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Annual
Report

United Nations Capital Development Fund

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This report presents the 2024 cumulative review of the Strategic Framework, 2022-2025, and the annual review of results achieved by UNCDF in 2024. It examines progress in three outcome areas:

- accelerated, inclusive, diversified, green economic transformation
- increased flows of public and private finance
- strengthened market systems and public and private financing mechanisms. An analysis of UNCDF institutional effectiveness and key evaluation findings is also presented.

For more information, visit <https://www.uncdf.org/our-team>

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I

Contextual analysis

LDCs, SIDS, and fragile states at a crossroads

Least Developed Countries (LDCs), Small Island Developing States (SIDS), and conflict-affected and fragile countries stand at a pivotal moment. They are brimming with potential yet beset by persistent challenges that hold back progress on the Sustainable Development Goals. Not least among these is the need to drive increased funding to areas most in need. Having long been seen as high-risk by the traditional financial architecture, these regions and countries have been underserved and lack the resources required to build inclusive economies and adapt to a changing climate.

Persistent poverty and rising vulnerabilities

Extreme poverty levels remain significantly high. Coupled with debt-to-gross domestic product (GDP) levels at their highest point in decades, rising food prices have increased food insecurity, instability and the risk of hunger. Less than half the population in LDCs have access to basic sanitation and some 500 million people still lack access to electricity.¹ More than 231 million people in LDCs were expected to require humanitarian assistance in 2024, compared with 190 million in 2022.²

1 Rocky Mountain Institute (RMI), UN United Nations Office of the High Representative for Least Developed Countries, Landlocked Developing Countries and Small Island Developing States (UN-OHRLS) 2021, Opportunities for Achieving Universal Energy Access through the Energy Transition in the Least Developed Countries

2 United Nations, Office for the Coordination of Humanitarian Affairs, Global Humanitarian Overview 2024, abridged version (2023)

Financing gaps hindering SDGs progress

Making progress on the Sustainable Development Goals in these countries and achieving our collective goal of leaving no one behind will require additional support to strengthen productive capacities, develop and diversify inclusive economies and provide affordable access to adequate financial resources. Despite a record \$287 billion in global official development assistance (ODA) in 2022, aid to LDCs fell by 4 per cent to \$62 billion,³ following an 8 per cent decrease the previous year, while aid to SIDS fell by 13 per cent to \$5.9 billion.⁴ ODA remains crucial, but it is insufficient alone, and there is an urgent need to develop markets and mobilize more private sector investment. Foreign direct investment flows to LDCs account for only 2.4 per cent of the global total and remain relatively stagnant.

Msmes struggling to access finance

Micro, small and medium-sized enterprises (MSMEs) are the backbone of LDCs and SIDS' economies, yet they face significant challenges in accessing affordable finance. Only 17 per cent have a loan or line of credit, compared to the global average of 30.6 per cent.⁵

Need for stable and targeted financial mechanisms

These trends underscore the urgent need for more stable and targeted financial mechanisms to support economic development in these countries, which can also be sustained over time.

3 <https://unctad.org/news/development-aid-hits-record-high-falls-developing-countries>

4 <https://unctad.org/news/aid-small-islands-falls-even-temperatures-rise>

5 World Bank, processed by Our World in Data - Share of small-scale industries with a loan or line of credit, 2023 (ourworldindata.org)

UNCDF's unique role within the UN system

Against this backdrop, UNCDF has a critical and indispensable role to play within the United Nations system and beyond. As one of the few non-credit rated, hybrid development and finance organizations that is also an autonomous United Nations institution, UNCDF has a unique set of capabilities that can be optimized to increase financing flows and catalyse much-needed investment in LDCs and SIDS, which have under-developed markets and have been largely excluded from capital markets given their risk profiles. UNCDF also benefits from being hosted by UNDP, which provides a number of administrative and financial services, and regular contributions to UNCDF.

Leveraging innovative finance for transformative investment

Blended concessional financing, innovative financial mechanisms and advisory services for structuring investments in early-stage, high-risk markets can significantly transform capital flows for critical initiatives like the Doha Programme of Action and the Antigua and Barbuda Agenda for SIDS.

UNCDF is well-positioned to leverage its capital mandate from the General Assembly for this purpose, including strengthening the development impact of other United Nations entities. It aims to support financing to the public and private sector in early-stage markets through de-risking mechanisms in local currency when necessary, such as investment grants, first-loss capital and credit guarantees, to help to attract private sector investment and address the lack of collateral and liquidity and the high-risk perception that often hinder financing. MSME financing and development for job creation and market development is a key

UNCDF priority. By de-risking investments at the last mile and leveraging innovative partnerships, UNCDF works to unlock innovative financing that supports inclusive economic development and growth, especially at the sub-sovereign level, where it focuses on empowering vulnerable countries to address systemic financing barriers and mobilize the resources necessary for transformative change.

Organizational reform to strengthen strategic alignment

In 2024, in response to recommendations for the 2023 audit by the UNDP Office of Audit and Investigations and in line with its policy framework, UNCDF underwent an organizational change to adequately address strategic resourcing and organizational structure issues highlighted by the auditors. The review aimed to fully harness UNCDF capabilities and align its work more closely with its capital mandate to support developing economies.



II

2024 review of the

Strategic Framework 2022-2025

By the end of 2024, UNCDF had positively impacted nearly 30 million individuals in the riskiest parts of the world during the Strategic Framework period (2022 to 2024). This was made possible by a number of financial products and advisory services as well as local infrastructure-related investments designed to crowd-in capital to where it is needed most. The work focused on a range of interventions, including off-grid energy production, agriculture, fintech and digital services and municipal and other sub-national infrastructure development, with more than half a million MSMEs benefitting from UNCDF support, surpassing the targets established for the year's end.

