



Unlocking Public and Private  
Finance for the Poor

# MAKING FINANCE WORK FOR THE POOR

Supporting SDG  
Achievement in  
the Last Mile

ANNUAL REPORT

# 2019





# Making Finance Work for the Poor: Supporting SDG Achievement in the Last Mile

## 2019 Annual Report

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# Table of Contents

<b>UNCDF At a Glance</b>	<b>4</b>
<b>Foreword</b>	<b>7</b>
<b>Where Did We Work</b>	<b>10</b>
<b>Least Developed Countries and the Changing Development Context</b>	<b>12</b>
<b>Leveraging the Digital Finance Revolution:</b> Financial Inclusion Practice Area (FIPA)	<b>14</b>
<b>Strengthening Localization of Development:</b> Local Development Finance Practice (LDFP)	<b>20</b>
<b>Catalyzing Investment Finance:</b> Least Developed Country Investment Platform (LDC-IP)	<b>26</b>
<b>How We Did it</b>	<b>30</b>
<b>What Did We Learn?</b>	<b>36</b>
<b>UNCDF's Response to COVID-19</b>	<b>38</b>
<b>Looking Ahead:</b> Delivering Meaningful Scale to Spur Transformation	<b>40</b>



# UNCDF at a Glance

The United Nations Capital Development Fund (UNCDF) makes public and private finance work for the poor in the world's 47 least developed countries.

With its capital mandate and instruments, UNCDF offers "last mile" finance models that unlock public and private resources, especially at the domestic level, to reduce poverty and support local economic development.

UNCDF's financing models work through three channels: **(1) inclusive digital finance and economies**, which connect individuals, households, and small businesses with financial eco-systems that catalyze participation in the local economy, and provide tools to climb out of poverty and manage financial lives; **(2) local development finance**, which capacitates localities through fiscal decentralization, innovative municipal finance, and structured project finance to drive local economic expansion and sustainable development; and **(3) investment finance**, which provides catalytic financial

structuring, de-risking, and capital deployment to small businesses and investable projects that drive SDG impact and domestic resource mobilization.

By strengthening how finance works for poor people at the household, small enterprise, and local infrastructure levels, UNCDF contributes to **SDG 1 on eradicating poverty**, with a focus on reaching the last mile and addressing exclusion and inequalities of access. At the same time, UNCDF deploys its capital finance mandate in line with **SDG 17 on the means of implementation**, to unlock public and private finance for the poor at the local level. By identifying those market segments where innovative financing models can have transformational impact in helping to reach the last mile, UNCDF contributes to SDGs 5, 7, 8, 9, 10, 11, 13 and 28 of 169 targets.







## Foreword

**As we enter the Decade of Action, achieving the Sustainable Development Goals (SDGs) requires accelerating transformational change, driven by innovation, risk-taking, and partnerships.**

Modeling financial pathways that are inclusive of last mile communities will be a key ingredient to enable such change and ensure no one is left behind.

Accelerating SDG action has become even more urgent in the context of the COVID-19 crisis, which is reinforcing existing challenges and posing particularly grave risks to poor and vulnerable communities in the least developed countries (LDCs), including women, youth, informal workers, migrants, and smallholder farmers. The pandemic's unprecedented impacts increase the risk that vulnerable communities in LDCs will be left behind.

The crisis highlights the critical role to be played by a range of financing solutions, including Official Development Assistance to leverage other forms of capital. Rapid international collective action to scale up the deployment of innovative financing approaches that create new pathways to reach last mile communities in LDCs will be critical to supporting resilient and sustainable local economic development.

The current international financial architecture does not favor local economic investment in LDCs, so UNCDF works to tackle this challenge. Committed to market development approaches that can transform how public and private finance flows to the last mile, UNCDF creates demonstration effects and viable models that crowd in other actors, and can be replicated and brought to scale.

The results we achieved in 2019 contributed to i) develop markets for inclusive digital finance and economy solutions that reach the poor; ii) build ecosystems and provide catalytic finance to support small SDG positive businesses; and iii) create transformative change that enables local governments to access capital to build stable, dynamic, and resilient local economies.

The COVID-19 crisis has highlighted the valuable roles to be played by digital solutions, sub-national finance, and small business finance to support communities through the worst of the crisis and to emerge with strong foundations for recovery.

As we look ahead to 2021, when we will develop our next Strategic Framework and accompany the process to define the Fifth UN Conference on the LDCs, we reaffirm our commitment to support accelerated SDG action in the LDCs to assure that the next decade of action is more resilient to future shocks, more sustainable, and more inclusive of the last mile.

We thank our many public and private sector partners, notably our LDC government partners and donors who co-create innovation with us, take risks with us, and recommit with each initiative to the goal of leaving no one behind.

