

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK
MULTILATERAL INVESTMENT FUND

JAMAICA

INNOVATING SOCIAL SECTOR FINANCING

(JA-T1176)

DONORS MEMORANDUM

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PROJECT SUMMARY

INNOVATING SOCIAL SECTOR FINANCING (JA-T1176)

For the first time in almost 20 years, Jamaica's debt to GDP ratio has fallen below 100% as at March 2019 (98%) and total unemployment has fallen from 16% in 2013 to 7.8% as at April 2019. In spite of these gains, the poor and underserved in Jamaica continue to have inadequate access to housing, affordable health care, as well as access to education and training, to provide opportunities for upward mobility. Historically, local social service organizations (SSO), such as churches, foundations and NGOs, have been playing an important role in the provision of social services to the poor and underprivileged relying on philanthropic contributions to support their activities, as they attempt to fill the gaps and supplement the fiscally constrained public funding of these services. Further, over the last few years, a vibrant social enterprise sector has been developing in Jamaica where local private sector and new entrepreneurs' mission is the achievement of significant improvements in social welfare, through innovative solutions to the social problems in the country. As the sector evolves to include social enterprise (SE) in the general categorization of SSOs, there is no clear data to inform the number of actors in the social sector.

The majority of the SEs in Jamaica are a part of the MSME sector and therefore face many of the same constraints experienced by the wider MSME sector such as informality, weak management and technical capacity, the need for a stronger enabling culture of (social) entrepreneurship, and lack of access to finance. Additionally, the wider SSOs face similar challenges in assessing sustainable financing for their philanthropic activities, as SSOs, in many cases are not able to articulate the impact that they are making, nor do they keep accurate record of expenses to facilitate transparency. Currently, donors that are willing to contribute to social projects in Jamaica have experienced challenges in, (i) making contributions to SSOs as there is no secure and transparent channel, (ii) lack awareness of these entities needs and impact value (iii) and lack confidence that their contributions will reach the intended beneficiaries, or that the funds are being used effectively for the intended need.

The project aims to facilitate the effective mobilization of resources to SSOs and SEs that serve the poor and vulnerable populations through the Jamaica Social Stock Exchange integrated systems and tools. The project entails the development of a platform to connect donors and investors to social projects in the country; coupled with capacity building activities to enhance the capabilities of these SSOs to manage their projects effectively and measure and communicate their results.

The project seeks to address the challenges faced by SSOs in raising financial resources, which are caused by their limited capacity for business management and/or project management and their inability to quantify and communicate their contribution to potential donors and investors to support their social impact work. The beneficiaries of this project will be: (i) 150 SSOs including churches, foundations, NGOs, and SEs - many headed by female social entrepreneurs; and (ii) 10,000 poor and vulnerable persons benefiting from social projects in Jamaica. The Executing agency is the Jamaica Stock Exchange and the total project budget is US\$910,000, of which US\$420,000 will be provided by the IDB Lab through a non-reimbursable technical co-operation.

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AVAILABLE IN THE TECHNICAL DOCUMENTS SECTION OF MIF PROJECT INFORMATION SYSTEM

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ACRONYMS AND ABBREVIATIONS

DNA	Diagnostic of Executing Agency Needs
IDB	Inter-American Development Bank
IDB Invest	Inter-American Investment Corporation
JSE	Jamaica Stock Exchange
JSSE	Jamaica Social Stock Exchange
JSIM	Jamaica Social Impact Market (Phase 1)
JIIM	Jamaica Impact Investment Market (Phase 2)
IMF	International Monetary Fund
NGO	Non-Government Organization
MSME Policy	Micro Small & Medium Enterprises & Entrepreneurship Policy
NFP	Not-For-Profit
GDP	Gross Domestic Product
SE	Social Enterprise
SSO	Social Service Organization

PROJECT INFORMATION
JAMAICA
INNOVATING SOCIAL SECTOR FINANCING
(JA-T1176)

Country and Geographic Location:	Jamaica		
Executing Agency:	Jamaica Stock Exchange, a private limited company		
Focus Area:	Knowledge Economy		
Coordination with Other Donors/Bank Operations:			
Project Beneficiaries:	150 Social Service Organizations including churches, foundations, NGOs, and Social Enterprises in Jamaica and 10,000 poor and vulnerable with improved lives from social projects		
Financing:	Technical Cooperation:	US\$ 420,000	46%
	Equity:	-	
	Loan:	-	
	Other:	-	
	TOTAL IDB Lab FUNDING:	US\$ 420,000	
	Counterpart:	US\$ 490,000	54%
	Co-financing:	-	
	TOTAL PROJECT BUDGET:	US\$ 910,000	100%
Execution and Disbursement Period:	36 months of execution and 42 months of disbursement.		
Special Contractual Conditions:	Conditions prior to first disbursement will be, to the Bank's satisfaction: (i) selection of the Project Manager; (ii) establishment of the Steering Committee; and (iii) letter of commitment from Jamaica Stock Exchange certifying its counterpart contribution to the project.		
Environmental and Social Impact Review	This operation was screened and classified as required by the IDB's safeguard policy (OP-703) on July 29, 2019. Given the low impacts and risks, the proposed category for the project is C.		
Unit responsible for disbursements	CCB/CJA		

