | x   | x   | x   | x   | x   | x   | x   | x   | x   | x   | x   | x                          | x                    | x                        | x                |                |         |        |         | 176,933            | 58,334                | 235,267 | FAO     |     |
|   |                 |               |              |            | 2.13 Provide organizational development support to business associations and producer associations and producer organizations  | x          | x   | x   | x   | x   | x   | x   | x   | x   | x   | x   | x   | x                          | x                    | x                        | x                | x              |         |        |         |                    | 176,933               | 58,333  | 235,266 | FAO |
| Output 2.2 Identified business regulatory constraints addressed and new standardization and certification of products/services obtained                       | 3               | 6             | 6            | 6          | 2.21 Undertake detailed regulatory and standards assessment to identify barriers to inform targeted technical assistance plan  | x          | x   | x   | x   | x   | x   |     |     |     |     |     |     |                            |                      |                          |                  |                | 45,000  | 10,000 | 55,000  | UNDP               |                       |         |         |     |
|   | 8               | 5             | 4            | 1          | 2.22 Support to improve development of targeted regulatory guidelines and standards  | x          | x   | x   | x   | x   | x   |     |     |     |     |     |     |                            |                      |                          |                  |                | 55,000  | 10,000 | 65,000  | UNDP               |                       |         |         |     |
|   |                 |               |              |            | 2.23 Improve the capacity of agencies to effectively implement guidelines and the certification of standards   | x          | x   | x   | x   | x   | x   | x   | x   | x   | x   | x   | x   | x                          | x                    |                          |                  |                | 40,000  | 5,000  | 45,000  | UNDP               |                       |         |         |     |

**Outcome 3: More information and better knowledge about attractive business models and SDG impact crowd-in both domestic and international investors as well as additional development partners**

| Output  | Annual target/s |      |      |      | List of activities   | Time frame |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    | PLANNED BUDGET   |                      |                          |                  | PUNO/s involved    | Implementing partners |
|---|-----------------|------|------|------|--|------------|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|--|----------------------|--------------------------|------------------|--------------------|-----------------------|
|   | 2021            | 2022 | 2023 | 2024 |  | Q1         | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 | Overall budget description   | Joint SDG Fund (USD) | PUNO Contributions (USD) | Total Cost (USD) |                    |                       |
| Output 3.1 Effective communication raises more awareness among businesses, the Government of Malawi, potential investors and other development partners about the BUILD Fund Malawi Window and the BUILDER Malawi TA Facility | 2               | 1    | 1    | 2    | 3.11 Launch communication campaigns targeting various stakeholders             |            |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |  | 20,000               | 2,000                    | 22,000           | UNDP               |                       |
|   |                 |      |      |      | 3.12 Organize investor conferences and market entry events                     |            |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    | Staff and other personnel, Contractual Services, Travel and other direct costs | 20,000               | 3,000                    | 23,000           | UNDP               |                       |
| Output 3.2 Generating insights and learnings about investment opportunities steers both institutional investors and other businesses to increase their stake in the Malawi economy and beyond                                 | 0               | 1    | 0    | 1    | 3.21 Publish research and evidence on business models and market opportunities |            |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |  | 20,000               | 3,000                    | 23,000           | UNDP               |                       |
| Joint programme management  |                 |      |      |      | List of activities   | Time frame |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    | PLANNED BUDGET   |                      |                          |                  | PUNO/s involved    | Implementing partner  |
|   |                 |      |      |      |  | Q1         | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 | Overall budget description   | Joint SDG Fund (USD) | PUNO Contributions (USD) | Total Cost (USD) |                    |                       |
| Output 4.1 Monitoring and Reporting   |                 |      |      |      | 4.11 Monitoring and Reporting for JP (annual and final reports)                | x          | x  | x  | x  | x  | x  | x  | x  | x  | x  | x  | x  | x  | x  | x  | x  | Staff and other personnel, Contractual Services, Travel and other direct costs |                      | 5,000                    | 5,000            | UNDP for RC Office |                       |
|   |                 |      |      |      | 4.12 Final Evaluation  |            |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |  |                      | 27,000                   | 27,000           |                    |                       |
| SUB TOTAL   |                 |      |      |      |  |            |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |  | 7,383,178            | 250,000                  | 7,633,178        |                    |                       |
| GMS 7%  |                 |      |      |      |  |            |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |  | 516,822              |                          |                  |                    |                       |
| TOTAL   |                 |      |      |      |  |            |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |  | 7,900,000            | 250,000                  | 8,150,000        |                    |                       |

