

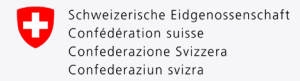
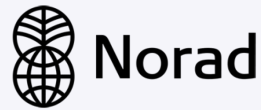


2024 Annual Report

Last Mile Finance Trust Fund (LMF-TF)

Catalysing investment where traditional finance can't reach

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Foreword by the Executive Secretary

Global development finance stands at a critical juncture.

The traditional financial architecture was not built for countries at the last mile, in areas of the world often seen as high risk, and where needs remain the greatest.

With fiscal spaces and Official Development Assistance (ODA) continuing to shrink, the need to mobilize and deploy capital differently has never been greater. This means stretching each dollar farther and using it more strategically.

Many Least Developed Countries (LDCs) are burdened by mounting sovereign debt and high-risk perceptions. Their ability to attract and absorb capital for the greater good remains limited. In addition to LDCs, Small Island Developing States (SIDS) and conflict-affected countries face the largest barriers to attracting private and public finance to support their development ambitions and grow their economies.

This is where the UN Capital Development Fund (UNCDF) comes in. We have a unique ability in the UN System to deploy financial instruments—guarantees, loans with zero or very low interest, and grants—alongside financial structuring solutions aimed at strengthening public financial systems and private sector capital market development. In 2024, UNCDF re-pivoted its focus, reorganizing to align more closely with its original 1966 mandate, from a primarily technical assistance agency to one focused on the deployment of de-risking financial capital for early-stage investments in the world’s most vulnerable economies.

Being non-credit rated, UNCDF holds an important position as an off-balance sheet de-risker—bridging financing gaps for donors, catalysing domestic capital for national and subnational governments, and enhancing on-the-ground results for the UN Development System, donor countries, Multilateral Development Banks (MDBs) and the private sector.

At this crucial moment, the global development financing architecture needs both scale and sequence. UNCDF, through the Last Mile Finance Trust Fund (LMF-TF), is part of that necessary sequence—building the scaffolding in markets too often overlooked, and helping investors to say “yes” to places where they would otherwise pass.

In a world where capital only flows to where confidence exists, the LMF-TF helps create that confidence—project by project, community by community.



Pradeep Kurukulasuriya
UNCDF Executive Secretary

Introduction

In this report, we look back on the 2024 impact of the UNCDF-led LMF-TF.

The Trust Fund has been critical to unlocking much-needed investment in the world's most underserved markets, supporting countries, communities and businesses—as the name suggests—at the last mile.

Launched in 2016 with the generous support of the Swedish International Development Cooperation Agency (Sida), and its initial contribution of \$2.5 million, the LMF-TF was designed as a flexible funding mechanism that pools together lightly earmarked resources from various donors towards thematic priorities.

The Trust Fund was also intended to serve as a platform to test new models, innovate solutions, de-risk investments, and most importantly, to mobilize and catalyse financing to help achieve transformational impact across LDCs.

Today, the LMF-TF pools together flexible funding and the generous support of 10 donors: Sida, the Government of Andorra, the Norwegian Agency for Development Cooperation (NORAD), the Swiss Agency for Development and Cooperation (SDC), the German Federal Foreign Office, the Kingdom of the Netherlands, the Korea International Cooperation Agency (KOICA), the Nederlandse Financiering- Maatschppij Voor Ontwikkelingslanden N.V. (FMO), the Principality of Liechtenstein, and Luxembourg.

As of 31 December 2024, LMF-TF has received \$100 million, enabling crucial support to countries often beyond the reach of investors.

At a time of global uncertainty and decreasing funding streams, the LMF-TF stands out as a testament to UNCDF's unique ability to operate in countries where traditional financing mechanisms have failed, using a flexible funding source to effectively de-risk investments in these markets, thus helping mobilize and catalyse an increase in capital flows.

UNCDF continues to scale its role as a catalytic fund, strengthening financial systems and mobilizing private investment to amplify the development impact of our partners and the UN family.

An intentional purpose

- UNCDF supports its partners' development efforts by unlocking private capital in underserved markets, which helps amplify development impact, create jobs, support small businesses, and grow inclusive economies.
- Its investment mandate allows it to provide catalytic financing—grants, concessional loans, and guarantees—where traditional finance falls short.
- By focusing on high-risk, early-stage markets, UNCDF strengthens local financial ecosystems and drives economic resilience

Targeting hard-to-reach markets

- UNCDF focuses on LDCs, SIDS, and conflict-affected and fragile states—where financing needs are greatest.

Mobilizing capital through blended finance

- UNCDF collaborates with UN agencies, MDBs, Development Finance Institutions (DFIs), philanthropies, and private investors to scale impact.
- As of 31 December 2024, LMF-TF has received \$100 million, enabling crucial support to countries often beyond the reach of investors.

- Its de-risking capabilities: performance-based grants, guarantees, concessional loans, first-loss capital and local currency loans help overcome barriers like lack of collateral and high-risk perception.
- By bridging the "missing middle," UNCDF supports small- and medium-sized enterprises (SMEs) too large for microfinance yet too small for commercial capital, creating investable pipelines for larger DFIs.

Unlocking private investment

- In Afghanistan, UNCDF's \$1 million portfolio guarantee mobilized \$5.5 million for micro-, small-, and medium-sized enterprises (MSMEs), fostering job creation and economic growth.
- In Tanzania, with support from the LMF-TF, UNCDF's support for the Tanga Water Infrastructure Green Bond helped raise \$20.8 million, with 65% from domestic investors, setting a model for future subnational bonds.
- In Zimbabwe, UNCDF's \$8 million investment helped launch a planned \$50 million renewable energy fund, attracting private capital.