I. The Problem

A. Problem Description

- 1.1. After almost three decades of lackluster growth, and a heavy debt burden, the Jamaican economy is now showing positive signs of a turnaround, due to commitment to and ownership of an IMF economic reform program at all levels – public and private sectors, and civil society - over the past 6 years. For the first time in almost 20 years, Jamaica's debt to GDP ratio has fallen below 100% as at March 2019 (98%) and total unemployment has fallen from 16% in 2013 to 7.8% as at April 2019.¹ In spite of these gains, the poor and underserved in Jamaica continue to have inadequate access to housing, affordable health care, as well as access to education and training, to provide opportunities for upward mobility. It is estimated that just below 20% of Jamaicans still fall below the poverty line (UNDP, 2019), and although overall unemployment levels have fallen, levels remain high for young people and women with low income.² High levels of youth unemployment are believed to be directly associated with the spiraling crime rate.³
- 1.2. **Social Sector in Jamaica.** Historically, local social service organizations (SSO)⁴, such as churches, foundations and NGOs, have been playing an important role in the provision of social services to the poor and underprivileged, relying on philanthropic contributions to support their activities, as they attempt to fill the gaps and supplement the fiscally constrained public funding of these services. There are at least 100 key SSOs in Jamaica⁵, which include various NGOs and foundations (including corporate foundations), charitable organizations (including the Church and Social Clubs). Further, in order to tackle some of these social challenges, new actors have emerged in the social services eco-system. Over the last few years, a vibrant social enterprise (SE)⁶ sector has been developing in Jamaica where local private sector and new entrepreneurs' whose mission is the achievement of significant improvements in social welfare, through innovative solutions to the social problems in the country. As the sector evolves to include SEs in the general categorization of SSOs, there is no clear data to inform the number of actors in the social sector, as these entities are registered as charity organizations, foundations, or limited liability.

¹ Nigel Clarke, Lessons from Jamaica for Small Countries with Big Debts – Financial Times Feb 19, 2019.

² Statin 2016 data. The unemployment rate for youth was 25.8% in April 2018. World Bank in Jamaica, <https://www.worldbank.org/en/country/jamaica/overview>

³ According to the IDB, the population segment most directly involved in violent crime are young males 15.29, coming from underserved, poor urban neighborhoods, who are unskilled and unemployed. IDBG Country Strategy with Jamaica 2016-2021 p. 2.

⁴ Social Service Organizations are nongovernmental entities with a social mission. This include both non-profit and for-profit entities, social enterprises, voluntary organizations, foundations and religious bodies.

⁵ The Council of Voluntary Social Services is an umbrella organization representing many of these organizations. It has 76 members. See www.cvssja.org

⁶ Social Enterprises defined in the GOJ MSME Policy: Social enterprises are mission-driven entities that establish an independent sustained source of income through which they can finance operations and programmes, while generating a social and financial rate of return on investment.

- 1.3. **Challenges faced by Social Enterprises.** The Government of Jamaica has noted the contribution and importance of SEs in tackling the social problems of the country and have sought to include them in the updated MSME policy. The policy recognizes that all SE that meet the size definition are MSMEs (but not all MSMEs are SEs). By including SEs in the MSME policy, government hopes to tackle the issues that jointly affect SEs and MSMEs, such as, informality, weak management and technical capacity, lack of access to finance and the need for a stronger enabling culture of (social) entrepreneurship⁷. Whilst the inclusion is commendable, the policy is silent on the ability of these SEs to accept investments, except for those registered as a limited liability. The regulatory framework has not evolved over the years to include other categorizations and registration of these entities, such as: Company limited by shares, community benefit society, community interest company limited by shares or guarantee, to benefit from tax incentives. Currently, there is no legal form or status that defines a SE and most are therefore incorporated as limited liability with a guaranteed shared capital, after which, an application is made to the relevant Ministries for the limited liability status to be removed to allow operation as a not-for-profit in order to receive tax-exemption status.
- 1.4. The challenges for the SEs extend beyond those of traditional MSMEs as their objectives are two-fold (social and financial) and their growth path is different from the normal businesses. Some SEs are not even meant to grow organically but instead seek to replicate their model or aim at being absorbed by governments when they deal with access to basic services. Therefore, financing for SEs calls for distinct approaches, in terms of instruments and expected (economic/social) rate of return. To tackle the capital gap problem, one of the avenues open to SEs is becoming commercially viable and trade on social stock exchanges (SSEs) that cater for impact investing. SSEs have been the latest trend, trading platforms listing only social businesses. Using SSEs, investors can buy shares in SEs just as investors focused solely on profit would do in the traditional stock market. An investor would come to an SSE to find a social business with a mission according to his or her preference. This is great news for all players in the industry (including governments, multilateral financing institutions, community organizations, development agencies, and social entrepreneurs), and countries like Canada, the UK, Singapore, South Africa, Brazil, and Kenya have already opened their doors to their very own social stock exchanges.
- 1.5. In Jamaica, many of these SEs are headed by females, as Jamaica holds the highest percentage of female business owners in the world and almost 60%⁸ of managers are women. Further, 45%⁹ of the small to medium sized businesses, including SEs, are operated by women in Jamaica and contribute 17.5% in employment. Even though Jamaican women are excelling in many areas, they are still heavily stereotyped especially when they work in male dominated jobs or in roles at the board level of organizations. This continues to be evident as 80%¹⁰ of Boards of Directors in Jamaica are dominated by males. Regardless of gender,

⁷ GOJ MSME Policy

⁸ Women in Business and Management gaining momentum report which was released by the International Labour Organization (ILO)- 2013 survey of over 1200 Companies.

⁹ GEM 2016 Global Report

¹⁰ <https://www.jamstockex.com/jse-celebrates-international-womens-day-with-un-women-idb-and-idb-invest/>

however, SEs are not appealing to the typical investor based on their focus on significant profits and dividend payments but would attract impact investors who are interested in lowered financial returns with significant social returns. If the SEs are to grow in a sustained manner and to creatively address the basic services needs of the underserved, they will need access to capital. This capital gap provides an opportunity for the creation of innovative financing instruments and structures particularly for impact entrepreneurs.