**JUDITH KARL**  
Executive Secretary



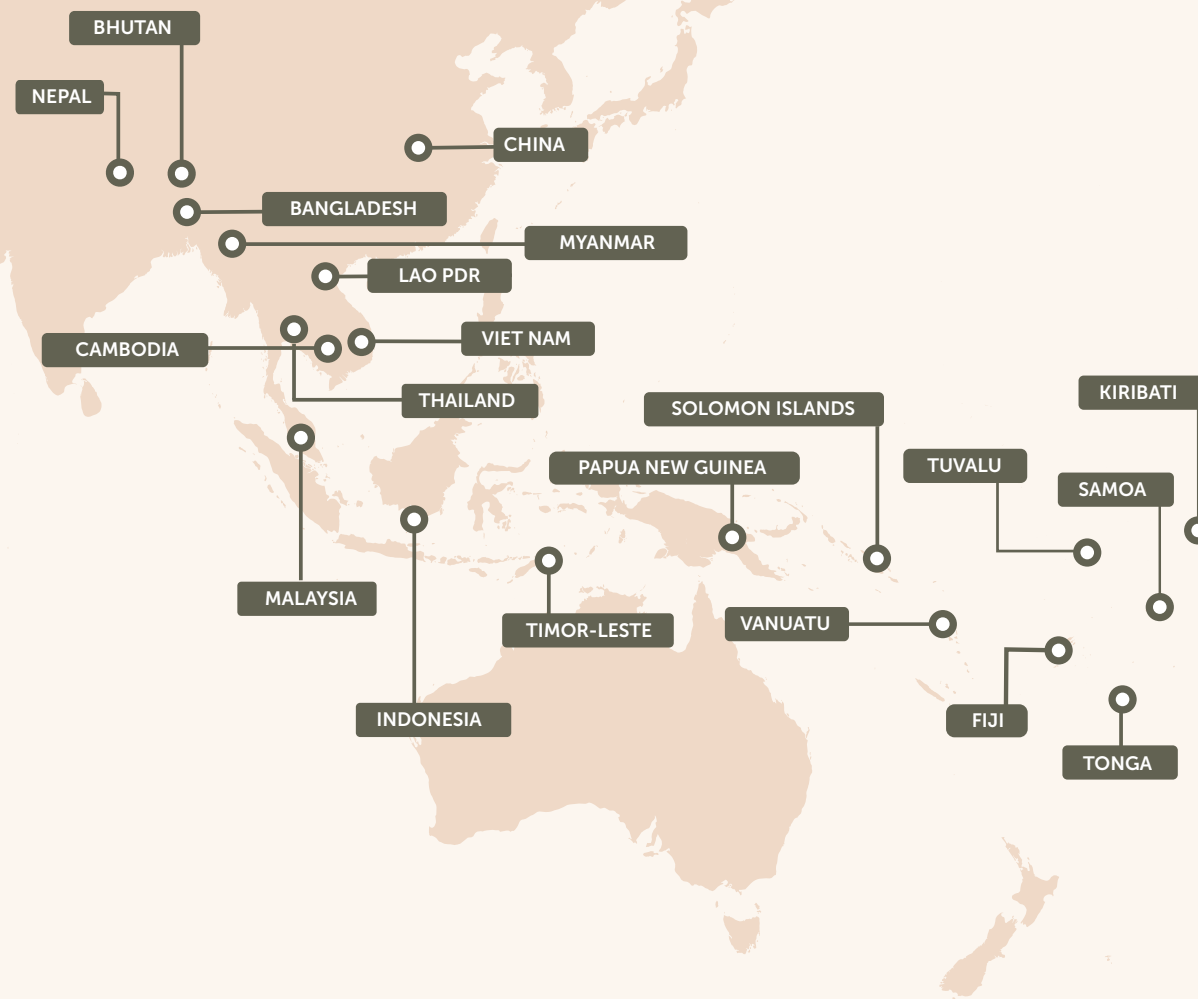
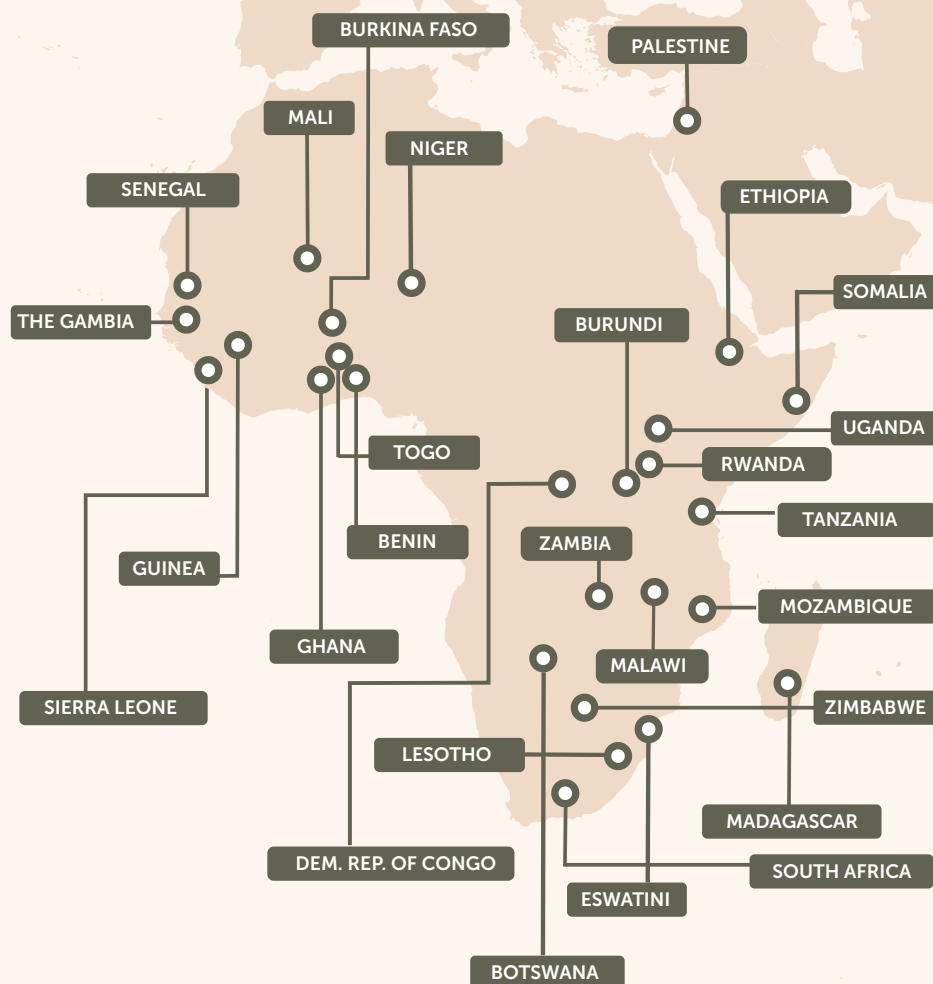
As we enter the Decade of Action, achieving the Sustainable Development Goals (SDGs) requires accelerating transformational change, driven by innovation, risk-taking, and partnerships. Modeling financial pathways that are inclusive of last mile communities will be a key ingredient to enable such change and ensure no one is left behind.

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**JUDITH KARL**  
Executive Secretary







## BUSINESS MODEL

# Where Did We Work

**1. INNOVATION:** UNCDF identifies problems that need to be solved in the last mile of LDCs and creates programs and initiatives to solve them. UNCDF invites collaboration with public and private sector actors to co-create solutions and test them in base-of-the-pyramid areas and sectors.

**2. CONSOLIDATION:** UNCDF consolidates the lessons learned from the innovation stage and works with government and private

sector partners to embed them in local institutions, policies, and systems.

**3. SCALE-UP:** UNCDF and its partners work with national and international funding partners to expand successful initiatives. This may involve replication across institutions, localities, and/or countries.

## LOCAL DEVELOPMENT FINANCE

Bangladesh	Nepal
Benin	Niger
Bhutan	Palestine
Burkina Faso	Senegal
Burundi	Somalia
Cambodia	South Africa
Ethiopia	Tanzania
Ghana	Tuvalu
The Gambia	Uganda
Guinea	Zambia
Lao PDR	Zimbabwe
Lesotho	
Mali	
Mozambique	

## INCLUSIVE DIGITAL ECONOMIES

Bangladesh	Lesotho	Timor-Leste
Benin	Madagascar	Tanzania
Botswana	Malawi	Togo
Burkina Faso	Malaysia	Tonga
Cambodia	Myanmar	Uganda
China	Nepal	Vanuatu
DR Congo	Niger	Viet Nam
Ethiopia	Papua New Guinea	Zambia
Fiji	Samoa	Zimbabwe
The Gambia	Senegal	
Guinea	Sierra Leone	
Indonesia	Solomon Islands	
Kiribati	Eswatini	
Lao PDR	South Africa	

## INVESTMENT FINANCE

Myanmar
Tanzania
Uganda
Papua New Guinea



## Least Developed Countries and the Changing Development Context

When the United Nations launched the “Decade of Action” to achieve the Sustainable Development Goals (SDGs) in January 2020, the message was clear: delivering sufficient and well-targeted financing to achieve the SDGs by 2030 would be the critical priority over the next 10 years. This includes ensuring that finance will flow to the areas with the greatest development needs, notably the least developed countries (LDCs).

While progress in implementing the 2030 Agenda has been uneven over the past five years, a number of shifts in the development landscape bring important opportunities for LDCs.

- **The digital finance revolution** is profoundly impacting the global economy and transforming LDC societies. The number of registered global mobile money accounts surpassed 1 billion in 2019, with 469 million such accounts in sub-Saharan Africa alone. The digital revolution helps drive increased access to financial services and is changing how poor people save, receive social payments and remittances, and buy products and services. It is also changing how micro, small and medium sized enterprises (MSMEs) can access financing to grow their businesses and deliver services and SDG solutions more efficiently. With only one in six people connected to the internet in LDCs, significant investment and support will be needed to fully tap these digital opportunities and make sure LDCs are not left behind.
- **The growing realization that local government action is essential to achieve a majority of the SDGs.** With often dramatic economic and social differences between capital cities, secondary cities and rural areas within a given country, development requires local approaches.