A key aim for UNCDF has been to increase the flows of public and private finance towards sustainable development, particularly in LDCs. In the first three years of the strategic framework, with limited core funding of less than \$8 million per year, UNCDF catalysed an estimated \$780 million in Sustainable Development Goal investments through blended finance funds, country-level initiatives and investment readiness support. This accomplishment underscores its crucial and underfunded catalytic role in bridging the financing gap in LDCs, SIDS and conflict-affected and fragile countries. The work also highlights the capacity of UNCDF to

leverage financial flows to address critical global challenges, creating a lasting impact across sectors. UNCDF has supported more than 340 initiatives to become investment-ready, representing a combined value of \$324,244,680. It operates in a space that is too large for microfinance, too small for traditional multilateral development banks/development finance institutions and desperate for scaled-up financing for job creation and market development.

UNCDF supported the establishment of 57 financing mechanisms underpinned by private, public and blended finance models. These mechanisms have been crucial in enhancing access to capital, promoting economic growth and ensuring sustainable financial solutions that address local market needs in a number of LDCs. By strengthening financial ecosystems and enabling market development, UNCDF continues to empower businesses, entrepreneurs and communities to secure the resources essential for long-term development and resilience.

UNCDF continues to enhance its role within the United Nations system, engaging in numerous joint initiatives and mobilizing \$128 million from United Nations pooled funds and partnerships over the last three years. By deploying its financing capabilities at scale in support of the United Nations system, in 2024 UNCDF amplified the development impact of organizations like UNDP, the United Nations Children's Fund (UNICEF), UN-Women and the World Food Programme (WFP) globally.

By the end of 2024, nearly
30 million individuals
in the riskiest parts of the world had
been positively impacted.



III

Performance & highlights 2024

A year in review: UNCDF achievements

In 2024, UNCDF supported sustainable financing initiatives in 78 countries, including almost all the LDCs (43 out of 44) and 21 fragile countries. It issued over \$22.1 million in loans, guarantees and grants to public and private entities. These investments helped to support governments, communities and local businesses through the development of their local economies, creating thousands of jobs, strengthening livelihoods and enabling access to affordable finance. They accounted for approximately 26 per cent of the year's disbursements.

Based on pipeline data, and the vision and mission of UNCDF, followed by the recent restructuring of UNCDF to regain its identity as a fund focusing on blended finance solutions, this trend is on track to continue and rapidly grow.

Results against outcome 1

Accelerate an inclusive, diversified, green economic transformation

To contribute to inclusive and green economies, UNCDF focuses on driving increased availability of affordable capital, including through digital financial products and services to support individuals and MSMEs at the local level and at the last mile while strengthening the financial market ecosystem.

Leveraging digital financial solutions to bank the unbanked

UNCDF champions inclusive digital economies and digital finance solutions that leave no one behind and help to advance the Sustainable Development Goals. In 2024, it supported policy and regulatory reforms that enable digital economies, pilot and scale private sector-led digital and financial services and work to strengthen investment readiness and market development in LDCs, SIDS and high-risk markets.

With support from the European Union, the Government of the United Republic of Tanzania and UNCDF, the Tanzania Inclusive Digital Economy Programme continued to strengthen financial inclusion and digital transformation efforts across the country. In 2024, UNCDF conducted digital system adoption training sessions for 53 microfinance institutions,

improving operational efficiency and data accuracy, and driving financial inclusion for low-income communities in Tanzania. By adopting technology-driven microfinance institutions in Tanzania can integrate with the country's instant payment system, reducing operational costs and enabling those institutions to develop and offer digital financial services, which could enhance the economic resilience of the millions of men and women currently unbanked in the country.

UNCDF facilitates the pilot testing and expansion of private sector-driven digital and financial services to reach underserved communities, particularly for unbanked and rural populations. In the Pacific, it introduced nine innovative digital finance solutions in 2024 and supported expanding digital payment

services. UNCDF was pivotal in launching the Our-Telekom M-Selen mobile money service in the Solomon Islands, an initiative funded by the Government of Australia to enhance financial inclusion in rural areas. This solution was scaled, incorporating 16 new services onto the M-Selen platform. In 2024, 231,192 new users were registered, raising the total to 246,492. Tailored digital and financial literacy resources were developed across the Pacific, equipping 4,931 individuals in 2024 with essential skills for employment in emerging economies.

In 2024, UNCDF supported policymakers and regulators in 10 countries (Cameroon, Ethiopia, Gabon, Malawi, Niger, the Philippines, the Solomon Islands, Tanzania, Uganda and Zambia) with advisory and market development assistance. During this period, its technical support contributed to three regulatory policy changes, while 175 government officials, including 72 women, were trained. In Cameroon, a workshop involving over 50 participants, including deputy national

directors from the regional regulator Banque des États de l'Afrique Centrale (Bank of Central African States (BEAC)), addressed digital financial transformation. The event highlighted UNCDF technical expertise through policy briefs on open banking and digital financial service enablers that incorporated diagnostic findings and international benchmarks, adding substantial value to the regulatory discussions.

The BEAC-led engagements in Central Africa resulted in greater harmonization of consumer protection and digital finance regulation across the six Central African countries. This work helps to strengthen foundational legal protections for consumers and small businesses, increasing consumer trust through greater transparency and the ease of doing business. As the harmonized regulatory frameworks take root, UNCDF expects to see an increase in market stability and resilience as more people use financial services regularly, creating a market for new investments and capital mobilization.

Supporting local governments and businesses with access to affordable finance

In 2024, UNCDF continued to support national and subnational governments, MSMEs and local financial institutions in several key areas: domestic capital markets, investment funds and guarantees, intergovernmental fiscal transfers and own-source revenues.

In Kenya, UNCDF commenced a project to enhance the bankability of solar-powered agricultural cold-chain facilities. In collaboration with UNDP and the Mitigation Action Facility, it plans to deploy three financial instruments

exceeding \$12 million while leveraging additional private capital participation to realize investments in the solar cold value chain that will amount to over \$25 million. This initiative seeks to benefit approximately 60,000 smallholder farmers by helping to reduce post-harvest losses and decreasing CO₂ emissions from wasted agricultural products by at least 4.8 million tonnes, with an additional indirect savings of 3.9 million tonnes. It will demonstrate how the UNCDF approach to de-



UNCDF commenced a project to benefit **60,000 smallholder farmers in Kenya** by reducing post-harvest losses and decreasing emissions from agri-products.

risking investments can support and catalyse national private sector participation in climate-smart agricultural solutions.