- 1.6. **Challenges of experienced by SSOs.** On the other hand, SSOs face similar challenges in assessing sustainable financing for their philanthropic activities. Here, members of the Diaspora through their various groups, such as, the Chambers of Commerce and individual diaspora members, have expressed at the bi-annual Diaspora Conference their desire to “give back” to their home country and be able to support social projects in Jamaica. However, these donors that are willing to contribute to social projects in Jamaica (NGOs, companies and high net worth individuals including a large Jamaican diaspora in the U.S., Canada and the U.K) have experienced challenges in, (i) making contributions to SSOs as there is no secure and transparent channel, (ii) lack awareness of these entities needs and impact value (iii) and lack confidence that their contributions will reach the intended beneficiaries, or that the funds are being used effectively for the intended need. Further, there is no tax relief benefit afforded to individual donors to make social donations attractive. SSOs, in many cases are not able to articulate the impact that they are making, nor do they keep accurate record of expenses to facilitate transparency. This is mainly due to their limited project management capabilities (systems, tools and resources) required to manage, report, assess and evaluate their impact and effectively communicate with their donors.
- 1.7. Further, non-cash donations have been a challenge due to the regulations and high costs associated with taxes on imports through the Ministry of Finance and the Jamaica Customs. This serves as a deterrent for foreign social investors as in many instances, large, meaningful investments are made by way of imports (eg. equipment and materials) and NGOs and some government agencies are unable to retrieve these items from the wharf due to high import charges and inability to access tax waivers generally granted to a charitable organization i.e. imports in excess of US\$50 attracts a 100%¹¹ duty. The inability to clear these items often lead to the imported items being left on the wharf indefinitely. Support from the Ministry of Finance in providing a streamlined process by which such items can either be exempted from the fees and taxes or be cleared at a reduced cost has been lacking.
- 1.8. To meet this financing need, the Jamaica Stock Exchange (JSE) has established the Jamaica Social Stock Exchange (JSSE)¹², an exchange for entities that operate to provide a benefit to society. These include non-profit organizations and businesses operating as social enterprise. The JSSE is at an incipient stage and

¹¹ Customs Tariff – Jamaica Customs (revised May 9, 2018)

¹². It proposes to initially establish a self-sustaining Jamaica Social Investment Market (JSIM) for the “Not for Profit” Sector and to establish in the second phase, as the upcoming legislation allows, the Equity or Impact Investment based model, the Jamaica Impact Investment Market (JIIM). In so doing, it will be helping to localize the 17 United Nation’s Sustainable Development Goals-SDG’s (circa Rio 2015) which evolved out of the Millennium Development Goals (MDGs).

needs to be built out, as it seeks to address the challenges of SSOs through the creation of funding platforms designed to suit the different profiles and needs of the different players in the social sector. This include phase 1, Jamaica Social Investment Market (JSIM), a “crowdfunding” model for philanthropic entities seeking funds through donations to SSOs, and phase 2, Jamaica Impact Investment Market (JIIM), a social stock exchange established for SEs looking to raise capital to support the growth of their operations. In January 2019¹³, the JSIM was launched and to date, the five SSOs selected to be funded have not met their targeted fund-raising level. The main bottlenecks are inadequate public awareness by the general populace of the platform and the projects selected, and ease of making payments by donors and investors¹⁴. JSSEs however also face challenges, the biggest issue is still accreditation at all levels— among donors and investors relating to the ease of making donations through e-commerce and transparency of operations; SSOs in their ability to attract the funding required; and the intermediaries that act as vital brokers and valuation experts in the field.

- 1.9. Beneficiaries.** The project seeks to address the lack of access to finance by SSOs which is caused by their limited capacity for business management and/or project management and their inability to quantify and communicate their contribution to potential donors and investors to support their social impact work. The beneficiaries of this project will be: (i) 150 SSOs including those operated by female entrepreneurs; and (ii) 10,000 poor and vulnerable persons benefiting from social projects in Jamaica.

II. The Innovation Proposal

A. Project Description

- 2.1. The project seeks to address the challenges faced by SSOs in raising financial resources, which are caused by their limited capacity for business management and/or project management and their inability to quantify and communicate their contribution to potential donors and investors to support their social impact work. The project entails the development of a platform to connect donors and investors to social projects in the country; coupled with capacity building activities to enhance the capabilities of these SSOs to manage their projects / business effectively and measure and communicate their results.
- 2.2. **The model.** The project will facilitate the development of systems, processes and tools whereby private funds for the social sector can be systematically mobilized in a sustainable way and in an atmosphere of trust under the Jamaica Social Stock Exchange (JSSE). The JSSE is being rolled out in two phases; Phase 1 the Jamaica Social Investment Market (JSIM) which was formally launched in January 2019, since then the applications received in a call for projects, have been assessed by the Selection and Listing Committee and 5 NGOs were selected and placed on

¹⁴ Investors are required to register their credit cards when making a donation. Progress is being made by the JSE to reduce the time and processes in making payments and also to offer alternative payments mechanisms such as cash and use of cryptocurrencies.

the platform to attract funding. Although named an exchange, this phase is focused on philanthropic contributions and will provide a crowdfunding platform for donations. Here each institution's project will be posted for three (3) months, during which time donors will have the opportunity to contribute to the projects. If a project does not receive the required amount of funding, donors¹⁵ can either have their money transferred to another project or have their donation combined with others in a pool managed by the JSSE to fund a similar project or projects. Due to tedious nature of refunds and the significant number of expected donors, refund therefore will not be encouraged.

