

Member of



Investing in **frontier markets** for tomorrow



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Derisking investment in frontier markets

Established by the United Nations General Assembly in 1966, the United Nations Capital Development Fund (UNCDF) was created with a singular purpose - to advance development where it is most needed - in the world's most underserved markets.

As a UN entity with a capital mandate, UNCDF occupies a unique position in the development finance ecosystem. We are non-credit rated by design, enabling us to operate in high-risk environments that others avoid. This gives us the flexibility to absorb more risk than multilateral development banks (MDBs), while serving as an off-balance sheet derisking partner for governments and major development finance institutions (DFIs).

We work where traditional finance does not flow: in Least Developed Countries, Small Island

Developing States, and fragile contexts, where barriers to both public and private investment are highest, and the need for finance is most urgent.

UNCDF deploys a suite of catalytic instruments, including grant-funded guarantees, concessional loans, and performance-based payments, to unlock domestic capital and attract private investment. But we go beyond transactions. We catalyse local market development, strengthen public financial management systems, and build the financial ecosystems that enable long-term, sustainable investment aligned with the Sustainable Development Goals.

In doing so, we amplify the impact of the United Nations System and our multilateral partners, not by duplicating their work, but by laying the groundwork for others to scale.



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Foreword by the **Acting Managing Director**

Today's global development landscape faces a striking imbalance. While financial markets hold over \$482 trillion in assets, the world's most vulnerable nations — Least Developed Countries — face a \$246–285 billion annual financing gap¹ to achieve sustainable growth and shared prosperity.¹ This challenge is not a shortage of capital, but systems that fail to channel it to those most in need. Yet proven solutions exist. Every dollar of well-deployed concessional capital can mobilize four dollars in private investment, driving game-changing results in key areas like poverty reduction, energy, climate action and education.

The United Nations Capital Development Fund (UNCDF), an autonomous United Nations (UN) entity proudly hosted by the United Nations Development Programme (UNDP), was established by the UN General Assembly in 1966 to address precisely this challenge. As the UN system's only non-credit-rated entity mandated to provide patient, risk-absorbing capital to Least Developed Countries, Small Island Developing States, and fragile settings, UNCDF operates in markets that are largely overlooked by commercial finance.

The Fourth International Conference on Financing for Development in Spain marked a turning point for UNCDF's work. In paragraph 33 (m) of the Compromiso de Sevilla, Member States formally recognized UNCDF's unique catalytic role in derisking early-stage markets. This strengthens UNCDF's mandate and provides the organization with a unique licence to operate. Our forthcoming Strategic Framework 2026-2029, shaped in consultation with more

than 60 Member States and 120 partners to date, will chart our path forward as the UN system's initial risk-bearer. This includes leveraging scarce concessional resources as catalysts for new economic growth.

Today's development challenges make UNCDF's role more urgent than ever. Financing for small businesses, digital inclusion, and subnational finance all depend on patient capital that crowds in private investment while deepening domestic financial markets. Therefore, UNCDF is actively preparing to serve as the UN system's first-mover and last-mile financier in frontier markets. By mobilizing private capital and testing innovative financial models, UNCDF prepares the groundwork for Development Finance Institutions (DFIs) and Multilateral Development Banks (MDBs) to scale, in confidence, their investments. In doing so, it can multiply finance, transforming it into engines of jobs, growth, and prosperity for countries and communities that need it most.

Haoliang Xu

UNCDF Acting Managing Director



“ By mobilizing private capital and testing innovative financial models, UNCDF prepares the groundwork for DFIs and MDBs to scale their investments. ”

¹ Source: UNCDF 2025, based on IMF data.

Foreword by the **Executive Secretary**

The global development finance architecture assumes that the foundational conditions for private capital to flow already exist—or can be rapidly created through institutional capacity.

This raises a critical question: what happens in markets where that assumption does not hold? In environments where risk profiles are too high, markets too shallow, and financial ecosystems too fragile to absorb capital at scale—even concessional capital? In countries with credit ratings below C grade, where investment remains scarce? According to analytics from Convergence Blended Finance, only 4% of global financial assets are invested in low- and middle-income countries.

Building the first (or last) mile

This is where the United Nations Capital Development Fund, established by mandate of Member States in 1966, plays a catalytic and complementary role. In the current context of evolving Financing for Development discussions, the United Nations Capital Development Fund is restructuring to more intentionally align with its original mandate—building the first (or last) mile while regulated, credit-rated development finance institutions strengthen the highway.

The United Nations Capital Development Fund holds a unique capability within the UN system to deploy a suite of financial instruments—including guarantees, loans (to both private and public sectors at zero or low interest), and grants. These are paired with financial structuring solutions that strengthen subnational public financial management systems and support private sector capital market development. With this toolkit,

the United Nations Capital Development Fund is transitioning from primarily a technical assistance agency to one that actively deploys derisking capital for early-stage investments in the world's most vulnerable economies: Least Developed Countries, Small Island Developing States, and fragile contexts often left behind by global capital flows.

These are markets recognized for their potential—but where concessional arms of traditional development finance institutions typically engage only after the enabling environment has matured. The United Nations Capital Development Fund's approach is to intervene earlier, entering ecosystems before they are considered bankable. By deploying catalytic concessional first-loss capital, UNCDF reduces risk and crowds in follow-on investment—whether in the form of loans, grants, or guarantees.

Financing the “missing middle”

The types of instruments deployed are often modest in size—typically between \$0.5 million and \$7 million per transaction—but are designed to unlock disproportionately large impact. The focus is not on scale for scale's sake, but on precision deployment: demonstrating viability in markets where others have stalled or exited. This is capital that bridges the gap—larger than what microfinance typically offers, but below the \$20 million floor required by most regulated financial institutions. In essence, the United Nations Capital Development Fund focuses on financing the “missing middle.”

Consider the challenge of private capital mobilization. Much of the global discourse around the “billions to trillions” narrative overlooks the significant barriers to market entry. The United Nations Capital Development Fund is working to address those barriers—not only through financing, but by partnering with local governments, municipalities, fintechs, and micro-, small- and medium-sized enterprises to prototype and derisk inclusive financial and infrastructure models.

The role of the United Nations Capital Development Fund is pre-investment, pre-bankability—and essential.

Where established financial institutions support national grids and energy policies, the United Nations Capital Development Fund and its United Nations partners, including the UN Development Programme, back off-grid innovators in last-mile communities, piloting scalable payment models. Where traditional financiers fund major logistics corridors, the United Nations Capital Development Fund enables small and medium enterprises’ supply chain platforms that connect rural producers to those corridors. While others engage sovereign governments to unlock private equity, the United Nations Capital Development Fund collaborates with city governments and local banks to build trust and facilitate local transactions.

The United Nations Capital Development Fund does not duplicate—it deepens. It connects. It prepares.

From unbankable to investable

The global development finance architecture requires both scale and sequence. The United Nations Capital Development Fund provides the essential sequencing—laying the groundwork in overlooked markets and helping investors eventually say “yes” to places that would otherwise be bypassed.

In this role, the United Nations Capital Development Fund is not a competitor to traditional financial institutions. It functions as their advance, off-balance sheet, derisking team.

Together, UNCDF, UNDP, and other members of the United Nations System, alongside the multilateral development bank and development finance institution architecture, can build a truly inclusive development finance continuum. One that begins with bold, early-stage risk-taking in underserved markets and ends with large-scale investment that generates jobs, stability, and sustainable growth.

In a world where private capital flows only where confidence exists, the United Nations Capital Development Fund helps create that confidence—project by project, community by community.

Because before the future can be built, someone must first unlock it.

Pradeep Kurukulasuriya
UNCDF Executive Secretary



Rethinking the development finance architecture

Capital doesn't flow **where it's needed most**

\$2.5-\$4 trillion

The Sustainable Development Goals' financing gap for developing countries (per annum, until 2030).

\$246-\$285 billion

Financing gap for Least Developed Countries (LDCs) (per annum, until 2030).*



55%
of LDCs are at high risk of experiencing debt distress.