Local development policies, fiscal decentralization and targeted local investments are key to tackle specific local challenges to reduce inequalities and accelerate sustainable development. To further unlock the powerful role of local governments requires strengthening capacities and defining more effective channels for public and private development finance to flow to the local level.

- **The importance of the private sector in driving SDG innovations and inclusive growth.** SMEs create the majority of jobs in LDCs and they increasingly recognize the business opportunities and benefits from investing in sustainable business approaches. Fully unleashing the development potential of the local private sector in LDCs will require dramatically improving access to investment capital needed to grow small businesses, as existing domestic and international financial institutions and investors often view them as too small and risky and are not set up to service them.

The COVID-19 pandemic is now causing significant socio-economic hardships for LDCs, in particular for vulnerable population groups, and the crisis risks halting or even reversing any progress made on the SDGs. At the same time, the crisis has demonstrated the critical roles digital solutions, local government finance and SME finance play in mitigating and responding to its impacts. Accelerating investments and support in these areas will be important components of LDCs’ response, recovery and longer term development plans.





# Leveraging the Digital Finance Revolution: Financial Inclusion Practice area

Meaningful digital financial inclusion must provide opportunities for low-income accountholders to engage in the economy to meet their daily needs and improve their skills, productivity and marketability in the digital-economy age.

By building inclusive digital economies through a market development approach, UNCDF supports last mile communities to use digital services in ways that contribute to accelerating achievement of the SDGs.

In 2019 UNCDF launched its new strategy, “**Leaving No One Behind in the Digital Era**,” which builds on its deep experience in promoting financial inclusion and helping to connect 18 million people to the financial ecosystem over recent years. The strategy focuses on accelerating the development of digital economies that are inclusive, contribute to green growth, and bring long-term benefits for last mile populations, by working with governments, the private sector, communities and academia. “Leaving No One Behind in the Digital Era” focuses on communities that are often marginalized—namely **women, youth, migrants, refugees and MSMEs**.

FIGURE ONE

The approach is organized in four workstreams, which constitute the strategy for achieving this goal. The key strategic instruments comprise the tools that UNCDF employs across the workstreams.



UNCDF served 3 million unbanked and underbanked clients with financial services in 2019, **supporting the mobilization of an estimated \$237 million in savings, as well as deployment of \$3.3 billion in digital payment transactions.** Among the 3 million clients, **2.3 million were reached using digital financial products and services.**

**At the policy level,** UNCDF supported governments and regulators in tackling the complex challenges of managing digital transitions, with the goal of creating inclusive, sustainable digital economies. UNCDF launched its **Africa Policy Accelerator** initiative in 2019 to improve the capacities of African financial regulators to promote financial innovations, as well as to remove barriers to digital financial services and enable them to reach unbanked and underbanked populations.

UNCDF also supported governments across Sub-Saharan Africa and the Asia-Pacific in designing national road maps for financial inclusion and in implementing policy solutions to leverage financial services that advance the SDGs.

**Inclusive finance for clean energy:** UNCDF continued to expand its work to demonstrate how decentralized energy solutions can be both financially viable and effective in reaching customers in last mile LDC markets. UNCDF’s approach complements a traditional focus on grid expansion and connectivity by providing support and finance for companies delivering decentralized clean energy solutions that replace polluting energy sources and combat deforestation.



## Inclusive Digital Economies

**3M** → total unbanked and underbanked clients served with financial services

 **2.3 MILLION**  
Clients served using digital payments

**342,000**

Clean energy products sold

**6M**

People benefited from clean energy products



**62%**

of piloted products were digital

**37**  
**COUNTRIES**

implementing or arranging financial inclusion initiatives with UNCDF support

**72**  
**MEMBERS**

BETTER THAN CASH ALLIANCE



**AFRICA**

Launched the Africa Policy Accelerator to support inclusive digital financial regulations

**PACIFIC**

Supported microbank in Papua New Guinea to use biometric ID to open and access digital savings accounts





## IN FOCUS: Empowering Women, Youth, Farmers and Migrants in the Last Mile

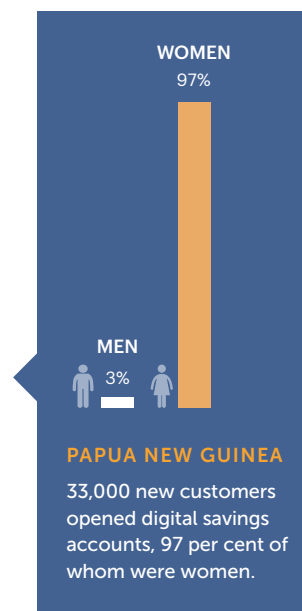
The digital divide remains a key challenge to ensuring that no one is left behind. This is why UNCDF works to equip traditionally unbanked and underbanked populations to use digital services and promotes the development of tailored services that meet the needs of women, youth and rural populations. UNCDF supports financial service providers, mobile network operators and fintech firms in piloting and scaling digital financing solutions in **support of the real economy** in LDCs.

In **Papua New Guinea**, UNCDF supported Women's Microbank Limited (WMBL) to use biometric identification to open digital savings accounts, which allowed customers lacking formal ID and living in financially underserved areas to access financial services. The savings service enrolled 33,000 new customers in 2019, 97 per cent of whom were women.

UNCDF also supported youth financial inclusion combined with employment opportunities in **five countries in West Africa** (The Gambia, Guinea, Niger, Senegal and Ghana). Since 2018, UNCDF has contributed to a net increase of almost 124,000 clients served by its partners, of whom 45 per cent are women and 40 per cent are youth.

UNCDF also worked with a variety of partners to offer digital solutions to smallholder farmers. In **Nepal**, UNCDF partnered with Prabhu Management on digitizing payments in the dairy value chain and Prabhu Bank to create a digital credit product for rural and farmer clients. In **Uganda**, UNCDF worked with Mobipay and Yo Uganda to digitize agriculture value chains, resulting in over 120,000 farmers actively using mobile money.

**International remittance flows** is another area where digital financing has wide-reaching implications for low-income migrants and their families. In 2019, UNCDF supported an innovation using blockchain technology to link remittances sent by Nepali migrants to digital savings and credit products, helping migrants and their families generate more income. Drawing on this experience, UNCDF is scaling up in 2020 with a new programme to provide low-cost digital remittance services and remittance-linked financial products, with the goal of reaching at least 900,000 migrants and their families by 2023.



### UGANDA

# 120K

Number of farmers actively using mobile money in Uganda





# Strengthening Localization of Development: Local Development Finance practice (LDFP)

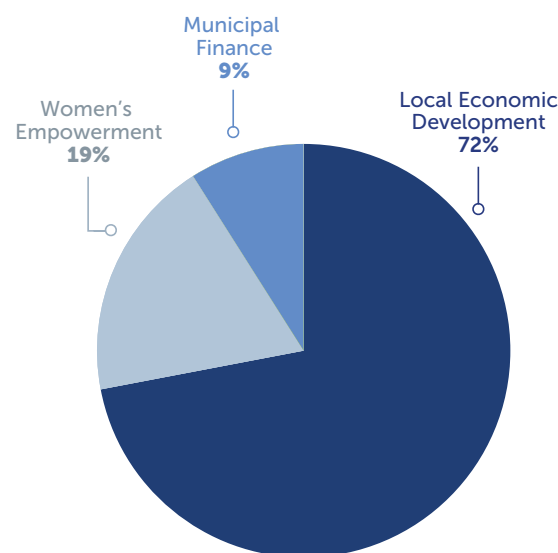
Achieving the SDGs requires local approaches. With 33% of LDC populations now living in urban areas, cities, local authorities and communities have a critical role to play in implementing the SDGs. However, local authorities continue to face challenges in mobilizing finance for development.

