



Joint Programme 2023 Annual Progress Report

SDG Financing Portfolio - Component 2

Cover page

UNCT/MCO: Madagascar

Reporting Period: 1 January - 31 December 2023

JP title: SDG Financing- Catalytic Investments

Thematic SDG Areas: Energy Transitions; Climate change, biodiversity loss and pollution;

Gender Marker: Gender-transformative (for example, the JP explicitly aimed to address the structural and root causes of gender inequality, such as by combining social protection with community dialogues and economic empowerment activities that aim to shift gender social norms and power relations)

Engine Room Activities: Developing the 'deal room' (financing mix) ;

Total estimated expenditures: USD \$486,100.30

Total estimated commitments (including expenditures): \$594,639.80

Executive Summary

The JP was aligned with the CF2021-2023 and remains aligned with the new CF 2024-2028 in Madagascar. It contributes to two strategic priorities of the partnership framework between the Government of Madagascar and the United Nations, by contributing to the strengthening of labor productivity and the creation of productive jobs for decent incomes and a competitive economy, and to the strengthening of sustainable, resilient, and inclusive management of the environment. As it addresses the enhancement of the energy sector's potential for development across its three components not only at the strategic level with the establishment of a sovereign fund, but also at operational levels by creating a sustainable energy incubator (SEI), and providing a derisking facility for small/medium scale projects led by the private sector, the JP is in line with the energy transition initiative set up by the UN Secretary General to accelerate the impact of the SDGs.

In 2023, the JP was particularly involved in setting up institutional anchors to strengthen national ownership of the initiative and provide a framework for future investment in the private sector working in the field of energy transition.

The JP has contributed to the recruitment of key FSM staff following a competitive and transparent selection process, including the Chief Executive Officer and Chief Financial Officer of the Sovereign Fund (SF). Their appointment will be formalized at government level. The SF will have a manual of administrative, financial and accounting procedures in line with international standards and adapted to the SF context with the help of an international firm recruited under the JP. In addition, the main capacity-building needs to ensure the success of the SF have been identified and will be implemented in 2024. These activities will strengthen the national resource mobilization (SDG 17, target 17.1).

The availability of a joint SOP (between UNDP and UNCDF) facilitates collaboration between the two agencies to provide the mechanism for granting of loans and/or guarantees combined with subsidies to private sector working on energy field. This will contribute to enhance the access to energy at national level and a substantial increase in the share of renewable energy in the global energy mix (MDG 7, targets 7.1 and 7).

The recruitment of the host of the energy incubator has been finalized and the Sustainable Energy Incubator (SEI) strategic framework for the duration of the mandate is being finalized. This will provide a clearer vision, better orientation and prioritization of the actions to be taken. (SDG 9, Target 9.3).

Various discussions and meetings were held with the Ministry of Economy and Finance and the Ministry of Energy and Hydrocarbons technical staff to identify and prioritize their capacity-building needs.

The JP took part in a number of events, including World Energy Day (WED), the Energy Partners Coordination Meeting, the Athari Forum in Africa workshops on "Impact Investing in Energy", and gave support to the participation of the government at COP 28 in Dubai to explore new partnership opportunities. Madagascar, North Macedonia, Uruguay and Zimbabwe showcased how international cooperation can support countries in matching local investment projects that can contribute to accomplish the 2030 agenda with available financing in local and global financial institutions at a side event on sustainable finance for energy transition organized with JSDGF and held at the Madagascar pavilion.

Annual Progress

Main results achieved by the joint programme in 2023:

To ensure the availability of a financial mechanism for small and medium-sized private enterprises in the energy sector to access grants, loans and guarantees to co-finance their sustainable energy projects, UNDP and UNCDF built on the synergy of their mandates and combined their financial instruments. The establishment of a joint SOP has facilitated the launch of an expression of interest for the private sector to access the derisking Facility. This operational partnership is complemented by UNIDO's contributions to the incubation of sustainable energy projects, for which the host incubator is recruited.

In addition, this operational support is complemented by UNDP's strategic support through the operationalization of the sovereign fund, for which the official appointment of the managing director and administrative and financial director will be made by the government. The fund will invest in large-scale, strategic infrastructure projects. The forthcoming availability of the manual of administrative, financial and accounting procedures, developed with the

support of an international firm recruited as part of the project, will contribute to this by emphasizing compliance with accounting standards.