- 2.3. **Phase II**, of the project will be the Jamaica Impact Investment Market (JIIM), which will be rolled out one year after the project activities have commenced. Here, the JSE will develop a stock exchange for impact. This aspect of the platform will be open to early stage social innovation firms with a strong growth trajectory that comply with the criteria of the Selection and Listing Committee to become candidates for investment. In this phase, a use/case for blockchain technology will be explored in the settlement of transactions, the tracking of project results, and the impact of the projects funded on the exchange.
- 2.4. During phases I and II, capacity-building, training (Impact delivery, project monitoring, evaluation and reporting) and mentorship programs will be at the core of the technical assistance provided to SSOs in order to improve their access to funding and ability to list on the JSSE. JSE will identify strategic partners (academic or from entrepreneurship ecosystem) to implement the technical assistance support to SSOs and provide training materials to cover the basics required to improve the capacity of SSOs. It is envisaged that a much-improved set of entities will approach the JSSE to be selected and listed on the platforms after utilizing the online training materials and receiving a certificate of completion. Tools and standard templates will be developed to assist listed entities to adequately track and monitor their financial performance and impact.
- 2.5. Over the long-term, the JSSE will facilitate a well-regulated, public social investment market that brings return on social investment while achieving profit; as well as transparency in donations. Donors and investors, both retail and institutional, can realize their social, cultural, environmental and financial goals through THE TRIPLE BOTTOM LINE approach. Through the efficiencies offered, this project has the potential for 10x impact in terms of social impact, particularly for youth and women through improved access to basic services. The JIIM platform will allow SEs to expand and raise capital which will enable social mobility, promote gender equality and decrease income disparity while bringing balance and empowerment, as a large percent of the persons operating in the social sector are women.
- 2.6. **Innovation.** This initiative is first of its kinds as it seeks to support the creation of alternative sources of financing specifically for social impact driven entrepreneurs through the development of a JSSE, a state-of-the-art, virtual environment, inspired by the operating model of a Stock Exchange and employing a process which mimics a Stock Exchange. The JSSE is innovative because it is the first such exchange in

¹⁵ There are 49 investors from local and the diaspora to the JSIM - 8 - local Corporates, 39 local individuals and 2 diaspora members

the Caribbean, which combines both philanthropy and impact investing to improve the standard of living of all Jamaicans and to achieve inclusive growth, with solid social outcomes, translating to a more sustainable development.

- 2.7. The Social and Environmental Stock Exchange (BVS&A) in Brazil is the only social exchange in Latin America and the Caribbean. The exchange, launched in 2003, has been focusing so far on donations, through online pledges and in its first 5 years it funded 71 projects for a total of US\$5.5 million.¹⁶ Brazil has been the model for the design of the JSSE. In Brazil, the approach to increase corporate and individual donations differed, as corporate contributions came through their customer service relations budget towards improving people's lives to make them better customers and individuals through emotional connection to projects. Like Brazil, the South African Social Investment Exchange is essentially a crowdfunding platform which allows anyone to "invest" in a social project. Donors are offered social shares, although donations carry no financial return.¹⁷ Other social exchanges are strictly impact investing platforms, matching social investors with businesses focusing on a double or triple bottom line. The UK Social Stock Exchange, launched in 2013, is also public impact investing platform, open to any investor. The exchange is piloting investments at the local level in the U.K. La Bolsa Social launched in 2014 is the first "equity crowdfunding" platform in Spain.¹⁸
- 2.8. In addition, the project is innovative as it seeks to demonstrate the net effect of SSOs value on the general economy which cannot be overstated as they impact the society at the outcome level. It is therefore instrumental that information on these social organizations are captured and measured, using the appropriate measuring standards. The project will provide the opportunity to test the use case of block chain technology in a stock exchange environment, a first for Latin America and the Caribbean. There is an increasing recognition that blockchain technology can be utilized to record and measure proof of impact; the tokenization of information related to impact has a tremendous potential to provide a tangible way for investors to commit cashflow to the social sector that have a measurable impact on the UN sustainable goals. The tools created will allow SSOs to easily identify the output and impact of their activities, which allows for visual impact stories to be developed and calculation / measurement of impact vis-a-vis dollar spent, which will be made available to investors and donors on the platform.
- 2.9. **Component I: Enhancement of Management and Sustainability of Social Service Organizations (IDB Lab: US\$102,500; and Counterpart: US\$201,000).** The objective of this component is to provide management skills training and mentorship to SSOs to improve their access to funding and ability to list on the JSSE. The project will seek to firstly address the governance structure and the informality of SSOs to make them robust, transparent and be able to stand up to scrutiny of an investing public. The component will include an auto diagnosis platform to assess the capacity of each social entity to implement their proposed projects, this includes assessment of their governance structure, ability to monitor impact and reporting framework. Further, the assessment will include recommendations for improvement and these entities will receive training geared to

¹⁶ Brazil: A Stock Exchange for Do-Gooders. Newsweek, Feb. 26, 2019.

¹⁷ <https://www.sasix.co.za/about-us/>.

¹⁸ See, <https://newsroom.cisco.com/feature-content?articleId=1269275>; <https://www.ukssd.co.uk/social-stock-exchange>; <https://www.bolsasocial.com/what-we-do/>

strengthening their specific weaknesses. The project will create online tools that can be available to every social entity without having to physically participate in the JSSE training and upon completion a digital certificate will be generated. This is to ensure greater reach and sustainability of the program. This component will also promote inclusion in the introduction of the FELLOW, a training program for females under the age of 30 years, conducted through the e-Campus to prepare women as prospective board members.