As part of the Financing Durable Solutions for Forcibly Displaced People project, in 2024 UNCDF successfully trained 987 individuals—972 in Uganda and 30 in Somalia—who are displaced and/or residing in host communities, in financial literacy and business development. With support from UNCDF, they accessed concessional loans totalling \$265,000 from Pride Micro Finance Limited in Uganda and RAAS Micro Finance Institution in Somalia, enabling them to expand their MSMEs. UNCDF

implemented the Revenue Enhancement Action Plan in Arua and Gulu, Uganda, and Baidoa and Bosaso, Somalia, resulting in significant improvements in fiscal performance and base expansion, which increased own-source revenues reinvested in local service delivery and development. In Uganda, UNCDF facilitated the development of subnational public-private partnership guidelines and a policy brief on urban refugee response management. This initiative aims to promote inclusive policies in target cities, creating sustainable frameworks for long-term economic growth while reducing aid dependency among displaced populations.

Financing for the environment: climate, clean energy and biodiversity

With €19.4 million in funding from the European Union, and in collaboration with the Government of the United Republic of Tanzania, the Food and Agriculture Organization (FAO) and the United Nations Industrial Development Organization (UNIDO), the CookFund Project made significant strides in 2024 towards accelerating the transition to cleaner cooking solutions that will result in cleaner air and better health, among other development dividends. In 2024, UNCDF awarded \$991,391 to 29 investment-ready enterprises in Tanzania, contributing to the creation of 1,094 jobs, of which 53.5 per cent were filled by women. This work supported the transition to cleaner cooking solutions for 510,194 people.

In 2024, as part of the regional Smart Green Association of Southeast Asian Nations Cities project financed by the European Union, UNCDF finalized two pilot blended finance models for Banyumas (Indonesia) and Ipoh (Malaysia) to enhance waste management and smart traffic initiatives. In Banyumas, UNCDF will assist in scaling two businesses: Refuse Derived Fuel, which specializes in managing inorganic waste, and Black Soldier Fly, which focuses on creating business opportunities and market development for organic waste. This initiative aims to increase waste recycling capacity by approximately

sevenfold, from 2,255 tonnes to 15,129 tonnes, in just one year. It is projected to increase revenue sevenfold from \$60,656 to \$418,321 annually, facilitating the development of a sustainable business model in this early-stage market. UNCDF has demonstrated that there is a market for development and will support the Government of Indonesia in realizing untapped potential in the organic waste market. In Ipoh, UNCDF will support the Smart Traffic initiative by launching a digital platform to optimize fee collection, which the city will reinvest into funding for smart traffic expansion. The initiative is anticipated to boost revenue by \$950,000 per year compared to previous years and benefit more than 800,000 residents of the city. These projects will contribute to reducing pollution while generating livelihood opportunities. onomic participation and resilience.



Investing in jobs for all and expanding business opportunities

UNCDF promotes equal economic empowerment opportunities based on competitive selection processes to advance innovative investments and financing solutions in collaboration with governments, the private sector and other United Nations entities. These interventions are often cross-cutting and form part of other thematic initiatives.

In Senegal, funded by the UNCDF Last Mile Finance Trust Fund, the modernization of the Soumbédioune fish market on the outskirts of Dakar was completed in 2024, following the provision of a grant issued by UNCDF to the municipality of Gueule Tapée-Fass-Coloban. The infrastructure upgrades are expected to strengthen inclusive economic growth by attracting increased numbers of seafood buyers while enhancing equal economic opportunities for local women who have traditionally been engaged in selling fish and other seafood. The new market provides a clean and conducive work environment for female vendors, featuring

a cold storage room, a childcare facility, proper sanitation and dedicated stalls. UNCDF provided technical capacity-building support to the municipality on economic planning and budgeting that promote equal opportunities.

In Bangladesh, through the Women's Empowerment for Inclusive Growth project funded by the Netherlands, the UNCDF special revolving fund enabled nearly 100 women-owned enterprises and marginalized groups to overcome financial barriers and expand their businesses in 2024. As a direct result, these enterprises successfully mobilized \$384,391 in equity and other financial sources, leveraging more than double the UNCDF initial loan amount of \$190,000 from the fund. This financial support has contributed to the creation of 327 jobs. These businesses foster entrepreneurship within local communities, expanding economic participation and resilience.

Finance for populations hard hit by weather events

UNCDF, in partnership with UNDP, initiated in 2024 the Sustainable Pacific Blue Circle Fund to foster inclusive and sustainable economic growth while enhancing resilience to extreme weather events in Fiji, the Solomon Islands, Vanuatu and Papua New Guinea. The Fund, capitalized by a \$10 million grant from the European Union, is being established to deploy investment grants and technical assistance, blended with guarantees and/or concessional loans to facilitate incubation and investment readiness of SMEs. It also aims to improve the enabling environment and capacity of key stakeholders to mobilize private-sector capital to support SMEs in financing their growth. Once fully operational, the Sustainable Pacific Blue Circle Fund aims to unlock an additional \$20 million in public and private investments, significantly amplifying its potential impact across the region.

In 2024, UNCDF supported the Government of the United Republic of Tanzania to develop its municipal and subnational bond issuance as part of the strategic Alternative Project Financing initiative to finance national sustainable development activities. This work led to the completion of the Tanga Water Infrastructure Green Bond, the first-ever subnational bond issued in East Africa. Using approximately \$1 million in support from UNCDF, the bond unlocked 53.12 billion Tanzanian shillings (TZS; equivalent to \$20.8 million), effectively achieving a leverage ratio of one to 20 and demonstrating a catalytic impact in unlocking domestic capital. It was cross-listed on the Luxembourg Green Exchange, the world's reference platform for sustainable securities. Since the introduction of the Tanga Water Green Bond, at least five additional municipalities/subnational entities have expressed interest in replicating the model, with a projected combined bond

issuance of TZS 322.3 billion (approximately \$153 million) within the next two years. This equates to a sevenfold increase in municipal/subnational bond activities in the country.