27%
of youth in LDCs are unemployed and not enrolled in education.



14%
of the world's population (or 1.15 billion people) live in LDCs.

24

Least Developed Countries and 8 Small Island Developing States (SIDS) are recognized as fragile and conflict-affected states.



1%
of private finance for SDG and climate investment needs has been mobilized by official development assistance.



4-5%
of global blended finance investment reaches low-income countries and middle-income countries (excluding China).



2x

Least Developed Countries borrow at twice the rate of interest compared to developed countries.

*UN Capital Development Fund estimates based on International Monetary Fund data



Why doesn't private capital **flow to the last mile?**

Despite the urgent need for investment, private capital remains largely absent from many frontier markets. Several interrelated challenges persist:

- Despite a \$482 trillion global financial market, only 4% of financial assets are in Official Development Assistance eligible countries.
- The majority of investors view countries rated “B” or “CCC” as exceeding fiduciary and regulatory risk limits.
- Net blended finance flows have averaged less than \$100 billion per year—just 2% of SDG investment needs.
- Insufficient grant-based catalytic guarantees to derisk and attract private investment
- High-risk perceptions and premiums associated with investments in frontier markets
- Underdeveloped investment pipelines, particularly for early-stage and smaller-scale initiatives
- High transaction costs that disincentivize private investors from engaging in small or fragmented deals
- Persistent challenges in brokering partnerships and aligning stakeholders in high-risk environments
- Nascent domestic capital markets lacking the depth and liquidity to support sustainable investment flows
- Unsettled legal and policy environments that hinder investor confidence and long-term planning
- A financing gap for the “missing middle”—enterprises and projects too large for microfinance but too small or risky for commercial banks or institutional investors

Without targeted interventions to address these constraints, capital will continue to bypass the very contexts where it is most needed. This is where the United Nations Capital Development Fund’s catalytic finance capabilities and blended finance solutions are essential.

The investment gap:
high perceived risk, low
financial flows

The United Nations Capital Development Fund's unique position as a development and finance organization without a credit rating enables us to take on higher-risk exposures compared to Multilateral Development Banks and Development Finance Institutions. This flexibility is currently missing and urgently required to scale capital in developing countries and other fragile settings.

Moody's Rating	Expected Probability of Default (EPD)
Aaa - A3	<0.05%
Baa1 - Baa3	0.05% - 0.3%
Ba1 - Ba3	0.3% - 1.5%
B1-B3	1.5% - 8%
Caa1-Caa3	8% - 20%
Ca	20% - 60%
C & not rated	>60%

Small Island Developing States

Least Developed Countries



Multilateral Development Banks & Development Finance Institutions Exposure

UN CDF

34.7%

The UN Capital Development Fund operates in early stage/high-risk markets where MDBs/DFIs face access challenges.

The allocation imbalance: development finance misses the markets that need it most

Over the past decade, Multilateral Development Banks and Specialized Funds have invested a total of \$1.1 trillion in developing economies. According to the Financing for Development Report, while substantial, this investment still leaves an estimated \$2.5 trillion per year to close the global financing gap.

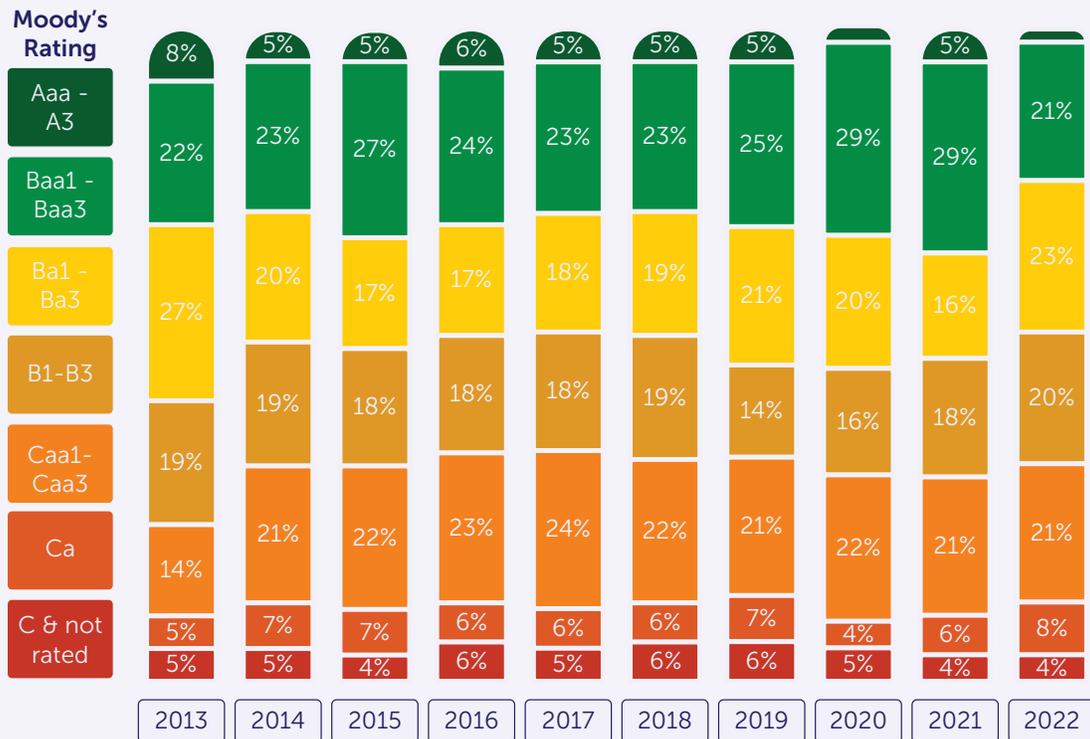
Around a third of these investments targeted countries with Caa1 or lower credit ratings, while around two-thirds were directed toward nations with a B3 rating or higher.

This distribution has remained stable over the decade, indicating little change in investment strategies.

Out of the \$1.1 trillion invested, only 17% was directly allocated to Least Developed Countries (primarily by the International Development Association), a mere 2.5% reached Small Island Developing States, and 11.7% went to fragile states. Notably, these countries often receive more Official Development Assistance (ODA) in grant form than through loans and concessional investments.

\$1.1 trillion

gross commitments by 12 Multilateral Development Banks and Specialized Funds (2013-2022). Many LDCs and SIDs receive only a small fraction of what is committed by Multilateral Development Banks and Specialized Funds.



Graph combines 12 institutions, 10 MDBs (ADB, AFDB, EBRD, EIB, IADB, IBRD, IDA, IFC, IsDB), and 2 specialized funds (GCF, IFAD). Includes the MDBs and specialized funds country investments including ODA loans, Other official flows & Equity.

UNCDF unlocks private, domestic and international capital

Established by the UN General Assembly in 1966 with a mandate to supplement capital flows where conventional finance doesn't reach.

UNCDF is uniquely positioned to address the development financing gap through blended finance solutions that aim to derisk investments and enhance access to capital, particularly in fragile contexts where traditional financial mechanisms often fail. As a non-credit rated development and finance institution, UNCDF's unique value proposition lies in its dual role as an off-balance sheet derisker for national governments and larger development finance institutions, unlocking domestic capital and

attracting larger private finance sources, while augmenting the development impact of the UN system through its distinctive investment capabilities (performance-based payments, guarantees and fit-for-purpose financial instruments).

With a full-spectrum, end-to-end investment model—from origination and risk analysis to structuring, implementation, and evaluation—UNCDF brings rigor and accountability to fragile markets where others see only risk. Its global network sources locally grounded, SDG-aligned deals ready for scale.





In focus: blended finance

What is blended finance and how does it work?

In a world of shrinking Official Development Assistance, we need to amplify the effect of those dollars to attract private investment and ensure capital flows to high-risk, underserved markets.

Blended finance as an innovative financing mechanism to derisk and mobilize capital

What is blended finance?

