

UN Capital Development Fund

Strategic Framework

2022 - 2025

Leveraging the Development Impact of Capital



Unlocking Public and Private
Finance for the Poor



Foreword

As we prepared UNCDF's Strategic Framework 2022-2025, one of our foremost priorities was determining how we can best accelerate and scale our assistance to the world's 46 least developed countries (LDCs) to support them to combat the devastating impacts of COVID-19, which has caused LDC economies to shrink, extreme poverty rates to jump and SDG progress to reverse.

With low vaccination rates, mounting fiscal challenges and slow return of foreign investments, the recovery from the crisis may very well be protracted. In addition, the LDCs remain highly exposed to the escalating and existential impacts driven by climate change and biodiversity loss.

But while this is an unprecedented time of challenges, let us not forget that the LDCs also represent an enormous and untapped opportunity for inclusive growth and human development that can be harnessed with the right types of support.

To unlock this potential, and to tackle the structural constraints that exacerbate the crises and hold back sustainable development in the LDCs, will require increased access to capital. This is where UNCDF comes in.

In the Strategic Framework 2022-2025, UNCDF's mission is:

"to serve as the United Nations flagship catalytic financing entity for the LDCs to strengthen financing mechanisms and systems for structural transformation."

The Framework intends to build on our significant progress over the past four years and provide a platform for continued and accelerated growth that will allow us to enhance our development impact.

To deliver on our aim to scale up, we will expand our partnerships with a range of public and private actors.

This includes reinforcing our partnerships with the LDCs themselves, working closely together to build markets, financing systems and investment opportunities that unlock more capital for the Sustainable Development Goals (SDGs).

We will also deepen collaboration with the UN development system, combining UNCDF's development and investment capabilities with the UN's development support to catalyze SDG financing at scale.

At the heart of the Framework is UNCDF's unique hybrid offer, providing capital investments and financial advisory services in combination with policy advice and technical assistance, across five thematic areas. All this to support countries to catalyze greater flows of private and public capital towards inclusive and green economic transformation.

The Framework has been developed through a consultative process with UNCDF staff and many external partners, in particular the LDCs. As a result, the Framework also aligns with many of the financing and development priorities expressed in the Doha Programme of Action for the LDCs, as well as the 2030 Agenda and the Paris Climate agreement.

Whether the next 10 years will be remembered as the Decade of Action that achieved the Global Goals, or a lost decade of development for the LDCs, will be determined in part by what we achieve as a UN collective and wider multilateral system. As we take the next steps on the UNCDF journey through 2025, we will use this Strategic Framework to enhance our contributions and to make our mark.

Preeti Sinha

Executive Secretary

UN Capital Development Fund

Strategic Context

The challenges and opportunities of the least developed countries



1 Billion



1.3% GDP
globally



1.4% FDI
globally



1% Exports
globally

LDCs encounter multiple structural impediments, including:

- ▶ **Low levels of productive capacities and largely undiversified, informal economies that are heavily reliant on agriculture and natural resources.**
- ▶ **Only 53 per cent of the population of the LDCs have access to energy, with rates of access as low as 10 per cent in rural areas in some countries.**
- ▶ **Lack of digital infrastructure and gender inequality.**
- ▶ **Mounting threats from climate change, biodiversity loss and fragile food systems.**

These structural impediments were exacerbated by the COVID-19 pandemic, which caused LDC economies to shrink significantly in 2020 and push 32 million more people into extreme poverty.

At the same time, with their young population, natural resources and strengthened governance systems, the LDCs represent markets with enormous untapped potential for economic growth and development. Digital solutions, infrastructure development, a new generation of dynamic entrepreneurs, as well as an increased focus on South-South trade, are additional factors that can allow LDCs to leapfrog towards greater prosperity.



UNCDF for the Decade of Action

A hybrid organization that is both a development agency
and a development finance institution

UNCDF is increasingly recognized for its capabilities and approaches to strengthen public and private financing systems and mechanisms, de-risk the local investment space, and attract additional finance to drive economic development in the LDCs.



VISION

Leverage the development impact of capital to strengthen the sustainable growth and inclusiveness of LDC economies to enable them to achieve the SDGs.