- 2.10. Under this component, the JSSE will partner with the Development Bank of Jamaica (DBJ), through a MOU for entities to apply to the DBJ Voucher program to access grant funding to assist with the visual representation of their impact stories for listing on the JSIM and JIIM using animation, virtual reality or other methods of visual representation to adequately connect with the funders. These entities must have (i) successfully completed the certification program, (ii) have met all other requirements of the JSSE to be selected and listed¹⁹; and (iii) duly registered with a government agency. Further, the project will design and/or collaborate with other mentorship programs to provide mentorship to SSOs in terms of corporate governance and impact. To reinforce the objective of this component, there will be activities to strengthen mentors and advisors, key stakeholders including financial journalists and attorneys who are in the Social Economy eco-system, so that they are better equipped to handle the various requirements for SSOs that are listing. The project will also seek to connect investors and SEs by inviting interested and relevant players from corporate Jamaica, specifically, members of the JSE, and the Diaspora to showcase and stimulate interest in donations and investments through the staging of the annual JSE conference.
- 2.11. The expected outputs of this component are: Online training curriculum developed, 2 conferences held, 55 SSOs will have received customized training and corporate governance training, 25 mentors (key stakeholders in social sector) trained to provide mentorship to SSOs.
- 2.12. **Component II: Improving the Systems and tools for Impact Measurement (IDB Lab: US\$93,000; Counterpart US\$123,000).** The objective of this component is to improve the JSSE platforms to provide access to funding (donations and investments) to SSOs through enhanced processes and tools to measure impact, thereby attracting more investors. This component will conduct a Demand and Supply Assessment and will seek to determine donors and investors' appetite for funding the social sector. The Assessment will utilize survey tools and focus group sessions to understand the universe of SSOs and determine a pipeline of potential SEs for phase 2, how they are registered (with or without share capital) where they are located and the types of projects that are undertaken. Similarly, an assessment of the expectation of the funders will be conducted, specifically related to impact expectations, types of projects that are interesting to funders, the value of funding to be potentially committed and favorable payment mechanisms. This assessment will provide clarity around the number of SEs that are structured with share capital to potentially list on the JIIM. This study will form the basis for: (i) the design of social impact measurement framework and tools to quantify impact. Here, a

¹⁹ Requirements include: Articles of Incorporation, last 3 years financial statement, Tax compliance certificate, Business Plan, Organization structure and copies of awards or citations

consultant will be hired to explore work already done in impact measurement such as, Rockefeller, B-Corp, IRIS, GIIRS and ANDE, for impact investments, and Impact Evaluation methodologies such as Theory of change and (ii) enhance the JSIM (Phase 1), and (iii) the design and implement the JIIM platform, geared towards SEs that are structured to accept equity investments.

- 2.13. The enhancement of the JSIM Platform is critical to the success of the component and the project. Here the platform will incorporate the measurement tools for impact using blockchain technology. The platform will also allow for varying methods of payments to include digital tokens. Under this component standardized templates will be developed to assist the SSOs to comply with reporting requirements, such as standard reports, financial reports and news and releases. Further, technical materials will be designed for the Selection and Listing Committee and Project Officers to adequately evaluate projects and potential impact. The platform will be enhanced to ensure transparency and that the credibility of the JSIM is maintained, and will include: (i) improving the JSSE market processes and procedures (donations and impact), such as standardizing the format and frequency of the listed entities' financial reports; and (ii) increasing the capacity of JSSE's monitoring and supervision.
- 2.14. The component will explore and design the framework for non-cash donations in collaboration with industry stakeholders and in consultation with the regulators and policy makers. Non-cash donations include items such as medical supplies being donated from the diaspora, through a not for profit registered on the JSSE which will be able to accept and clear these donations held at the Jamaica Customs through a transparent and seamless process. The project will also collaborate with tourism stakeholders (Airports, Airlines, Cruise Lines, Tour Companies, Destination Management Companies, Airbnb and Hotels), to create loyalty program for visitors to Jamaica who can become social donor in the JSSE and contribute to listed projects. The loyalty programme will reward donors with incentives for their contributions to the various projects whether directly on the platform or through the incentive program used by their service provider in "Making it Jamaica" akin to a frequent flyer type of award. In this case, blockchain Technology will be utilized to track the tourists and their participation in the program. Participating companies will also receive recognition for their involvement in the programme. Finally, the project will facilitate a knowledge sharing exchange with other stock exchanges to learn about their experiences and practices and to share the successes of the JSE, such as U.K. La Bolsa Social.
- 2.15. The expected outputs of this component are: 1 Demand & Supply Assessment conducted, 1 integrated platform & 1 framework for loyalty program developed, 1 social impact measurement framework and tools developed; non-cash donations framework developed, and 1 study tour attended by JSSE decision-makers.
- 2.16. **Component III: Awareness-Raising and Stakeholder Engagement (IDB Lab: US\$74,180; Counterpart US\$41,320).** The objective of this component is to improve engagement with existing and potential SSOs that may be candidates to list on the JSSE, as well as, potential and existing funders and investors, locally, regionally and the diaspora. Firstly, this component will host a launch event for the JIIM, exploring the potential for live streaming to targeted diaspora communities

such as groups in United States, Canada and the United Kingdom to attract investors from the diaspora. The project will design a comprehensive communication plan and awareness campaign targeted to social donors, investors, corporate Jamaica, the diaspora and SSOs and will utilize social media and other relevant platforms, to increase public awareness around the social sector and their impact in Jamaica. The project will develop key knowledge products, including video case study of the JSSE and communicate key results of the project and lessons learnt at the closing workshop.

