

Putting People & Finance at the center of development, Agenda 2030 & COVID-19 economic recovery

## United Nations Capital Development Fund (UNCDF)

A Local Finance Initiative Programme Report for 2020



Unlocking Public and Private Finance for the Poor





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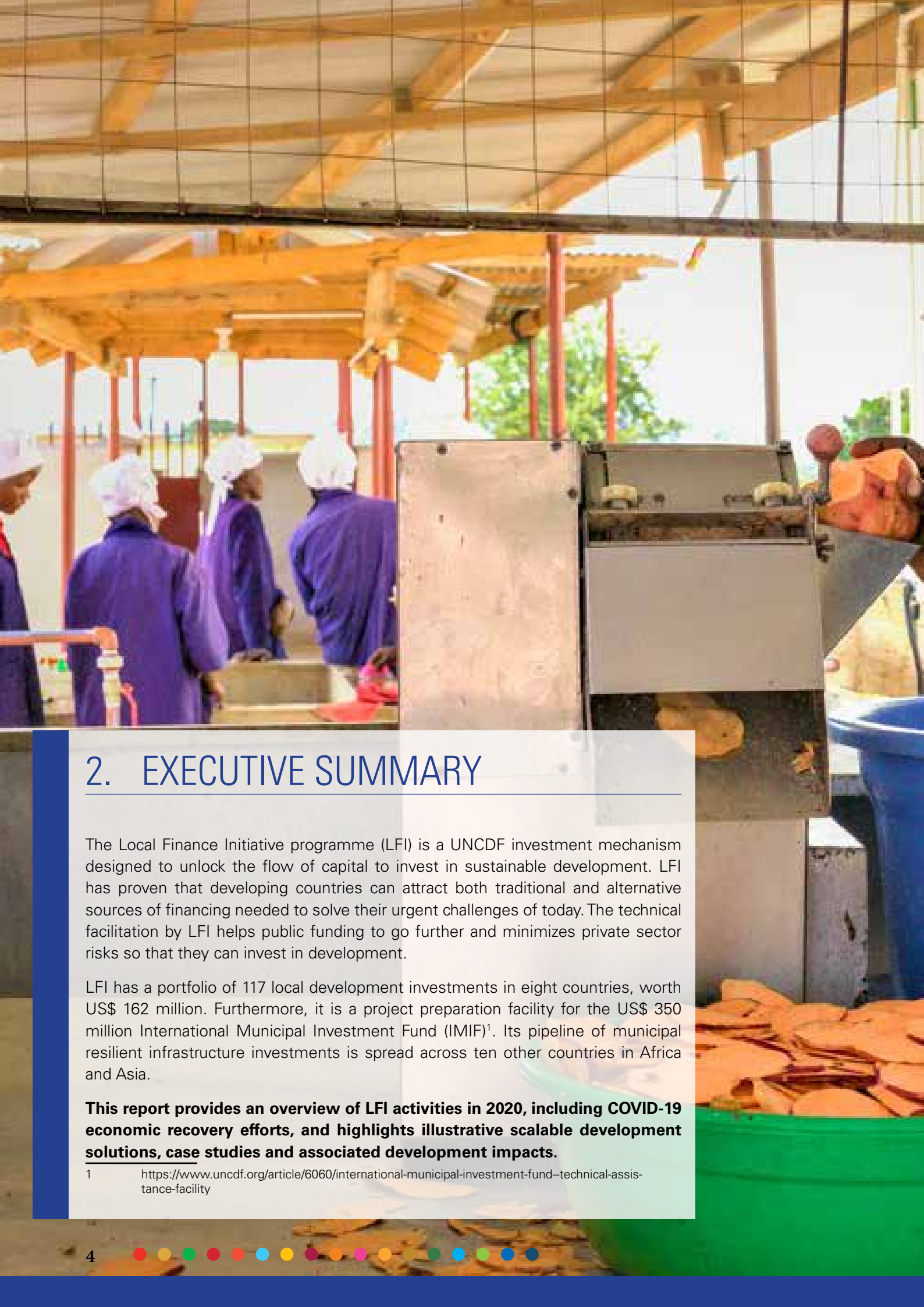


## 1. FOREWORD

***Peter Malika, Global LFI Manager and Head of UNCDF Tanzania***

*This report underscores the potential of UNCDF's LFI approach comprised of **'specialized investment knowledge,' 'catalytic capital,' 'risk mitigation strategies and a focus in local economic development.'** By appraising and structuring private sector and capital market investments, design tailored solutions to bring finance to solve critical development problems at national, sub-national and community levels in developing countries. UNCDF LFI initiatives support the LDC governments to access alternative project financing for development initiatives.*

*We look forward to continued collaboration with member states, our local and international partners in this important work.*



## 2. EXECUTIVE SUMMARY

The Local Finance Initiative programme (LFI) is a UNCDF investment mechanism designed to unlock the flow of capital to invest in sustainable development. LFI has proven that developing countries can attract both traditional and alternative sources of financing needed to solve their urgent challenges of today. The technical facilitation by LFI helps public funding to go further and minimizes private sector risks so that they can invest in development.

LFI has a portfolio of 117 local development investments in eight countries, worth US\$ 162 million. Furthermore, it is a project preparation facility for the US\$ 350 million International Municipal Investment Fund (IMIF)<sup>1</sup>. Its pipeline of municipal resilient infrastructure investments is spread across ten other countries in Africa and Asia.

**This report provides an overview of LFI activities in 2020, including COVID-19 economic recovery efforts, and highlights illustrative scalable development solutions, case studies and associated development impacts.**

<sup>1</sup> <https://www.uncdf.org/article/6060/international-municipal-investment-fund-technical-assistance-facility>





The orange fleshed sweet potato (OFSP) factory is now operational in Maswa Tanzania. It is owned and operated by the district council and community through SPV structure support from UNCDF. It provides ready market for smallholder farmers, reduce post-harvest loss and improve local community health by producing products which are high in nutrients to reduce the multinutrition problem



# 3. PURPOSE AND APPROACH

LFI is organized under the strategic guidance of its Global Board, UNCDF Local Transformative Finance practicing the implementation plan of its global technical secretariat based in Tanzania and the global agendas that address development challenges we face.

## 3.1. Global Board and Member States

We leverage our member states for the strategic direction provided through the Global Board and its annual meetings<sup>2</sup>. The 2020 annual board meeting had high-level representation from government, UN agencies, development partners and donors whose deliberations identified the modalities and range of support from the LFI programme that will help to achieve stronger, inclusive and resilient economic growth, particularly considering the impact of the COVID-19 pandemic on those furthest behind in our societies.

