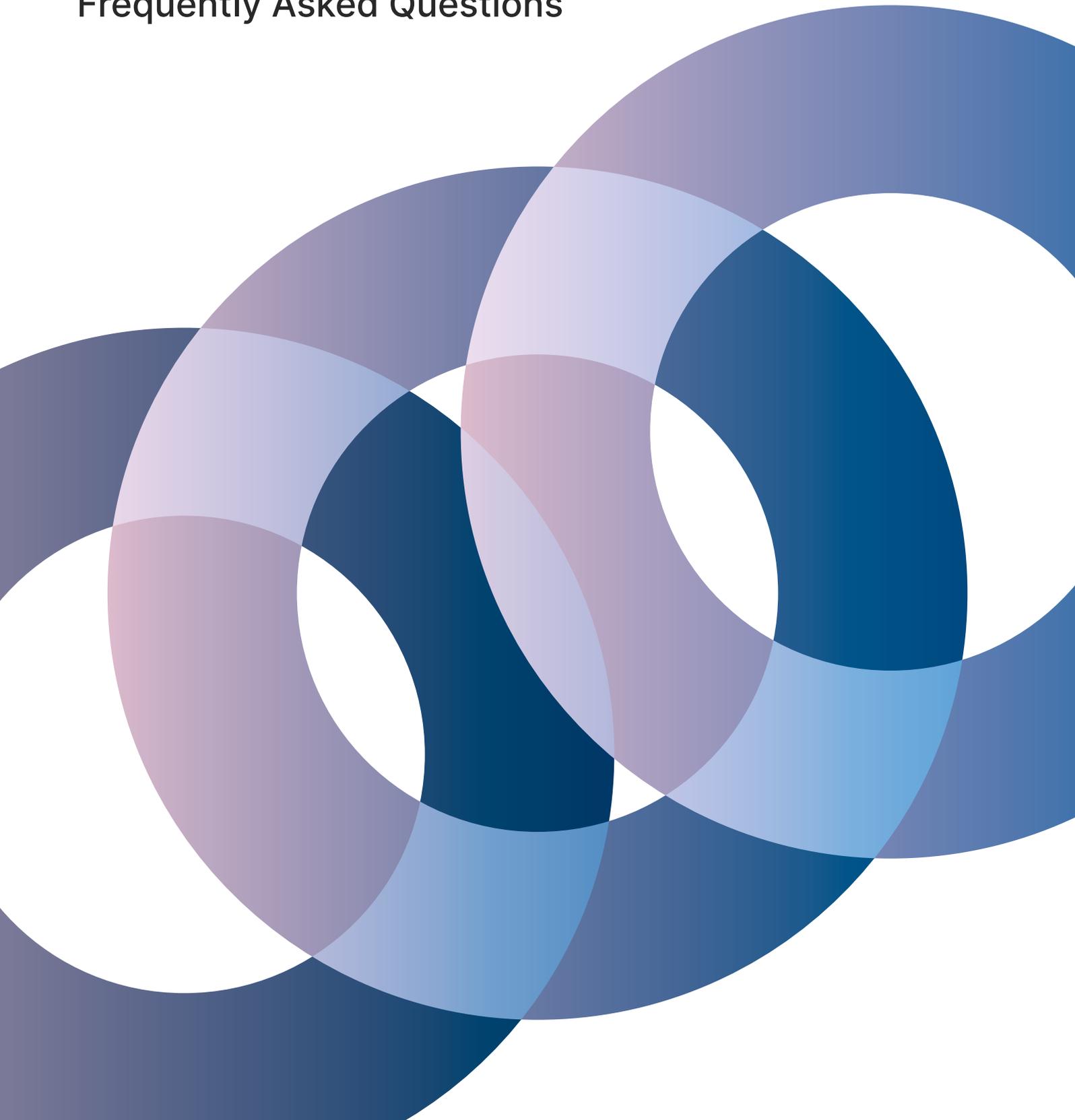




Pipeline Builder

Frequently Asked Questions



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Purpose of this document

This document provides answers to questions that have been received frequently from parties interested in the Pipeline Builder. It will be updated on a continuing basis.

Context

THE SDGs – A UNIVERSAL PLAN FOR A SUSTAINABLE FUTURE

The **17 Sustainable Development Goals (SDGs)** of the 2030 Agenda represent a roadmap for achieving a sustainable future for people and planet. Adopted by 193 UN Member States in 2015, the SDGs have quickly become the global plan for solving humanity's biggest challenges. The goals apply to all countries and provide targets that are tangible, measurable and attainable.

Importantly, the SDGs provide sustainable development actors—from governments to the private sector to citizens—with a framework that can be translated into concrete policies and initiatives where impact, in many instances, is immediate.