- Blended finance leverages public and philanthropic capital to mobilize private sector investment.
- The United Nations Capital Development Fund, as a non-credit rated, development and finance institution has the capital mandate to deploy blended finance solutions.
- We can leverage our investment capabilities – catalytic grants, concessional loans and guarantees to unlock domestic capital flows and strengthen domestic financial systems in the most challenging markets.

Scaling blended finance

- Convergence has documented 1,223 blended finance deals totaling \$231 billion in investments.
- Blended finance could mobilize over \$500 billion annually, including \$200+ billion in direct mobilization for governments.
- Expanding risk mitigation tools, by leveraging the investment capabilities of organizations like UNCDF, increases investor confidence and participation in low-income countries and middle-income countries
- Strategic partnerships with institutions like Convergence drive knowledge, data, and best practices to scale solutions.

In partnership with



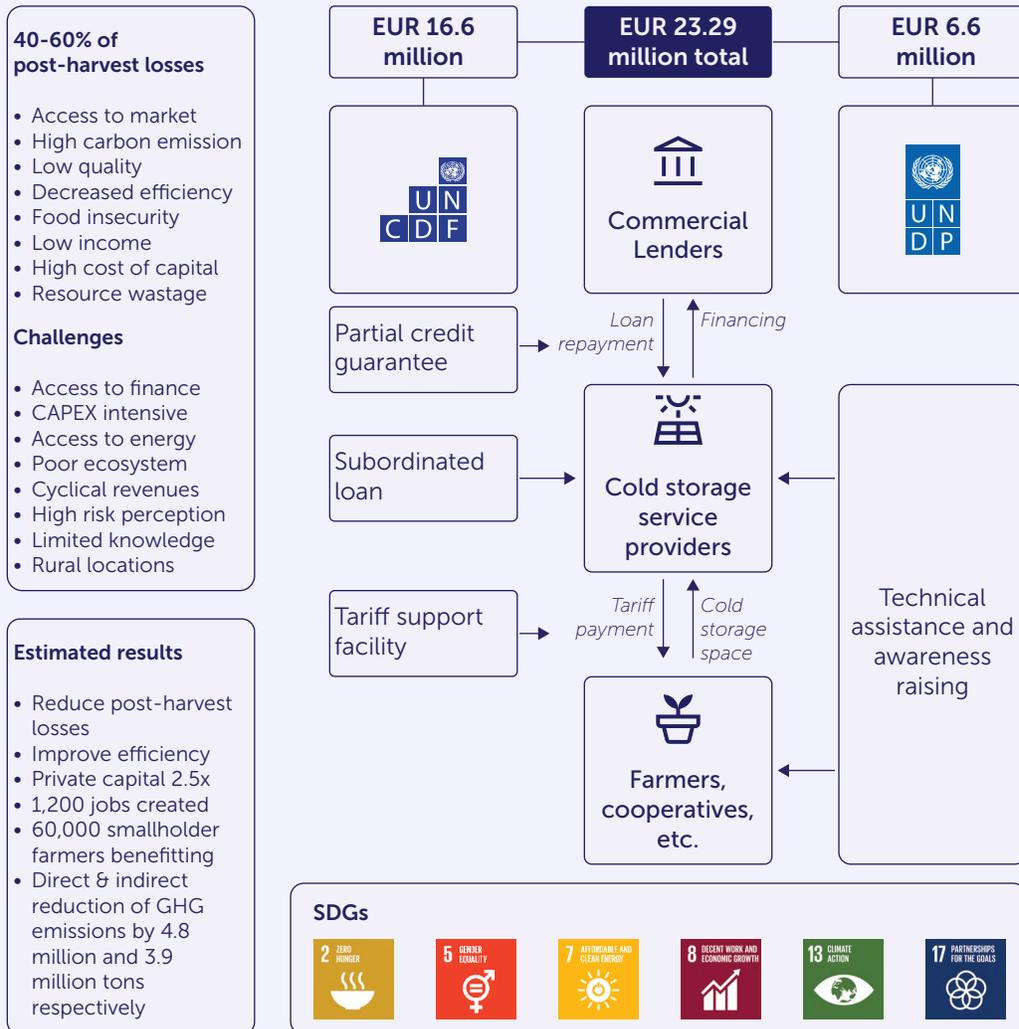


Impact

Blended finance unlocks cold storage for

60,000 Kenyan farmers, reduces food loss, and creates 1,200 jobs

UNDP, UNCDF, and the Mitigation Action Facility are joining forces to scale solar-powered cold storage in Kenya, reducing post-harvest food losses and building a sustainable agricultural value chain. UNDP will lead a EUR 6.7 million technical assistance package, while UNCDF manages €16.6 million in blended finance—offering concessional loans, guarantees, and derisking tools to attract private investment. The initiative is set to leverage 2.5x private capital, create 1,200 jobs, and benefit 60,000 farmers.





Charulata Singal
Transactional Risk Specialist

Beyond credit ratings: How blended finance can unlock African domestic finance for African development

“The current global financial system is simply not working for Africa” stated Claver Gatete, Executive Secretary, United Nations Economic Commission for Africa at the 2025 World Bank Group and International Monetary Fund Spring Meetings, expressing frustration on the fact

that only 2 of 54 African countries are holding investment-grade credit ratings despite its combined GDP of \$3 trillion and being the some of the most dynamic economies in the world. This connects directly with what we, at the UN Capital Development Fund (UNCDF), see



firsthand: Africa's credit rating landscape limits investment and economic growth. In fact out of 54 African nations, only 32 have one or more sovereign credit ratings from major credit rating agencies (CRAs), and just two, as mentioned by Gatete, hold investment-grade ratings.

Unfortunately, this has direct dire financial consequences for these countries with African nations typically paying significantly higher interest costs, averaging 11.6%—a staggering 8.5 percentage points above the U.S. benchmark. Sub-Saharan African countries specifically paid 2.1%, according to UNDP (2025), more in coupon rates than other regions between 2004 and 2021. Many Least Developed Countries

(LDCs) are exposed to high levels of volatility from economic, political and climate shocks, all of which are difficult to reliably capture in the traditional rating models – typically resulting in weaker credit ratings being assigned. While many factors contribute to the interest rate a country pays for its debt, credit ratings no doubt significantly influence it.

The opaque and often subjective methodologies used by CRAs have cost African nations over \$75 billion in additional interest payments and forgone funding, which represents 80% of Africa's annual infrastructure investment needs.

Credit ratings alone won't solve Africa's financing gap

While finding ways to enhance the assessment of volatility and its impact on credit rating is necessary as well as making credit ratings more accurate and transparent, it will not be enough to close Africa's financing gap. The reality is that investment is simply not flowing into Africa at the scale needed. Research from our partners at Convergence (2025) - a global thought-leader in blended finance - shows that only 4-5% of total global assets were invested in low- and middle-income countries (excluding China), with the bulk remaining in developed markets.

Further financial flows are constrained by what is often called the "missing middle" challenge. Small and medium-sized businesses (SMEs), particularly in last-mile markets such as LDCs, struggle to secure funding due to transaction size, collateral requirements, and perceived risks. The current credit rating system does not fully capture the true investment potential in these markets, especially the impact it could have beyond financial returns.

Betting on the bold: high-risk, high-impact finance

At UNCDF, we are not waiting for credit rating agencies to evolve their methodologies—we are actively mobilizing capital and creating solutions that drive investment where it is needed most.