## 3.2 The Local Transformative Finance Practice

Adopts a transformative impact financing approach to promote service delivery, infrastructure investment and local economic development that retains value within the local territory. The investment financing toolboxes include Fiscal Decentralization, Local Development Funds for public capital investment programming, Structured Project Finance, Municipal Finance, SME Finance, and Public-Private Partnerships

## 3.3. LFI Technical Secretariat

This transaction structuring and investment capacity helps UNCDF to deliver local economic development in collaboration with national governments, national institutions, local authorities and other public and private sector partners. The LFI secretariat leverages its technical expertise and matrix organization to support transactions in eighteen countries.

## 3.4. Global Development Agendas

UNCDF relies on partnerships and cooperation from a wide range of international and national stakeholders to maximize programme impact and to ensure that its interventions are harmonized with and complement the efforts of other partners, including the UN Family and Bretton Woods institutions (the World Bank and the International Monetary Fund (IMF); the private sector; national and sub-national governments; national and international development agencies; and civil society. The work is further guided by focusing on localizing global policy agendas, as per the diagram below.



2 <https://local-government-finance-is-development-finance.blog/2020/11/18/lfi-global-board-meeting-local-transformation-is-critical-for-agenda-2030-ten-years-left/>

### 3.5. What We Do

This is a UNCDF transaction investment capacity that helps to deliver local economic development in collaboration with national institutions, local authorities and SMEs. The range of pioneering development capabilities and services provided by LFI is varied:



- ◆ **Investment readiness** (preparation of projects to be investment-ready): This is a dynamic project development support provided to governments and the private sector to ensure completeness and to meet the quality standards expected by financiers, including local commercial banks, impact investors and the capital markets.
- ◆ This technical and business capacity includes: the development and financing of last-mile SME small and medium infrastructure projects and local government projects; structuring of municipal bonds in various forms such as corporate, municipal and pooled bonds for municipal infrastructure projects; structured project finance for industrial projects; PPP; and blended finance; and
- ◆ **Sub-national bonds (Municipal Revenue Bonds):** LFI has the technical capacity to support governments and its national partners to build capacities needed to mobilize domestic capital in local currencies to finance sustainable development. The capacity includes facilitating national teams and key partners,

## UNCDF to raise awareness on alternative financing sources

By **DAILY NEWS,**  
Reporter

THE United Nations Capital Development Fund (UNCDF) in Tanzania has highlighted the need of using municipal revenue bonds to raise funds for addressing development challenges.

According to UNCDF, municipal revenue bonds is one of the untapped sources of funds that can help to address challenges of financing in urban infrastructure and services in African cities and local authorities.

Currently, the dependency on fiscal transfers from most central governments is approximately 70-90 per cent of their budgets.

It is from this backdrop that UNCDF organised a webinar to raise awareness among stakeholders to make

efficient use of the municipal revenue bonds to raise funds for executing key development projects.

Around 250 participants from government, local authorities, academia, financial institutions, development partners, the UN system, and the private sector heard first hand new financing initiatives that the government is introducing to support national development plans.

The Commissioner for Financial Sector Development in the Ministry of Finance and Planning, Dr Charles Mwanwaja said the Ministry is working with UNCDF to create an enabling environment for cities and sub-nationals to access a new source of development finance, including municipal bonds critically needed to provide services in their communities.

Chief Officer Municipal Finance, Fiscal Policy and Local Economic Development at South African Local Government Association (SALGA) Masefateng Dorcas Khomotso said although local authorities in many countries are spheres of government and are responsible to deliver urban infrastructure and services, in many cases the funding models results in the significant funding gap.

"Therefore, it is important to change policies that create an enabling environment to tap into alternative financing solutions," said Khomotso.

The Capital Markets and Securities Authority Chief Executive Officer, Mr Nicodemus Mkama said there is a capital market appetite for innovations such as municipal revenue bonds. He

said infrastructure is there and there is a political buy in to develop this untapped finance for development.

The Head of UNCDF Tanzania and UNCDF Chief Technical Advisor, Peter Malika said as a UN agency with the capital mandate, UNCDF is supporting Tanzania to diversify the finance mix in the national budget to include municipal bonds.

"We, therefore, commend the ministries of finance and local governments for their reforms and innovations around this subject," he said.

The webinar is part of a series to raise awareness on the use of financial instruments to fund development and achieve inclusive economic growth by fulfilling the commitments in the 2030 Agenda.



preparing underlying bond assets, lead transaction advisor, bond structuring, finance and governance structures.



◆ **Business development services** or technical assistance is required to enhance business performance; optimize the project development impact; decrease the risk of default and ensure long-term business sustainability. Businesses and project owners often lack the experience, skills and resources to appraise investment opportunities while simultaneously navigating the difficult markets they operate in, and therefore need a great deal of technical assistance. LFI BDS work sometimes involves supporting projects to access other forms of business support and facilities, performance-based grants, challenge funds, etc.;



◆ **Project Structuring** – we focus on the essential aspects of the project/transaction such as business case, financial structure, owners and governance structure, risk (identification, analysis, evaluation, allocation and mitigation) strategies, etc. and support developers in structuring transactions







◆ **South-South Technical Collaboration and building national capacities** through learning by doing, training and workshops, and involving project stakeholders and managers, government and its agencies, the private sector, financial institutions, development partners, UN agencies and intermediary technical service providers. Introduction of Credit Guarantee Schemes to support local economies to accommodate private sector investment and development. LFI's work and impact has directly

and indirectly influenced the business environment and policy changes in the localities where we work.

◆ **Credit Guarantee Schemes (CGS):** We supported the governments of The Gambia and Bangladesh to design and implement public CGSs to unlock finance for women and youth SMEs. There is interest from the government of Zanzibar in doing the same, with a focus on local tourism businesses.



Harvest time at Tropingo foods in The Gambia. This organic food processing and export company employs over 420 people of which 120 is direct and 300 is indirect (mostly youth and women in rural areas). UNCDF assessed Tropingo and determined that it met the minimum climate resilience impact requirement.





# 5. HIGHLIGHTS OF OUR WORK IN 2020:

## 5.1. 2020 Facts and Figures



Unlocking Public and Private Finance for the Poor

### Country presence

Focus on the 8 countries: This excludes IMIF project pipeline countries



### Investment capital leveraged from private and public sector to invest in development

US\$ 8.2 million was anticipated to be leveraged as planned during project appraisal. The US\$ 0.5 million is the additional capital leveraged by "secondary unlocking", since the project attracted more partners.



### Active portfolio growth

New investment projects added to the portfolio in 2020.



