

# LOCAL INSIGHTS, GLOBAL AMBITION

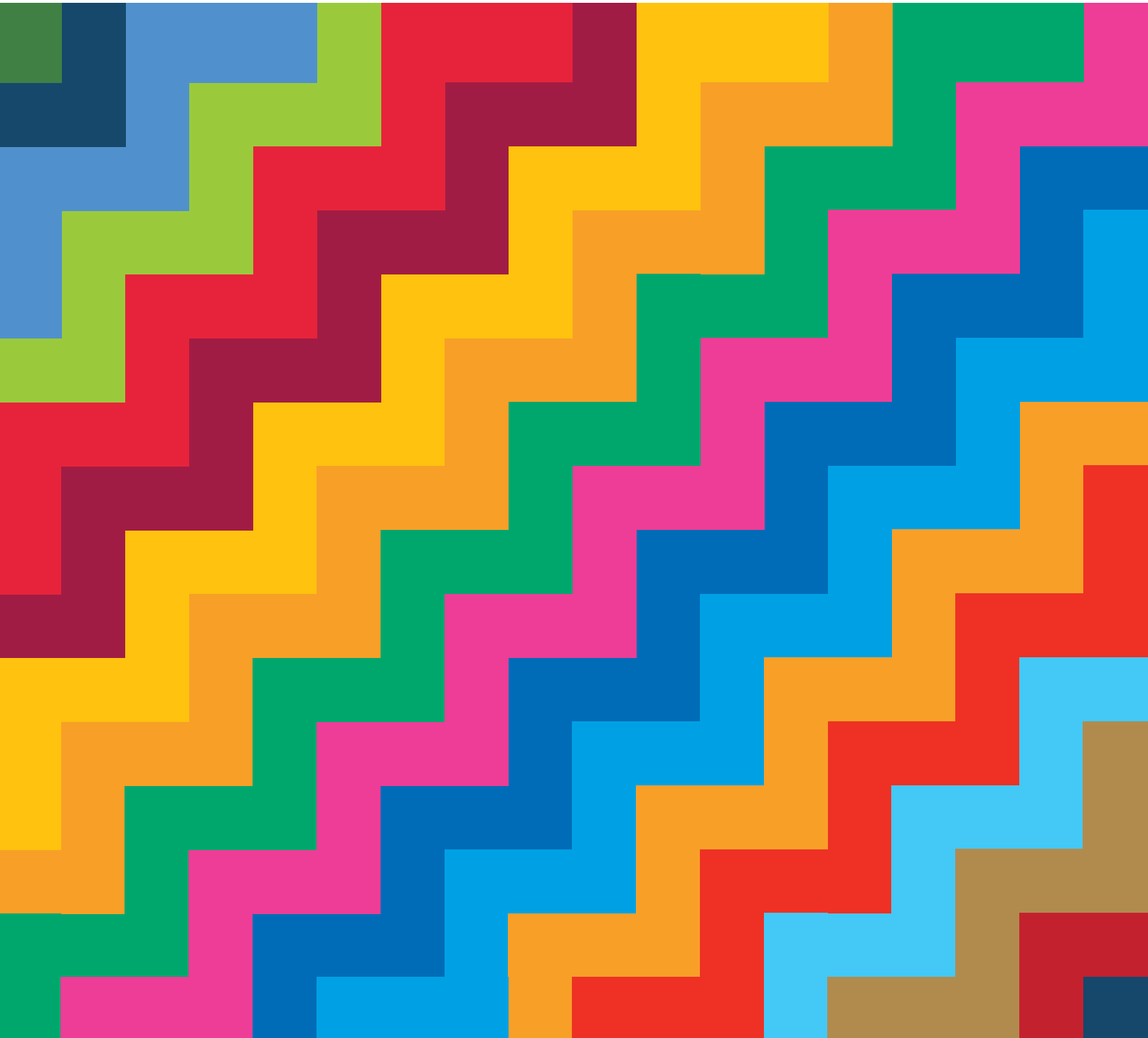
UNLOCKING SDG FINANCING:  
GOOD PRACTICES  
FROM EARLY ADOPTERS



UNITED NATIONS  
DEVELOPMENT  
OPERATIONS  
COORDINATION  
OFFICE



Dag Hammarskjöld  
Foundation





# THE 2030 AGENDA AND FINANCING NEEDS

Between USD \$3.3-4.5 trillion per year needs to be mobilized if we hope to achieve the 2030 Agenda for Sustainable Development. At today's level of public and private investments in SDG-related sectors, developing countries face an average annual funding gap of USD 2.5 trillion.<sup>1</sup> Although Official Development Assistance (ODA) remains an important financing mechanism, especially in least developed countries, only USD 146.6 billion in ODA was secured in 2017,<sup>2</sup> which is not nearly enough to achieve the ambitious goals laid out in the 2030 Agenda.

This does not mean that ODA is irrelevant. Rather, it must be used more strategically—as an instrument to secure other sources of finance: public and private, domestic and international. The shift from “funding” to “funding and financing” places new demands on international development partners, including large foundations, non-governmental organizations (NGOs) and the United Nations (UN). Governments, the UN, public and private sector entities, and civil society need to apply context-relevant models of innovative financing that can accelerate the SDGs and ensure that no one is left behind.

## PERSPECTIVE SHIFT: FROM FUNDING TO FINANCING

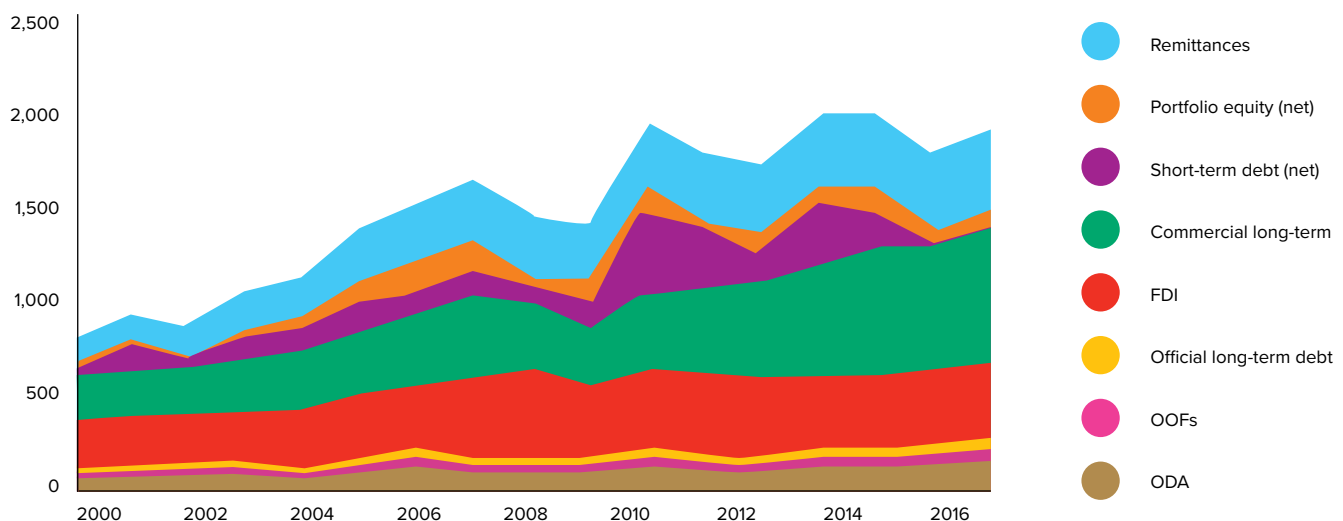
The Secretary-General's June 2017 report about repositioning the United Nations Development System (UNDS) to deliver on the 2030 Agenda<sup>4</sup> emphasizes the financing needs for the SDGs and calls for a comprehensive overhaul of the UNDS approach to financing. While governments attract various investors and mobilize different types of finance a new generation of United Nations Country Teams (UNCTs) need to become better equipped to support governments in overcoming critical challenges to financing the SDGs.

The 2017 UNDAF guidance note<sup>5</sup> elaborates the shift from a “funding” to “funding and financing”<sup>6</sup> approach where UNCTs should support the (re)structuring of different financial flows to achieve a common result. To maximize the chances of achieving the SDGs, all financing flows must be aligned towards attaining the SDGs.

The UNDS needs to support governments by 1) ensuring that limited ODA resources are used to attract additional resources and 2) bringing in and mobilizing investments for national priorities.

- 1 UNCTAD World Investment Report, 2014.
- 2 ODA estimates, OECD.
- 3 Source: Development Initiatives, based on various sources. For methodology and sources see: <http://data.devinit.org/methodology>.
- 4 See: <https://www.un.org/ecosoc/sites/www.un.org.ecosoc/files/files/en/qcpr/sq-report-on-unds-qcpr-june-2017.pdf>.
- 5 See: <https://undg.org/document/2017-undaf-guidance/>.
- 6 See: <https://undg.org/wp-content/uploads/2017/06/Funding-to-Financing-Companion-Pieces.pdf>.

FIGURE 1. RESOURCE INFLOWS FOR ALL DEVELOPING COUNTRIES, 2000 - 2016<sup>3</sup>



## PURPOSE OF THIS STUDY

This report summarizes the findings from a United Nations Development Operations Coordination Office (UN DOCO) and Dag Hammarskjöld Foundation joint study on progress and challenges in countries where the UN has secured and used innovative financing. Experiences from **Kenya, Indonesia** and **Armenia** were examined, countries where UNCTs are “early adopters” in helping governments and national partners unlock broader, non-traditional financing for development. Also included in the study is **Colombia**, an example of a country with ambitious plans but at an earlier stage of implementing the “funding and financing” shift.

In examining progress of these early adopters, the study focuses on opportunities for the UN in the financing field so other UNCTs following similar paths can learn from and build on these experiences. In addition, the four country case studies briefly highlight challenges encountered in adopting new financing approaches, so they can, where possible, be addressed corporately.

## COUNTRY CASE STUDY METHODOLOGY

In August 2017, UN DOCO conducted a survey to understand what innovations in financing were taking place at the country level and identify promising practices from across the UNDS. The survey cast a wide net across the spectrum of development finance at the country level and looked at two aspects:

- **TAPPING INTO NEW TYPES OF FINANCING:** Initiatives that draw on new resources, be it public, private or at the intersection of the public and private sectors.
- **USING RESOURCES IN NEW WAYS:** Initiatives that use existing resources in new ways to increase impact by spending money more effectively and efficiently.

Eighty-five responses were received from twelve United Nations organizations and Resident Coordinator Offices (RCOs) in all regions. The high response rate indicated that innovative financing is an important topic for many UN country offices.

Armenia, Indonesia and Kenya<sup>7</sup> were selected as good practice countries and an independent consultant visited all three in early 2018, interviewing professionals from the UN, government, private sector, and other development organizations. Findings were presented at a validation workshop in Uppsala, Sweden in April 2018<sup>8</sup> where UN practitioners and external financing experts (those who already employ new financing approaches) met to share their

experiences in unlocking innovative financing for the SDGs. The section below presents consolidated findings from Armenia, Kenya, Indonesia and Colombia. To get more insight on the processes at the country level, the individual country reports are accessible at the UN DOCO or Dag Hammarskjöld Foundation websites.

## UNCT EARLY ADOPTERS: ACCELERATING SDG PROGRESS THROUGH NEW MODES OF FINANCING

### ARMENIA: IMPACT INVESTING<sup>9</sup>

A middle-income country, Armenia is piloting innovative ways of financing the SDGs. Two main sources are tech and the venture capital ecosystem linked to it, and investments from a large, wealthy diaspora. Dubbed “the Silicon Valley of the former Soviet Union,” Armenia has morphed into a thriving tech start-up hub, which has attracted global recognition. Financing initiatives in Armenia have followed two major trends since 2015: the emergence of social enterprises and a shift from traditional philanthropic activities towards venture philanthropy and impact investing.

The UN in Armenia has taken advantage of the shift by setting up a Country Platform for SDG Implementation. The platform is aligned with national reform and SDG efforts, providing a collaborative space for the UN, development partners and civil society to strengthen relationships or develop new ones with International Financial Institutions (IFIs), donors and philanthropists. Additionally, an SDG Innovation Team was established within the UNCT, comprised of specialists with a background in finance and the private sector.

### A CLOSER LOOK

**The Kolba Social Innovation Lab**, launched by UNDP in 2013,<sup>10</sup> addresses social challenges by gathering ideas from citizens

7 Individual case studies can be downloaded from <https://www.daghammarskjold.se/>

8 See: <https://www.daghammarskjold.se/oh-the-things-you-can-find-if-you-dont-stay-behind/>

9 The Armenia Country Case Study is available online at <https://www.daghammarskjold.se/>

10 See: [kolba.am/en/](https://kolba.am/en/)

and providing a space where institutions can respond to, and support, these ideas. Since its launch, the Kolba Lab received 580 ideas and incubated 40 start-ups within the Government, public and private sectors. The success of the Kolba Lab led to the creation of **the ImpactAim Venture Accelerator**. The UNCT found that new start-ups and social enterprises needed more support following the incubation phase if they were to grow and access new markets, increase visibility to investors and secure capital. As a result, the ImpactAim Venture Accelerator,<sup>11</sup> established in December 2017 by the UNCT in partnership with ImpactHub Yerevan and the Catalyst Foundation,<sup>12</sup> provides tailored mentorship and a specially designed curriculum for ventures to strengthen their market presence, scale impact and increase their investment absorption capacity.

## “How do we achieve a smarter, leaner system for tackling development issues while making it relevant and attractive for the government, development partners and the private sector?”

– The UN Resident Coordinator in Armenia

### LEVELLING UP: THE FUTURE OF DEVELOPMENT FINANCING IN ARMENIA

As for next steps, the UNCT in Armenia plans to launch various new initiatives to help secure scalable private finance flows for the SDGs. The country team will set up a Venture Impact Fund, launch social investment bonds (Impact Bonds, Diaspora Bonds, Green Finance), and introduce a financing facility worth USD 10 million to invest in Armenian companies that have direct social and environmental impact, and positive financial returns.

### INDONESIA: ISLAMIC FINANCING<sup>13</sup>

The largest economy in Southeast Asia, Indonesia has achieved impressive economic growth since the financial crisis of the late 1990s. A diverse archipelago of more than 300 ethnic groups, Indonesia is home to the world's largest Muslim population and 10th largest economy in terms of purchasing power parity. To make continued progress, the country needs to ensure economic growth is more inclusive and 'green' so it can effectively support the acceleration of the SDGs.

Indonesia's current medium-term development plan runs from 2015 to 2019 and focuses on infrastructure development and social assistance programmes related to education and health-care.<sup>14</sup> These plans are being implemented in an evolving financing landscape where there is little international financing and ODA has been steadily decreasing. Domestic private investment has been the dominant form of financing in the country.

### A CLOSER LOOK

The UNCT in Indonesia has implemented a range of activities and experimented with new forms of finance to support SDG achievement—this includes blended finance instruments, Islamic financing for the SDGs, crowdfunding campaigns for environmental projects, launching the first sovereign wealth fund, and setting up an Innovative Financing Lab.

The UNCT has turned to **crowdfunding campaigns** as a new mode of financing that can accelerate SDG progress.<sup>15</sup> In 2016 and 2017, UNDP implemented two successful crowdfunding campaigns for livelihood and environmental initiatives that are now being scaled up into an SDG crowd funding platform.<sup>16</sup>

Furthermore, the growing **social entrepreneurship system** in Indonesia has the potential to positively disrupt numerous sectors. Noting this potential, the UN in Indonesia is helping young social enterprises access funds by collaborating with ANGIN:<sup>17</sup> the first and largest Indonesian angel investor network with more than 70 investors, including 30 women. A similar initiative the UNCT is supporting is **Connector.Id**, an online matchmaking fund that connects possible investors with entrepreneurs from around the country.

### LEVELLING UP: THE FUTURE OF DEVELOPMENT FINANCING IN INDONESIA

Because of its potential, the country team is embracing **Islamic financing** for SDG achievement. If successful, it will be the largest source of financing for achieving the country's development goals. To build momentum the UNCT hired staff with the right background and experience and selected institutional partners that can leverage systemic change: central and provincial governments, local banks, and partners like ANGIN.

In April 2017, UNDP aligned and channelled *zakat* charitable funds collected and managed by *Baznas*, the national agency responsible for collecting and distributing zakat. Commitments

11 See: <http://impactaim.com>.

12 See: <https://www.catalyst.am/>.

13 The Indonesia Country Case Study is available online at <https://www.dagham-marskjold.se/>.

14 Indonesian Ministry of National Development Planning (BAPPENAS) <https://www.bappenas.go.id/data-dan-informasi-utama/dokumen-perencanaan-dan-pelaksanaan/dokumen-rencana-pembangunan-nasional/rpip-2005-2025/rpjm-2015-2019/>.

15 See: <https://goo.gl/gnEeKq>.

16 See: <https://kitabisa.com/savesumatrantiger>.

17 See: <http://angin.id/>.

supported a micro-hydro energy project in rural Sumatra and improved access to water, renewable energy and livelihoods in remote parts of Indonesia. Other religious funds, such as *Waqf* (Islamic assets or cash endowments), have been tapped: UNDP and the national *Waqf* board of Indonesia recently joined forces to develop a digital *Waqf* platform through blockchain technology. The platform will be used to fundraise for the SDGs and sustainable, long-term *Waqf* modes of financing.

The UN also collaborated with the Ministry of Finance to integrate the 2030 Agenda into the national budget process. With a focus on climate change, UN support resulted in the launch of a public financial information management system that tracks climate related allocations and expenditures. Technical assistance also led to the first government-issued green *Sukuk* bond<sup>18</sup> (February 2018) where proceeds will be allocated to climate or environment-related projects.<sup>19</sup>

## KENYA: PRIMARY HEALTH CARE FINANCING<sup>20</sup>

Every year, one million people in Kenya fall into poverty and stay there because of a fractured health system.<sup>21</sup> Universal Health Care (UHC) has the potential to transform the lives of millions of Kenyans and was prioritized in the national “Big 4 Action Plan” announced in January 2018.<sup>22</sup> The UHC covers the full spectrum of essential, quality health services from health promotion to prevention, treatment, rehabilitation and palliative care. The ambition is to cover 51.6 million Kenyans (projected population) by 2022.