- 2.17. This component will also support increased and coordinated advocacy for SEs and their ability to accept equity investments, non-cash donations and flexibility in the legal structure of SE (i.e. charity status, limited liability, etc.). Here, the project will convene a working group which comprises of industry stakeholders who will lobby on behalf of the social sector to the Ministry of Industry, Commerce, Agriculture and Fisheries, the Tax Administration Jamaica, Ministry of Finance, Planning Institute of Jamaica and the Jamaica Customs towards the development of a comprehensive Social Enterprise policy and/or support recommended changes to the existing MSME & Entrepreneurship Policy to provide further clarity in recognizing the value creation of the social sector, add prestige to the work of all SSOs and facilitate SEs attracting seed capital to be used in their operations and to be enabled to trade equity on the JSSE. This component seeks to make it easier for the diaspora to contribute non-cash donations to charity organizations in Jamaica and for tax and non-fiscal benefits to accrue to donors and the range of SSOs operating in the social economy.
- 2.18. The expected outputs of this component are: 1 communication strategy and action plan developed, at least one launch event held, stakeholder working group engaged, at least 1 recommendation proposal prepared for government, 1 case study on Social Sector financing and impact, and 1 closing event held.

B. Project Results, Measurement, Monitoring and Evaluation

- 2.19. The project is expected to achieve the following results: 150 SSOs with improved capacity to undertake social projects; 50 SSO listed on the JSIM and 5 SEs receiving equity investments on the JIIM; 10,000 poor and vulnerable persons benefitting from the work of these entities with a social mission; 2,000 social investors making donations to social projects; and US\$6.8 million mobilized to SSOs. This project will support the institutions with a mission to support entrepreneurship and innovation for social impacts, directing capital to these entities so they can have a profound impact in improving the lives of the poor and vulnerable in Jamaica.
- 2.20. The integrated platform will serve as the main monitoring tool for collecting data on SSOs and measuring project results related to project impacts on last mile beneficiaries. This will be complemented by other monitoring tools that will be put in place to measure progress and results for SSOs such as, financials, expenses, income and outputs which will be calculated and measured vis-a-vis donations / investments. The JSSE will monitor the activities of the SSOs using the standardized reporting templates and a team will evaluate the reported data for validity and achievements. The JSSE will also partner with an entity to monitor and mentor in the implementation of the approved projects. This is to ensure compliance

that funds are used effectively for the agreed purpose and aligned to national goals and global SDGs.

- 2.21. Due to the complex nature of the project activities to create an integrated system supported by improved JSSE processes and procedures, the IDB Lab team will conduct a mid-term assessment to assess the accomplishments of the project and determine whether further actions are required to enhance implementation. Several elements will be analyzed in the mid-term evaluation; (i) the rate of contribution by donors; (ii) number of SSOs listed on the JSIM; and (iii) the stage of development and design framework of JIIM. Resources have been allocated for a final evaluation at the end of the project. The final evaluation will use data from the integrated system put in place during the project implementation to document and evaluate the final project outcomes. Key questions that may arise in the review of outcomes and impacts in the final project status report include: (i) for SEs, what are the most valuable tools – such as mentorship, business development services, technology transfers, networks and connections, market intelligence, research centers and labs, etc. – offered by key players in the ecosystem? (ii) What lessons can be drawn from the most developed social enterprise and innovation ecosystems, and can they inform ecosystem building initiatives in other parts of the region? (iii) Are there gaps in the types of financing instruments available to SEs, such as venture capital, debt or mezzanine financing? (iv) What learning platforms, mediums, or education providers are the most effective in preparing SEs, and why?

III. Alignment with IDB Group, Scalability, and Risks

A. Alignment with IDB Group

- 3.1. The project is aligned with the Updated IDB Institutional Strategy by supporting social inclusion and equality by addressing gaps in basic services and extending financial services to underserved populations and technical assistance to MSMEs. The project is also aligned with the IDB Country Strategy for Jamaica (2016-2021) which has Social Protection & Safety as a major area of intervention and seeks to strengthen social services, social protection and crime prevention. Specifically, the Bank provided help to the social safety net through the Program of Advancement Through Health and Education (PATH). PATH has contributed to improving the human capital stock in Jamaica by keeping children of poor families healthy and in school and creating stronger linkages between social assistance and meaningful employment.
- 3.2. The project is aligned with the Knowledge Economy thematic focus of IDB Lab, which emphasizes on the provision of products and services that solve social and environmental problems and linking the poor and vulnerable to the economic engine driven by knowledge-intensive sectors. The project is complementary with the project aimed at supporting the development of an eco-system for venture capital investing in Jamaica (Supporting the Development of an Entrepreneurial and Early Stage Ecosystem in Jamaica - JA-M1033) and will build on the previous IDB Lab project with the JSE - (Promoting Access to Equity to SMEs through a Jamaica Stock Exchange – JA-M1029) which promoted the expansion of the Junior Stock Market, by providing support to SMEs to list on a stock exchange which included

training and adherence to JSE requirements. The project is also aligned with the cross-cutting development area of gender equality and diversity as it will seek to incorporate women participation in MSMEs and the social enterprise sector. The project is also aligned with the following SDGs: (i) SDG 1 (No poverty), (ii) SDG 4 (Quality Education), (iii) SDG 5 (Achieve gender equality and empower all women), (iv) SDG 8 (Decent work and economic growth), (v) SDG 9 (Industry, Innovation and Infrastructure).

