



THE BRIDGE FACILITY: DEDICATED FINANCING FOR THE LDCs



Unlocking Public and Private
Finance for the Poor

There currently are key financing shortfalls to achieve the SDGs in LDCs



- Need for SDG positive investment in LDCs estimated at **US\$240bn per year**, with only US\$40bn deployed in 2014 (and only US\$6bn from the private sector)*
- Between 2012 and 2018, **only 6% of private finance mobilized by ODA** through blending mechanisms went to LDCs**

Two key areas of intervention: SME finance and MUNICIPAL finance

SME FINANCE

- Unmet credit needs for formal SMEs in developing countries = US\$4.5 trillion***
- Issue even more acute in LDCs, with access to finance as major constraint for 35% of SMEs

MUNICIPAL FINANCE

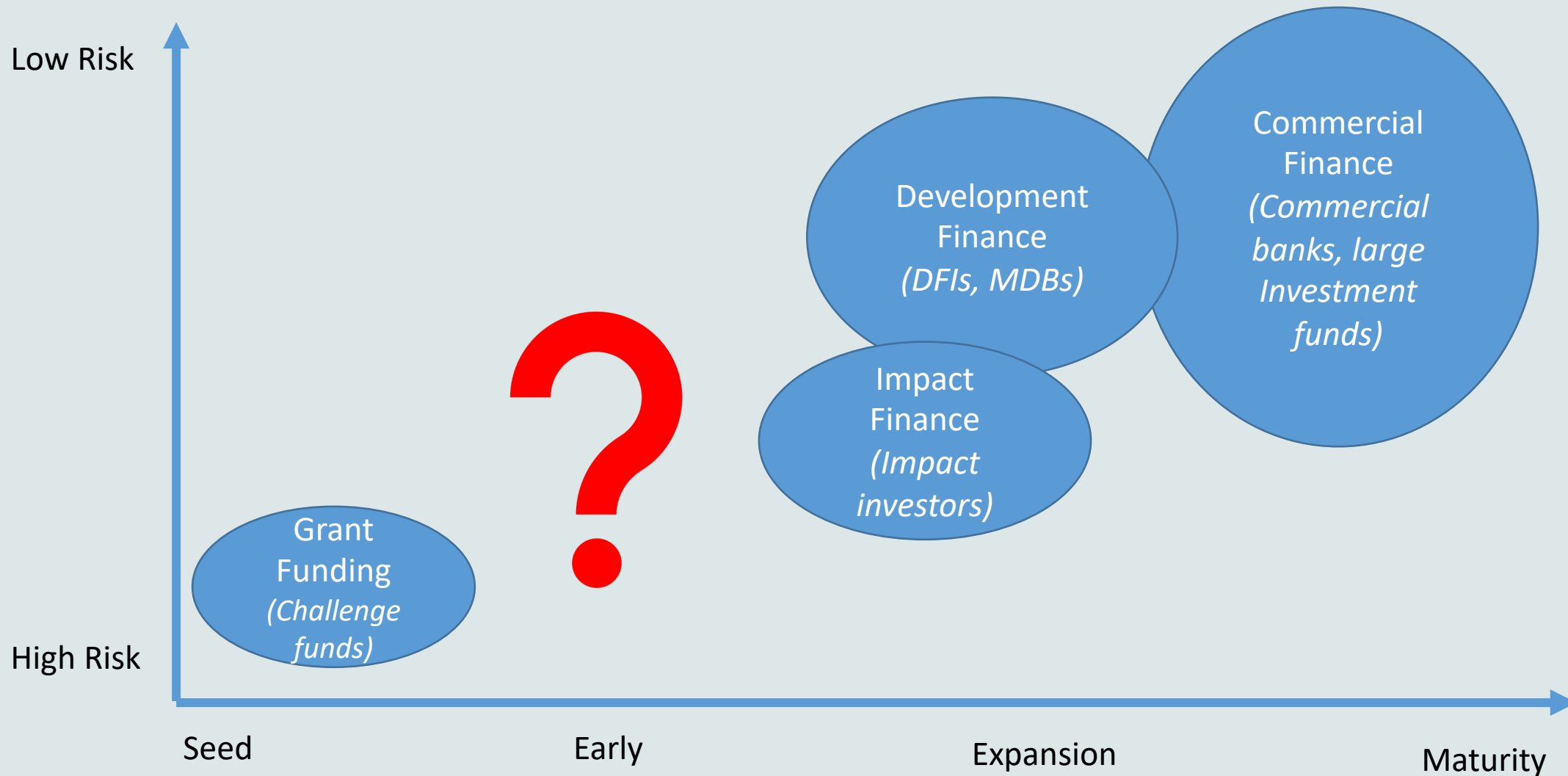
- Urban development agenda recognizes role of cities in achieving the SDGs
- Lack of finance for revenue generating projects at municipal level
- Secondary cities face greater problems

* Source: UNCTAD 2018, "Achieving the Sustainable Development Goals in the Least Developed Countries"

** Source: UNCDF 2020, "Blended Finance in the Least Developed Countries"

*** Source: IFC 2017, "MSME finance gap"

There is a gap in the development finance architecture to properly address these financing shortfalls



UNCDF has a mandate to invest in Loans and Guarantees using its own balance sheet

UN Resolution 2186 (XXI) from 1966:

“The Capital Fund shall extend both grants and loans.”

