



Joint UNDP-UNCDF ReStart Fund

Recovery to jumpstart enterprises

Investing in early recovery for
long-term resilience



Emerging evidence shows a persistent financing gap for recovery and resilience initiatives that support the transition from humanitarian response to long-term development, sometimes referred to as the 'missing middle.' These initiatives often aim to restore essential services, rebuild critical infrastructure, support governance systems, and ensure access to jobs and livelihoods. Despite a critical need, these initiatives are often underfunded, as financing flows are concentrated at two poles: immediate life-saving humanitarian relief and long-term sustainable development programming. As a result, early recovery initiatives lack adequate and timely financial support.

One of the key factors in perpetuating the 'missing middle' financing gap is the perception that in countries that are experiencing or emerging from conflict, the risk of investment is too high. Public and private investors determine the time is not right to engage in these complex settings. However, this is counter-intuitive to our efforts to support sustainable development. As countries look to rebuild post-crisis, it is vital to invest in their future.

While many investors—both public and private—may not be able to invest on their own in high-risk settings, together UNCDF and UNDP are working to change this reality, enabling investment when it is needed most. In doing so, UNCDF and UNDP are addressing the 'missing middle' financing gap, which is vital to stabilize communities, build resilience, and support the transition from crisis to sustainable development.

An innovative joint proposal: The ReStart Fund

The ReStart Fund is a joint UNCDF and UNDP initiative that addresses the 'missing middle' financing gap by aligning diverse sources of financing - grant-based, loans, and blended finance - to enable recovery and resilience in fragile and crisis-affected contexts.

The ReStart Fund will address the liquidity constraints that often paralyze local economies in the aftermath of crises, ensuring financing is available to restore basic governance functions. It will also support the stabilization and revitalization of the financial sector to ensure sustained access to finance for Micro-, Small, and Medium-Sized Enterprises (MSMEs), helping drive job creation and economic activity in crisis-affected communities.

Vision for impact: Driving sustainable recovery and delivering tangible returns

The overall vision of the ReStart Fund is to accelerate recovery and build pathways for more resilient futures by catalysing strategic investments, driven by local action. The ReStart Fund is strategically designed to embody the call for integrated, coordinated, and country-led financing solutions that can:

- Catalyze capital mobilization: By deploying a mix of grants, concessional loans, and guarantees to unlock additional financing from both public and private sources.
- Foster meaningful partnerships: Strengthening partnerships between development partners, governments, the private sector, and the financial sector to ensure predictable and effective financing in the aftermath of crises.
- Strengthen financial ecosystems: Enhancing the stability and liquidity of local financial systems, ensuring the continuity of economic activity through essential lending and investment in MSMEs, helping build confidence for future investments.
- Foster inclusive socio-economic growth: Creating the conditions for job growth and access to livelihoods, particularly for women, youth, internally displaced persons (IDPs), and other vulnerable groups.
- Build peace and resilience: Contributing to long-term resilience and tangible peace dividends within crisis-affected communities by integrating economic recovery efforts, together with initiatives to restore governance, public services, and critical infrastructure.

ReStart Fund value proposition: Catalysing impact in fragile and crisis-affected contexts

The ReStart Fund offers a new approach to support fragile and crisis-affected contexts by addressing the core challenges that hinder recovery and resilience: high-risk investments and fragmented interventions.