How does the LMF-TF work?

Maximizing impact at the last mile



A vehicle for funding that is tied to development theme and not programme:

Donors often look to finance initiatives based on specific development themes (e.g. climate, women's economic empowerment) and not a specific programme or country. The LMF-TF is intentionally designed to attract such "lightly earmarked" funding so that it can be deployed and optimized, notably by being pooled with funding from other donors to achieved shared development goals.



Funding that specifically supports piloting and innovating:

Most earmarked funding goes to programmes with well-established track records focused more on scaling than piloting. The LMF-TF provides a financing vehicle for "lightly earmarked" funding that can be used to pilot and innovate financing solutions, so that they can attract greater amounts of funding in the future.



Entry point for new donors into UNCDF:

For prospective donors interested in supporting UNCDF, the LMF-TF provides an ideal entry point to determine if there is a long-term fit. Even a relatively modest contribution can be made into LMF-TF and also optimized because it can be pooled with other donated capital towards a shared development goal. Because the LMF-TF is practically perfectly aligned with the priority areas of the UNCDF Strategic Framework, the Fund operates as direct funding entry-way into UNCDF workstreams.



A financing vehicle dedicated to last mile markets:

The LMF-TF is a financing vehicle that is dedicated to disbursing capital to projects in LDCs among other last mile markets. The LMF-TF ensures that public sector finance is supporting the areas with the greatest development needs, the areas where the success of the 2030 Agenda will be determined.



Flexibility in how funding can be used:

Ever since the inception of the LMF-TF in 2016, the hallmark of the trust fund has been the flexibility by which donors can deploy their funding. Specifically, there are several funding scenarios that donors can take advantage of to maximize the impact value of their funding.

Chapter 1:

Deploying innovative finance models

UNCDF leverages catalytic finance to unlock investment where needs are greatest and traditional finance fails to reach. The LMF-TF plays a central role in this effort, serving as a flexible, non-core funding vehicle that enables UNCDF to design and deploy a range of innovative finance mechanisms tailored to high-risk, early-stage markets.

The Fund's flexibility is what makes it transformative: by pooling lightly earmarked resources from multiple donors, it allows UNCDF to rapidly test new models, take calculated risks, and respond to national priorities and needs in real time. This approach helps unlock domestic capital, strengthen public financial systems, and lay the groundwork for sustained development in LDCs and other underserved markets.



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How one catalytic transaction helped mobilize Tanzania's capital markets

Opening new frontiers for municipal finance in Sub-Saharan Africa with East Africa's first sub-national green bond.

In 2024, Tanzania's coastal city of Tanga issued the country's first subnational green bond, raising the equivalent of \$20.8 million in local currency for critical water infrastructure improvements. This transaction enabled the Tanga Urban Water Supply and Sanitation Authority to address the city's long-standing water challenges, while demonstrating the potential of domestic finance in funding essential public services.

The Tanga bond was not just a financial transaction. It was designed to increase visibility for Tanzania's growing domestic capital market and to demonstrate that local public institutions in developing countries can access private capital to deliver basic services. It was listed on the Dar es Salaam stock exchange, and in 2024 was listed in Luxembourg, a key LMF-TF donor, on their Green Exchange.

This type of bond had never been done before in Tanzania, and its success has been transformative in highlighting the untapped potential of unlocking Tanzania's domestic capital market. The bond achieved 103% oversubscription without a sovereign guarantee, with 65% of the investment coming

from domestic sources, including pension funds, insurance companies, and financial institutions, with the remainder from public investors and diaspora.

UNCDF provided catalytic funding, with a \$1 million grant through LMF-TF, which helped absorb early risks and crowd in investment readiness support. This alone resulted in a 1:20 leverage ratio. The funds raised will help expand Tanga's water infrastructure, benefiting the city's population of 450,000 and providing first-time access to clean water for 26,000 residents. The impact of the Tanga green bond extends beyond the city limits.

It has sparked interest across Tanzania, with five other public entities exploring similar bonds, potentially unlocking up to \$153 million in financing for various development sectors. In an effort to multiply innovative models at scale, UNCDF is now working with its partners to replicate this work in five countries across East and Southern Africa, signaling a shift towards domestically driven, market-anchored development financing that could transform how critical infrastructure is funded in frontier markets.

Opening new opportunities: putting Nigeria's small businesses at the center of the fight against childhood malnutrition

In 2024, UNCDF's first child-lens investment was deployed in partnership with UNICEF to expand production capacity for a local food manufacturer, while also supporting smallholder farmers in the country.

In 2024 and with support from the LMF-TF, UNCDF completed its first child-focused investment of \$2.5 million to Ariel Foods TZE, a Nigerian company that produces lifesaving therapeutic foods for children. This investment represents the inaugural financing under the Nutrition Supplier Finance Facility, an innovative partnership between UNCDF and UNICEF supported by the Children's Investment Fund Foundation.

This first tranche of funding will enable the installation of processing equipment for local suppliers of raw peanuts and other legumes like soy and chickpeas, which are essential ingredients in Ready-to-Use Therapeutic Foods designed to combat severe childhood malnutrition in fragile and conflict-affected areas. This initiative aims to strengthen local supply chains by sourcing key inputs from smallholder farmers and small businesses rather than relying on imports.