As a non-credit rated institution with a unique capital mandate, we enable investment in high-risk but high-impact sectors through blended finance solutions that derisk markets, strengthen local financial ecosystems, and create a pipeline of investable opportunities, through:

- **Derisking investments and crowding in (private) capital:** We provide first-loss capital, credit guarantees, and concessional finance to absorb risk and attract private investments into SDG positive projects. For instance, in Zimbabwe, we are crowding in private sector investment for the country's first Renewable Energy Fund, with an expected leverage of 3.5x by the end of 2025.
- **Strengthening local capital markets:** We help governments develop domestic bond markets, reducing their dependence on costly external debt and volatile foreign capital flows. In Tanzania (see page 21) we helped unlock \$20 million of domestic capital, 65% of which from the private sector, to help Tanzania pioneer East Africa's first subnational Green Bond, now cross-listed on the Luxembourg Stock Exchange.
- **Improving fiscal and debt management reforms:** We work with national and subnational governments to enhance fiscal transparency, debt reporting, and economic governance, which are critical to strengthening investor confidence.
- **Amplifying the UN's development impact:** We partner with UN agencies to build on their work and amplify their development impact. In Nigeria (see page 27) UNCDF invested in Ariel Foods to help produce life-saving therapeutic food locally—cutting costs, supporting farmers, and reaching more malnourished children.

Redefining investment potential on Africa's terms

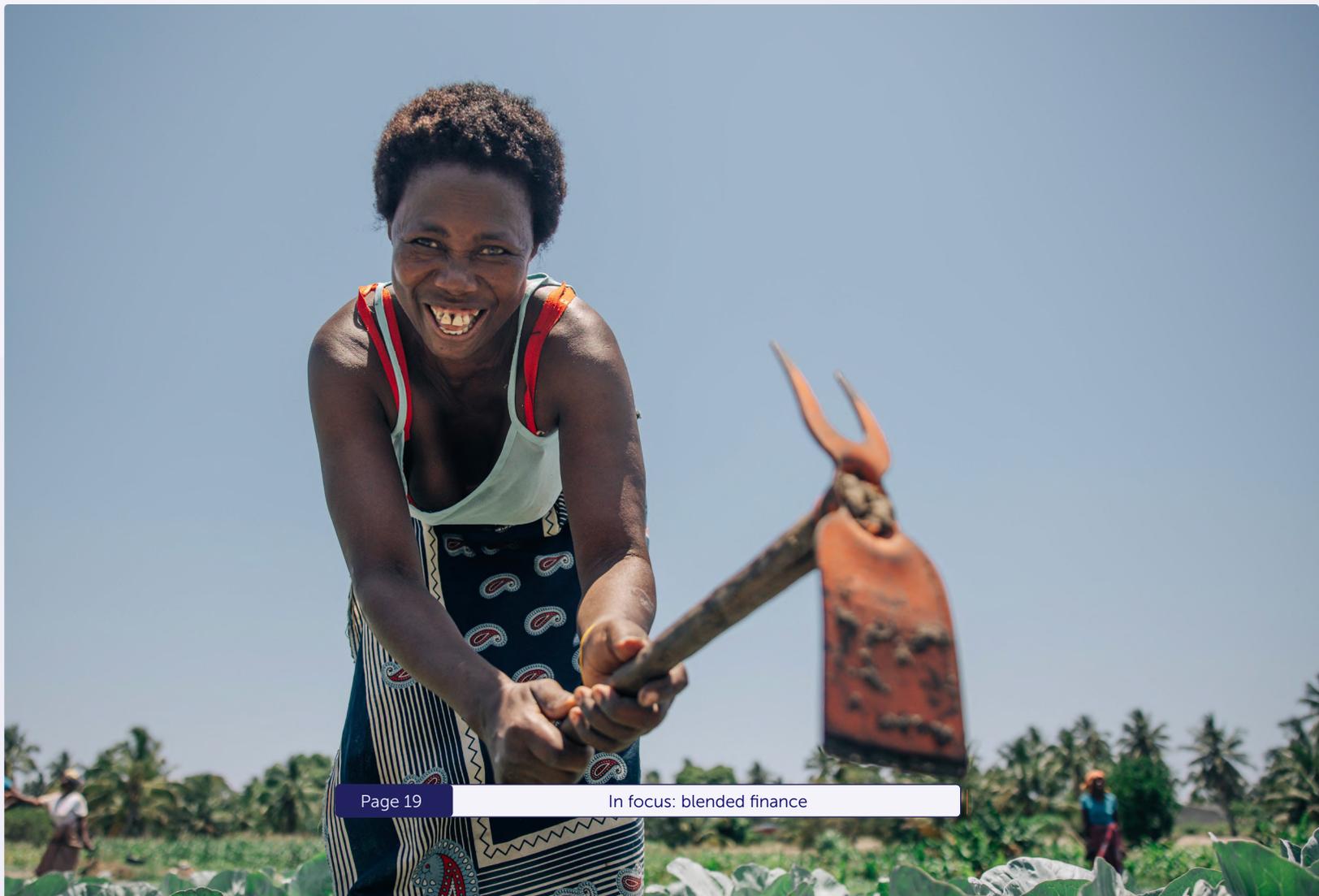
In summary, while credit ratings are helpful in attracting capital, they are not a silver bullet. Africa's financing gap needs complementary strategies—such as blended finance, institutional reforms, risk-sharing mechanisms, and local capital market development.

Blended finance is at the core of our strategy. By strategically combining public, private, and development capital, we lower perceived investment risks and mobilize resources at scale. Our work is not just about bringing in more funding—it is about creating sustainable, long-term

investment ecosystems that place African financial resources at the center of Africa's development.

The current credit rating system is failing Africa. While reforming the system is important, we must focus on what we can control: deploying blended finance solutions that de-risk markets, unlock capital, and build resilient financial ecosystems.

At UNCDF, we are committed to this mission. We work with governments, development partners, and the private sector to create investment-ready markets and mobilize capital where it is needed most. It is time to move beyond outdated models and redefine Africa's investment potential on its own terms.





Case study

Tanga Green Bond: Mobilizing capital for water access in Tanzania

Tanga is a coastal city in northeastern Tanzania with a population of over 450,000 people. Known for its strategic location on the Indian Ocean and its growing economic potential, the city has long struggled with aging water infrastructure, limited coverage, and supply disruptions. Despite being one of Tanzania's key urban centers, the city's ability to invest in sustainable water systems had been constrained by limited public resources and a lack of access to long term domestic capital.

Innovation in finance: a first for Tanzania and East Africa

In 2024, the Tanga Water Infrastructure Green Bond became Tanzania's first ever subnational green bond and one of the first such issuances in Sub Saharan Africa. It was issued by the Tanga Urban Water Supply and Sanitation Authority (Tanga UWASA) and raised the equivalent of 20.8 million US dollars in local currency from Tanzanian investors.

The bond was listed on both the Dar es Salaam Stock Exchange and the Luxembourg Green Exchange. It passed international listing standards without any sovereign guarantee, proving that subnational entities from frontier markets can meet global capital market benchmarks, signaling their readiness to international investors.





The Tanga bond was not just a financial transaction, it was designed to increase visibility for Tanzania's growing domestic capital market and to demonstrate that local public institutions in developing countries can access private capital to deliver basic services.

Unlocking domestic investment

This kind of transaction had never been done before in Tanzania. Subnational public entities did not have the expertise or support systems to structure credible, bankable deals, and domestic investors had limited confidence in lending to city authorities. UNCDF stepped in to close that gap. Over the course of two years, UNCDF served as the lead technical and financial advisor. It supported the full structuring of the bond, advised on risk mitigation, and helped set up governance systems that met international standards.

UNCDF also provided catalytic funding, through a one million US dollar grant through its Last Mile Finance Trust Fund, UNCDF helped absorb early risks and crowd in investment. In the end, the bond was 103% oversubscribed. Of the total raised, 65% came from domestic investors, such as pension funds, insurance companies, fund managers, and financial institutions. The remainder came from the public, including members of the diaspora and small business owners. The resulting leverage ratio was one (1) to 20.

Transforming lives and setting a precedent

The Tanga bond raised capital to finance a major expansion of the city's water infrastructure, including increasing water production and supply capacity from 45,000 to 60,000 cubic meters per day; extending the water distribution network by 60 kilometers to connect 6,000 new households; rehabilitating 110 kilometers of old piping to reduce water losses from 30 to 20%; installing 10,000 smart pre-paid meters to improve billing and revenue collection; and protecting the Zigi River and its surrounding villages to ensure sustainable water sourcing. By financing these upgrades, the bond will improve the reliability and sustainability of clean water services for Tanga's entire population. Over 26,000 people are expected to gain access to clean water for the first time. Households already connected will benefit from more regular and affordable supply. Revenue improvements will also help Tanga UWASA maintain its services long term. Construction is expected to last 18 months, after which the full impact will begin to be realized over the 10-year lifecycle of the bond.