But to achieve UHC, resources need to be mobilized through new partnerships with the private sector, philanthropic organizations and civil society, and opportunities for blended financing (including venture philanthropy and impact investing) need to be harnessed. The UNCT, in the meanwhile, is providing support by focusing on the United Nations Development Assistance Framework (UNDAF) health-related areas of water, sanitation and hygiene (WASH), multi-sectoral HIV and AIDS responses, and social protection.<sup>23</sup>

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**“It is important to align shared value partnerships that lead to enlightened self-interest incentives for everyone.”**

– UN Resident Coordinator in Kenya

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## A CLOSER LOOK

**The Private Sector Health Partnership Kenya (PSHP),<sup>24</sup>** launched in September 2015, is a joint venture between Safaricom, Huawei, Philips, MSD, Unilever and GSK. PSHP complements on-going efforts to improve maternal health in the six counties<sup>25</sup> that account for 50% of all maternal deaths. PSHP commitments from private partners total USD 3 million. As a result of this initiative, a number of public-private partnership initiatives have taken off, inspiring partners to develop models that offer the best of both public and private sector with the potential for scaling-up health care delivery for vulnerable and poor populations in low-resource settings.

Similarly, the **SDG Philanthropy Platform in Kenya,<sup>26</sup>** launched in November 2014 and run by a talented team with experience from the private sector, maps and supports coordination in the philanthropy sector and outlines pathways for individuals to work with the UNCT, using the UNDAF to engage in mainstream development dialogues. Following multiple data training workshops, the creation of a joint working group, new collaborations in the Early Childhood Development and Technical and Vocational Training sectors in Kenya, platform members are taking the lead in driving cross-sectoral opportunities in Early Childhood Development and nutrition across the UHC and “Big-4 Agenda.”

## LEVELLING UP: THE FUTURE OF DEVELOPMENT FINANCING IN KENYA

The UNCT’s primary comparative advantage in Kenya is its close and trusted relationship with government agencies at all levels of society. Building on momentum achieved through PSHP and the SDG Philanthropy Platform, the government and UNCT launched the SDG Partnership Platform in April 2017 to work across multiple SDG clusters. Since April 2017, initial funding and technical in-kind support has been mobilized for platform operations.

What’s more, the UN and its partners launched MPTF and parallel funding mechanisms in 2017 to provide ongoing support. Through these, and similar, public and private sector channels the platform mobilized USD 1.5 million in blended financing and is securing another USD 3 million in in-kind support.

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18 Sukuk is a name for financial certificates that are “sharia compliant” bonds. The first green bond was launched by Poland in 2016 and raised €750m in five-year paper.

19 UNDP (2018), ‘Indonesia Tackles Climate Change through the Issuance of Green Sukuk (Islamic Bond)’, <https://goo.gl/SJ7ZA7>.

20 The Kenya Country Case Study is available online at <https://www.daghammar-skjold.se/>

21 Thomson Reuters Foundation, February 2018, <http://news.trust.org/item/20180209112650-s1njv/>.

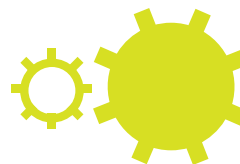
22 Kenya’s President, Uhuru Kenyatta in “Daily Nation,” 23 January 2018, <https://goo.gl/UDJCHF>. The other three pillars include food security, affordable housing and manufacturing. By 2022, the government hopes to raise the share of manufacturing sector from 9% to 15% of GDP, expand food production and supply, provide universal health coverage for all Kenyans, and build 500,000 affordable houses.

23 UNDAF (2014–2018) for Kenya <https://goo.gl/kuZRL7>.

24 See: [www.pshpkenya.org](http://www.pshpkenya.org).

25 Migori, Mandera, Marsabit, Wajir, Isiolo, and Lamu.

26 See: <https://www.sdghphilanthropy.org/Kenya>.



## FINANCIAL FACILITY

Match quality projects with potential investors, through a platform that provides visibility to projects that directly contribute toward the achievement of SDGs in marginalised regions, in strategic sectors, such as infrastructure, renewable energy, and agriculture.

Unlock private investments by derisking, through innovative financial instruments, that blend ODA, public and private funds.

## CAPACITY DEVELOPMENT FACILITY

Support local authorities to develop sustainable and financially feasible projects portfolio.

Provide technical assistance to local private sector partners (ex. Chamber of commerce, association of SME etc) to strengthen local business fabric and value chains.

## BUSINESS ENVIRONMENT FACILITY

Enhance policy dialogue between public and private sectors, to identify constraints to investments and SDG accelerators.

Support structural reforms that improve inclusive business environment and foster conditions for investments at the national and local level.

Establish a high-level forum to facilitate knowledge-sharing on new models and best practices accelerating private sector investments in key sectors.

## COLOMBIA: INNOVATIVE FINANCING TO SUSTAIN PEACE

The peace agreement between the government and Revolutionary Armed Forces of Colombia (FARC-EP) in 2016 was a significant step for Colombia to overcome decades of armed conflict and violence. Sustaining peace, however, will require addressing development gaps in the country, which includes targeting the most remote regions and marginalized populations.

Over the past five years Colombia has received a high percentage of ODA, but these resources are limited and will only be available for a short period. This means there is an urgent need to unlock new financing pathways for SDG implementation—with a focus on implementing the recently signed peace agreement. The government and UNCT have identified several challenges to financing in the most remote and fragile parts of Colombia; risks related to financing certain types of businesses (e.g. agriculture) in remote locations or finding the right investors for small and medium enterprises and start-ups. Other bottlenecks include a lack of local expertise for formulating comprehensive investment plans to attract private investment

or develop public-private partnerships, complex and changing legal contexts, or a reduction in public investment due to slow economic growth.

## LEVELLING UP: THE FUTURE OF DEVELOPMENT FINANCING IN COLOMBIA

To overcome limitations, the UNCT, government and development partners are launching an initiative that combines **innovative financing with capacity development and business environment facilities**. The initiative is expected to mobilize public and private investments that improve economic and social development in hard-to-access regions, as well as empower local authorities to attract investments for infrastructure, renewable energy, and health sectors through project portfolio plans and public and private partnerships. Other outcomes will include improving the overall business development environment, reducing barriers to investment, reviewing legal contexts and focusing on shared priorities between the public and private sectors.





ГЛОБАЛЬНА  
ЦІЛІ  
СТАЛОГО РОЗВИТКУ



UNITED NATIONS  
МІСНА  
СВІТА

6 ЧИСТА ВОДА  
ТА НАЛЕЖНІ  
САНІТАРНІ  
УМОВИ

5 ГЕНДЕРНА  
РІВНІСТЬ



11 СТАЛИЙ РОЗВИТОК  
МІСТ ТА СПІЛЬНОТ

12 ВІСЬОМЬ  
С



# WHAT'S STOPPING US? COMMON CHALLENGES

Development financing has entered a new era and the UN has to embrace the change, particularly since the cost of solving the world's most critical problems will run into the trillions. If the UN aims to support governments in effectively harnessing the potential of innovative financing, it is important to analyse some of the challenges UNCTs are facing as they explore and adopt new methods of financing. Some challenges can be addressed at country level while others require corporate attention.

The most common encountered across country case studies fall into the following categories:

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## ● CLARIFYING AND SHARPENING THE ROLE OF THE UN

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## ● IMPROVING INTERNAL AND EXTERNAL CAPACITIES, SKILLS AND COHERENCE

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## ● REINFORCING SYSTEM ARCHITECTURE TO OVERCOME LEGAL AND ADMINISTRATIVE OBSTACLES

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## ● KNOWLEDGE MANAGEMENT

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## ● MANAGING RISK AND MEASURING IMPACT

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### CLARIFYING AND SHARPENING THE ROLE OF THE UN

**Unclear financing vision.** The UN needs a clearer corporate financing vision (across country, regional, and headquarter levels) if it is to successfully engage strategically with partners for increased impact. The experience in Armenia shows that the UN is one of many development partners in a rapidly changing context where more players are getting involved (diaspora, private foreign and national investors, international philanthropic organizations).

UNCTs need to react quickly to opportunities and needs, creating a niche in the social innovation and impact sectors. This involves showcasing its ability to 'add value' in a sector that is viewed as highly technical and often reserved for those with decades of experience. Furthermore, some UN organizations only focus on the macro level, engaging mainly with policy makers, while others are involved in policy making and implementation. If the UN role and level of intervention in financing are not clarified the UN runs the risk of only being seen as an implementing partner and losing the opportunity to broaden its role. Strategic communication, by default, plays a major role in the design and planning phases and should be factored in from the outset.

**Insufficient project pipeline.** If UN products and services are not high-quality or substantial (e.g. change is more symbolic than real or project management is poor) they will not succeed. It is critical to develop an approach that includes transformative and truly scalable initiatives that move beyond fragmented pilot projects. In Indonesia, this is partly addressed through UNDP and ANGIN's work towards setting up the first blended finance fund (SDG Impact Fund Negara) by December 2018, targeting 120 early-stage social enterprises across the agricultural value chain.

**Donors are unfamiliar with the role of the UN in new financing.** All countries face this challenge, especially with regards to securing seed funding to scale up financing initiatives. Some donors are reluctant to work with the UNCT because they are not used to seeing the UN working in the finance or business sector or the UN does not present a strong business case for their new role.

### IMPROVING INTERNAL AND EXTERNAL CAPACITIES, SKILLS AND COHERENCE

**Limited in-house capacity.** Generally speaking, the UN has inadequate in-house skills and sometimes lacks confidence when it comes to understanding and speaking the language of investors in the private sector. This may result in internal resistance to exploring or adopting new financing modalities. More importantly, it results in UN organizations that struggle to design relevant proposals with a clear business case, attract private sector interest, and pitch ideas to private sector partners and/or investors. UNCTs in Armenia and Kenya have overcome this limitation by partnering with those who have complementary expertise. In all pilot countries, the leadership and commitment of the Resident Coordinator and participating Heads of Agencies have been instrumental in developing and implementing initiatives.

However, if initiatives are to thrive, support from experienced staff/experts is required. While UNCTs in Armenia, Indonesia and Kenya have access to qualified national staff they believe that contracting local companies and expertise, where possible, helps create local value and develop local capacities and buy-in. The SDG Partnership Platform Secretariat in Kenya is funded primarily by the private sector and philanthropic organizations.

### REINFORCING SYSTEM ARCHITECTURE TO OVERCOME LEGAL AND ADMINISTRATIVE OBSTACLES

**Current rules and regulations lack flexibility, are not tailored to new financing, and do not provide room for trial and error.** UN staff in all three countries noted that current administrative and procurement system requirements are burdensome and not flexible or fast enough to allow for working with the private sector in an efficient way. Current rules and regulations may restrict direct support to any private sector for-profit entity (including start-ups and SMEs) unless they are explicitly categorized as a beneficiary of a project co-signed by the government.

Inflexible rules and regulations, coupled with pressing demands to show results, make it challenging for some UN organizations to test pilot initiatives or take risks when moving from funding to financing models or engaging with the private sector. More flexibility is needed within the UNDS so the UNCT can balance the demand for concrete results with a practice that allows for experimentation through trial and error. The UN has to be able to design and test financial tools and products to efficiently engage private sector partners in SDG financing.

**The UN doesn't have enough 'skin in the game'.** To identify bankable initiatives a UNCT needs to have enough resources and seed money available so it can contribute to the joint initiatives it hopes to establish. Domestic and UN legal and administrative restrictions often slow down processes, which may stem from the fact that UN operational and financial frameworks were largely set up to invest ODA resources and are not in sync with the contemporary financing reality. In addition, to engage the broader UN system in a country—as opposed to having one UN agency 'drive' the initiative—more UN organizations have to buy into the process.

## KNOWLEDGE MANAGEMENT

**Insufficient and fragmented knowledge sharing.** Limited knowledge sharing across UN organizations is a constant challenge. In Armenia, there is no single online "home" to house links and information on various financing or SDG initiatives, which is why the UNCT in Armenia launched the SDG Innovation Lab webpage to close information gaps. Knowledge management challenges have to be addressed at the country level and by the UN Sustainable Development Group (UNSDG) at headquarters level.

**Limited system-wide guidance and tools.** Impact fund investors demand rigorous measurement, monitoring and reporting of social and environmental portfolios and funds. But while monitoring and evaluation is an area of expertise for the UN, the need for periodic impact assessments creates additional costs. The UN can overcome this by designing, or agreeing to use, a common framework for impact measurement that works for public and private partners alike. Furthermore, UNCTs receive limited guidance on how to work in the field of innovative financing. Lack of system-wide guidance across the UN system is a major impediment for UNCTs keen to work in the financing field.

**The UN needs more robust and tailored data and evidence.** UNCTs in all pilot countries prioritized data collection and management, which includes monitoring and evaluating progress towards attaining national SDG targets. Despite this, most struggled to meet the data demands of private sector partners, where it was requested that data relevant to individual business practices be collected, analysed and disseminated in a way that is easily understood by business leadership and technical analysts.

## MANAGING RISKS AND MEASURING IMPACT

**Reputational risk due to perceived 'market distortion'.** UNCTs in all three countries shared concerns about being seen to subsidize or undercut the market because the UN adopted innovative financing initiatives. Reputational risks affect the view of the UN as a "neutral broker," which is one of the UN's primary competitive advantages.

**Balancing quick wins vs. due diligence.** Establishing lasting partnerships with the private sector and philanthropic organizations takes time and it is challenging to strike the right balance between making quick progress and getting results. Partners need to be chosen carefully and due diligence should be performed to avoid ethical issues and conflicts of interest.

**Managing expectations.** Related to the previous point, it is imperative to clarify the expectations social enterprises and private companies have about the UN. Many new partners are attracted by the UN global network, its local knowledge and expertise, and access to markets and governments. However, the majority of UN organizations at the country level do not have enough 'new-finance' resources or expertise to successfully engage with private sector partners. What's more, the UN needs to manage internal and external expectations regarding what can and cannot be achieved due to corporate rules and regulations.

## MAKING MONEY MOVE: OPPORTUNITIES FOR FINANCING THE SDGs

The United Nations has a crucial role to play in redirecting capital towards the SDGs—experience from early adopters has shown what possibilities exist—but it can only be achieved if meaningful and strategic partnerships are developed outside the organization and the UN adopts new avenues of financing. The opportunities for, and added value of, the UN lie in bringing together partners, training and recruiting experts and strong leadership, scaling up technical capacities and advisory roles, measuring impact, boosting data collection and analysis, sharing knowledge, as well as other operational comparative advantages.

Although there are countless ways to pivot and progress, one of the most important involves attitude: daring to be a brave and adopt a "just do it" approach, while at the same time being clear-eyed and practical. Some of the reforms highlighted in this report require time to be instituted, but since change tends to be incremental in the UN one clear suggestion to other UNCTs is to **not wait for everything to be in place before embarking on new initiatives or adopting new models of financing.**

## IMPACT INVESTING

Impact investing refers to investments made to companies, organizations, and funds with the aim of generating a measurable, beneficial social or environmental impact alongside a financial return.

Below are a few of the recommendations raised in the validation workshop for this pilot exercise.

### CAPITALIZE ON FINANCING OPPORTUNITIES

The SDGs are more than just an aspirational framework for governments—they are a roadmap for business opportunities for securing trillions in financing. The corporate and financing worlds are slowly but surely turning their focus to sustainable development and exploring how they fit into the sector. In addition to increasing public-private partnerships, there are various other financial opportunities waiting to be “unlocked” and explored.

Recent studies<sup>27</sup> show a growing number of blended finance sources have helped progress development aims. Official development finance interventions mobilized USD 36.4 billion from the private sector between 2012 and 2014 in the form of **guarantees, syndicated loans and shares in collective investment vehicles** (development-related investment funds).<sup>28</sup> **Socially responsible investing** has exceeded USD 6 trillion per year, growing more than 76% since 2012 and meeting or exceeding market returns.<sup>29</sup> Impact investors and development finance institutions have led the way in creating a **new impact investing asset class** that is projected to grow from USD 51 billion in 2014 to USD 400 billion in 2025, a growth of 20% each year.<sup>30</sup>

Ultimately, the type of financial approaches used and supported by the United Nations will depend on national and regional contexts. One option that UNCTs in Armenia, Indonesia and Kenya have explored is to mobilize capital for development through **impact investing**. In Armenia, the UNCT is helping the government create conditions for investing private capital in new start-ups or companies where funds generate positive social and environmental impact alongside financial return.

UNCTs can also **attract early investors** and secure funds that are used for larger investments in sectors identified by governments. Examples from Kenya show that successfully attracting initial funds is contingent on getting potential investors excited about an idea and possible outcomes rather than simply asking for money.

Another important component in convincing private companies to work with country teams is to let them know they will be able to “do their jobs” without getting caught up in UN prescriptive

or restrictive operational modalities. Allowing different stakeholders to play their value-added roles is critical. For example, private companies tend to have well established logistics and transportation networks in place and are known to deliver goods and products to even the most remote areas.

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“If you can find a bottle of Coke in the most remote village [it means] we know how to get it there.”

– Private sector representative in Kenya

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Embracing the **latest tech innovations** can turn unattractive investment areas into “bankable propositions” as the PSHP experience in Kenya shows. Tech solutions like e-health and m-health, mobile diagnosis kits, or drones drive collaborative efforts between the UNCT in Kenya and the six international companies that are part of PSHP. In addition, **blended finance engineering and risk lowering tools** can mitigate risks of investing in less attractive areas, as seen in Indonesia. The ANGIN and UNDP partnership resulted in investment and support to social enterprises working in the agricultural sector in remote areas. The success stories of Krakakoa<sup>31</sup> (a chocolate company) and Vasham<sup>32</sup> (smallholder farmer support) are breaking new ground for others that can also use a blended finance model.

### SEEK NEW PARTNERSHIP OPPORTUNITIES

Strong partnerships are an essential prerequisite for achieving the SDGs. The UN has an opportunity to build better and smarter partnerships with the financial and private sectors for channelling funds to where they are needed most. However, for this to happen the UN needs to embrace a **win-win-win** approach. Often, the UN is well-placed to help achieve outcomes linked to the national SDG agenda, acting as bridge between the government and private sector to stimulate growth and social entrepreneurship by scaling up mechanisms for SDG implementation. In practical terms, partnerships need to

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27 Discussed in detail in “Financing the UN Development System. Pathways to Reposition for Agenda 2030” (September 2017), Dag Hammarskjöld Foundation in collaboration with the MPTF Office, [http://www.daghammarskjold.se/wp-content/uploads/2017/09/Financing-Report-2017\\_Interactive.pdf](http://www.daghammarskjold.se/wp-content/uploads/2017/09/Financing-Report-2017_Interactive.pdf).

28 OECD working paper, Amounts Mobilised from the Private Sector by Official Development Finance Interventions: Guarantees, syndicated loans and shares in collective investment vehicles’ (2016).