The investment serves multiple purposes beyond addressing malnutrition: it provides sustainable revenue opportunities for local farmers, builds resilience in both local and global supply chains, and positions African-grown produce as central to fighting childhood malnutrition. The project demonstrates how UNCDF leverages its capital mandate to direct financing toward high-risk, underserved markets while supporting the broader UN development system.

This financing model signals to private capital providers that investments in humanitarian supply chains can generate both financial returns and real development impact. The initiative supports food security within Nigeria, while establishing a framework for sustainable humanitarian supplier markets that could attract private capital partnerships in the future.





Financing affordable climate solutions at the last mile

Unlocking infrastructure finance that helps underserved countries adapt and build resilience to a changing climate.

In 2024, the UNCDF-led Local Climate Adaptive Living Facility completed investments totalling \$7.2 million, most of which focused on subnational, municipal infrastructure investments to support job creation and economic growth.

In Mozambique, LMF-TF funds continued to support investments in climate resilience and disaster risk preparedness. Specifically, funds contributed to investments in Zambezia Province, a region increasingly prone to tropical cyclones and associated destructive winds, high rainfall and inundations.

Investments were accompanied with training in climate change planning and budgeting for the participating local government officers. A further \$6.8 million is under implementation by governments in alignment with performance-based payments (based on ISO14093) delivered to local governments. For example, in Lao PDR, a \$24,000 LMF-TF disbursement enabled the Ministry of Natural Resources and Environment to plan

an expansion of 29 resilient infrastructure investments undertaken before 2016 and undertake additional capacity building for scale-up.

In Liberia, LMF-TF funded a capacity building initiative at the Environmental Protection Agency focused on helping the Agency successfully deliver on the country's Nationally Determined Contributions under the Paris Agreement. This training initiative helped pave the way for work to begin on the development of two pilot climate investments in 2024. With UNCDF support to the Green Climate Fund's accredited entities, a further \$65.1 million in performance-based payments were approved in 2024, of which \$55.1 million will be disbursed for the West African Development Bank and \$10 million for Bhutan.

Further, in 2024, close to \$700,000 in co-financing for resilience-building investments was received from the Governments of Bangladesh, The Gambia, Ghana and Uganda in 2024.



In focus

Amplifying the impact of the UN development system

Through its unique investment capabilities—including performance-based payments, guarantees, and concessional loans—UNCDF catalyses domestic capital and attracts larger pools of private finance to drive investment in markets that are often overlooked. In doing so, UNCDF enhances the development impact of the broader UN system, particularly in LDCs, SIDS, conflict-affected countries, and other frontier contexts.

Working in close partnership with other United Nations entities such as UNDP (see example “How blended finance is supporting resilient agriculture and climate-positive businesses in Kenya” p.15), the United Nations Children’s Fund (see example “Opening new opportunities: putting Nigeria’s small businesses at the center of the fight against childhood malnutrition” p. 10), the World Food Programme, and the Joint SDG Fund, UNCDF creates the conditions for sustainable investment and market development.

For example, while UNDP focuses on policy de-risking—strengthening regulatory frameworks, building institutional capacity, aligning policies, and ensuring impact assurance—UNCDF complements this by offering financial de-risking and blended finance solutions. Its capital mandate enables it to absorb early-stage risk, crowd-in commercial capital, and structure investable opportunities that align with national priorities.

Together, UNCDF and its United Nations partners connect policy ambition with investment execution, bridging gaps in both finance and implementation. This integrated approach builds a more inclusive global financial architecture—one that channels investment to the last mile, accelerating inclusive economic growth.

Chapter 2:

Unlocking private capital in underserved and high-risk markets

Mobilizing private capital in LDCs and fragile contexts requires early risk absorption and market validation.

Through the LMF-TF, UNCDF deploys first-loss capital, guarantees, and concessional loans to de-risk investments and attract both domestic and international private finance.

By lowering barriers to entry, the Fund helps shift markets from un-bankable to investable, unlocking capital flows that would otherwise not reach these environments and supporting long-term growth.



How blended finance is supporting resilient agriculture and climate-positive businesses in Kenya

An innovative mechanism that leverages private sector finance by blending grant money with commercial funds is benefiting smallholder farmers and local entrepreneurs, while reducing CO₂ emissions.

A new partnership launched in 2024 between UNCDF and UNDP is tackling the challenge of post-harvest losses for smallholder farmers in Kenya by enabling local businesses to scale climate-positive solutions that support food security in higher-risk agricultural markets.

By strategically placing these decentralized, often, mobile units near farming clusters, the programme aims to reduce food spoilage by preserving perishable crops closer to where they are harvested, while also strengthening linkages to institutional buyers and school feeding programmes. Further, it will improve the supply of quality produce to buyers. The project combines finance, sustainable infrastructure, and digital tools to overcome barriers to private sector engagement and create a viable market for solar-powered cold storage in the country.

Building on early momentum from over nine counties, 12 eligible service providers, 12 local financial institutions, and multiple farmer cooperatives, the initiative is designed to scale a commercially viable and climate-resilient cold chain that supports food system transformation and emission reductions.

UNCDF will be deploying blended finance to de-risk investments and unlock private capital, including through concessional loans, loan guarantees, and a tariff support facility to bridge early viability gaps, amplifying the work of UNDP's technical assistance, which includes behavioral change campaigns and policy engagements to support widespread adoption.

€23.3 million (\$26.9 million) in funding came from the Mitigation Action Facility. Of this, €16.6 million (\$19.2 million) will be implemented by UNCDF through blended finance mechanisms, while €6.7 million (\$7.7 million) will be managed by UNDP for technical assistance, policy work, and training.