UNCDF continues to support subnational entities in country-owned resilience-building efforts. In 2024, 38 countries across Africa, the Middle East, Asia-Pacific and the Caribbean, including 20 LDCs and six SIDS, were actively designing or implementing infrastructure investments, services targeting job creation and livelihoods in areas prone to being affected by severe weather events. 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. A further \$6.8 million is under implementation by governments in alignment with performance-based payments (based on ISO14093) delivered to local governments. In 2024, finance mobilized in association with the investment mechanism reached close to \$700,000, with co-financing support from the Governments of Bangladesh, the Gambia, Ghana and Uganda. With UNCDF support to the Green Climate Fund's accredited entities, a further \$65.1 million in performance-based payments were approved in 2024; \$55.1 million will be disbursed for the West African Development Bank and \$10 million for Bhutan.

In 2024, with funding from Australia, India, Luxembourg, New Zealand and the United Kingdom, UNCDF supported the rollout of extreme weather risk insurance solutions in Fiji, Papua New Guinea, Samoa and Tonga: 26,850 people signed up to parametric insurance, with near equal participation of men and women. While persons with disabilities benefitted, UNCDF only achieved a success rate of 2 per cent for this segment of the population, a clear area for improvement in the future. The solutions made possible by UNCDF included market-based parametric insurance products that insured vulnerable communities against weather perils such as cyclonic winds, excessive rainfall and droughts. The parametric product contains an anticipatory

action element that pays out a portion of the sum insured before an extreme storm or other weather-related disaster makes landfall, based on forecasted information. In Fiji, there have been 1,633 client payouts amounting to 291,450 Fijian dollars (approximately \$125,625). The programme will expand to Kiribati and the Solomon Islands, both LDCs, in 2025. UNCDF has partnered with Aon and Lloyds to develop a global disaster resilience special purpose vehicle that will offer insurance guarantees and premium financing instruments to support supply and demand side partners to scale multi-peril parametric insurance solutions. The facility will be tested in three Pacific markets before replication in other places,



including SIDS in the Caribbean and Indian Ocean. It is also designed to support other United Nations agencies with their insurance-related programmes given that UNCDF is the only United Nations entity to deploy financial instruments per its mandate and with the necessary financial rules and regulations and in-house capacity.

In an effort to replicate and scale this mechanism to support other vulnerable regions, in Sierra Leone an implementation strategy was completed under the Salone Access to Finance project following the completion of feasibility studies and a national

stakeholder workshop in 2024. As a result, a local insurance company, Activa, was selected through a competitive process to receive a grant and technical assistance to develop a parametric microinsurance product that covers smallholder farmers against excess rainfall and severe droughts. This product received regulatory approvals and is scheduled to launch before the onset of the monsoon season in mid-2025. The local insurance provider in Freetown adopted lessons learned from the Pacific, including the product's design and distribution model, following UNCDF technical advisory.

Investing in tomorrow's energy security

In 2024, UNCDF continued to support innovative financing for energy investments in LDCs and other fragile settings, where energy services cost significantly more than in other countries due to perceived high risks, leaving many LDCs, especially in remote areas, with barriers to accessing energy for sustainable development.

In the Democratic Republic of the Congo, UNCDF has been working since 2019 as part of a joint programme with funding from the National Fund for Reducing Emissions from Deforestation and Forest Degradation, which channels financial support from the Central African Forest Initiative to advance forest conservation and sustainable development goals. This initiative supports sustainable energy consumption and replacement of inefficient and costly fuelwood sources with alternatives. This is part of ongoing UNCDF work to promote collaboration among Congo Basin countries and other stakeholders on sustainable management of the world's second-largest tropical forest. In 2024, UNCDF disbursed five performance-based payments totaling \$210,500 to a portfolio of small local companies, mobilizing an additional \$328,749 through partners' contributions. In addition, local companies were enabled to sell 26,289 clean cooking units, bringing the total to over

306,833 clean energy units since the fund's inception, with 135,091 individuals engaging with clean energy products in 2024, reducing dependence on traditional cooking methods and helping to combat illegal logging.

In 2024, with support from the Joint SDG Fund, UNCDF established an \$8 million structured loan facility to launch the first national renewable energy fund in Zimbabwe, managed by a local fund manager. With a targeted size of \$50 million by the end of 2026, the renewable energy fund will drive clean energy expansion, inclusive economic growth and job creation across Zimbabwe. The initial \$3 million tranche disbursed as seed funding in the fourth-quarter of 2024 enabled the Fund manager, Old Mutual Investment Group, to finalize set-up and operationalization and mobilize an additional \$3 million from private sector investors. A competitive, merit-based transaction sourcing process identified 49 alternative energy projects, with 17 currently in due diligence and one already approved by the Fund's Investment Committee (with legal agreements finalized). This transaction unlocked an additional \$4 million in private investment, bringing total funds to \$10 million, doubling private sector leverage.

Unleashing the potential of small businesses that can curb threats to the natural environment

Under UNCDF leadership, in 2024 the Global Fund for Coral Reefs (GFCR), in partnership with UNDP, the United Nations Environment Programme and multiple donor countries, achieved significant milestones in scaling resilience-based conservation and financing solutions for coral reef protection. This work is critical, as coral reefs represent an estimated \$36 billion per year in value to the global tourism industry alone. GFCR facilitated the first debt-for-nature swap focusing on coral reefs, co-financing and providing technical support to secure a \$35 million debt reduction for Indonesia, directing funds toward reef conservation across vital seascapes, including the Bird's Head and Banda Seascape. UNCDF, which hosts the GFCR Secretariat, supported the launch of the Blue Finance Facility, an innovative \$35 million impact loan vehicle to finance reef-positive businesses and protect 1.8 million hectares of coral reefs in marine protected areas across the Philippines, Indonesia and Tanzania. In addition, GFCR expanded implementation across 21 developing coastal and island nations, scaling up reef-positive enterprises in key sectors such as pollution management, sustainable tourism, aquaculture, and blue carbon—essential efforts amid the fourth and most extensive global coral bleaching event.

