

The European Union and UNCDF



The European Union is among the largest development partners of the United Nations Capital Development Fund (UNCDF), with more than **€110 million in EU-supported programs active at UNCDF in 2021**. The two organizations share numerous development priorities, including green economies, digital innovation, and sustainable growth and jobs, laying the groundwork for extensive collaboration in programs cutting across Africa, Asia, the Caribbean, and the Pacific.

The relationship is guided by a Strategic Partnership Agreement, which was signed in 2003. A further Financial and Administrative Framework Agreement (FAFA), signed in 2003, provides the overarching framework governing the contribution-specific agreements signed between the EU and UNCDF.



ACTIVE EU-FUNDED PROGRAMS AT UNCDF IN 2021



Local Climate Adaptive Living Facility (LoCAL)

The Local Climate Adaptive Living Facility (LoCAL) is a mechanism for channeling climate finance to local governments for locally-led climate action in least developed and other vulnerable developing countries, particularly in Africa and among Small Island Developing States. LoCAL combines performance-based climate resilience grants with technical and capacity-building support. Launched in Bhutan and Cambodia in 2011, the facility has grown to meet country demand, with 28 countries across Africa, Asia, the Caribbean, and the Pacific having either implemented or signed up to design their own LoCAL mechanisms. The facility has since inception mobilised over US\$ 100 million for climate change adaptation, with the bulk coming from the EU and its member states, notably Sweden, Belgium and Italy. (2019 – 2022); Global: €7M. 2016 - 2022; Bangladesh: €7.12 million. 2019 - 2022; Mozambique: €4.3M. LoCAL also contributes €5.5 million to the Ghana GrEEen Project and €9.5 million to the Jobs, Skills, and Finance Program in the Gambia)



Leveraging Digital Finance in ACP Countries

UNCDF is working with the EU and the Organization of Africa, Caribbean and Pacific (ACP) States to unlock the potential of digital finance to benefit more than 600,000 women, youth and entrepreneurs across Africa, the Caribbean and the Pacific. The aim of this initiative is to support key policy reforms for digital transformation and create digital financial services tailored to the needs of women and youth, including innovative savings and credit products. The initiative is being implemented in Ethiopia, Fiji, Gabon, Malawi, Niger, Samoa, Timor-Leste, Tonga, Trinidad and Tobago, and Vanuatu. (2020 – 2024; €15.22 million)



ASEAN: SMART Green Cities

Urban areas in Association of Southeast Asian Nations (ASEAN) member states are expected to accommodate another 100 million people in the next 15 years, leading to substantial pressure on the region's natural, social, and economic resources. The population explosion is predicted to exacerbate numerous development challenges, including increasing greenhouse gas (GHG) emissions; driving up waste, air, and water pollution; magnifying traffic congestion; and degrading natural resources and urban ecosystems. The Smart Green ASEAN Cities programme supports ASEAN member states on a municipal, national, and regional level to deal with urban environmental issues, including climate change, and related governance issues, focusing on smart solutions enabled by digitalization and the use of technologies. It aims to promote more sustainable urbanization in ASEAN cities by integrating climate risks into municipal planning and investment, provide technical and financial assistance for green smart city solutions, as well as facilitating cooperation among ASEAN and European cities. The initiative is being developed in Myanmar, Cambodia, Indonesia, Laos, Malaysia, Philippines, Thailand, and Vietnam. (2021 – 2024, €4.70 million)



Bangladesh: Shaping Inclusive Financial Transformation

UNCDF and the EU have partnered to accelerate the introduction and use of digital payments and digital solutions among 1,000,000 micro merchants in rural Bangladesh. UNCDF provides technical assistance to test and scale up ten different business models in digital payments, insurance, record keeping, supply chain, business registration, and credit assessment. The project also provides technical assistance to private sector partners and senior government officials, including Bangladesh Bank, on finalizing guidelines for digital payments. (2016 - 2021, €4.5 million)



Ghana: Boosting Green Employment and Enterprise Opportunities

The Boosting Green Employment and Enterprise Opportunities in Ghana (GrEEen) Project aims to create greater economic and employment opportunities for youth, women, and returning migrants in the Ashanti and Western regions of Ghana by promoting green and circular economic growth. The initiative, part of a €20 million joint action with the Netherlands' SNV, stimulates local economies by creating short-term job opportunities through green and climate-resilient investments and by helping youth, women, and returning migrants develop their skills. It also focuses on increasing access to and use of financial services, leveraging remittances, and digital solutions. (2020 – 2023, €10 million, which includes €5.5 million through LoCAL).



Guinea: Youth Access to Finance for Employment

The youth access to finance for employment program in Guinea, part of a €35 million joint action with UNDP and Enabel, the Belgian development agency, aims to help returning migrants reintegrate into the local economy and find jobs. To do this, UNCDF is working with FINADEV and COFINA, two local financial services providers, to develop and scale up financial and non-financial services, including digital financial education. UNCDF is also working with other partners to make access to credit easier for young people, and with the Central Bank of the Republic of Guinea to disseminate best practices and promote financial inclusion. (2018 – 2022, €2.98 million)



Mozambique: Peacebuilding and Consolidation

In collaboration with the Mozambican Ministry of Foreign Affairs and Cooperation (MINEC) and the EU, UNCDF is advising local governments to identify and access funding for local economic development. The project, part of a €25 million joint action with the Austrian Development Agency (ADA) and Italian Agency for International Cooperation (AICS), aims to enhance inclusive local governance and improve socio-economic conditions. UNCDF's role is to bring civil-society organizations and local governments together to identify and address local needs in Mozambique and facilitate peacebuilding through social inclusion. Through these partnerships, UNCDF aims to increase awareness and to strengthen the capabilities of sub-national political, administrative, and civil society actors. (2020 - 2024, €3.20 million)