Over the ten-year programme horizon (2024–2034), the initiative expects to create over 1,200 local jobs across the cold storage value chain, benefiting more than 60,000 smallholder farmers. Further, it will help significantly reduce post-harvest losses, avoid 4.8 million tonnes of CO₂ equivalent emissions (direct) and reduce an additional 3.9 million tonnes (indirect).

By anchoring solar cold storage within Kenya’s agricultural and climate strategies, and combining UNCDF’s financial innovation with UNDP’s technical reach, this initiative demonstrates how blended finance and public-private collaboration can unlock new frontiers in climate-resilient agriculture.

By addressing both financial and technical challenges, it is also supporting local small businesses, expanding market opportunities, and laying the groundwork to catalyse increased investment in support of food security, resilience, and climate-positive jobs.



South Pacific

Bridging digital divides: expanding access to affordable finance in the South Pacific

Financial inclusion is key to economic growth, particularly in remote, last-mile communities who’ve long been unbanked.

UNCDF plays a catalytic role in piloting and scaling private sector-led digital and financial innovations that bridge gaps for underserved communities across the South Pacific.

In 2024, nine digital finance solutions were introduced across the region, expanding access to digital payment services and financial services, especially for remote and unbanked communities.

One of the standout success stories is the M-Selen mobile money service in the Solomon Islands, launched in 2023 by UNCDF and Our Telekom, with financial backing from the

Government of Australia and support from the LMF-TF. In a country where only 25% of the population previously had access to formal banking, M-Selen has helped transform the financial landscape.

By the end of 2024, the platform had onboarded over 231,000 new users—46% of whom were women—bringing the total number of registered users to 246,492, with 115,233 active users that year. The agent network also expanded to 1,519, reinforcing M-Selen’s footprint across all nine provinces. The platform now facilitates a range of 16 essential services, including peer-to-peer

transfers, bill payments, and international remittances, decreasing the time, cost, and risk associated with cash-based transactions in rural communities.

Adding further depth to the financial ecosystem, a digital micro/nano loan service was introduced through a groundbreaking partnership between the Solomon Islands National Provident Fund, YABX, and M-Selen. This innovative solution leverages alternative data to assess creditworthiness and targets informal savers and women-led businesses, traditionally excluded from formal lending channels. The first live loan was issued in December 2024, with a wider pilot launched shortly after. Initially reaching 30,000 informal savers, the solution is poised to scale up to

200,000 members, offering unprecedented access to responsible credit for Solomon Islanders.

M-Selen's success has resonated beyond its immediate users. It has garnered positive media attention both locally and internationally, with features in platforms such as Solomon Business Online, the Central Bank of Solomon Islands, the Pacific E-Commerce Initiative, UNDP, and even the Hong Kong-based think tank Looking Back Looking Forward. This recognition reflects the platform's growing reputation as a model for inclusive digital finance in SIDs.



© UNCDF/Solomon Islands



In focus

Financing the “missing middle”

The types of instruments UNCDF deploys are often modest in size—typically between \$500,000 and \$7 million per transaction—but are designed to unlock disproportionately large impact. The focus is not on scale for scale’s sake, but on precision deployment: demonstrating viability in markets where others have stalled or exited.

This is capital that bridges the gap—larger than what microfinance typically offers, but below the \$20 million floor required by most regulated financial institutions. In essence, UNCDF focuses on financing the “missing middle.”

Consider the challenge of private capital mobilization. Much of the global discourse around the “billions to trillions” narrative overlooks the significant barriers to market entry. UNCDF is working to address those barriers—not only through financing, but by partnering with local governments, municipalities, FinTech’s, and MSMEs to

prototype and de-risk inclusive financial and infrastructure models.

The role of UNCDF is pre-investment, pre-bankability—and essential.

