



Unlocking Public and Private
Finance for the Poor



Results Reporting:

Last Mile Finance Trust Fund Results Report 2019

Reporting Period:

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I. LMF-TF in Context

When we launched the Last Mile Finance Trust Fund (LMF-TF) in 2016, our vision was to create a flexible funding vehicle to pool lightly earmarked resources from various donors towards shared thematic priorities. With essential support from the fund's founding donor, the Swedish International Development Cooperation Agency (Sida), we launched the LMF-TF to enable UNCDF to test new models, innovate solutions, de-risk investments, and catalyze follow-on financing to help achieve the Sustainable Development Goals (SDGs) in the world's least developed countries (LDCs). Since then, the LMF-TF has supported a range of UNCDF's critical innovations, and the flexibility it offers is even more valuable now, as the international system addresses the impacts of the COVID-19 pandemic.

In the first two years (2017-2018), UNCDF used LMF-TF funds to produce concrete results in the last mile: sales of clean energy products using PayGo systems; deployment of food security and nutrition projects alongside training for hundreds of government officials; gender assessments and challenge funds to address barriers to financial inclusion for women and youth; and investments to unlock public and private finance for local infrastructure projects. The Principality of Andorra and the Norwegian Agency for Development Cooperation (NORAD) joined Sida as donors, and the LMF-TF began to reflect the founding vision we had for the fund.

In 2019, LMF-TF funding allowed UNCDF to continue achieving key development goals. We expanded clean energy access to poor and underserved communities; built the capacity of LDC local governments to access international climate funds to adapt to climate change; and demonstrated that investing in small-ticket, high-impact businesses in LDCs is both viable and profitable. The results we achieved— nearly 350,000 off-grid clean energy products sold; our local climate adaptation programme expanded to 280 local governments; 15 investments made in small and medium sized enterprises in LDCs; double-digit growth of digital financial services in six of our programme countries— are important, but not the whole story. The results are evidence of UNCDF's efforts, across all its work and its various funding streams, to create pilots and demonstration effects that build new markets, transform economies, and change financial systems to better reach underserved and vulnerable communities.

The LMF-TF welcomed two new donors in 2019: the Swiss Agency for Development and Cooperation (SDC) and the Kingdom of the Netherlands. SDC's donation to the Infrastructure Window will support its Blue Peace initiative to improve the shared use of transboundary water sources. 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.

As the world enters the Decade of Action to deliver the SDGs, while at the same time facing ongoing COVID-19 impacts, the flexibility and innovation enabled by the LMF-TF will continue to be critical to helping LDCs achieve their development goals. I am grateful for the collaboration and guidance of the loyal partners who have helped us reach this point. With their continued support, I am confident that the LMF-TF will enable UNCDF to keep making the critical interventions needed to help LDCs deal with the economic and policy shocks created by COVID-19, meet their SDG and Paris Agreement goals, and ensure that no one is left behind.

Judith Karl, Executive Secretary,
UN Capital Development Fund

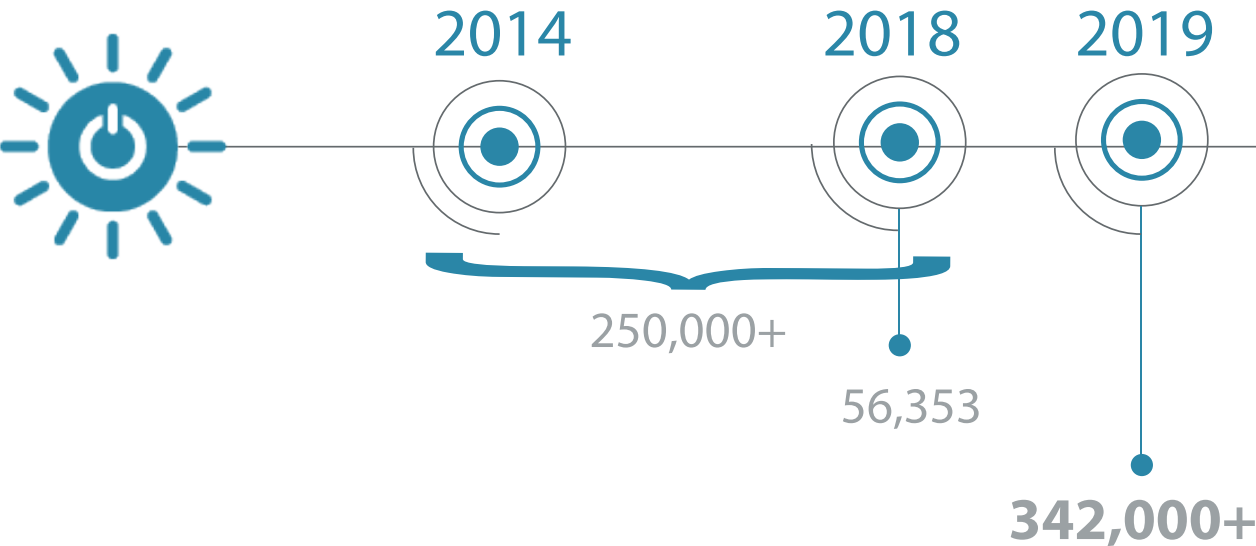
II. Results-Green Economy

UNCDF aims to demonstrate how decentralized energy solutions can be both financially viable and highly effective in reaching last-mile customer segments. Our approach complements a traditional focus on grid expansion and connectivity, to build inclusive energy markets, while at the same time replacing polluting energy sources and combating deforestation. Through LoCAL, UNCDF provides a standard, internationally recognized country-based mechanism that is designed to effectively deliver domestic and international climate finance to the local level in order to enable local governments to assess risks, plan, implement and monitor climate resilient development in the LDCs and other vulnerable countries.

RESULT #1: SOLD 342,000 CLEAN ENERGY PRODUCTS, WITH OVER 3+ MILLION PEOPLE REACHED

At the inception of UNCDF's clean energy programme, 2020 was the target year to achieve the goal of reaching 2.5 million people globally with clean energy solutions. 2019 saw the programme experience dramatic growth in its portfolio results, thus achieving this goal one year ahead of schedule. In 2019, our global partners sold over 342,000 clean energy products. By comparison, the figure in 2018 was 56,353 products.

By quarter 3 of 2019, the full portfolio of over 35 partners had surpassed the global programme target, achieving a cumulative outreach of over 3 million people benefiting from clean energy solutions.



Government	Percentage
Current government	100%
Previous government	0%

Government	Percentage
Current government	75%
Previous government	25%

UNCDF in 2010 also supported the accreditation efforts of the Dhyan Trust Fund for Environmental Conservation.



Partial Credit Risk Guarantee Facility in Ethiopia

In Ethiopia, the partial credit risk guarantee facility helped attract a high proportion of female clients to buy renewable energy technologies. However, the participation of women-owned businesses remains low, largely due to challenges that women face in producing collateral. After identifying this collateral challenge, UNCDF developed a proposal to increase the guarantee coverage ratio from the standard 50% to 70% for women-owned businesses. The proposal was fully accepted by the guarantee fund management committee and the project steering board in Q4 2019. Following the revision, a number of women-owned businesses are approaching our partner financial institutions to access credit through the revised guarantee facility.