### Funding mobilized for programme in 2020

Used for seed capital grants and technical assistance



### Completed projects

During the reporting year, USD\$ 24.0 million is the total project cost for the 35 completed investment projects.



### Grant funding disbursed

Grants and reimbursable grant.



## 5.2. Cumulative data inclusive for the year 2020



117  
Active  
Projects

**USD\$162 million** is the total value of LFI current active<sup>1</sup> projects under preparation and structuring by LFI (total project costs); Funding gap is USD\$105 million.

Overall LFI active investment project pipeline as of December 2020 (cumulative)



77  
Completed  
Projects

**USD\$ 74.0 million** is the total project cost of 77 completed investment projects.

Completed<sup>2</sup> projects (a) include those whose construction has been completed and b) now operational, c) under construction, d) approved by LDIC pending disbursement and clearing conditions e) those disbursed and about to start construction.



US\$  
30.0M

- **USD\$ 19.2 million** was anticipated to be leveraged as planned during project appraisal
- **USD \$10.8 million** is the additional capital leveraged by "secondary unlocking," since the project attracted more partners.

Additional capital leveraged<sup>3</sup> to invest in development.

Technical assistance <sup>4</sup>



US \$  
16.9M

Resources mobilized to support operations and investments in programme countries by the end of December 2020.

Financial resources mobilized so far (2012- 2020)

US\$  
8.5M

**US\$ 6.9 million** disbursed, with the remaining US\$ 1.6 million waiting fulfilment of disbursement conditions.

Direct financial assistance and commitments to projects

**2.9M**  
Number of  
beneficiaries

## 6. ECONOMIC/FINANCIAL RECOVERY AND RESILIENCE BUILDING DURING COVID-19

In 2020, the COVID-19 outbreak caused both a global health emergency and a global economic meltdown. As a result, there has been massive disruption to supply chains, a downturn in trade, investment, economic growth and employment causing both health, social and economic shocks around the world. We provided support to the private sector, vulnerable communities and local authorities to rebuild their productive capacities and local value chains.

Beneficiaries	Response	Country
Women SMEs	<ul style="list-style-type: none"> <li>◆ Under the Credit Guarantee Scheme established by LFI-SME at the Bangladesh Bank, a new special window of \$75,000 in grants for Covid-19 resulted in \$173,529 in additional funds unlocked from commercial bank loans for women-led SMEs as of December 2020.</li> <li>◆ Furthermore, under the credit guarantee scheme, the Bangladesh Bank<sup>5</sup> allocated \$260 million from the Prime Minister' stimulus package to support all SMEs affected by Covid-19.</li> </ul>	Bangladesh
Local Authorities	<ul style="list-style-type: none"> <li>◆ Tourism is the biggest GDP earner in Zanzibar. To support economic recovery, we supported local authorities and SMEs in rebuilding their productive capacities and local value chains. The total project cost is US\$ 840,000. This response has saved the jobs of 781 workers (including 397 women and 384 men) in the 3 LGAs of South District, Central District and Micheweni in Zanzibar.</li> </ul>	Zanzibar
Private Sector	<ul style="list-style-type: none"> <li>◆ Three private sector companies were supported by loan restructurings to ease repayments, assess their business capabilities and revise business strategies and cash flows forecast for the 12 months.</li> <li>◆ Pristine Foods Ltd could not honor its debt repayment due to business disruptions during the pandemic. With our support, Pristine successfully negotiated debt restructuring to ease its cashflow position up to 2021.</li> </ul>	Tanzania and Uganda

Inaya Zanzibar, SME supported through UNCDF/UNDP joint post COVID-19 economic recovery





# 7. SCALABLE DEVELOPMENT SOLUTIONS

“Scaling up”<sup>3</sup> refers to initiatives to expand and sustain pilot programmes or successful small-scale projects in development assistance, and to disseminate the effect to a greater number of people.

The following LFI solutions and approaches to **solid waste management, clean affordable energy, safe water, crop aggregation centers, cross border trade and peace, women’s economic empowerment and access to capital markets** are examples of what can be scaled up by UNCDF, governments and development partners. Examples of scalable development solutions are elaborated in the sub-sections below.

## 7.1. SOLID WASTE MANAGEMENT SOLUTIONS

**Intro:** Municipal waste management remains one of local government’s primary services that is in dire need of transformation. One of the major challenges facing LDCs is the increase in solid waste generation because of the combined increase in population, standard of living and the size of cities. Despite the willingness of cities and governments, numerous constraints, including a lack of funding, infrastructure, legislation and coherent national strategies, hinder cities and states from properly addressing solid waste management.

### Example 1: Solid Waste Management: Guinea

The city of Mamou’s population is estimated at 90,654 in 2019. As in most cities in Guinea, there is no integrated SWM system for waste collection, transport, treatment and landfill, and the small quantity of waste collected is not separated at the source. With less than a % waste collection rate, the waste accumulates in open areas and leads to increased health risk and environmental pollution.

The project<sup>4</sup> consists of the establishment of an efficient integrated waste management system covering at least 8,500 households and businesses (collection, transport, recycling, landfill) through PPP.

#### Notes on scalability:

- LFI approach – the use of integrated PPP, blended finance, seed capital and technical assistance to prepare the project to be investment-ready.
- Almost no city in Guinea has an integrated solid waste management system. The country needs support to establish coherent national guidelines and policies on SWM to coordinate and support city action. The Mamou SWM project has developed a case study of an integrated PPP system in Guinea that can be replicated in other cities to influence the establishment of appropriate policies or national mechanisms to build municipal capacity.

3 [https://www.jica.go.jp/jica-i/publication/booksandreports/getting\\_to\\_scale\\_how\\_to\\_bring\\_development\\_solutions\\_to\\_millions\\_of\\_poor\\_people.html](https://www.jica.go.jp/jica-i/publication/booksandreports/getting_to_scale_how_to_bring_development_solutions_to_millions_of_poor_people.html)

4 <https://unece.org/sites/default/files/2021-04/02-1.%20Peter%20Malika-UNCDF%20Municipal%20Solid%20Waste%20project%20Guinea.pdf>





### 7.3. WATER AND ENERGY SOLUTIONS

Where energy does not yet reach everybody, it is necessary to introduce innovative private and public solutions to increase energy access and delivery.

Joint work by UNCDF-UNDP supported three remote rural districts to bring clean energy and safe water. The specific solar powered technology is tackling the effects of climate change, improving standards of living and social health of communities, and reducing waterborne diseases such as cholera. Specifically:

- ◆ 120,000 liters per day of clean and safe water is produced and consumed, serving 5,000 households.