“Loans extended by the Capital Development Fund shall have long periods of amortization, low rates of interest, or be free of interest and generally be extended on terms comparing favourably with those of loans extended by other international lending institutions.”

ARTICLE I

Purpose

The purpose of the Capital Development Fund shall be to assist developing countries in the development of their economies by supplementing existing sources of capital assistance by means of grants and loans, particularly long-term loans made free of interest or at low interest rates. Such assistance shall be directed towards the achievement of the accelerated and self-sustained growth of the economies of those countries and shall be oriented towards the diversification of their economies, with due regard to the need for industrial development as a basis for economic and social progress.

**UNCDF’s mandate is unique across all agencies
of the UN Development System (UNDS)**

UNCDF's approach to investment is to leverage its concessional resources to unlock additional private capital

UNCDF two-pronged approach: On Balance Sheet vs. Off Balance Sheet

- **ON Balance Sheet:** create demonstration effects



- **OFF Balance Sheet:** scale-up what works



Characteristics:

- IN: Donated Capital (grants)
- OUT: Grants, Concessional Loans and Guarantees (but no equity)
- Ticket sizes between \$50k and \$500k
- Higher risk appetite (subordinated transactions possible)
- Aimed at attracting private capital, either through blending at transactional level or through sequential unlocking of follow-on finance

**UNCDF direct
investment operations**

***(Blended Finance
transactions)***

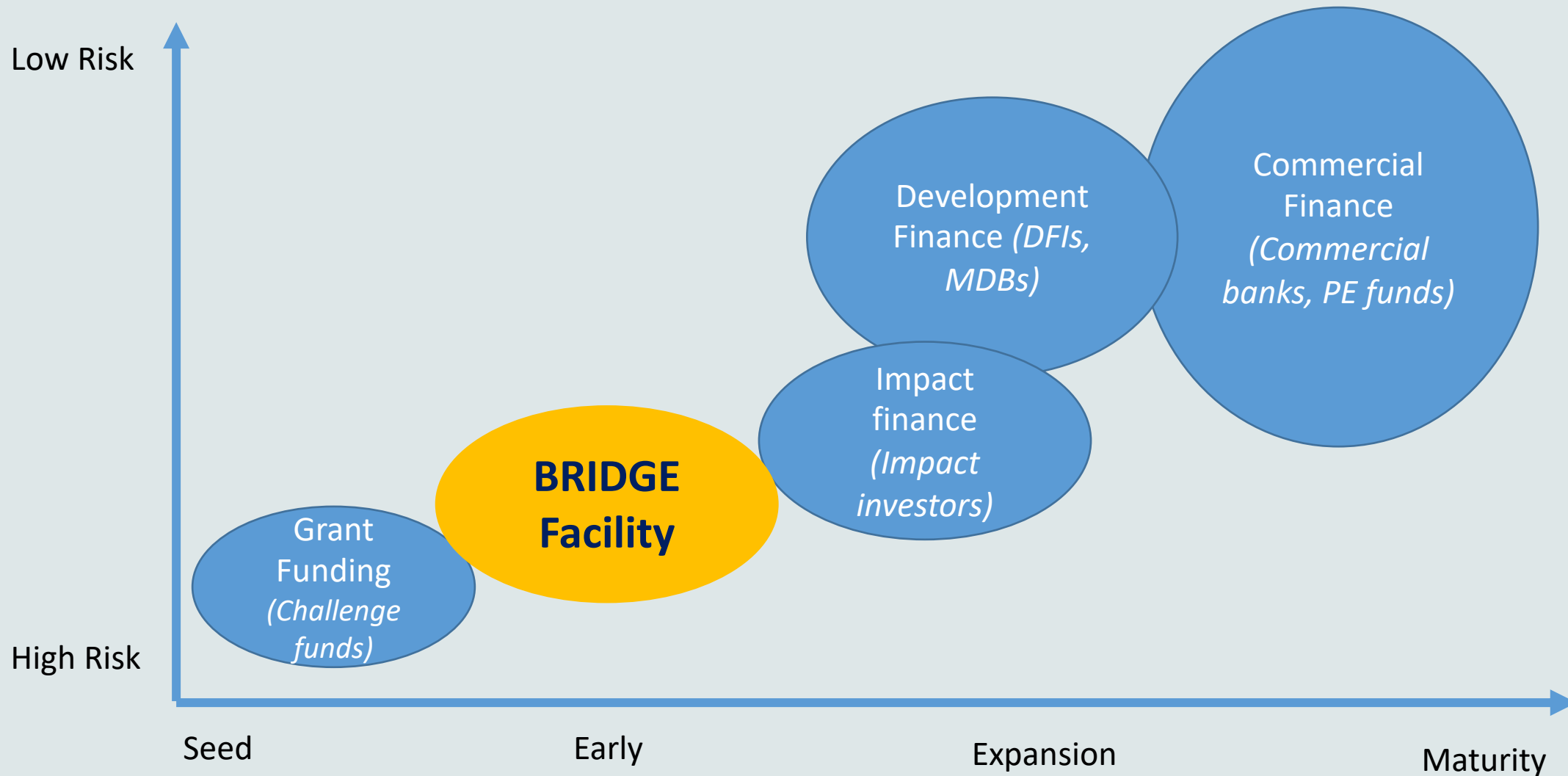
Characteristics:

- IN: Blended Capital (first-loss, mezzanine, senior)
- OUT: Semi-commercial loans (and potentially equity)
- Ticket sizes between \$250k and \$2.5m
- Leverages prior UNCDF's preparatory work (TA & Concessional Capital)
- Provides "next investment step" for projects in need of larger tickets and able to provide better risk-adjusted returns

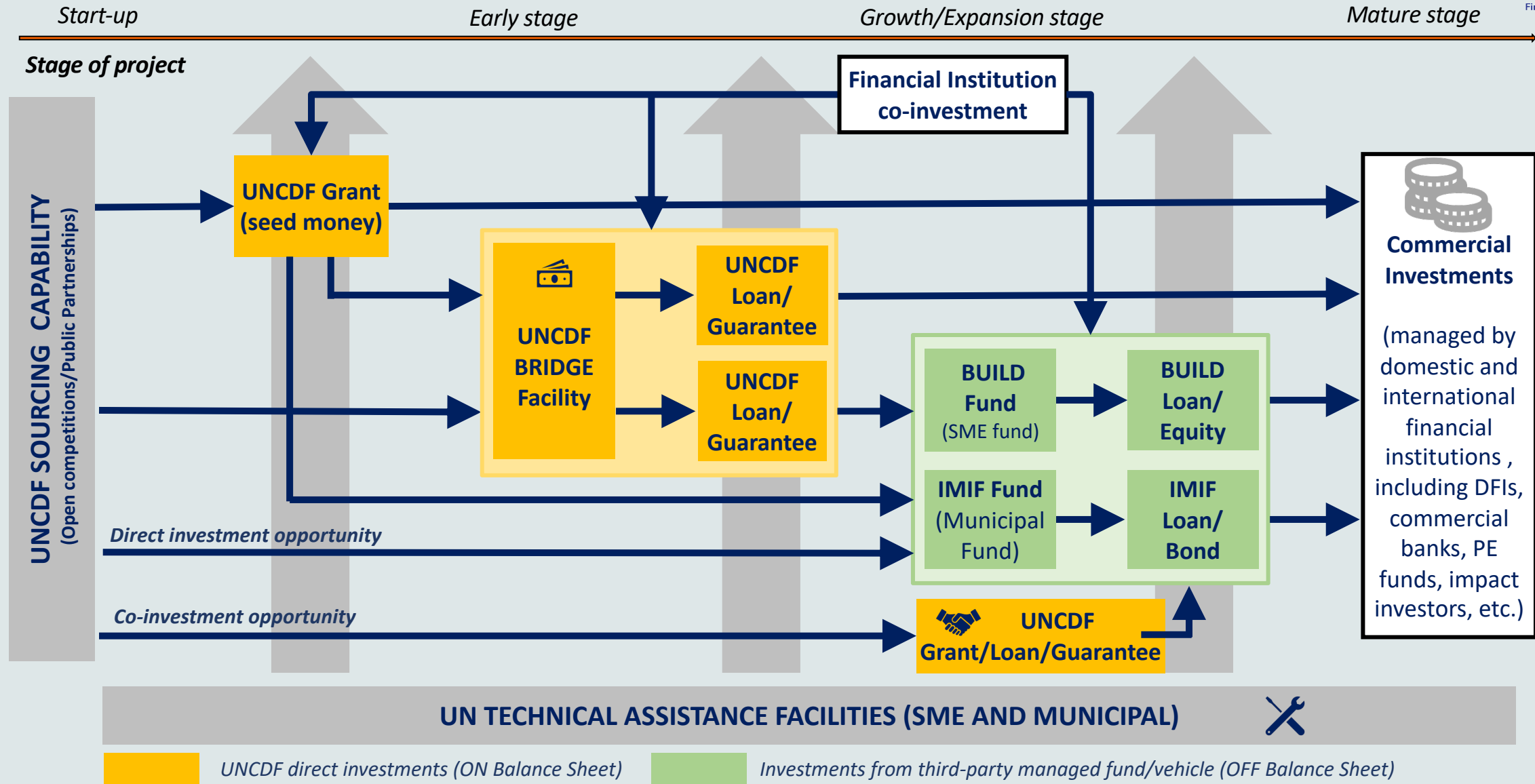
**Third-party managed
investments**