29 USSIF, ‘The Impact of Sustainable and Responsible Investment’ (2016).

30 USSIF, ‘Report on US Sustainable, Responsible and Impact Investing Trends 2014’ (2014).

31 See: <https://www.krakakoa.com/>.

32 See: [www.vasham.co.id/](http://www.vasham.co.id/).

be meaningful for the UN (from a development standpoint) and ultimately create better lives for people, as well as beneficial for private sector companies.

The UNCT in Indonesia explored new types of finance tools with authorities that manage religious funds, including **Islamic financing**, which has enormous potential. The partnership between UNDP Indonesia and Baznas is ground-breaking because it is the first time a zakat organization has committed to supporting the SDGs anywhere in the world. Agreements like these open the door for collaborations with other UN organizations in Indonesia on new modalities, like **Sovereign Wealth Funds**.

Similarly, Kenya built domestic partnerships to raise awareness at regional and international levels. A regional hub and emerging powerhouse in East Africa, Kenya is home to a booming entrepreneurial sector since many international companies and organizations based in Nairobi. The UNCT has taken the opportunity to engage with large corporations to increase the scope of country initiatives, expand private sector networks (e.g. the SDG Partnership Platform and Kenya Healthcare Federation partnership), and raise their profile outside of Kenya. The universal health care initiative, launched via the SDG Partnership Platform, was presented at the World Economic Forum and the African Diaspora Investment Symposium in Silicon Valley in January 2018.<sup>33</sup>

## MAKE FINANCING PART OF YOUR CORE STRATEGY

Experience in Indonesia shows that crowdfunding and Islamic financing are not just new funding methods, they are powerful outreach and advocacy mechanisms that engage communities and create new business models and technologies for tackling social problems. For new approaches like these to work, innovative financing has to be integrated into central UN strategies and operations in-country (Armenia and Kenya have placed innovative financing at the core of the UNDAF). In some instances, the UNCT will require support from headquarters to fundraise and secure operating costs for initiatives while others will rely on a waiver so UN organizations can operate outside standard practice.

## IMPROVE INTERNAL AND EXTERNAL CAPACITIES, SKILLS AND COHERENCE

**Identify what capacities and skills are needed** and ensure they are in place from the outset. In Indonesia, the UNDP Office set up a separate unit to work on Islamic financing, and one member of this new unit used to work for the head office of Baznas. When recruiting, the UNCT in Indonesia tries to balance the experience and skill of individuals with the complementary nature of their perspectives (e.g. tech, policy, business, development, financing, economics, etc.) and their social influence and skills.

Also critical is **establishing, nurturing and retaining the right capacities**. UNCTs need to be able to create, build and maintain

**Connector.id** (Indonesia) contributes to the SDGs by fostering entrepreneurship (SDG 8) and providing small and medium sized companies with access to financial services (SDG 9). The platform is run by a team from ANGIN while UNDP provides guidance and increases the visibility and usability of the platform via its country-wide networks.

**PSHP** (Kenya) has built a strong platform to engage with public and private stakeholders, generating political support for the initiative and “growing” expertise. The leadership role of the UNCT resulted in engaging over 100 high-level decision makers and influencers from the government, private sector and philanthropy in advocacy and policy dialogues for mobilizing resources for the SDGs.

**The Kolba Lab** (Armenia) organized an innovation challenge for civil servants, which resulted in staff from the Ministry of Justice and Office of the Prime Minister working together to prototype a tool that applies machine learning to the government’s open data resources that provide free legal advice to citizens. The Lab also launched the country’s first two Public Sector Innovation campaigns.

a strong platform to engage with public and private stakeholders, harness political support, and secure expertise and innovations. The UN in Armenia hired a full time Impact Advisor and invested in long-term global partnerships with the Stanford Change Labs, INSEAD Social Impact Initiative, and Columbia University SIPA. Making a conscious choice of when to strengthen and train current UN personnel vs. hiring external experts is important since improving existing capacities can result in retaining expertise and knowledge within the UN system.

## REINFORCE SYSTEM ARCHITECTURE TO OVERCOME LEGAL AND ADMINISTRATIVE OBSTACLES

The following issues need to be addressed by the UN internally and at a corporate level to enable much needed progress in financing: how to make available sufficient resources and seed money and shift the UN towards a corporate culture that values innovation and experimentation through risk-taking and trial

33 The African Diaspora Investment Symposium (<http://www.africansbuildingafrica.com>) is an annual event that brings together entrepreneurs, tech experts, educators, innovators, and public and social leaders from across the globe to build bridges among Africans, members of the diaspora, and friends of Africa. The third edition “Building Africa’s Future: Magnifying What is Within” focused on policies, innovative business models, and technologies shaping the continent and also featured a session on “African Women in Tech” (<https://africanwomenintech.com/>).

and error. This calls for **reforms and the adjustment of several legal and administrative provisions and processes** so UNCTs can react faster and with more credibility, especially when engaging with the private sector. New financial engagement formats currently under consideration by UNDP HQ for approval include **income contingent payment clauses**, making Impact Accelerators around the world more sustainable, and **performance-based payment agreements** that lay the groundwork for social (development) impact bonds projects.

#### STRONG KNOWLEDGE AND BRAND MANAGEMENT

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“The UN brand has high credibility and high reputation in the country. We want to be associated with it.”

– Private sector representative in Kenya

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The UN’s strong **brand management** and its ability to work with multiple government institutions are important comparative advantages—especially since these relationships, and the legitimacy they bring, are important. In Indonesia, the UNCT was chosen by authorities to manage Islamic financing because of its “great reputation and neutral position.” This is worth nothing since the primary challenge of using religious funds in Indonesia was the trust deficit between existing collection institutions and people donating money. The UNCT, in its role as broker, connected individual donors with beneficiaries to increase donations and ensure funds were used to generate higher social return—all while increasing visibility and accountability.

Equally important is addressing gaps in knowledge and expertise across the UNDS and within UNCTs by **modifying the use of existing tools** (e.g. knowledge sharing groups on public platforms like Yammer, Twitter or Facebook). This may be done by creating a network of early, and more advanced, innovators so UN colleagues and external experts can share knowledge and expertise.

In tandem with updating and modifying tools, also important is **prioritizing data collection and management** for monitoring and evaluating progress and finding ways to support data and artificial intelligence applications that help reach SDG targets. **Goal Tracker** is a digital platform developed by the Dag Hammarskjöld Foundation and Data Act Lab<sup>34</sup> so countries and citizens can visually track the implementation of the SDGs, in real time. The platform can be tailored to any country, translating complex data on development priorities into accessible information. Colombia is one of the first countries to use this platform.<sup>35</sup>

#### MANAGING RISK AND MEASURING IMPACT

Approaches to de-risking vary from country to country. The Armenian economy, for example, is too small to attract international private equity or debt funds. As a response, the UNCT has explored regional solutions, such as funds focused on the Caucasus/Black Sea region or in building Armenia into a regional hub. Such approaches could allow for risk diversification between different economies and expand the investment pipeline to other countries (such as Georgia) that offer larger investment opportunities.

To lower perceptions that the UN is undercutting the market or being less neutral, UNCTs can consider working in sectors where there is market failure and bringing resources to areas where there are none. A good example is the “missing middle,” enterprises too big to qualify for micro-financing and too small to qualify for bank loans. Another possibility is to provide proof of concept for initiatives, which often incentivises the private sector to adopt SDG aligned investments. If national legislation makes it difficult to set up initiatives (e.g. impact funds in Indonesia) UNCTs can explore how pilot projects can assist governments in modifying regulatory hurdles or enable SDG aligned investments through effective policy changes.

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“Not all money is good money.”

– Andrea Armeni, Co-Founder and Executive Director, Transform Finance

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Attracting more capital is not the only goal, it has to be the right kind of capital.

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34 See: [www.daghammarskjold.se](http://www.daghammarskjold.se) and <http://dataactlab.com>.

35 See: <https://ods.gov.co>.



## WHAT'S NEXT

The findings highlighted in this report and the three detailed country studies will be taken forward with the objective of assisting UNCTs in making progress in the field of financing. Several of the mechanisms are highlighted below.

### UNSDG RESULTS GROUP ON STRATEGIC FINANCING

The UNSDG<sup>36</sup> Results Group on Strategic Financing is one of the four results groups formed in 2018.<sup>37</sup> These groups were established to address critical issues relating to the 2030 Agenda and provide technical support to the work of UNCTs.<sup>38</sup>

The Results Group on Strategic Financing provides effective and coherent support to the UNDS and UNCTs as they transition from a “funding” to a “funding and financing” approach. As demonstrated by the experiences of teams in Kenya, Indonesia and Armenia, this involves developing the capacity to mobilize different sources of public, private, domestic and international finances to achieve collective, transformative, and sustainable development results.

The best practices highlighted in this report will feed into the broader workings of the Results Group to ensure the UNDS learns from the experiences of its “early adopters,” and corporately make progress in adopting new approaches to unlock SDG financing.

### THE “FUNDING AND FINANCING” COMMUNITY OF PRACTICE

The Yammer group on “funding and financing”<sup>39</sup> brings together practitioners from inside and outside the UNDS to share good practices, challenges and lessons learned as they adopt innovative financing approaches. The best practice collection “Unlocking SDG Financing: Findings from Early Adopters” will be circulated within this community of practice to keep the dialogue on the role of the UN in the financing field going and to share available tools and networks among practitioners. The platform is a place where group members can share practical recommendations on how to unlock untraditional modes of financing for development initiatives at the country level.

## JOINT SDG FUND

The Joint SDG Fund is a new funding mechanism adopted by the UNDS in 2018 to support member states in accelerating progress towards the 2030 Agenda. The intent is that some of the best practices from the country studies will constitute the pipeline of initiatives that the Joint SDG Fund will be able to support. In fact, the Joint SDG Fund will facilitate SDG financing with public and private sector partners by unblocking policy-related bottlenecks, de-risking investments by testing project feasibility, and connecting partners to investments that can be taken to scale.

36 The UNSDG acts as a high-level forum for joint policy formation and decision-making, and is composed of the executive heads of UNSDG member entities.

37 General Assembly resolution A/RES/72/279 on the repositioning of the United Nations development system.

38 In addition to Strategic Financing the other areas are 1) SDG Implementation, 2) Business Innovation, and 3) Strategic Partnerships.

39 See: [https://www.yammer.com/one-un/#/threads/inGroup?type=in\\_group&feedId=9867960](https://www.yammer.com/one-un/#/threads/inGroup?type=in_group&feedId=9867960).





UNITED NATIONS  
SUSTAINABLE  
DEVELOPMENT  
GROUP



The United Nations Sustainable Development Group (UNSDG) unites the 40 UN funds, programmes, specialized agencies, departments, and offices that play a role in development.

At the regional level, six Regional UNSDG Teams play a critical role in driving UNSDG priorities by supporting UN Country Teams with strategic priority setting, analysis and advice.

At the country level, 131 UN Country Teams serving 165 countries and territories work together to increase the synergies and joint impact of the UN system.

The Development Operations Coordination Office (DOCO) is the secretariat of the UNSDG, bringing together the UN development system to promote change and innovation to deliver together on sustainable development.

The Dag Hammarskjöld Foundation is a non-governmental organization established in the memory of the second Secretary-General of the United Nations. The Foundation spurs dialogue and action on global development and multilateral cooperation. The vision of the Foundation is a peaceful and just world where the fundamental values of the United Nations are universally upheld. Building on Dag Hammarskjöld's legacy, our mission is to advance dialogue and policy for sustainable development and peace.  
[www.daghammarskjold.se](http://www.daghammarskjold.se)

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# UNLOCKING SDG FINANCING: FINDINGS FROM EARLY ADOPTERS

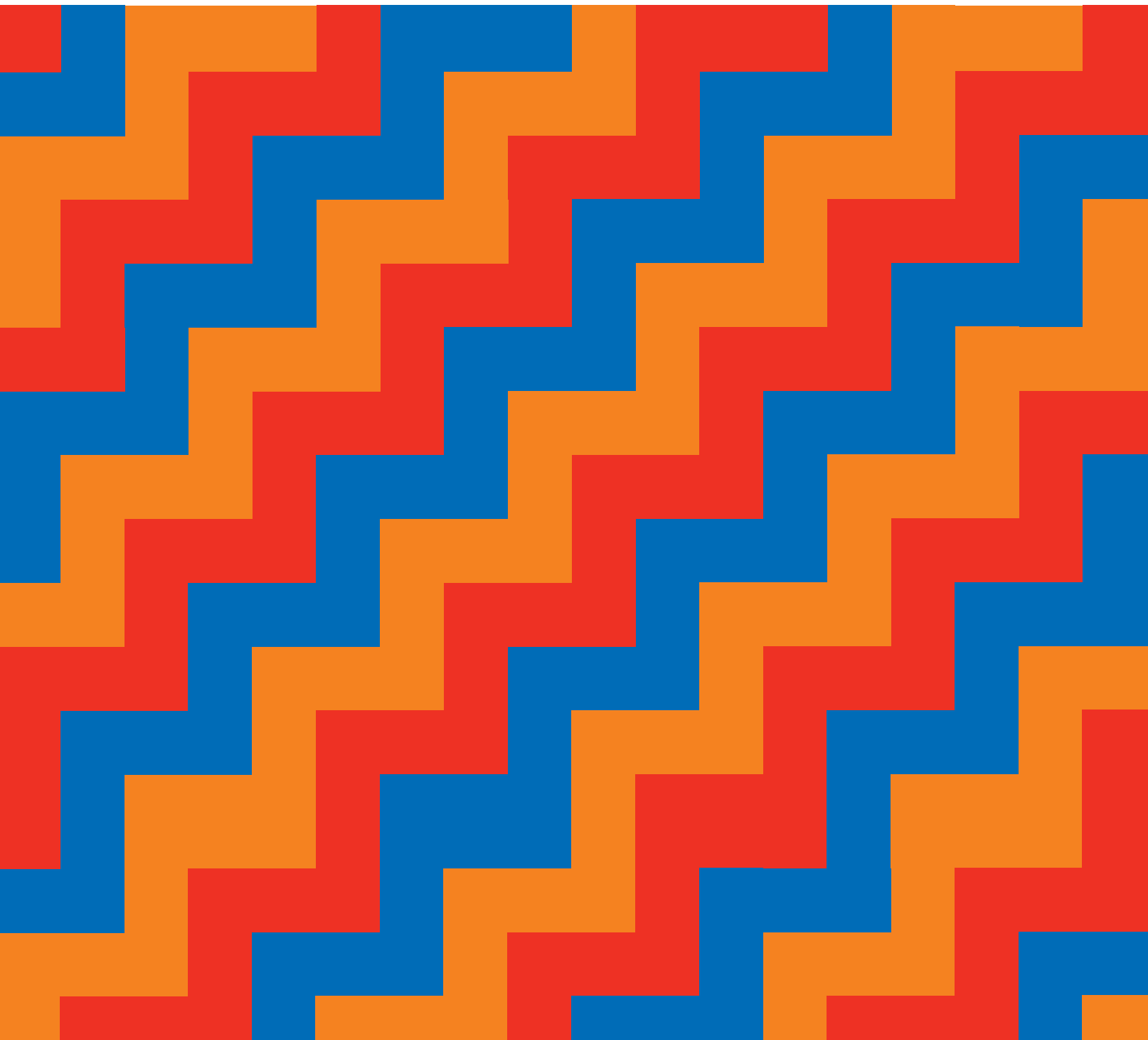
ARMENIA:  
THE WORLD'S FIRST JOINT  
NATIONAL SDG INNOVATION LAB



UNITED NATIONS  
DEVELOPMENT  
OPERATIONS  
COORDINATION  
OFFICE



Dag Hammarskjöld  
Foundation







**TABLE 1:  
ARMENIA – THE BASICS (2016)**



Population	2,924,816
GDP (current US\$) (billion)	10.572
GDP growth rate (annual %)	0.2
GDP/capita (current US\$)	3,614.69
Human Development Index (HDI)	0.743 (ranked 84th)
Poverty headcount ratio at national poverty lines (% of population)	29.4
Gender Development Index (GDI)	0.993

Source: World Development Indicators and Human Development Reports

## GENERAL STUDY BACKGROUND

The Sustainable Development Goals (SDGs) and the Addis Ababa Action Agenda on Financing for Development call on all countries to advance the welfare of societies, economies and the environment. Science, technology and innovation were identified as the primary means of implementing the 2030 Agenda. But while donor and philanthropic funds account for billions of dollars in support, the cost of solving the world's most critical problems runs into the trillions— with an estimated \$2.5 trillion US dollar annual funding gap to achieve the SDGs in developing countries. To close the gap it is imperative to develop and implement innovations that can attract national resources and private capital that can be used to achieve development objectives.

Innovative financing refers to a range of non-traditional mechanisms to raise additional funds. In addition to debt and equity investment, innovative vehicles include diaspora funding platforms, crowd funding, blended finance, peer-to-peer lending, social impact investing, insurance products, credit for rural small and medium enterprises (SMEs), and more.

This country report is part of a series of case studies and a joint comprehensive report based on findings from the case studies.

The aim is to identify, document, analyse and share best practices from United Nations Country Teams (UNCTs) that are already making progress on new financing approaches and unlocking SDG financing. The expectation is that other countries hoping to follow the path of early adopters will be able to do so, building on best practices and avoiding potential pitfalls. In these reports challenges and bottlenecks in adopting new approaches are outlined so that, where possible, they can be addressed corporately.

<sup>1</sup> The other two countries are Indonesia and Kenya. These three countries were selected after an internal process administered by the United Nations Development Operations Coordination Office (UN DOCO). An independent consultant visited the three countries early 2018, meeting with and interviewing a large number of United Nations staff, government officials, private sector partners, and other development stakeholders.

# COUNTRY CONTEXT AND RATIONALE FOR FINANCING APPROACHES

Armenia is a middle-income country that has actively piloted innovative ways of financing the SDGs—predominantly with support from the UN and other partners. Its successful track record in incubating innovative solutions to development problems, plus its widespread entrepreneurial culture and wealthy diaspora, makes Armenia an interesting case study.

In 2014, the government adopted the Armenia Prospective Development Strategy for 2014-2025.<sup>2</sup> This strategy is centred on four priorities: growth of employment; development of

human capital; improvement of social protection system, and institutional modernization of the public administration and governance. Financing issues are also central to the outcomes of the UN Mainstreaming, Acceleration and Policy Support (MAPS) mission that took place in July 2017 and serves as a basis for an SDG Acceleration Roadmap that UNCT Armenia is now finalizing.

The two main sources of innovative financing for delivering the SDGs in Armenia are the tech industry and venture capital linked to it, as well as the country's large and wealthy diaspora who are eager to invest in the country.