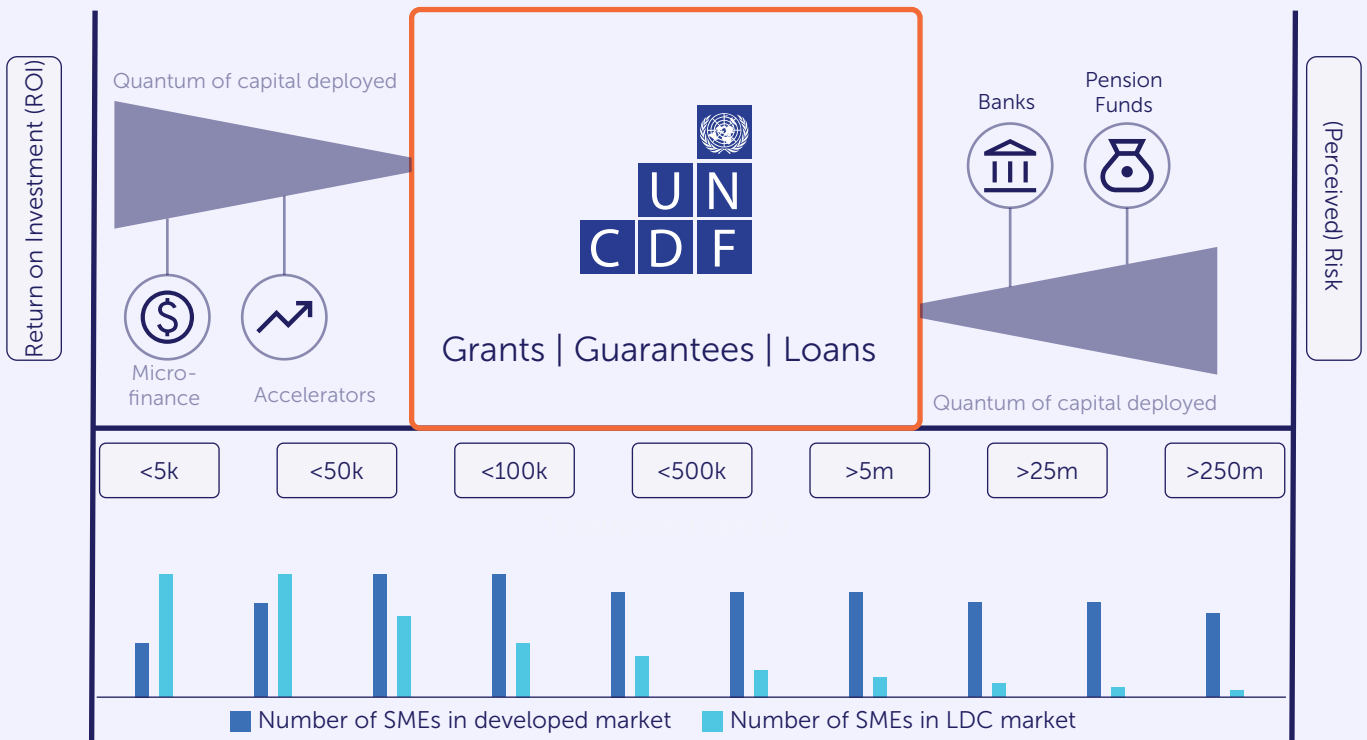
Where established financial institutions support national grids and energy policies, UNCDF and its UN partners, including UNDP, support off-grid innovators in last-mile communities, piloting scalable payment models in communities that need it most. While traditional financiers fund major logistics corridors, UNCDF supports SME supply chain platforms that connect rural producers to those very same corridors. While others engage sovereign governments to unlock private equity, UNCDF collaborates with city governments and local banks to build trust and facilitate local transactions.

UNCDF does not duplicate—it deepens. It connects. It prepares.



© UNCDF/Solomon Islands

UNCDF is bridging the “missing middle” for SMEs through concessional de-risking instruments that connect micro-level needs with institutional capital.



Investing in today's entrepreneurs and tomorrow's new markets

In 2024, in Rwanda, UNCDF, the World Food Programme (WFP), and the Mastercard Foundation partnered to provide a \$500,000 partial credit guarantee to Urwego Finance, covering 70% of potential losses.

With funding support from the LMF-TF, this de-risking mechanism allows Urwego, a local financier, to provide access to finance for youth- and women-owned and led agri-business, who have traditionally found it difficult to obtain affordable financing due to their perceived high risk, facing collateral requirements of up to 130%-150% of the loan amount. UNCDF's partial credit risk guarantee provides a de-risking solution that absorbs a portion of this risk, lowering investments and enabling small enterprises to access the capital needed for growth, productivity, and job creation.

By strategically addressing risk perception through guarantee mechanisms, UNCDF and Urwego have developed a model that both promotes financial inclusion and catalyses economic transformation.

Further, this inclusive financing solution also acts as a catalyst for rural economic growth, underscoring that with properly designed innovative financial systems, even the most excluded entrepreneurs can gain access to the capital resources needed to grow their businesses and create jobs.







Investing for Peace

Investing for Peace (I4P) channels private capital into fragile and conflict-affected settings by using donor funds to de-risk larger investments from DFIs, to pave the way for higher-risk deals that advance peace. By blending finance with conflict sensitivity, I4P turns local enterprises into engines of stability and long-term development.

Launched in 2024, I4P is a new approach that supports lasting peace and security in fragile and conflict-affected regions by strengthening the private sector.

Seeded with €2 million (\$2.3 million) by the German Federal Foreign Office, with support from UNCDF and the UN Peacebuilding Support Office, I4P aims to use catalytic donor contributions to de-risk DFI investment capital, allowing accessibility to smaller, higher-risk, peace-positive investments that are difficult for DFIs to source and manage on their own.

Local private businesses in fragile environments hold significant potential for creating long-term, sustainable impact that can mitigate the drivers of conflict. With this in mind, I4P focuses on three investment characteristics:

- **Peace positive:** investments meet or exceed DFI standards on conflict sensitivity and align with a locally supported peace-positive private sector development strategy across priority regions and populations – going beyond “do no harm” to “peace positive.”
- **Financial acumen:** investments are financially viable and demonstrate the ability to provide sustainable, market-level returns in fragile states while effectively managing financial and operational risks.
- **Additionality:** investments go above and beyond traditional DFI investment frameworks, focusing on conflict-affected populations and projects that DFIs typically would not be able to support on their own due to internal and external investment constraints.



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Chapter 3:

Leveraging blended finance to catalyse investment at the last mile

UNCDF deploys blended finance to unlock investment where it is most needed and least likely to flow: the last mile. With support from the LMF-TF, UNCDF works in markets where barriers to public and private investment are highest, particularly in LDCs and fragile contexts.

By absorbing early-stage risk through first-loss capital, guarantees, and concessional loans, UNCDF enables local businesses to access the capital needed to grow, create jobs, and support country-led priorities such as energy transition and transboundary resource management.



© UNCDF/Uganda

Zimbabwe's first Renewable Energy Fund: building a distributed energy market from the ground up

A blended finance platform that works to catalyse capital for the renewable energy market through early-stage investment, enterprise incubation, and market system building.

Despite Zimbabwe's strong renewable energy policies, the country faces critical energy access challenges with only around 40% national electrification and just 16% in rural areas.