Piloting Gender-Lens TA Programme

UNCDF has partnered with Value4Women (VFW), a US-based advisory firm, to pilot technical assistance for two RECF portfolio partners (Fenix International and Raising Gabdho Foundation). UNCDF will help them identify gender inclusive business strategies and implement gender inclusive hiring and recruitment processes. The goal of the pilot is to compile a list of strategies to solve recruitment, retention and performance management challenges, as well as improve overall business performance. This will help RECF partners meet their targets related to women and youth hiring, and the number of female clients. The Embassy of Sweden in Uganda set these targets to address the lack of representation and opportunities available for women in clean energy enterprises.

Value4Women has carried out an assessment to identify and unpack gendered human resource challenges related to employee recruitment, retention, performance management and progression. The assessment builds on a two-pronged research approach: a remote component consisting of a desk review, online gender diagnostic survey, and remote key informant interviews (KIIs) with the point of contact at the RECF partners; followed by an in-person visit to the RECF partner offices for face-to-face group discussions, individual meetings/interviews with key staff, and a focus group discussion with field-level staff.

Partnership to Achieve Gender Action Plans in Four Countries

For the Sahel region, LoCAL has entered into a partnership with the Overseas Development Institute (ODI), which is providing expertise together with Lead International (Chad) to undertake country gender analyses while developing a regional gender action plan for Mali, Niger, Burkina Faso and Cote d'Ivoire. The plan will mainstream gender into its impact, outcome, and output statements, and identify gender responsive activities and gender performance indicators and targets.



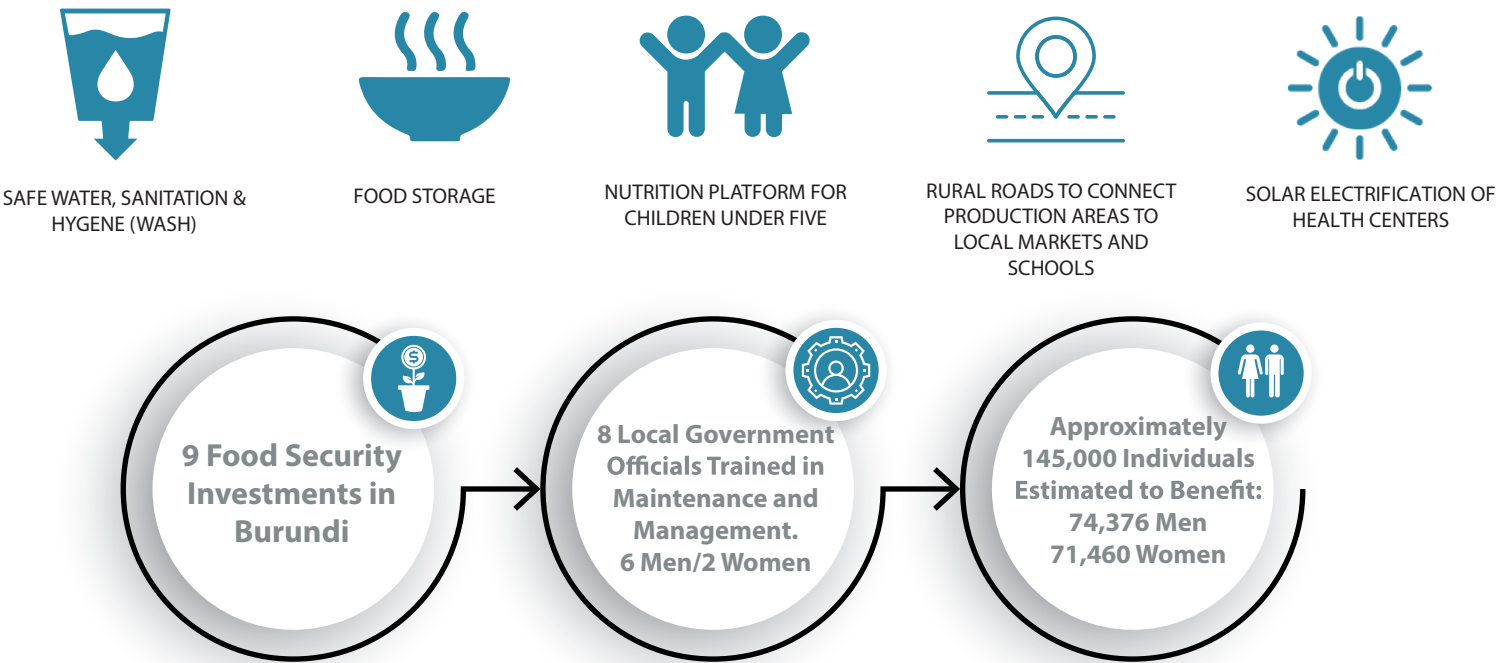
III. Results-Food Security & Nutrition

UNCDF is working to support planning and implementation of investments within a territorial approach to enhance food and nutritional security at the local level in remote regions. By enabling local governments to mainstream these issues into local planning and financing processes, these efforts are laying the foundation for resilient local food systems.

The results presented are in conjunction with two other donor funded programmes (funded by Belgian Fund for Food Security and UNDP) in addition to SIDA/LMFTF.

RESULT #1: NINE FOOD SECURITY INVESTMENTS IN BURUNDI

UNCDF supports a territorial approach to enhance food and nutritional security at the local level by enabling local governments to mainstream these issues into local planning and financing processes. These results are financed by the Belgian Fund for Food Security and UNDP in addition to SIDA/LMF-TF support.



These investments are estimated to benefit approximately 145,000 individuals, including 74,376 men and 71,460 women. Eight local government officials—six men and two women—were trained in maintenance and management of food security and nutrition investments. These results were achieved with the support of the Belgium Fund for Food Security (BFFS).

RESULT #2: SCALING UP OF UNCDF’S PROGRAMME IN BURUNDI INTO 22 COMMUNES ACROSS FOUR PROVINCES

In Burundi, UNCDF’s FSN territorial approach – which was piloted in three communes – was expanded by a joint government/World Bank programme to 22 communes across four provinces. The World Bank will fund the scale up with USD 28 million from 2020-2024.





RESULT #3: LOCAL AND NATIONAL CAPACITY DEVELOPMENT IN SIX COMMUNES IN BURKINA FASO AND NIGER

UNCDF initiated with the Food and Agriculture Organization (FAO) the intergovernmental fiscal transfer (IGFT) for forest and landscape investments in Niger and Burkina Faso. UNCDF supported six communes (three in Niger and three in Burkina Faso) with planning, budgeting, financing and monitoring investments related to forest and landscape restoration (FLR)/ Sustainable Land Management (SLM), and related Income-Generating Activities (IGA). By providing technical assistance, UNCDF also supported two national agencies of the Great Green Wall for Africa (Niger and Burkina), two Ministries of Environment and two local government financing agencies (ANFICT-Niger and FPDCT-Burkina) by providing technical assistance in the IGFT to support institutionalizing investment in forest and landscape restoration at the local level.