1. Bridging the investment gap:

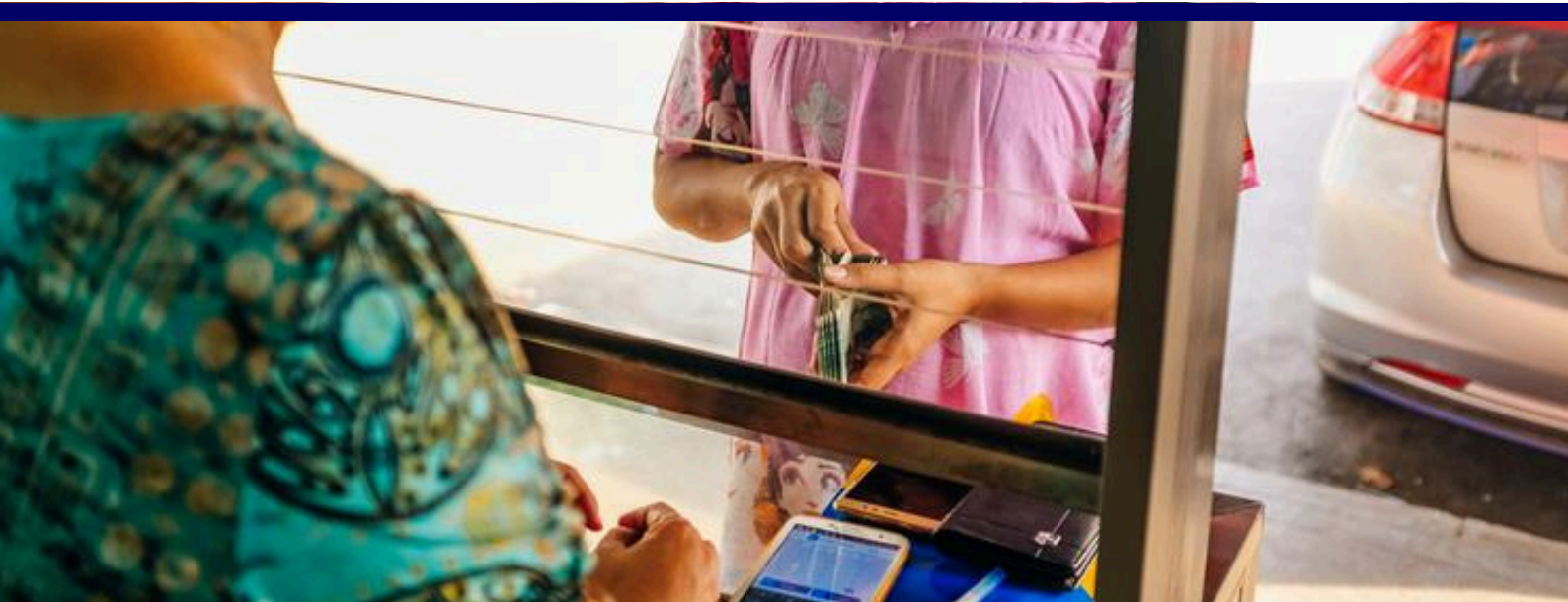
- Rapid response for early recovery (0-9 months): The ReStart Fund provides rapid capital injections into the financial sector to restore livelihoods, restart economic activities, and rehabilitate community infrastructure and services. This crucial early-stage financing, provided through seed and working capital grants, and credit lines to local banks and microfinance institutions, is deployed within 21 days of the onset of a crisis, prioritizing immediate impact without demanding instant returns.
- Long-term recovery and resilience (10-18 months): The ReStart Fund deploys a mix of financial and non-financial instruments, including grants, loans, and guarantees to financial institutions and local businesses. This enables local entities

to access long-term financing by actively absorbing risks and crowding in investments from Development Finance Institutions, International Financial Institutions (IFIs), Multilateral Development Banks (MDBs), and domestic financial institutions. This supports local business growth and investment readiness.

2. De-risking for scalability:

The ReStart Fund works to unlock investment in fragile and crisis-affected contexts by modifying their risk-return profile. This is achieved by complementing public and private finance with technical assistance and institutional support, ensuring the right sequencing of tools and instruments:

- Joint and comprehensive rapid crisis and financial resilience assessments and mapping.
- Policy and technical de-risking:
 - Regulatory reforms;
 - Investment pipelines;
 - Business development services;
 - Capacity building;
 - Availability of data.
- Financial de-risking:
 - Investment grants;
 - Concessional loans;
 - Credit guarantees - both first loss and pari passu structures.
- Impact measurement, reporting, and verification
 - Metrics and key performance indicators to track socio-economic and financial returns;
 - Strengthen confidence and transparency.



KEY COMPONENTS:



Grants funding window

UNDP provides support and seed capital to undertake diagnostic assessments, support immediate country needs, and lay the policy foundation to de-risk future investments. Grants support: the implementation of Crisis Response Packages; private-sector landscape mapping and other diagnostic tools; the provision of technical assistance and trainings to MSMEs; the development of bankable investment pipelines and participatory investment plans; and the provision of policy/technical assistance to local governments to help remove barriers and foster sustainable financing practices.



Blended finance window

UNCDF provides catalytic capital and de-risking instruments to mobilize investment in revenue-generating projects. It strengthens financial sector liquidity and stability through tailored financing structures, including grants, and loans to MSMEs, intermediaries, and local governments. It deploys guarantees and risk-sharing tools to expand on-lending and facilitate access to concessional finance from IFIs and MDBs. In high-risk settings, it can offer risk-sharing instruments to international financiers to mitigate exposure and unlock capital flows.

3. Global fund, local impact:

The ReStart Fund is established as a joint global fund with country or region-specific windows. Anchored at the local level, the ReStart Fund ensures context-specific, country-led, and tailored financial solutions that empower local stakeholders.

4. Building synergies for greater impact:

The ReStart Fund is a key component of the Recovery and Resilience Platform, an initiative led by Spain and UNDP as part of the Sevilla Platform of Action to take forward global commitments made in the Outcome Document of the Fourth International Conference on Financing for Development (FfD4). This platform will build on ongoing work, bringing partners and initiatives together to seek synergies, share tools and methodologies, and exchange knowledge, solutions, and lessons learned. Its overall aim is to support country-led efforts to access new sources of public and private finance for recovery and resilience. By strategically linking with existing initiatives, the ReStart Fund enhances coordination, amplifies the collective impact of recovery efforts, and boosts targeted responses for overall efficiency and effectiveness.