A model for scale and replication

Beyond the direct impact on communities, this pioneering initiative is already triggering a wave of replication across Tanzania and beyond. Inspired by the success of the Tanga issuance, five public entities in Tanzania, including the Dar es Salaam Water Utility, Morogoro Water Utility, the National Food

Reserve Authority, the Road Fund Board, and Dar es Salaam City—have formally expressed interest in launching similar bond instruments. These forthcoming bond issuances, which are projected to raise approximately \$153 million over the next two years, span key development sectors such as clean water and sanitation, food security, transport infrastructure, and urban development.

Importantly, the model piloted in Tanga is no longer just a national blueprint—it is becoming a regional one. Building on this momentum, UNCDF is now developing a regional fundraising proposal with the ambition to scale this innovative approach to five countries across Eastern and Southern Africa: Tanzania, Kenya, Malawi, Zambia, and Uganda. The regional expansion reflects both the adaptability of the model and the demand from governments and institutions looking for sustainable and scalable ways to finance critical infrastructure. By embedding catalytic finance and market-based instruments into public finance systems, UNCDF is laying the foundation for a new generation of development financing, one that is domestically driven, market anchored, and globally relevant.

This replication effort signals a turning point. It demonstrates how a single, well-structured green bond, designed with the right blend of technical support, financial innovation, and local leadership can spark systemic change. UNCDF's work in Tanga is not just a success story; it is the beginning of a much larger transformation in how frontier markets mobilize resources, empower public institutions, and deliver sustainable services at scale.





Ryno Byleveldt

Investment Portfolio Management Advisor

Paving the way for **commercial finance**

The development finance conversation has evolved. It is no longer just about mobilizing more finance—it is about mobilizing it better. The critical question now is how to ensure capital reaches the people and places that have traditionally been overlooked—especially in Least Developed Countries (LDCs), where development needs are greatest and market risks most acute.

For the United Nations Capital Development Fund, the answer lies in three essential factors: structure, speed, and, above all, blended finance.

The United Nations Capital Development Fund is the only United Nations entity with a capital mandate and the flexibility to deploy and leverage capital in high-risk, early-stage markets. The organization provides catalytic financing through grants, concessional loans, and guarantees to both public and private sector actors. This approach is not merely about moving capital—it is about unlocking systems, strengthening local institutions, and creating investable pipelines that can attract larger investors.

A bridge between global capital markets and last-mile communities

In reaffirming its identity as a Fund, the United Nations Capital Development Fund positions itself not only as a technical partner, but also as a financial one. This dual identity enables the

organization to act as a bridge between global capital markets and last-mile communities, working in close partnership with United Nations agencies, national governments, local financial institutions, and entrepreneurs.

In Burkina Faso, for example, the United Nations Capital Development Fund provided a \$300,000 loan to AES, a local company offering solar-powered irrigation systems to smallholder farmers. The result was increased agricultural productivity, improved water efficiency, and higher incomes for farming families—while also enhancing climate resilience.

In Afghanistan, the United Nations Capital Development Fund partnered with United Nations Development Programme and the Afghan Credit Guarantee Foundation to unlock \$5.5 million in private capital for micro, small, and medium-sized enterprises. This was made possible through a \$1 million United Nations Capital Development Fund guarantee facility—vital support in a country where fewer than 3% of firms have access to formal credit.

In Zimbabwe, with support from the United Nations Sustainable Development Goals Fund, the United Nations Capital Development Fund seeded the country's first national renewable energy fund with \$8 million (see page 26). That early-stage capital, combined with technical assistance, catalysed millions more from private investors.



And in Tanzania, the United Nations Capital Development Fund supported the issuance of East Africa's first subnational water green bond (read the case study on page 18). The Tanga Water Infrastructure Bond, structured with the United Nations Capital Development Fund's assistance, raised over \$20 million—65% from domestic investors—and is now cross-listed on the Luxembourg Stock Exchange. The model is already being replicated by other municipalities.

Each of these examples reinforces a key lesson: finance must be context-specific, agile, and focused on reaching the sectors and regions that conventional finance continues to overlook.

The United Nations Capital Development Fund paves the way for commercial finance

The United Nations Capital Development Fund does not aim to replace commercial finance, but to pave the way for it. This includes providing performance-based incentives, first-loss capital, and investable pipelines, while simultaneously building domestic financial systems from the ground up.

As a non-credit rated United Nations fund, the United Nations Capital Development Fund is uniquely positioned to take on risks that others cannot. Support from Member States, philanthropic institutions, and foundations enables the Fund to derisk transactions—not only for private investors, but also for governments and larger development finance institutions. In doing so, the United Nations Capital Development Fund acts as a market builder, laying the foundations for sustainable capital flows.

To achieve the Sustainable Development Goals in the world's most vulnerable economies, promises of finance are not enough. What is needed is fit-for-purpose capital—and the institutions willing to go where others will not. That is what the United Nations Capital Development Fund does every day.