B. Scalability

- 3.3. The JSE intends to launch the JSSE Phase II (the JIIM), within 12 months, to give time for any adjustments that need to be made, based on the Demand and Supply Assessment and recommendations. Scale will come from the expansion of JIIM as more SEs view the platform as a viable means to fund their businesses. The model that will be adopted for the JIIM is the same model used by the JSE in the development and roll out of the Junior Stock Exchange which has proven success in scaling at the national level. The success of the Junior market was heavily attributed to the taxable benefit provided to companies, the training and capacity building received by the businesses and the testimonials of success. Here, JSE will the focus on advocacy for the sector, which includes having the required legislations for SEs, taxation benefits, and incentivizing SEs to formalize and operate as businesses. The JSE have formed an alliance with stakeholder groups within the ecosystem and have already began consultation with government on the changes required for the sector. Further, in order to have a steady pool of potential SEs, the JSE through partnership with the British Council promotes social entrepreneurship in secondary schools across the island and so far, has 280 students as active members in clubs in 14 Secondary Schools, and reaches 6500 students.
- 3.4. This JSSE model can be replicated across the region, however, replicability will be dependent on the success of the model. While the JSE is the largest and most advanced in the English-speaking Caribbean, several countries, such as Trinidad & Tobago and Barbados have stock exchanges as well. However, Trinidad is now actively working to replicate the junior market model based on its success, and the success of the JSSE, particularly Phase I, could be replicated in these and other countries, which face similar challenges with respect to access to basic services for the poor and vulnerable. This replication could also be achieved through a partnership with the Caribbean Development Bank and the UN Ambassadorial Friends of the SDGs Financing Group. The group comprises of 60 UN Ambassadors and serves as a platform through which a significant proportion of UN member countries can engage directly with senior executive from the private sector and global thought-leaders. Coming out of initial discussions with the UN Ambassador Group, the JSSE model is seen as innovative and exciting one that can address the gap that needs private sector support / funding and conversations so far surround the central issue of how to unlock the global pool of private, mainly institutional capital to support the implementation of the SDGs.

C. Project and Institutional Risks

- 3.5. The project team has identified the following risks: **Insufficient take-up by social donors and investors to fund the projects** on the JSSE. This may be caused by

low awareness of projects and a poor macroeconomic environment under which the projects do not expect to grow. Weak donor interest may cause fewer enterprises to participate in the JSSE, putting at risk the achievement of a critical mass of stakeholders impacted. Additionally, the project's results would not be met.

Mitigation and consideration: For designing this project the JSE had several consultations aimed at raising stakeholder awareness. Additionally, the JSE intends to continue conducting educational seminars and promotions regarding the benefits of social contributions.

- 3.6. **Insufficient number of organizations qualify to be listed** on the JSSE: In spite of the campaign intended to raise stakeholder awareness, smaller enterprises may find it difficult to prepare the necessary project documents and cover the costs of professional services related to the application, selection and listing process on the JSSE. **Mitigation and consideration:** The project will offer training and capacity building to the SSOs which will allow them to better prepare and organize themselves for application, selection and listing on the JSSE.
- 3.7. **Lack of organizational efficiency particularly in administration, monitoring, reporting and evaluation:** The smaller enterprises may not have the resources and skill sets required to adequately administer and evaluate efficiently in order to achieve the project's success. **Mitigation and consideration:** The project will offer training and capacity building to the SSOs.
- 3.8. **Institutional Risks:** Based on the completion of the Diagnosis of the Agency's Needs (DNA), JSE scored as low risk as it relates to the procurement of goods and services, financial management and procurement and knowledge management. The Agency however requires targeted strengthening relating to the required tools for monitoring the project and strengthening of existing systems. IDB Lab resources will be utilized to supplement the JSE team with a contractual with strong monitoring skills to mitigate this risk.

IV. Instrument and Budget Proposal

- 4.1. The project has a total cost of US\$910,000, of which US\$420,000 (46.0%) will be provided by the IDB Lab, and US\$490,000 (54.0%) by the counterpart.

Project Categories	IDB Lab (US\$)	Counterpart (US\$)	Total (US\$)
Component 1: Enhancing the Management Skills and Sustainability of Social Service Organizations	102,500	201,000	303,500
Component 2: Improving the Systems, Processes and Tools for Impact Measurement	93,000	123,000	216,000
Component 3: Awareness-raising and Stakeholder Engagement	74,180	41,320	115,500
Project Administration (Executing Unit costs)	130,320	124,680	255,000
Mid Term (if applicable)			
Final Evaluation	10,000	-	10,000
Ex Post Reviews	10,000	-	10,000
Grand Total	420,000	490,000	910,000
% of Financing	46.0%	54.0%	100%

- 4.2. Retroactive Recognition of Counterpart Funds: The project will retroactively recognize, as a local cash contribution, the costs incurred in the activities from June 1, 2019; and IDB Lab resources can be recognized retroactively from the date of Donors approval of the technical cooperation agreement. The total amount to be retroactively recognized will be up to \$17,500 (of which up to \$14,500 corresponds to the SMEs' and investors' appetite assessment study, and the remaining \$3,000 to the design of technical materials for member dealers).