IV. Results-Economic Empowerment of Women and Youth

The digital revolution brings the unique opportunity to empower women and youth in an unprecedented way; by enabling these often marginalized populations to improve their literacy, develop new skills, un-lock economic opportunities, and facilitate access to markets as well as to a wide range of services, including finance. These benefits are, however, not a given, and without a strong focus on inclusion, the digital revolution will likely further increase the gender gap and the marginalization of vulnerable youth. This is the reason why UNCDF is putting a strong emphasis on bridging the gap in its strategy “Leaving No-one Behind in the Digital Era”. UNCDF will also be helping countries measure the degree of inclusiveness of their growing digital economies through an instrument developed in partnership with development institutions and governments from the South: the Inclusive Digital Economies Scorecard (IDES), thus enabling those governments to take corrective measures to make their digital economies more inclusive, when needed.

RESULT #1: PAPUA NEW GUINEA: THE LAUNCH OF “MAMA BANK ACCESS POINTS” AND BIOMETRICS TO SUPPORT FINANCIAL INCLUSION FOR RURAL WOMEN

In the beginning of 2019, with support from UNCDF, the Women’s Microbank Limited in Papua New Guinea launched the usage of biometrics for its customers. This is the first time such a system is being used in the country, where illiteracy rates are part of the many challenges women face in using financial services and products. The majority of these customers are women living in rural areas. With the new biometric identification and authorization system, customers can make financial transactions using their fingerprint. The bank now has over 33,000 customers, 97% of whom are women and all of whom have savings at the bank. Many of these clients are also looking for affordable loans.

RESULT #2: BURKINA FASO: ACCELERATION OF FINANCIAL INCLUSION FOR WOMEN AND YOUTH

UNCDF worked with UNFPA under the “Acceleration of the Fulfilment of Sexual Reproductive Health Rights in Burkina Faso” programme. This resulted in 28,514 women, including 14,800 young people (60%) grouped and organized into micro-savings services within 1,325 groups; with local savings of XOF 123,823,635 mobilized and XOF 76,381,910 given back as loans to more than 7,797 women members under conditions they set themselves.

UNCDF also partnered with the NGO Tree Aid to advance financial inclusion for women. The capacities of 1,167 members of the forest enterprises were strengthened in financial education and entrepreneurship and through enrollment as endogenous trainers, to train 3,300 people in financial education (budgeting, savings, debt and its management) and entrepreneurship. 7,278 women members of village forest enterprises were structured into 336 micro-savings services.

RESULT #3: PILOTED SERVICES IN SENEGAL, GUINEA AND THE GAMBIA

In Senegal, The Gambia, and Guinea, UNCDF used different digital innovations to deliver access to financial services to 2,187 youth, 60% of whom were young women, injecting USD 183,000 into the local economies.

UNCDF, in partnership with Dimagi, developed an application to deliver youth-focused financial education adjustable to varying education levels. The app is available for smartphone and tablet, and disseminates financial education modules and sessions based on savings. UNCDF organized multiple training sessions to allow future trainers to master the app on both smartphone and tablets, with a safe space to practice before utilization. The application has been rolled out in Guinea, Senegal and The Gambia.

In The Gambia, UNCDF experimented with the use of chatbots to provide information on financial products to youth participating in a cash for work (CfW) programme who also had low literacy rates and no access to a smartphone. Every time a CfW beneficiary received a stipend, he or she received a phone call on a non-smartphone (instead of a SMS) from the chatbot. The chatbot informed the beneficiary that the payment was made; it then gives the amount, the balance in the account, and options that reinforce messages from previous financial education sessions.

UNCDF also tested psychometric solutions in Guinea and The Gambia to help FSPs reach and serve unbanked women and youth by providing a tool to support assessments of the clients' character, entrepreneurial potential, ability to successfully manage a business project, and willingness to repay. This enhanced capability will help FSPs expand access to financial services, particularly loans.

UNCDF also conducted a six-month pilot to explore how data-driven decision making and new dimensions of information could reduce the risk of lending to youth by providing alternatives for those without traditional credit records, specifically farm workers. The result was the CommBanane, a digital solution focused on the agriculture sector that tries to reduce the information asymmetry between agro-cooperatives and FSPs when it comes to lending decisions. While the testing is still ongoing and the project's partners do not have full visibility on uptake and usage of the solution, the first month of usage yielded the following data: nine out of the ten targeted cooperatives started using the application, representing 170 hectares of agricultural area (and almost 100 hectares cultivated); 313 farmers have been registered onto the app, 25% of whom were young women; all cooperatives have completed their needs assessment through the app, and unlocked USD 40,000 in loans from local FSPs.

RESULT #4: HELPED IMPROVE THE REGULATORY ENVIRONMENT IN THE GAMBIA

UNCDF, in partnership with the International Trade Centre, oversaw the Jobs, Skills and Finance for Women and Youth in The Gambia programme. The programme aims to contribute to stabilizing the economic, social and security situation of the country during its democratic transition by facilitating social inclusion and employment of youth and women with an emphasis on promoting gender equality and addressing climate change. The programme supports job creation for youth, women and local communities; equal access to employable skills development; and improved access to finance.

2019 results include the launch of the FinScope survey that will be used to complement the supply-side study by the World Bank to support the Central Bank in developing a National Financial Inclusion Strategy. Additionally, as a result of diagnostic work carried out by UNCDF, the Gambian Central Bank was able to learn about challenges pertaining to Know Your Customer (KYC) bank requirements that tend to exclude women (e.g. only 20 per cent of women own an ID card). As a result, the Central Bank will lower the KYC requirement.

Although more flexible KYC requirements benefit all segments of the population, lifting this barrier has greater impact for women and youth.



