Resource Mobilization Strategy

Financing the Strategic Framework 2026-2029

Executive Summary

The United Nations Capital Development Fund (UNCDF) Resource Mobilization Strategy for 2026–2029 sets out a structured and scalable approach to financing the organization's Strategic Framework, positioning UNCDF as the UN system's catalytic financing platform for underserved markets.

In a context of constrained public resources, rising debt vulnerabilities, and persistent gaps in access to capital, particularly in Least Developed Countries, Small Island Developing States, and fragile settings, the strategy responds to a central challenge: how to mobilize and deploy capital where traditional finance does not reach. UNCDF addresses this challenge by deploying risk-absorbing, concessional financial instruments to originate investable opportunities, reduce risk perceptions, and enable subsequent investment by public and private actors.

Over the period 2026–2029, UNCDF aims to mobilize USD 1 billion in resources through a combination of core contributions, pooled catalytic capital, and earmarked funding aligned with partner priorities. This financing will underpin the deployment of over USD 900 million in catalytic capital, supporting approximately 500,000 micro, small and medium-sized enterprises and 240 financial institutions, public entities, and intermediaries, while contributing to the mobilization and catalysis of several billion dollars in additional investment.

The strategy is structured around three mutually reinforcing funding pillars:

- Regular (core) resources, which provide the institutional foundation for strategic flexibility, pipeline development, and deployment readiness
- A dedicated trust fund, designed to pool softly earmarked contributions and deploy catalytic capital in a flexible and coherent manner, including through the reinvestment of reflows
- Earmarked flagship initiatives, which mobilize large-scale, purpose-driven funding aligned with partner priorities and demonstrate scalable models for market development

Together, these pillars enable UNCDF to balance predictability and flexibility, while maximizing catalytic impact.

UNCDF's partnership approach reflects evolving donor priorities, including greater emphasis on leverage, value for money, and private sector engagement. The strategy outlines a differentiated engagement model across Member States, foundations, the UN development system, multilateral development banks, vertical funds, and private financial institutions. Central to this approach is UNCDF's role in translating policy priorities and programme pipelines into investable opportunities, strengthening the ability of the United Nations system to mobilize capital at scale.

Performance measurement and transparency are integral to the strategy. UNCDF will track not only financial delivery but also catalytic outcomes, including capital mobilization, market development, and sustainability, supported by strengthened impact measurement systems and clear attribution principles.

Delivering on this ambition will require continued institutional strengthening, including enhanced investment and structuring capabilities, strengthened partnerships, and reinforced fiduciary and risk management systems.

Through this strategy, UNCDF aims to expand access to finance, mobilize capital at scale, and contribute to building inclusive and resilient financial systems in the world's most underserved markets, translating global commitments into sustainable investment and long-term development impact.

1. The Case for Investment

The global development finance landscape is under sustained pressure. Official development assistance is constrained, debt vulnerabilities are increasing, and capital continues to bypass the very markets where it is most needed—particularly Least Developed Countries, Small Island Developing States, and fragile settings. At the same time, multilateral development banks and development finance institutions are under growing expectations to mobilize private capital, yet structural constraints continue to limit their ability to operate at the earliest stages of market development.

As a result, the financing gap to achieve the Sustainable Development Goals (SDGs) remains most acute in early-stage and last-mile markets, where risks are highest, financial ecosystems are least developed, and transaction costs are prohibitive.

Within this context, UNCDF plays a distinct role. It is designed to deploy catalytic, risk-absorbing capital in underserved markets, helping to originate investable opportunities, reduce risk perceptions, and enable subsequent engagement by larger public and private investors.

UNCDF's model enables contributors to move beyond one-off grant financing by supporting catalytic capital that can be deployed, recovered, and redeployed over time, while mobilizing additional resources and contributing to the development of sustainable financial systems.

2. Strategic Vision and Value Proposition

UNCDF is the UN system's dedicated catalytic financing platform for underserved markets. Anchored in its General Assembly mandate and reinforced by the outcome of the Fourth International Conference on Financing for Development, UNCDF contributes to the broader development finance architecture by providing concessional and risk-absorbing capital at the earliest stages of investment, particularly in Least Developed Countries and other countries in special situations.

UNCDF deploys guarantees, loans, and reimbursable grants, alongside investment structuring and advisory services, to de-risk transactions, support financial intermediaries, strengthen domestic financial systems, and build pipelines that can be scaled by other actors over time.