In Burundi, UNCDF is implementing the Kibira Forest and Peace Sanctuary Project as part of

the Nature Investment Facility in partnership with the United Nations Peacebuilding Fund (UNPBF), UNDP, UNCDF, the United Nations Educational, Social and Cultural Organization and Cartier for Nature. The Facility uses blended finance as a tool for peacebuilding and nature-based solutions. In 2024, a cultural heritage centre promoting the participation of Batwa communities was established to support and deliver tourism and cultural experiences. Local communities have been supported to raise awareness on the economic and financial importance of chimpanzee conservation, reaching over 1,000 people, while 150 temporary road maintenance jobs have been created. More than 100 association members have been supported in alternative livelihood options (e.g. mushroom production), a key element of the Facility's overall conservation efforts. UNCDF invested \$1.5 million to improve the investment readiness and bankability of the Mpanda hydropower project based on a public-private partnership. This led to the establishment of a payment for ecosystem services mechanism that is expected to unlock \$150,000 annually for the local Kibira Foundation, which can in turn support livelihoods in the ecosystem, reducing the need for securing donor funding. UNCDF and UNPBF are working together to fully operationalize this innovative scheme in 2025.



Supporting governments and local business by investing in sustainable food systems

UNCDF continued to deliver financing solutions for municipal and SME investments in sustainable food systems, often through partnerships with United Nations entities. In collaboration with UNICEF, UNCDF launched the Nutrition Supplier Finance Facility in 2024 to support the fight against child malnutrition through catalytic child-lens investments in the local supplier market for ready-to-use therapeutic tools and other essential child nutrition. With support from the Children's Investment Fund Foundation, the Facility leverages blended finance instruments, including loans and guarantees, to help to catalyse the flow of capital to agri-food systems, with a particular focus on developing LDCs in sub-Saharan Africa. UNCDF completed the first investment in December 2024, a catalytic loan of \$2.5 million to Ariel Foods FZE in Nigeria to finance the installation of specialized processing equipment for local produce sourced from smallholder farmers in the region. The investment reduces reliance on imports, builds resilience in local and global supply chains, puts African-grown produce at the centre of the fight against childhood malnutrition and helps UNICEF and other humanitarian food agencies to reach more children in need.

The UNCDF Food Security Accelerator is a cornerstone regional initiative developed in close partnership with the African Adaptation Initiative. Launched in early 2024 with financing from Canada and the United States, the programme aims to build sustainable food systems in LDCs by integrating food security, social protection and innovative and blended financing solutions for SMEs for job creation and economic growth in the agri-food sector. It currently supports 13 companies through structured business model development and in-depth due diligence to unlock financing opportunities. The Food Security Accelerator

could pave the way for impactful investments and long-term resilience in agri-food systems by combining technical assistance, barrier analysis and a de-risking strategy.

In 2024, through funding from the UNCDF Last Mile Finance Trust Fund, UNCDF supported the Governments of the Democratic Republic of the Congo and Burundi in implementing their food system pathways, with preparations underway for their participation in the second United Nations Food System Summit Stocktaking Moment. A UNCDF-implemented funding mechanism, the Fund facilitated 46 investment projects to support local financial institutions, particularly, in Burundi, the Banque d'investissement et de Développement pour les Femmes (Women's Investment and Development Bank).

In 2024, in cooperation with Nyowe Ventures, UNCDF successfully piloted a digital solution to support rural producers of shea nut, sunflower and seed oils in Northern Uganda. The Nyowe Ventures platform registered 19,667 smallholder farmers, enabling them to access agricultural input loans and market connections, with an additional 25 MSMEs actively using UNCDF-supported platforms for agricultural trade at competitive prices. UNCDF supported UGAFODE, a microfinance institution, with a loan portfolio guarantee to provide micro-loans to refugee MSMEs in the Nakivale refugee settlement. A total of 834 MSMEs received loans to improve their businesses. UGAFODE support extended to 944 refugees and host community members who received loans through the UNCDF guarantee product.

In Nigeria, UNCDF made the first investment to strengthen **Ready-to-Use Therapeutic Foods (RUTF)** supply chain resilience.



Results against outcomes 2 and 3

Increased flows of public and private finance, strengthened market systems and enhanced financing mechanisms

Mobilizing and catalysing finance for underserved markets and last-mile challenges

In 2024, UNCDF worked closely with local banks and financial institutions in LDCs, SIDS and conflict-affected and fragile countries to help to unlock investment capital in these perceived high-risk markets and sectors.

In Afghanistan, in partnership with UNDP, UNCDF worked to address critical barriers to access to finance for MSMEs. In 2024, through a \$1 million portfolio guarantee agreement with the Afghan Credit Guarantee Foundation, UNCDF mobilized \$5.5 million from the private sector, achieving a leverage factor of 5.5. The facility will focus on improving access to financial services for MSMEs, promoting equal opportunities to foster job creation and sustained economic growth.

With funding from the United Kingdom, the European Union and UNDP, UNCDF supported 17 start-ups in Tanzania as part of the Funguo Innovation Programme, providing catalytic funding and technical assistance. Jointly implemented with UNDP, the Funguo Innovation Programme enhanced their investment readiness, enabling these new businesses to attract more than €3 million in external funding from development finance institutions, private investors and development partners.

The BUILD Fund is a blended finance initiative designed by UNCDF in collaboration with Bamboo Capital. Bamboo launched the BUILD Fund in 2020 as a response to a call by UNCDF and invests in somewhat more mature SMEs, primarily in LDCs. Ticket sizes range from \$250,000 to \$2.5 million, and since its inception in 2020, the Fund has raised over \$70 million (mainly from donors and development finance institutions). In 2024, BUILD continued to deploy the funds in new companies. The main focus was on food systems. Three agriculture SMEs received

\$3,770,000 in loans from the BUILD Fund in 2024: Sekkajia Uganda (\$1 million), Mujuni Uganda (\$270,000) and Mambo Coffee Tanzania (\$2.5 million). In 2025, UNCDF will review the partnership with Bamboo Capital to ensure that the Fund is optimising its capabilities given the valuable public resources that have been invested to date.