The implementation of this JP is an example of how the scope of UNS support can be broadened when agencies focus on the complementarity of their mandates. The project initiated some Partnership with financial institutions (Sunref, Miarakap) and development partners to seek the complementarity of their respective instruments and create linkage among them. These joint efforts have led to the following key outcomes :

Outcome 1- Output 1.1:

? 77 participants, including various public (MEH), private sector, NGO, CSO, and PTF entities: World Bank (DECIM, LEAD, PAGOSE); GIZ PERER, attended a presentation and sharing session of the JP during the JME in Q4 2023,

? At least 100 participants, mainly from the private sector, including SMEs, NGOs, CSOs, were able to interact with the JP team during the Athari forum

? Two financial institutions (MCB and MIARAKAP) clearly expressed their motivation to collaborate within the framework of the JP during a workshop organized by AFD on the SUNREF program (on Q3 2023), during which the joint JP team was invited to share the project's areas of intervention.

? The call for expressions of interest to benefit from the derisking facility has been finalized and is available online since January 2024. The deadline for this first call is March 18, 2024

Outcome 1 -Output 1.2:

? The JP's interventions, including the sovereign fund, were shared during the Madagascar side event at COP 28 in Dubai.

? The JP supported the Government of Madagascar (GoM) on the setting up of the national sovereign fund (FSM: Fonds souverain de Madagascar):

Outcome 2 -Output 2.1:

? The concept note of the energy incubator and its work plan was finalized.

? The recruitment of host of the energy incubator has been finalized,

With regard to the SEI implementation project, the following activities have been carried out to date:

? Selecting the SEI host incubator

? Inclusive stakeholder engagement with GIZ PERER and WWF to strengthen the capacity and effectiveness of SEI. The SEI has been integrated into VIKINA program,

? Improvement and validation of the SEI strategic framework

Outcome 2 - Output 2.2:.

? Capacity-building needs for MEH cross-cutting themes and specific technical topics have been identified and prioritized.

? The capacity-building needs of the Ministry of Economy and Finance (MEF) and the Ministry of Energy and Hydrocarbons (MEH)

? A workshop to identify MEH's capacity-building needs has been held cross-cutting capacity-building needs and specific technical requirements have been identified and prioritized,

? An initial identification of MEF capacity-building needs has been carried out. A mini workshop is planned in the near future to refine and prioritize them.

Main Challenges, adjustments and lessons:

(1) Internal constraints

? The recruitment processes for host of the sustainable energy incubator, and the consultancy for the FSM procedures manual, required a long lead time.

(2) external constraints

? The requirements for the position of Investment Director of FSM seem to be difficult to find.

? The private sector faces challenges accessing existing financing mechanisms to support the energy transition because of their low formalization and their lack of capacity and knowledge of financial instruments.

? The financial institutions aren't well equipped to serve the energy segment because they don't have adequate financing instruments and risk management tools. They need capacity building to understand and better serve energy businesses.

? There is no up to date databases in the energy sector.

Lesson learned.

? UNDP and UNCDF must educate the private sector on the types of financing instruments offered. Information sessions are therefore mandatory to achieve understanding of these instruments, and how to achieve maximum impact and results. This will prove beneficial both in the implementation of scheduled activities and in the mobilization of resources.

? Involving the Rural Electrification Development Agency (ADER), the financial sector and the technical and financial partners to create a good leverage effect.

? Digital communications (social networks, LinkedIn, X (former twitter...), print media, various communication supports (brochures, roll-ups, etc.) are very useful for a better visibility of the JP.

Priority Cross-cutting Issues

Cross-cutting results/issues

Incubation will help develop income-generating activities that dot youth. Young people often face significant employment challenges. The host of the energy incubator is therefore a powerful tool for motivating and accompanying young people, in their entrepreneurial initiative, especially.

for young people and women.

The JP explores a partnership with university and academics to encourage sustainable energy solutions driven by youth through some idea competitions among academics and give the winners the opportunity to join the IED and to develop their idea.

How did the JP apply the Gender Marker

The JP is Gender-transformative (for example, the JP explicitly aimed to address the structural and root causes of gender inequality, such as by combining social protection with community dialogues and economic empowerment activities that aim to shift gender social norms and power relations).

SDG Transitions Acceleration

(1) better integration of policies and action as the implementation of the JP activities systematically includes the Ministry in charge of the Energy and the Ministry of Economy and Finances.

(2) increased speed of reaching the SDGs as the JP contributes to the Energy UN transition initiatives that are among the accelerators of the SDGs

(3) enhanced scale of progress in terms of people and planet reached as about USD 4 million (about half the JP budget) will be invested catalytically in sustainable energy solutions proposed by the private sector. The derisking facility and the sustainable energy incubator initiative, will facilitate investment and entrepreneurship in solar energy, bioenergy, cooking energy, Energy efficiency, Innovation, and information technology. The JP will contribute up to 120000 tons to GES emission reduction

(4) ensuring sustainability of the transitions in terms of long-term policy change and additional financing unlocked
? The derisking facility and the energy incubator lab initiative, will facilitate investment and entrepreneurship in solar energy, bioenergy, cooking energy, Energy efficiency, Innovation, and information technology, ...

