

UNCDF Resource Mobilization Strategy & Action Plan 2024-2025

1. Introduction

The United Nations Capital Development Fund (UNCDF) serves as the United Nations' flagship catalytic financing platform, designed to crowd-in the public-private finance needed to scale development impact where needs are the most acute and constraints to private investment are the most pervasive, particularly in Least Developed Countries (LDCs). By leveraging a combination of concessional financing instruments, advisory services, and technical assistance, UNCDF is strategically positioned in the UN Development System (UNDS) – and complementary to UNDP – to catalyze public and private investment at the speed, agility, and scale needed to achieve the Sustainable Development Goals (SDGs) and realize the Doha Programme of Action for the Least Developed Countries, 2022–2031.

To effectively fulfill its mandate and respond to the increasing demands from LDCs and the UNDS for UNCDF's specialized expertise, robust resource mobilization is not only a financial necessity but a strategic imperative for maximizing development results and impact in a repositioned UNDS. Therefore, this resource mobilization strategy briefly outlines how UNCDF will secure sustainable financing, with a priority focus on attracting the flexible and predictable funding needed to deliver impact efficiently and coherently. This strategy defines UNCDF's structured approach to resource mobilization through four pillars:

1. Increasing core funding:

- Expand and strengthen relationships with existing core donors in order to increase the volume of resources and the share of multi-year contributions
- Link business case for core funding with development impact in country to secure and expand core partner base

2. Driving capital growth through a dynamic trust fund:

- Position the Trust Fund as UNCDF's vehicle to pool and revolve public-private capital through more centralized and flexible means

3. Anchoring earmarked funding to flagship initiatives

- Consolidate fragmented country portfolios into fewer regional/thematic strategic portfolios by mainstreaming a project-to-portfolio approach
- Amplify regional/thematic flagships to promote efficiencies and enhance economies of scale

This strategy provides an overall vision and direction to operationalize UNCDF's resource mobilization efforts until the end of its current Strategic Framework period (2022-2025) and establish a strong base of resources that will propel growth in 2026. The strategy is for UNCDF and UNDP management, as well as UNCDF staff, to inform engagement with partners and open the path for sustained growth of the organization.

2. Resource Mobilization Pillars

Each of the resource mobilization pillars and their indicative actions are described below, followed by their respective targets, strategies, and KPIs in Section 4.

2.1 Increasing Core Funding

Core contributions have remained the most flexible and impactful investment modality of the UNDS. The continued shift from flexible to earmarked contributions threatens UNCDF's ability to deliver impact, catalyze financing, and maintain global operations. This has been reiterated in the 2023 audit and mid-term evaluation of the Strategic Framework, which emphasizes that a reduction in core funding has impaired governance, oversight, evaluation, and administrative support. The lack of core funding has also hampered UNCDF's ability to maintain quality-control functions and sustain shared services, such as operations, communications, and evaluation. **This underscores the urgent need to reinforce advocacy efforts to convince donors of the value of core funding, ensuring sustained support for UNCDF's mission-critical activities.**

Current resource mobilization efforts will focus on increasing core funding. To do so, UNCDF will expand and strengthen relationships with existing core donors in order to increase the volume of resources and the share of multi-year contributions. UNCDF will also initiate efforts to diversify the core donor base to include non-OECD DAC, such as Gulf Cooperation Council countries and Asian and Latin American countries.

Leading up to the next strategic framework period, UNCDF's approach to increasing core funding will focus on navigating and addressing key barriers in order to effectively enhance engagement with prioritized DAC countries and initiate engagement with non-OECD DAC.

2.2 Driving capital growth through a dynamic trust fund

Tightly earmarked contributions continue to dominate the composition of UNCDF funding and that of the UNDS at large. Taking into consideration the increasing preference of funding partners for thematic and geographic earmarking, UNCDF will seize the opportunity to take a more strategic approach to mobilize flexible resources to fund strategic areas of work. While regular resources continue to be the most flexible and impactful funding modality, UNCDF will engage with partners to increase flexible and minimally earmarked thematic funding to its Trust Fund.

The trust fund modality is designed for aggregating pooled, flexible funding through which partners can support blended finance investment activities at country level to achieve the SDGs. The current Trust Fund was established in 2016 and mobilized more than \$65 million over nine years. It receives contributions in support of broad themes or earmarked toward specific themes, projects, or geographies.

A realignment of UNCDF around its core mandate as a blended finance investment fund is an opportunity to also renew the UNCDF trust fund as its most flexible deployment instrument, building on established donor relationships and lessons learned from the past nine years.

2.3 Anchoring earmarked funding to flagship initiatives

Currently, UNCDF's funding base is highly fragmented – managing a multitude of projects characterized by small ticket-sizes (between \$250k and \$1M) and an inability to attract follow-on financing.

Fragmentation has increased transaction costs and administrative burdens, as each project requires its own approval process, along with separate monitoring, reporting, and evaluation functions. This not only diverts resources away from implementation –especially given the target to increase resources allocated toward tangible investments vs TA support– but impedes the scalability and effectiveness of UNCDF interventions in-country.

Governments in low-income countries and LDCs are confronted with increasing aid channels, whereby support for development interventions is dispersed amongst small transactions – and often loosely coordinated projects that are difficult to scale up and which circumvent the very governments that could sustain them. While UNCDF's resource mobilization efforts have and will continue to take place at the country/regional level, better focus and more coordination is needed to reduce fragmentation and ensure that programmes can more effectively enable economies of scale in beneficiary countries.

