UN Capital Development Fund

What COP31 *cannot* leave behind

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Mobilizing public and private capital for LDCs, SIDS and fragile economies, and what UNCDF will deliver in the year ahead.

What COP31 *cannot* leave behind

COP31 moves the climate agenda from targets to implementation, and implementation will be decided by finance. Countries have costed their climate plans at around USD 3.6 trillion, yet LDCs, home to almost 20 per cent of the world's population, received only 1.9 per cent of global climate finance in 2024. Plans and pipelines exist; the scarce resource is capital willing to take the first loss.

This paper sets out four issues COP31 cannot leave behind:

1. making the New Collective Quantified Goal (NCQG) work for the last mile
2. extending electrification to frontier markets
3. channelling adaptation finance to local governments, small businesses and households
4. turning inclusion into access to capital.

Under its Strategic Framework 2026–2029, UNCDF deploys risk-absorbing financial instruments, alongside investment structuring and advisory services, through three interconnected capabilities: MSME finance, subnational finance and digital finance. Because it does not borrow from markets and is not credit-rated, UNCDF can offer small tickets, lend in local currency, work with subnational counterparties and absorb first loss in early-stage and last-mile markets across LDCs, SIDS and fragile settings. By de-risking these investments, it crowds in public and private capital, building a pipeline that MDBs, DFIs and private investors can scale.

Over 2022–2025, UNCDF investments mobilized and catalysed close to USD 1 billion in public and private finance. UNCDF plans to deploy more than USD 2 billion in guarantees and other de-risking products over 2026–2029, and stands ready to serve as a financing and de-risking partner to the Climate Implementation Bridge, alongside UNDP.

The paper calls on COP31 to make risk-absorbing capital a pillar of NCQG delivery and to channel it through national and local systems. With the right capital behind it, UNCDF can help ensure that no locality, however small, vulnerable or fragile, is excluded from the capital flows that resilience depends on.

The implementation test

Can climate finance reach the hardest places?

COP31 marks a deliberate shift from setting targets to implementation, delivery and accountability.

The Türkiye–Australia Presidency has framed the road to Antalya around dialogue, consensus and action, and has proposed measurable goals. Its Climate Implementation Bridge is conceived as a platform to connect Nationally Determined Contributions (NDCs) and development policies with investable portfolios and suitable financing. Thirty-one COPs on, and in the face of the scientific evidence, the world needs to double down on implementation.Taking stock of pledge after pledge, without the same effort on delivery, will not be enough.

COP31 also follows directly on the Yerevan Declaration, *Taking Action for Nature*, adopted by Heads of State and Government at the seventeenth Conference of the Parties to the Convention on Biological Diversity (CBD COP17), which acknowledges that collective progress remains insufficient.

As in every other area of development, increased, predictable, timely and accessible public and private finance is needed from all sources, including catalytic incentives, in particular for Least Developed Countries (LDCs), Small Island Developing States (SIDS) and countries in fragile settings. The Yerevan Declaration renews calls for the full and effective participation of subnational governments, cities, Indigenous Peoples and local communities, women and youth, and urges synergies among the Rio conventions.

The climate and nature finance gaps fall on the same countries and the same local actors. Whether at COP17 or COP31, the implementation challenge is the same, and public money alone will not meet it.

CBD COP17 also brought this challenge into sharp economic focus. It treated nature loss as a source of fiscal and financial risk and identified three priorities:

- Integrate costed biodiversity priorities into national budgets
- Reform harmful incentives
- Make public and development finance go further

For COP31, the lesson is that implementation is decided by finance ministries, sector ministries and domestic financial institutions as much as by environmental authorities.

This test will fail where it matters most unless finance reaches the markets that capital currently bypasses.

In 2025, only 2.5 percent of global foreign direct investment (FDI), about $44.9 billion, reached LDCs.[1] LDCs alone face an estimated $300 billion annual shortfall in financing for the Sustainable Development Goals (SDGs).[2] Official development assistance (ODA) fell by 23 percent in real terms in 2025, the largest drop on record.[3] Only about 17 percent of adaptation finance is targeted at the local level, and less than 0.2% of reported climate finance supports locally led action.[4]

Plans exist; risk-absorbing capital for low-income settings is limited. Countries have costed their climate plans at around $3.6 trillion, including $2.5 trillion to finance climate mitigation and $0.9 trillion for climate adaptation.[5]

For LDCs alone, Climate Policy Initiative's (CPI) bottom-up estimates put the cost of implementing Nationally Determined Contributions (NDCs) at approximately $789 billion through 2030 and $1.1 trillion through 2035.[6] Yet costing a plan is not the same as securing its financing: an earlier UNFCCC (2024) assessment found that 47 percent of costed NDC needs had no specified financing source.[7]