The Armenian tech industry is growing at an annual rate of 20%, greatly exceeding the country's economic growth.<sup>3</sup> Annual revenues from some 400 tech companies totalled \$475 million US dollars in 2016 (about 5% of the GDP). The Ministry of Economy forecasts that the sector's annual turnover will pass the \$1 billion US dollar mark by 2019.<sup>4</sup> It is estimated this industry will be the dominant sector driving new wealth for the economy. Dubbed the “Silicon Valley of the former Soviet Union,” Armenia has morphed into a thriving tech start-up hub, attracting global

**TABLE 2:  
RESOURCE INFLOWS IN ARMENIA (USD MILLIONS)**

year	ODA	remittances	FDI	long term debt (official sources)	long term debt (commercial sources)	short term debt
2000	291,3	178,4	212,5	0	0	0
2001	297,4	190,2	140,8	17,1	0	0
2002	410	270,6	228,4	0	0	378,9
2003	324	334,2	244,6	0	0	366,4
2004	318,4	750,5	426,6	0	76,1	0
2005	226,8	1300	420	0	168,8	0
2006	269,1	1500	582,9	0	102,9	0
2007	377	1600	658	0	536,2	191
2008	325,6	1600	785,3	0	509,1	0
2009	525,3	1400	732,1	480,6	295	0
2010	358,6	1500	486,7	0	1400	116,4
2011	402,7	1600	574,1	0	1100	217,9
2012	312	1700	446,6	0	1200	0
2013	298,7	1900	337	0	2300	273,1
2014	282,3	1800	356	38,4	1600	0
2015	409,1	1500	180,5	38,4	1600	0

Source: Development Initiatives calculations based on various sources

recognition. The government encourages expansion via an “open door” policy that is designed to encourage foreign business owners and investors with legal regulations that protect foreign capital.

The Armenian diaspora<sup>5</sup> has been one of the biggest contributors to the country’s socioeconomic development efforts. In addition to facilitating aid flows from multilateral and bilateral aid agencies via effective lobbying, the Armenian diaspora channels vast amounts of money via private donations and transfers. In 2015 alone, Armenia received remittances that were four times the total Official Development Assistance inflows (\$1.5 billion US dollars vs. \$409 million US dollar).<sup>6</sup>

As one of the important international development partners in Armenia, the UNCT is well placed to help deliver results on the national SDG agenda. The UN has the comparative advantage to act as a bridge between the government and private sector to stimulate growth through creating an enabling environment for social entrepreneurship, acting as a scaling up mechanism for the SDGs at the local level, supporting impact-oriented business start-ups (especially in the tech sector) and supporting innovative partnerships to encourage private financing. This case study highlights several initiatives that Armenia, with the support of the UN and other development partners, has put in place in the last three years and some of the challenges all stakeholders will face.

## SDG FINANCING INITIATIVES IN ARMENIA

The Government of Armenia and development partners are pursuing innovative financing solutions to mobilize capital for development objectives. One solution is impact investing, where the government creates conditions for private capital to invest in companies and funds that generate positive social and environmental returns alongside a financial ones. Impact investment approaches in Armenia have followed two major trends since 2015: the emergence of social enterprises and a shift from traditional philanthropic activities towards venture philanthropy and impact investments.

2 The Armenia National Development Strategy 2030 is currently being developed, while a shorter term programme has just been formulated by a new government that was formed in May 2018.

3 Growth is estimated to average 3.7% in 2018, driven by private consumption and investment. Economist Intelligence Unit, Country Report, Armenia (2018).

4 See <https://massispost.com/2015/05/d-link-facility-launched-in-armenia/>.

5 Estimated at 8 million people.

6 OECD (n.d.) ‘Data Lab. Aid Statistics by Donor, Recipient and Sector’, see <http://www.oecd.org/dac/stats/aid-at-a-glance.htm#recipients>.

7 AGBU (n.d.) ‘Our Mission’: <https://agbu.org/about/>.

8 See <https://tumo.org/en/>.

9 AGBU (2016) ‘2014-2015 Biennial Report’: <https://agbu.org/about/biennial-reports/>.

### BOX 1: THE ARMENIAN DIASPORA – ACTIVISTS AND FOUNDATIONS

The Armenian diaspora supports the country’s economic development through donations to private foundations. A large number of development activists and foundations are based in the United States of America and Europe. Examples include the Armenian General Benevolent Union (AGBU), the Armenian Relief Society, the Lincy Foundation, Aznavour pour l’Armenie, and Charitable Foundation Initiatives for Development of Armenia (IDeA).

Established in New York in 1906, the AGBU is one of the world’s largest non-profit organizations devoted to upholding Armenian heritage. The organization has an annual budget of over \$46 million US dollars and an all-encompassing thematic portfolio that includes projects in education, vocational training, medical access, agricultural development, cultural heritage, humanitarian relief, and aid to orphans and vulnerable groups.<sup>7</sup>

In the early 1990s, AGBU became one of the founding organizations of the American University of Armenia. More recently, the organization entered into partnership with the Yerevan-based TUMO Centre for Creative Technologies<sup>8</sup> and supported the establishment of TUMO Centres in Gyumri and Stepanakert. The AGBU Humanitarian Emergency Relief Fund has supported Armenians affected by the conflicts in Syria, Iraq and Nagorno-Karabakh and raised more than \$1.64 million US dollars.<sup>9</sup>

Entrepreneurs and philanthropists from the Russian-based Armenian diaspora, Ruben Vardanyan and Veronika Zonabend, created the IDeA Foundation to promote social entrepreneurship and ensure the sustainability of long-term, non-profit projects that achieve tangible socioeconomic development. IDeA is a private, non-profit foundation that engages local communities and international stakeholders for positive socioeconomic impact for Armenia and that strengthen its relevance as a global nation. One of the biggest philanthropists in Armenia, IDeA works on projects that focus on cultural and historical heritage, as well as initiatives that generate social impact (major investments in tourism infrastructure) and purely commercial ventures.

## BOX 2: IMPACT HUB<sup>12</sup> – A GLOBAL NETWORK OF CHANGE MAKERS

From Amsterdam to Johannesburg and Singapore to San Francisco, ImpactHub is a growing member-based network of change makers. Part innovation lab, business incubator, and community centre, ImpactHub offers their members a unique mix of resources, inspiration, and collaboration opportunities to boost impact. There are currently 80 Impact Hubs operating in five regions around the world and comprised of more than 15,000 members.

ImpactHub Yerevan is part of this global network and provides members with a social innovation space and mission to support social impact projects and enterprises in Armenia. Members of the Yerevan Impact Hub are social entrepreneurs, innovators, creatives, advisors, investors, students, executives, and change makers from diverse industries including the non-profit sector, business, academia, and professional and creative services.

The hub in Yerevan also acts as a bridge for the seven million ethnic Armenians who live outside Armenia. The network supports engagement by assisting new organizations or enterprises, supporting existing organizations or business, skills sharing and mentorship support, or financial support and investments.

Although these trends are relatively new they are growing as organizations become more vocal and visible. The Association of Social Enterprises of Armenia<sup>10</sup> and the Network of Social Enterprises and Employers were established in 2015. Launched in 2016, ImpactHub Yerevan<sup>11</sup> has become a respected network within the social enterprise community for the public, government and external investors.

The UN in Armenia builds on these achievements and takes social impact initiatives further. In March 2017, the UN held the first ever global Impact Investment for Development Summit in Yerevan, bringing together international development partners and impact investors from over 30 countries. In summer 2017, the UNCT took steps to design and set up a Country Platform for SDG Implementation. The platform is designed to run alongside the government's reform and SDG nationalization efforts, providing a collaborative space for UN organizations, other development partners and civil society, and to strengthen links and collaboration with international finance institutions (IFIs), donors and philanthropists. The Platform supports SDG implementation and tests the platform model outlined in the UNDP Strategic Plan for 2018-2021.<sup>13</sup> In practice, the platform hosts

several linked and evolving initiatives, which are summarized below.

## THE KOLBA SOCIAL INNOVATION LAB

In 2013, the United Nations launched the Kolba Social Innovation Lab,<sup>14</sup> the organization's first social innovation lab, which has scaled up in several countries (led by the UNDP Regional Bureau for Europe and the Commonwealth of Independent States innovation team). With financing from the European Union (until March 2018), the Lab is run by the UNDP (hosting, staffing, reporting) and addresses social challenges by gathering citizen ideas and providing a space where institutions can respond to, and support, burgeoning ideas.

Since its launch, the Kolba Lab has received 580 ideas and incubated 40 start-ups within the government, public and private sectors. In the public sector, Kolba organized an innovation challenge for civil servants. As a result, a team comprised of staff from the Ministry of Justice and the Office of the Prime Minister piloted a tool that applies machine learning to the government's open data resources in order to provide free legal advice to citizens.

The EU-funded Lab also hosted the country's first two Public Sector Innovation weeks and in the private sector, fourteen start-ups worked towards generating social impact. Some of the resident start-ups include Smart City, an e-management system on local governance in Yerevan; Matcheli, an online mapping platform that provides user-generated information on Armenia's disabled access spaces, and Yamaka, an application that supports the learning processes of children with Autism Spectrum Disorder. While not all of the start-ups follow a traditional for-profit company model, three have become social enterprises and are now fully operational and sustainable.

## THE NATIONAL SDG INNOVATION LAB

Kolba Lab efforts highlighted the need to ensure that public and private partners streamline development efforts in a coherent way rather than engaging in isolated initiatives. With this in mind, the government and UNCT launched the world's first joint National SDG Innovation Lab, in November 2017.<sup>15</sup> Open to all development and public and private partners in the country or abroad, the Lab is a virtual and physical space hosted in the Centre for Strategic Initiatives<sup>16</sup> and supported by UNDP (that, alongside the government, provides staff and co-finances Lab operations). As the Lab is in process of putting together an action plan, not all initiatives have been finalized.

10 See: <http://www.eu4business.eu/medias/association-social-enterprises-armenia>.

11 See: <https://yerevan.impacthub.net/>.

12 See: [www.impacthub.net](http://www.impacthub.net).

13 See: <http://strategicplan.undp.org/>.

14 See: [kolba.am/en/](http://kolba.am/en/).

15 See: [www.sdginnovationlab.am](http://www.sdginnovationlab.am).

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**“We are frontrunners in innovation. We recognize the value of engaging innovators in the development process and creating spaces for experimentation and sharing of ideas—allowing success to flourish.”**

– Mr. Bradley Busetto, former UN Resident Coordinator and UNDP Resident Representative in Armenia.

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That said, the Lab intends to provide public and private sector contributors with a space for experimentation, collaboration, analytics and human resource development to unlock Armenia's development potential. The role of the Lab is to test and promote new approaches, methodologies and possibly new types of institutions to provide 'out of the box' solutions that bring about transformative change. To do this the Lab draws on expertise from around the world, including UN innovation facilities and tools.

The Lab will attempt to improve tax collection methods, boost the quality of the education system, and accelerate the adoption of energy efficient and renewable energy. In addition, it will create the first SDG Barometer, using big and crowdsourced data to report on the SDGs and make data easy to understand. The Lab has already partnered with the Stanford Change Labs, UN Global Pulse, the Behavioural Insights Team and AGBU, and new partnerships are in the making.

## THE IMPACTAIM VENTURE ACCELERATOR

The feedback received from the impact investment community as well as Kolba Lab's experience also showed that more efforts are needed to support social enterprises following their incubation phase—to help them grow, access new markets, increase their visibility to investors and ability to absorb more capital. To address these challenges, the ImpactAim Venture Accelerator<sup>17</sup> was launched in December 2017. Established by the UN, and with initial implementation support from ImpactHub Yerevan and the Catalyst Foundation<sup>18</sup> ImpactAim is designed to drive the scaling up of local and international impact ventures. Through tailored mentorship programmes and a specially designed curriculum, new initiatives will be able to strengthen their market presence, scale up, and increase their investment absorption capacity. Through ImpactAim ventures will be introduced to a

network of venture capital and angel investors that can provide access to funding opportunities.

During the first round (running through June 2018), ImpactAim received 96 applications from 25 countries. Seven ventures were selected<sup>19</sup> to follow an acceleration track that combines study sessions and tailored mentorship. Selected social enterprises focus on innovation of public and social services, tech for education, connectivity for rural areas and empowering vulnerable groups.

## REACHING THE NEXT LEVEL: FUTURE AMBITIONS

In the next phase UNCT Armenia will build on existing initiatives and plans to launch a range of new pilots that will leverage scalable private finance flows for SDGs, such as the Impact Fund Armenia and social impact bonds.

The intention is to attract early investors and use initial funds to move towards larger investments in sectors identified by the government, including agriculture (where farm consolidation and industrialization would increase productivity and generate job opportunities for subsistence farmers); climate smart energy solutions (in particular small hydro and solar, and energy efficiency in municipalities and corporates); govtech (e-healthcare and e-education initiatives that improve public service delivery), and the diversification of economic activities to fight urban poverty.

## IMPACT FUND ARMENIA

With the launch of the ImpactAim accelerator in December 2017, the UN in Armenia created a broader *Impact Investment Catalysing Facility* to support the expansion of impact ventures. The facility is comprised of two elements: impact venture incubation and acceleration and partnership with fund managers to attract investor financing in impact ventures. The next step is to create a \$10 million US dollar fund for investing in Armenian companies that strive to make direct social and environmental

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16 Initiated by the Prime Minister's Office, the Center for Strategic Initiatives was created to advance the reform agenda in Armenia by facilitating dialogue between policy-makers, private and public stakeholders, and international partners.

17 See: <http://impactaim.com>.

18 See: <https://www.catalyst.am/>.

19 WiCastr Limited, Dasaran Educational Program, Sylex e-Health, ARMACAD, the Union of Information Technology Enterprises (Armath Laboratories), Technology Management Centre of Yerevan City (Smart Kindergartens), RAFA Solutions, Innovation & Technological Community, Rue de Paradis 588.



impact and positive financial returns, albeit not necessarily at full commercial levels. The UN will support the launch and operations of the fund with subsidies that partially cover set-up and fund-raising costs, SDG/impact measurement costs, and technical assistance in deal origination and execution. The UN will also provide access to its project pipeline and investor contacts (development finance institutions and those in the Armenian diaspora), and will possibly contribute to de-risking investments (e.g. by offering credit guarantees).

UNDP's role is to remove barriers through technical assistance, convening power and subsidies. Support will be made available to a competitively selected fund that complies with the following principles:

- Exclusively target investments with direct social and environmental impact.
- Broaden investment scope to companies and sectors that may not allow for full commercial returns.
- Implement rigorous impact measurement, monitoring and reporting.

Subsidies are necessary in light of the small size of the Impact Fund and its management fees (usually 2% of assets under management). A preliminary review of impact investment opportunities suggests a likely investment of \$800,000 to 1,000,000 US dollars to reach the \$10 million US dollar target (with 10-20 portfolio companies).

## SOCIAL IMPACT BONDS

The UNCT in Armenia is developing Social Impact Bonds to respond to SDG bottlenecks such as farmer education and productivity growth (UNDP-FAO), improving quality of teaching of STEM subjects (science, technology, engineering, and mathematics) in high school (UNICEF-UNDP-ILO), and improving road safety using behaviour change techniques (WHO-UNDP-UNICEF). Concept notes have been prepared for the first two ideas and are being discussed with the Government of Armenia.

## THE 'INTERNAL KITCHEN': HOW IT WAS DONE

It all started with an ambitious idea, spearheaded by the United Nations Resident Coordinator:

## How do we achieve a smarter, leaner system for tackling development issues while making it relevant and attractive for the government, development partners and the private sector?

Impact investment for development was the main idea retained following several rounds of consultations with government officials, donors, social enterprises and private sector companies. The UN in Armenia actively supported SME development<sup>20</sup> and responsible investments (via the Global Compact Initiative) since the early 2000s. As of 2013, UNDP has promoted social innovation and entrepreneurship via the Kolba Innovation Lab. The SDG Platform was established to bring initiatives like the aforementioned together.

One of the first steps of the Resident Coordinator was to put together a team that shared this vision and had the capacities to deliver. The "SDG Innovation Team" is comprised of specialists that have solid experience in finance, the private sector, and academia, as well as skill in interacting with relevant regulatory and government entities.<sup>21</sup> As a new approach, it took time and effort to convince new recruits to join the UNCT (moving from the world of the private sector and corporate finance to international development). However, the advantage of bringing private sector specialists on board became immediately apparent because the skill-sets and experience opened the door to a network of private companies based in Armenia and abroad. It increased the credibility of the initiative and the reputation of the UNCT that is now known as an organization that "means business."

Another important factor was having on board a group of dedicated and like-minded partners in the government who were eager to turn the idea of the SDG Innovation Lab into a reality. The SDG Lab and similar initiatives benefit from strong support and ownership at the highest levels of government in Armenia. The "SDG Innovation Team" is working directly with "SDG Champions" at the Deputy Minister level, which results in a working relationship that is based on results rather than formalities.

The role of the Resident Coordinator Office (RCO) has been central to the success of the SDG Innovation Lab and, more importantly, to its ability to deliver concrete actions and quick-win results. The RCO steers coordination within the UNCT and cooperation with government counterparts. In particular, the RCO and the "SDG Innovation Team" have made it a priority

to bring together different UN organizations. For example, the ImpactAim Accelerator will work alongside UNHCR and UNICEF to set up a dedicated incubation programme for refugees so they can learn tech skills, find employment with private companies, or create their own start-ups.

Another planned joint initiative involves WFP and UNIDO and aims at achieving the ‘zero hunger’ goal through a social entrepreneurship programme run in partnership with ImpactAim, the Entrepreneurs for Social Change programme of UNIDO (out of Vienna), and the WFP innovation accelerator in Munich. Progress would not be possible without the commitment of individual champions within the UNCT.

## CHALLENGES

Challenges can be grouped in two categories: structural and systemic challenges involving legal practices in Armenia, and challenges inherent to the United Nations system.

### STRUCTURAL AND SYSTEMIC CHALLENGES

**Long term political commitment and budgeting.** Innovative financing mechanisms in Armenia are in the early stage and designing such initiatives takes time (on average one year passes from the idea stage to full concept). They require long-term planning and testing, and it takes time to get evidence-based buy-in and political and budgetary commitment. Currently, public finance management in the country does not rely on performance-based budgeting although budgeting is an annual exercise. This means the drive for immediate and reportable development results, while important, needs to be looked at in a balanced manner since solutions on the ground take time to materialize.

Innovative financing initiatives should be reviewed in terms of their ability to efficiently and effectively deliver development results in the short and longer-terms. Such interventions frequently require long time frames for tangible impacts.