UNCDF leverages its experience in fiscal decentralization and local development finance to expand access to capital for cities and local governments to invest in climate adaptation, women's economic empowerment, food security, health, and local economic development.

UNCDF's Local Development Finance Practice (LDFP) serves as a centre of excellence for local development finance in LDCs, promoting the transformative role of subnational governments to finance the SDGs. In 2019, UNCDF engaged with **443 local governments** in **22 LDCs** and carried out **363 local investment projects**.

LDFP supports the engagement of public and private actors to invest in strategic local development projects that conform with its **dual key system**—a multi-factor assessment that enables UNCDF to consider both the potential development impact and the financial impact (sustainability and follow-on investment capital) of a given localized investment. In 2019, UNCDF's innovative dual key system was recognized with an honourable mention by the International Finance Corporation (IFC) for "Product Innovation of the Year."

**FIGURE TWO**  
DUAL KEY INVESTMENTS BY THEME  
(THEMATIC BREAKDOWN OF PROJECTS  
PROCESSED THROUGH DUAL KEY AS OF 2019)



To advance **climate resilience** at the local level, UNCDF's Local Climate Adaptive Living Facility (LoCAL) provides a standard country-based mechanism designed to effectively deliver domestic and international climate finance to the local level. This financing enables local governments to assess risks, plan, implement, and monitor climate-resilient development. This mechanism was recognized by the United Nations Framework Convention on Climate Change (UNFCCC) in 2019 as a technical guidance tool for localizing national adaptation plans in LDCs.

**UNCDF's Local Development Finance Practice (LDFP) serves as a centre of excellence for local development finance in LDCs, promoting the transformative role of subnational governments to finance the SDGs.**

In 2019, **LoCAL** was being implemented in 14 countries, engaging with 280 local governments, representing over 10 million people. Since its inception it has mobilized \$80 million in grants and technical assistance, resulting in 600 local adaptation projects. The LoCAL mechanism is also being scaled up nationally among participating governments. In Bhutan, the Government is expanding the LoCAL mechanism to 100 local governments with support from the European Union. In Cambodia, the mechanism has brought localized climate adaptation investments to over 50 districts with support from the Government of Sweden and the International Fund for Agricultural Development (IFAD).

In order to address gender inequalities and advance **women's economic empowerment at the local level**, UNCDF, in a joint programme with UNDP and UN Women, helps channel and unlock financing to improve economic opportunities for women. Through this joint programme, grants and loans of \$2.9 million financed 22 investments in women-owned businesses and gender-responsive infrastructure. These catalytic investments helped unlock an additional \$4 million in local financial resources. In Bangladesh, the initiative helped the Central Bank establish a credit guarantee scheme to increase finance for small enterprises owned by women. In its pilot phase, the guarantee unlocked US\$ 2.2 in private capital for every dollar of guarantee committed. The joint programme has also produced a Women's Economic Empowerment Index with gender-sensitive investment criteria to assess and rank private sector and infrastructure investment projects, which has been integrated into investment decision making processes and is being adopted by key partner institutions. In addition, the joint-programme has developed and is deploying a gender-responsive local assessment tool to identify economic opportunities and challenges in a locality from a gender perspective. As of 2019, over 27,000 local women in four countries have benefited from this programme.

UNCDF also assisted local governments to **develop effective local financing mechanisms**. In Uganda, UNCDF supported the stabilization of the conflict-affected northern region by helping local institutions in 18 districts develop municipal asset management plans to help better manage and maintain local government assets.



## Local Development Finance



**443** LOCAL GOVERNMENTS

Supported in financing local sustainable development

**363**

LOCALIZED INVESTMENTS CARRIED OUT IN 22 COUNTRIES

Inclusive and Equitable Local Development  
- Joint Programme with UN Women and UNDP

**22**

GENDER-RESPONSIVE INVESTMENTS

since 2018 in partnership with UN Women and UNDP



**27,000**

women in 4 LCDs directly benefited from gender responsive investments

**4 MILLION**

in additional unlocked financing from public and private sector partners to support gender-responsive investments



LOCAL CLIMATE ADAPTATION IN 14 COUNTRIES



REPRESENTING OVER



**10** MILLION PEOPLE





## IN FOCUS: Systemic Approaches to Local Development Finance for Climate Resilience, Infrastructure Projects and Transboundary Water Investments

In 2019, UNCDF prepared for the launch of the **International Municipal Investment Fund (IMIF)**, a blended finance fund targeting urban and municipal infrastructure projects. The third party-managed IMIF will channel private sector finance towards climate-resilient infrastructure projects sponsored by cities and local governments. In 2019, UNCDF signed an agreement with Meridiam, a fund manager specializing in long-term public infrastructure projects, to manage the IMIF. UNCDF has also partnered with United Cities and Local Governments (UCLG) and the Global Fund for Cities Development (FMDV) to support municipalities in identifying investable projects with strong development impact for IMIF consideration, and to provide policy and regulatory assistance services that would allow subnational governments to access private capital.

UNCDF also supported the **“Blue Peace”** initiative, launched by the Swiss Agency for Development Cooperation (SDC) to introduce innovations in financing transboundary and multi-sectoral water infrastructure to leverage water’s potential for enhancing cooperation and peace. Blue Peace seeks to catalyze private and public capital into projects that ensure the sustainable production and consumption of water related to all its uses (energy, agriculture, transport, potable water, ecosystem protection etc.). In 2019, the Gambia River Basin countries agreed to work with UNCDF to pilot an innovative financing mechanism through the Gambia River Basin Development Organization (OMVG) over the next two years.





# Catalyzing Investment Finance: Least Developed Country-Investment Platform (LDC-IP)

With a growing loan and guarantee portfolio, UNCDF seeks to demonstrate that investing in last mile settings creates positive development outcomes, can be commercially viable with the right blend of instruments and support, and can be scalable.

As of December 2019, UNCDF established and managed a pilot portfolio of 15 transactions representing \$2.7 million in disbursed concessional loans and guarantees. Investments with an average ticket size of \$220,000 were made in SMEs with strong development impact potential in food security/agribusiness, clean energy, women's economic empowerment and financial inclusion in Myanmar, United Republic of Tanzania, Uganda, and Papua New Guinea. Six of these investments, with a value of \$1.1 million, had unlocked a total of \$2.6 million in additional follow-on capital.

The portfolio has continued to grow, even with adjustments in 2020 due to COVID impacts. Initial work has begun on expanding capital instrument deployment through other UN programs, thereby increasing the number of SDGs that can be supported through innovative finance solutions using UNCDF's balance sheet. With its policies, operational guidance, risk assessment and management, and due diligence systems all in place, and an increasingly sizable unmet demand from the UN System and from the LDCs, UNCDF is ready for the one-time capitalization of its \$50 million revolving Investment Fund, as outlined in the Strategic Framework 2018-2021. UNCDF's higher risk tolerance, focus on smaller ticket sizes, and

more robust technical assistance and monitoring for recipient institutions, combines to fill a critical gap in the current international financial architecture.