V. Results-Infrastructure and Services

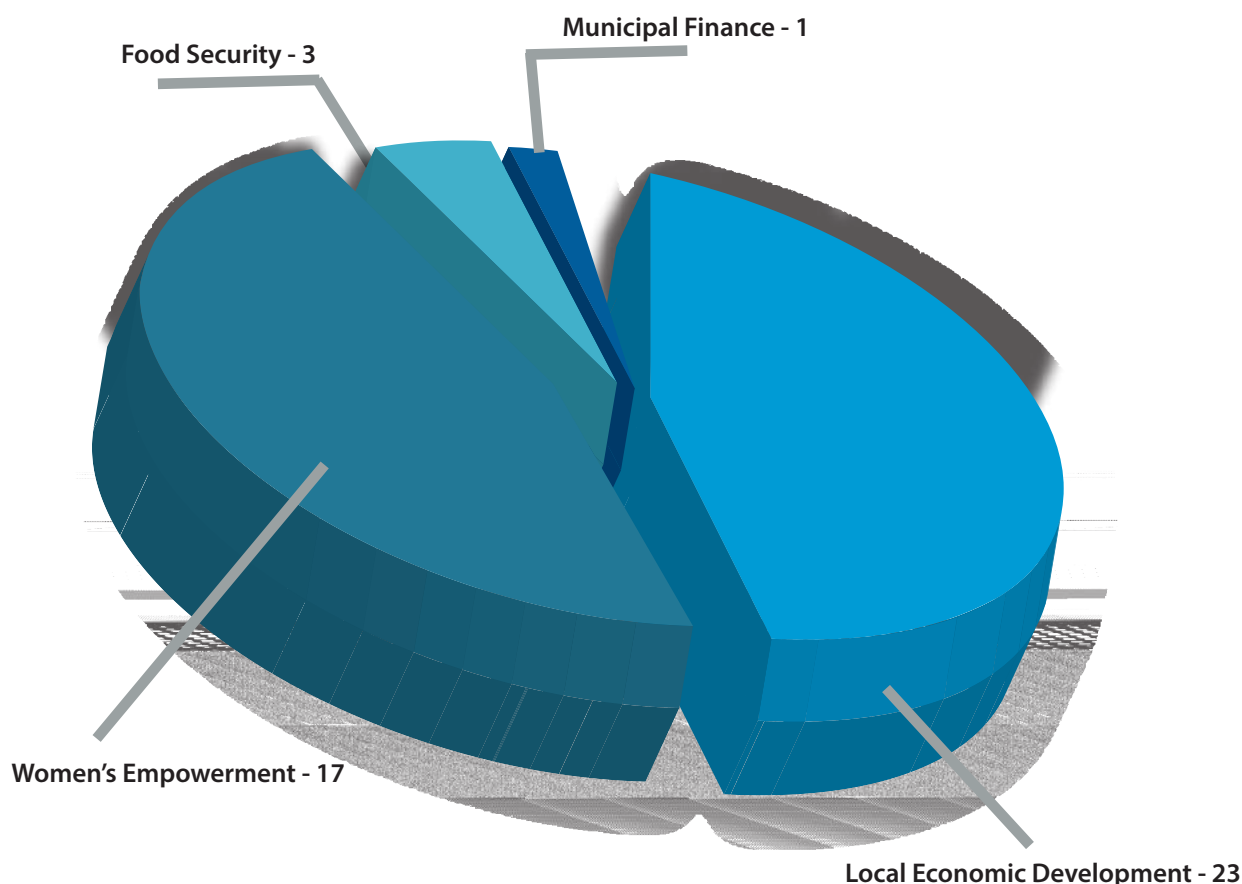
Local governments and subnational authorities in developing countries and LDCs are crucial for service delivery and SDG achievement, but lack access to capital and expertise. Strengthening municipal finance can enable improved service delivery and investments that increase resilience and sustainability of cities. UNCDF has launched, with UCLG, the International Municipal Investment Fund to expand direct access to capital cities in developing countries to finance projects that can achieve the “dual key” of impact as well as financial sustainability.

RESULT #1: 44 INVESTMENTS PASSED THROUGH DUAL KEY SYSTEM

The centrepiece of UNCDF’s local development finance facility is the “Dual Key” system. The Dual Key system is a multi-assessment analysis that enables UNCDF to consider the investment’s capability to deliver impact in the form of local economic development, women’s economic empowerment, ESG or food security— representing the technical key. The other assessment considers the investment’s capability to deliver financial impact with sustainability and follow-on investment potential—representing the financial key.

As of December 2019, 65 active projects were considered for technical assistance of which 60 projects received technical and financial support, due diligence and de-risking. 44 of those projects successfully passed through the LD Dual Key system and reached investment readiness stage with the following thematic breakdown:

Dual Key Investment Project



UNCDF supports a variety of projects—from structured project finance to public-private partnerships, to small-and-medium sized enterprises to bonds. A variety of financial tools were also deployed to support dual impact local development projects; specifically grants, loans, reimbursable grants and guarantees.

RESULT #2: OVER USD 11 MILLION IN ADDITIONAL CAPITAL CATALYZED

UNCDF's financial and risk mitigation instruments – such as concessional loans, seed capital grants, partial loan guarantees, and technical assistance – were deployed to unlock additional capital from the private and public sectors. As of December 2019, UNCDF committed and disbursed a sum of USD 6.2 million in financing to support implementation of the programme in participating countries. Furthermore, this financing has resulted in unlocking the flow of capital to invest towards local development. By the end of 2019, a total of USD 11.1 million in cumulative additional capital was unlocked from various private and public sector sources.