## **Annex 7. Risk Management Plan**

| <b>Risks</b>   | <b>Risk Level:</b><br>(Likelihood x Impact) | <b>Likelihood:</b><br>Certain - 5<br>Likely - 4<br>Possible - 3<br>Unlikely - 2<br>Rare - 1 | <b>Impact:</b><br>Essential - 5<br>Major - 4<br>Moderate - 3<br>Minor - 2<br>Insignificant - 1 | <b>Mitigating measures</b>   | <b>Responsible Org./Person</b> |
|--|---|---|--|--|--------------------------------|
| <b>Contextual risks</b>  |   |   |  |  |                                |
| Lower demand because of COVID 19 results in longer payback period of investments   | High  | 3   | 4  | Offer more flexible terms including longer tenors and grace periods than offered by the market in general.   | UNCDF                          |
| Severe weather occurrences will have a disproportionate impact on portfolio performance given dominance of agriculture in the economy.   | High  | 3   | 4  | Integration of climate smart agricultural techniques delivered as post-investment technical assistance throughout targeted agricultural supply chains              | FAO                            |
|  |   |   |  | Build a balanced portfolio to limit the potential impact of any sector on the quality of the portfolio.  | UNCDF                          |
| Currency is devalued investors lose value of their investments irrespective of portfolio performance.  | Medium                                      | 2   | 4  | The Fast track mobilization of funds for the first loss tranche to the consequences of currency risk.  | UNDP                           |
| <b>Programmatic risks</b>  |   |   |  |  |                                |
| Regulatory approvals of off-investments delay capitalization of the BUILD FUND Malawi Window   | Medium                                      | 2   | 3  | Advanced socialization of the Reserve Bank of Malawi.  | UNDP                           |
| The transaction-cost advantage from leveraging a significantly large pool of potentially investible businesses through the MICF and UNDP supported accelerators disappears as such programmes wind down. | Medium                                      | 2   | 3  | Build a layer of upstream and downstream technical assistance to enable a constant flow of early stage investible projects.  | UNDP                           |
| <b>Institutional risks</b>   |   |   |  |  |                                |
| Self-reporting by investee companies on SDG indicators overstates impact.  | High  | 4   | 3  | Training and establishment of verifiable M&E system as part of post-investment technical assistance together with annual independent external verification results | UNDP                           |
| <b>Fiduciary risks</b>   |   |   |  |  |                                |
| 3 <sup>rd</sup> party generated pipeline preparation for the Fund Manager increases fiduciary risk.  | High  | 3   | 4  | A clear assessment structure and multiple levels of due diligence and assessment reviewed by the fund manager to reduce risk.                                      | UNCDF                          |