**Lack of clear metrics for impact measurement.** While all public, development or private partners have internally agreed methodologies for evaluating and monitoring results the challenge is that it rarely gauges development impact. Furthermore, ‘impact’ tends to mean different things to different parties and it is often confused with achieving set targets or implementing activities as planned. Some organizations might focus on progress indicators (e.g. numbers of participants in a training or number of laws revised or publications produced) but few organizations focus on impact as a way of measuring change that has occurred as a result of an intervention. Those that do usually limit their assessments to the period immediately after the end of a project or

intervention. It is seldom that organizations plan impact assessments several years after the completion of an intervention.

### CHALLENGES FOR THE UN

**Knowledge sharing across agencies, between headquarters (HQ) and the UNCT, and among UN organizations in the country remains limited.** At the country level, not a single website provides links or information that brings together all individual websites, blogs and Facebook pages of stakeholders in Armenia. The UNCT in Armenia hopes that the launch of the SDG Innovation Lab online space will help facilitate better information flow.

**United Nations country offices have limited human resources to speak and understand the language of investors and the private sector.** This leads to problems in designing relevant proposals that have a clear business case and can attract private sector interest to pitching ideas to private sector partners and/or investors. There is little in-house training and the UNCT runs the risk of losing credibility since retraining staff does not always result in the required capacity compared to hiring people with actual experience in the sector. This is why the UN in Armenia has hired a full time Impact Advisor and invested in long-term partnerships with the Stanford ChangeLabs, INSEAD Social Impact Initiative, and Columbia University SIPA.

**Current administrative and procurement system requirements are burdensome, inflexible, and not fast enough to enable working with the private sector in an efficient way.** For example, UN organizations may participate in equity or act as direct co-investors, but the rules for receiving contributions are still stringent. Moreover, current rules and regulations theoretically restrict direct support to any private sector for-profit entity (including start-ups and SMEs) unless they are explicitly selected as beneficiaries to a project co-signed by the government.

Another example refers to the length of, or rules surrounding, procurement procedures, which are usually not understood or accepted by private companies. There are several new financial engagement formats under consideration by UNDP HQ for

20 See: <https://www.smednc.am>.

21 The “SDG Team” includes a broad group of professionals led by the Lab Director who is an adviser to the Center for Strategic Initiatives and the Prime Minister of Armenia. Other roles in the Lab include an Innovation Specialist, Data Analyst, Strategic Consultant on SDG Acceleration, and a Social Media Manager. A Research and Communications Expert serves as a liaison between the Lab, the Resident Coordinator’s office and the UNDP Kolba Lab and Impact Venture Accelerator, and coordinates the capacity building component of the Lab. In addition, in partnership with UNDP, an interdisciplinary group of five Masters students from the Columbia School of International and Public Affairs provide research services and recommendations for the strategic development of the behavioral experimentation and data analytics services focused on sustainable forestry and agriculture.

22 In collaboration with techfugees.com designed to bring tech engineers, designers, entrepreneurs and startups together with NGOs and other agencies to address the challenges of refugee migration.

23 See: <https://e4sc.org>.

24 See: <http://innovation.wfp.org>.

approval that can address some of immediate needs including income contingent payment clauses instrumental for rendering the operations of Impact Accelerators around the world, and performance based payment agreements that lay down frameworks for social (development) impact bonds projects.

**There is a need to clarify the expectations social enterprises and private companies have for the UN.** New partners have high, and sometimes unreasonable, expectations on UN organizations. Although they are attracted by UN global networks and local knowledge/expertise of the markets where they would like to expand (especially emerging markets in sub-Saharan Africa and South-East Asia where social impact products are in demand) they learn that UN organizations at the country level might not have the resources or expertise to provide market information for business purposes (compared to private firms specializing in market entries). The risk is that after an initial wave of enthusiasm, specific expectations are not met and disappointment/disengagement ensues.

## MAIN TAKEAWAYS

**The UN needs to engage strategically at a high level and with a long-term view and commitment.** UN organizations are one of many development partners in Armenia, which is changing quickly. This means the UNCT needs to get on the offensive and carve out a niche in the social innovation and impact sector. To do so it needs to showcase its ability to add value in a highly technical sector typically reserved for ‘big players’ with decades of experience. In this respect, the value of the UNCT lies in its access and working relationships with the government across sectors. As one private sector expert put it, “The UN brand has a lot of credibility and high reputation in the country. We want to be associated with it.”

Committing the UN in these areas has to be done with a long-term vision in mind. Commitments need to be reflected at all operational levels: from hiring practices to rules and procedures. Strategic, tailored and persistent communication by the UN will play a major role and should be factored in from the outset.

**Prioritize scaling up your products.** “To open up a shop is easy, the hard part is keeping it open.” If what the UN provides does not have content it will not succeed. It is critical to build up a strong project pipeline with concrete plans and actions.

**Government and public support for innovative sources of finance will determine their relative success or failure.** Popular support will hinge, to a great extent, on an initiative’s abilities to generate results. The interest of the private sector depends on how much profit initiatives bring in. This may create challenges for programmes, however, which take a longer-term view.

It will be important to consider the ways innovative sources of finance can complement and/or be blended with other forms of finance—domestic and external, official and private—to ensure that short and long-term objectives are met. This requires alignment with nationally-devised development change strategies.

**If international investors prefer big markets find partners among the neighbours.** The Armenian economy is too small to attract large international private equity and debt funds. The UNCT needs to explore regional solutions, like regional funds focused on the Caucasus/Black Sea region. In the case of Armenia the UNCT is exploring the country’s position as a potential regional hub (membership in the Eurasian Economic Union [EAEU]). As of Spring 2018, Armenia was the only EAEU country with a Comprehensive and Enhanced Partnership Agreement and Generalized System of Preferences (GSP) and regime with the European Union. Additionally, Armenia benefits from a shared border and a Free Economic Zone with Iran and has a GSP regime with the United States of America, Canada, Switzerland, Norway and Japan. This approach resolves scale issues, allows for a degree of risk diversification between different economies, and expands investment pipelines to other countries (e.g. Georgia) that offer larger investment opportunities. One example is the Green for Growth Fund in Southeast Europe that provides refinancing to local financial institutions for on-lending to enterprises and private households, finances energy efficiency projects, and directly invests in small- to medium-scale renewable energy projects.

**Focus on the ‘missing middle’.** The banking sector in Armenia is fragmented and competitive. Companies with real estate to pledge have easy access to finance while a growing number of SMEs are too big to qualify for micro-financing and too small to secure a bank loan (e.g. commonly seen in the retail and wholesale processed manufacturing and transport sectors). The UNCT can facilitate the process by helping “missing middle,” higher-risk companies (with no or limited tangible assets to pledge or poor cash flows) grow.

**Invest in the right expertise and partnerships.** As Armenia has done with the “SDG Team,” establishing, nurturing and retaining the right capacities are critical. This includes fostering open and strong partnerships with governmental and local partners, as well as within the UNCT. All are important for creating successful and sustainable initiatives.

25 See: <http://ec.europa.eu/trade/policy/countries-and-regions/development/generalised-scheme-of-preferences/>.

26 See: <http://www.ggf.lu>.

27 See: [http://www.eu4business.eu/files/medias/country\\_report\\_armenia.pdf](http://www.eu4business.eu/files/medias/country_report_armenia.pdf).



The United Nations Sustainable Development Group (UNSDG) unites the 40 UN funds, programmes, specialized agencies, departments, and offices that play a role in development.

At the regional level, six Regional UNSDG Teams play a critical role in driving UNSDG priorities by supporting UN Country Teams with strategic priority setting, analysis and advice.

At the country level, 131 UN Country Teams serving 165 countries and territories work together to increase the synergies and joint impact of the UN system.

The Development Operations Coordination Office (DOCO) is the secretariat of the UNSDG, bringing together the UN development system to promote change and innovation to deliver together on sustainable development.

The Dag Hammarskjöld Foundation is a non-governmental organization established in the memory of the second Secretary-General of the United Nations. The Foundation spurs dialogue and action on global development and multilateral cooperation. The vision of the Foundation is a peaceful and just world where the fundamental values of the United Nations are universally upheld. Building on Dag Hammarskjöld's legacy, our mission is to advance dialogue and policy for sustainable development and peace.  
[www.daghammarskjold.se](http://www.daghammarskjold.se)



# UNLOCKING SDG FINANCING: FINDINGS FROM EARLY ADOPTERS

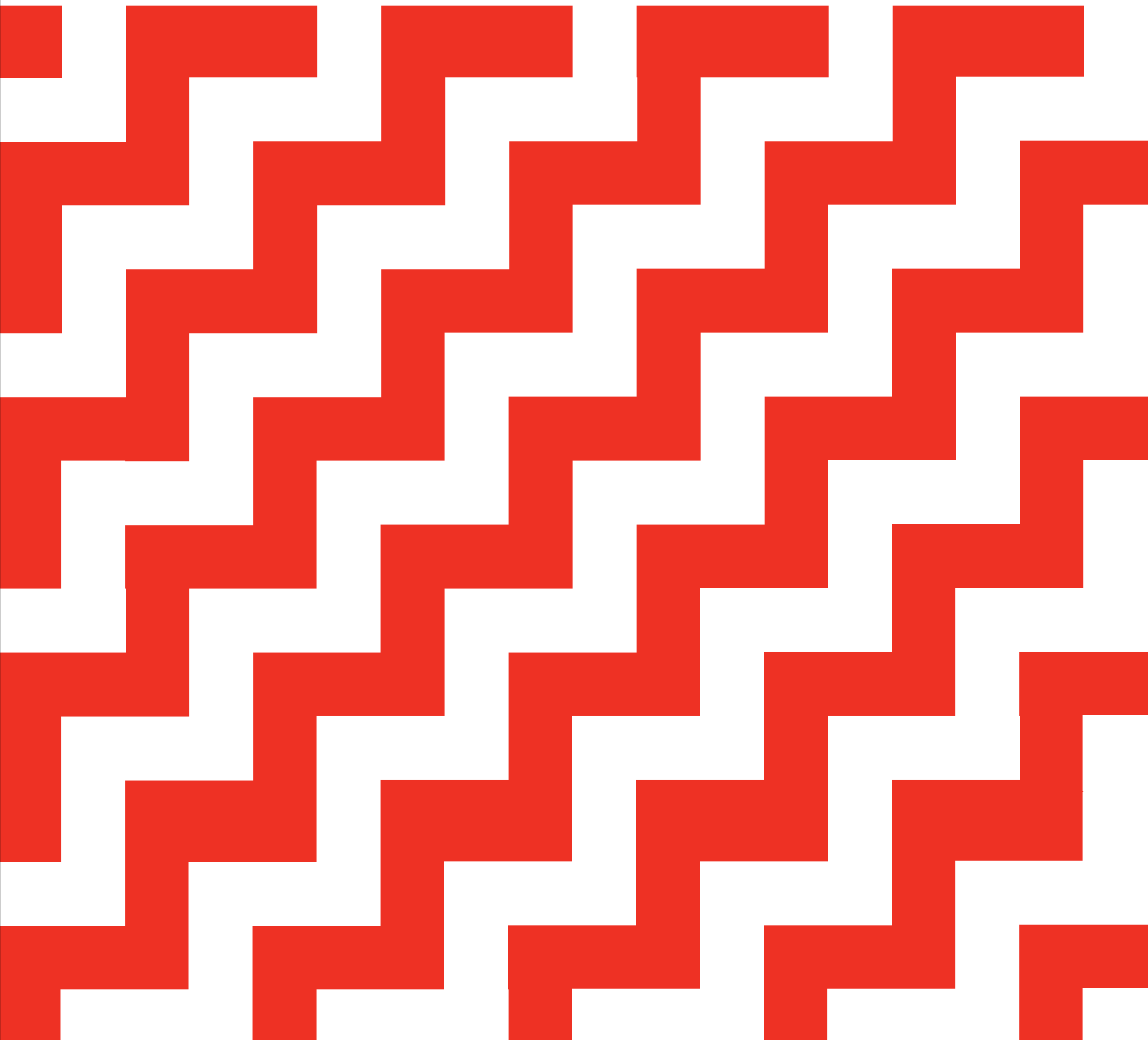
INDONESIA:  
ISLAMIC FINANCING AS A LEVER  
FOR CHANGE



UNITED NATIONS  
DEVELOPMENT  
OPERATIONS  
COORDINATION  
OFFICE




Dag Hammarskjöld  
Foundation





**TABLE 1:  
INDONESIA – THE BASICS (2016)**

	Population	261,115,456
	GDP (current US\$) (billion)	932,259,177
	GDP growth rate (annual %)	5.0
	GDP/capita (current US\$)	3,570
	Human Development Index (HDI)	0.689 (ranked 113th)
	Poverty headcount ratio at national poverty lines (% of population)	10.9
	Gini Ratio	0.40
	Gender Inequality Index (GII)	0.467

Source: World Development Indicators and Human Development Reports

## GENERAL STUDY BACKGROUND

The Sustainable Development Goals (SDGs) and the Addis Ababa Action Agenda on Financing for Development (aka: 2030 Agenda) call on all countries to advance the welfare of societies, economies and the environment. Science, technology and innovation were identified as the primary means of implementing the 2030 Agenda. But while donor and philanthropic funds account for billions of dollars in support, the cost of solving the world's most critical problems runs into the trillions—with an estimated \$2.5 trillion US dollar annual funding gap to achieve the SDGs in developing countries. To close the gap it is imperative to develop and implement innovations that can attract national resources and private capital that can be used to achieve development objectives.

Innovative financing refers to a range of non-traditional mechanisms to raise additional funds. In addition to debt and equity investment, innovative vehicles include diaspora funding platforms, crowd funding, blended finance, peer-to-peer lending, social impact investing, insurance products, credit for rural small and medium enterprises (SMEs), and more.

This country report is part of a series of case studies<sup>1</sup> and a joint comprehensive report based on findings from the case studies. The aim is to identify, document, analyse and share best practices from United Nations Country Teams (UNCTs) that are already making progress on new financing approaches and unlocking SDG financing. The expectation is that other countries hoping to follow the path of early adopters will be able to do so, building on best practices and avoiding potential pitfalls. In these reports challenges and bottlenecks in adopting new approaches are outlined so that, where possible, they can be addressed corporately.

<sup>1</sup> The other two countries are Armenia and Kenya. These three countries were selected after an internal process administered by the United Nations Development Operations Coordination Office (UN DOCO). An independent consultant visited the three countries early 2018, meeting with and interviewing a large number of United Nations staff, government officials, private sector partners, and other development stakeholders.

## COUNTRY CONTEXT AND RATIONALE FOR FINANCING APPROACHES

Indonesia is the largest economy in South East Asia and has seen impressive economic growth since the Asian financial crisis of the late 1990s. A diverse archipelago nation with more than 300 ethnic groups, Indonesia is the fourth most populated nation on Earth and boasts the world's largest Muslim population. It also hosts the world's 10th largest economy in terms of purchasing power parity and is a member of the G-20.<sup>2</sup> As an emerging middle-income country, Indonesia has made enormous gains in poverty reduction, cutting the poverty rate by more than half since 1999 (10.9% in 2016).<sup>3</sup> Yet, despite the

gains challenges remain and the country needs to ensure that economic growth becomes more inclusive and 'green' so it can effectively accelerate the progress of the SDGs.

Indonesia's development planning is done in 20-year cycles, the most current from 2005 to 2025. This broader plan is segmented into five-year medium-term plans—each with different development priorities. The current medium-term development plan (RPMJN), the third phase of the long-term plan, runs from 2015 to 2019. The fundamental SDG principle of "leaving no one behind" is reflected in the RPMJN and focuses on, among other things, infrastructure development and social assistance programmes related to education and health-care.<sup>4</sup> These public spending programmes have seen success because of the reform of long-standing energy subsidies, which has resulted in greater investments in programmes that directly affect the poor and near-poor.

The country's development plans are implemented in the context of an evolving financing landscape. International financing remains a low percentage of the overall mix and Official Development Assistance has been decreasing compared to

**TABLE 2:  
RESOURCE INFLOWS IN INDONESIA (USD MILLIONS)**

year	ODA	remittances	FDI	long term debt (official sources)	long term debt (commercial sources)	short term debt
2000	2300	2600	0	18	5700	1100
2001	2000	2400	0	0	5000	0
2002	1900	2500	0	129,2	4000	0
2003	2200	2600	0	0	9700	1500
2004	1600	3100	3100	66,4	13400	4200
2005	2800	8500	13100	0	17800	0
2006	3000	7500	6400	1000	19100	1500
2007	2800	7200	8100	590,3	16900	7500
2008	3100	7200	9800	89,5	19400	1900
2009	3200	7300	5200	1100	27000	3800
2010	3000	6000	12000	1300	24100	7800
2011	2100	5400	15000	481,1	27800	4000
2012	1800	5800	15400	294,5	42200	4900
2013	2100	6500	16100	927	39800	1600
2014	1900	7900	20100	583,1	61400	0
2015	2000	9600	15500	401,1	54900	0

Source: Development Initiatives calculations based on various sources



other resources. Domestic private investment has dominated the financing landscape, while domestic public resources have decreased as a share of total financing. Acknowledging the importance of private capital flows is critical if Indonesia is to achieve its development goals. This is why efforts are being made to strengthen the country's investment climate and the government continues to announce policy reforms meant to cut red-tape. Most investors welcome these reforms, which include opening more sectors to external investment (e.g. e-commerce, highway construction, cold storage and retail) and reducing the high cost of logistics.<sup>5</sup>

## SDG FINANCING INITIATIVES IN INDONESIA

The UNCT in Indonesia is implementing a range of activities and experimenting with new forms of financing to support SDG achievement. This includes innovative work by UNDP Indonesia in exploring new social and blended finance instruments, surveying the potential of Islamic finance for SDGs, launching crowdfunding campaigns for environmental projects, supporting the establishment of a national sovereign wealth fund, and setting up an Innovative Financing Lab. This report summarizes the journey so far.

### CROWDFUNDING CAMPAIGNS

In 2016, UNDP implemented two successful crowdfunding campaigns that are now being scaled up<sup>6</sup> to an SDG crowdfunding platform.

The first UNDP Indonesia crowdfunding campaign "Bring Water for Life"<sup>7</sup> was launched on World Water day in March 2016 and gathered public support for providing clean water access in Napu, a remote village in East Sumba, by building a solar-powered water pump system. The pump covers the daily water needs of 500 community members, including those who grow vegetables for income generating purposes. The water system reduces the physical burden on villagers as they no longer have to walk four kilometres up and down the hill every day to get water. Most importantly, it increases their resilience to severe drought risk caused by climate change. Collective efforts throughout the campaign resulted in 351 million Rupiah (\$2,457 US dollars) being raised, which was slightly over the initial target of 350 million Rupiah. The campaign drew a lot of support from public figures like UNDP SDG Movers Reza Rahadian and Eva Celia,<sup>8</sup> as well as donations from private companies and student supporters.