In Rwanda, UNCDF, WFP and the Mastercard Foundation provided a \$500,000 partial credit guarantee to Urwego Finance, a local financial services provider, covering 70 per cent of potential losses. This de-risking mechanism enables Urwego to extend direct loans to youth- and agri-MSMEs often excluded due to the lack of tangible collateral and perceived high risk. Without this guarantee, these businesses faced collateral requirements as high as 130 per cent to 150 per cent of the loans' value, an unattainable threshold for most. The guarantee lowered barriers and helped to provide access to financing for the investment needs and working capital of the agri-MSMEs.

UNCDF and Nilus, a food services technology company, entered into a partnership with WFP in Peru to reach more than 150,000 underserved people with healthy food through 2,500 community kitchens, government-supported canteens and restaurants that will serve low-income communities in Lima by 2028. Under this initiative, UNCDF approved a local currency loan to Nilus, which will be disbursed in 2025. This investment is expected to leverage more than two times the amount in additional capital from private investors. The investee leverages digital logistics technology and a mobile e-commerce app to reduce the cost of accessing healthy food by consolidating orders from low-income people. An earlier pilot phase demonstrated that the

company helped underserved populations to save approximately 24 per cent on food costs and 6 per cent on transportation.

At the European Union-Uganda Business Forum in early 2024, UNCDF launched the second phase of its Support to Agricultural Revitalization and Transformation (START) facility, with financial support from the European Union, Uganda and the local private sector. START has also been implemented in Burundi with financing from WFP and UNDP. In Uganda, five agribusiness SMEs

have been successfully linked to Uganda Development Bank, with three SMEs already approved to access 7.7 billion Ugandan shillings (approximately \$2 million) in concessional loans. In partnership with the Banque d'investissement et de Developpement pour les Femmes (Women's Investment and Development Bank), a financial institution fully capitalized by Burundi's central and local governments in, UNCDF supported, through technical assistance and a grant, 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, mobilizing 43 village savings and loan associations, and individual projects in the food system value chains. UNCDF mobilized a total of \$180,000 from the bank to finance food system MSMEs.

In the Gambia, Guinea, Guinea-Bissau and Senegal, UNCDF provided crucial technical and capacity-building assistance to the Gambia River Basin Development Organization, supporting the development and adoption of its first integrated development master plan, which will improve access to water, sanitation, energy and irrigation for over six million people across the four countries. UNCDF support has enabled the Gambia River Basin Development Organization to structure projects more effectively, attract finance and ensure sustainable and efficient resource management. For example, it improved investment readiness, which led the market sounding and pitching process for the Salthino hydroelectric energy project.



Partnering with the United Nations system to maximize development impact

UNCDF is committed to expanding its role as a partner in catalyzing financing for high-impact investments that serve the wider United Nations development system to support and amplify development impact. This work is carried out by deploying innovative and blended finance solutions that can drive increased investment in LDCs, SIDS and conflict-affected and fragile countries to help to catalyse investment at speed and scale.

In 2024, UNCDF engaged in 22 joint initiatives with other United Nations partners and mobilised \$21 million from United Nations pooled funds and other United Nations entities.

In 2022, UNCDF and WFP signed a strategic partnership agreement to jointly develop and deploy concessional financing for underfinanced and innovative food system businesses, utilizing UNCDF financing instruments and capabilities. In 2024, several initiatives were rolled out under the partnership, which are reflected in the previous section.

In Benin, UNCDF partnered with WFP and UNFPA to provide a \$450,000 guarantee to support ALIDé, a local financial institution, to increase its lending portfolio to financially underserved and vulnerable population segments. This includes MSMEs that are, or can become, suppliers for the national home-grown school feeding programme. It also targets young entrepreneurs who are working to strengthen resilience and prevent the spread of insecurity in the northern regions of the country. The guarantee will reduce high current collateral requirements which serve as a major barrier for small businesses to access credit in Benin. The average loan amount is \$800 to \$1,000.

In Papua New Guinea, UNCDF is part of the FAO-led Support to Rural Entrepreneurship, Investment and Trade Programme jointly funded by the European Union and the United Nations in partnership with UNDP, the International Labour Office and the International Telecommunications Union. UNCDF is responsible for access to the finance component under the project, which supports the development of agriculture and fishery value chains with a focus on women, youth and rural development. In 2024, UNCDF and partners helped 73 SMEs to receive access to finance and facilitated the opening of 18,325 new financial accounts, exceeding targets and promoting financial access in rural communities. Of these, 37 per cent were for women who benefitted from financial services and economic empowerment. The project also supported the Central Bank of Papua New Guinea to develop a data management dashboard to track financial inclusion progress. The dashboard will provide real-time insights, identify gaps and inform strategies to scale financial inclusion across the country.

In 2024, 44 UN Volunteers supported the Local Government Initiative on Climate Change LoGIC project, a joint UNCDF-UNDP multi-donor initiative with the Government of Bangladesh to strengthen the capacity of vulnerable communities in planning and financing climate change adaptation solutions in 11 climate-vulnerable, hard-to-reach districts (initiated in 2023). The volunteers helped to facilitate community engagement and supported local adaptation efforts.