Niger: Youth Access to Finance for Employment

UNCDF and the EU have partnered on a three-year project in Niger aiming to bring expertise in inclusive finance and financial literacy to young people. Currently in the implementation phase, the program, part of a €30 million joint action with AICS, Enabel, and SNV, provides digital financial solutions to youth that have historically been seen as too risky by commercial banks and microfinance institutions. UNCDF works with Capital Finance, Moov, and other partners to provide savings accounts and to educate the local population on how to use such services via a digital platform. The beneficiaries receive additional financial education, via a digital app, on the use of these accounts and the usefulness of savings and credit. With products developed specifically for the program, UNCDF facilitates access to the formal financial system and contributes to the relationship of trust between financial service providers and beneficiaries, which is essential for the financing of their activities. (2018-2021, €1.7 million)



Papua New Guinea: Establishing Strong Agricultural Value Chains

UNCDF has teamed up with four other UN agencies--FAO, ITU, ILO, and UNDP--on the Support to Rural Enterprises, Investment and Trade (STREIT) program, a €81 million initiative to help cocoa, vanilla, and fisheries, three global agri-value chains, promote sustainable and inclusive economic development in the East and West Sepik provinces of Papua New Guinea. UNCDF is responsible for the financial inclusion component of the project and focuses on expanding the adoption of digital financial services by people in Sepik, developing specialized financial products and services for the three value chains, digitizing of payment flows in the value chains, and broadening financial services for mass-market beyond savings and loans to include such products as insurance, pensions, and remittances. (2019 – 2024, €6.84 million)



Senegal: Youth Access to Finance for Employment

The youth to finance for employment program in Senegal, part of a €18 million joint action with Enabel, aims to develop the rural economy in the Groundnut Basin of Senegal by helping create sustainable jobs, with particular attention to young people and women. UNCDF has teamed up on the program with Baobab Senegal, a local microfinance institution, to provide access to financial and non-financial services such as financial education to youth. UNCDF provides technical and financial support to Baobab to help them develop and scale new and innovative financial products. (2018 – 2021, €1.25 million)



The Gambia: Jobs, Skills, and Finance Program

The Jobs, Skills and Finance for Women and Youth in the Gambia program focuses on fostering inclusive and sustainable growth and creating employment opportunities, with a focus on climate change. It does this by creating employment opportunities for youth and women through green investments delivered through performance-based climate resilience grants (LoCAL); improving skills development, apprenticeship opportunities, and access to finance for youth and women and micro, small and medium-sized enterprises while strengthening the local financial sector more widely. (2018 – 2022, €15.10 million, which includes €9.5 million through LoCAL)



Uganda: Development Initiative for Northern Uganda

In partnership with the Government of Uganda and the EU, Development Initiative for Northern Uganda (DINU) aims to consolidate stability in the northern region of the country, eradicate poverty and under-nutrition, and strengthen the foundations for sustainable and inclusive socio-economic development. Its key deliverables include improved access to finance for small and medium enterprises (SMEs) in the agricultural sector through project de-risking and concessional finance; the rehabilitation of rural roads to connect local and regional markets; and integrating digital solutions in public financial management processes. (2017-2022, €25.5 million)



Uganda: Integrated Local Finances for Sustainable Urban Development

Co-led by the Kampala Capital City Authority (KCCA) and the Global Fund for Cities Development (FMDV), this project aims to strengthen urban governance by enhancing the capacity of local governments in Kampala to mobilize finances for public investments and sustainable solutions that address the challenges of rapid urbanization. UNCDF is working with the central government and national parliament to improve the policy, legal and regulatory frameworks to enable municipalities to tap into alternative sources of capital for development (including issuance of a green bond for KCCA) that attract both public and private investments. UNCDF is also responsible for demonstration investments in safe, affordable, smart and low-carbon services and infrastructures. (2021-2023, €1.27 million)





**Unlocking Public and Private
Finance for the Poor**

ABOUT UNCDF

The UN Capital Development Fund (UNCDF) makes public and private finance work for the poor in the world's 46 least developed countries (LDCs). With its capital mandate and instruments, UNCDF offers "last mile" finance models that unlock public and private resources, especially at the domestic level, to reduce poverty and support local economic development. This last mile is where available resources for development are scarcest; where market failures are most pronounced; and where benefits from national growth tend to leave people excluded.

UNCDF's financing models work through three channels: (1) inclusive digital economies, which connects individuals, households, and small businesses with financial eco-systems that catalyze participation in the local economy, and provide tools to climb out of poverty and manage financial lives; (2) local development finance, which capacitates localities through fiscal decentralization, innovative municipal finance, and structured project finance to drive local economic expansion and sustainable development; and (3) investment finance, which provides catalytic financial structuring, de-risking, and capital deployment to drive SDG impact and domestic resource mobilization.

By strengthening how finance works for poor people at the household, small enterprise, and local infrastructure levels, UNCDF contributes to SDG 1 on eradicating poverty with a focus on reaching the last mile and addressing exclusion and inequalities of access. At the same time, UNCDF deploys its capital finance mandate in line with SDG 17 on the means of implementation, to unlock public and private finance for the poor at the local level. By identifying those market segments where innovative financing models can have transformational impact in helping to reach the last mile, UNCDF contributes to a number of different SDGs and currently to 28 of 169 targets.

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