2 See: <https://en.wikipedia.org/wiki/G20>.

3 World Bank Indonesia Office <http://www.worldbank.org/en/country/indonesia/overview>.

4 Indonesian Ministry of National Development Planning (BAPPENAS) <https://www.bappenas.go.id/id/data-dan-informasi-utama/dokumen-per-encanaan-dan-pelaksanaan/dokumen-rencana-pembangunan-nasional/rpjp-2005-2025/rpjm-2015-2019/>.

5 After decades of economic protectionism Indonesia moved to implement dramatic reforms in February 2016 with President Joko Widodo's announcement of the 10th economic stimulus packages (out of 12). Thirty-five industries were removed from the government's "negate investment list" that outlines sectors where foreign investment is prohibited or restricted.

6 Funding for both campaigns went directly to NGOs as UNDP only supported campaign components. For 2018, UNDP developed a new mechanism where it became a microsite administrator and will receive 2% of funds raised. UNDP Indonesia hopes to launch two campaigns in 2018 and raise upwards of \$60,000 US dollars.

7 See: <https://goo.gl/gnEeKg>.

8 SDG Mover is a UNDP initiative where public figures raise public awareness on the importance of the SDGs to eradicate poverty and improve well being in Indonesia.



The second campaign was launched in August 2017 to protect endangered Sumatran tigers in two Indonesian major national parks.<sup>9</sup> Teaming up with crowdfunding platform, Kitabisa.com, the *#TimeForTigers* campaign aimed to raise 25 million Rupiah (\$1,750 US dollars) to eradicate human-made traps in national parks. In just over a month, the campaign raised over 30 million Rupiah (\$2,100 US dollars). Funds raised will be used to support volunteers under a local NGO.

## SOCIAL ENTERPRISES

Indonesia has a growing social entrepreneurship system that has a long history<sup>10</sup> and the potential to positively disrupt numerous sectors. UNDP Indonesia has increasingly been playing the role of facilitator by helping young social enterprises access funds and grow their competences.

ANGIN<sup>11</sup> is the first, and largest, angel investor network in Indonesia with more than 70 investors, including 30 women. ANGIN brings together high-net-worth individuals who pool resources to engage in early stage investment and mentoring. Angel investors built their wealth in various industries (e.g. media, real-estate, and natural resources) and are committed to provide early stage capital to entrepreneurs operating in several sectors like technology, consumer products and services, social enterprises, among others. ANGIN angel investors provide Indonesian entrepreneurs with strategic guidance, industry expertise and access to networks, and are supported by a dedicated, full-time team and a network of partners. UNDP Indonesia is one such partner.

The ANGIN-UNDP partnership has already led to several successes. In December 2016, ANGIN and UNDP Indonesia<sup>12</sup> found that a growing number of social enterprises encountered two main challenges: funding gaps and lack of expertise.<sup>13</sup> Based on these findings, UNDP and ANGIN made plans set up the first **blended finance fund, “SDG Impact Fund Negara,”** in Indonesia by the end of 2018. This would involve targeting early-stage social enterprises across the agricultural value chain (ANGIN identified over 120 social enterprises to be assessed).

Through this blended finance mechanism, public or concessionary capital (e.g. grants from international agencies or development aid) will be used as first-loss capital aimed to activate private sector capital (e.g. banks, high-net-worth individuals, family foundations). To address the issue of missing expertise, the SDG Impact Fund will provide end-to-end capacity building for these social enterprises. UNDP will build capacity through pre-investment training and due-diligence. Based on this, the SDG Impact Fund will assess investment opportunities and provide post-investment support. These steps will hopefully improve the capacities of social enterprises, making them more attractive to potential investors in the short and medium terms. To reach social enterprises based outside the capital and across the archipelago, UNDP Indonesia partnered with ANGIN to organize the **first social enterprise road show** in the country. The event took place over a week in February 2018 and catered

to 90 social enterprises in Lampung and Manado. Participants listened to inspirational talks given by established social enterprises and attended training sessions on investment readiness, sustainability and scalability, as well as impact measurement. In Lampung, representatives from two ANGIN-supported enterprises spoke about their process.<sup>14</sup>

**Krakakoa**<sup>15</sup> is a chocolate company that aims to empower farmers by implementing a bean-to-bar concept, which helps farmers set higher prices for their products and, ultimately, receive a higher income. **Vasham**<sup>16</sup> is a social enterprise that uses a closed loop business model to provide Indonesian smallholder farmers with the financing, expertise, and income security they need to achieve significantly better standards of living.

Additionally, the road show was an opportunity to spread the word about **Connector.id**, an online matchmaking fund that connects entrepreneurs in the country with possible investors.

9 See: <https://kitabisa.com/savesumatrantiger>.

10 In Indonesia, the first example of a modern social enterprise is the launch of Ashoka's country programme in 1983, which sought to identify, train, and fund entrepreneurs. The programme in Indonesia was Ashoka's second country office after India.

11 See: <http://angin.id/>.

12 With financial support from the Canadian government.

13 Around 70% of social enterprises are in their early stage and seek anywhere between \$10,000 - 150,000 US dollars in funding. Meanwhile, most impact investors have their sights set on larger players (\$500,000+ US dollars) because of the cost-to-return ratio, and newer companies make banks hesitant to hand out loans. On top of funding mismatches, research shows that many founders lack expertise or skills in important areas such as financial management, leadership, and strategic thinking—all of which impede their growth potential and ability to secure funds.

14 See: UNDP (2018), 'Indonesia's Unsung Heroes: A Story of Women Leaders in Indonesian Social Enterprises', <https://undpindonesia.exposure.co/indonesias-unsung-heroes>.

15 See: <https://www.krakakoa.com/>.

16 See: [vasham.co.id/](http://vasham.co.id/).



## BOX 1: CONNECTOR.ID<sup>17</sup> – THE MATCHMAKING FUNDING PLATFORM IN INDONESIA

UNDP Indonesia and ANGIN<sup>18</sup> established Connector.Id to foster entrepreneurship (SDG 8) and provide small and medium sized companies with access to financial services (SDG 9). The platform is run by a team based in ANGIN and UNDP acts as facilitator, provides guidance and increases the visibility and usability of the platform via its country-wide network of partners and beneficiaries.

Since its launch in July 2017, the Connector.Id team received more than 700 applications. Interested entrepreneurs provide basic information about their business and requirements. The platform matches the startup with one or more categories of capital providers (e.g. bank, venture capitalist, angel investor, impact investor, government support, others) and the entrepreneur then determines what categories is most relevant to their business. When the startup is ready to be connected it will fill out another form prior to being screened by the Connector.Id team. Once Connector.Id makes a “match” between an applicant and funding partner it follows up with both parties regularly. Based on initial success, OXFAM and UBS Bank have committed to financially support the platform while an American venture capitalist issued a term sheet to financially support platform expansion.

## REACHING THE NEXT LEVEL: FUTURE AMBITIONS

### ISLAMIC FINANCING

In April 2017, UNDP concluded several agreements on aligning and channelling *zakat*,<sup>19</sup> which are charitable funds collected and managed by Baznas<sup>20</sup> (the National Zakat Collection Agency). The partnership between UNDP Indonesia and Baznas is groundbreaking because it is the first time a Zakat organization committed to supporting the SDGs anywhere in the world. Although many common goals and principles link the SDGs to *zakat* organizations the latter have been overlooked as a source of financing for the SDGs.<sup>21</sup> The partnership with Baznas

commits *zakat* funds for micro-hydro energy in rural villages in Sumatra, using a UNDP-Global Environment Facility (GEF) project and funds from the state-owned Bank Jambi (through a cost-sharing agreement).<sup>22</sup>

In addition to Baznas, UNDP signed two agreements with Bank NTT, the first government enterprise to finance development projects in cooperation with UNDP. The first agreement was signed in March 2016 and allocated \$150,000 US dollars to support climate resilience by improving access to water and renewable energy sources and support to livelihoods in remote areas of Indonesia that have been most affected by climate change. The second agreement may include supporting biodiversity conservation efforts in Sulawesi using *zakat* funds.

All agreements open the door for collaboration with other United Nations organizations in Indonesia; however, the primary challenge around using *zakat* funds is the trust deficit between existing collection institutions and people who donate money. Seeing this as an opportunity, UNCT is directly connecting individual donors with beneficiaries while increasing generating higher social returns, and increasing visibility and accountability. In particular, the partnership between UNDP and national level Islamic finance institutions in Indonesia—such as Baznas, the World Bank Country Office, and Ministry of Finance—improves coordination between United Nations organizations and helps improve overall cooperation and synchronization of the UNCT communication strategy with the national government.

UNDP has worked with the Ministry of Finance since 2011 to integrate the sustainable development agenda into the budgeting process. With a focus on climate change, UNDP support resulted in a public financial information management system that tracks climate-related allocations and expenditures. In February 2018, UNDP technical assistance helped the government issue the country's first green Sukuk bond that is designed to comply with Islamic law.<sup>23</sup> The country has borrowed \$1.25 billion US dollars with the issuance of a five-year Sukuk bond that offers a yield of 3.75%, and \$1.75 billion in 10-year Sukuk

17 See: <http://connector.id>.

18 Supported by Amazon Web Services and the Indonesian Governmental Agency for Creative Economy (BEKRAF).

19 Zakat is an annual mandatory charitable donation, amounting to 2.5% of accumulated wealth and payable by all Muslims, providing their acquired wealth that year is above a certain threshold. Eligible recipients include the poor, refugees, and others in need. Zakat is transferred directly to the recipient or paid to Islamic institutions/mosques (administrator) that distribute zakat directly to beneficiaries.

20 Baznas was established by the government based on Presidential Decree 8/2011. The agency is responsible for collecting and distributing zakat at the national level.

21 An article on zakat as a means to alleviate poverty by Zainulbahar Noor (Deputy Director of Baznas) and Francine Pickup was published by The Guardian (2017), see: <https://goo.gl/vc3wPB>.

22 UNDP (2018), 'First in Indonesia: Zakat Financing Gives 'Rays of Hope' to Four Villages in Jambi', see: <https://goo.gl/sGJn7k>.

23 Sukuk refers to financial certificates that are “sharia compliant” bonds. The first green bond was launched in Poland in 2016 and raised €750 million Euros in five-year bonds.

bonds that offer a yield of 4.4%.<sup>24</sup> Proceeds from these bonds will be allocated to climate or environment-related projects, such as renewable energy, sustainable transport, waste management and green buildings.

Other religious funds, such as *Waqf* (Islamic assets or cash endowment) can positively contribute to the SDGs.<sup>25</sup> UNDP and Badan *Waqf* Indonesia, the national *Waqf* board of Indonesia, agreed to join forces to harness the full potential of *Waqf* to achieve the SDGs by signing a memorandum of understanding in January 2018.<sup>26</sup> This collaboration will result in the development of a digital *Waqf* platform through blockchain technology to encourage SDG donations and foster sustainable cash endowments.

## SOVEREIGN WEALTH FUNDS (SWFS)

In 2016, UNDP Indonesia and the Institute for Economic and Social Research conducted a joint assessment and discovered that 13 provinces and 20 districts have the fiscal capacity to establish a SWF. The government in the province of Musi Banyuasin, home to some of the country's biggest oil, gas and mineral reserves, expressed a desire to partner with UNDP Indonesia in setting up the country's first sovereign wealth fund. In August 2017, a memorandum of understanding was signed and work is in progress to establish operational modalities that will allow the district government to channel surplus funds accrued from extraction industries towards initiatives that enhance socio-economic development in the region—while ensuring stable sources of income despite dwindling natural resources.<sup>27</sup>

The success of this programme may be a turning point for natural resource revenue management in Indonesia since no such fund exists. Lessons learned will allow for similar institutions in other resource rich areas in Indonesia to scale up their own programmes and better optimize government funds to help achieve the SDGs.

## INNOVATIVE FINANCING LAB

The objective of the Lab is to come up with innovative methods of unlocking and using funds to help close the SDG financing gap.<sup>28</sup> In practice, this means designing and testing new financing instruments, helping enhance investments for higher SDG-returns, and contributing to a stronger enabling environment for SDG- friendly finance. The Lab operates using a multi-sectoral partnership model where UNDP plays the role of coordinator and connector to help partners in using new models of financing.

Although the Lab will be based in Jakarta it will be global in offering services to partners. It will be a collaborative space, involving the United Nations, private sector and civil society. Lab staff will map and analyse the current financial landscape; co-design and test new financing solutions; align existing

investments with the SDGs; measure progress and evaluate impact. Lab partners will include the private sector, Indonesian State Financial Authority, and state-run *zakat* organizations.

The Lab will build a network of partners and codify learning for the Asia Pacific region and UNDP around the world. It will offer experimentation spaces where various partners can launch prototypes and test funding models for development initiatives. The Lab will consolidate knowledge and learning for middle-income countries and be part of a regional network of innovation hubs across Asia Pacific.

## THE 'INTERNAL KITCHEN': HOW IT WAS DONE

Indonesia is one of the most generous countries in the world when it comes to giving. In the top three, it is behind only Myanmar and Kenya.<sup>29</sup> Because of this and the successful crowdfunding campaigns, a new, collaborative way of thinking emerged within the UNCT. The country team in Indonesia is taking the lead on paving the way for Islamic financing for SDG achievement. If successful, it may be the biggest source of financing for achieving the country's development goals.

While UNDP takes the lead within the UNCT, it receives support and guidance from the Office of the Resident Coordinator, which rallies other United Nations organizations in the country behind these innovative ideas. The core team of five is located within UNDP and is led by the UNDP Deputy Country Director.

Though the journey has in many ways, just begun, the UNCT has learned the following from the experience so far.

**Make innovative financing the core of your strategy and thinking.** Innovative financing has been a core element of the UNCT strategy in the country (via the United Nations Development Assistance Framework [UNDAF]) and is perceived as a pre-requisite for future viability. In many instances, the UNCT requires support from headquarters to fundraise and secure

24 UNDP (2018), 'Indonesia Tackles Climate Change through the Issuance of Green Sukuk (Islamic Bond)', <https://goo.gl/SJ7ZA7>.

25 UNDP (2017), 'Waqf for Financing the Sustainable Development Goals (SDGs)', <https://goo.gl/Zh8oab>.

26 UNDP (2018), 'Promoting Waqf for SDGs. BWI-UNDP Signed an MoU', <https://goo.gl/QNDbRD>.

27 UNDP (2017), 'Sovereign Wealth Fund for SDGs Financing in Indonesia Post Oil and Gas Era', <https://goo.gl/Lfs6LM>.

28 UNDP (2018), 'Nine Keys to Creating an SDG Country Platform in Indonesia', <https://goo.gl/BkPAgm>. T Lab's brochure: <https://goo.gl/yhKpMa>.

29 According to Charities Aid Foundation's 2017 World Giving Index <https://www.cafonline.org/about-us/publications/2017-publications/caf-world-giving-index-2017>.

the operating costs for such initiatives. For some, a waiver may allow organizations to operate and experiment outside standard practice.

**Hire the right people to act.** In order to build momentum, the UNCT needs to be more flexible since the window of opportunity for concluding partnerships with the private sector lasts only several months. UNDP in Indonesia, for example, hired staff with the appropriate educational background and work experience. In Jakarta, the UNDP office has a separate unit that works on Islamic financing where one member of the team used to work for the head office of Baznas. This strategic placement of personnel opened the door for new conversations and partnerships to occur. When considering partners (both institutional and internal staff), the UNCT tries to balance several perspectives: the experience and skill of individuals and the complementary nature of perspectives (be it tech, policy, business, development, financing, economics, etc.), social influence reach (from local to regional or global, and professional to public, etc.), and overall social skills (personality traits should be complementary and lead to effective cooperation).

**Define who you are going to work with from the start.** The UNCT needs institutional partners that can spur systemic change. In Indonesia, these partners are the central and provincial governments, local banks, and partners like ANGIN. The UNCT is careful in choosing its counterparts as some can stall process, simply because of how they work. Preferred partners include effective and efficient groups with a proven track record of taking on innovative challenges with a can-do attitude, and have the capacity to deliver on ambitious targets.

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## Who will champion an initiative within the country and where are they located?

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**Understand the power structures within the country.** When considering links between government and the private sector the UNCT tries to understand the nature of existing power structures and systems. Who will champion an initiative within the country and where are they located? In Indonesia, the State Financial Authority holds a relative amount of power through its ability amend financial regulations (even if they cannot pass laws. To this end, UNDP collaborates with the State Financial Authority, Ministry of Finance, Indonesian Central Bank, and regional banks to analyse the scope for policy change and resource allocation.

## CHALLENGES

Challenges can be grouped in two categories: structural and systemic challenges involving legal practices in Indonesia, and challenges inherent to the United Nations system.

### STRUCTURAL AND SYSTEMIC CHALLENGES

**Legal impediments and risk of market distortion.** There is a risk that UNDP, through its innovative financing initiatives, is seen to be subsidizing or undercutting the market because it prefers one investment fund over another or provides subsidised financing. Possible solutions to this include working in sectors where there is market failure, bringing resources to sectors where there are none (e.g. middle-of-the-road enterprises too big to qualify for micro-finance but too small to qualify for bank loans), and emphasize the need of pilot projects to provide proof of concept and incentivising private players to move towards SDG-aligned investments. Another risk is that national legislation does not allow some initiatives to be launched (e.g. impact funds). Piloting projects can help the government jump regulatory hurdles and enable SDG aligned investments through effective policy change.

**Lack of clear metrics for impact measurement.** On the one hand, the private sector (impact investors, social enterprises and enablers) do not perform impact assessments because they are cost prohibitive. On the other hand, public authorities and international development partners do not have a common methodology and/or metrics for gauging impact (especially in the long-term or a few years after an initiative has been implemented). Some local institutions may lack trained staff to produce thorough impact assessments, which means that most impact evaluations are conducted by external/international entities.

### CHALLENGES FOR THE UN

**Internal processes, rules and procedures.** Initiatives implemented in the country so far present an opportunity to build momentum; however, slow internal bureaucratic procedures and UN processes (depending on organizational mandates), plus inflexible rules and regulations do not inspire United Nations organizations to test innovations or take risks. Innovative and private sector oriented initiatives call for taking decisions quickly, something that is challenging in UNDP because of bureaucratic processes that may alienate private sector partners (e.g. due diligence and recruitment processes). One example involves recovering costs—in this case UNDP needs to provide advisory services against a fee to private sector but doing so currently requires a waiver. Rigid internal procedures such as these makes it difficult for UNDP to design and test

financial tools and products to efficiently engage private sector partners in SDG financing.