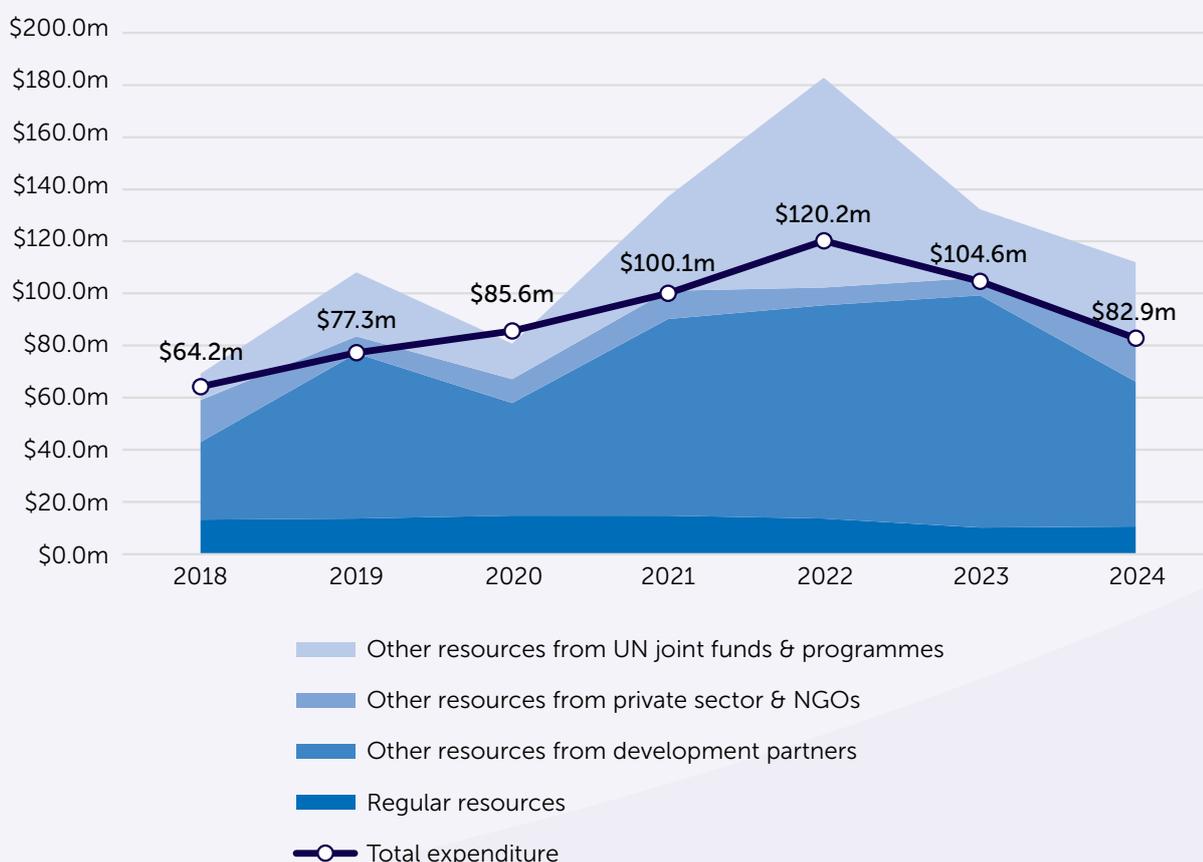
How goals were achieved: analysis of institutional effectiveness

Ensuring impact amid uncertainty: laying the groundwork for a future-ready organization. UNCDF received \$112 million in total resource contributions in 2024 (the majority of which were other resources), a decline of \$20.2 million from 2023. Regular resources fell to \$10.6 million, among the lowest levels ever recorded. UNCDF also received \$3.9 million in regular resources from UNDP. While this marks only a slight increase from \$10.2 million in 2023, it remains well below the 30 per cent target in the Secretary-General’s Funding Compact and the \$25 million goal in the 2022-2025 strategic framework.⁶

The continued decline in regular resources (largely due to reductions in regular funding) affects the ability of UNCDF to oversee and manage its diverse programme and investment portfolio, to continue

supporting LDCs with UNCDF crowding-in finance, as per General Assembly resolution 2186, and to drive innovation in financing solutions to tackle development challenges that will help countries to become less dependent on ODA. The number of regular resource partners was eight in 2023, down from nine in 2022 and 11 in 2021.

To address these challenges, UNCDF has implemented an extensive cost-reduction reform process focusing on its original streamlined investment mandate and locating personnel closer to client countries, with an enhanced presence in Bangkok, Dakar, Nairobi and Suva. Based on its more deliberate focus on the investment mandate that is unique within the United Nations system, UNCDF is strengthening partnerships, enhancing its communications strategy and exploring



new funding and financing avenues and strategic collaborations. It is assessing potential revisions to its business model to enhance financial sustainability and long-term impact.

Revenue from other resources declined to \$101.4 million in 2024. Of this amount, 55 per cent (approximately \$56 million) originated from government partners, 17 per cent (approximately \$17 million) from the private sector and non-governmental organizations and 29 per cent (approximately \$29 million) from United Nations joint funds and programmes. The top five overall contributors were the Multi-Partner Trust Fund Office, the European Union, the Government of Sweden, the Gates Foundation and the Mastercard Foundation.

Overall expenditures amounted to \$82.9 million in 2024, a decrease of 20.8 per cent from 2023 (\$104.6 million). Grants decreased by \$15.8 million (or 52 per cent) compared to 2023, as UNCDF worked to strengthen its compliance with the use of grant instruments, in line with recommendations from the United Nations Board of Auditors (UNBOA) and the Independent Office of Audit and Investigation.

UNCDF policy advocacy and communications helped to position the organization as a partner of choice in the development finance architecture through proactive engagement at events, such as the Fourth International Conference on Small Island Developing States held in May 2024 in Antigua and Barbuda, the United Nations Summit of the Future held in September 2024 in New York and the 2024 Conference of Parties of the United Nations Framework Convention on Climate Change (COP 29) held in November 2024 in Baku, Azerbaijan.

At the end of 2023, UNCDF received an unqualified audit opinion on its financial statements from the United Nations Board of Auditors. This marked 12 consecutive years of unqualified audit opinions since UNCDF started presenting its own separate financial

statements in 2012, confirming a strong commitment to continuous improvement in financial management, transparency and accountability.

In 2024, UNCDF met or exceeded 44 per cent of the targets included in the new United Nations System-Wide Action Plan 3.0 on Gender Equality and the Empowerment of Women (2024-2030). This integrates actions from the Secretary-General's system-wide Gender Equality Acceleration Plan and raises the bar for gender mainstreaming in the United Nations system. UNCDF will continue strengthening institutional capacity on equal opportunities for all with better human and financial resources and operations to meet the new action plan's goals.

In 2024, UNCDF developed a resource mobilization strategy and action plan to ensure alignment with the budgetary needs in its Strategic Framework, 2022-2025, as the successful implementation of an ambitious mandate requires a strong relationship with major public and private sector donors.