Climate Policy Initiative (CPI) estimated global climate finance flows surpassed $2 trillion in 2024, with mitigation finance concentrated in clean energy in developed economies. However, **out of $2 trillion in 2024, only 1.9%, approximately $39 billion, was directed to LDCs** where almost 20 percent of the global population lives. CPI also estimated that even the lower bound of climate investment needs amounts to an annual average of $6.2 trillion over 2031–2035.[8]

The distribution of concessional finance tells the same story. Of roughly $1.4 trillion in ODA and concessional investment by major multilateral organizations over 2015–2024, **only 15% reached LDCs, 2.2%reached SIDS and 11%reached fragile and conflict-affected states.** The top ten LDC recipients absorb nearly 80 percent of concessional investment, and **only 6% of concessional finance flows to private entities were committed to the LDCs.** Of the climate-related finance provided by multilateral development banks (MDBs), development finance institutions (DFIs) and specialized funds in 2024, only 17 percent ($12.3 billion) went to LDCs.[10]

In short, the countries that markets rate lowest, or do not rate at all, are being left behind, and this is not accidental. Scale at the top has not translated into flows at the bottom of the wealth pyramid, for systemic reasons. The poorest economies lack the foundations that large-scale private capital requires: infrastructure, digital net-works, stable local institutions and predictable financial environments. The institutions with the largest balance sheets, in turn, are not built to create those foundations. They borrow in hard currency, protect their credit ratings and preserve shareholder capital, and their cost structures, volume targets and incentives to mobilize private capi-tal at scale draw them towards upper-middle-income countries and away from frontier markets. More balance sheet alone will not fix this. What is missing is the market-building and financial-sector-deepening layer that creates those foundations, and an investable pipeline below the threshold that AAA-rated platforms can practically reach. Closing that gap requires, as a first step, a platform able to work with agility in this market segment.

Ticket size makes the constraint concrete. In LDCs, large MDB commitments such as those of the International Finance Corporation (IFC) average around $40 million per project, and guarantees from the Multilateral Investment Guarantee Agency (MIGA) average $82 million[11], reflecting the scale of the transactions these institutions support. By contrast, UNCDF's experience shows that at the bottom of the wealth pyramid, **municipalities, start-ups, micro, small and medium-sized enterprises (MSMEs) and local financial institutions typically need $0.5–2 million to reach bankability.** Credit-rated institutions borrowing in hard currency cannot take sizeable exposure to such counterparties and rarely lend directly to subnational entities.

9 in 10 countries now name local governments and the private sector as key partners in delivery, yet climate finance still flows almost entirely through national treasuries and large projects.[12] The money stops where the work happens. Instruments and capabilities are needed to support local governments, tier-2 and tier-3 domestic banks, financial service providers (such as digital credit providers) and micro and small businesses in LDCs and SIDS, at transaction sizes that traditional MDBs and DFIs will not readily take on.

The Bangkok signal

The October 2026 IMF–World Bank Annual Meetings in Bangkok made the gap visible. The World Bank Group has more than tripled its private capital mobilization since FY22, to about $112 billion, and unlocked some $25 billion in guarantees in FY26. This is a significant achievement. Yet, across all providers, pri-vate capital mobilized for development in LDCs accounts for only 2 to 13 percent of commitments.[9]

While the world is not short of pledges, road maps or pipelines, it is short of capital willing to take the first loss.

The question to put to anyone promising trillions in Antalya is simple:

Who goes first?

4 issues COP31 *cannot* leave behind



1. Climate finance and access

The New Collective Quantified Goal must work for the last mile.

Operationalizing the New Collective Quantified Goal (NCQG) cannot become a story of headline volumes while LDCs, SIDS and fragile states remain structurally excluded. The IMF-World Bank Annual Meetings in Bangkok showed how easily totals can rise while low-income flows stand still. COP31 should recognize early-stage, risk-absorbing capital (first-loss capital, guarantees, and concessional and local-currency lending), deployed through risk-absorbing platforms, as the precondition for private mobilization in these early-stage and last mile markets, alongside grant financing for public-sector interventions. It should also ask that mobilization be reported by coun-try income group and credit rating. Blended finance must build markets, and scarce public resources should be used to unlock private capital for the markets that need it most.