**120,000** Ltrs  
Serve **5000**  
Households

- ◆ Installed standalone off-grid solar powered hardware to produce electricity and safe water in one shipping container. Over 6,000 family kits (mobile phones or solar lamps) are charged per day.
- ◆ Separate business entities were established in the form of special purpose vehicles (SPVs) to manage the operations of the projects and their long-term sustainability.
- ◆ The local community now operates the solutions as separate income-generating businesses.

#### Notes on scalability:

- Introduction of SPVs to run local socio-economic projects as sustainable income-generating investments.
- This low-cost solution can be easily replicated and scaled to many developing countries and communities facing similar socio-economic challenges.



Clean water and clean energy reached residents of hard to reach and isolated villages in Tanzania in a joint UNCDF and UNDP renewable energy joint project.









- ◆ Reducing PHL has positive impacts on the environment and climate, as it enhances farm-level productivity and reduces the utilization of production resources or expansion into fragile ecosystems to produce food that will be lost and not consumed.
- ◆ These aggregation centers will also enable small-holder farmers to attain improved crop prices through collective bargaining, improve their productivity through access to extension services and enhance their competitiveness by reducing the transaction costs of off-takers who purchase in bulk from the centers.

### Notes on scalability

- The concept of Public-Private Community Partnership (PPCP) by way of bringing together the private sector and communities to jointly own investments with the public sector in their localities.
- Adopting the best practice of establishing independent project companies in the form of Special Purpose Vehicles (SPV) to ensure good governance and business sustainability in investments at the local government level. For example, AMCOs are good investment vehicles for communities in rural areas to join forces and have a stake in investments done at the community level.
- To address the issue of post-harvest loss by building storage facilities and aggregation centers, since 95% of small-holder farmers lack appropriate storage facilities and marketing structures (National Postharvest Management Strategy 2019-2029).





# 8. CASE STUDIES

## 8.1. CLEAN AND AFFORDABLE ENERGY

### UNCDF LFI RESPONSE

#### Facts and Figures

Project Developer: **One Power Lesotho Pty Ltd**

Project Name: **Lesotho Mini-Grids**

Location: **Lesotho**

Total Project Costs: **\$3,936,857**

Development Impact: The reduction of transaction costs by assisting in shift of reliance on tradition fuels to modern energy sources with lower environmental impact promoting gender equality, improved health and education, employment and job creation and poverty reduction.

#### About the Project:

One Power is a renewable energy engineering and development company dedicated to improving energy access in Lesotho for more than 10 years.

#### UNCDF Support:

- ◆ Investment in solar mini-grids and Energy Center
- ◆ Capital Grant USD 480,000
- ◆ Performance-Based Grant USD 240,000
- ◆ Technical assistance project structuring: providing start-up capital and reducing the developers' financial requirement. To minimize any potential risk on the part of lenders in making loans for renewable energy-based mini-grids/Energy Centers to encourage more private financing for this type of project by demonstrating acceptable levels of risk.

#### Investment Impact

- ◆ The project will provide access to renewable energy to 2,200 households, 23 schools, 10 health centers and 30 small and medium-sized enterprises. The project also expects to sell over 4,000 renewable energy products to remote Lesotho villages.
- ◆ The project will help to reduce carbon emissions by 3,565 tons.
- ◆ The project has attracted private sector investments of over USD 3,000,000 in the renewable energy sector previously viewed as very risky.

#### Lessons Learned:

- ◆ Training of stakeholders (private sector, Department of Energy, relevant sector institutions, etc.) at project inception was vital for the project's success, as it provided a meeting of minds for all players and increased the number of applicants in the call for proposals.
- ◆ For a sector deemed too risky, we were constantly engaged with financiers to ensure that their interests were incorporated in the concession agreements and the scheme's interventions, such as technical assistance, capital grants and performance-based grants, which have been useful in boosting confidence in investing in the sector.
- ◆ There was a need for continued support to the Department of Energy in benchmarking best practices in other jurisdictions to develop a standard concession agreement, given that the legal framework in the sector was still under development. This minimized the delays in project implementation.



## 8.2. SOLID WASTE MANAGEMENT IN MANICIPALITIES

### UNCDF LFI RESPONSE

#### Facts and Figures

Project Developer: **City of Mamou and Molthanas Environment**

Project Name: Solid Waste Management in the City of Mamou

Location: **Guinea**

Total Project Costs: **\$264,452**

Development Impact: Urbanization resulting to improved sanitation within the environment and providing employment and recycling of materials for income generation

#### About the Project:

In most of cities in Guinea, solid waste management is carried out informally and sporadically by municipalities. In Mamou, the service consists of door-to-door waste collection at households and businesses in the city, with disposal at the landfill.

The population of the city is estimated at 90,654 inhabitants (2019 estimates), and will be 1041,481 in 2023. It will produce an average of 14,168 tons of waste per year. Knowing that the municipal service can only collect and transport 145 tons per year, there will be 14,023 tons of waste left uncollected each year. Therefore, a solid waste management project is very critical for the livelihood of the city.

#### UNCDF Support:

- ◆ Investment advising and project structuring.
- ◆ Catalytic Seed Capital Grant
- ◆ Technical assistance project structuring: Advice on proper governance structure; formation of an independent project company (Special Purpose Vehicle, SPV)

#### Investment Impact

- ◆ Attraction of an additional US\$ 110,000 from a local bank to implement the project.
- ◆ Target of reducing the quantity of waste produced in the city by at least 15% per year.
- ◆ Establish an efficient integrated management system (collection, transport, recycling, landfill) covering at least 8,500 households and businesses.
- ◆ Direct Benefits: Access and improved access to a solid waste management service for

the residents of Mamou. In the first year, the 3 downtown neighborhoods will be fully covered by the service, and household coverage will increase from the lowest level (less than 5%) to the average level (at least 80%). The efficiency of the service will undergo the same change.

- ◆ Environment, health and economy (estimated and documented by an ex-ante cost-benefit analysis to evaluate all costs/benefits in monetary terms): reduction in the amount of waste going to landfills and recovery of valuable materials from waste, production of by-products useful to the population for which there is an established market (paving slabs and compost); change in GHG emissions, etc.
- ◆ Conversion of waste into use by producing at least 229,499 m<sup>2</sup> of paving slabs and 1,375 tons of compost from recycled plastic in 10 years' time.
- ◆ The economic rate of return (ERR) is 43.3%, and the benefit-to-cost ratio (B/C) is 2, which means that the benefits are twice the costs.

#### Lessons Learned

The structuring of this transaction provided a close-up view of the daily functioning of a municipality in Guinea and the constraints it faces. Considering that the context of the local political economy is worth as much as the technical solutions provided, this allows the technical solutions to be adapted to the context.