Traditional financiers, including multilateral development banks and development finance institutions, are often constrained by credit-rating requirements and risk frameworks that prevent them from engaging in the types of high-risk, small-scale transactions common in last-mile energy markets.

In response, in collaboration with the UN Education, Scientific and Cultural Organization, UNDP and UN Women, UNCDF launched the Zimbabwe Renewable Energy Fund (REF Zimbabwe) in September 2024, with the critical support of the LMF-TF, establishing the country's first dedicated renewable energy fund.

UNCDF's strategic approach centers on using catalytic concessional capital to unlock renewable energy investments that commercial banks and institutional investors typically avoid due to their small scale, early-stage nature, and

high-risk profile. The Fund's blended finance model combines public capital with private investment, effectively de-risking projects to encourage participation from local banks and institutional investors in a previously inaccessible sector.

This platform model enables operations in last-mile communities and fragmented markets where commercial investors cannot operate, while simultaneously building the financial architecture of an entirely new energy sector.

The Fund has already demonstrated tangible impact through significant investments including a \$6 million grid-connected 5-megawatt solar plant in Guruve rural district, a \$1 million solar and battery storage system benefiting over 480 small-scale farmers (mostly women), and an \$810,000 solar installation for Mater Dei Hospital. UNCDF's initial \$8 million in concessional finance has been matched by \$8 million from Old Mutual, with total leverage expected to exceed 3.5 times by the end of 2025.

UNCDF and its partners are helping transform Zimbabwe's energy landscape by validating business models, creating a pipeline of bankable ventures, and building trust in renewable energy as a new asset class.

The Fund operates a fully functional enterprise incubation and technical assistance facility that supports early-stage entrepreneurs and strengthens institutional capacity, with 59 transactions sourced, eight in due diligence, and three nearing financial close.

Through this comprehensive approach, UNCDF is successfully converting a fragmented market into a functioning ecosystem that can attract scalable, investable growth while prioritizing youth- and women-led enterprises, creating jobs, and strengthening essential public infrastructure in rural communities.



© UNDP/Afghanistan

Extending a lifeline: supporting economic growth in the toughest of environments

A groundbreaking portfolio guarantee agreement is helping address critical barriers to finance faced by MSMEs in Afghanistan.

Working in close partnership with the Afghan Credit Guarantee Foundation (ACGF) and UNDP, in 2024 UNCDF established a \$1 million portfolio guarantee that successfully mobilized \$5.5 million from the private sector, achieving an impressive leverage factor of 5.5.

Through the support of the LMF-TF, this innovative financial mechanism tackles the fundamental challenge of limited access to credit for small businesses operating in one of the world's most fragile economic systems. The guarantee facility focuses specifically on improving financial services access for MSMEs, fostering job creation, and supporting sustained economic growth in a market where traditional financial institutions are often reluctant to lend.

The significance of UNCDF's approach lies in its ability to address the risk perception barriers that typically prevent financial institutions from extending credit to small businesses in unstable environments. In Afghanistan, collateral requirements can reach as high as 130%-150% of loan values. UNCDF's guarantee mechanism effectively reduces this barrier by covering a significant portion of the potential loan defaults, thereby encouraging partner financial institutions to extend credit to previously underserved enterprises.

UNCDF's work in Afghanistan exemplifies its broader mission of making public and private

finance work in high-risk environments, helping create a financial ecosystem.

The partnership with ACGF has been particularly effective, as the foundation has a proven track record in Afghanistan's challenging context. ACGF's credit guarantee system has cumulatively guaranteed over \$219 million in loans and supported more than 5,500 SMEs since its establishment, demonstrating the powerful impact of well-structured guarantee mechanisms in fragile states. UNCDF's comprehensive approach in Afghanistan extends beyond credit guarantees to include technical assistance to financial institutions, helping them build capacity for MSME lending. This holistic strategy addresses both supply-side constraints of financial institutions and demand-side needs of entrepreneurs, creating a sustainable framework for economic recovery and growth.

This work in Afghanistan demonstrates how innovative financial instruments can unlock previously inaccessible capital flows in fragile states, where traditional development finance institutions often face significant barriers to entry. The initiative's ability to leverage limited public resources to mobilize substantially larger private sector investments showcases a scalable model for addressing finance gaps in other conflict-affected and fragile environments worldwide.





Blue Peace financing: transforming The Gambia River Basin

Replicating best practices, consolidating viable finance models, and scaling what works, all while supporting transboundary resource management.

In West Africa, The Gambia, Coliba-Corubal, and Kayenga-Geba rivers connect more than just geography—they link the futures of four countries: The Gambia, Guinea, Guinea-Bissau, and Senegal.

For decades, The Gambia River Basin Development Organization (OMVG) has served as a regional institution tasked with unlocking the shared economic and environmental potential of these three transboundary rivers. However, like many regional entities, OMVG

faced persistent challenges in transforming ambitious visions into bankable infrastructure projects and attracting long-term finance. Enter UNCDF, through its Blue Peace Financing Programme funded by the Swiss Agency for Development and Cooperation, which partnered with OMVG to strengthen its institutional and technical capabilities.

This intervention focused on technical assistance and market development support, aimed at turning OMVG into a more effective



convener and implementer of integrated, cross-border development initiatives around water management.

In 2024, one of the key milestones was development and adoption of OMVG’s first Integrated Development Master Plan—all of this to lay the ground for a long-term investment plan aimed to benefit more than six million people. It establishes a foundation for enhancing access to essential services like clean water, sanitation, renewable energy, and climate-resilient irrigation across the four member states. For the first time, OMVG had a holistic, data-based and actionable roadmap for managing shared water resources in a sustainable and inclusive manner.

