

UN Capital Development Fund

A large, stylized 'S' shape graphic on the left side of the page, transitioning from orange at the bottom to blue at the top.

Strategic Framework

2026 - 2029

We crowd in capital in markets where others cannot operate.

For many developing countries, particularly the Least Developed Countries, Small Island Developing States, and fragile settings, access to finance remains structurally constrained. Markets are thin. Risk perceptions remain elevated. Financial systems lack depth. As a result, capital does not flow where it is most needed.

This is **not** a question of global capital scarcity,
but of **market failure at the early stage.**

Member States have recognized the need to address this gap.

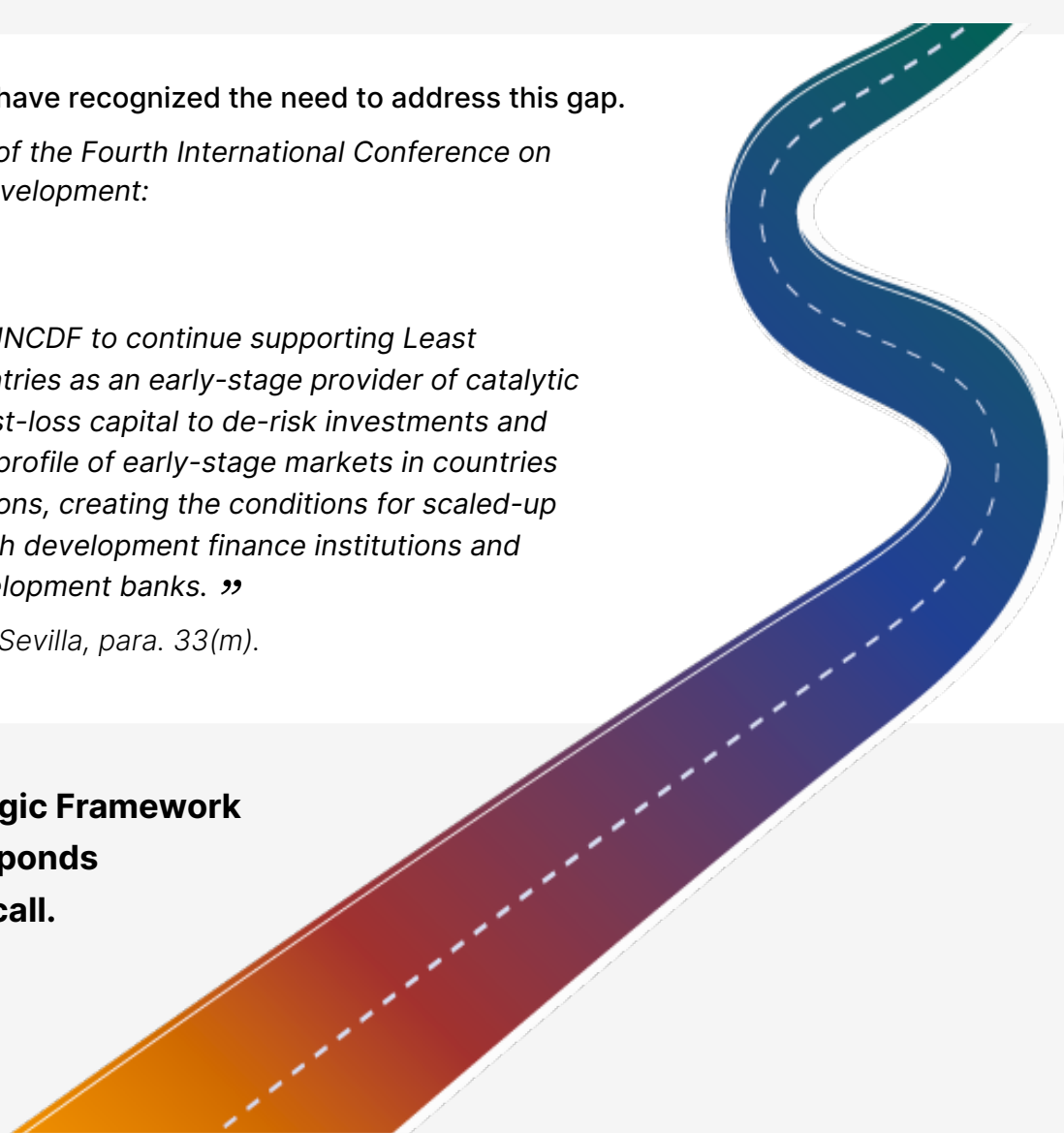
In the Outcome of the Fourth International Conference on Financing for Development:

“

We encourage UNCDF to continue supporting Least Developed Countries as an early-stage provider of catalytic concessional first-loss capital to de-risk investments and change the risk profile of early-stage markets in countries in special situations, creating the conditions for scaled-up financing through development finance institutions and multilateral development banks. ”

Compromiso de Sevilla, para. 33(m).

**UNCDF's Strategic Framework
2026-2029 responds
directly to this call.**



UNCDF operates where conventional financing cannot.

UNCDF deploys catalytic, risk-absorbing capital in early-stage and last-mile markets to make investments possible where they would otherwise not occur. By doing so, UNCDF changes risk perceptions, builds track record, and creates conditions for larger and more commercial sources of capital to follow.

UNCDF is not designed to scale capital at maturity. It is designed to make markets investable in the first place.

A catalytic approach to market creation

UNCDF's model focuses on enabling markets to function by:



Targeting early-stage environments where risks are highest and investment is absent



Demonstrating viability, enabling local institutions and investors to engage



Deploying catalytic instruments, including concessional loans, guarantees, and blended finance structures



Crowding in capital, paving the way for larger-scale financing

The objective is **not** to replace private or public finance, but to **unlock it**.

How UNCDF works

UNCDF operates at the earliest stages of market development, where risk is highest and investment is absent. It deploys catalytic concessional capital (through grants, loans, and guarantees) to absorb risk and make transactions viable. At the same time, it originates and structures pipelines of investable opportunities, particularly in underserved sectors and geographies where bankable deals do not yet exist.

Its interventions are designed to strengthen domestic financial systems and local intermediaries, enabling capital to be deployed and sustained locally. By demonstrating that investment can succeed in high-risk environments, UNCDF shifts risk perceptions and establishes a track record that enables larger and more commercial actors to engage.

In doing so, UNCDF moves markets from fragmentation to functionality, unlocking and crowding in public and private capital at scale.



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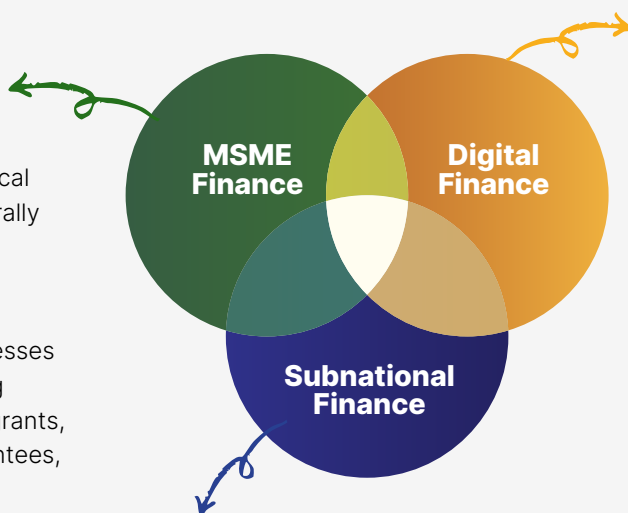
Three capabilities, one objective

UNCDF delivers through three integrated capabilities that combine financial instruments and investment advisory to identify opportunities, structure transactions, and mobilize capital in early-stage and last-mile markets. These capabilities are not thematic areas; they are delivery systems designed to unlock investment and build functioning financial ecosystems over time.

Unlocking the “missing middle”

MSMEs are the backbone of local economies, yet remain structurally excluded from finance due to risk perceptions, information asymmetries, and limited local currency capital. UNCDF addresses this financing gap by deploying catalytic instruments such as grants, concessional loans, and guarantees, alongside advisory support to originate pipelines, strengthen creditworthiness, and enable local financial institutions to lend sustainably.

By absorbing early-stage risk and structuring blended finance solutions, UNCDF enables domestic and international capital to reach underserved enterprises, particularly those led by women and youth, unlocking jobs, productivity, and economic resilience.