The Strategic Framework 2026–2029 defines three outcome areas:

- **Better capital**: improving access to finance for underserved populations and enterprises
- **Stronger capital**: strengthening domestic financial systems and institutions
- **Greater capital**: mobilizing and catalysing additional capital flows aligned with national priorities

The Integrated Budget outlines a total resource envelope of USD 1.25 billion for the period. This Resource Mobilization Strategy aims to secure USD 1 billion of this envelope, complemented by existing and projected resources.

The Integrated Results and Resources Matrix anchors this ambition in measurable outcomes. Over the Strategic Framework period, UNCDF aims to deploy over USD 900 million, support approximately 500,000 micro, small and medium-sized enterprises, and work with 240 financial institutions, public entities, and intermediaries. These efforts are expected to contribute to the mobilization and catalysis of several billion dollars in additional capital through partners, reflecting UNCDF's role in translating catalytic interventions into systemic market outcomes.

UNCDF's model addresses two persistent financing gaps: the "missing middle," where enterprises are underserved by both microfinance and institutional investors, and the structural underfinancing of subnational and local-level investments, where perceived and real risks limit capital flows.

Experience across UNCDF's portfolio demonstrates that catalytic interventions can mobilize additional capital from domestic and international sources.

3. The Offer

UNCDF's vision is to mobilize and catalyse capital flows for impactful investments in high-risk markets, particularly in Least Developed Countries, Small Island Developing States, and fragile settings, to foster job creation, sustained economic growth, and equitable prosperity.

Its mission is to crowd in public and private capital by deploying risk-absorbing financial instruments and providing investment structuring and advisory services that strengthen financial markets and enable sustainable investment.

UNCDF delivers its mandate through three interlinked capabilities:

- **MSME Finance**: expanding access to finance through partnerships with local financial institutions
- **Subnational Finance**: supporting municipalities and local governments to mobilize and deploy capital
- **Digital Finance**: promoting inclusive financial ecosystems that reduce costs and expand access

These capabilities operate within a market systems approach, focusing on removing structural barriers to capital and enabling sustainable financial ecosystems.

UNCDF deploys a suite of financial instruments in accordance with its approved guidelines, including guarantees, loans, reimbursable grants, and investment advisory services. These instruments are combined to de-risk investments, support market development, and enable scalable financing solutions.

4. Resource Mobilization Pillars and Targets

UNCDF will mobilize USD 1 billion over 2026–2029 through three complementary funding pillars.

Pillar 1: Regular (Core) Funding – USD 72 million

Regular resources underpin UNCDF's institutional capacity, strategic flexibility, and ability to originate and structure investments. They support core functions across the investment lifecycle, including pipeline development, partnerships, and deployment readiness.

Core funding enables UNCDF to respond to opportunities in a timely manner, subject to pipeline readiness and governance requirements, and reduces reliance on tightly earmarked resources that may constrain strategic allocation.

UNCDF will strengthen engagement with existing contributors, expand its donor base, and promote multi-year contributions to enhance predictability.

Pillar 2: Trust Fund Capitalization – USD 400 million

UNCDF will establish a trust fund as the primary vehicle for pooling softly earmarked contributions aligned with the Strategic Framework. The trust fund will:

- Finance catalytic investments and associated advisory support
- Enable strategic allocation of resources across markets and sectors
- Generate reflows at portfolio level, supporting multiple deployment cycles
- Operate under defined governance, risk management, and reporting arrangements

The trust fund will include thematic and geographic windows aligned with UNCDF's strategic capabilities, designed as flexible allocation frameworks to respond to evolving needs.

This approach aligns with the UN Funding Compact's emphasis on increasing flexible and predictable financing, reducing fragmentation, and strengthening results-based reporting across the UN development system.

Pillar 3: Flagship Initiatives – USD 600 million

UNCDF will mobilize earmarked resources for a set of flagship initiatives designed as scalable, portfolio-level platforms addressing priority development challenges. These initiatives will:

- Aggregate demand across countries and sectors
- Standardize instruments and delivery approaches
- Enable co-creation with partners
- Demonstrate scalable models for market development

UNCDF will assess the feasibility of structured replenishment or pledging approaches as part of its broader donor engagement strategy.

5. Partnerships

UNCDF's partnership approach aligns its catalytic financing model with the evolving priorities of different partner constituencies, while maintaining a clear and consistent institutional positioning as the UN system's platform for deploying catalytic capital in underserved markets.

In the current global context, partner engagement is increasingly shaped by fiscal constraints, geopolitical considerations, and a growing emphasis on the catalytic use of public resources. Contributors are placing greater focus on approaches that mobilize additional capital, demonstrate value for money, and support resilience, including in areas such as climate, economic stability, and inclusive growth.