5. Piloting Innovative Financing Models:

UNCDF and UNDP have been partnering to pilot innovative financing models in fragile and crisis settings. These have become the basis upon which the ReStart Fund has been created. For example, the Access to Finance Project and the Credit Guarantee Facility in Afghanistan has been strengthening the financial sector and supporting local economic recovery, prioritizing women-owned enterprises. Similarly, in Syria, the Financial Resilience and Local Economic Development Facility Programme is designed to provide emergency financing to restore livelihoods, sustain the financial market, support MSMEs, and stabilize local economies. It does so through a combination of grants, technical assistance, credit guarantees, and targeted concessional loans that unlock capital, de-risk investments, and facilitate the additional finance flows from international financiers.

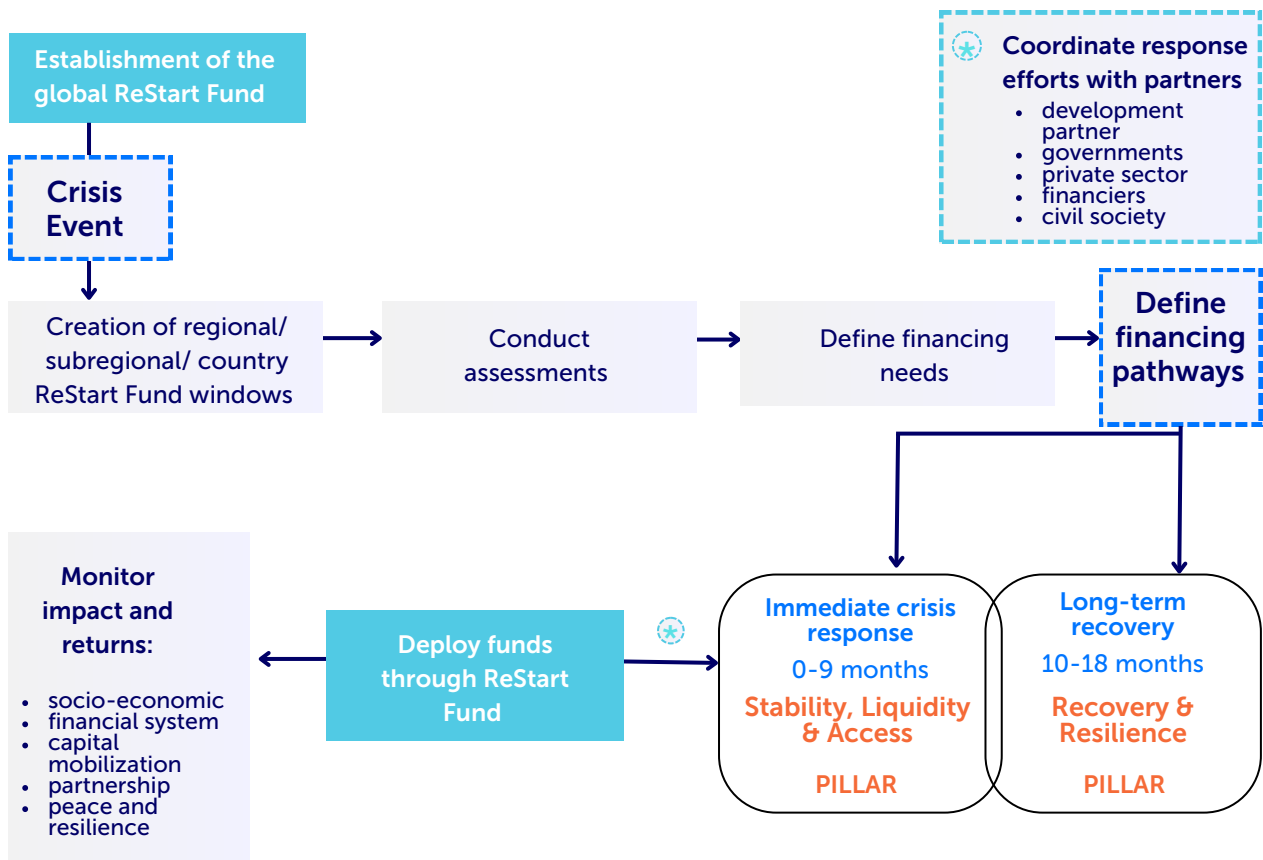
Ambition:

The ReStart Fund aims to secure an initial capitalization of USD 200 million.

Call to action:

By contributing to the ReStart Fund, donors and stakeholders play a vital role in enhancing a catalytic mechanism that unlocks much-needed financing, mitigates risk, and fosters collaboration for country-led financing solutions. This proactive approach significantly contributes to building more resilient and prosperous futures for fragile and crisis-affected populations.

The ReStart Fund process map



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