It also provides a critical foundation on which UNCDF has built a strategic partnership for the launch of a third-party managed blended finance investment vehicle, the 'BUILD Fund', tailored to bring capital to missing middle SMEs, especially in the LDCs. The initiative is a partnership with the impact investment firm Bamboo Capital Partners. UNCDF has a sub-advisory role and will pre-screen candidate investments for SDG impact and financial viability for SMEs that have potential for strong development impact, have a need for growth capital, but have trouble accessing commercial finance and/or are below the radar (risk, ticket size) of other funders. UNCDF has also launched a technical assistance facility to provide pre- and post-investment support to the pipeline of investable enterprises. The BUILD Fund is one of the few funds in the market with a focus on the LDCs, and will break new ground for this segment of the market.

**15** LOANS AND GUARANTEES  
TOTTALLING 2.7 MILLION  
IN



MYANMAR



UGANDA



TANZANIA



PAPUA NEW GUINEA

**INVESTMENTS**  
WERE MADE IN



AGRIBUSINESS



FINANCIAL  
INCLUSION



WOMEN'S  
ECONOMIC  
EMPOWERMENT



CLEAN ENERGY





## IN FOCUS: Catalytic Capital to Support Last-Mile Sustainable Development

Six UNCDF transactions have been structured as subordinated loans to directly unlock additional investments from local banks. For example, UNCDF gave a \$250,000 loan to Aptech Africa, which provides a pay-as-you-go service for solar-powered water pumps in Uganda. Due to lack of collateral and credit history, Aptech had been unable to raise growth finance from traditional lenders. However, following a year of timely repayment to UNCDF, Aptech was successfully offered an \$800,000 facility by a local commercial bank that included invoice discounting, bid guarantees and import loans. UNCDF's catalytic use of development finance resources to unlock commercial capital demonstrates how effective de-risking can help attract new private sector resources to promising SMEs.

Additionally, UNCDF guarantees are structured to secure senior loan financing from local banks. For instance, UNCDF provided a partial loan guarantee of \$226,000 to an agricultural poultry processing firm in Uganda, which unlocked a \$650,000 loan from an impact investment fund.

UNCDF's support for the Women's Microbank Limited in Papua New Guinea to support the launch of its biometrics capabilities (see *IN FOCUS: Empowering Women, Youth, Farmers and Migrants in the Last Mile*) was complemented by financing in order to meet new on-lending demand. In the second half of 2019, the bank received a \$244,000 loan from the LDC Investment Platform. The loan will be used for on-lending to female entrepreneurs to grow their microbusinesses through WWBL's MamaBanks.





# How we did it

## UNCDF's Resource Mobilization Targets

UNCDF is entirely funded by voluntary contributions from UN Member States, multilateral organizations, foundations and other sources. These contributions are provided as regular (core) resources, or other resources earmarked for specific purposes. UNCDF'S strategic funding targets include: \$25 million in regular resources per year, \$75 million in other resources per year, and a \$50 million one-time capitalisation of its LDC Investment Fund.

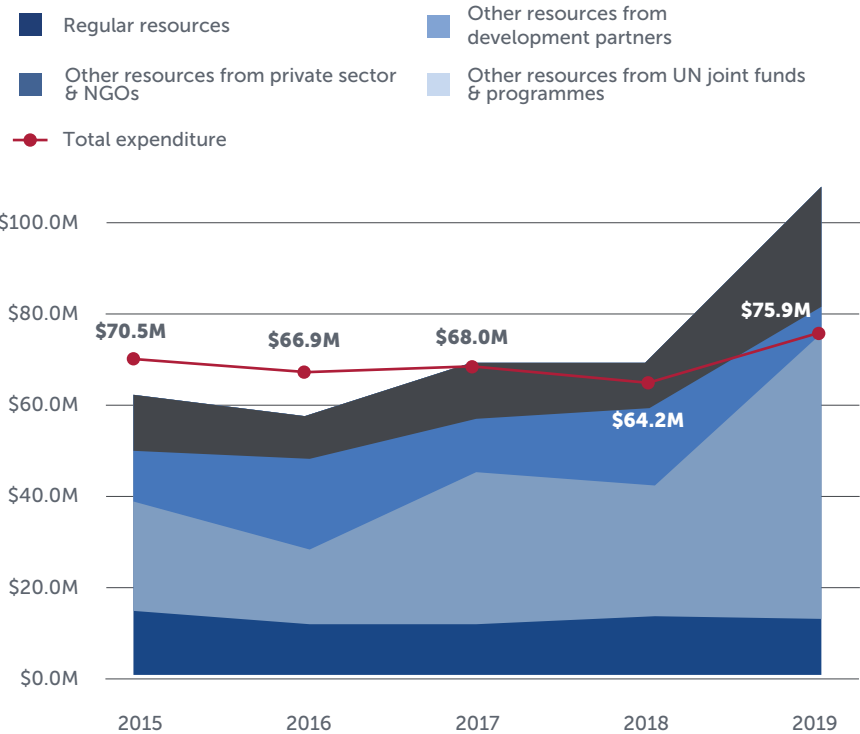
Regular resources provide a foundation for UNCDF's ability to innovate, ensure maximum presence in the LDCs, and provide robust support to the UN system at country level. Regular resources remained stable, at \$13.3 million in contributions from 15 member states, \$12m short of the Strategic Framework target of \$25 million per year. Full financing of the core resources envelope will allow UNCDF to meet unmet demand for innovative financing solutions; to expand presence from 31 to 40 LDCs in this Decade of Action; to ensure more robust (senior) representation on UN Country Teams for strategic financing expertise; and to deepen our cutting edge expertise on emerging finance models that can work for the poor in LDCs.

Donors contributed a total of \$94.5 million of earmarked (non-core) resources for programming in 2019, a portion of which is multi-year funding. This reflects a **69 per cent increase** from the 2018 figure of \$56 million.

FIGURE THREE STRATEGIC FUNDING TARGETS



FIGURE FOUR



Total revenues from development partners – bilateral and multilateral – grew by 114 per cent, from \$29.6 million in 2018 to \$63.3 million in 2019. Revenues from United Nations joint funds and programmes also increased 143 per cent, from \$11.2 million in 2018 to \$24.6 million in 2019. The top five donors in 2019 were the **European Union, the Government of Sweden, the UN inter-agency pooled funds, the Government of the Swiss Confederation, and the Government of Norway**; these five donors accounted for 68 per cent of UNCDF's total revenue in 2019.

The one-time capitalization of the LDC Investment Fund with \$50 million remains a top priority, to bring the initial \$3m capitalization to scale. This will enable UNCDF to respond to unmet demand within the UN system and from LDCs for deployment of our capital instruments.

UNCDF expenditures increased 18 per cent, from \$64.2 million in 2018 to \$75.9 million in 2019. This reflects increased programme delivery for local development financing, which grew from \$18.4 million in 2018 to \$30 million in 2019.