***(Blended Finance
investment vehicles)***

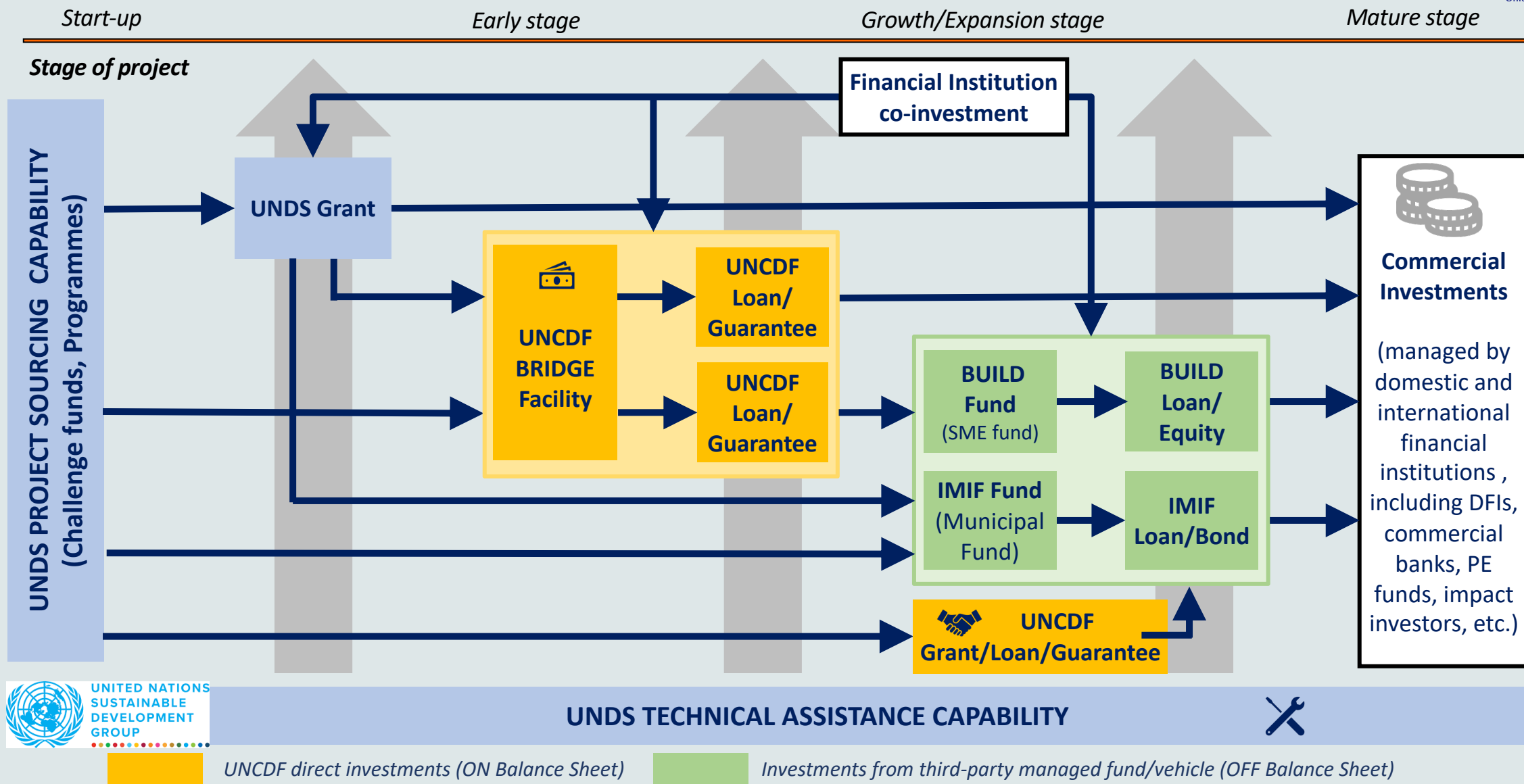
The UNCDF BRIDGE Facility, a dedicated financing facility for the LDCs, can help fill the gap



The UNCDF BRIDGE Facility is part of an “investment continuum” for SMEs, FSPs and municipal projects in LDCs



The UNCDF BRIDGE Facility and the investment continuum can also serve the rest of the UNDS