Beneficiary	Country	Stage	Description	Private Funds	Public Funds	Thematic Area
Ileje Community Radio	Tanzania	Impact Reporting	Community Radio		23,768	★
Mwenge Sunflower Project	Tanzania	Performance Assessment	Sunflower value chain	732,456		★
Talian Company Proposal	Uganda	Performance Assessment	Maize processing	515,000		★
Kibaha Modern Market	Tanzania	Construction Implementation	Market			★
LFI-SME Bangladesh	Bangladesh	Performance Assessment	Credit Guarantee Scheme Women SMEs	250,000	383,333	★
Maguta Hydro Project-Lung'ali Natural Resources	Tanzania	Financial Closure	Hydropower Clean Energy	2,054,734		★
Beth Equisolution Co Ltd	Tanzania	Construction Implementation	Horticulture Value Chain	111,111		★
Andoya Hydro Electric Power (AHEPO)	Tanzania	Construction Implementation	Andoya Small Hydro	349,000	250,000	★
National Union of Coffee Agribusinesses (NUCAFE)	Uganda	Performance Assessment	Coffee Processing	1,705,118		★
Brahmanbaria WDF Training and Sales Center	Bangladesh	Construction Implementation	WEE-Training & Sales Center	2,380	16,908	★
Rangpur WDF -Sataranje	Bangladesh	Impact Reporting	WEE- Manufacturing	5,357	15,430	★
Mukarazi cross-border market – IELD	Tanzania	Construction Implementation	Cross Border Market	54,826	35,200	★
Muhange cross-border market – IELD	Tanzania	Construction Implementation	Cross Border Market		124,203	★
Kibaha Bus Terminal	Tanzania	Impact Reporting	Bus Terminal	1,501,325		★
Glamour Boutique House & Training Center	Bangladesh	Construction Implementation	Apparel Factory	19,047		★
BOFFA MARKET	Guinea	Construction Implementation	Market			
Reparle-Mandulis Energy Limited	Uganda	Financial Closure	Carbonized briquettes	716,872		★
Mburahati Market	Tanzania	Construction Implementation	Market			★
Dabalo Sugar (Chamwino Sugar)	Tanzania	Financial Closure	Sugar Cane	2,050,000		★
BRIMA Food Products Company Ltd	Tanzania	Performance Assessment	Cassava	13,000		★
PETRO AND SONS INDUSTRIES Co. Ltd	Tanzania	Performance Assessment	Sardines	13,000		★
Nabuhima Food and General Supplies	Tanzania	Financial Closure	Maize & Cassava Processing	21,515		★
Maswa_OFSP	Tanzania	Resource Mobilization	Orange Fleshed Sweet Potatoes processing factory	111,093		★
Kakonko Milling Center	Tanzania	Construction Implementation	Maize	36,607		★
Kibondo Big Power Association	Tanzania	Construction Implementation	Rice & Cassava			★
Eco Social Development Foundation (ESDF) Enterprises	Bangladesh	Financial Closure	Thakurgaon/Mozarella Cheese Branding, Packaging & Distribution Services	32,738	9,762	★
Mukarazi cross-border market (Warehouse)	Tanzania	Construction Implementation	Cross Border Market			★
Muhange cross-border market (Warehouse)	Tanzania	Construction Implementation	Cross Border Market		78,761	★
Alaska Tanzania Limited	Tanzania	Construction Implementation	Warehousing & Packaging		166,800	★
MEMA Holdings Limited	Tanzania	Construction Implementation	Maize	705,000		★
Kibaha Retail Market (Mnarani)	Tanzania	Construction Implementation	Market			★
Kasulu DC _Mvugwe aggregation center	Tanzania	Construction Implementation	Cassava			★
Subarta Specialized Geriatric Care Institute	Bangladesh	Resource Mobilization	Geriatric Caregiving Training Institute and Managed Care Services			★
Kalemawe Commercial Fish Farming-Pilot	Tanzania	Financial Closure	Fish Farming			★
Ujiji_abattoir	Tanzania	Resource Mobilization	Modern Abattoir			★
SIDO Kigoma Palm Kernel Drying and Oil Clarification	Tanzania	Financial Closure	Kernel seeds drying & Oil processing			★
Muyama cross-border Market	Tanzania	Financial Closure	Public Service Infrastructure			★
Kabingo Aggregation Centre	Tanzania	Financial Closure	Cassava, maize, beans aggregation facility			★
Kagezi Aggregation Centre	Tanzania	Financial Closure	Cassava aggregation facility			★
Pristine Foods	Uganda	Financial Closure	Liquid Eggs Production			★
Banque de Developpement du Mali (BDM)	Mali	Financial Closure	Domestic Bank Credit line			★
Mali NGOs	Mali	Financial Closure	NGOs			★
SAME Road Side Market	Tanzania	Resource Mobilization	Market (Roadside Market)			★
SMEs Mali	Mali	Financial Closure	SMEs			★
GRAND TOTAL:				9,771,614	1,372,332	



Women's Empowerment



Local Economic Development



Food Security

UNCDF worked with local governments in five countries to enhance local development finance systems: Senegal, Ghana, Bangladesh, Nepal, and Tanzania. Key results for 2019 include:



SENEGAL

UNCDF performed a major diagnostic study to support the creation of a local development plan that has been implemented by Senegalese mayors in three municipalities, as well as by local administration officials and partners including USAID. The diagnostic covered such areas as fiscal policy, local finance, and the participatory process of citizens.



GHANA

In the context of investment and borrowing needs for critical public services, UNCDF helped Agona West Municipal Assembly and Cape Coast Metropolitan Assembly access tools and mechanisms to allow for effective planning and mobilization.



NEPAL

UNCDF continued engagement for the preparation of a National Private Sector Financing strategy to identify investment opportunities through private sector partnerships. This engagement, which was intended to support the Ministry of Finance in its implementation of the Green Climate Fund Readiness and Preparatory Support programme, was executed through a memorandum of understanding with the Town Development Fund to pilot engagement with 15 municipalities for investments. Training has been conducted on asset management and capital investment planning with mayors and local level technical personnel.



BANGLADESH & NEPAL

UNCDF conducted a pilot programme to enable access to credit at the municipal level. With the cooperation of the central governments in Bangladesh and Nepal, credit assessments were conducted on several municipalities. Seven municipalities—three in Bangladesh and four in Nepal—were considered investment-grade. The next phase is the piloting of a credit programme. This has already taken place in Bangladesh, where a pipeline of investable projects has been identified and the three municipalities are now authorized to issue debt with the support of a guarantor (either the central government or a multilateral development agency).

RESULT #4: PREPARATIONS TO LAUNCH THE INTERNATIONAL MUNICIPAL INVESTMENT FUND WITH A EUR 350 TARGET

In partnership with United Cities and Local Governments and the Global Fund for Cities Development, UNCDF is preparing the launch of the International Municipal Investment Fund (IMIF)—a bespoke fund designed to focus exclusively on supporting municipalities in developing countries, including the least-developed countries.

The IMIF is a blended finance fund that aims to finance urban and municipal infrastructure projects in cities and local governments in developing markets. The fund will focus on addressing SDG 11 (“Make cities and human settlements inclusive, safe, resilient and sustainable”) as well as SDG 13 (“Take urgent action to combat climate change and its impacts”) and supporting implementation of the Paris Agreement. The fund aims to unlock finance for local economic development and ensure matching funding from other sources. 14 cities around the world have already been identified as potential pipeline providers through a call for proposals launched by UCLG to its members.



Each IMIF investment will expand the scope of municipal finance (for example, pioneer a new financial structure, contribute to a nascent municipal bond market, test a new type of PPP with local governments) to demonstrate how local government-sponsored projects can accelerate the implementation of the global development agenda with measurable impact. The fund is targeting EUR 350 million to launch.

UNCDF managed the selection process for the third-party fund manager, resulting in a signed agreement with Meridiam—a Paris-based infrastructure development and asset fund manager with USD 7 billion of assets under management.

RESULT #5: BLUE PEACE PROGRAMME

UNCDF launched the Blue Peace Programme in 2019 and began implementing innovative financing mechanisms to support countries in building infrastructure to manage transboundary water resources. Necessary approvals have been provided by the Council of Ministers to proceed, and agreements with the Gambia River Basin Organization have been executed. Capacity building workshops have enabled the Ministry of Water and Ministry of Finance of four countries—Senegal, Gambia, Guinea and Guinea Bissau—to be familiar with and prepare for the programme. Scoping missions have been conducted and implementation will begin in 2020, which will include: technical support for the whole river basin; technical training for engineers and planners; and legal review.

GENDER HIGHLIGHTS

Nearly 50% of Local Development Finance Expenditures Supported Women’s Economic Empowerment

The dual key system was utilized as part of the due diligence mechanisms to identify localized investments promoting gender equality and women’s economic empowerment. Of the 44 projects that passed through the Dual Key system, nearly half— 17 projects—were focused on women’s economic empowerment.

Local Economic Acceleration Through Partnerships

UNCDF is a contributor and the implementing agent for the Local Economic Acceleration through Partnerships (LEAP) initiative. This programme targets gender equality and women’s equality from an economic perspective to include inclusive and equitable economic growth. UNCDF is working to produce on-the-ground research material for the LEAP initiative.