**TABLE ONE** TOTAL CONTRIBUTIONS TABLE

DONOR NAME	CORE	NON CORE	JPOS	GRAND TOTAL
European Union	0	22,668,273	0	22,668,273
Government of Sweden	3,674,541	18,173,123	379,229	22,226,893
The Multi-Partner Trust Fund Office (MPTFO)	0	19,533,313	0	19,533,313
Government of Switzerland	3,006,012	6,822,386	0	9,828,398
The United Nations Development Programme (UNDP) (*)	3,770,140	2,734,275	0	6,504,415
Government of Norway	544,348	3,457,686	0	4,002,034
Government of the Netherlands	0	3,808,964	0	3,808,964
Government of Luxembourg	894,855	2,640,464	-8,181	3,527,138
Government of the United Kingdom (DFID)	0	2,776,823	0	2,776,823
The Bill & Melinda Gates Foundation	0	2,000,000	0	2,000,000
The Metlife Foundation	0	1,458,333	0	1,458,333
Government of Belgium	-8,798	1,404,750	0	1,395,952
Comic Relief	0	1,086,152	0	1,086,152
Government of the United States of America	935,000	0	0	935,000
Government of Italy	0	699,953	132,654	832,607
The United Nations Economic and Social Commission for Asia and the Pacific (ESCAP)	0	730,160	0	730,160
Government of Australia	707,714	5,000	0	712,714
Visa Inc.	0	599,000	0	599,000
The United Nations office for Project Services (UNOPS)	0	575,284	0	575,284
MasterCard Worldwide	0	500,000	0	500,000
Omidyar Network	0	500,000	0	500,000
Catalan Agency for Development Cooperation (ACCD)	0	319,032	0	319,032
FMO Dutch Development Bank	0	277,266	0	277,266
The World Food Programme (WFP)	0	274,832	0	274,832
The United Nations Population Fund (UNFPA)	0	274,797	0	274,797
Government of Germany	0	222,222	0	222,222
Government of China	29,166	0	190,304	219,470
SNV Netherlands Development Organisation	0	192,788	0	192,788
The Food and Agriculture Organization of the United Nations (FAO)	0	184,828	0	184,828
The International Labour Organization (ILO)	0	176,123	0	176,123

DONOR NAME	CORE	NON CORE	JPOS	GRAND TOTAL
Government of Kuwait	0	0	161,860	161,860
Government of Austria	114,155	0	0	114,155
The United Nations Children's Fund (UNICEF)	0	98,868	0	98,868
International Centre for Local Democracy (ICLD)	0	86,825	0	86,825
Swisscontact	0	86,619	0	86,619
Tree Aid	0	48,854	0	48,854
Government of France	34,130	0	0	34,130
Government of Andorra	0	28,419	0	28,419
Chambre des Mines de Guinée	0	13,171	0	13,171
Government of Thailand	2,500	0	0	2,500
Government of Viet Nam	1,000	0	0	1,000
<b>TOTAL</b>	<b>13,704,763</b>	<b>94,458,580</b>	<b>855,866</b>	<b>109,019,209</b>

**(\*) UNDP CORE RESOURCES**

Biennial support budget	\$2,670,000
Programme support	\$1,100,140
<b>TOTAL</b>	<b>\$3,770,140</b>

Total revenues from development partners – bilateral and multilateral – grew by 114 per cent, from \$29.6 million in 2018 to \$63.3 million in 2019.



## IN FOCUS: Last Mile Finance Trust Fund

The Last Mile Finance Trust Fund (LMF-TF) was launched with support from Sweden in 2016, to offer donors a pooled funding vehicle for lightly earmarked resources for shared thematic priorities. LMF-TF enables UNCDF to test new models, innovate solutions, de-risk investments, and catalyze follow-on financing to support SDG achievement.

Many of UNCDF's 2019 results were supported by LMF-TF funds—financing models to **expand clean energy access; supporting local governments to access international climate adaptation funds; and demonstrating viable pathways for investing in small-ticket, high-impact businesses in LDCs.**

**The LMF-TF welcomed two new donors in 2019: the Swiss Agency for Development and Cooperation (SDC) and the Government of the Netherlands.** The SDC's donation will support its Blue Peace initiative to improve the shared use of transboundary water sources [See IN FOCUS: Systemic Approaches to Local Development Finance for Climate Resilience, Infrastructure Projects and Transboundary Water Investments.] The Netherlands' donation will allow UNCDF to expand its team of investment advisors across Africa to identify, structure, and manage the UNCDF investment pipeline. **From one donor and USD 2.45 million in 2016, the LMF-TF has expanded to five donors and USD 43.4 million committed through 2021.** Other LMF-TF donors are the Government of Andorra, the Korea International Cooperation Agency (KOICA) and the Norwegian Agency for Development Cooperation (Norad)."

## Partnering with UNDP and the UN system

UNCDF collaborates closely with the wider UN development system, including UNDP, (and UNV and UNOSSC), FAO, IFAD, ILO, UNESCAP, UNFPA, UNHCR, UNICEF, UNOPS, UNWOMEN, and WFP.

**UNDP is UNCDF's main UN partner**, with the two entities engaged in 26 joint programmes in 2019 and a range of collaborative exploratory and thematic initiatives.

One flagship UNCDF and UNDP collaboration is the **Pacific Financial Inclusion Programme (PFIP)**. As of 2019, **PFIP has enrolled a total of 1.18 million Pacific Islanders as clients in financial services, with 49 per cent of new clients being women.** Increasingly, UNDP and other UN entities are also looking to leverage UNCDF's finance expertise and capital mandate. For example, in the Gambia, UNCDF partnered with UNDP to establish a \$10 million guarantee mechanism that de-risks and attracts commercial investments to a 10.5-megawatt solar power plant project.

## Select Strategic Initiatives and Partnerships

UNCDF served as **secretariat for the United Nations Secretary-General's Task Force on Digital Financing of the Sustainable Development Goals**, co-chaired by UNDP Administrator Achim Steiner and the former CEO of ABSA Bank, Maria Ramos. UNCDF has established partnerships with Task Force members to pilot innovative solutions leveraging digital financing in a number of countries.

**The Better Than Cash Alliance**, hosted by UNCDF, is a global partnership focused on accelerating the transition from cash to digital payments. In 2019 its membership grew to 30 national governments, 34 international organizations and eight businesses.

In 2019, UNCDF supported the establishment of **UNITLIFE, an innovative financing instrument aimed at funding interventions tackling global chronic childhood malnutrition**; it operates from Station F, the world's largest start-up campus in Paris. In close collaboration with Government and foundation partners, along with UN Women and the Multi-Partner Trust Fund Office, UNCDF acts as the secretariat for UNITLIFE, offering its innovative financing expertise and helping to capitalize the initiative.

The **Malaga Global Coalition for Municipal Finance**, first launched by UNCDF and UCLG in 2018, reconvened in Malaga in October 2019 for the Second Annual Conference to work towards a financial ecosystem for municipalities to achieve the SDGs.



A UNCDF partnership with Meridiam for a third-party managed fund, The International Municipal Investment Fund (IMIF), was announced to provide **direct access to finance for cities in the global south to achieve SDG 11 on Sustainable Cities and SDG 13 on Climate Action.**

## Partnering with LDCs

Among UNCDF's most important partners are the people, communities, civil society organizations, companies, and local and national governments of the LDCs.

In 2019, UNCDF partnered with 443 local governments, 67 LDC-based financial service providers, 197 small and medium-sized enterprises, 88 fintech firms and more than 50 non-governmental organizations. UNCDF also collaborates closely with strategic network organizations such as United Cities and Local Governments (UCLG), which includes thousands of local governments and cities in LDCs.