UNCDF BRIDGE Facility - Key Features

A revolving investment facility hosted on UNCDF’s balance sheet

Category	Terms
Facility Size	Initial capitalization of \$50 million , with possible future replenishments
Funding	Grant funding from donors (member states, foundations, other philanthropy)
Investment Instruments	Loans: Concessional loans (senior “pari-passu” or subordinated), Mezzanine debt, etc. Guarantees: Loan guarantees (senior “pari-passu” or subordinated), Portfolio guarantees, Volume guarantees, Equity capital guarantees, etc.
Deal Size	Ideal is “missing middle” – between USD \$100,000 and \$1,000,000
Geographic Focus	Any of 46 LDCs with priority for countries where UNCDF has personnel to lead transactions and where UNCDF has programmatic presence
Currency	Both hard and local currency, with preferences for local
Sector Focus	Food security & nutrition, financial inclusion & digital innovation, green economy & renewable energy, local public infrastructure, blue economy, women’s & youth economic empowerment
Key Principles	Adherence to UNCDF Strategic Framework, no risk of market distortion, contribution to market development, minimum concessionality, additionality
Eligibility Criteria	Prospect is an SME , an FSP , a Municipality , a PPP , or SPV . Prospect is a formally registered legal entity and must have revenue generating activity. Prospect must be creditworthy and have sound financial management practices.



Anchor donors' support to the BRIDGE Facility has already been secured

WHAT?

BRIDGE Facility
(ON Balance Sheet)

HOW?

Grant funding

WHO?



FOR WHAT?

Revolving financial Instruments
*(Concessional Loans &
Guarantees)*

Examples of recent transactions from the BRIDGE Facility

**BRIDGE
Facility**
(ON Balance
Sheet)



Investee name	Sector/Thematic area	Country	Amount (USD)	Instrument
Pyae Mahar (PM)	Financial Inclusion (MFI)	Myanmar	221 678	Senior loan
Mwenge Sunflower Oil Mills Ltd (MSL)	Food Security (SME for the production of refined food oil)	Tanzania	246 126	Subordinated loan
Entrepreneurs Du Monde (EDM)	Financial Inclusion (MFI)	Myanmar	294 118	Senior loan
Thitsar Ooyin LLC (TO)	Financial Inclusion (MFI)	Myanmar	231 602	Senior loan
Unique Quality (UQ)	Financial Inclusion (MFI)	Myanmar	193 822	Senior loan
Beth EquiSolutions Company Ltd (BECL)	Food Security (SME for horticulture production)	Tanzania	93 350	Subordinated loan
All In Trade Ltd (AIT)	Green Economy (SME selling, installing and maintaining solar PV commercial systems)	Uganda	220 736	Senior loan
Aptech Africa Ltd (AAL)	Green Economy (SME selling, installing and maintaining solar pumps)	Uganda	250 921	Senior loan
Solar Today Ltd (STL)	Green Economy (SME selling, installing and maintaining Solar Home Systems)	Uganda	80 000 + 32 191	20 % Guarantee + Pari Passu loan
Environmental Conservation and Livelihood Outreach Foundation (ECLOF)	Financial Inclusion (MFI)	Myanmar	159 744	Senior loan
Mema Holdings Ltd (MHL)	Food Security (SME for the production of maize flour)	Tanzania	252 905	Subordinated loan
Alaska Industries Ltd (AKTZ)	Food Security (SME for the production of processed rice, maize and eggs)	Tanzania	98 378	Subordinated loan
Pristine Foods Limited (PFL)	Food Security (SME for the production liquid egg products)	Uganda	226 900	50% Guarantee
Women's Micro Banking Limited (WMBL)	Financial inclusion (MFI– branch expansion biometric identification model)	Papua New Guinea	254 836	Senior loan

Case study: APTECH (unlocking of additional finance)

BRIDGE Facility (ON Balance Sheet)



Renewable Energy Company



Aptech (Uganda)



Renewable energy off-grid (PV systems and solar water pumps)