**Secure seed funding.** Donors may be reluctant to work with the UNCT because they do not understand how the UN operates in this field. Donors may also be unfamiliar with investment modalities such as public – private partnerships, impact investment, thus limiting the possibilities for the UN to get concessional finance or loan guarantees to implement innovative financing initiatives. The challenge is for the UNCT to clarify its role and added value, and present a clear case to donors and other investors as to why they are a .

**Limited in-house capacity.** At times, the UN lacks in-house capacity, particularly on specific topics such as Islamic finance or impact investment. One way of addressing this limitation is investing in staff and partnering with those who have complementary skills and expertise.

## MAIN TAKEAWAYS

**Impact fund investors demand rigorous measurement, monitoring and reporting of social and environmental impact at the company portfolio and fund level.** Whether impact assessments are carried out internally or commissioned by third parties, this function creates an additional burden in terms of costs and staff commitment. The UN in Indonesia can create value by taking the lead on designing a common framework for impact measurement that makes sense to public and private partners.

**Make new financing models your core strategy.** The case of Indonesia shows that crowdfunding or Islamic financing is not a new method of funding. It's a tool to engage communities, a powerful outreach and advocacy mechanism, and a way to create new business models and use new technologies for tackling social problems. For these approaches to work and be adopted by many United Nations organizations, it is imperative that innovative financing be integrated into core strategies and operations of what the UN does in country. Recruit the right people. It is important to recruit the personnel needed to implement these initiatives as soon as possible while keeping in mind that qualified and experienced people are not always available on short notice.

**Define the role(s) of your partners.** It is crucial to define the roles of primary partners from the very beginning of the process, as well as engage and secure main counterparts from the government. Who will be the main interlocutor or advisory board member? Will it be the Prime Minister's Office, Ministry of Finance, or another entity?





UNITED NATIONS  
SUSTAINABLE  
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At the regional level, six Regional UNSDG Teams play a critical role in driving UNSDG priorities by supporting UN Country Teams with strategic priority setting, analysis and advice.

At the country level, 131 UN Country Teams serving 165 countries and territories work together to increase the synergies and joint impact of the UN system.

The Development Operations Coordination Office (DOCO) is the secretariat of the UNSDG, bringing together the UN development system to promote change and innovation to deliver together on sustainable development.

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# UNLOCKING SDG FINANCING: FINDINGS FROM EARLY ADOPTERS

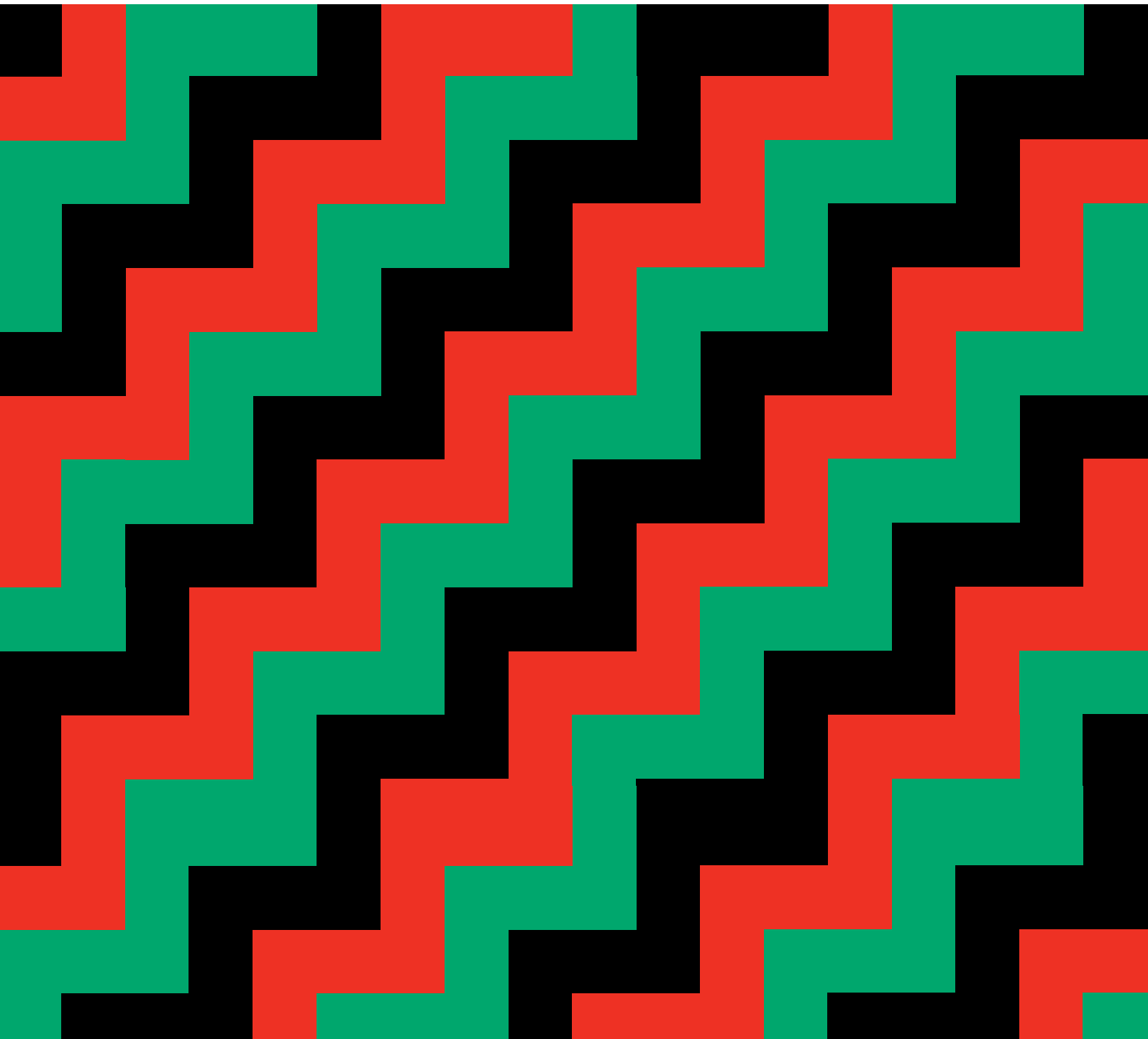
KENYA'S QUEST TO  
ACHIEVE HEALTH  
CARE FOR ALL



UNITED NATIONS  
DEVELOPMENT  
OPERATIONS  
COORDINATION  
OFFICE



Dag Hammarskjöld  
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**TABLE 1:**  
**KENYA – THE BASICS (2016)**



Population	48,461,567
GDP (current US\$) (billion)	70.529
GDP growth rate (annual %)	5.8
GDP/capita (current US\$)	1,455.36
Human Development Index (HDI)	0.555 (ranked 146th)
Poverty headcount ratio at national poverty lines (% of population)	36.1
Gender Inequality Index (GII)	0.565
Gender Development Index (GDI)	0.919

Source: World Development Indicators and Human Development Reports

## GENERAL STUDY BACKGROUND

The Sustainable Development Goals (SDGs) and the Addis Ababa Action Agenda on Financing for Development (the 2030 Agenda) call on all countries to advance the welfare of societies, economies and the environment. Science, technology and innovation were identified as the primary means of implementing the 2030 Agenda. But while donor and philanthropic funds account for billions of dollars in support, the cost of solving the world's most critical problems runs into the trillions— with an estimated \$2.5 trillion US dollar annual funding gap to achieve the SDGs in developing countries. To close the gap, it is imperative to develop and implement innovations that can attract national resources and private capital that can be used to achieve development objectives.

Innovative financing refers to a range of non-traditional mechanisms to raise additional funds. In addition to debt and equity investment, innovative vehicles include diaspora funding platforms, crowd funding, blended finance, peer-to-peer lending, social impact investing, insurance products, credit for rural small and medium enterprises (SMEs), and more.

This country report is one of a series of case studies<sup>1</sup> and joint comprehensive report based on findings from the case studies. The aim is to identify, document, analyse and share best practices from United Nations Country Teams (UNCTs) that are already making progress on new financing approaches and unlocking SDG financing. The expectation is that other countries hoping to follow the path of early adopters will be able to do so, building on best practices and avoiding potential pitfalls. In these reports challenges and bottlenecks in adopting new approaches are outlined so that, where possible, they can be addressed corporately.

<sup>1</sup> The other two countries are Armenia and Indonesia. These three countries were selected after an internal process administered by the United Nations Development Operations Coordination Office (UN DOCO). An independent consultant visited the three countries early 2018, meeting with and interviewing a large number of United Nations staff, government officials, private sector partners, and other development stakeholders.

## COUNTRY CONTEXT AND RATIONALE FOR FINANCING APPROACHES

Every year one million people in Kenya fall into poverty and stay there because of catastrophic health-related shocks.<sup>2</sup> Universal Health Care (UHC) has the potential to transform the lives of millions of Kenyans by guaranteeing access to lifesaving health services and helping individuals and families avoid crippling health expenses and the consequent poverty trap. As a result, UHC has been identified as an important development goal that

covers the full spectrum of essential, quality health services: from health promotion to prevention, treatment, rehabilitation and palliative care.

His Excellency Uhuru Kenyatta, President of Kenya, prioritized UHC in the government's "Big 4 Action Plan" launched in January 2018.<sup>3</sup> Some major reforms in healthcare include revising the National Hospital Insurance Fund Act and aligning it to Universal Health Care, and reviewing the laws governing private insurance companies to encourage investment and bring down the cost of coverage so it is within reach of all Kenyans. The idea is to increase the number of people with health coverage from 16.5 million to 25.7 million by the end of 2018, and double the latter figure so it reaches 51.6 million of Kenya's projected population by 2022.<sup>4</sup> Strategic investments in UHC including service delivery to meet the expanded insurance coverage will be critical for harnessing the country's demographic dividend and further support socio-economic progress in Kenya, as well as neighbouring countries.

**TABLE 2:  
RESOURCE INFLOWS IN KENYA (USD MILLIONS)**

Row Labels	Sum of ODA	Sum of remittances	Sum of FDI	Sum of long term debt (official sources)	Sum of long term debt (commercial sources)	Sum of short term debt
2000	870,6	0	252,5	0	193,5	
2001	858,3	117,2	12,2	0	12	
2002	735,2	130,1	62,9	297,4	308,1	261,9
2003	849,5	135,7	168,4	35,5	589,4	125,7
2004	862,7	753,8	92,4	43,1	83,8	0
2005	960	774,4	38,7	26,5	51,7	0
2006	1200	894,8	79,5	0	2	136,5
2007	1500	873,9	987,4	0	0	479,5
2008	1500	806,5	115,5	0	8,3	0
2009	2000	764,4	139,2	93	33,1	4,8
2010	1800	832,9	216,3	7,5	14	88,7
2011	2500	1100	412	247,4	28,8	285,1
2012	2900	1300	276,5	128,1	724,1	311,1
2013	3300	1300	531,8	0	14	852,5
2014	2700	1400	1000	1200	2700	0
2015	2800	1600	1400	918,5	754,1	612,2
<b>Grand Total</b>	<b>27336,3</b>	<b>12783,7</b>	<b>5785,3</b>	<b>2997</b>	<b>5516,9</b>	<b>3158</b>

Source: Development Initiatives calculations based on various sources

To achieve UHC, more resources need to be mobilized through new partnerships with the private sector, philanthropic organizations, and civil society partners. Opportunities for blended financing, like venture philanthropy and impact investing, need to be harnessed to optimize existing resources, bridge critical gaps, and support the county in realizing UHC.

In addition, just as mobile payments transformed Kenyan markets and tech-innovations changed the health sector (e.g. artificial intelligence algorithms that predict disease outbreaks and accelerate disease diagnosis or technology that optimizes interoperability between health information systems to create dashboards for informed health policy decision making), new methods of financing have the potential to strengthen the efficiency, effectiveness and accountability of the health sector, whilst also contributing to the improved health status of people and quality of life in the country.

In response to these challenges and opportunities, the UNCT, led by the United Nations Resident Coordinator, has taken steps to address these issues innovatively. The collective health related work of the United Nations (UN) is incorporated in the social pillar of the currently running 2014-2018 United Nations Development Assistance Framework (UNDAF) for Kenya and includes e.g. result areas for water, sanitation and hygiene (WASH), multi-sectoral HIV and AIDS response, and social protection.<sup>5</sup> In January 2018, during a meeting between Dr. Tedros Adhanom Ghebreyesus, Director-General of the World Health Organisation (WHO) and President Kenyatta, the UN reiterated its support for delivering Universal Health Care within the next five years.<sup>6</sup>

## INITIATIVES TO INNOVATE ACCESS TO HEALTH CARE

### JOINT INITIATIVES

The **Private Sector Health Partnership Kenya** (PSHP Kenya)<sup>7</sup> was launched in September 2015 at the global inauguration of a joint strategy for the health of women, children and adolescents. This joint EWEC, Safaricom, Huawei, Philips, MSD / Merck, Unilever and Glaxo Smith Klein (GSK) commitment pledged support to the on-going efforts of UNH6<sup>8</sup> and significantly improve maternal health in the six counties of Migori, Mandera, Marsabit, Wajir, Isiolo, Lamu, which account for almost 50% of all maternal deaths. Other aims of the initiative include improving the health and well-being of 3.5 million people in these counties by 2020.

UNFPA spearheaded the partnership and established a secretariat at the Kenya Healthcare Federation to coordinate partners. Alongside the Global Financing Facility, Government of Kenya, county governments, and other partners, the initiative harnesses the talent, expertise, innovation, and resources of the private sector. Through collective action partners will help to develop models that comprise the best of the public and private sectors so as to scale-up healthcare delivery for vulnerable and poor populations in low-resource settings.

From September 2015 – March 2017, PSHP Kenya received in-kind technical support from the EWEC Secretariat and World Economic Forum's health team. Because of this support PSHP Kenya was able to build a strong platform to engage with public and private stakeholders, generate political support for the initiative, and source expertise for the design of RMNCAH.<sup>9</sup> PSHP Kenya was showcased at the World Economic Forum (WEF) in Davos in February 2016 and January 2017, and at WEF Africa (May 2016 and 2017), where it was presented as a highly promising public-private partnership (PPP) health initiative.

Total commitments from PSHP Kenya private partners to date are approximately \$3 million US dollars. As a result, a number of PPP initiatives have taken off, and promising new models that offer the best of the public and private sectors are being tested.

MSD announced at WEF Africa 2016 a \$1.5 million US dollar grant, through its MSD for Mothers initiative, for a new project that will engage Jhpiego in Migori and the Kenya Red Cross in Mandera to document innovative approaches to implementing the national **Adolescent and Youth Sexual and Reproductive Health Policy**. The project will forge innovative partnerships with the private sector, including the Community Life Centre in Mandera.

**A Community Life Center** was established in Dandu in collaboration with the Mandera County Government and Philips International. Inaugurated in July 2017, the utilization of RMNCAH services at the facility has already improved, which demonstrates that RMNCAH can be improved through public private partnerships and innovation—even in the most difficult conditions and where there has been little success to date. MSD will continue to support the center in designing and testing innovative approaches for the empowerment of young people in the community.

- 2 Source: Thomson Reuters Foundation, February 2018, <http://news.trust.org/item/20180209112650-s1njv/>.
- 3 Kenya's President, Uhuru Kenyatta, in The Daily Nation, 23 January 2018: <https://goo.gl/UDJCHF>. The other three pillars include food security, affordable housing and manufacturing. By 2022, the government hopes to raise the share of manufacturing sector from 9% to 15% of the national GDP, expand food production and supply, provide universal health coverage for all Kenyans, and build 500,000 affordable homes.
- 4 See: <https://goo.gl/fJLQMp>.
- 5 UNDAF(2014-2018) for Kenya <https://goo.gl/kuZRL7>.
- 6 See: <http://www.afro.who.int/news/who-director-general-dr-tedros-visits-kenya>.
- 7 For more details see: [pshpkenya.org](http://pshpkenya.org).
- 8 UNH6 brings together UNFPA, UNICEF, the World Bank, WHO, and UNADIS, see box 1.
- 9 Reproductive, Maternal, Newborn, Children and Adolescent Health (RMNCAH).

Philips International is implementing a **Mobile Obstetric Monitoring** research project in Wajir in partnership with the Ministry of Health, county government, the African Medical and Research Foundation (AMREF) and UNFPA. This will help strengthen community health structures by testing a mobile obstetric monitoring solution and providing outreach kits to community health workers for the early detection of high-risk pregnancies and to enable timely referrals to appropriate levels of care.

Safaricom and Huawei have pooled their unique expertise and services in technology and mobile connectivity to design and pilot transformational digital health solutions. One is currently being tested with the Lamu County Government and Mombasa Referral Hospital. **Telemedicine** is being tested between Lamu district and primary referral hospitals, and the Mombasa Referral Hospital to improve diagnostics, consultations and doctor training.

Additionally, Huawei introduced a comprehensive **Electronic Management System** for health facilities to improve patient tracking, availability of medical commodities, data gathering and reporting, and facility management. The system is being tested at all 52 health facilities in Lamu and 37,000 patients have been registered through the electronic medical records system.

Unilever, UNFPA and AMREF are spreading the message on which high-impact **RMNCAH Interventions** (e.g. hygiene, family planning, access to skilled care during delivery) can lower mother and infant mortality rates, and instill the importance of handwashing for pregnant and new mothers. The maternal, newborn and child health and hygiene program first started in Migori as it is one of the counties with the highest maternal mortality ratios and prevalence of diarrhea among young children in Kenya. Community Health Extension Workers and Community Health Volunteers are important partners of this programme.

Another Unilever contribution is **#Heroes4Change**: a social mobilization volunteer programme that teaches and empowers college students to contribute to society and create a better future for all Kenyans. The #Heroes4Change initiative plans to make a difference in the lives of 10 million Kenyans by 2020 and, so far, 180,000 Kenyans have been reached, including 18,000 mothers-to-be. The initiative highlights the importance of basic hygiene (e.g. using soap for hand washing to prevent trachoma and diarrheal disease or brushing teeth to improve oral health, or for pregnant mothers to seek maternal and newborn care).

PSHP has also supported **UNFPA's IAM innovation accelerator**, which helps young people access sexual and reproductive health information in Kenya. This initiative has reached 830,000 young people through social media, and almost 230,000 young people reached have used innovative solutions provided by the 4 start-ups that were selected, trained and coached through the IAM Innovation Accelerator programme ([www.i-am.co.ke](http://www.i-am.co.ke)).

## BOX 1: THE H6 PARTNERSHIP

The H6 partnership<sup>10</sup> (formerly H4+) pulls together the collective strengths and capacities of six UN organizations to improve the health and wellbeing of women and children.