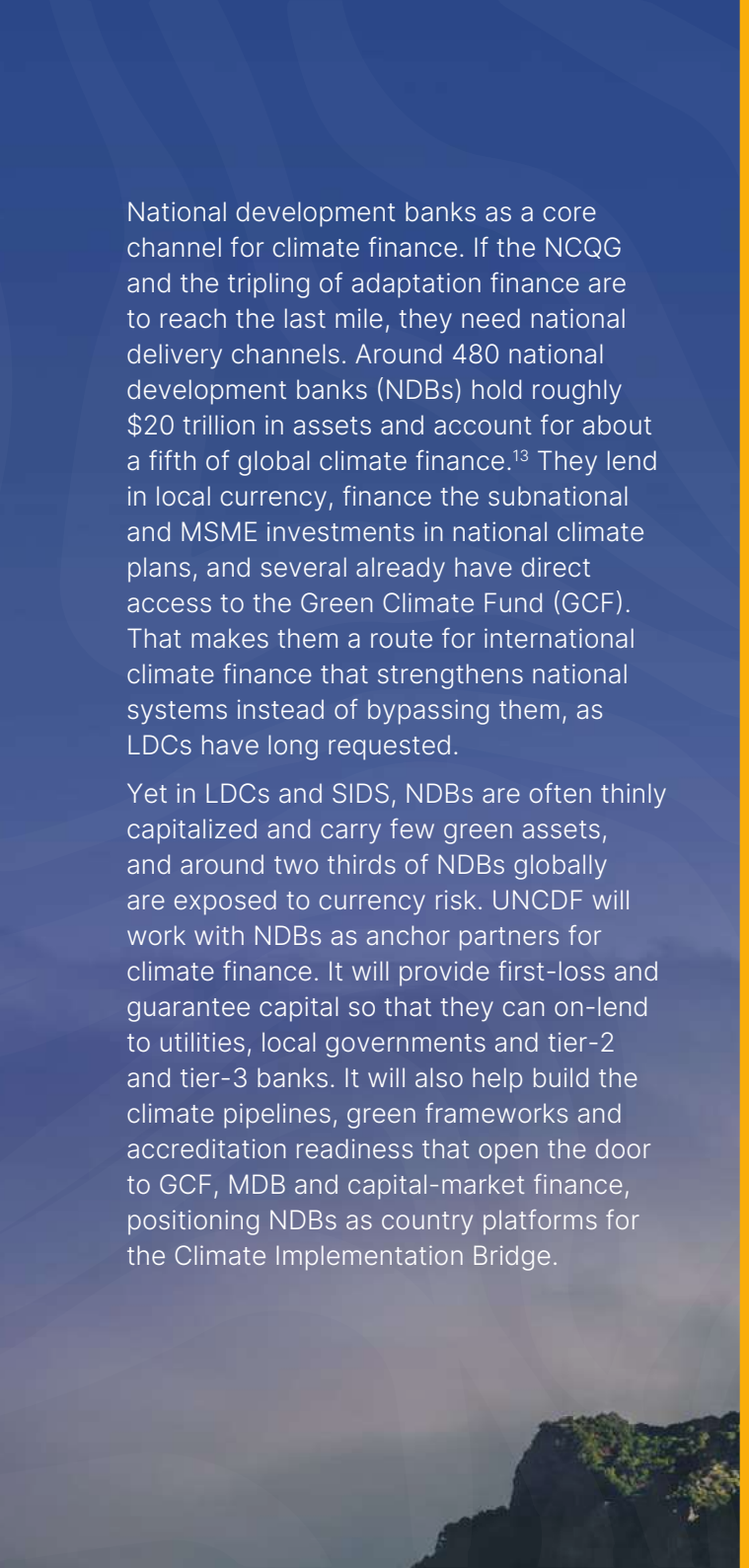
Private capital must complement, not replace, public obligations. UNCDF shares the concerns that the LDC Group has set out in the climate finance work programme: that the turn to private mobilization must not dilute developed countries' obligations under Article 9.1 of the Paris Agreement, add to debt burdens, or divert grant finance from adaptation and loss and damage. These concerns are well founded. Private capital alone cannot meet these needs. Much of it continues to flow towards commercially at-tractive mitigation investments, while LDCs, SIDS and fragile states face high costs of capital, currency risk and transaction costs that constrain investment. The priority is therefore not simply to mobilize more private capital, but to use public and concessional finance more strategically. Grant finance remains essential for adaptation, loss and damage, and public goods. Where investments generate revenue (water and energy utilities, MSMEs, munici-pal services), concessional first-loss and guarantee capital can unlock domestic banks, pension funds and local capital markets in local currency, without adding to sovereign debt or constraining fiscal space.