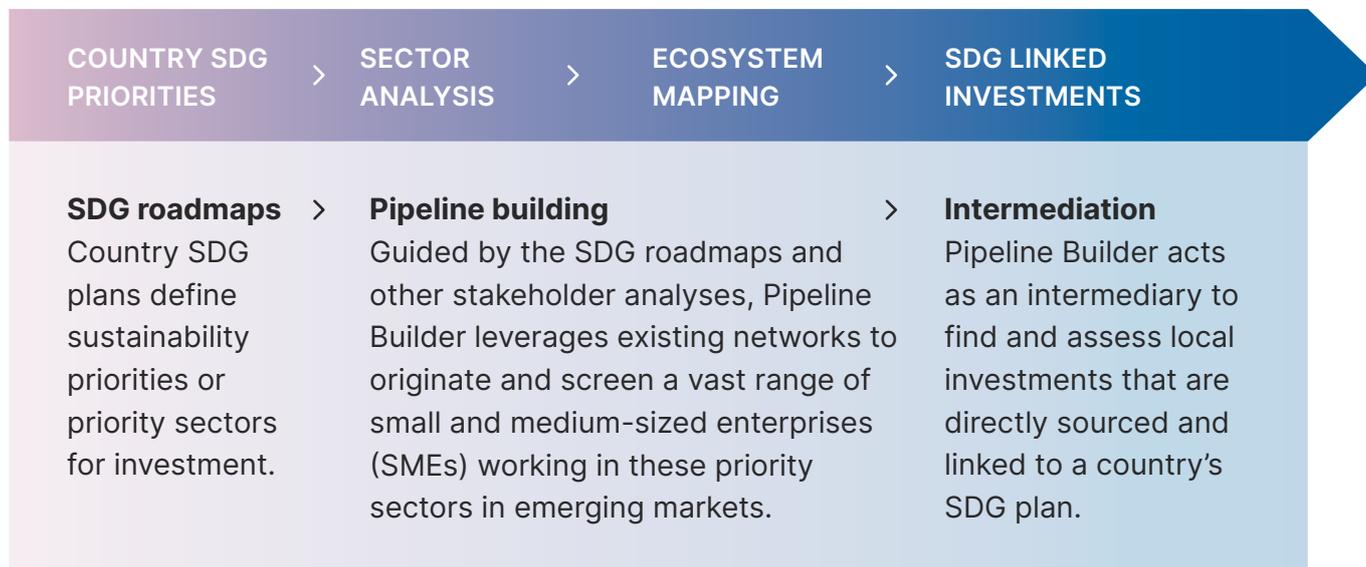
Since the global goals were adopted five years ago, countries have developed national SDG roadmaps that identify priority SDGs where urgent efforts are required to achieve the objectives they have committed to. These priority goals have been structured into groups of sectors (e.g. renewables, education, health, etc.) that, from an investor perspective, represent an optimal set of investment opportunities.

While investment is flowing towards the SDGs, the pace and scale is insufficient to realize the goals by 2030—a situation further exacerbated by the global Coronavirus pandemic. A significant hurdle is that many investors do not see the SDGs as an investment case because the goals are rarely presented in this light, and, conversely, country SDG plans are not packaged to investors in a way that induces action. The effect of this misalignment is that investors are not accessing the full potential of SDG aligned investment opportunities.

ENTER PIPELINE BUILDER

The **Ground_Up Project**, a Swiss-based impact finance advisor, is co-designing, together with the **SDG Lab** at the United Nations in Geneva, the Pipeline Builder, an intermediary that streamlines the investment origination and distribution process to drive more capital to the SDGs. The project focuses on small and medium-sized enterprises (SMEs) in emerging markets.

The Pipeline Builder at a glance



Frequently Asked Questions

The following series of frequently asked questions offers answers to common queries posed to the Pipeline Builder project team.

1. WHAT IS THE PIPELINE BUILDER?

Pipeline Builder is an intermediary that streamlines the investment “origination”— or sourcing and distribution — process to drive more capital to SDG-focused SMEs in emerging markets. Initiated in late 2019, Pipeline Builder is a partnership between the SDG Lab at UN Geneva and the Ground_Up Project, a Swiss-based impact finance advisor, with initial financial support from the Swiss Development Corporation.

2. WHAT PROBLEM IS THE PIPELINE BUILDER TRYING TO ADDRESS?

Today, SDG investment opportunities are not packaged to investors in a way that incentivizes their participation. Conversely, country level SDG agendas are often not presented in language and terms understood by investors. This miscommunication results in limited and small-scale financing of SMEs in emerging markets by investors.

3. WHAT ARE THE AIMS OF PIPELINE BUILDER?

The aim of Pipeline Builder is twofold: One, to provide investors with a roadmap for turning country-level SDG priorities into investable opportunities that align countries' specific development goals with investors' investment goals while delivering risk-adjust returns. The premise of Pipeline Builder is that if investors and countries are more aligned, it will result in accelerating capital flow to the SDGs and encouraging new investors to explore opportunities in these emerging markets.

Two, to provide investors with SDG aligned investment opportunities more efficiently. Using a network of emerging market-based intermediaries, Pipeline Builder can access opportunities on a global scale, which allows investors to build diversified portfolios of direct and fund investments in emerging markets at a lower cost and with potentially less risk.