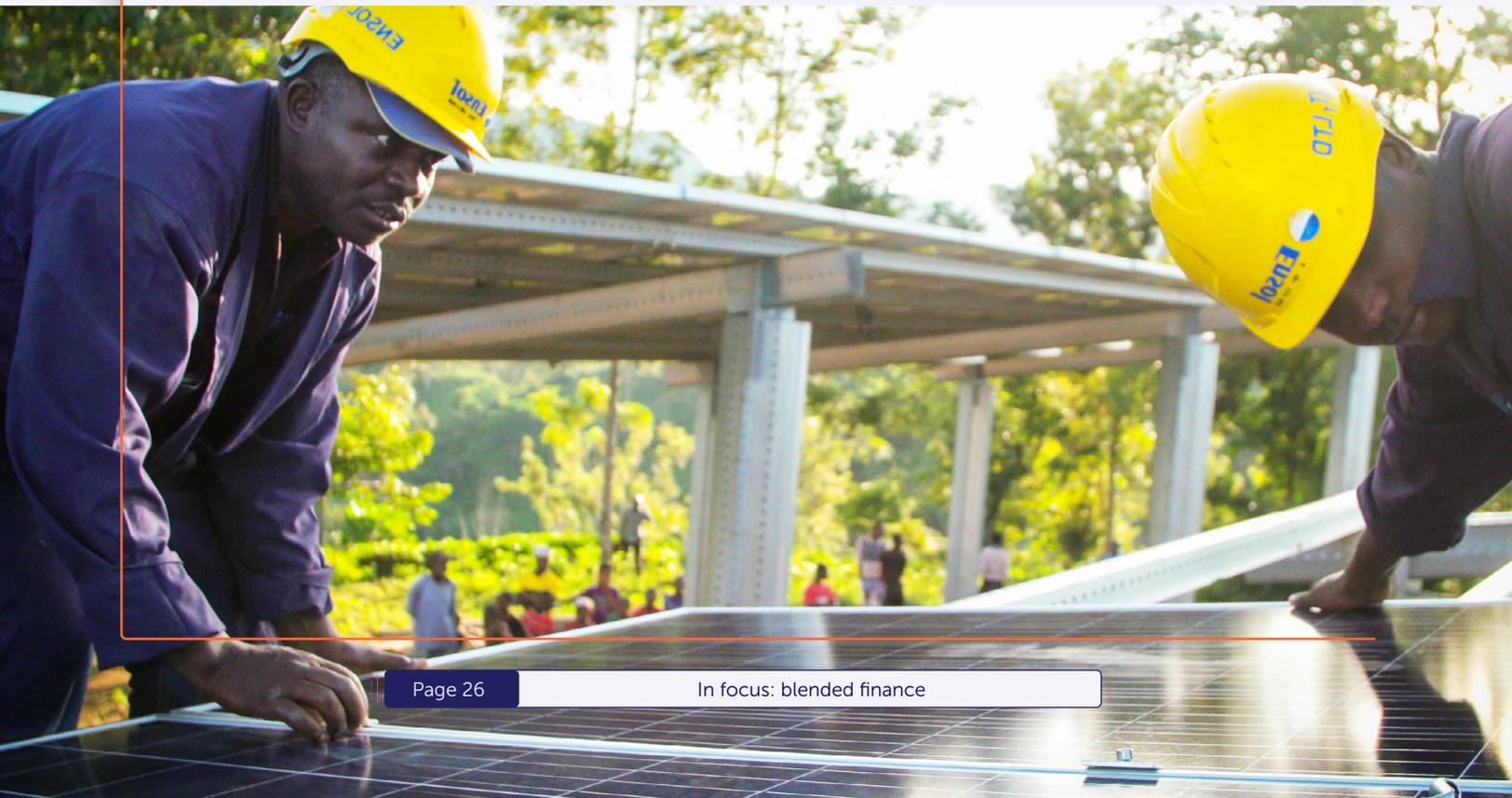
Impact

Catalysing Zimbabwe's first Renewable Energy Fund:

Unlocking \$50M for a just, green transition

The Zimbabwe Renewable Energy Fund (REF Zimbabwe), with support from the Joint SDG Fund and in collaboration with UNESCO, UNCDF, UNDP, and UN Women, is building a renewable energy market where none existed. With nearly half the population lacking electricity, UNCDF is catalysing investment in small-scale, off-grid solutions that traditional financiers overlook.

Through blended finance, REF Zimbabwe derisks early-stage ventures, supports local entrepreneurs, and enables energy access for health, education, and agriculture. This is how UNCDF operates—where others see risk, we see opportunity to build inclusive markets. REF Zimbabwe proves that even in fragmented environments, systemic change is possible.



Amplifying the impact of the United Nations System

“If an international financial institution makes loans but also provides guarantees, and those guarantees allow for mobilization of private finance at reasonable cost for developing countries, we can *multiply* the resources available for developing countries.”

— António Guterres, Secretary-General of the United Nations at the Informal Interactive Dialogue on the Implementation of the Pact for the Future General Assembly, 79th Session | 26 March 2025

The United Nations Capital Development Fund (UNCDF) helps ensure that the United Nations system delivers for those most in need, supporting inclusive economic growth and sustainable development that leaves no one behind. In today’s challenging financial landscape UNCDF offers solutions that expand the reach of development cooperation, such as guarantees and other instruments that help lower the cost of finance for developing countries.

Through its unique capital mandate, UNCDF supports Least Developed Countries as an early-stage provider of catalytic concessional first-loss capital to derisk investments and change the risk profile of early-stage markets in countries in special situations, creating the conditions for subsequent crowding in of private sector with scaled up financing.

As an autonomous organization proudly hosted by the United Nations Development Programme (UNDP), UNCDF works in close partnership with other United Nations entities, including UNDP, the United Nations Educational, Scientific and Cultural Organization (UNESCO), the United Nations Population Fund (UNFPA), the United Nations High Commissioner for Refugees

(UNHCR), the United Nations Children’s Fund (UNICEF), the United Nations Multi-Partner Trust Fund Office (MPTF Office), the United Nations Office for Project Services (UNOPS), the United Nations Trust Fund for Human Security, the United Nations Entity for Gender Equality and the Empowerment of Women (UN Women), the World Health Organization (WHO), the World Food Programme (WFP), the United Nations Office for Disaster Risk Reduction (UNDRR), and the United Nations Environment Programme (UNEP).

UNCDF mobilized \$128 million together with our UN partners, between 2022 and 2024, the first three years of its current Strategic Framework. In 2024 alone, UNCDF engaged in 22 joint initiatives with other United Nations partners and mobilized \$21 million from United Nations pooled funds and other United Nations entities.

UNCDF contributes to a more coherent and impactful international response. By complementing policy-level efforts with practical financial instruments, UNCDF helps ensure that investments align with national priorities and deliver tangible results for communities.



Impact

Derisking financing for the Blue Economy Guarantee in Papua New Guinea: \$1M for coral-positive businesses

In Papua New Guinea, the United Nations Capital Development Fund, the United Nations Development Programme, and the Global Fund for Coral Reefs (co-led by the United Nations Capital Development Fund, the United Nations Development Programme, and the United Nations Environment Programme) are launching the Blue Economy Portfolio Guarantee Facility to address key barriers to Blue Economy growth.

The United Nations Development Programme will establish the Blue Economy Enterprise Incubation Facility to accelerate sustainable livelihoods through grants and technical assistance.

The United Nations Capital Development Fund will develop a \$1 million portfolio guarantee with Mama Bank to derisk lending and expand affordable financing for high-potential but undercapitalized enterprises, prioritizing women-led micro, small and medium enterprises engaged in coral-positive activities such as sustainable aquaculture, marine ecotourism, and plastic recycling.





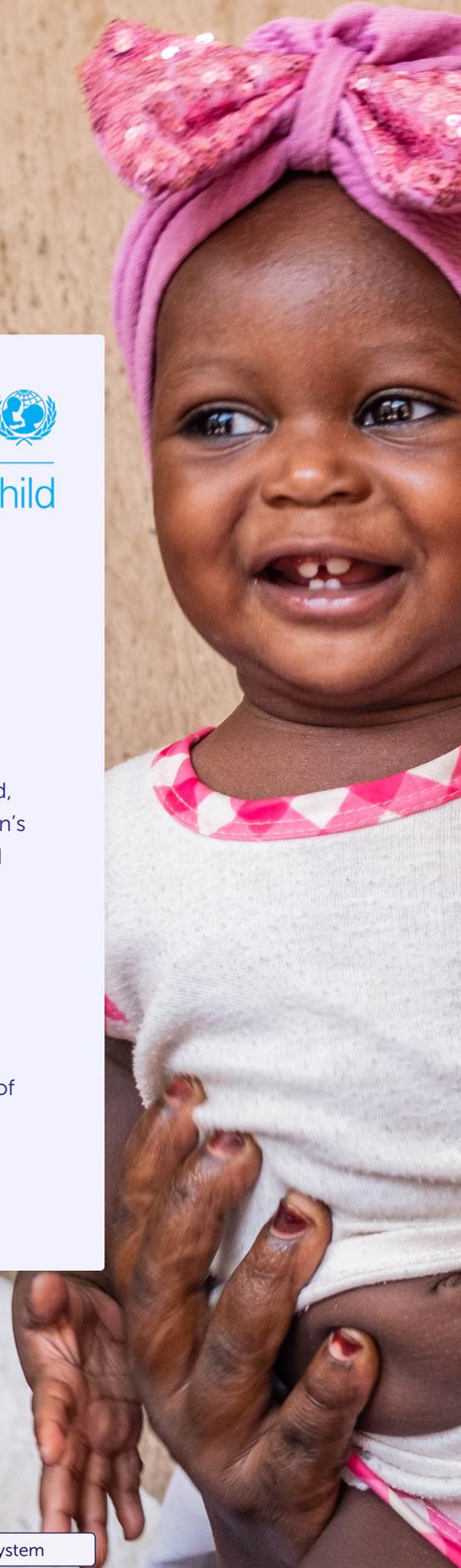


Impact

Building an ecosystem for private capital to finance national development priorities