? The sovereign fund will contribute to the large-scale investments led by the Ministry in charge of Energy

? The deployment and scaling-up of the financial instruments developed in this project will also promote synergy and networking with international investors.

(5) guaranteeing that the financial solutions developed/implemented are context specific.

? The project's architecture is innovative and pioneering in the energy financing sector. The financial vehicles developed constitute a first experiment in the country and open the way to several partnerships with investment funds, banks, the private sector, etc. The project will enable a "resource pooling" mechanism with these players in the country's financial sector, further facilitating access to financing with a view to promoting the energy transition.

At least, the JP will accelerate the following SDG's target:

? Target 17.1: Strengthen domestic resource mobilization, including through support to developing countries, to improve domestic capacity for tax and other revenue collection,

? Target 7.1: Ensure universal access to affordable, reliable, and modern energy services.

? Target 9-a: Facilitate sustainable and resilient infrastructure development in developing countries through enhanced financial, technological and technical support to African countries, least developed countries, landlocked developing countries and small island developing State.

Annual Reporting on Results

Exit strategy, scaling, sustainability and next steps

? In 2024, collaboration with AfDB, GIZ PERER, World Bank, AFD, and others TFP, will be explored in depth to mobilize as many partnerships as possible within the framework of the JP,

? In 2024, the first cohort of startups and MSMEs to be incubated will be recruited. Once the project is completed, the SEI concept will be shared with all incubators in Madagascar, along with the strategic documents that go with it.

? The effective launch of FSM's activities will enable it to finance large-scale energy projects, up to 25% of its portfolio,

? "As for the derisking mechanism, the government of Madagascar is in the process of setting up the FNED, a fund dedicated specifically to sustainable energy. FNED would be a potential candidate to take over the management of the projects in the portfolio at the end of the project.

Measuring and reporting on impact

The call for expressions of interest in the derisking facility has just been launched. At the same time, the incubator for energy solutions is becoming operational. Ultimately, these activities will lead to at least 80,000 people, 40% of them women and 40% of them young people, benefiting from sustainable energy services. This will contribute up to 120000 tons to GES emission reduction.

Overview of progress toward Financial Instrument(s)

The financial instruments available to the Derisking Facility will be the following: loans (working capital loans, extended grace period, long tenor loans, subordinated loans), liquidity facilities (grants), risk sharing facilities (loan guarantees: pari passu credit risk guarantee, subordinated risk guarantee, volume guarantee).

The Joint Project undertook a scoping mission to meet with some Malagasy energy entrepreneurs and understand their financing needs and assess their capacity to submit loan applications. This scoping helped calibrate the financial instruments and finalize the call for expression of interests.

Completed transactions

In progress: investments and/or transactions made through the derisking facility instrument is linked to call for expressions of interest is scheduled to begin in January 2024.

Strategic Partnerships, Documents and Communications

Multi-stakeholder engagement

National government;Civil Society Organizations;IFIs/DFIs;Commercial banks;Bilateral aid organizations;

How did the JP facilitate collaboration with diverse stakeholders

Partnerships are still being explored, and the process will continue in 2024. Particularly, within the framework of the SEI implementation, partnerships with universities are planned to organize competitions for project ideas and offer winners the opportunity to join the IED so that they can mature their ideas. Synergy with ongoing initiatives within the U.N System is explored, for example with clean cooking initiative.

Financial leverage

\$0.00

Donor and Strategic events attended by JP in 2022

Kick-off meeting	JP steering committee/ programme board meeting	Strategic partners/ donors event
	Yes, in 2023	Yes, in 2023

Focus on LNOB cross cutting principles

Human Rights	Persons with disabilities	Youth	Environmental and social standards
No	No	Yes	Yes

Beneficiaries

Number of beneficiaries

\$0.00

Percentage (%) of women benefited among the total number	Percentage (%) of children & youth (0-24 years of age) benefited among the total number	Percentage (%) of older persons (age 60 and above) benefited among the total number	Percentage (%) of persons with disabilities benefited among the total number
0	0	0	0

Communications

Voices from the field

Mrs Rindra Hasimbelo Rabarinirinarison at the JSDGF Side Event held at the Madagascar Pavilion on sustainable finance for energy transition at COP28 stresses on the importance of the JSDGF project to support the national priority on energy sector.

Declaration

We hereby confirm that the information provided in this update is duly reviewed and approved by the RC and all PUNOs involved in the Joint Programme.