In response, UNCDF has adopted a differentiated and targeted partnership strategy, prioritizing engagement where there is the strongest alignment between partner priorities and UNCDF's catalytic financing mandate. This approach balances three complementary objectives: securing predictable and flexible funding, mobilizing catalytic capital at scale, and strengthening the broader development finance ecosystem.

Member States

Member States remain UNCDF's primary contributors and strategic partners. UNCDF has undertaken a structured segmentation of Member States to guide engagement, based on alignment with mandate, funding potential, and partnership trajectory. Engagement focuses on three broad categories:

- Established strategic partners, with strong alignment and a track record of support, where the priority is to deepen core contributions and expand into more flexible funding modalities
- High-potential partners, including both traditional and emerging donors, where engagement emphasizes catalytic financing solutions aligned with national priorities such as climate, MSME development, and economic resilience
- Emerging and non-traditional partners, including countries expanding their role in development finance, where UNCDF offers a platform to channel investment into underserved markets while supporting South–South and triangular cooperation

Across these groups, UNCDF emphasizes its ability to translate limited public resources into larger volumes of investment, align with evolving priorities on private sector engagement, and deliver measurable impact in high-risk environments.

Foundations and Philanthropies

UNCDF has developed a dedicated engagement approach for foundations and philanthropies, recognizing their growing interest in catalytic finance and systems-level impact. The UNCDF offer focuses on:

- Structuring philanthropic capital into investment platforms that generate sustainable and scalable outcomes
- Providing access to financial instruments and structuring expertise not typically available within philanthropic organizations
- Enabling co-creation of initiatives that combine innovation, visibility, and measurable results

UNCDF's analysis indicates strong potential to expand this portfolio through targeted engagement with leading global foundations and emerging philanthropic actors, supported by a structured pipeline and relationship management approach.

United Nations Development System

UNCDF's partnerships with the UN Development System are central to its mandate and to the Strategic Framework 2026–2029.

UNCDF complements the work of UN entities by translating policy priorities and programme pipelines into investable opportunities, enabling the system to move from policy design to capital deployment.

Through joint programmes and pooled financing mechanisms, UNCDF embeds its catalytic financing capabilities within broader UN initiatives, contributing to more integrated and financially sustainable approaches to development challenges.

This role responds directly to Member State expectations for a more coherent and effective UN system, capable of leveraging both public and private finance to deliver on the SDGs.

Multilateral Development Banks and Development Finance Institutions

UNCDF engages with MDBs and DFIs as complementary partners along the investment continuum. UNCDF's role focuses on:

- Supporting early-stage market development and pipeline origination in underserved markets
- Deploying risk-absorbing instruments that improve the risk-return profile of investments
- Reducing transaction costs and accelerating the transition from project concept to closure

By operating upstream of larger financial institutions, UNCDF helps create investable opportunities that can subsequently be scaled by MDBs and DFIs, strengthening the overall efficiency and reach of development finance.

Vertical Funds and Thematic Financing Mechanisms

UNCDF continues to engage with vertical funds and thematic financing mechanisms as a pathway to scale investments in priority areas, particularly climate, nature, and resilience. This includes both:

- Acting as an implementing or executing partner for funded programmes
- Positioning itself to access and deploy blended finance resources as these mechanisms increasingly incorporate non-grant instruments

These partnerships enable UNCDF to align its catalytic financing model with global priorities while expanding the scale of its interventions.

Private Financial Institutions

UNCDF is strengthening engagement with private financial institutions, including impact investors, funds, and corporates, as part of its broader strategy to mobilize private capital into underserved markets. UNCDF offers:

- Access to de-risked investment opportunities in frontier markets
- Opportunities for co-investment and portfolio participation
- Exposure to new markets and sectors aligned with SDGs

This engagement contributes to increasing the volume of private capital mobilized and reinforces UNCDF's positioning as a bridge between public development finance and private investment.

6. Performance Measurement and Transparency

UNCDF's performance framework emphasizes efficiency, leverage, and sustainability. Performance measurement will track catalytic outcomes, including capital mobilization and market development. Integrated performance dashboards will combine financial and impact indicators, enabling transparent reporting and evidence-based dialogue with contributors.

7. Conclusion

UNCDF's Resource Mobilization Strategy provides a structured and scalable approach to financing the Strategic Framework 2026–2029.

By combining core resources, pooled catalytic capital, and targeted flagship initiatives, UNCDF aims to mobilize and deploy resources where they are most needed, supporting inclusive and resilient financial systems in underserved markets.

In doing so, UNCDF strengthens the ability of the United Nations system to channel capital to markets and communities that remain beyond the reach of traditional finance, translating global commitments into sustainable investment and long-term development impact.