



**Joint Programme 2023 Annual Progress Report**  
SDG Financing Portfolio - Component 2

## **Cover page**

**UNCT/MCO:** Malawi

**Reporting Period:** 1 January - 31 December 2023

**JP title:** SDG Financing- Catalytic Investments

**Thematic SDG Areas:** Decent jobs & universal social protection;

**Gender Marker:** Gender-sensitive (for example, the JP acknowledged and aimed to address gender to enhance the policy/programme, such as undertaking gender analysis to ensure policies/programmes do no harm)

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

**Total estimated expenditures:** USD \$101.00

**Total estimated commitments** (including expenditures): \$101.00

## Executive Summary

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## Annual Progress

### Main results achieved by the joint programme in 2023:

The UNCDF team conducted an in-country due diligence on four selected MIF companies, out of a pool of 26 that were submitted. Two were recognized as possible investment opportunities. From the two remaining, a loan term sheet for a debt facility was extended to Ziweto Enterprises Ltd.

- In a deteriorating economy such as Malawi, the BUILD Fund was restructured to be a more practical financial instrument for both investors and small and medium-sized enterprises (SMEs). The SDG Fund authorized the restructuring, and liquidation was concluded.
- A diagnostic instrument for the Technical Assistance Facility (TAF) was developed, and a method of engagement for the facility among UN agencies was determined. One company has approved the TA Term Sheet, and EY is scheduled to deploy the TA in the first quarter of 2024.
- In pursuit of reestablishing a redesigned BUILD Malawi Facility, UNCDF undertook a market scoping exercise in the last Quarter of 2023, which encompassed primary and secondary research, to assess further its operational options in the Malawi Market.
- The JP contributes to two main CF outcomes “By 2023, Malawi has strengthened economic diversification, inclusive business, entrepreneurship, and access to clean energy” and “By 2023, Malawi has more productive, sustainable, and diversified agriculture, value chains and market access.”

### Main Challenges, adjustments and lessons:

To enhance its attractiveness to particular investor cohorts and small and medium-sized enterprises (SMEs), the BUILD Malawi Fund was reorganized and redesignated as the BUILD Malawi Facility. This change was necessitated by the deteriorating macroeconomic outlook in Malawi and the absence of investor confidence in a weakened market like Malawi. This is further elaborated in the executive summary above.

## Priority Cross-cutting Issues

### Cross-cutting results/issues

Poultry farming is predominantly female led and female smallholder farmers have largely benefitted from animal feed supplements and premixes for the first time manufactured in Malawi.

### How did the JP apply the Gender Marker

The JP is Gender-sensitive (for example, the JP acknowledged and aimed to address gender to enhance the policy/programme, such as undertaking gender analysis to ensure policies/programmes do no harm).

### SDG Transitions Acceleration

The financial solution developed/implemented is context specific. The Fund has been restructured to adjust to the changing economic context of Malawi and it remains a highly desirable financial instrument for growth-oriented

and SDG-positive enterprises; the instrument fills in clear market gaps in terms of unlocking capital in foreign denominated currency (USD\$) that is severely scarce in Malawi, a country that is undergoing severe economic challenges. The Fund absorbs the exchange rate loss and makes it very unique and well positioned in the market, being the only fund able to do such. The hard currency is necessitated to procure capital equipment abroad, packaging materials and raw materials to a certain extent. This contribute towards 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; 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 and SDG target 17.3: Mobilize additional financial resources for developing countries from multiple sources.

## **Annual Reporting on Results**

### **Exit strategy, scaling, sustainability and next steps**

Regarding the upcoming actions, the UN joint technical teams will play a pivotal role in determining the inclusion of a credit guarantee instrument into the BUILD Facility, following the demand and supply side analysis report conducted by UNCDF and delivered end of December. Depending on the decisions made, a comprehensive Prospectus will be prepared for wide marketing activities of the instrument in Malawi and the restructured BUILD Facility will be officially launched and accessible for potential applicants. Furthermore, a thorough due diligence process will be conducted on companies identified through MICF's pipeline, and a comprehensive assessment of applications will be carried out subsequent to the launch. The fund is anticipated to invest in a minimum of two companies, offering technical assistance in either pre- or post-investment stages to three selected entities. Ongoing efforts will be dedicated to fundraising activities.

### **Measuring and reporting on impact**

- Ziweto has set up a manufacturing facility to produce animal feed supplements and premixes in Malawi. Livestock and poultry supplements and premixes are animal nutrition products, which help, in effective feed conversion, boost immunity against diseases, and support growth and productivity for animals. Supplements can be given directly to livestock and/or poultry, or can be mixed with feed, while premixes are exclusively mixed with feed.
  - Through the local production of feed premixes and supplements, for the first time in Malawi, Ziweto has lowered the cost of production on its product lines via import substitution, making the products more affordable and accessible to smallholder producers. In order to improve reach to its targeted customer base, Ziweto expanded its Agro-Vet Shops, and established a Lead Farmer network, which allows smallholder livestock producers in various parts of the country to access, and effectively utilise, the new products.

### **Overview of progress toward Financial Instrument(s)**

The BUILD Malawi Fund was restructured to be the BUILD Malawi Facility framed around the Bridge Facility of UNCDF. A detailed submission was made to the SDG Fund with a request for restructuring which was approved.

### **Completed transactions**

The Term Sheet for the investment of \$ 250,000 USD made in Ziweto Enterprises Ltd is uploaded and carries all the requisite information.

## Strategic Partnerships, Documents and Communications

### Multi-stakeholder engagement

National government;IFIs/DFIs;Commercial banks;

### How did the JP facilitate collaboration with diverse stakeholders

The stakeholders selected are integral part to the Steering Committee set up as the Apex Governance Structure for the BUILD. Ministry of Finance and the Central Bank were appraised on progress together with German Development Bank. Whilst Commercial Banks were consulted during the scoping mission of UNDCF to Malawi related to the possibility of adding a credit guarantee scheme through the BUILD as a complementary instrument to debt and equity provision.

### 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	No, but planned in late 2024

### Focus on LNOB cross cutting principles

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

## Beneficiaries

### Number of beneficiaries

\$76,892.00

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**

There have been no communication outputs in 2023 since efforts were put into the actual restructuring of the Fund. Communication activities will be undertaken in 2024.

### **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.