The implementation has three output clusters starting at the local level, followed by the national level, with the final goal of producing a global knowledge product. At the local level, four cities were selected: Gulu and Mbale for Uganda, and Agona Swedru and Cape Coast for Ghana. After a review of the financials of the municipalities, a financial model is developed to gauge the financial health and strength of the municipality. Based on the local level engagement and with further engagement at the national level, a national financial diagnostic toolkit is developed. A national forum is conducted that includes investors, the private sector, and related government ministries to review the toolkit. The last output cluster is then developed, with the intention of supporting a global knowledge product that would provide guidelines for replication of such an exercise in secondary cities. More than 80% of the deliverables have been completed in 2019 and the final product is expected to be ready by the first quarter of 2020.

VI. Results Financial Inclusion and Innovation

Digital financial services such as mobile money and agent banking have reached scale in many LDCs. But meaningful digital financial inclusion has to provide outlets for low-income accountholders to engage in the economy in order to meet their daily needs and to improve their skills, productivity and marketability in the digital-economy age. By building inclusive digital economies through a market development approach, last mile communities will be able to use digital services in their daily lives and contribute to the SDGs.

RESULT #1: GROWTH IN DIGITAL FINANCE MARKET DEVELOPMENT OCCURRED IN EIGHT PROGRAMME COUNTRIES

UNCDF's theory of change aims at making shifts between stages of DFS market development. Using a few of the more advanced countries as a basis and taking lessons from the development of the banking sector, UNCDF characterizes the evolution of the DFS market as occurring in the following four stages:

- 1 Inception:** There are no or a few providers, with limited outreach, and no clear policies or supportive DFS infrastructure.
- 2 Start-Up:** There are one or a few DFS providers that offer basic 'first-generation' products, which are available through a proprietary agent network. Providers reach a moderate number of customer registrations, but there is low customer activity other than airtime top-ups. Regulatory issues begin to be resolved during this stage, enabling a greater range of products and agents.
- 3 Expansion:** DFS providers understand the value proposition of expanding services, including to underserved areas, and are committed to continue offering and expanding. More advanced DFS are offered, the use of high-volume payments increases, and partnerships for distribution emerge. The regulator offers clear guidance and regulation on key issues.
- 4 Consolidation:** The market has a range of competitive actors and services that are clearly regulated and interconnected. More than 35% of the adult population is actively using DFS.

UNCDF structures its approach in six workstreams that identify key elements in the DFS ecosystem and correspond to a specific stakeholder group: providers (infrastructure), users (retail customers, high-volume users), agents (distribution). At the center, there is ecosystem development, which encompasses a range of interdependent measures (education, consensus-building, awareness-building, partnership building) that bring stakeholders together to build a sector that can reach the mass market.



In the countries where UNCDF implements a market development approach to digital financial services, (Benin, Lao People's Democratic Republic [Lao PDR], Malawi, Nepal, Senegal, Sierra Leone, Uganda and Zambia), all the markets continued to grow in their current stage of development. Nepal and Sierra Leone are now firmly in the Start-Up stage. Nepal shifted to late Start-up and is on the cusp of the Expansion stage. Benin, Malawi and Senegal are still firmly in the Expansion stage, with Zambia in late Expansion. And Uganda continues to grow in the Consolidation stage. Countries that received LMFTF Funding: Benin, Nepal, Senegal, Uganda.

COUNTRY	BASELINE	2017	2018	2019
BENIN	Mid Start-Up	Mid Expansion	Mid Expansion	Mid Expansion
LAO	Early Inception	Early Start-Up	Mid Start-Up	Late Start-Up
MALAWI	Mid Inception	Mid Expansion	Mid Expansion	Mid Expansion
MALAYSIA	Early Consolidation	Early Consolidation	Early Consolidation	Early Consolidation
NEPAL	Late Inception	Mid Start-Up	Late Start-Up	Late Start-Up
SENEGAL	Early Start-Up	Mid Expansion	Mid Expansion	Mid Expansion
SIERRA LEONE	Mid Start-Up	Mid Start-Up	Mid Start-Up	Late Start-Up
UGANDA	Mid Expansion	Late Expansion	Early Consolidation	Early Consolidation
ZAMBIA	Early Start-Up	Mid Expansion	Late Expansion	Late Expansion

UNCDF also partnered with the Mastercard Foundation to deploy a market development approach in Benin, Senegal and Zambia. Before the programme closed in 2019, UNCDF and Mastercard Foundation supported the growth of DFS ecosystems and the following increases in DFS usage rates over the past five years:

Benin - 2% to 40%

Senegal - from 13% to 29 %

Zambia - from 4% to 44%

UNCDF also supported inclusive innovation in Myanmar:



MYANMAR

Developed the National Financial Inclusion Strategy - UNCDF successfully completed a country wide diagnostic assessment and developed the 2019-2023 Financial Inclusion Roadmap – the national financial inclusion policy document for Myanmar. The 2019-2023 Roadmap has been approved by the Inter-Ministerial Steering Committee (IMSC) and builds on the success of the 2014 Roadmap.

Strengthening of the Financial Service Provider Sector - UNCDF secured funding of over USD 5 million to support the development, expansion and strengthening of various financial service providers. UNCDF is working with MFIs to expand into conflict/border states of Myanmar through operational subsidies and is transforming more than 10 micro-finance institutions (MFIs) from NGO status to a registered company in compliance with the Myanmar Companies Law. UNCDF also provided MMK 200 million in catalytic funding to local MFIs to support their activities. We have an outstanding portfolio of USD 1.3 million. UNCDF is also working with local banks and the private sector to develop DFS products to better serve rural women.

Knowledge Sharing - As part of UNCDF's women's economic empowerment project, in 2019 UNCDF held workshops across the country, particularly in conflict and post-conflict areas, to discuss the importance of financial inclusion for women. These workshops included local women's groups as well as participants from the state/region government, MFIs and other FSPs and "edu-tech" organizations that are providing financial and digital literacy for women. These workshops and conferences have led to a total of 1,346 beneficiaries.

Government Payments System - UNCDF is supporting the creation of an open platform based on Mojaloop design principles so microfinance institutions can digitize their processes in order to "plug into" a larger Government of Myanmar payments digitization programme.

RESULT #2: SIX PROJECTS REGARDING DIGITAL SOLUTIONS FOR SMALLHOLDER FARMERS IN NEPAL AND UGANDA

NEPAL

Digitizing Payments in the Dairy Value Chain for Prabhu Management - UNCDF partnered with Prabhu Management to pilot digitization of payments in the dairy value chain of Nepal. The pilot was launched in October 2018. A key part of the project is migrating data to an automated milk ledger for dairy cooperatives. This ledger also builds the base for payment digitization. Prabhu Management acquired 3510 newly-registered customers, of whom 2040 are active dairy farmers. Prabhu Management also partnered with 16 dairy cooperatives for further expansion of the operations.

Digital credit for Rural and Farmer Clients—UNCDF supports Prabhu Bank in the development of a digital credit product for its rural and farmer client base. The pilot will start in Q1 2020.