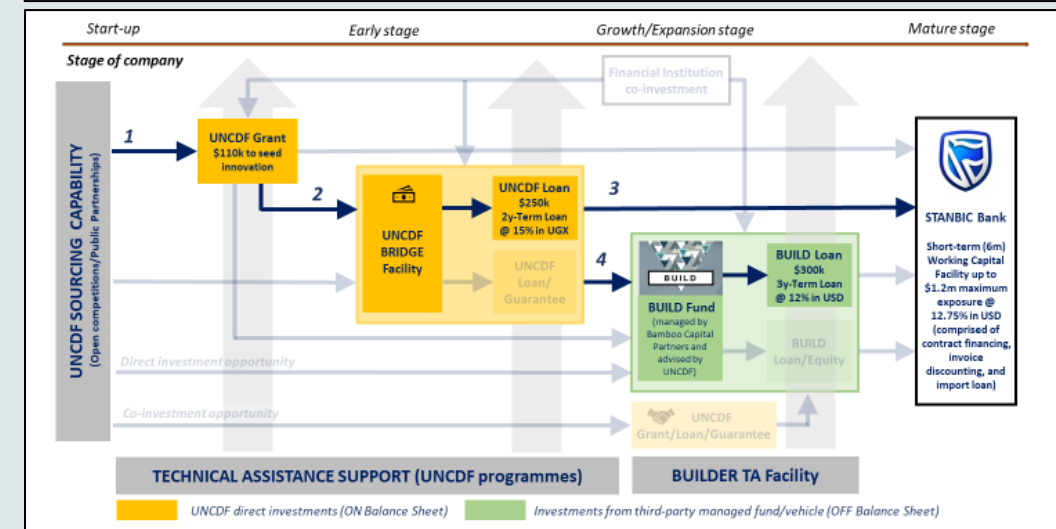
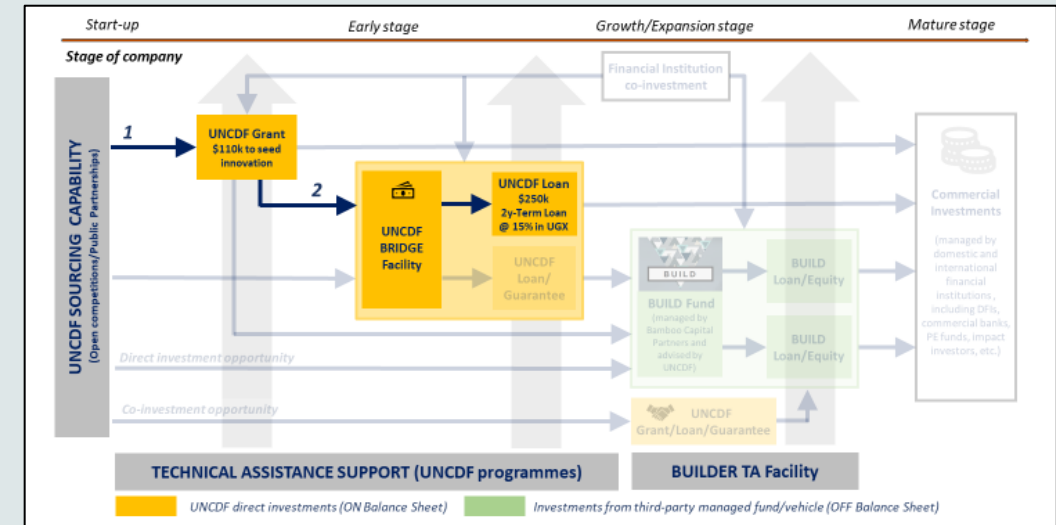


UNCDF support 2018-2021



Blended Finance in Action

1. UNCDF provided US\$110k innovation grant (H1 2018)
2. UNCDF provided first loan ever (H2 2018)
 - 2-year unsecured senior loan for working capital
 - US\$250k in UGX at 15% p.a. concessional interest rate
 - Loan fully repaid in February 2021
3. UNCDF support unlocked US\$700k follow-on financing from Stanbic Bank, then increased to US\$1.1m (short-term working capital facility, multiple instruments)
4. BUILD Fund considering new US\$300k long-term loan for financing capital expenditures



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**BRIDGE
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(ON Balance
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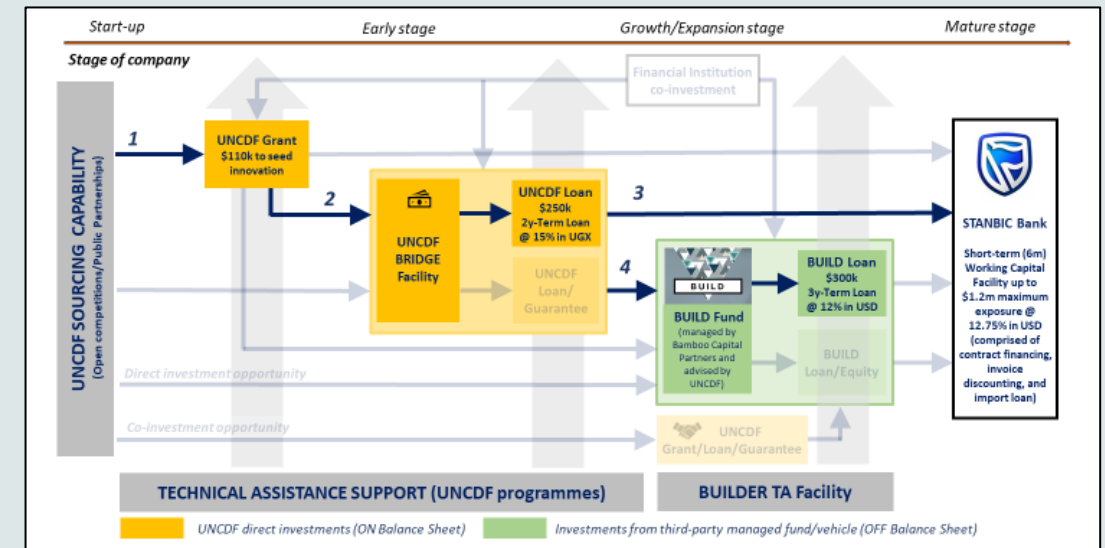


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$$\frac{\text{US\$ 1.4m}}{\text{US\$ 360k}} = 3.9x$$



Case study: Gambia Solar Power Plants (UNCDF-UNDP joint project implementation)