Since 2008, UNAIDS, UNFPA, UNICEF, WHO, UN Women and the World Bank have collaborated to help countries strengthen their health systems and improve health services for women, children and newborns, particularly in places with high mortality rates linked to preventable causes. In 2016, H6 intensified its efforts in response to a call to action from the UN Secretary-General to accelerate progress on health-related SDGs. The Secretary General's Global Strategy for Women's and Children's Health mapped out investments, financing, policies and services needed to spur progress. As a result, "Every Woman, Every Child"<sup>11</sup> was created and is an unprecedented global movement aimed to put the Global Strategy into action.

## THE SDG PHILANTHROPY PLATFORM IN KENYA<sup>12</sup>

The SDG Philanthropy Platform in Kenya is housed in the Office of the UN Resident Coordinator. Launched in November 2014 as the first in a series of global platforms (pioneered by UNDP, the Conrad N. Hilton Foundation, Ford Foundation, and MasterCard Foundation) the Platform supports coordination in Kenya's philanthropy sector and helps create common pathways for philanthropy to engage with mainstream development through the United Nations Development Assistance Framework (UNDAF).<sup>13</sup> This Platform is a welcome innovation for the UN in Kenya since it acts as a gateway for positioning and engaging the UN and government more effectively with philanthropic organizations, the private sector and civil society.

The SDG Philanthropy Platform supported multiple data training workshops for the philanthropy sector, advocated the creation of a joint working group and thematic roundtables between philanthropic partners and the Ministry of Education,<sup>14</sup>

<sup>10</sup> See: <https://goo.gl/i7x617>.

<sup>11</sup> <http://www.everywomaneverychild.org/>

<sup>12</sup> <http://ke.one.un.org/content/unct/kenya/en/home/presscenter/news/sdgs-partnership-for-health.html/>

<sup>13</sup> <http://ke.one.un.org/content/unct/kenya/en/home/presscenter/news/sdgs-partnership-for-health.html/>

<sup>14</sup> <http://ke.one.un.org/content/unct/kenya/en/home/presscenter/news/sdgs-partnership-for-health.html/>



brokered partnerships between UNDP global and OECD for a report on Guidelines for Effective Philanthropic Engagement with the Government of Kenya, and fostered collaborations in the Early Childhood Development and Technical & Vocational Training (TVET) sectors in Kenya. The Platform is now helping to drive cross-sectoral opportunities around Early Childhood Development (ECD) and nutrition security across the UHC and food security goals of Kenya's "Big-4 Agenda." This is being done in partnership with the global ECD Action network (ECDAN).

The Platform has continued to provide advice and support to the UNCT on engaging more effectively with philanthropy, private sector and civil society, and ways to facilitate collaborations. Some include technology innovations that bring the latest TVET training on mobile phones to youth in remote and impoverished settings (e.g. Marsabit County), innovation grants for ECD training on mobile platforms for Community Health Workers and ECD caregivers, and creating value chains for local manufacture and the distribution of fortified school feeding for ECD centres in rural contexts.

## NEXT STEPS

Achieving the Sustainable Development Goals (SDGs) will be as much about the effectiveness of development co-operation as it will be about the scale and form such co-operation takes. There is a lot of talk about partnership, but not enough practical, on-the-ground support to make partnerships effective in practice.

To optimize synergies, build on existing partnership platform initiatives, and drive scale and impact, the UN Resident Coordinator's Office (UNRCO) in Kenya in partnership with the Government of Kenya launched the SDG Partnership Platform in April 2017.<sup>15</sup> The main objective of the SDG Partnership Platform is to generate greater SDG outcomes.<sup>16</sup> The Platform initially focused on the SDG 3 "health and wellbeing" window but will eventually be extended to tackle other government priorities and development challenges within the SDG framework And Kenya's "Big-4" plan.

Partners committed to working through the Platform and its first UHC window include the national government, nine county governments, the Frontier Counties Development Council, UNDP, UNFPA, UN Women, UNICEF, WHO, UNAIDS, World Bank, and other UN organizations and stakeholders such as private sector companies, civil society organisations, and development partners. Other counties across Kenya will follow.

Since April 2017, early progress has been made in mobilizing funding and technical in-kind support for the platform's operations. A Multi-Partner Trust Fund (MPTF) was launched in September 2017 to support the initiative and similar, parallel funding mechanisms will be used for donors and partners, like the United States of America, that prefer alternative channels of support such as direct funding and/or outsourced contracts. The

Platform mobilized \$1.5 million US dollars in blended financing from the public and private sectors, which has been pooled into the MPTF mechanism. Another \$3 million US dollars has been raised as in-kind support.

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**"[We can] catalyze SDG impact by harnessing global tech innovations and intellectual firepower to serve the continent's populations with public-private investments to achieve Universal Health Care for basic human dignity and as a springboard for greater economic growth."**

– Siddharth Chatterjee, UN Resident Coordinator for Kenya

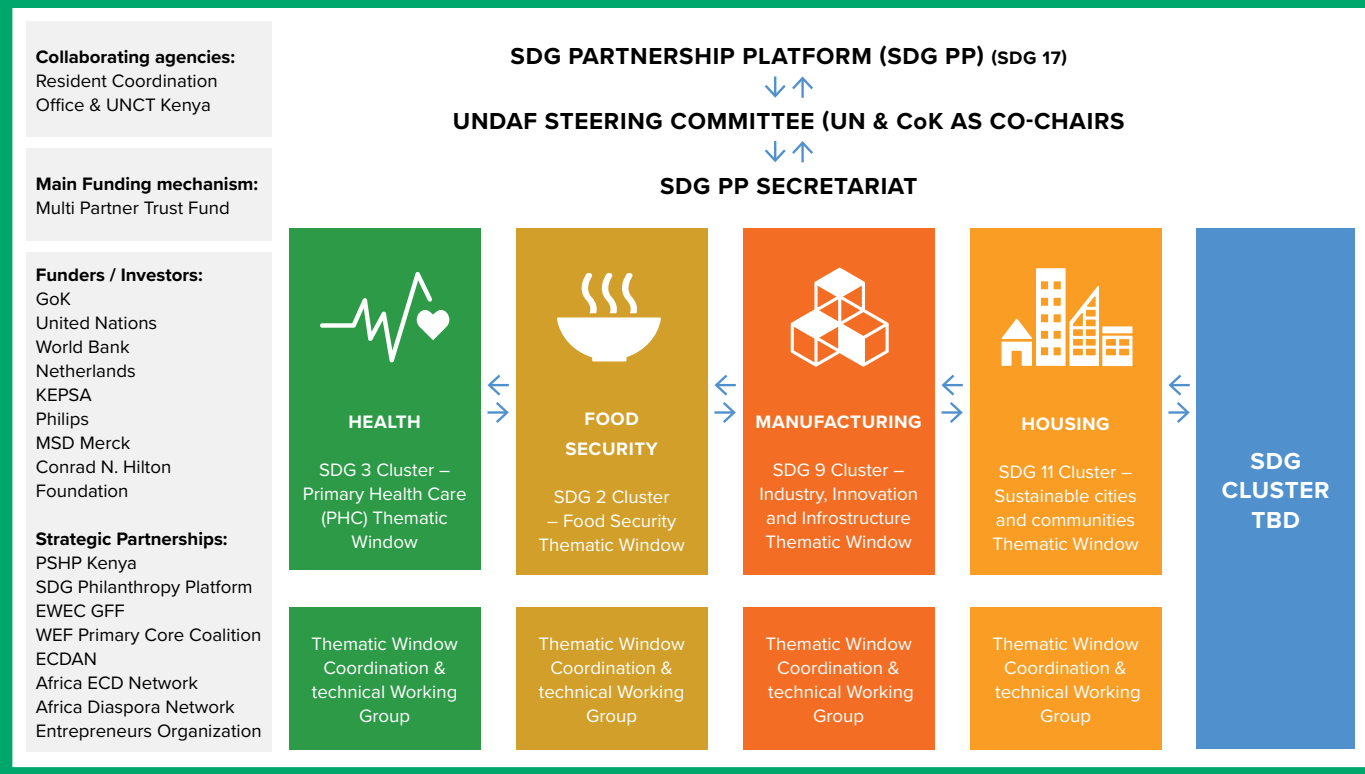
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In 2018, the Platform will organize a series of workshops in all 47 counties across Kenya by engaging major stakeholders (national and county governments, UN organizations, donors, private sector, philanthropic partners and civil society). Business and financial modelling workshops with public-private stakeholders, as well as a systematic review of PPP policies and regulations are underway to complement these efforts. Future PPPs will be supported on pre-feasibility preparation and linked to deal flow platforms with a range of blended finance partners. Amongst them, is the UNDP facilitated Impact@50 group of impact investors and the recently launched African Venture Philanthropy Alliance with the SDG Partnership Platform.

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<sup>15</sup> <http://ke.one.un.org/content/unct/kenya/en/home/presscenter/news/sdgs-partnership-for-health.html> / <http://www.health.go.ke/2017/04/>

<sup>16</sup> "Business Unusual will Drive Africa's Quest to achieve Health Care for All", Inter Press News Agency, February 2018, <https://goo.gl/9FPpUu>.



## THE ‘INTERNAL KITCHEN’: HOW IT WAS DONE

The UNCT enjoys strong relationships with various government institutions at all levels of society and these are the UN’s main comparative advantage in Kenya. Private sector companies and philanthropic entities also partner with the United Nations because it has a good reputation and relationship with the government and offers long term commitments and a gateway to future markets. Below are some of the main ways that the UNCT has established innovative partnerships and initiatives in Kenya.

**Championing national ownership and buy-in.** The UNCT, through the Resident Coordinator’s Office, drew early-on on national ownership and buy-in from the government to establish the SDG Partnership Platform.

**Building strategic links.** The Platform Secretariat is housed within the UN Resident Coordinator’s Office and in the coming months programmatic work will be anchored in UNDP and UNH6. The National Coordinator of the platform and other staff are carefully selected based on the extent of their experience and networks. This has built institutional memory by tapping

into trusted networks and relationships, granting UNCT access to renowned global initiatives like the Every Woman Every Child Global Financing Facility, World Economic Forum, and wide networks of corporations, foundations, venture philanthropists and impact investors.

**Engaging with the “big fish” and raising international support.** Kenya is a regional hub and emerging powerhouse in Eastern Africa. Nairobi has a booming entrepreneurial sector, and major international companies and organizations have their headquarters or regional offices in Kenya. This has created a unique opportunity for the UN to engage with major companies - one that the UNCT has seized in the hope of increasing the scope and reach of national initiatives. Furthermore, the UNCT has been proactive in raising the profile of their programmes internationally. For example, the business case for launching Universal Health Care in Kenya through the SDG Partnership Platform was made at several UN, World Economic Forum, and partner events, as well as in Silicon Valley in January 2018 during the third African Diaspora Investment Symposium.<sup>17</sup>

<sup>17</sup> The African Diaspora Investment Symposium (<http://www.africansbuildingafrica.com>) is an annual event that brings together entrepreneurs, technologists, educators, innovators, public and social leaders from around the world to build bridges between Africans on the continent and in the diaspora, as well as friends of Africa. The third year, “Building Africa’s Future: Magnifying What is Within,” focused on bold policies, innovative business models, and technologies shaping the continent. It featured an “African Women in Tech” component (<https://africanwomenintech.com/>).

**Getting anchored in the local market.** Use of the Platform enables stakeholders to establish links with global alliances and organizations that are able to work in a context-specific manner with local stakeholders and Kenyan federations and associations. For example, the SDG Partnership Platform partnered with the Kenya Healthcare Federation (the health sector arm of the Kenya Private Sector Alliance), which has an extensive membership. The advantage of these types of partnerships is they open the door to a significant number of national, regional and global private healthcare providers, hospitals, pharmaceutical manufacturers and insurers operating in the Kenyan market.

**Taking initiative and building in-house capacities.** Leadership and strong commitment by the Resident Coordinator and the UNCT has been instrumental in developing initiatives. Yet, to guarantee success, the back-up from an experienced team is required. The Office of the Resident Coordinator in Kenya put together a diverse team with experience from the development, philanthropy, financing and private sectors. The UNCT needs to be able to create and maintain a strong platform to engage with public and private stakeholders, harness political support, and scale up expertise and innovations. These capacities come in handy because the UNCT plays the role of intermediary between the government (e.g. Ministry of Health), the private sector and philanthropic organizations.

## CHALLENGES

**Clarification of UN role and its comparative advantage.** The United Nations in Kenya brings together the private sector, philanthropy and government, and this convening power has been widely acknowledged as an important factor in unlocking collaborations and new avenues of financing. Despite the gains made, however, there are challenges that involve the UN's level of intervention. Some United Nations organizations choose to focus on the macro level, engaging with policy makers and contributing to the establishment of an enabling environment, while others prefer to engage in policy making and implementation. The risk is that if the focus is too much on implementation, the UN may lose its competitive advantage and become another implementing partner competing for financing.

**Assume a whole-of-country approach.** Working with the private sector means that areas of intervention need to create business opportunities and generate profit, and therefore rural and remote parts of the country do not attract a lot of attention. It is the role of the government and development partners to steer focus towards these areas and present a business case that proves “the bottom of the pyramid” is worth investing in. The UNCT has been successful in managing risk by initiating PSHP Kenya to focus on some of the most vulnerable areas within the country and build strong relationships to scale up innovations to other parts of the country. Other practical

ways of assuming a whole-of-country approach is organizing visits to these regions for the management and leadership of international companies and organizations, as well as embrace “last-mile tech innovations” like e-health, m-health, mobile diagnosis kits, drones, and artificial intelligence that turn difficult-to-implement ideas into “bankable propositions.” Blended finance engineering and risk-lowering tools are ways to mitigate the risks of investing in these areas. Ultimately, Kenya requires a systems-based approach to developing transformative and scalable initiatives to move beyond its history of fragmented pilot projects.

**Need for more robust data and evidence.** The SDG Partnership Platform has a team working full time to ensure data collection and management, including monitoring and evaluation, which contributes towards attaining nationally prioritized SDG targets. The challenge is catering to the demand from the private sector to collect data relevant to their business practices, and disseminating this information in way that it is easily understood by leadership and technical analysts in the sector. Businesses generally require that ideas pitched to them are based on hard evidence rather than “political talk.”

**Balancing quick wins vs. due diligence.** Establishing lasting partnerships with private sector and philanthropic individuals or organizations takes time and resources. It is challenging to strike the right balance between making quick progress and getting results while ensuring the needs of all. This is why it is important to choose partners carefully and perform due diligence to avoid ethical issues and conflicts of interest, particularly if a UN organization is dealing with dwindling core resources. An inter-organizational process for due diligence could be explored to avoid the current process of duplication and/or contradictions in approvals and rejections of the same company by various UN Agencies.

**Restricting internal processes, practices and regulations.** As in other countries, the UNCT in Kenya faces challenges in finding skilled staff and/or maintaining capacity, particularly when it comes to partnerships involving the private sector. To identify “bankable” initiatives the UNCT needs to invest to recruit staff with relevant experience in the private and philanthropic sectors. Another challenge is to secure enough internal resources and seed money so the UNCT can make contributions to the joint initiatives it plans to establish. This requires more flexibility within the United Nations system for risk-taking and innovation so the UNCT can balance the demand for concrete results with experimentation, trial and error. One main impediment is that legal and administrative restrictions and obstacles slow internal processes. This may stem from the fact that current operational and financial frameworks were set up at a time when overseas development assistance was the norm and they have not been fully adapted to newer financing models.

## MAIN TAKEAWAYS

**Think global, act local.** The UNCT needs to have a long-term vision and agenda if it hopes to inspire and rally the government along with private sector partners. However, to inspire change in others the UNCT needs to review its own practices and lead by example. By contracting local companies and hiring local staff, for example, the UN can encourage the development of local capacities. Given that ODA is declining in Kenya, it would be useful for the UN to review its procurement practices with the aim to increase the number of local suppliers and senior staff.

**Be crystal clear about the role of the United Nations vis-à-vis other actors.** The UN needs to be clear on what it offers in the more non-traditional fields that it engages in. In such instances, the UN should refrain from assuming too many roles and instead focus on where it can add value—performing roles that others cannot do as well. These roles need to be defined across UN organizations through dynamic and open conversations, and the focus can be on more distinctive responsibilities (being a “trusted and neutral broker” without a supply driven agenda, or on convening and deepening relationships).

**Think win-win-win.** It is important to align shared value partnerships that unlock “enlightened self-interest and incentives for all.” Building lasting public-private partnerships requires a win-win-win approach. Each partner, from design to implementation stage, needs to have a common mindset that draws on varied expertise, know-how and resources. Sending requests for funding prematurely or making fundraising the main objective of any discussion will limit the chances of success. Practice shows that a successful approach rests on getting partners excited about an idea that builds on their comparative advantages. The money will follow a good idea. Another important aspect is building on the collective strength of partners and not try and teach them how to do their jobs. Private companies tend to have well established logistics and transportation networks, and are known for their ability to deliver goods and products to the most remote areas: “[If] you can find a bottle of Coke even in the most remote villages [it means] we know how to get it there.”

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## “Private sector companies and philanthropy are getting tired of being seen as ATMs.”

– Arif Neki - SDG Partnership Platform Coordinator

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**Internal reforms.** A number of issues need to be addressed by the UN internally to improve progress. This includes making sufficient resources and seed money available, as well as supporting a corporate culture that values innovation and experimentation through risk-taking and trial and error. For that to happen some legal and administrative provisions and processes have to be reformed to allow the UNCT to react faster and with more credibility when engaging with the private sector, which would give heads of UN organizations more local flexibility on in-country collaborations. The SDG Partnership Platform has so far succeeded in getting established primarily with external non-UN resources.





UNITED NATIONS  
SUSTAINABLE  
DEVELOPMENT  
GROUP

The United Nations Sustainable Development Group (UNSDG) unites the 40 UN funds, programmes, specialized agencies, departments, and offices that play a role in development.

At the regional level, six Regional UNSDG Teams play a critical role in driving UNSDG priorities by supporting UN Country Teams with strategic priority setting, analysis and advice.

At the country level, 131 UN Country Teams serving 165 countries and territories work together to increase the synergies and joint impact of the UN system.

The Development Operations Coordination Office (DOCO) is the secretariat of the UNSDG, bringing together the UN development system to promote change and innovation to deliver together on sustainable development.

The Dag Hammarskjöld Foundation is a non-governmental organization established in the memory of the second Secretary-General of the United Nations. The Foundation spurs dialogue and action on global development and multilateral cooperation. The vision of the Foundation is a peaceful and just world where the fundamental values of the United Nations are universally upheld. Building on Dag Hammarskjöld's legacy, our mission is to advance dialogue and policy for sustainable development and peace.  
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