Digital PayGo Services for SunFarmer—UNCDF supports SunFarmer to develop digital PAYGO (Pay-as-you-go) services for solar irrigation pumps, to digitize agriculture payments through the Prabhu digital wallet, and to facilitate the integration of market intelligence systems for vegetable farming.

UGANDA

Digitizing Of Seed Oil and Maize Value Chain (MobiPay) - UNCDF launched a project that applies a model of Digital Community Entrepreneurs (DCEs) to support the adoption of digital solutions, which can improve agriculture production, market linkages, and increase access to finance for smallholder farmers along the maize and seed oil value chain. The project results include 176 active DCEs. 73,359 farmers were registered and educated on mobile money, out of which 69,837 are actively using mobile money. 21,511 farmers now receive bulk payments from farmer organizations through mobile money payments.

Smallholder Digitization Project with Yo Uganda —UNCDF’s digitization project with Yo Uganda also applies the Digital Community Entrepreneurs (DCEs) model to support the adoption of digital solutions that can improve agriculture productivity, market linkages, and increased access to finance among smallholder farmers in Uganda. The project results include 84 active DCEs. 54,854 farmers were registered and educated on mobile money, of whom 50,254 are actively using mobile money. 10,127 farmers now receive bulk from farmer organizations through mobile money payments.

Digital Innovation Challenge for Agriculture—Innovation Village, an incubator/innovation hub based in Kampala, designed, launched and managed a digital innovation challenge for agriculture. As the implementing partner and hub, Innovation Village onboarded three anchor partners from the agriculture sector: Mukwano, NuCafe and WeltHungerHilfe, while MTN Uganda joined as the telecom partner. Over 90 applicants submitted proposals; 30 went through a bootcamp and 10 start-ups entered a three-month acceleration programme. The three best initiatives emerging from the acceleration phase were awarded seed funding to pilot their solutions.

RESULT #3: THREE LEAN DATA SURVEYS

In 2019, UNCDF developed a lean data collection project aimed at pushing data analytics beyond the conventional boundaries of KPI core-business monitoring (e.g. per cent female clients), and towards the rapid measurement of SDG impact of the business models for the real economy. Three surveys were developed with UNCDF’s partners in Viet Nam, Myanmar and Singapore, which will analyze user cases involving an e-wallet, MSME loans, and a remittance service. The most advanced of these surveys is the one in Viet Nam, where UNCDF was approved by retail bank LienVienPostBank to conduct the survey with its ViViet users; in Myanmar, an NDA has been signed with BRAC; in Singapore, UNCDF will work with mobile money solutions provider Thunes to study transaction data and track the growth of the Singapore – Myanmar remittance corridor.



RESULT #4: THE BETTER THAN CASH ALLIANCE WORKED WITH ITS MEMBERS FROM 30 NATIONAL GOVERNMENTS, 34 INTERNATIONAL ORGANIZATIONS AND 8 GLOBAL COMPANIES TO LAUNCH AND SCALE THE DIGITIZATION OF PAYMENTS TO ACHIEVE THE SDGs.

The Better Than Cash Alliance, hosted by UNCDF, is a global partnership focused on accelerating the transition from cash to digital payments based on responsible practices. In 2019, the Alliance continued to support its members to meet their digitization commitments to drive efficiency, transparency, women’s economic participation and financial inclusion, advancing the SDGs. For example, in Bangladesh, the Alliance partnered with garment manufacturers to digitize 90 per cent of their payments to workers by 2021. It also worked with the Government of Senegal to launch a digital payment platform to help expand national health insurance coverage to 75 per cent of the population. The Better Than Cash Alliance has also worked with the Governments of Kenya and India to share their practices in digitizing payments for basic public services with other countries from the Global South.



BANGLADESH

Partnered with garment manufacturers to digitize 90 per cent of their payments to workers by 2021.



SENEGAL

In April, with the Alliance’s support, the Prime Minister launched SunuCMU – an innovative public digital payments platform that allows households and the Senegalese diaspora to make payments digitally to support their families’ health, instead of sending cash. The government is also examining the platform as a means to expand health insurance coverage to 75% of the population by 2021, from 49% at present. The platform is expected to save the government the equivalent of around USD10 million annually – an amount similar to what would be paid by some 1.7 million people in universal medical coverage fees.

GENDER HIGHLIGHTS

Myanmar—In 2019, UNCDF secured a USD 1 million commitment from Sasakawa Peace Foundation to launch the Women's GEM Challenge Fund to support MSMEs, including women-owned and -led businesses. Moreover, UNCDF was awarded funding of USD 2.5 million from LIFT (Livelihood and Food Security Fund) to launch a project providing DFS for low-income women in rural communities to build digital, financial, and nutritional capability, as well as support responsible financial behaviors through access to digital savings and credit products. This project is in partnership with CB Bank.

Senegal—UNCDF supported the MFI, PAMECAS, with a grant and TA in developing a credit-scoring model to calculate the risk of providing unsecured loans to the digital payments company, InTouch, based on their transactional data. The pilot started in October 2019, and in less than a month, 11 digital loans were granted for a total of CFA 2.3 million (USD 3,896). The support to PAMECAS aims to improve access to loans for youth and women who generally lack collateral to initiate or expand their businesses.

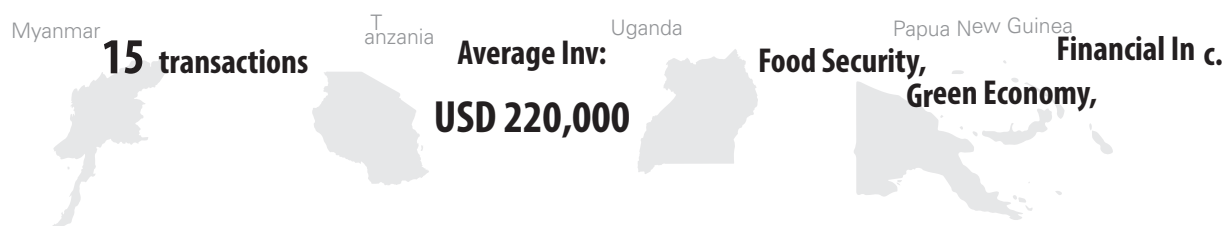


VII. Results-Financial Inclusion and Innovation (LDC Investment Platform)

With a growing loan and guarantee portfolio, UNCDF wants to demonstrate to the financial architecture, domestically and internationally, that investing in last mile settings is not only good for equality but also commercially viable. The capital needs in the last mile settings are tremendous and UNCDF's ultimate goal is to bring systemic change to the view of risk and investment in these settings to fill the finance gap.