The success of such projects depends very much on the change in behavior of the actors, resulting from changing the focal point (e.g., from a situation where one throws the garbage in the street to

a situation where one even sorts it at home), and changing the way things are presented and communicated, involving beneficiaries from the beginning of the process, are some of the efficient ways to achieve this goal.

The city of Mamou has the most coherent solid waste management strategy in Guinea today. As all cities in the country are facing the same problem, discussions with the government and various development partners are envisaged to replicate the project.



In the picture, training of young people in progress. Guinea Conakry's FAPEL is specialized in the manufacturing and marketing of water pumps for domestic and irrigation use. With a partnership with municipality of Labé and Ministry youth, FAPEL train young people as part of a programme for the economic integration of out-of-school youth by developing local expertise in furniture production.



## 8.3. MAINSTREAMING GENDER IN LOCAL DEVELOPMENT

### UNCDF LFI RESPONSE

#### Facts and Figures

Project Developer: **Subarta Social Enterprise (SSEL) Limited**

Project Name: Specialized Geriatric Care Institute

Location: **Bangladesh**

Total Project Costs: **\$414,812**

Development Impact: Women's Economic Empowerment and Local Economic Development

#### About the Project:

Caregiving, especially non-medical specialized managed care for geriatric, palliative and autistic assistance, is a state responsibility in many parts of the world; in Bangladesh, however, there is no such service, and the burden of caregiving for the elderly tends to fall upon women in the household. Changes in Bangladesh's social structure, family composition, rising incomes and the participation of women in the workforce is increasing the demand for professional caregiving services. The government of Bangladesh has pledged to support the grooming of skilled caregivers for the large domestic market (10% of total population of Bangladesh by 2030).

#### UNCDF Support:

- ◆ Investment advisory support on investment readiness
- ◆ Catalytic Seed Capital Grant
- ◆ Technical assistance in project structuring: restructuring of legal and ownership, asset transfer and capital raising, formation of the SPV, business planning, due diligence, development of a working financial model and a financial analysis.

#### Investment Impact

- ◆ In the form of a Special Purpose Vehicle (SPV), it has unlocked over USD 300,000 of first-time private and concessional financing
- ◆ Established a specialized geriatric care training institute (12,000 sq ft., 6-story facility) with 3-year diploma courses and honor degrees in non-medical service
- ◆ Develop 5,000 senior caregivers for the local market, 500 for the international market and 3,500 women for basic awareness training in geriatric care, for a total of 9,000 women to be developed as non-medical service women across Bangladesh.

#### Lessons Learned

Increasing a large number of women's (approximately 9,000 over 5 years) skills and benefits. The inability to get bank financing, the project financing was attracting new sources of financing (local government grants, corporate social responsibility grants and concessional loans from NGOs) of USD 301,686. It is expected to unlock \$4.6 for every dollar of grant disbursed by UNCDF.

## 8.4. PUBLIC SECTOR'S SMALL SCALE INDUSTRIES

### UNCDF LFI RESPONSE

#### Facts and Figures

Project Developer: **Maswa District Council**

Project Name: Orange Fleshed Sweet Potato (OFSP) Processing Factory

Location: **Tanzania**

Total Project Costs: **\$211,093**

Development Impact: Value addition and Increasing of District source revenue

#### About the Project:

Maswa DC is in the Simiyu region, the **second** poorest region in Tanzania, with severe malnutrition and anemia. The project was aimed at encouraging and supporting local small-holder farmers to shift into more profitable Orange Flashed Sweet Potato (OFSP) farming and away from their existing low-yield subsistence farming. OFSP are high in vitamins and minerals that can improve the health life of the farmers by growing OFSP for both home consumption and commercial purposes. Due to limited market outreach, and immediately after harvesting, farmers used to sell to passing traders for a low price, a practice that continued their cycle of poverty.

#### UNCDF Support:



- ◆ Investment advisory support on investment readiness
- ◆ Catalytic seed capital grant
- ◆ Technical assistance project structuring: advice on proper governance structure; and formation of SPV with equity share to the local community.

#### Investment Impact

- ◆ SPV to manage the project is established and operational
- ◆ SPV has unlocked USD 108,000 in private financing for portfolio diversification
- ◆ Installed capacity for processing 10MT of raw potatoes into flour per day.
- ◆ Procured solar drying machines to hold 3MT of sliced OFSP to increase shelf life.
- ◆ 23.88 MT of raw OFSP purchased from local small-holder farmers with UNCDF working capital.
- ◆ Reliable market and a source of income to 76 individual local farmers (24 women), 7 primary schools (6,874 beneficiaries) and 12 farmers groups with 240 members (160 women)
- ◆ Direct and indirect employment for the local community of Maswa amounted to 42.
- ◆ TZS 72mil as concessional loan from Maswa to a vulnerable entrepreneurial group (youth and women) to establish a mini baking factory (uses raw materials (flour) from the OFSP processing plant.

#### Lessons Learned:

- ◆ A demonstration that LGAs are capable of establishing and managing commercial ventures to diversify local revenue streams and enhance their fiscal space.
- ◆ The SPV is now a motivation to national and local governments (best practices), and has raised LGA confidence in business decision-making
- ◆ Rural communities can be empowered to hold an equity stake in the project company



## 8.5. AGRI BUSINESS AND FOOD SECURITY

### UNCDF LFI RESPONSE

#### Facts and Figures

Project Developer: **Aspuna Gambia Limited**

Project Name: Cassava Processing Factory

Location: The **Gambia**

Total Project Costs: **\$622,274**

Development Impact: Increasing agricultural productivity and household income and developing sustainable and climate supportive value chains for cassava

#### About the Project:

Aspuna Gambia Ltd is a social impact commodities producer and processor. Its primary focus is on the processing of cassava into food-grade starch with a view to expand their portfolio to include other commodities. Aspuna aims to provide important local value-added capacity in The Gambia, and thus import substitutions, both of which can be catalysts for local economic development. Aspuna's locally processed super-food commodities have a direct social impact on the livelihoods of small-holder farmers and their wider communities.



UNCDF support was in the form of technical assistance and a seed capital grant intended to de-risk the transaction.

#### Investment Impact

- ◆ Partnership with the University of Cambridge's Engineering and Robotics department to develop a new device for small-holder farmers to detect cassava starch content
- ◆ UNCDF support attracted further funding of \$700,000 to develop the prototype
- ◆ Over 70 jobs created (including the apprentices), of which 43% are women and 94% are youth
- ◆ Support over 627 small-holder farmers (youth and young women) with agricultural inputs (early maturing, high yield and drought resistant varieties of cassava). This number is set to grow to 1,400 small-holders in the next 12 months.