A focus will be to co-create new initiatives with UNCDF's sister agencies and bring existing initiatives together under cohesive regional and/or thematic portfolios, thereby expanding reach and engagement of those initiatives and positioning UNCDF as a convening power for catalytic finance programmes.

3. Emphasis on expanding UNCDF's coalition of public and private sector partners

Finally, to deliver on the mandate of UNCDF and achieve maximum impact in-country, **UNCDF aims to accelerate revenue growth and leverage influence through diverse partnerships with public-private stakeholders by the end of 2025.**

To effectively mobilize these resources and leverage the networks and credibility of global advocates, UNCDF will focus on building a more close-knit coalition of public and private sector partners. The UNCDF coalition will include member states (donor and beneficiary states), UN agencies, private philanthropies, financial institutions and impact investors, dedicated to crowding-in and catalyzing capital to 'bridge the gap' in development finance for countries who are otherwise left behind by capital markets.

This strategy prioritizes engagement with five categories of partners: (i) OECD-DAC, EU & Non-DAC Donors (traditional and non-traditional bilateral donors), (ii) Beneficiary Member States, especially Least Developed Countries, (iii) UN Inter-Agency and Pooled Funds, (iv) Public and Private Sector Financiers, and (v) Private Sector Foundations and Philanthropies. These partnerships are prioritized based on their ability to:

1. **Invest** in UNCDF's value proposition to support countries to finance and mobilize public and private capital for the achievement of the SDGs;
2. **Crowd-in** additional public and private finance to development solutions that UNCDF is working to facilitate on behalf, and in support, of Governments;
3. **Amplify** UNCDF's development impact and in doing so accelerate achievement of the SDGs

4. Resource Mobilization Targets, Actions & KPIs

Key Targets	Strategies to Achieve Key Targets	Key Performance Indicators
Goal #1: Increase Core Funding		
<ul style="list-style-type: none"> By 2025, core contributions to UNCDF are stabilized 	<ul style="list-style-type: none"> Develop a clear narrative and messaging for pitching core to current and potential core donors Maintain transparency and bolster engagement with global, regional, and country-level management to work towards a common goal of stabilizing core funding Develop UNCDF’s unique business case for core & improve reporting metrics for core funding Provide increased visibility to current core donors on use of funds in-country Explore the usefulness of holding EB sub-sessions dedicated to UNCDF and/or including specific agenda items on UNCDF in the current UNDP session Explore planning joint donor roadshows with UNDP to capitals of donor member states 	<ul style="list-style-type: none"> # of new core donors to UNCDF # of current core donors increasing core funding allocation # of current core donors maintaining core funding allocation # of communications, advocacy, and core donor visibility moments¹
Goal #2: Drive capital growth through a dynamic trust fund		
<ul style="list-style-type: none"> By 2025, UNCDF’s innovative development financing vehicle – the Trust Fund -- is developed, strengthened, and deployed 	<ul style="list-style-type: none"> Finalize governance documentation Map the financial ecosystem and added value of UNCDF (vis-à-vis UN organizations and DFIs, IFIs, etc.) Structure the trust fund’s pitch Enhance operational efficiency by streamlining internal processes Explore partnerships with key financial institutions that can provide distribution channels or enhance in-country market penetration 	<ul style="list-style-type: none"> % of total resources received through the Trust Fund that are unearmarked \$ total returns generated by the trust fund
Goal #3: Anchor earmarked funding to flagship initiatives		
<ul style="list-style-type: none"> By 2025, implement a project-to-portfolio approach focused on 4-6 flagship initiatives 	<ul style="list-style-type: none"> Conduct thorough scoping of UNCDF’s project pipeline to identify flagships Consult with UNDP COs for service offering & opportunities for collaboration in portfolio building 	<ul style="list-style-type: none"> \$ value of cumulative earmarked contributions % of earmarked funding channeled to flagship initiatives

¹ Visibility moments include events, roundtables, networking mixers, webinars, media engagements, etc.

- Develop a portfolio approach for pooling fragmented projects (>\$0.5m and <\$3m) at the regional and thematic level
- Accelerate networking at country-level

Goal #4: Expand UNCDF's coalition of public and private sector partners

- **By 2025, strengthen UNCDF's coalition of public-private partners through strategic partnerships with:**
 - **OECD-DAC & Non-DAC**
 - **Beneficiary member states**
 - **Public & private financiers**
 - **UN inter-organizational arrangements**
 - **Private foundations & philanthropies**
- Formalize partnerships with UNDS
- Prospect and grow public-private partnerships
- Enhance collaboration with multi-stakeholder partnerships (MSPs), DFIs, MDBs & IFIs at global events and forums to leverage reach and influence for UNCDF
- Consolidate & expand partnerships with key foundations and philanthropies
- Ensure consistent and targeted partner visibility and recognition through informal and formal communication channels
- \$ value of cumulative contributions from OECD-DAC, EU, Non-DAC
- \$ value of cumulative contributions from foundations & philanthropies
- % of UNCDF non-core resources received from inter-agency pooled funds
- # of collaborations with private entities, initiatives, networks, etc.

The strategy will be revisited and updated annually to ensure it remains relevant and effective in achieving our goals. This regular review process will allow us to adapt to any changes in the external environment and incorporate new insights and feedback.