Effective climate finance matches public support to the underlying financing barrier. Grants sustain essential pub-lic goods that lack adequate repayment streams. Investment preparation and policy reform address the constraints that prevent projects from attracting finance. Guarantees and concessional loans support viable investments constrained by risks or financing terms that commercial providers cannot accommodate. This directs scarce resources towards demonstrable additionality and limits unnecessary subsidy.

In fragile and conflict-affected settings, financial additionality must be accompanied by conflict sensitivity. Investment decisions need to account for how capital is distributed, who benefits from economic opportunities and whether financing arrangements could reinforce existing inequalities or tensions. Guarantees, concessional lending and blended finance can help unlock investment in these environments, but their effectiveness depends equally on locally informed origination, appropriate risk management and partnerships with and partnerships with institutions that understand the political economy of conflict. The objective should be to mobilize private capital in ways that strengthen local markets, expand economic opportunity and contribute to long-term resilience.

National development banks as a core channel for climate finance. If the NCQG and the tripling of adaptation finance are to reach the last mile, they need national delivery channels. Around 480 national development banks (NDBs) hold roughly $20 trillion in assets and account for about a fifth of global climate finance.[13] They lend in local currency, finance the subnational and MSME investments in national climate plans, and several already have direct access to the Green Climate Fund (GCF). That makes them a route for international climate finance that strengthens national systems instead of bypassing them, as LDCs have long requested.

Yet in LDCs and SIDS, NDBs are often thinly capitalized and carry few green assets, and around two thirds of NDBs globally are exposed to currency risk. UNCDF will work with NDBs as anchor partners for climate finance. It will provide first-loss and guarantee capital so that they can on-lend to utilities, local governments and tier-2 and tier-3 banks. It will also help build the climate pipelines, green frameworks and accreditation readiness that open the door to GCF, MDB and capital-market finance, positioning NDBs as country platforms for the Climate Implementation Bridge.



UNCDF is already taking actions

UNCDF's model is proven. Over the last four years, a modest balance sheet working alongside grant programmes drew close to $1 billion in public and private finance into frontier markets where capital was not flowing. The constraint on that model is capital, not demand. Every additional dollar placed with UNCDF's lending and guarantee window extends a pipeline that larger investors are already following.

The Tanga Water Green Bond, East Africa's first subnational green bond, shows the potential in challenging markets. It was 103 per cent subscribed, with about 65 per cent of the investment coming from domestic investors, and it demonstrates the leverage of catalytic capital: a $1 million UNCDF grant unlocked $20.8 million in local-currency finance, a ratio of about 1 to 20.

Zimbabwe's Renewable Energy Fund shows the same sequence in energy, with domestic pension funds set to follow. Making this kind of difference in underserved markets is UNCDF's focus going forward. A fit-for-purpose, sufficiently capitalized UNCDF can add value in market segments that others are constrained in reaching. Its role is to make private finance work on LDC and SIDS terms, and to report transparently on what it delivers and for whom.

Sequencing with MDBs and DFIs. UNCDF's investment programme is designed to support MDB and DFI pipeline development in frontier economies, and is strictly complementary to their investment programmes. UNCDF concentrates on the deeper parts of the financial system: MSMEs, tier-2 and tier-3 local banks, fintechs and digital credit providers that are typically too small and too early-stage to receive financing from traditional commercial investors and development institutions. Complementarity also comes from targeting the value chains around MDB and DFI investments in priority sectors and themes, amplifying pipeline development and market-building, and from co-investing with and de-risking MDBs and DFIs in markets that they cannot enter alone and where their ability to mobilize concessional capital is constrained.

Working with MDBs and DFIs in practice. UNCDF works with multilateral development banks and development finance institutions to mobilize private investment in underserved and fragile markets, using its local presence, concessional capital and risk-sharing instruments to complement their financing capacity. In the Occupied Palestinian Territory, UNCDF is working with IFC and PROPARCO to explore risk-sharing solutions that could support emergency liquidity and sustain MSME financing in Gaza and the West Bank. In the plastics and waste management sectors, UNCDF is developing financing solutions for alternatives to plastics, waste management and recycling, where UNCDF would focus on early-stage and fragile markets and a International Financial Institution would bring its capacity to scale more mature projects. These examples illustrate UNCDF's complementary role in extending the reach of MDB and DFI financing to markets and segments that might otherwise struggle to attract investment.

2. Energy transition

Electrification must reach frontier markets.

The COP31 Presidency's 35-by-35 electrification goal and a global storage pledge will bypass LDCs and fragile settings unless distributed energy (mini-grids, productive use, clean cooking and e-mobility) can be financed in local currency. These segments are routinely too small and too risky for large energy financiers.