### **Annex 8. Short-listed pipeline of companies with potential for investment**

| <b>No</b> | <b>Name of Firm</b>         | <b>Sector</b> | <b>Sub-Sector</b>             |
|-----------|-----------------------------|---------------|-------------------------------|
| 1         | Agronomy Technology Limited | ICT           | ERP solutions for Agriculture |
| 2         | Kwithu Kitchen              | Agriculture   | Horticulture                  |
| 3         | Satemwa Tea Ltd             | Agribusiness  | Tea                           |
| 4         | Sunseed Ltd                 | Agribusiness  | Sunflower Oils                |
| 5         | 14 Trees Ltd                | Manufacturing | Construction Material         |
| 6         | Lilongwe Dairy Ltd          | Agribusiness  | Dairy                         |
| 7         | Ethanol Ltd                 | Agribusiness  | Sugar                         |
| 8         | East Africa Coffee          | Agribusiness  | Coffee                        |
| 9         | Honey Products              | Agriculture   | Honey                         |
| 10        | Estrell Trading             | Agribusiness  | Groundnuts                    |
| 11        | Foods Company Ltd           | Agriculture   | Aquaculture                   |
| 12        | Pyxus Ltd                   | Agribusiness  | Groundnuts                    |
| 13        | Cori Ltd                    | Agriculture   | Soyabean                      |
| 14        | HACL                        | Agribusiness  | Sauces                        |
| 15        | Naturals Ltd                | Agribusiness  | Juice / Oils producer         |
| 16        | Amazon Poultry              | Agriculture   | Livestock                     |
| 17        | Mt. Meru                    | Manufacturing | Soap Production               |
| 18        | Global Seeds Ltd            | Agriculture   | Agricultural Inputs           |
| 19        | KU Distributors             | Manufacturing | Commodities                   |
| 20        | Ori Meat Products           | Manufacturing | Meat                          |
| 21        | Seed Co                     | Agriculture   | Inputs                        |

## Annex 9: Legal provisions applicable to FAO



**Food and Agriculture Organization  
of the United Nations**

### **General Legal Provisions applicable to FAO when participating in pass-through UN Joint Programmes and Multi-Partner Trust Funds**

***(FAO Annex to the UN Joint Programme Project Document)***

1. These legal provisions set out the basic conditions under which FAO – in respect of the collaborative spirit of this UN joint programme or multi-partner trust fund (hereinafter referred to as the Project) - will assist the Government in the implementation of the Project. The achievement of the objectives set by the Project shall be the joint responsibility of the Government, FAO and participating UN agencies (where applicable).

#### **FAO OBLIGATIONS**

2. FAO will be responsible for the provision, with due diligence and efficiency, of assistance as provided in the Project Document. FAO and the Government will consult closely with respect to all aspects of the Project.

3. Assistance under the Project will be made available to the Government, or to such entity as provided in the Project, and will be furnished and received (i) in accordance with relevant decisions of the Governing Bodies of FAO, and with its constitutional and budgetary provisions; and (ii) subject to the receipt by FAO of the necessary contribution from the Resource Partner and the Administrative Agent. FAO will disburse the funds received from the Resource Partner through the Administrative Agent in accordance

with its regulations, rules and policies. All financial accounts and statements will be expressed in United States Dollars and will be subject exclusively to the internal and external auditing procedures laid down in the financial regulations, rules and directives of FAO.

4. FAO's responsibilities regarding financial management and execution of the Project will be as stipulated in the Project Document. FAO may, in consultation with the Government and the other UN agencies (where applicable), implement project components through partners identified in accordance with FAO procedures. Such partners will have primary responsibility for delivering specific project outputs and activities to the Project in accordance with the partner's rules and regulations, and subject to monitoring and oversight, including audit, by FAO.

5. Assistance under the Project provided directly by FAO, including technical assistance services and/or oversight and monitoring services, will be carried out in accordance with FAO regulations, rules and policies, including on recruitment, travel, salaries, and emoluments of national and international personnel recruited by FAO, procurement of services, supplies and equipment, and subcontracting. The candidacies of senior international technical staff for recruitment by FAO will be submitted to the Government for clearance following FAO procedures.

6. Equipment procured by FAO will remain the property of FAO for the duration of the Project. The Government will provide safe custody of such equipment, which is entrusted to it prior to the end of the Project. The ultimate destination of equipment procured under this Project will be decided by FAO in consultation with the Government and the Resource Partner.

