



Joint Programme 2023 Annual Progress Report

SDG Financing Portfolio - Component 2

Cover page

UNCT/MCO: Zimbabwe

Reporting Period: 1 January - 31 December 2023

JP title: SDG Financing- Catalytic Investments

Thematic SDG Areas: Energy Transitions;

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: Devising a market-ready pipeline; Building capacity at scale;

Total estimated expenditures: USD \$514,286.20

Total estimated commitments (including expenditures): \$3,867,000.00

Executive Summary

Under the reporting period, the JP carried out, through the UNCDF, extensive due diligence on the fund manager, the investment strategy, and internal supporting structures. Risks were identified and mitigation measures were put in place. Lessons learnt in the due diligence process are to be shared among other JP lessons as part of lessons learnt in strengthening capacity of the business environment to attract and increase opportunities for private sector investment, innovation, productivity, and competitiveness which is a key consideration in national development. Leveraging on the Fund Manager's existing partnerships in infrastructure investments and interaction with potential investees, the fund is expecting to fund primarily operational assets, and primary brownfield projects. However, the proportion of youth and women in this sector is low, hence the fund will also invest in primary greenfield projects which aligns well with the target demography. The PUNO's as part of pipeline assessment and identification, managed to register at least 62 business interests for the loan facility, over 30% of the business ideas were renewable energy proposals that incorporate other productive segments of the value chains. The JP has also completed an extensive renewable energy sector wide needs assessment for pre- and post-investment support. Based on the results of the assessment the JP has initiated the process of partnership agreements with the Private Financing Advisory Network (PFAN), and the Zimbabwe Electricity Supply Authority (ZESA) National Training Centre. The trainings are in line to support potential investees and aid in de-risking the renewable energy sector. The first training workshops are to be held in the first quarter of 2024.

Annual Progress

Main results achieved by the joint programme in 2023:

Under the reporting period, the JP made significant progress in establishing a firm partnership with Old Mutual, who is the Renewable Energy Fund (REF) fund manager. UNCDF initiated and concluded an extensive due diligence exercise to ensure a robust structure for the loan agreement. Physical visits and extensive virtual consultations were carried during the period hence the due diligence exercise spanned from Q2 to Q4 of the reporting period. UNCDF reviewed Old Mutuals investment track record on managing similar investment portfolios, team management and HR practices. Analysis was carried out on team members terms of references staff retention and training plans to ensure alignment with JP human resource demands. Furthermore, UNCDF reviewed the envisioned investment strategy to ensure alignment with JP objectives. The elements reviewed included the diversification strategy, Old Mutuals competitive advantage, expected investment instruments, investment process, governance, exit strategy and realization of investment. An analysis of the operating environment was conducted featuring major national challenges, economic, political stability, and investment climate. A solid risk assessment and mitigation plan was developed to enable effective operational efficiency of the fund. An investment impact selection criterion was finalized to ensure projects selected for financing are aligned with the JP. The investment impact criteria provides SMART metrics that ensure contributions to SDG 5,7,8,9,13 and 17 are captured in the projects to be selected for financing. The overall structuring exercise that was carried out culminated in the approval of the loan transaction by the UNCDF impact investment committee towards the end of Q4 of the reporting period. The fund is expecting to carry out the first transaction in Q1 2024.

Old Mutual is already an active player in the renewable energy infrastructure development. The JP is leveraging on the partnership with Old Mutual with an initial market ready pipeline of projects already in place, subject to assessment under the JP investment -impact criteria, which will be augmented by a Call for Proposals to ensure a continuous assessment and selection of bankable pipeline projects. The investment assets based on the current pool of potential renewable energy project developers are mainly operational and primary brownfield (assets that have been constructed but which are to be replaced, upgraded, refurbished, rehabilitated, or extended) assets. The assets will be funded through equity capital through Ordinary Shares (minimum of 25% and maximum of 51%), quasi-equity capital through participating preference shares and convertible debt, debt instruments (Debentures) with participation rights, loans to portfolio companies, joint venture interests and other partnership interests. The fund shares are being offered to Investors at an Initial Offer Price of US\$1,000 per share with an Initial Closing targeted for the 31st of March 2024, however, the fund will hold Staged Closings for additional capital commitments, driven by specific investment opportunities, at the sole discretion of the Fund. The fund manager

will commit 0.5% of the aggregate capital commitments to the Fund and will have the option to co-invest up to 10% of the aggregate capital commitments to the Fund.