Financing productive uses of energy alongside supply strengthens both development outcomes and investment revenues. CBD COP17 discussions on mainstreaming nature across sectors also underscore the importance of assessing land, water and ecosystem impacts when preparing energy investments, including opportunities for cleaner production that reduces pressure on forests.



UNCDF is already taking actions

n the Democratic Republic of the Congo, a new $50 million clean energy facility, developed in partnership with the Fonds National REDD+ (FONAREDD) and the Central African Forest Initiative (CAFI), is expected to give more than 2 million people access to clean cooking and to reduce deforestation. Through its renewable energy portfolio supported by Sweden (Sida), UNCDF provided a concessional loan of approximately $485,000 to Sahelia Solar to scale decentralized solar electrification across Burkina Faso. The investment finances the commercial distribution and installation of solar photovoltaic systems and off-grid power equipment for rural households, agricultural producers, and local enterprises.

Supported by the Mitigation Action Facility, UNCDF extended a $500,000 concessional loan to finance ColdHubs' cross-border expansion from Nigeria into Kenya. The investment funds the deployment of fully solar-powered walk-in cold rooms and refrigerated transport, providing smallholder farmers and food traders with an affordable, pay-as-you-store "Cooling-as-a-Service" model. In Zimbabwe, an initial $8 million first-loss loan funded by the Joint SDG Fund, structured and deployed by UNCDF on behalf of a UN-led effort to establish a Renewable Energy Fund, was matched by private investors and is set to raise a further $31 million through a local special purpose vehicle, towards a national target of more than 2,000 MW by 2030. A solar park and a hospital are now on the grid, and a local bank is financing solar power for rural schools. The pensions regulator has recently recommended that pension funds be allowed to invest. Once this is finalized, Zimbabwe's own savings will finance its energy transition. This is the sequence COP31 should want everywhere: **concessional capital takes the first loss, private and domestic capital follow, and national savings take over.**

3. Adaptation and resilience

Finance must reach local governments, small businesses and households.



Tripling adaptation finance will mean little if it does not reach the municipalities, utilities, MSMEs and households where climate impacts are most acutely felt. This challenge is particularly pressing in fragile and conflict-affected settings, where climate shocks can compound displacement, livelihood insecurity, competition over natural resources and limited access to essential services. Adaptation finance should therefore help strengthen the resilience of local economies and institutions, while recognizing the importance of conflict-sensitive approaches that support equitable access to resources and economic opportunity. Investment in resilient infrastructure, sustainable food systems, local enterprises and essential services can help reduce vulnerabilities that might otherwise deepen social and economic tensions. COP31 must also treat insurance and risk transfer, developed with private insurers and banks, as core resilience infrastructure for SIDS, LDCs and fragile economies, adapted to their institutional and market conditions.

CBD COP17 connected nature loss with risks to livelihoods and public finances. For adaptation, this makes ecosystem health part of investment performance: degraded catchments threaten water supply, while damaged reefs and mangroves expose coastal assets and livelihoods. Incorporating these dependencies into appraisal identifies where ecosystem protection strengthens resilience, and where public expenditure, service revenues or contractual payments can support its financing.

UNCDF is already taking actions

UNCDF channels performance-based climate resilience grants through national fiscal systems; it has engaged multiple local governments and mobilized more than $336 million. Independent evaluations have found that these mechanisms have become institutionalized in intergovernmental fiscal systems. UNCDF is now adding a market-finance window for private capital through its subnational finance work.

In Pacific SIDS, UNCDF helps private insurers reach small, dispersed populations by supporting the risk information, regulatory capacity and trusted distribution networks needed to make climate protection accessible and to sustain private participation. Through 33 digitally enabled parametric insurance products, UNCDF and partners reached more than 77,800 people and made more than 1,680 automatic payouts within days of cyclones, droughts and floods. UNCDF's work on pre-arranged finance seeks to shorten the "cost of waiting" and reach households directly before temporary interruptions in income harden into depleted savings, debt and prolonged financial insecurity. In Solomon Islands, UNCDF has built a market for climate insurance by linking it to retirement savings and mobile payments, layering protection around

informal workers' immediate financial needs and future security. Blue economy guarantees in Papua New Guinea and Fiji, now being scaled up in partnership with the European Commission, Australia and New Zealand, show how ocean resilience can be made investable. The model is spreading: the Marshall Islands credits UNCDF's framework for its new $20 million national credit guarantee facility, which is expected to unlock about $40 million in MSME lending. This model will be scaled up and replicated in other SIDS and LDCs.