4. WHAT WILL BE THE STRUCTURE OF PIPELINE BUILDER?

The intention is to create an intermediation process that works through existing and future partnerships leveraged by the SDG Lab, other UN actors at country level, such as the UN Development Programme (UNDP) and the UN Capital Development Fund (UNCDF). Pipeline Builder will be operationalized as a series of partnerships with market advisors as well as accelerators, impact hubs and other aggregators on the ground.

5. WHY AN INTERMEDIARY MODEL?

The intermediary model is widely used in the investment sector, however, its use in the SDG and impact investing marketplace remains limited, especially in emerging markets. Additionally, without intermediaries, financial markets would not work. Pipeline Builder acts as a counterparty to Swiss and European based impact investors and advisors who are looking for SDG aligned opportunities.

At the same time, Pipeline Builder also acts as a counterparty to intermediaries based in emerging markets with the local knowledge and SME networks to find and assess local investments. This network approach can help mitigate the risks and high transaction costs associated with investing in such markets.

6. WHY IS THERE A NEED TO BETTER USE THE SDGs AS A ROADMAP FOR INVESTMENTS?

The global SDG agenda, adopted by 193 countries in 2015, provides investors with an investment framework to direct investments. By aligning with the sectors and themes that countries have identified in their SDG plans, investors can produce more effective impact and this impact can be directly tied to a country's SDG roadmap.

The SDG agenda has helped focus investors on putting the planet on a path to sustainability. But a gap and opportunity remains between SDG plans and global investors. Pipeline Builder aims to bridge this gap by adding the SDG framework to the investment process. At the start of the process, the SDGs help define the sectors and themes where investors want to invest and achieve impact. At the end, the SDG roadmap helps create better impact because investments are aligned with a country's goals. Reporting is equally improved by linking an investment impact to a particular SDG goal.

7. AREN'T THE SDGs THE RESPONSIBILITY OF GOVERNMENTS OR PUBLICLY FUNDED ENTITIES? WHY ARE YOU TARGETING PRIVATE INVESTORS?

The annual financing gap to achieve the SDGs by 2030 is estimated to be USD 2.5 trillion—this year's funding shortfall is expected to be much higher because of the COVID-19 crisis, making it increasingly clear that governments cannot fund their SDG priorities with public capital alone.

While there is increasing demand for private investment in SDG-related sectors, the scale of total transactions globally remains limited. This is particularly evident in emerging markets, despite the opportunity for high returns due to growing populations, economies and financial sectors. Private investors will move capital where opportunities are clearly linked to the SDGs and where financial returns make sense. Through its approach as an intermediary, Pipeline Builder sources opportunities that are attractive and investable.

8. WHO ARE CLIENTS OF THE PIPELINE BUILDER?

Pipeline Builder primarily sources pipelines of SDG aligned investments for private investors, asset managers, family offices, corporate foundations and institutional investors. It can also be hired by aggregators of SMEs (such as accelerators, trade associations, etc.) to help them prove investment readiness and SDG alignment for investors. Furthermore, it can help aggregators secure access to capital for the SMEs they support. Lastly, Pipeline Builder can work with governments to help them build an investment case and attract investors to their priority, SDG aligned SME sectors.

9. COULD YOU GIVE AN EXAMPLE OF HOW PIPELINE BUILDER WILL WORK?

The Pipeline Builder team is now piloting the intermediation approach with a government in West Africa. The team is working as part of a multi-stakeholder process with country officials, the UN, finance and the private sector to understand priority areas and the SDG funding gap. The team is mapping opportunities in SDG priority sectors in order to develop a structured national SME SDG investment pipeline that can be brought to international investors.

The next stage will see the team work with those investors to build more tailored pipelines that match their targeted priorities, risk appetite and capital allocation frameworks.

10. WHAT IS THE CURRENT STAGE OF THE PROJECT?

In addition to testing the project approach in a pilot country, the Pipeline Builder team is identifying potential investment opportunities – actual pipelines across a handful of countries – with the goal to set up a first pilot transaction in the next 18 months. In parallel, to advance the project, the team is fundraising to secure financial contributions from governments, philanthropies and the private sector.

11. WHAT ARE THE ORIGINS OF THE PIPELINE BUILDER PROJECT?

Pipeline Builder was conceptualized in the context of a Geneva-based collaboration between a diverse group of finance and development actors convened by the SDG Lab, International Institute for Sustainable Development (IISD), and Sustainable Finance Geneva (SFG). The SDG Lab is incubating the project through its pilot phase. The project is managed by the Ground_Up Project and received financial support from the Swiss Agency for Development Cooperation.

12. HOW DO YOU DEFINE 'SUCCESS' FOR THE PIPELINE BUILDER PROJECT?

Pipeline Builder will be successful when capital, at scale, is accelerated towards the realization of the SDG agenda. Pipeline Builder will contribute to this outcome by becoming the go-to intermediation process for investors to engage in SDG aligned investment opportunities in emerging economies.



FOR MORE INFORMATION:

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