But planning alone isn’t enough. To transform these ambitions into reality, OMVG needed to attract long-term financing. UNCDF played a pivotal role in enhancing the organization’s investment readiness, helping it to structure projects with strong commercial, social, and environmental value propositions. This included technical advisory support in financial

modeling, governance structuring, and stakeholder coordination.

A prime example of this success is the Salthino Hydro Energy project, a renewable energy initiative with the potential to supply clean, reliable electricity to tens of thousands of people. UNCDF led the market sounding and investor pitching process for this hydro energy project, engaging both public and private stakeholders to assess interest and tailor the project’s financial and operational model accordingly. This process catalysed investor confidence and positioned the Salthino project as a flagship opportunity within the IDMP.

By linking strategic planning to real financial transactions, UNCDF helped OMVG evolve from a planning body into a regional investment platform, capable of attracting capital and delivering impact. The multiplier effects of this transformation are already being felt—not just in new infrastructure projects, but in greater regional cooperation and shared prosperity.

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The Investment Advisory Initiative

Since late 2020, with funding from The Netherlands, UNCDF has deployed the Investment Advisory Initiative (IAI) in selected countries. The initiative puts UNCDF's investment mandate, expertise, and advisory capacity at the service of the UN Resident Coordinators and the UN Development System.

It does this by enabling UNCDF's Investment Advisors in-country to work with the UN Development System on development finance-related matters, both at the transactional and policy levels. Such support includes providing development finance policy advice, identifying and supporting sustainable investments, and developing and implementing innovative financing initiatives.

The IAI works with different UN agencies on the ground to develop, implement and deploy new development finance initiatives to help them mobilize additional capital, primarily from the private sector, to support target beneficiaries and achieve development goals.

2024 Results

In 2024, 15 countries in Africa were covered by five UNCDF Investment Advisors. Across these countries, 20 different UN agencies had been engaged. 36 innovative SDG finance joint-projects had been completed since inception, and 58 were active.

These projects range from contributing to the definition of the UN Sustainable Development Cooperation Framework (UNSDCF), producing investment policy papers, organizing forums and convening on SDG finance, and developing new financing mechanisms and development

finance initiatives to help mobilize additional capital.

By the end of 2024, six countries among the 15 had launched new UNSDCFs embedding blended finance and mobilization of private capital themes, thanks to the inputs of UNCDF Investment Advisors. Four policy reports had been completed for Benin, Rwanda, Senegal, and Kenya, and 14 innovative development finance initiatives, aimed at mobilizing additional capital, were under implementation.

These included joint projects with WFP to increase access to finance for smallholder farmers and agricultural SMEs in Rwanda (see p.20), with UNFPA to improve the resilience through economic empowerment of young girls in Benin; and with UNESCO and partners to finance the development of renewable energy infrastructure in Zimbabwe (see p.25).

The initial \$5 million in funding provided by The Netherlands had already generated an additional \$16 million of funding for UNCDF, with another \$32 million in the pipeline.

Lessons learned

The IAI has been a critical learning platform for UNCDF, offering both strategic insights and operational lessons that are being embedded into the new Strategic Framework (2026-2029).

Further, the IAI revealed a strong appetite across the UN system, particularly among Resident Coordinator Offices and UN entities, for practical support in designing and implementing innovative finance mechanisms and blended finance structures. However,

the understanding of such instruments and capability in some UN Country Teams remains uneven. Many entities still view innovative finance narrowly as a way to merely supplement ODA, rather than as a strategic means to enhance the catalytic use of limited ODA resources and mobilize private capital at scale.

Second, even entities with dedicated “innovative finance” teams face institutional constraints—whether in technical knowledge, mandate, risk appetite, or operational flexibility—that limit their ability to engage meaningfully with the private sector and deploy blended finance instruments effectively. This has created a niche for UNCDF to provide catalytic support—particularly in designing blended finance structures and de-risking mechanisms.

Third, while the IAI was initially conceived to support specific investment transactions in a select number of countries, in practice, most Resident Coordinator and UN partners’ requests over the period 2020-2024 focused on broader technical advisory support on blended finance, development of proposals to drive more capital for specific SDGs and target groups and help in mobilizing funding for such proposals. This led to a pivot: from executing bespoke deals to co-developing joint programmes with UN partners that embed innovative finance solutions from the outset.

Internally, the IAI highlighted the need for stronger cross-unit coordination, clearer success metrics, and more predictable resourcing to scale advisory services. These insights are informing the design of internal

delivery models under the new Strategic Framework.

The upcoming Strategic Framework will further position UNCDF as both a catalytic investor and a trusted advisor on sustainable finance. Rather than continuing as a standalone initiative, the IAI’s advisory approach will be embedded across UNCDF’s investment programming including personnel, operational structure and throughout the investment lifecycle.

In short, the IAI experience has reaffirmed that early-stage alignment and joint design are critical to unlocking capital and delivering results in complex, undercapitalized markets. It has served as both a proof of concept and a catalyst for institutional transformation. Its evolution from a pilot to a core capability reflects UNCDF’s broader shift toward becoming a system-wide enabler of catalytic finance.

Chapter 4:

Lessons learnt: multiplying the dollar for development finance

At a time when ODA experienced its first decline in five years, dropping 7.1% in real terms to \$212.1 billion in 2024, the imperative is critical to multiply every development dollar, to ensure that the financing gap for the world's most vulnerable doesn't continue to widen.