UNCDF implemented all recommendations issued in 2023 by the Office of Audit and Investigation. For 2023 recommendations issued by UNBOA, UNCDF is on track to close all outstanding recommendations by the agreed due date. UNCDF has no outstanding recommendations from previous years.



Maintaining a strong commitment to evaluation and learning

Independent evaluations: In 2024, UNCDF maintained its commitment to independent evaluations, which accounted for 0.95 per cent of total expenditure. As per the UNDP evaluation policy, 1 per cent target of core and non-core resources is to be allocated to evaluation. The UNCDF Evaluation Unit conducted three evaluations in 2024. The findings, lessons and recommendations of two of them are summarized below.

The mid-term evaluation of the UNCDF 2022-2025 Strategic Framework: Evaluators found that a leading UNCDF advantage is its ability to test and showcase new and innovative financing mechanisms, including blended financing mechanisms for which it provides technical assistance to governments, emerging private-sector businesses and other partners. The evaluation found that UNCDF has had success when it worked in partnership with other United Nations agencies in meeting host country development needs by leveraging its investment mandate. The report concluded that clear mission and vision statements to guide the work of the Organization had not been formulated to provide it with a strategic direction. This resulted in UNCDF not fully exploiting its unique mandate and comparative advantage as well as not strategically positioning itself within the broader development finance landscape. The evaluators recommended that UNCDF undertake a strong corporate strategic planning process to generate the next strategic

framework and a detailed implementation plan to present a corporate identity and purpose that supersedes any individual practice or interventions. They also recommended that UNCDF ensure adoption of good governance principles, define its additionality, establish a positioning strategy and a resourcing strategy and allocate dedicated resources to cross-cutting themes.

The mid-term evaluation of the Migration and Remittances Programme. The programme was designed to improve the financial resilience and economic inclusion of migrants and their families through low-cost digital remittance services and remittance-linked financial products. It is financed by the Swedish International Development Cooperation Agency and the Swiss Agency for Development and Cooperation. The programme was broadly relevant, coherent and efficiently implemented, but it had varied sustainability. Regarding effectiveness, the evaluation shows that the programme has been strong at the output level but not necessarily at the outcome level. The most evident development outcomes and possible impacts were produced in the workstreams on 'innovations through private sector' and 'digital financial literacy training'. While the Programme generated positive results, challenges persist in driving the adoption and usage of inclusive remittance products. For the next phase, the evaluators recommended a re-orientation from preparatory diagnostics to implementation of reform actions, strengthening collaboration with United Nations and non-United Nations agencies to leverage synergies and ensuring well-defined impact pathways and robust mechanisms for demonstrating the attainment of outcomes and impacts.



UNCDF continued to prioritize **innovation and improved quality** in its evaluation.



The final evaluation of the Africa Policy Accelerator programme: Financed by the Gates Foundation, the programme is designed to contribute to inclusive digital economies that support women, men and their families toward financial inclusion, resilience and equality, to accelerate the adoption and improvement of policy reforms that create an enabling environment for digital financial services in Africa. Evaluators found the relevance and overall design to be appropriate, with a systematic and coherent approach, making a conscious effort to enhance complementarity and avoid duplication. However, they note some trade-offs in the possibility that programme activities could be undertaken by other UNCDF interventions or by country or regional offices that also have professionals with policy skills. Evaluators confirmed the effectiveness of the support the programme provides to regulators and policymakers in improving their capacity to develop and implement policies and to regulate and supervise digital financial services. They found that it has met the efficiency criteria. In terms of impact, evaluators found that there

has been positive change in the direction of inclusive digital finance amongst regulators and policymakers. The Africa Policy Accelerator contributed to financial inclusion strategies in a number of programme countries. Evaluators recommended a revision of the theory of change to conform with the UNCDF mandate to crowd-in private capital, including a revision to provide for adequate coverage to meet the goal of digital financial services for financial inclusion.

UNCDF continued to prioritize innovation and improved quality in its evaluations, with the Independent Evaluation Office rating all completed assessments as 'satisfactory' or 'highly satisfactory'. It also continued to actively contribute to the work of the United Nations Evaluation Group and remains open to partnering with United Nations evaluation offices, Member States and other stakeholders on joint efforts in the international evaluation system.

IV

Looking ahead

Strengthening the role of UNCDF in the financing for development agenda

By reaffirming its unique mandate and learning from its successes and leadership restructure in 2024, UNCDF is ready and well-positioned to lead the way towards smarter development financing at a time of uncertainty.

Looking ahead to the Fourth International Conference on Financing for Development in mid-2025, UNCDF is poised to play a more central role in shaping and delivering on key elements of the future financing agenda. This will also coincide with developing the next UNCDF Strategic Framework for 2026–2029.

UNCDF collaborates closely with Member States, the United Nations development system and development finance partners to deploy innovative financing solutions that address systemic barriers and increase investment in LDCs, SIDS and frontier markets to help to accelerate development progress in this last five-year stretch of the 2030 Agenda for Sustainable Development.

As part of the conference preparatory process, the Group of LDCs is articulating several financing priorities that align closely with the UNCDF mandate and capabilities. For example, the Group advocates significantly enhancing MSME access to finance by strengthening the banking sector and microfinance institutions and increasing other local currency financing options, a key UNCDF strength in 2024.

The Group also calls for significantly enhancing blended finance efforts focusing on LDCs by 2030, including increasing the use of guarantees to reduce the cost of capital. Other priorities include supporting the development of domestic capital markets in LDCs, strengthening affordable and accessible climate insurance products for smallholder farmers and SMEs, increasing the deployment of digitally enabled and fintech solutions and using risk-sharing mechanisms to incentivize investment in sustainable and resilient infrastructure.

UNCDF offers unique solutions in all these areas. As such, it will continue to engage with LDCs and other partners to explore how it can scale up and accelerate its support, both in the lead-up to the Fourth International Conference on Financing for Development and as part of implementing the new financing for development agenda.

Expanding partnerships remains a central focus as UNCDF continues to scale its catalytic financing capabilities to increase flows of private and public resources to where they are needed most.

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Annual Report

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, sustained economic growth and equitable prosperity 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.

Learn more at uncdf.org

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