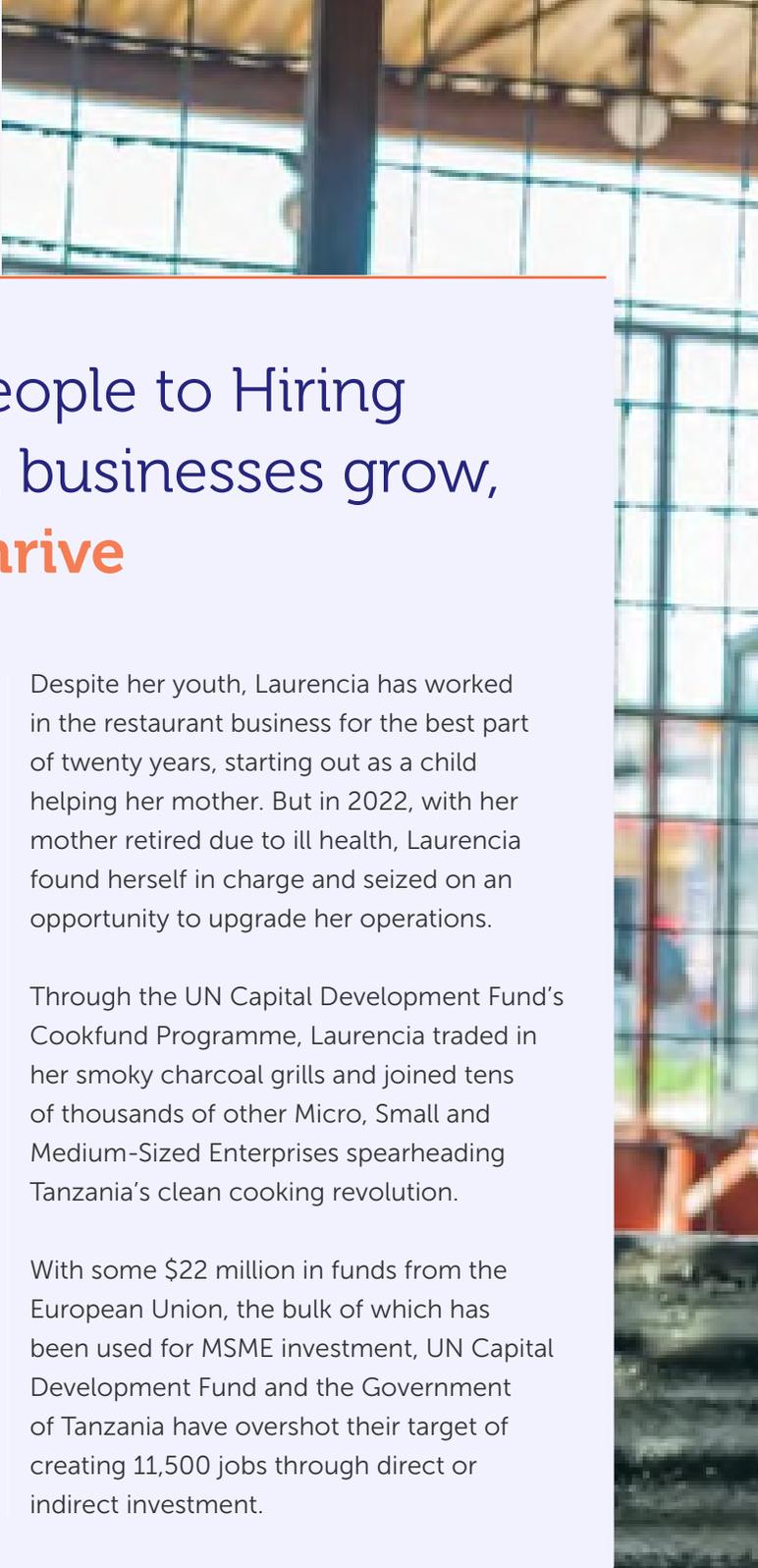
The United Nations Capital Development Fund, in partnership with the United Nations Children's Fund, under the Child Nutrition Fund, invested \$2.5M in Nigerian company Ariel Foods FZE.

UNCDF's concessional loan will target on-site installation of food processing equipment, unlocking opportunities for local smallholder farmers, reducing reliance on imports, and placing African-grown produce at the center of the fight against childhood malnutrition.





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From Nourishing People to Hiring People: when small businesses grow, **local economies thrive**

Laurencia Michael John, a 27-year-old businesswoman in Mwanza, Tanzania, notched up a 300% rise in her restaurant earnings and expanded her staff to seven after securing help to invest in cleaner and more efficient cookstoves with the UN Capital Development Fund.

As part of a nationwide clean cooking initiative, Laurencia purchased new gas stoves which she uses to cook favorite local dishes more quickly, efficiently and profitably. Laurencia can now serve more than twice as many meals and charge slightly more than competitors at her restaurant, 'Mama Lishe', which means 'Mama's nourishment'. The name is a nod to her commitment to good food and a play on the local Swahili name for the small 'Mama Ntilie' restaurants that keep city workers fueled with homestyle traditional staples.

Despite her youth, Laurencia has worked in the restaurant business for the best part of twenty years, starting out as a child helping her mother. But in 2022, with her mother retired due to ill health, Laurencia found herself in charge and seized on an opportunity to upgrade her operations.

Through the UN Capital Development Fund's Cookfund Programme, Laurencia traded in her smoky charcoal grills and joined tens of thousands of other Micro, Small and Medium-Sized Enterprises spearheading Tanzania's clean cooking revolution.

With some \$22 million in funds from the European Union, the bulk of which has been used for MSME investment, UN Capital Development Fund and the Government of Tanzania have overshot their target of creating 11,500 jobs through direct or indirect investment.