As the United Nations marks its 75th anniversary in 2020, UNCDF continues to work with LDCs to advocate for their financing needs, particularly in the last mile.

## Knowledge Leadership

UNCDF has played a key role in raising global awareness about the role of blended finance in LDCs. Partnering with the OECD and others, UNCDF issued critical reports on this topic in 2018 and 2019. The 2019 report — **"Blended Finance in the LDCs"** — shows that between 2012 and 2018, only 6 per cent of private capital mobilized for all developing countries through blended finance approaches reached LDCs.

UNCDF also contributed to the launch of the 2019 World Observatory on Subnational Government Finance and Investment report, which compiles the **world's largest database on subnational government finance**, in partnership with the OECD and United Cities and Local Governments (UCLG). UNCDF continued to build important knowledge resources around digital payments and finance. This includes a 2019 **publication with the Mastercard Foundation**, sharing findings from a joint multi-year project to support the **growth of digital finance ecosystems in Benin, Senegal and Zambia.**





## What Did We Learn?

UNCDF constantly works to capture lessons learned through its programmatic work and through independent evaluations. These include:

### **INCLUSIVE DIGITAL FINANCIAL SERVICES AND DIGITAL ECONOMIES ARE INTRINSICALLY LINKED**

UNCDF's financial inclusion programmes were found to play a strong convening role in developing digital finance markets for the poor and building the capacity of regulators, financial service providers and fintech stakeholders. As UNCDF moves towards promotion of broader digital economies, its lessons from creating inclusive financial services that clients can access, afford and find valuable are essential. To ensure inclusion also requires better data and measurement. This was the motivation behind UNCDF's creation of the Inclusive **Digital Economy Scorecard (IDES)**, a new tool to measure the development and inclusion of digital economies.

### **LOCAL GOVERNMENT FINANCE IS CRITICAL TO THE ACHIEVEMENT OF CLIMATE ADAPTATION AND THE SDGs**

According to UCLG, an estimated 65% of SDG targets cannot be achieved without local action led by local governments. This includes efficient planning and infrastructure development in areas such as waste, energy, and transport. Local investments in sectors such as these need to be gender responsive and climate resilient. **UNCDF's approach to local climate adaptation (LoCAL)** was evaluated to be relevant to the climate finance agenda both nationally and internationally, demonstrating that UNCDF is filling a specific gap by developing replicable and scalable financial pathways for governments and vertical funds to channel climate finance to local governments.



**ALL UNCDF EVALUATIONS CAN BE FOUND:**

<https://erc.undp.org/evaluation/units/255>

### **FILLING THE "MISSING MIDDLE" REQUIRES A VARIETY OF TOOLS, PARTNERS AND SOLUTIONS**

In 2019, UNCDF completed its pilot round of deploying catalytic loans and guarantees to address last mile finance gaps. Filling this critical gap requires the right mix of official development assistance, concessional and commercial finance in combination with appropriate business and investment advisory support. The gap exists as much because of the *perception* of risk in the domestic banking sector as because of a range of barriers related to Know your Customer (many first time customers in the SME sector), ticket size, currency risk, and others. Therefore, it is critical to engage relevant domestic partners (government, banks) as well as potential international investors in identification and due diligence processes from the earliest stages. This helps build support and "demystify" last mile investment. Having boots on the ground in such settings is a critical success factor to ensure robust support and monitoring, another reason that a UN actor like UNCDF has a particular comparative advantage in the last mile space.

In 2019, UNCDF completed its pilot round of deploying catalytic loans and guarantees to address last mile finance gaps





## 2020: UNCDF's Response To Covid-19

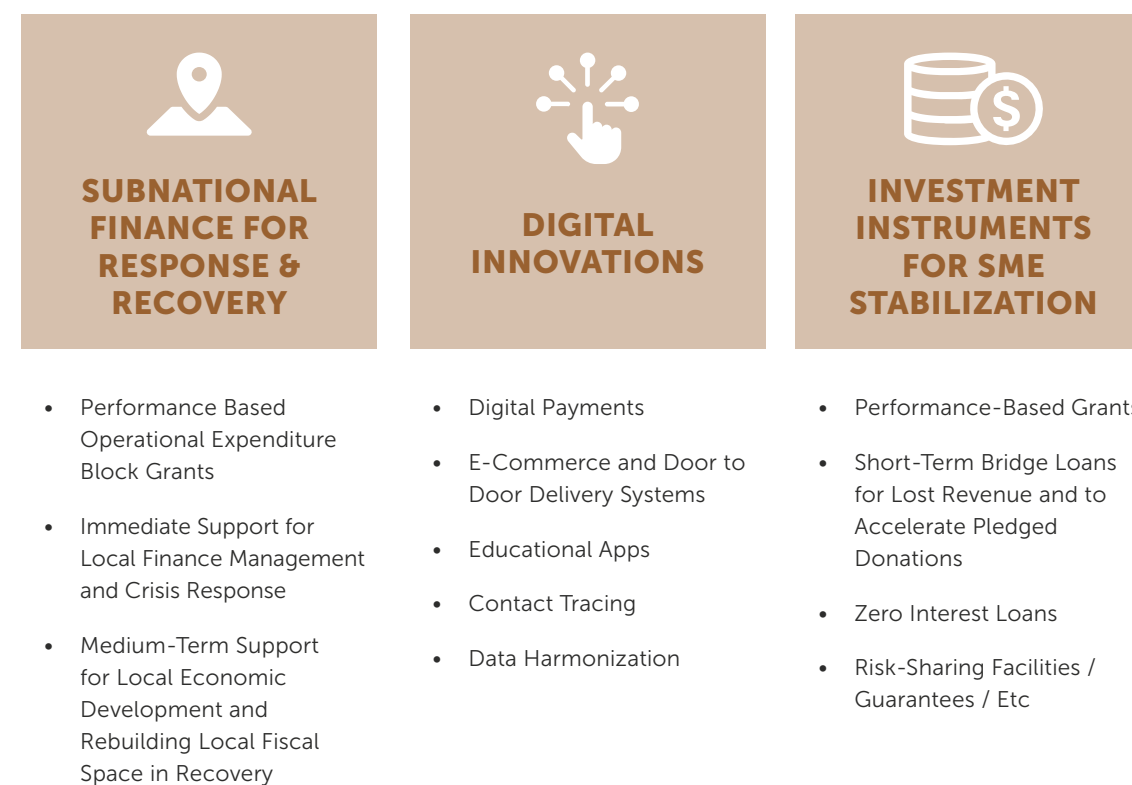
The COVID-19 crisis that has consumed the world's attention in 2020 is still unfolding in the LDCs, and its full impact is still unknown. While this annual report reflects results in 2019 before the pandemic, UNCDF has taken quick action to help LDCs reduce economic and social hardship. UNCDF has worked to:

- **Repurpose local finance pathways** to support subnational authorities for local response and recovery: UNCDF created guidelines for local governments to use existing fiscal transfer systems to deploy emergency financial resources for COVID-19 response efforts at the local level in line with WHO guidelines. UNCDF is also using grant funds to pilot immediate financial transfers to the local level for testing, disinfecting and treatment. In **Bangladesh** for example, UNCDF supports local governments to accelerate COVID-19 response efforts with resources from Sweden and the EU, channeling funds through the fiscal transfer system to 72 local governments. This is used to purchase sanitizing materials, masks and gloves, and printing publicity materials regarding social distancing
- **Deploy accelerated digital solutions:** UNCDF supports accelerated digital payments solutions for the government and private sector to keep payments flowing, while financing innovations such as chatbots, contact tracing apps, digital pivots for local businesses, and e-commerce solutions in more than 20 countries. UNCDF and UNDP also worked with Switzerland, the United Kingdom and other Member States and partners to launch a global Call to Action to keep remittances flowing and to reduce transfer costs for migrants during the COVID-19 crisis.
- **Provide support and finance solutions to overcome capital constraints for SMEs:** UNCDF has accelerated its financial instruments deployment capacity for short-term bridge loans and other financial stimulus to reach small and micro enterprises most at risk. UNCDF also supports companies to adjust business models to survive the crisis. In **Uganda**, the main ride-hailing company, "SafeBoda," is being supported to shift activities away from passenger transport to delivering essential goods and services to the local population, as well as using e-commerce and digital payment solutions. This has helped save jobs for SafeBoda's 18,000 drivers; provide food and medicines to 50,000 customers per day in Kampala; and keep 800 MSMEs afloat during the crisis. UNCDF also launched a survey of more than two thousand SMEs in all 47 LDCs to collect data about how Covid-19 is affecting them and to understand the type of financing and other support they need.



**FIGURE FOUR**

UNCDF's offer and response capacity will remain dynamic throughout this period, being updated in real time as the impacts and needs become clearer.





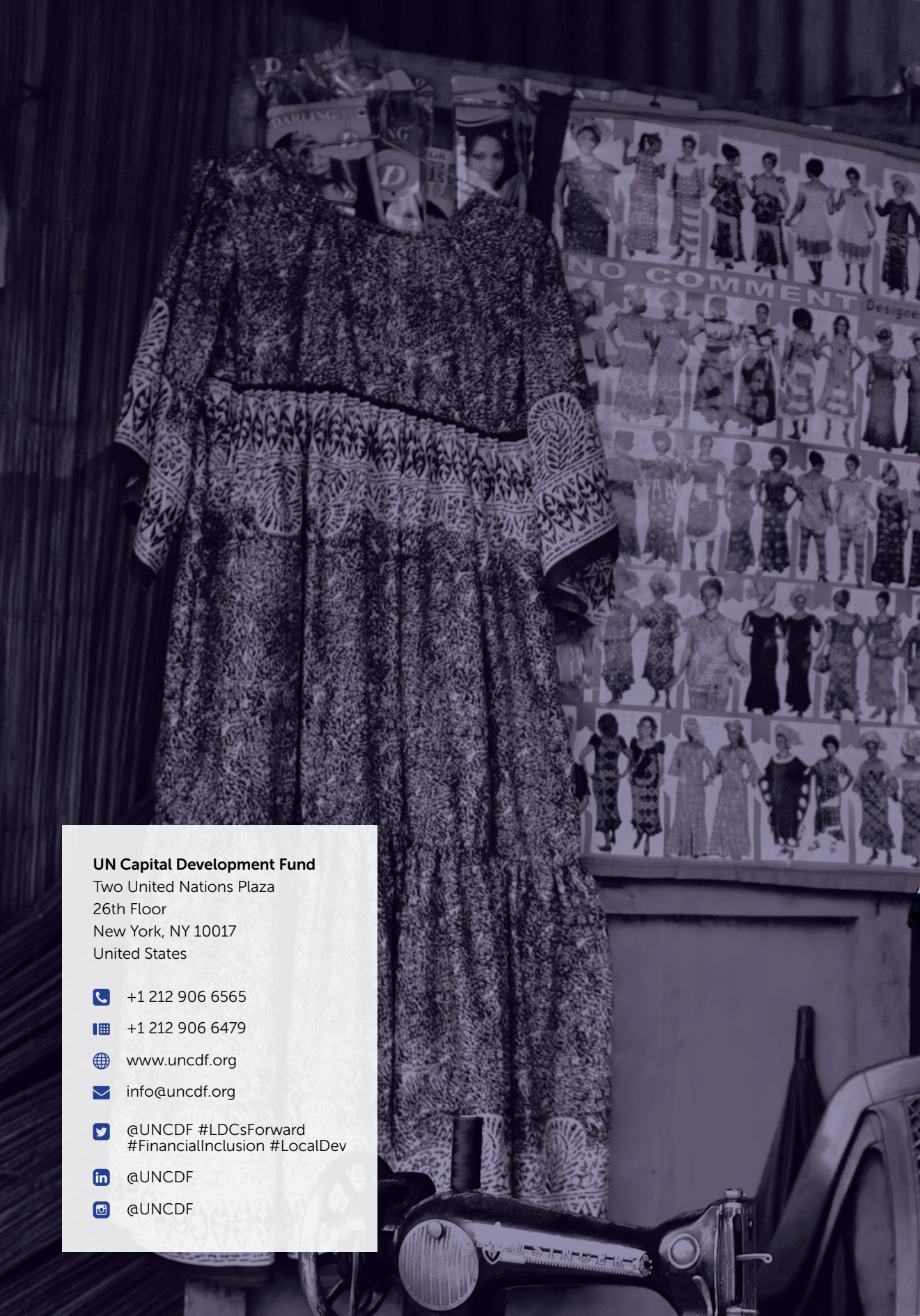
# Looking Ahead: Delivering Meaningful Scale to Spur Transformation

**In the remaining two years of the UNCDF Strategic Framework, and in the context of the Decade of Action and COVID-19 response, UNCDF will:**

1. Expand support for broader inclusive digital economies through its strategy “Leaving No One Behind in the Digital Era”, promoting digital solutions for real economy sectors as a driver for resilient, sustainable, and inclusive economic transformation to help LDCs progress on the SDGs and rebuild better and more sustainably from COVID-19.
2. Strengthen the role of local governments in achieving the SDGs and responding to the COVID-19 crisis. UNCDF will continue to grow its role as a centre of excellence for local government finance, including with a strong focus on expanding access to local climate finance through its Local Climate Adaptive Living Facility (LoCAL); and by enhancing access to municipal investment capital by capitalizing and launching the International Municipal Investment Fund (IMIF).
3. Pursue the full capitalization of the \$50 million UNCDF-balance sheet Investment Fund to scale up its catalytic support to higher risk, lower ticket size last mile investments, while also supporting the UN system pursuit of financial instrument deployments across the wider SDG spectrum. In parallel, UNCDF will continue its support for the full launch of the third-party managed BUILD Fund for SMEs in LDCs.
4. Across all its work, UNCDF will continue to expand its partnerships to deliver meaningful scale. This will include:
  - Seeking to deepen collaboration with UNDP and UN system to make best use of its capital mandate and offer more joint and impactful support to LDCs.
  - Expanding strategic partnerships with the private sector and other development partners to create innovative ways to attract more private finance to LDC markets. This includes introducing new collaborations with capital markets, fund managers, family offices and investors, as well as with multilateral and bilateral Development Finance Institutions.
  - Continuing to support the Secretary-General’s Global Investors for Sustainable Development (GISD) Alliance to accelerate the flow of private sector capital to SDG-positive investments, particularly in developing countries.
5. Finally, UNCDF will engage closely with partners to support preparations for the Fifth United Nations Conference on the LDCs (LDC-V) and the development of the next 10-year programme of action for LDCs.







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