BRIDGE Facility (ON Balance Sheet)



Renewable Energy Power Production



Independent Power Producers (IPPs)
(The Gambia)



Renewable energy
(10.5MW solar plants)

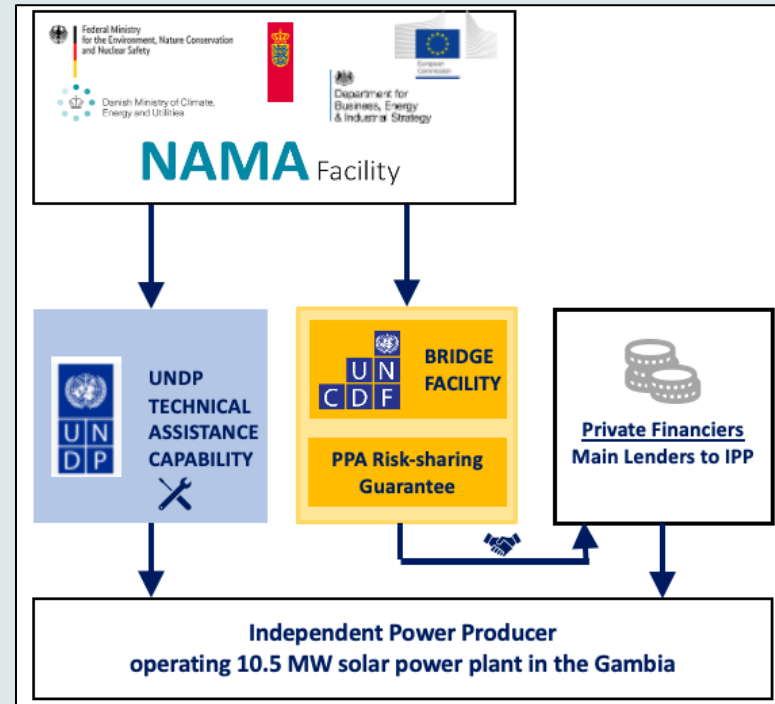


UNCDF-UNDP support through NAMA
facility from 2020-2025



Blended Finance in Action

1. The UNDP and UNCDF partnership supports the Solar Power project through a 10.6M EUR NAMA Facility grant. Project sourcing was led by UNDP and financial structuring was led by UNCDF.
2. The PPA Guarantee administered by UNCDF is the core foundation of the project as it de-risks IPPs' investments into solar power plants and is expected to attract financing from external stakeholders.
3. National stakeholders to contribute 1.3M EUR
4. Private sector expected to contribute 9.8M EUR



Project members discuss around a grid-connected solar PV system.

322,019 tCO₂e

of greenhouse gas emissions abated
across a 26-year lifetime

144,500

people gaining improvements in quality
of life (e.g. sustainable energy supply to
grid connected households)

Case study: KOMBEZA FOODS (UNDP sourced transaction)

BRIDGE Facility (ON Balance Sheet)



Dairy Processing Company



Kombeza Foods (Malawi)



Dairy processing (yogurt production)

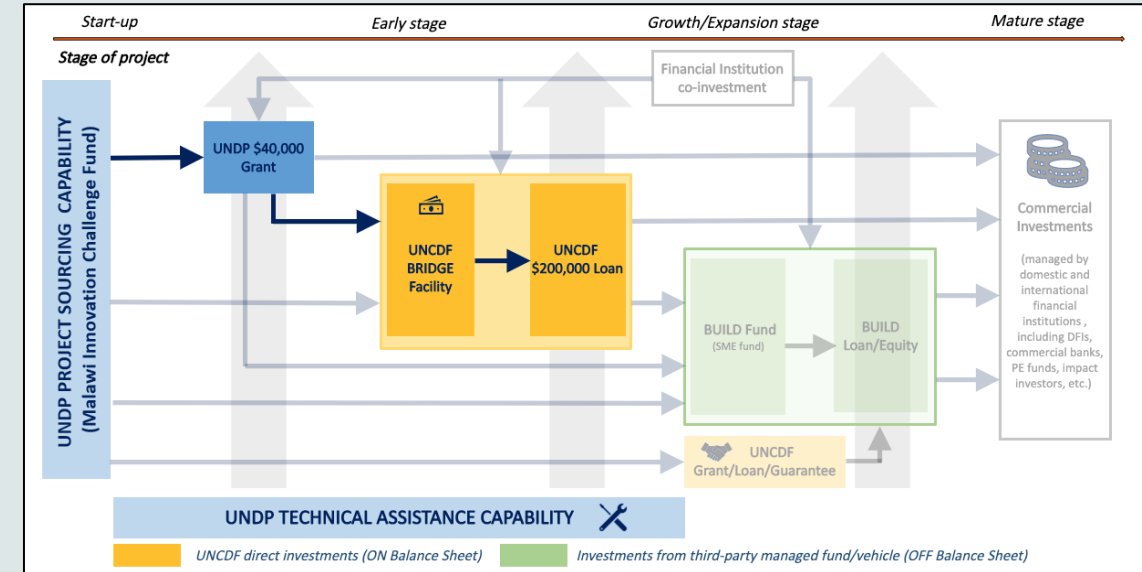


UNDP Malawi Grant Award of \$40,000 (2019)
UNCDF Concessional Loan of \$200,000 (2021)