Connecting capital to local development

Local governments and cities are central to delivering infrastructure, services, and climate resilience, yet remain largely excluded from capital markets. UNCDF works to unlock subnational finance by strengthening institutional frameworks, enhancing creditworthiness, and structuring financing solutions that enable access to capital.

Through partnerships with public development banks and local intermediaries, and the deployment of guarantees, co-financing structures, and local currency solutions, UNCDF enables capital to flow to the subnational level, translating national priorities into investable opportunities and scalable local impact.

Enabling inclusive and investable economies

Digital finance is a critical enabler of market development, expanding access to financial services while reducing costs, improving transparency, and strengthening trust. UNCDF supports the development of inclusive digital ecosystems by combining policy advisory, market intelligence, and catalytic capital.

Through investments in digital public infrastructure, fintech innovation, and ecosystem development, UNCDF enables financial institutions and enterprises to extend services to underserved populations, generate data for credit assessment, and unlock new investment opportunities, laying the foundations for inclusive, digital economies.



What success looks like

The Strategic Framework is anchored in three interlinked outcomes, reflecting how capital moves, scales, and sustains impact in early-stage and last-mile markets.



Better capital: expanding inclusive access

Capital reaches underserved households, enterprises, and communities through financing that is accessible, affordable, and adapted to local conditions. Through catalytic instruments and advisory support, UNCDF enables financial services to extend to those traditionally excluded, particularly women and youth.

This improves financial inclusion, supports entrepreneurship, and strengthens livelihoods, ensuring that capital contributes directly to resilience, mobility, and locally driven economic development.

Stronger capital: building resilient domestic systems

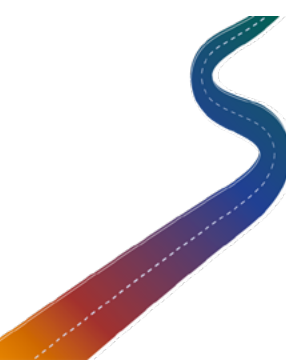
Domestic financial systems become deeper, more stable, and more capable of intermediating capital effectively. Financial institutions, regulators, and public actors operate with greater predictability, transparency, and capacity to manage risk.

Through risk-sharing instruments and targeted advisory, UNCDF strengthens the institutions that channel capital, enabling domestic savings and resources to be mobilized and deployed sustainably. Over time, this builds trust, reinforces fiscal space, and anchors long-term economic stability.

Greater capital: mobilizing and scaling investment

Capital flows increase in volume and diversify in source, reaching early-stage and last-mile markets at scale. UNCDF enables this by originating pipelines, structuring blended finance solutions, and demonstrating investability in high-risk environments.

As confidence builds, larger and more commercial actors enter, and the need for concessional risk absorption declines. The result is sustained and scaled flows of public and private capital aligned with national and local priorities.



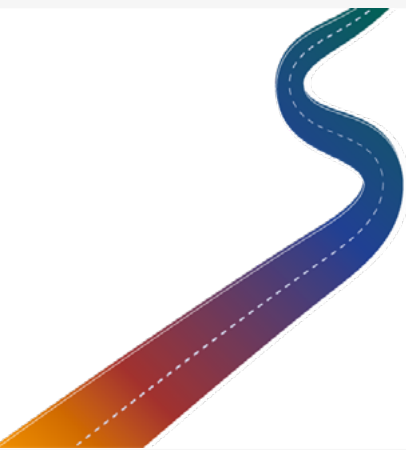
***Success is measured not only in volumes mobilized,
but in structural shifts in how markets function.***

From transactions to systems

UNCDF's impact extends beyond individual investments. Our interventions are designed to:

1. **Demonstrate that previously unserved segments can be financed**
2. **Enable local financial institutions to expand into new markets**
3. **Build pipelines of investable opportunities**
4. **Establish instruments and models that can be replicated and scaled**

Over time, this leads to systemic *changes in financial markets*, rather than *isolated transactions*.



A platform for partnerships

UNCDF works with governments, development partners, philanthropies, financial institutions, and private investors to structure and deploy capital in challenging environments.

Its role is to ensure that limited concessional resources are used strategically and catalytically; to unlock multiples of additional financing and maximize development impact.

UN 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 fragile settings. 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.

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