The same local government and blue economy channels can carry nature finance. They offer a ready route for the catalytic incentives for nature-based solutions, and for the subnational participation, that the Yerevan Declaration calls for.

UNCDF is supporting Aon, through a capitalization grant, to set up the Global Disaster Resilience Vehicle (GDRV), a special purpose vehicle backed by leading global reinsurers to provide consistent and competitive reinsurance cover against multi-peril catastrophic risks to insurers in climate-vulnerable SIDS and LDC markets. To scale up financing for adaptation, UNCDF is engaging with CGAP and MicroSave Consulting (MSC) to make adaptation finance a viable, scalable business line for local financial institutions serving climate-vulnerable communities in frontier markets.

In East Africa, UNCDF is financing MSMEs and smallholder farmers across agricultural value chains to advance the clean energy transition and climate adaptation. In Kenya, through a EUR 23.3 million blended finance facility with UNDP, UNCDF is supporting solar-powered cold storage. In the United Republic of Tanzania, the EU-funded CookFund supports businesses across the clean cooking value chain. In Uganda, with support from the European Union, UNCDF has supported agritech platforms that connect smallholder farmers to climate-resilient inputs and climate-informed advisory services. Beyond agriculture, UNCDF, in partnership with the European Union, is helping local women- and youth-led tourism MSMEs in Uganda access finance for sustainable tourism products, climate-resilient infrastructure and environmentally responsible technologies, while strengthening financial institutions and market linkages to mobilize private capital and generate local economic opportunity.

Adaptation also needs long-term finance for the infrastructure that communities depend on, and much of it is water infrastructure. Climate change affects societies primarily through water, by changing its availability, quality and quantity for basic human needs.15 Resilient water and sanitation systems are therefore at the core of adaptation. In the United Republic of Tanzania, UNCDF supported the Tanga Urban Water Supply and Sanitation Authority (Tanga UWASA) to issue the Tanga Water Green Bond described above, which raised $20.8 million in local currency to expand climate-resilient water supply. UNCDF is now seeking to scale this model through the AquaBonds Exchange (ABX), a blended finance platform that builds a pipeline of capital-market-ready water utilities and municipalities across 30–40 countries. ABX will be launched at the 2026 UN Water Conference in Abu Dhabi, turning COP31's adaptation commitments into investable local infrastructure financed through domestic capital markets.

For fragile and conflict-affected settings, the next frontier is to connect these approaches with investment that strengthens local livelihoods, essential services and economic opportunity. This means combining climate-resilient local development with financing for enterprises and financial institutions that can sustain economic activity through periods of instability. In the Pacific, the high cost of delivering services to remote and dispersed islands often excludes small communities from finance; UNCDF's catalytic capital for digital finance providers helps overcome these market barriers and makes underserved communities financially viable to reach. UNCDF's experience in subnational finance, MSME investment and risk-sharing provides a basis for developing such integrated approaches, working with national and local partners to ensure that interventions respond to both climate risks and conflict dynamics.

4. Just transition and inclusion

Capital, not only consultation.

Inclusion at COP31 must mean access to capital for women, youth, Indigenous Peoples, displaced populations and informal workers: those most exposed to extreme shocks and most excluded from finance.

For climate finance to deliver on its promises, it must be inclusive. The populations most vulnerable to climate impacts are often the furthest from available capital. Existing financial products are rarely tailored to their realities, and financial institutions remain reluctant to serve them because of high perceived risk and transaction costs. Addressing these barriers requires partnering with local governments, fintechs and domestic lenders to channel capital to MSMEs, cooperatives and beneficiaries at the last mile, while building the market infrastructure and de-risking mechanisms needed for systemic change. Collateral, identification requirements, repayment schedules and delivery channels help determine who benefits.



UNCDF is already taking actions

Two thirds of the 3.3 million people reached by UNCDF-enabled solutions in 2025 were women.

In South Africa, Township Spark, a new programme under development by UNDP with UNCDF support, will use UNCDF first-loss capital in a ZAR 150 million guarantee structure to unlock up to ZAR 200 million for youth- and women-led enterprises.

In Rwanda, a WFP–UNCDF programme has turned a $500,000 guarantee into about $714,000 in lending to MSMEs.

In Afghanistan, a UNCDF–UNDP portfolio guarantee is unlocking private lending to MSMEs in one of the hardest operating environments: over 28 months, a $2 million guarantee facility has unlocked more than $70 million in affordable finance for MSMEs, with non-performing loans below 3 percent.

The question for Antalya:

Who will take the first loss in the markets capital still bypasses?