#### Lessons Learned

- ◆ With agricultural interventions, seasonal considerations need to be incorporated when developing, monitoring and evaluating indicators for investment projects along the agriculture value chain.
- ◆ Additionally, because of the uncertainty surrounding the pandemic, commercial banks are significantly worried about credit risk further compounding the challenge of access to credit for Gambian businesses, even in the short term.

## 8.6. COMMERCIAL FARMING

### UNCDF LFI RESPONSE

#### Facts and Figures

Project Developer: **Okoro Coffee Growers' Cooperative Union (OCGCU)**

Project Name: Refurbishing and revamping the coffee factory to increase farmers' income

Location: **Zombo district, Uganda**

Total Project Costs: **\$271,108**

Development Impact: Increase farmer's income by improved livelihoods, access to health facilities and education

#### About the Project:

The Okoro Coffee Growers' Cooperative Union (OCGCU) is located in the highlands bordering the Democratic Republic of Congo in the northwestern part of Uganda, where approximately 90% of the population is engaged in coffee farming. The project is aimed at revamping and refurbishing the Union's coffee processing factory, which has not operated for over 20 years, to enable its members and farmers to fully profit from coffee, the region's key cash crop. This will enable the Union to have direct control of the secondary processing of its members' parchment coffee to give the Union a greater bargaining position for onward marketing.

#### UNCDF Support:

- ◆ Investment advisory support and seed capital grant
- ◆ Technical assistance project structuring: financial support which was instrumental in decreasing the financial costs of the project to make it bankable and commercially viable to the financier.

#### Investment Impact

- ◆ Revamping and refurbishing of coffee machinery to a capacity of 1 MT/hour, and construction of a 350 MT warehouse.
- ◆ Over 80 jobs to be created, of which 37.5% are for women.
- ◆ Enhanced coffee quality through establishment of 14 centralized micro wet stations at primary cooperative societies. This will promote primary central processing at the primary cooperative level through micro wash stations, which promote quality, uniformity and bulking.

#### Lessons Learned

- ◆ UNCDF's grant instrument was critical in unlocking financing for the project, which was not attractive to financial institutions.
- ◆ the project's success greatly depended on bringing together various stakeholders to finance the specific items of the project, including the government of Uganda, Uganda Development Bank, UNCDF and the developer.

## 9. KEY EVENTS

### 9.1. GLOBAL LFI BOARD MEETING

Due to the COVID-19 pandemic, the 4<sup>th</sup> global board was conducted virtually on 5<sup>th</sup> November 2020, co-hosted by the Government of Uganda, the UN Resident Coordinator in Uganda and UNCDF.

The discussions focused on how to best align the programme with the following priorities:

- 1) Post-COVID-19 economic recovery support
- 2) Building production capacity for economic transformation under the 2021 Doha LDC-V initiative
- 3) Supply of LFI technical assistance for cities as part of the International Municipal Investment Fund.



*H.E. Ambassador Dr. Perks Master Ligoya, Chair of the LDC Global Coordination Bureau, Permanent Representative of the Republic of Malawi to the UN and former Governor of the Reserve Bank of Malawi*

Speaking at the meeting, Ambassador Ligoya highlighted that financing is a cross-cutting issue in all areas of development, from gender to private investment.

**“Financing does not reach the intended people – one study showed that only 20% of development funds reach the ultimate beneficiaries.** Initiatives such as LFI will help governments’ development efforts to reach the ultimate beneficiaries,” he said.

Explaining the role of LFI in supporting inclusive and sustainable development in local communities, David Jackson, the UNCDF Director of Local Development Finance, said:

“Through LFI, we have helped to build local capacities in the production and enhancement of local capital markets. For example, our work with governments to establish Credit Guarantee Schemes (CGS) helps SMEs, who are the backbone of economies so countries can achieve transformation at various layers and improve the lives of millions of

people.”

The meeting was attended by high-level representatives from United Nations bodies, including the Development Policy Committee (CDP), the Department of Economic and Social Affairs (UNDESA), the High Representative for the Least Developed Countries, Landlocked Developing Countries, and the Small Island Developing States (UN-OHRLS) and the International Finance Corporation (IFC).

Also in attendance were senior officials from government departments responsible for finance, local authorities and central banks of the member states: Bangladesh, Benin, Guinea, Lesotho, Nepal, Tanzania, The Gambia and Uganda.

Lastly, representatives from the governments of Sweden, Norway and Switzerland, together with the European Union (EU), participated as development partners.

## 9.2 LAUNCHING OF GLOBAL LFI REPORT 2017-2019

The Report titled “Investing in Development, Building National Capacities, Changing People’s Lives and Transforming Communities” was officially launched in Tanzania on 24<sup>th</sup> September 2020 by Mr. Zlatan Milisic, UN Resident Coordinator for Tanzania.



Suzana Isaya Mabula, a resident of Mwakaje, Zanzibar West District close to her cinnamon harvest in the drying process. Cinnamon farming is the mainstay for her household. UNCDF’s support to ZANOP has enabled the spice producers to continue buying from farmers such as Ms. Suzana despite Covid-19 pandemic impact.



# 10. STRATEGIC PARTNERSHIPS

## 10.1. BUILDING NATIONAL CAPACITIES

Country	Govt. and National Institutions	Partnership
The Gambia	Central Bank of Gambia	Credit Guarantee Scheme
Tanzania	Government of Tanzania	Developed National Guideline for development of LGA revenue-generating investments
Benin	Government of Benin	Replication of strategic cross-border markets from lessons in Tanzania
Bangladesh	Bangladesh Bank Bangladesh Infrastructure Finance Fund (BIFFL) UNDP (SWAPNO) programme	Covid-19 Recovery Women's SME Fund Municipal Revenue Generating Project Technical Assistance Facility Post-poverty graduation facilities
Nepal	Town Development Fund	Municipal Development Bank Capacity Development