V. Executing Agency (EA) and Implementation Structure

A. Executing Agency(s) Description

- 5.1. Jamaica Stock Exchange (JSE) will be the Executing Agency of this project and will sign the agreement with the Bank. The JSE was incorporated as a for-profit private limited company in August 1968 and commenced operations in February 1969. In 2018, the JSE was named the world's best performing Stock Market by Bloomberg Businessweek. The JSE is regulated and supervised by the Financial Services Commission (FSC), and its mission is to "promote a fair, efficient, ethical and transparent market through which investors can invest and companies can access capital for the growth and development of the nation." The JSE seeks to provide a market where more enterprises can take advantage of equity financing, widen the public awareness of this form of financing, and increase the number of participants investing in the equity market²⁰. The JSE is governed by a Board of Directors which currently has the following composition: Five independent directors drawn from the Bank of Jamaica (central bank), the Ministry of Finance and Planning; the Institute of Chartered Accountants of Jamaica, the Jamaican Bar Association and the PSOJ with the other ten directors representing large shareholders. The JSE is headed by General Manager, Marlene Street-Forrest, and all internal functions and responsibilities are properly segregated in order to achieve checks and balances. Further, the JSE operates its JSE e-campus which provides financial education to investors and market practitioners and the parent company for Jamaica Central Securities Depository and the JCSD Trustee Services.
- 5.2. In addition to the main market for large companies, the JSE established its second exchange in 2009 - the Junior Stock Exchange geared toward providing capital to medium-sized companies. The idea for both the Junior Exchange and the Jamaica Social Stock Exchange (JSSE) both were conceptualized working closely with the BVS&A in Brazil. In 2015, IDB Lab supported JA-M1029, "Promoting Access to Equity Financing to SMEs through Jamaica Stock Exchange's Junior Market" with the JSE. The project aimed to increase access to equity financing for the SMEs in Jamaica through improving the framework of the JSE Junior Market and providing SMEs with capacity-building so that they can meet the requirements for listing on the Junior Market. The project was successfully implemented and the JSE continues to reap the benefits as there are currently 38 companies and 40 securities listed on the junior market with a capitalization of J\$136.96 billion

²⁰ The types of securities traded are ordinary/common shares, preferred shares, and corporate bonds. Government bonds are not listed on the JSE.

compared to 41 companies and 54 securities listed on the main exchange, and a combined market capitalization is J\$1.55 trillion.

- 5.3. The JSE is proactive in continual innovating of itself and is evident in this project to pilot the use of blockchain in a stock exchange. The JSE is working with several local partners to develop the JSSE. These organizations are committed to social development and social sector, and include: the JN Foundation, which is implementing the Social Enterprise Boost Initiative²¹ (SEBI), the Private Sector Organization of Jamaica, the British Council, the United Way of Jamaica and the Planning Institute of Jamaica. The JSE is also in partnership with Blockstation, a Canadian based private company that provides international stock exchanges and their broker-dealer networks with a turn-key, end-to-end solution for trading, clearing and settlement of digital assets within their regulatory framework.

B. Implementation Structure and Mechanism

- 5.4. The Jamaica Stock Exchange will establish an executing unit and the necessary structure to execute project activities and manage project resources effectively and efficiently. The Jamaica Stock Exchange will also be responsible for providing progress reports on project implementation. Details on the structure of the execution unit and reporting requirements are in Annex V in the project technical files.
- 5.5. The Jamaica Stock Exchange will create an advisory committee to govern the project implementation, manage risks and address challenges. The Steering Committee will comprise of the existing Selection and Listing Committee, as well as, a representative from JN Foundation, the Ministry of Industry, Commerce, Agriculture and Fisheries and the Development Bank of Jamaica. A representative from the IDB Lab may attend meetings upon invitation to provide input and advice on changes that may be necessary to strengthen impact and achievement of project results as well as to foster connections with IDB Lab's technical partners in the region supporting knowledge sharing and regional scaling. The project advisory committee will convene on a quarterly basis or more often as necessary, to assess project progress, risks and take strategic decisions required to support achievement of results. Other members may be added to the Steering Committee upon implementation of the Project.

VI. Compliance with Milestones and Special Fiduciary Arrangements

- 6.1. **Disbursement by Results, Fiduciary Arrangements.** The Executing Agency will adhere to the standard IDB Lab disbursement by results, Bank procurement policy²² and financial management²³ arrangements as specified in Annex VI and VII, and any future policies and procedures.

²¹ The SEBI program was the first project to provide capacity building support to the social sector, as such, JN Foundation as the implementor of the program is view as a sector expert and a critical ecosystem player.

²² Link to the Policy: [Procurement of Works and Goods Policy](#)

²³ Link to the document [Financial Management Operational Guidelines](#)

- 6.2. **Results-based disbursement.** The Project will be monitored by the Country Office of Jamaica in coordination with the IDB Lab Private Finance Operations Specialist. Monitoring will be undertaken in accordance with the performance and risk management policies (fulfilment of milestones) established by the IDB Lab formerly MIF in April 2008. Project disbursements will be contingent upon verification of the achievement of milestones (pre-determined outputs critical to achievement of the development objectives). Achievement of milestones does not exempt the Executing Agency from the responsibility of reaching the results matrix indicators and project's objectives.
- 6.3. **Financial Management and Supervision.** The Jamaica Stock Exchange will establish and be responsible for maintaining adequate accounts of its finances, internal controls, and project files according to the financial management policy of the IDB Lab. For the procurement of other goods and contracting of consulting services, the Executing Agency will apply the IDB Policies (GN-2349-9 and GN-2350-9). The Executing Agency, which is a private entity, will use the private sector procurement methods specified in Annex 1 of the Operational Guidelines for Technical Cooperation Projects (OP-639).

VII. Information Disclosure and Intellectual Property

- 7.1. **Information Disclosure.** This document contains confidential information related to one or more of the ten exceptions to Access to Information Policy and will be initially treated as confidential and made available only to Bank employees. This document will be disclosed and made available to the public upon approval.
- 7.2. **Intellectual Property.** All work financed by the IDB Lab and the results obtained under the Project will be the intellectual property of the IDB. The IDB will grant a non-exclusive and free license to the Executing Agency, including the rights of dissemination, reproduction and publication in any medium of any product. The dissemination, reproduction and publication must indicate that it has been financed by the IDB Lab.