The question for Antalya is not whether the world can mobilize trillions, but who will take the first loss in the markets that capital still bypasses.

UNCDF has the mandate and the instruments to go first. With the right capital behind it, it can go much further.

Key issues to advance at COP31

Make risk-absorbing capital a pillar of NCQG delivery, and report where it lands.

Recognize early-stage, risk-absorbing capital as an explicit pillar of NCQG delivery for LDCs, SIDS and fragile settings, alongside, not instead of, grant-based public finance. Report private capital mobilization by country income group and credit rating, separately from Article 9.1 public provision, with a rising floor for low-income countries, LDCs and SIDS. Provide that capital, from donors, foundations and national governments, to institutions such as UNCDF that can take the first loss in frontier markets, so that proven transactions can be replicated at scale.

Turn national plans into financed transactions through national and local channels.

Build a pipeline continuum in which investment in origination and project preparation produces de-risked deals that graduate to MDB and DFI scale, including IDA and IFC. Channel climate finance through national development banks and domestic lenders, supporting their capitalization, de-risking and access in low-income countries, LDCs and SIDS. Back local-currency and guarantee instruments so that distributed energy and the 35-by-35 goal reach frontier markets. Make local delivery a tracked outcome, including the share of adaptation finance reaching subnational governments and MSMEs.

Reach the hardest places: fragile settings and nature.

Recognize that climate vulnerability, institutional fragility and conflict risk require tailored financing that combines catalytic capital, local market development and conflict-sensitive investment practice, strengthening local economies and institutions and, where relevant, contributing to peacebuilding. Carry the Yerevan Declaration's call for catalytic, accessible finance for nature-based solutions in LDCs and SIDS into COP31 outcomes, tracked through common, locally disaggregated metrics.

What can be expected from UNCDF?

Under the UNCDF Strategic Framework 2026–2029, built on MSME, subnational and digital finance, UNCDF stands ready to serve as a financing and de-risking partner to the Climate Implementation Bridge, alongside UNDP as its delivery partner, converting NDC and National Adaptation Plan (NAP) priorities into de-risked portfolios through domestic banks and NDBs so that MDBs, DFIs and private investors can follow.The aim is to help raise the low-income share of mobilization, not merely add to headline totals, by building the digital finance rails, local institutions and financial-sector depth that larger investors need. Planned deployment of guarantees and other financial de-risking and liquidity products are expected to rise to more than $2 billion over 2026–2029.

The UNDP–UNCDF Policy to Capital Investment Facility connects national planning and financing reforms with investment structuring and capital deployment. Integrated National Financing Frameworks, investment mapping and fiscal and regulatory reforms help identify priorities and address enabling conditions; guarantees, concessional loans and blended structures address the financing barriers affecting specific investments. This links the emphasis of CBD COP17 on costed priorities and effective public spending with a practical route to implementation.

An instrument, not a pledge. UNCDF does not come to Antalya with a pledge, because its capital comes from donors. It brings an instrument that takes the first loss where others will not, and a commitment to report exactly what follows. How far that instrument goes is a decision for donors and partners, including national governments: the capital placed behind it will determine how many of the transactions described in this paper can be replicated and scaled.

The emphasis on moving private finance from commitments to results provides a practical accountability test for this approach. Changes in lending terms, time to deployment, continued financing after support ends and measurable resilience outcomes show whether mobilization delivers lasting benefits. Where investments pursue both climate and biodiversity objectives, distinct outcome measures and transparent accounting make each contribution visible and help prevent double counting of financial flows.

Commitments of UNCDF

Across the four priority areas, UNCDF commits to:

- Deploying its risk-absorbing capital in LDCs, SIDS, and fragile settings as a priority
- Providing its financing in local currency
- Concentrating its portfolio in agriculture, water, energy, the blue economy and local resilience
- Creating jobs for vulnerable groups and communities
- Building parametric insurance markets, as well as invigorating the reinsurance market in ldcs and sids
- Deploying finance rapidly, within 21 days of securing funding, in communities hit by extreme events and disasters
- Scaling up finance for msmes and subnational entities to invest in resilience and the energy transition

Delivery commitments:

I. translate corporate priorities into a selective regional and country pipeline

II. build country-level origination with UNDP Resident Representatives and UN Country Teams

III. mobilize dedicated resources both for capital and for the up-front cost of structuring and supervising a larger portfolio

IV. publish outcome-level evidence on additionality and mobilization, disaggregated by country type.

UNCDF is responding to these challenges.