## 10.2. PARTNERSHIP WITH DEVELOPMENT PARTNERS

Partners	Intervention
European Union – The Gambia	The Gambia- The Jobs, Skills and Finance for Women and Youth in The Gambia (JSF) programme is a 4-year programme (2018-2022) funded by the European Union. The LFI component of JSF is looking at the financial sustainability of investments that are climate resilient.
European Union – Guinea	In Guinea Conakry, the LFI is supporting the INTEGRA programme and partners to bring about economic inclusion and create jobs for young people along the Conakry - Labé axis, known to be the main source of illegal immigration from Guinea to Europe. Therefore, the LFI approach helps to remove barriers to investment by experimenting with project developers, municipalities and the local financial sector.
European Union Tanzania	Tanzania – CookFund: joint effort between UNCDF and the European Union in Tanzania to address the issue of clean and sustainable cooking solutions to combat climate change and encourage environmental conservation. We are developing the “CookFund”, which will run for 4 years in major cities of Tanzania, with potential for replication across the country and regionally.
UNDP	<p>In Bangladesh, UNCDF partnered with UNDP to create pathways for women graduating out of poverty. The LFI model was leveraged to establish a pilot ready-made garment manufacturing facility as a model for replication in other 7 districts and 65,000 women by engaging the SWAPNO project’s marginalized women beneficiaries in higher skilled decent work.</p> <p>In Tanzania Zanzibar, UNCDF partnered with UNDP to design a joint initiative to support post-Covid-19 economic recovery. A total of 7 commercial projects were supported, with more than 880 people as initial direct beneficiaries, of which over 60% are women, in the sectors of fishing, horticulture, handcraft, beauty and manufacturing/value-added, all with direct linkages to tourism industry.</p>
Embassy of Norway	In Tanzania, UNCDF participates in the Kigoma Joint Programme funded by the Norwegian Embassy. The LFI model was used to implement Youth and Women’s Economic Empowerment and Agriculture themes. The interventions focused largely on improving the livelihoods of the local communities by supporting the agriculture sector value chain and revenue-generating infrastructure investments impacting over 5,700 people, the majority of whom are women, in 8 LGAs.
Embassy of Sweden	The support of the government of Sweden under the Inclusive Growth theme supported UNCDF direct investments in communities, providing targeted technical assistance aimed at building systematic national capacities.

# 11. APPENDICES

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## APPENDIX 1: GLOBAL LFI BOARD DECISIONS 2020

<b>05 November 2020</b>
<b>LFI Global Programme Board Annual Session 2020</b>
<b>05 November 2020 Kampala Uganda</b>
<b>Decision</b>

## LFI Programme Board Decision

1. *Considering that, in Least Developed Countries, the promotion of local economic development largely falls under the core mandate and responsibilities of local governments in partnership with the local private sector and civil society;*
2. *Considering further that catalytic and transformative investment for local economic development is essential to resilient and sustainable local economies that can provide employment and income for households at increasingly higher value;*
3. *Considering that the objective of LFI is to develop country-based platforms for the promotion of Local Economic Development Finance with the objective to invest primarily domestic resources in local economies for catalytic and transformative investments, with measurable impact, in the areas of local economic development, climate resilience, food security and land degradation, clean energy and women and youth economic empowerment;*
4. *Considering that Uganda and Tanzania are signatories to country LFI project documents and have agreed to become founder members of the LFI global programme Board together with Benin and Bangladesh, which have signed country framework agreements with UNCDF under the auspices of the global programme document signed on 4 April 2014;*
5. *Considering that LFI is currently fully operational in 8 countries (Tanzania, Uganda, Benin, Gambia, Bangladesh, Nepal, Lesotho, Guinea) and provides specific assistance to 9 additional countries (Mali, Senegal, Kenya, Cambodia, Mozambique, Morocco, Ghana, Sao Tome and Principe, Moldova).*

## The LFI Programme Board

6. Endorses the 2017-2019 LFI Report;
7. Reaffirms the 2017 May Board Decisions, especially the three conditions for membership of LFI:
  - 7.1. Letter of application delivered to the Chair of the LFI Board and signed by

the Permanent Secretary or equivalent level of the Government Ministry or Government Department responsible for local government affairs or finance;

- 7.2. Proven existence of the source of funding for LFI seed capital and capacity development (from government, local government, development partners or other sources);
- 7.3. Sufficient regulatory environment to enable investment in LFI pipeline (this includes regulatory environment for public private partnerships with local government and for SME investments). UNCDF, as secretariat of the Board, will verify that these conditions have been met and communicate to Board Members;
8. Acknowledges the implementation of the previous Board decision to introduce reimbursable grants as an effective financing instrument for LFI in addition to grants, loans and guarantees;
9. Acknowledges the implementation of the previous Board decision to introduce the online system which will be used for financial management and data sharing of the LFI investment pipeline;
10. Acknowledges that the LFI team has become a global facility that supports local development finance investments associated with UNCDF local development country programmes implementing the Local Development Finance Practice theory of change. Further, the dual key system assessment of thematic impact and financial sustainability and/or bankability of investment is applied to all projects as the primary requirement for an investment to enter the LFI pipeline;
11. Acknowledges and welcomes the creation of the International Municipal Investment Fund as an instrument of the UNCDF and UCLG coalition for a global financial eco-system that works for cities and local governments that follows the same theory of change. Further, the Board acknowledges and welcomes that



the LFI team will provide technical assistance to the pipeline of investments for this fund;

12. Encourages LFI team to continue providing technical support to LFI member countries and thanks them for the efforts so far.

#### Recommendations

13. Recommends that LFI works closely with member states in the context of the Fifth United Nations Conference on the Least Developed Countries (LDC-V) on building their productive capacity as part of meaningful and equitable graduation to the Middle-Income Countries (MIC) status in a way that improves people's lives and planet health;
14. Recommends that LFI prioritises and incorporates enhanced local economic resilience and response to global crises and pandemics, such as COVID-19, in the design and implementation of its investment's mechanisms, including development of financial instruments adapted to crisis, initiation of emergency recovery funds and identification of sustainable mechanisms to target vulnerable groups;
15. Recognizes that partial credit guarantee schemes are an effective instrument to address risks during structural transformation of economies and can play a critical role in mobilizing domestic finance for local development. We therefore recommends that LFI team engage with member countries on establishing a structured programme of support to de-risk financing for SMEs and PPPs in fragile states and economies, and reports on progress to Board members and to the local development finance investment committee;
16. Recommends that the LFI team works with member countries on building and strengthening national financial intermediaries for local economic development finance, for example sub-national development banks, capital markets and securities authorities, domestic stock exchanges and domestic sovereign funds. The LFI team will report on progress to Board members and to the local

development finance investment committee;