RESULT #1: A PORTFOLIO OF 15 TRANSACTIONS REPRESENTING USD 2.7 MILLION

UNCDF managed a portfolio of 15 transactions representing USD 2.7 million in disbursed concessional loans and guarantees as of December 2019. An average investment of USD 220,000 was made to SMEs that showed potential for strong development impact in food security, green economy and financial inclusion in Myanmar, United Republic of Tanzania, Uganda, and Papua New Guinea. UNCDF loans and guarantees are structured to secure the financing of senior loans from local banks or international investors. It can be done either as co-investment together with UNCDF or as a follow up investment when the borrower can show some sound credit history from the relationship with UNCDF. For instance, UNCDF provided a partial loan guarantee of USD 226,000 to an agricultural processing firm in Uganda in 2019 that manages a local supply chain of smallholder poultry farmers; this helped the firm secure a loan of USD 650,000 from an impact investment fund.



Furthermore, UNCDF loans have generated USD 520,000 in interest and principal repayments that are available for redeployment. UNCDF plans to expand its loans and guarantee portfolio to new geographies in 2020 and is preparing the deployment of four investment specialists (supported by Dutch LMFTF funding) in Senegal, Benin, Ethiopia and Rwanda to support other UN agencies with their private sector work and, if needed, provide the tools to issue loans and guarantees.

RESULT #2: THE BUILD FUND - A BLENDED FINANCE VEHICLE

In 2019, UNCDF prepared the launch of a third-party managed blended finance fund to bring growth finance to missing middle SMEs, particularly in LDCs. The initiative is a partnership with Geneva-based Bamboo Capital Partners. In preparation for the launch, UNCDF has screened over 200 companies and from those companies built a pipeline of 42 interesting SMEs operating in the LDCs and with a strong development impact as well as financial return potential.

UNCDF made progress in raising donor awareness of the blended financing mechanism, which needs a substantial first loss tranche to attract commercial investors who are more risk averse. UNCDF is also launching a business advisory facility to provide pre- and post-investment support to the pipeline of investable enterprises and BUILD investees.

The BUILD Fund is one of the few funds in the market with a focus on the Least Developed Countries, and if successful, it will break new ground for the more commercial impact industry.






GENDER HIGHLIGHTS

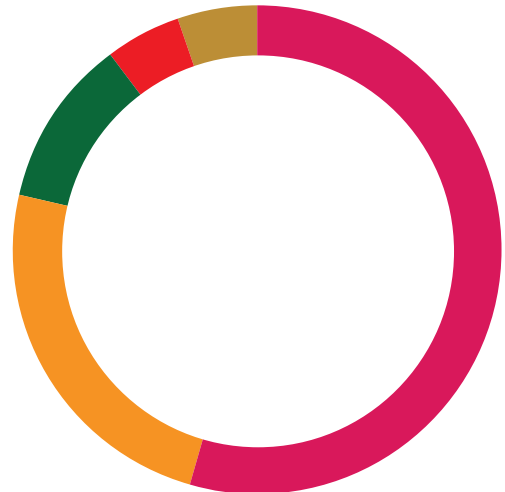
As mentioned in reference to the Economic Empowerment of Women and Youth window, UNCDF supported the Women's Microbank Limited in Papua New Guinea in the launch of the usage of biometrics for its customers, with these customers primarily being women living in rural areas of the country. In the last half of 2019, to meet on-lending demand in light of this biometric capability, the bank received a USD 244,000 loan from the LDC Investment Platform.

More specifically, since nearly 80% of Papua New Guinea's adult population is working in the informal sector, most of whom are women, access to credit for small businesses is a big challenge. The loan from UNCDF to WMBL will be used for on-lending to female entrepreneurs to grow their microbusinesses through WMBL's MamaBanks.






VIII. LMF-TF 2019 Financials

Financial Performance - **TOTAL ALLOCATION**

THEMATIC WINDOW	AMOUNT
 Green Economy	564,512.42
 Food Security & Nutrition	268,708.39
 Economic Empowerment of Women & Youth	272,189.28
 Infrastructure & Services	1,180,464.20
 Financial Inclusion & Innovation	2,687,790.90







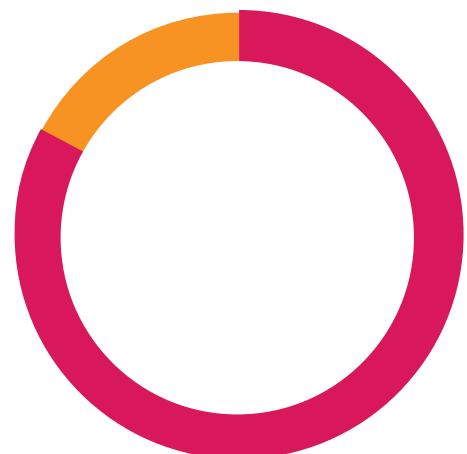
Financial Performance - **SIDA LMF-TF SPENDING**

THEMATIC WINDOW	AMOUNT
 Green Economy	564,512.42
 Food Security & Nutrition	268,708.39
 Economic Empowerment of Women & Youth	272,189.28
 Infrastructure & Services	733,174.74
 Financial Inclusion & Innovation	1,074,739.39



Financial Performance - **NORAD LMF-TF SPENDING**

THEMATIC WINDOW	AMOUNT
 Green Economy	
 Economic Empowerment of Women & Youth	
 Infrastructure & Services	320,976.03
 Financial Inclusion & Innovation	1,613,051.51



SDC—In 2019, SDC expenditures through the LMF-TF were USD 126,313.43. The expenditures were used for the MIF Blue Peace programme, specifically for scoping missions to support implementation, which will commence in 2020.



Infrastructure & Services

Uganda Pipeline

Name: Talian Company Limited
Location: Mukono district in central Uganda and Kiryandongo district in western Uganda
Sector: Food security
Purpose: Expansion of storage, purchase of machinery, and working capital to increase productive capacity

Tanzania Pipeline

Name: Alaska Tanzania Limited
Location: Kinondoni district in Dar es Salaam, Tanzania
Sector: Women's Economic Empowerment
Purpose: Food processing, warehousing, packaging



Financial Inclusion & Innovation

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Better Than Cash Alliance Expanded Membership to 30 National Governments, 34 International Organizations and Eight Businesses: The Better Than Cash Alliance, hosted by UNCDF, is a global partnership focused on accelerating the transition from cash to digital payments. In 2019, the Alliance continued to expand its membership to 30 national governments, 34 international organizations and eight businesses, and continued to support its members to meet their digitalization commitments. In Bangladesh, the Alliance partnered with garment manufacturers to digitize 90 per cent of their payments to workers by 2021. It also worked with the government of Senegal to launch a digital payment platform to help expand national health insurance coverage to 75 per cent of the population. The Better Than Cash Alliance has also worked with the Governments of Kenya and India to share their best practices in digitizing payments for basic public services with other countries from the Global South.

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CleanStart—Invest in an energy partner called Village Power which promotes both solar home systems and solar water pumps in Uganda.

Financial Inclusion & Innovation: LDC-IP

NORAD funding will support five transactions in the area of food security, financial inclusion and green economy; spanning four countries: Papua New Guinea, Burkina Faso, Malawi and Uganda.