Blended Finance in Action

1. UNDP Malawi awarded a Grant of \$40,000 to complete construction of a yogurt processing factory (including other basic infrastructure) in 2019
2. UNCDF follow-up concessional financing of \$200,000 for capex investment (i.e. for procurement of processing and laboratory equipment including purchase of a refrigerated transportation vehicle) with 4-year loan tenor in 2021
3. UNCDF anticipates our concessional financing will unlock additional commercial capital from the private sector for future expansion of the company's business activities



76.9%

of employment in Malawi
is in the agricultural
sector

180+

dairy farmers are employed by
Kombeza to process an
average of 2,000 Ltr/day of
milk

Case study: GREEN MOUNTAIN (UN Women sourced transaction)

BRIDGE Facility (ON Balance Sheet)



Green Coffee Producer and Exporter



Green Mountain Arabica Coffee (Rwanda)



Agriculture sector (coffee)



Proposed tenor - 4 years

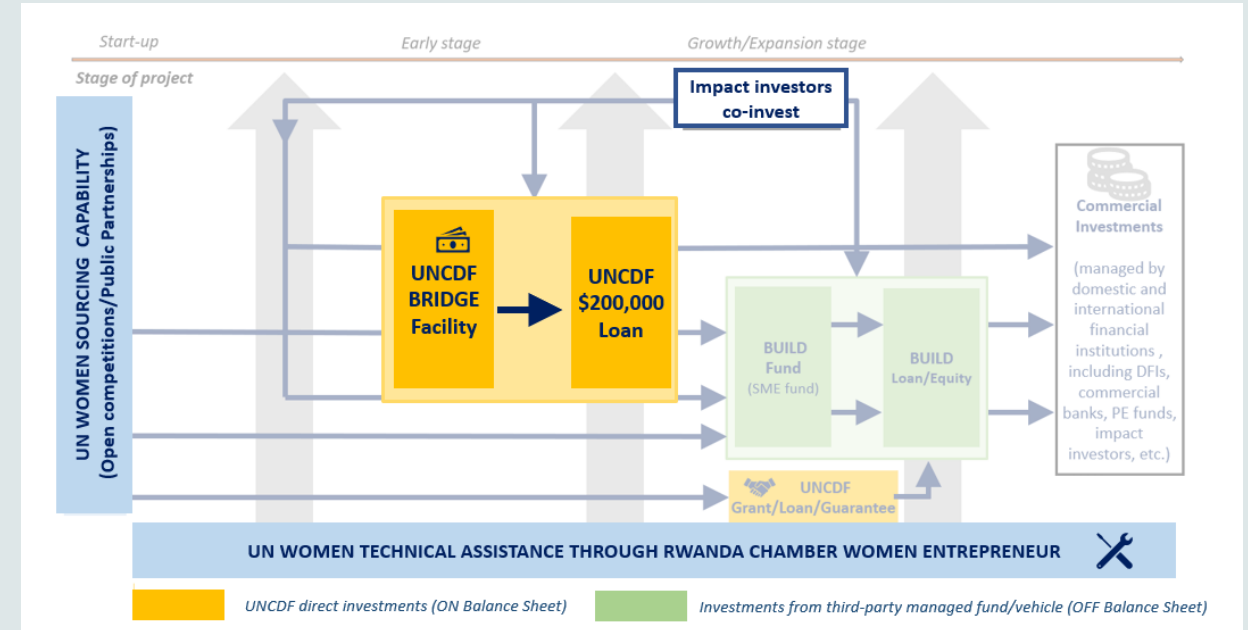


Blended Finance in Action

- Total debt financing need = about \$400,000
 - BRIDGE Facility intended financing = \$200,000
 - International Impact Investors co-financing = \$200,000

Intended Usage of Proceeds: To implement the project, GMAC will use the debt financing for:

1. Procurement of a coffee hulling chain machine that will enable the company process cherry coffee into parchment coffee and finally green coffee, ready for export.
2. Construct a new building for the dry process.
3. Build a wastewater treatment on the coffee washing station and upgrade wherever it is needed on the process chain.
4. Train coffee farmers on how best to adopt good agricultural practices



A photograph of two women in a field. The woman on the left is wearing a pink and red patterned headscarf and a pink shirt, carrying a wooden staff over her shoulder. The woman on the right is wearing a blue and white patterned headscarf and a pink and purple patterned dress, carrying a child on her back. They are standing in a field of dry grass and dark soil. In the background, there are green bushes and mountains under a blue sky with large white and grey clouds.

THANK YOU