Under the reporting period, Q2 and Q3, the JP commissioned and concluded a Needs Assessment Report for the RE sector to identify capacity gaps and de-risk the RE ecosystem to increase the number of bankable RE projects and initiatives able to access the REF and other similar smaller funds. Based on the results of the assessment the JP has initiated the process of partnership agreements with the Private Financing Advisory Network (PFAN), and the Zimbabwe Electricity Supply Authority (ZESA) National Training Centre. The aim is to deliver quality RE financial and technical training with training workshops for year 2024 and beyond. In Q4 a data

Main Challenges, adjustments and lessons:

The high-risk nature of the fund structure called for extensive risk assessments, coupled with additional UNCDF-led due diligence, which delayed the approval of the disbursement of funds to the fund manager. The RC was instrumental in negotiating for the expedition of the UNCDF internal approval process to get the fund disbursement to the fund manager on track

Priority Cross-cutting Issues

Cross-cutting results/issues

The JP is contributing to cross cutting issues such as women empowerment and youth inclusion by mainstreaming gender and youth inclusion in the project pipeline selection framework. The impact framework to be used by the Fund Manager was jointly developed with PUNOs to ensure women and youth benefit from the projects to be financed. The JP in its capacity building initiatives is actively encouraging the participation of women and youth. For the finance pre-investment capacity building training invitation, the JP received 93 applications against a planned pool of 25 trainees. Out of the 93 applicants, 32% were women and 75% of applicants were under 40 years. The selection process for trainees was gender responsive and gave preference to women and youth entrepreneurs in the green industry that led to 50% women and 70% youth representation. The training is set for Q1 2024

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 JP presented at the Energy Transitions COP28 session at the Madagascar Pavilion in Blue Zone. The event was a knowledge sharing session with the aim of learning and aiming for better integration of policies and action. The format was a high-level panel discussion on the experience of blended finance from 4 UN Member States (Madagascar, Uruguay, Zimbabwe and North Macedonia) with participants from the UN Joint SDG Fund that implements programmes in these countries with the collaboration of several agencies (ie UNIDO, UNESCO, UNDP, IOM and UNECE), the Governments of Madagascar, Uruguay Zimbabwe, and North Macedonia represented by Ministers and private banks. The event 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. The creation of special financial vehicles (such as Madagascar's Sovereign Wealth Fund, the Green Financing Facility in North Macedonia, and the Renewable Energy Fund in Uruguay and Zimbabwe) that bring together private firms and banking systems under a measurable and verifiable impact framework, can significantly leverage private funding for the SDGs.

- The JP and the Fund manager collectively developed an impact framework to be used for project selection. The

focus on the framework to favor high impact and bankable projects are financed leading to an acceleration of reaching the SDG goals.

- The JP by ensuring a sustainable fund is established through a thorough due diligence exercise of the fund structure and management will ensure the sustainable participation of the private sector hence unlocking long term financing.

- The JP ensured the financial solutions developed are context specific. UNCDF reviewed the envisioned investment strategy. The elements reviewed included the diversification strategy, Old Mutuals competitive advantage, expected investment instruments, investment process, governance, exit strategy and realization of investment. An analysis of the operating environment was conducted featuring major national challenges, economic, political stability, and investment climate. A solid risk assessment and mitigation plan was developed to enable effective operational efficiency of the fund.

Annual Reporting on Results

Exit strategy, scaling, sustainability and next steps

The sustainability of the JP interventions has been assessed through a three-pronged lens of financial and operational sustainability as well as long-term intended impact. The JP encompasses a financially and operationally sustainable model, partly through the partnership with OMIG acting as the Fund Manager who will continue to operate the REF post the JP duration of four years. This would create a self-perpetuating system of financing and fund pooling. It is envisaged that after the first cycle of the fund in 2024, there shall be a second phase.

Secondly, the idea is to explore other sources of finance once the REF is established to sustain the future operations of the REF geared towards the financing of green infrastructure projects in the country by establishing partnerships with co-financiers. It is expected that the funding received from the SDG-F would act as seed funding to attract greater investments from co-financiers and other funding entities. It is envisaged that the first series of RE projects funded through the REF would help to showcase bankable project models in the RE sector, which would act as a driving force to increase the confidence level of private investors to invest robustly in the sector.