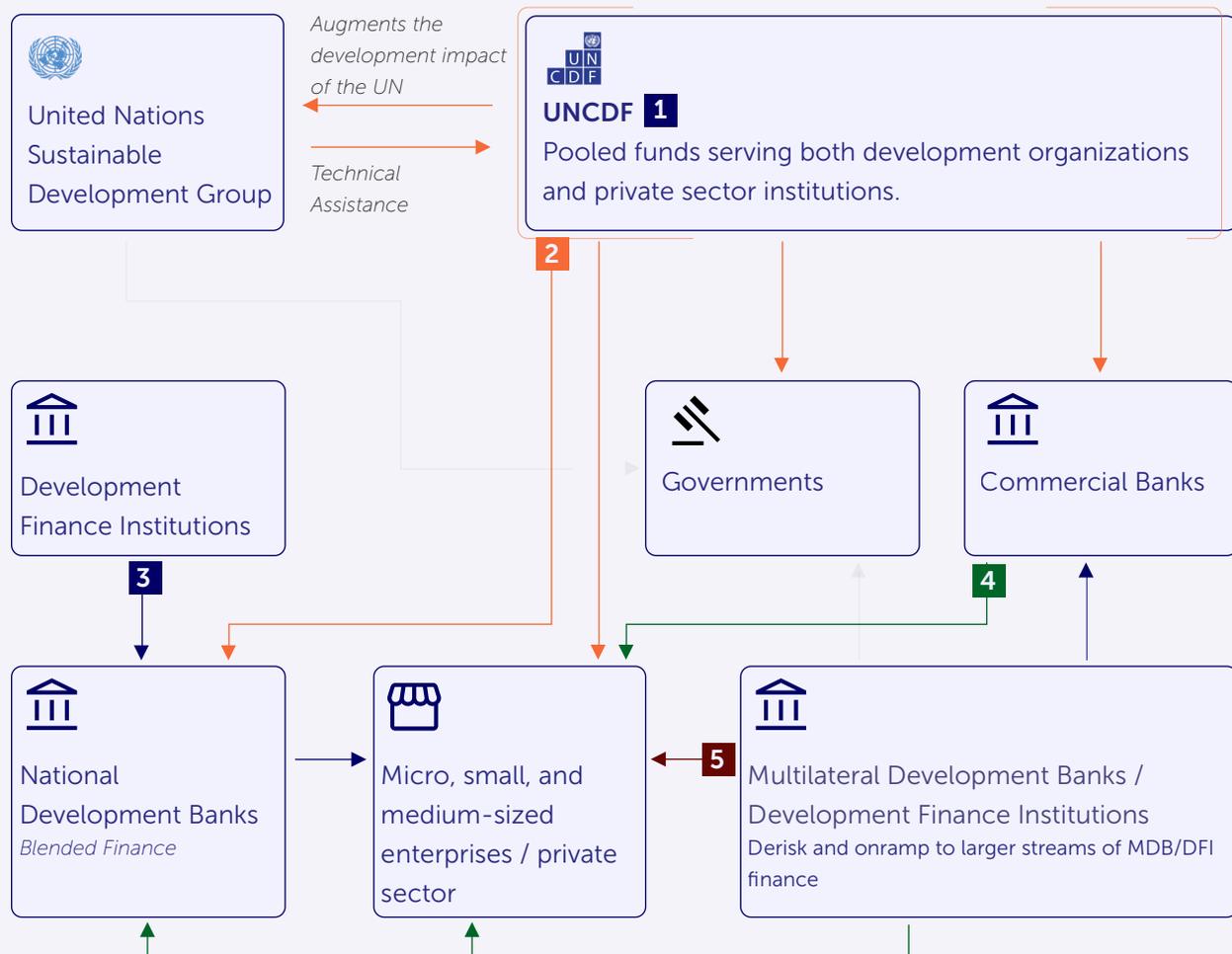


A woman with a joyful expression is cooking in a large, silver metal pot on a stove. She is wearing a purple headwrap and a purple apron over a black and white vertically striped long-sleeved shirt. She is holding a wooden spoon with a large portion of cooked, light-colored food, possibly rice or a similar grain, which is dripping with liquid. The background shows a large window with a grid pattern, suggesting an indoor setting with natural light. The overall scene is bright and positive.

While the support received by Laurencia was relatively modest, local businesses producing, importing and selling clean cooking solutions have received performance-based payments of up to \$150,000. A regional event is planned for 2025 that will bring together key players from the sector and explore opportunities for taking clean cooking to scale across the region.

What's next?

Becoming the **Global Blended Concessional Finance Hub**

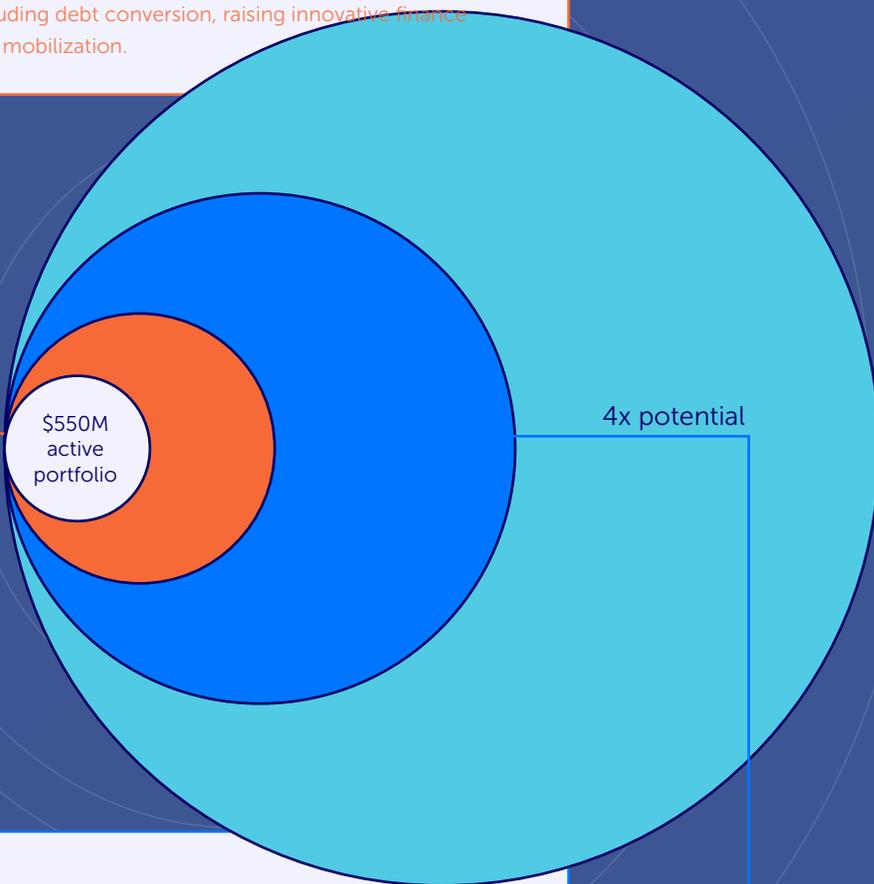


This diagram illustrates how the United Nations Capital Development Fund mobilizes finance for development. By pooling donor funds **1**, the United Nations Capital Development Fund provides guarantees, performance-based payments and technical assistance **2** to national development banks and development finance institutions **3**. This support enables local companies and projects to access blended finance **4**, which derisks investments and attracts private capital from commercial banks and multilateral development banks /development finance institutions **5**, ultimately enhancing the United Nations' development impact.

\$1 billion

Guarantee Facility for Least Developed Countries, Small Island Development States and Fragile Settings

- 1st Loss or pari-passu coverage.
- Additional to other guarantors in the market (e.g. complement to the Multilateral Investment Guarantee Agency), going further in the risk spectrum.
- Incorporate lessons learnt from rating agencies on efficient credit rating enhancement structures.
- Deployed for specific purposes including debt conversion, raising innovative finance at subnational level, capital markets mobilization.



\$2 billion

Catalytic Financing Facility for Private Sector in Least Developed Countries, Small Island Development States and Fragile Countries

- \$500K to \$5 m average ticket sizes – targeting missing middle finance.
- Rapid deployment in under 5-6 months.
- Targeting average leverage factor of a minimum of 3 - 5x.
- Dedicated to Least Developed Countries, Small Island Development States and Fragile Countries, to augment other sources of funds that are larger and take longer to unlock.

Meet our partners

UNCDF blends finance from Member States, private sector players, and UN agencies to mobilize capital and catalyse investment at the last mile.

Our partners represent a diverse community of supporters who enable the United Nations Capital Development Fund to deliver catalytic finance where it is needed most. The list reflects the scale of financial commitments made to support the United Nations Capital Development Fund's work, spanning philanthropic foundations, private sector actors, United Nations agencies, and Member States committed to advancing sustainable development in frontier markets.

Member States



Other Institutional Partners



Private Sector Impact Investors



Foundations and Non-Profit Organizations



United Nations System



Meet the UNCDF leadership team



Pradeep Kurukulasuriya
(Sri Lanka)
Executive Secretary



Srilata Kammila
(Canada)
Chief Investment Officer



Karen Vardanyan
(Armenia)
Chief Financial Officer



Astrid Couzian
(France)
Chief Operations Officer



Maria Perdomo
(Colombia)
Regional Investment Team
Lead for Asia and the Pacific



Omon Ukpoma-Olaiya
(Nigeria)
Regional Investment Team
Lead for East and Southern
Africa and the Arab States



Laura Munoz Perez
(Spain)
Regional Investment Team
Lead for West and Central
Africa and the Caribbean



Kenji Shundo
(Japan)
Chief Risk Manager



Xiang Yu
(China)
Corporate Finance
Services Advisor



Mohammad Abbadi
(Jordan)
Structuring and Financial
Instruments Advisor



Fabrizio Cometto
(France)
Investment Services Advisor

UNCDF Executive Secretary reports to UNDP Administrator/UNCDF Managing Director.



Anders Berlin
(Sweden)
Strategic Funds
Advisor



Marjolaine Côté
(Canada)
External Relations
Advisor



Ryno Byleveldt
(South Africa)
Investment Portfolio
Management Advisor



Mattias Granqvist
(Sweden)
Structuring and
Guarantee Advisor



Erika Antoine-Souklaye
(France)
Strategic
Communications Advisor



**Pierre Pascal Bardoux-
Chesneau**
(France)
Director of the Global Fund
for Coral Reefs

Investing in frontier markets for tomorrow

About the **United Nations Capital Development Fund**

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 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 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 way for commercial finance and development finance institutions.

For more information, please contact:
executive.secretary@uncdf.org

Member of



United Nations
Capital Development Fund