UNCDF has taken on the challenge. Following a recent reset that restored its identity as a Fund and returned it to its original General Assembly mandate, UNCDF designs its interventions, as part of the international development finance architecture, to complement the investment plans of MDBs and DFIs. It mobilizes public and private capital and creates markets in the most challenging economic environments: early-stage and last-mile markets in LDCs, SIDS, and fragile and conflict-affected countries, where few projects yet meet the size, capability and standards that MDBs and DFIs require to invest.

UNCDF can do this because of what it is, and what it is not.

Because UNCDF does not borrow from markets, is not credit-rated and has no mandate to preserve shareholder capital, it can take positions that others cannot: small tickets, local currency, subnational counterparties and first loss.

Its role as an early-stage provider of catalytic first-loss capital for LDCs was reaffirmed following the Fourth International Conference on Financing for Development, in paragraph 33(m) of the *Compromiso de Sevilla*. Over 2024–2025, a reformed UNCDF relaunched as a UN platform focused on financial de-risking in underserved markets. In 2026, it became the first UN Fund or Programme to pass the European Commission's assessment for deploying financial instruments on behalf of the European Union (Pillar 6), and it has begun to use its limited balance sheet to mobilize private capital in the lowest-rated markets.

UNCDF is designed to close the gap between the operational requirements of MDBs and DFIs and the investment realities of frontier economies. It combines a lean organizational structure with highly selective deployment of catalytic, concessional finance for MSME finance, subnational finance and digital finance. UNCDF focuses on market ecosystem development and financial sector deepening, often working in collaboration with the UN Development System, especially the United Nations Development Programme (UNDP), the United Nations agency for children (UNICEF), the World Food Programme (WFP) and the UN Resident Coordinator system, and a network of other strategic partners. The model works; what limits it now is capital, not demand. Section 2 shows where it is already delivering, and where it needs support to scale.

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[5] UNFCCC, NDC Synthesis Report (October 2026:8), for costed needs of about $3.6 trillion over 2021–2040 (https://unfccc.int/documents/662393), pp8. Mitigation financing needs are concentrated in energy, agriculture, industry and waste sectors, while adaptation finance needs are focused on areas of agriculture, water, infrastructure, health, nature, tourism and disaster risk management.

[6] Climate Policy Initiative (CPI) Dashboard Bottom-up climate finance needs. Available at: https://www.climatepolicyinitiative.org/dataviz/bottom-up-climate-finance-needs/ (Accessed: 9 November 2026), LDCs region type only.

[7] UNFCC Standing Committee on Finance (2024), Second report on the determination of the needs of developing country Parties related to implement-ing the Convention and the Paris Agreement: Technical report. Bonn: United Nations Framework Convention on Climate Change. Available at: https://unfccc.int/sites/default/files/resource/UNFCCC_NDR2_Report_Apr2025_Web.pdf (Accessed: 9 November 2026). for the share of costed needs with no identified source of finance;

[8] Climate Policy Initiative (CPI) Top-down climate finance needs data dashboard. Available at: https://www.climatepolicyinitiative.org/dataviz/top-down-climate-finance-needs-data-dashboard/ (Accessed: 9 November 2026).

[9] OECD, Mobilisation of Private Finance for Development data dashboard, 2015–2024 (https://www.oecd.org/en/data/dashboards/mobilisation-of-private-finance-for-development.html). The share for LDCs is likely to be lower still, as most mobilization is not reported by recipient country.

[10] OECD Creditor Reporting System (https://stats.oecd.org/Index.aspx?DataSetCode=crs1); OECD climate-related development finance data, 2024. https://www.oecd.org/en/data/dashboards/development-finance-for-climate.html

[11] IFC 2026, Investment Services Projects (data for 2016-2026 feb) https://financesone.worldbank.org/api-explorer?id=DS00499 and MIGA Issued Projects https://financesone.worldbank.org/api-explorer?id=DS00988 (2016-2026)

[12] UNFCCC, NDC Synthesis Report (October 2026:8), (https://unfccc.int/documents/662393), pp19-20 Section F, indicating "overall, 90 per cent of Parties referenced subnational entities", and 92 per cent emphasizing a role for private sector in climate action.

13 Neunuebel, C., Atre, G. and Laxton, V. (2025) 'National development banks can do more to help drive countries' green transformations', World Resources Institute, 11 April. Available at: https://www.wri.org/insights/national-development-banks-climate-finance (Accessed: 9 November 2026).

What COP31 *cannot* leave behind

Mobilizing public and private capital for LDCs, SIDS and fragile economies, and what UNCDF will deliver in the year ahead.

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304 E 45th Street, New York, NY 10017, United States

info@uncdf.org

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