Catalysing investments in Sustainable Energy is not only about investing in infrastructures; it requires a structural transformation, starting with people's attitudes, values and behaviors for a long-term change. For investments to be sustained and impactful in this area, citizens themselves must become change agents to be at the forefront of inventing the future of their society and economy. The JP will contribute towards empowering citizens to drive the change and transformation towards sustainability in ways that are socially fair, ecologically sustainable, and economically viable in the long term. This in turn will facilitate wider social change, initiate new development models, and foster more sustainable economic and financial dynamics.

By promoting women's involvement not just as end-users or beneficiaries, but in prominent positions in RE enterprises and the value chain of RE companies, the JP will pave the way for transformation in socio-economic norms around women participation. This impact will be sustained far beyond the JP period. The cumulative impact of these elements will foster long-term impact in terms of greater awareness among children, youth, women, and society at large about RE and its significance and the growing need for the same in the country. By focusing not just on investing in projects, but also on building skilled manpower in a particular sector via education and training initiatives would have a long-term impact.

Measuring and reporting on impact

This will be reported in 2024.

Overview of progress toward Financial Instrument(s)

The fund was constituted as a collective investment scheme and finalization of the loan agreement terms between the Fund Manager and UNCDF (the custodian of the Joint SDG-Fund investment on behalf of the UNCT) initiated in Q4 2023 with closure anticipated in Q1 2024. The fund has been registered and constituted as a collective investment scheme in Zimbabwe. The financial instruments chosen based on the anticipated types of investments and the current investment ecosystem in the country, are:

- Equity capital through Ordinary Shares (minimum of 25% and maximum of 51%)
- Quasi-equity capital through Participating Preference Shares and Convertible Debt
- Debt instruments (Debentures) with participation rights
- Loans to Portfolio Companies
- Joint venture interests
- Other Partnership interests such as (Build, Operate and Transfer (BOT); Build, Own, Operate and Transfer (BOOT); and Concession arrangements).

The fund has an Investment Committee made up of independent industry experts, who will be responsible for approving all investments or disposal of investments by the Fund in accordance with the agreed-upon investment strategy.

Completed transactions

Data to be provided by end of Q2 2024. The first transaction to be completed in Q1 2024 at fund operationalization.

Strategic Partnerships, Documents and Communications

Multi-stakeholder engagement

National government; Civil Society Organizations;

How did the JP facilitate collaboration with diverse stakeholders

PFAN – A partnership agreement was drafted and submitted to PFAN for their review and approval. The nature of the agreement revolves around the combining the Zimbabwe UNCT resources and networks together with the PFAN resources to develop fit-for-purpose capacity building initiatives for our target demography. We have developed the curriculum for the initial training which received interest from 93 project developers.

ZESA National Training Centre and Zimbabwe Institution of Engineers – Partnership agreements are currently being negotiated with the organisations, and the nature of the partnerships focuses on the de-risking of the renewable energy ecosystem in the country by extensive training of potential project developers. A training curriculum was developed together with experts in renewable energy project development lifecycles.

Renewable Energy Association of Zimbabwe (REAZ) - Key elements to be incorporated into a partnership agreement are currently being negotiated. The nature of the proposed partnership is to facilitate the sustainable development and uptake of Renewable Energy Technologies (RETs). The JP is also utilising the REAZ members and networks to promote the fund and providing networking opportunities for the early-career project developers.

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
	No, but planned in late 2024	No, but planned in late 2024

Focus on LNOB cross cutting principles

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

Beneficiaries

Number of beneficiaries

\$0.00

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

Communications

Voices from the field

Hon Zhemu Soda, the Minister of Energy and Power Development said the purpose of the 4-year Joint Programme (JP) is to accelerate investments in climate change mitigation and sustainable energy projects for the achievement of SDGs in Zimbabwe and to maximise the development of local economic spin-off initiatives that can obtain as a result of access to renewable energy and ICTs.

“The programme will also contribute towards the attainment of a number of key national priorities of the Government of Zimbabwe as outlined in the National Development Strategy (NDSI) and the Zimbabwean Framework of the United Nations Sustainable Cooperation 2022-2026.

“This project will be funded to the tune of USD \$45 Million (\$10 Million from UNSDG-Fund, \$35 Million potential co-financing and leverage from OMIG and other local finders),” Hon Soda said.

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.