#### GOVERNMENT OBLIGATIONS

7. With a view to the rapid and efficient execution of the Project, the Government shall grant to FAO, its staff, and all other persons performing services on behalf of FAO, the necessary facilities including:

- i) the prompt issuance, free of charge, of any visas or permits required;
- ii) any permits necessary for the importation and, where appropriate, the subsequent exportation, of equipment, materials and supplies required for use in connection with the Project and exemption from the payment of all customs duties or other levies or charges relating to such importation or exportation;

- iii) exemption from the payment of any sales or other tax on local purchases of equipment, materials and supplies for use in connection with the project;
- iv) any permits necessary for the importation of property belonging to and intended for the personal use of FAO staff or of other persons performing services on behalf of FAO, and for the subsequent exportation of such property; and
- v) prompt customs clearance of the equipment, materials, supplies and property referred to in subparagraphs (ii) and (iv).

8. The Government will apply to FAO, its property, funds and assets, its officials and all the persons performing services on its behalf in connection with the Project: (i) the provisions of the Convention on Privileges and Immunities of the Specialized Agencies; and (ii) the United Nations currency exchange rate. The persons performing services on behalf of FAO will include any organization, firm or other entity, which FAO may designate to take part in the execution of the Project.

9. The Government will be responsible for dealing with any claims which may be brought by third parties against FAO, its personnel or other persons performing services on its behalf, in connection with the Project, and will hold them harmless in respect to any claim or liability arising in connection with the Project, except when it is agreed by the Government and FAO that such claims arise from gross negligence or wilful misconduct of such persons.

10. The Government will be responsible for the recruitment, salaries, emoluments and social security measures of its own national staff assigned to the project. The Government will also provide, as and when required for the Project, the facilities and supplies indicated in the Project Document. The Government will grant FAO staff, the Resource Partner and the Administrative Agent and persons acting on their behalf, access to the project offices and sites and to any material or documentation relating to the Project, and will provide any relevant information to such staff or persons.

#### REPORTING AND EVALUATION

11. FAO will report to the Government (and to the Resource Partner) as scheduled in the Project Document.

12. The Government will agree to the dissemination by FAO of information such as project descriptions and objectives and results, for the purpose of informing or educating the public. Patent rights, copyright, and any other intellectual property rights over any

material or discoveries resulting from FAO assistance under this Project will belong to FAO. FAO hereby grants to the Government a non-exclusive royalty-free license to use, publish, translate and distribute, privately or publicly, any such material or discoveries within the country for non-commercial purposes. In the presence of multiple UN implementing agencies, patent rights, copyright, and any other intellectual property rights, including the granting of any license thereof, will be jointly agreed among them in writing. In accordance with requirements of some donors of UN joint programmes or multi-partner trust funds, FAO reserves the right to place information and reports in the public domain.

13. The Project will be subject to independent evaluation according to the arrangements agreed between the Government, FAO and the other UN agencies (where applicable). The evaluation report will be publicly accessible, in accordance with the applicable policies, along with the Management Response. FAO is authorized to prepare a brief summary of the report for the purpose of broad dissemination of its main findings, issues, lessons and recommendations as well as to make judicious use of the report as an input to evaluation synthesis studies.

#### FINAL PROVISIONS

14. Any dispute or controversy arising out of or in connection with the Project or these legal provisions will be amicably settled through consultations, or through such other means as agreed between the Government and FAO.

15. Nothing in or related to any provision in these legal provisions or document or activity of the Project shall be deemed: (i) a waiver of the privileges and immunities of FAO; (ii) the acceptance by FAO of the applicability of the laws of any country to FAO; and (iii) the acceptance by FAO of the jurisdiction of the courts of any country over disputes arising from assistance activities under the Project.

16. These legal provisions may be amended or terminated by mutual written consent. Termination will take effect sixty days after receipt by either party of written notice from the other party. In the event of termination, the obligations assumed by the parties under these legal provisions will survive its termination to the extent necessary to permit the orderly conclusion of activities, and the withdrawal of personnel, funds and property of FAO.

17. These legal provisions will enter into force upon signature by the duly authorized representatives of the Government and FAO.