The LMF-TF helps address this gap, reaching markets and sectors that traditional finance does not serve. UNCDF's ability to derisk last

mile markets, crowd-in increased financing flows, and lay the foundation for more transformative investments in helping expand inclusive and affordable access to finance for MSME, grow local economies, and enable resilience against economic and climate shocks.



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Catalysing finance for food: supporting women-led small businesses in Burundi

With LMF-TF support, UNCDF's portfolio guarantee enabled local banks to play a stronger part in supporting community businesses and employees

In Burundi, UNCDF leveraged mobilized resources to provide catalytic funding to the Bank of Women and Kazoza Finance, enabling them to expand their lending capacity to smallholder farmers and women-led agricultural MSMEs in the country.

This support aims to strengthen food systems' transformation and improve nutrition outcomes, including in cross-border areas of the country.

An innovative financing mechanism in the form of a loan guarantee was deployed to mitigate the risk of lending to cross-border traders and women-led enterprises that lacked traditional collateral. As a result, the Bank of Women was able to extend a \$180,000 loan portfolio comprising \$80,000 in microloans to SMEs and \$30,000 to village savings and loan associations (VSLAs) to support 89 microprojects initiated by 37 cooperatives and 43 VSLAs.

Meanwhile, Kazoza Finance trained approximately 1,600 traders and disbursed \$170,000 in microloans to microenterprises across the country. In partnership with WFP and UNDP in Burundi, this work is building on

the LMF-TF's seed capital to extend impact across this traditionally higher-risk market.

And in partnership with BIDEF (Banque d'investissement et de Développement pour les Femmes), a financial institution fully capitalized by Burundi's central and local governments, UNCDF supported through technical assistance and a grant for the deployment of innovative financial instruments such as a microcredit line and a portfolio guarantee to finance 89 investment projects and 46 SMEs for \$122,000 mobilized and 43 VSLAs, and individual projects in the food system value chains. UNCDF mobilized a total of \$180,000 from the BIDEF to finance food system MSMEs.

De-risking finance at the last mile: enabling local food producers to expand production and combat food insecurity in Benin

With an estimated 37% of children under the age of five suffering from malnutrition, the LMF-TF's crucial support is helping ALIDé reach MSMEs that are currently, or have the potential to be, suppliers for the Government of Benin's home-grown school feeding programme.

With support from the LMF-TF, UNCDF partnered with the World Food Programme and the UN Population Fund in 2024 to provide a \$450,000 guarantee to support ALIDé, a Beninois financial institution, to increase its lending portfolio to financially underserved and vulnerable population segments in support of the National Integrated School Feeding programme.

What's more, by unlocking access to affordable financing, this initiative is helping local producers increase production, grow their businesses, and take part in combating food insecurity in conflict-affected areas of Benin.

Further, the project targets young entrepreneurs who are working to strengthen resilience and prevent the spread of insecurity in the northern regions of the country. UNCDF's portfolio guarantee will reduce high current collateral requirements that have served as a major barrier for small businesses in Benin to access credit for working capital. The average loan amount is \$800 to \$1,000.



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Conclusion

The Last Mile Finance Trust Fund's 2024 results demonstrate the transformative power of catalytic finance in reaching the world's most underserved markets and communities.

Through the strategic deployment of \$100 million in flexible funding since its inception, supported by ten donor countries, the Trust Fund underscores that strong partnerships with common aims can enact real change in areas of the world most in need.

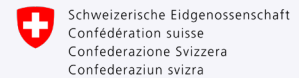
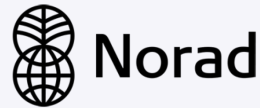
Innovative financial mechanisms can unlock private capital, strengthen local financial ecosystems, and deliver measurable development impact in LDCs, SIDS, and frontier markets, where traditional financing has largely failed to reach.

From Tanzania's groundbreaking \$20.8 million subnational green bond that achieved 103% oversubscription without sovereign guarantee to Zimbabwe's first renewable energy fund that mobilized \$16 million in combined public and private investment, the Trust Fund has consistently demonstrated its ability to multiply development dollars through strategic de-risking and blended finance approaches.

The Fund's comprehensive approach for communities in last mile spans thematic areas of importance, from climate resilience, digital financial inclusion, job creation, marine conservation, food systems transformation, and support for women and youth entrepreneurs.

The LMF-TF has validated UNCDF's unique role as a bridge between grant-funded development assistance and commercial investment, proving that with proper structuring and risk mitigation, even the most challenging markets can attract sustainable financing for critical development needs. Yet, more needs to be done to close the financing gap that LDCs face and truly crowd-in private capital for development.

As global development finance faces unprecedented constraints and the need for innovative approaches intensifies, the LMF-TF stands out as a compelling model for how multilateral institutions can leverage limited public resources to unlock transformational private sector engagement, creating the financial pathways necessary to create jobs, wealth and sustainable prosperity at the last mile.



About the United Nations Capital Development Fund

United Nations Capital Development Fund (UNCDF) mobilizes and catalyses an increase in capital flows for impactful investments in high-risk markets, especially in Least Developed Countries, Small Island Developing States and countries in special situations. By crowding in capital through the deployment of risk-absorbing financial instruments, mechanisms and structuring advisory, UNCDF contributes to job creation and sustained economic growth in more than 70 countries. In partnership with UN entities and development partners, UNCDF operates with speed and agility to deliver scalable, blended finance solutions to drive systemic change and pave the way for commercial finance and scale up by development finance institutions and multilateral development banks.

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