17. Recommends that LFI works with member countries on introducing and strengthening South-South Cooperation for local economic development finance to replicate solutions and approaches; for example, cross border markets, supra-national cooperation on river basins and cooperation between cities in different countries. The LFI team will report on progress to Board members and to the local development finance investment committee;
18. Recommends promotion and strengthening of financial mechanisms adapted to women and youth needs, especially in fragile context where the contribution of those two groups is critical for peace building and revenue generation the community. Women lack of collateral, difficult access to land and micro-finance credit history needs to be recognized as specificities to access to credit and appropriate finance mechanisms developed;
19. Recommends the development and implementation of joint resource mobilization strategies that connect the LFI approach to relevant government and UN initiatives and policies;
20. Recommends that LFI works with member countries to disseminate, deploy and scale up business models and templates that accelerate local economic development in the following areas: cross border trade; municipal revenue bonds; development of income generating investments, governance structures such as Special Purpose Vehicles (SPVs) and the utilization of digital finance to reduce digital divide in cities in collaboration with the UNCDF financial inclusion practice where applicable;
21. Recommends that LFI strengthens cooperation and engagement with the United Nations Office of the High Representative for the Least Developed Countries, Landlocked Developing Countries and Small Island Developing States (OHRLLS) and the UN Resident Coordinators' (RC) system to raise the awareness about the LFI in other LDCs to facilitate its quick introduction and piloting as a much- needed approach to local

economic recovery and development;

22. Recommends strengthening of LFI application as a knowledge sharing mechanism and a learning tool for good practices in local economic development finance in the LDCs;
23. Recommends that LFI works with partner governments to help establish and operationalize nationally-owned and nationally-managed project preparation

facilities for local governments to facilitate development of bankable projects;

24. Recommends that LFI strengthens its focus on women, particularly in the context of COVID-19 recovery, including financing for infrastructure that helps reduce the burden of unpaid care work, and contributes to socio-economic empowerment of women.

**Signed by:**



**David Jackson**

Director, Local Development Finance, United Nations Capital Development Fund



**Maleshoane Lekomola-Danziger**

Budget Controller, Ministry of Finance, Kingdom of Lesotho



**Dr. Charles Mhina**

Director of Local Government, President's Office, Regional Administration and Local Government, United Republic of Tanzania



**Bakary Sylla**

Special Advisor to the Prime Minister, Republic of Guinea



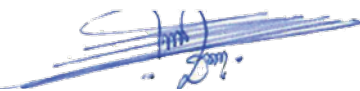
**Ben Kumumanya**

Permanent Secretary, Ministry of Local Government, Republic of Uganda



**Padma Kumar Mainalee**

Deputy Director General, Urban Development Division, Department of Urban Development and Building Construction, Ministry of Urban Development, Federal Democratic Republic of Nepal



**Irene Magloire Rick Gnonlonfoun**

Secretary General, Ministry of Decentralization and Local Governance, Republic of Benin



**Kamrul Hassan Azad**

Joint Director, Credit Guarantee Unit, Bangladesh Bank, People's Republic of Bangladesh



**Buba Sanyang**

Permanent Secretary, Ministry of Lands and Regional Government, Republic of The Gambia

## APPENDIX 2: FINANCIAL DELIVERY

### Budget and Expenditure by Source of Funding

Source of funds	Budget (US\$)	Contribution (%)	Expenditure (US\$)	Delivery against budget (%)
Sida Tanzania	539,743	20%	507,844	94%
Norway Tanzania	723,480	26%	581,208	80%
Sida Global	1,152,752	42%	1,150,766	100%
Norway Global (NORFUND)	236,062	9%	216,904	92%
UNDP/UNCDF Tanzania	111,000	4%	106,622	96%
<b>Total</b>	<b>2,763,037</b>	<b>100%</b>	<b>2,563,344</b>	<b>93%</b>

Sida Tanzania and Norway Tanzania are in-country mobilized resources through the One UN Fund in Tanzania; hence only applicable to the LFI Tanzania programme. Therefore, funding mobilized at UNCDF HQ (i.e. Sida Global and Norway Global) is available for allocation to the five programme countries currently implementing the Global LFI programme (Tanzania, Uganda, Benin, Bangladesh, Guinea, The Gambia and Nepal).

Also, LFI has a technical facility supporting other UNCDF programmes and UN agencies globally. Funding for these arrangements is not reflected here, as disbursement was not channeled through the UNCDF LFI programme. Examples of such arrangements include the INTEGRA programme supported by the European Union (EU) in Guinea Conakry, the Jobs, Skills and Finance (JSF) programme in The Gambia and Mini Off-Grid Technology supported by UNDP in Lesotho.

## APPENDIX 3: VIDEO CASE STUDIES

<p><b>Mvugwe Aggregation Center, Kigoma Tanzania</b></p>	<p><b>Mpale solar mini-grid in Korogwe, Tanga, Tanzania</b></p>
	
<p><b>Kibaha Bus Terminal, Tanzania</b></p>	<p><b>Ileje Community radio, Tanzania</b></p>
	
<p><b>Kazi women's group</b></p>	<p><b>Muhange cross border market</b></p>
	

### Note:

LFI is presenting the links below (QR Codes) for report readers to watch short videos of our work. Please follow instructions below when you have your smart phone camera ready:

1. Open your smartphone camera or QR reader
2. Focus the camera on the QR code by gently tapping the code
3. Tap the YouTube banner on the screen to complete the action
4. The video will start playing



## APPENDIX 4: LINKAGES TO SUSTAINABLE DEVELOPMENT GOALS

 <p>1 NO POVERTY</p>	<b>Goal 1.</b> End of poverty in all its forms everywhere
 <p>2 ZERO HUNGER</p>	<b>Goal 2.</b> End hunger, achieve food security and improved nutrition, and promote sustainable agriculture
 <p>5 GENDER EQUALITY</p>	<b>Goal 5.</b> Achieve gender equality and empower all women and girls
 <p>7 AFFORDABLE AND CLEAN ENERGY</p>	<b>Goal 7.</b> Ensure access to affordable, reliable, sustainable, and modern energy for all
 <p>8 DECENT WORK AND ECONOMIC GROWTH</p>	<b>Goal 8.</b> Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all
 <p>9 INDUSTRY, INNOVATION AND INFRASTRUCTURE</p>	<b>Goal 9.</b> Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation
 <p>10 REDUCED INEQUALITIES</p>	<b>Goal 10.</b> Reduce inequality within and among countries
 <p>11 SUSTAINABLE CITIES AND COMMUNITIES</p>	<b>Goal 11.</b> Make cities and human settlements inclusive, safe, resilient and sustainable
 <p>12 RESPONSIBLE CONSUMPTION AND PRODUCTION</p>	<b>Goal 12.</b> Ensure sustainable consumption and production patterns
 <p>13 CLIMATE ACTION</p>	<b>Goal 13.</b> Take urgent action to combat climate change and its impact by regulating emissions and promoting developments in renewable energy
 <p>17 PARTNERSHIPS FOR THE GOALS</p>	<b>Goal 17.</b> Strengthen the means of implementation and revitalize the global partnership for sustainable development

**APPENDIX 5: 2019 REPORT LINK**

Local Finance Initiative programme report 2017-2019: <https://www.uncdf.org/article/6137/local-finance-initiative-programme-report-2017-2019>







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