MISSION

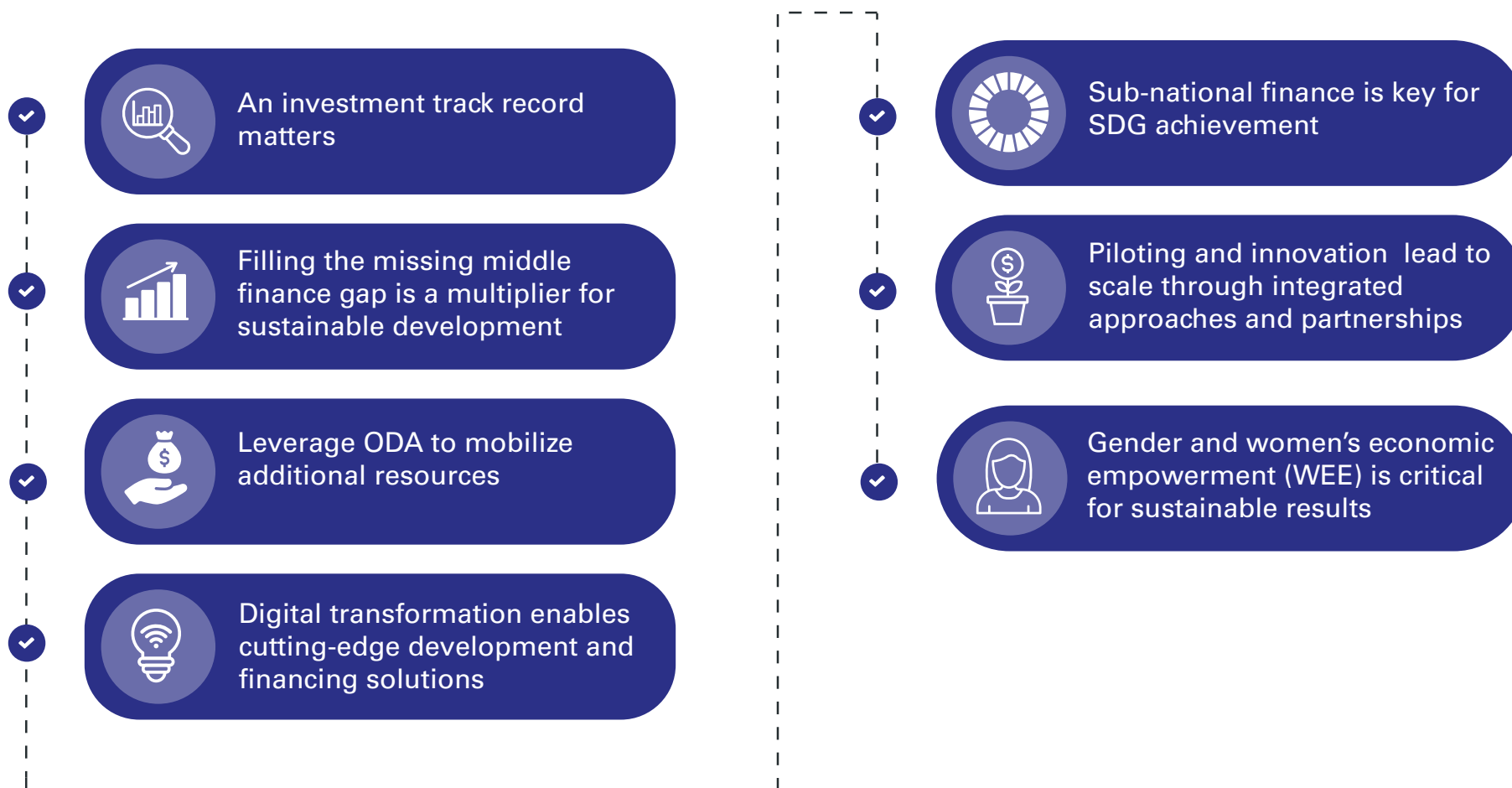
Serve as the UN flagship catalytic financing agency for the LDCs to strengthen financing mechanisms and systems for structural transformation.



Lessons Learned

Learning from our experiences to increase our impact

The Strategic Framework builds on the progress and transformation of UNCDF over the past four years. It draws on lessons learned from experiences and evaluations of its work, in order to significantly scale up support to LDCs to build forward better.



Strategic Game-changers

Driving towards three development outcomes

UNCDF supports countries to pursue three interlinked and mutually reinforcing strategic game-changers:

1. Catalyse additional flows of capital.
2. Strengthen market systems and financing mechanisms.
3. Accelerate inclusive, diversified and green economic transformation.

UNCDF &  SUSTAINABLE DEVELOPMENT GOALS

UNCDF focuses its support on SDGs which will be targeted as part of all of its interventions.



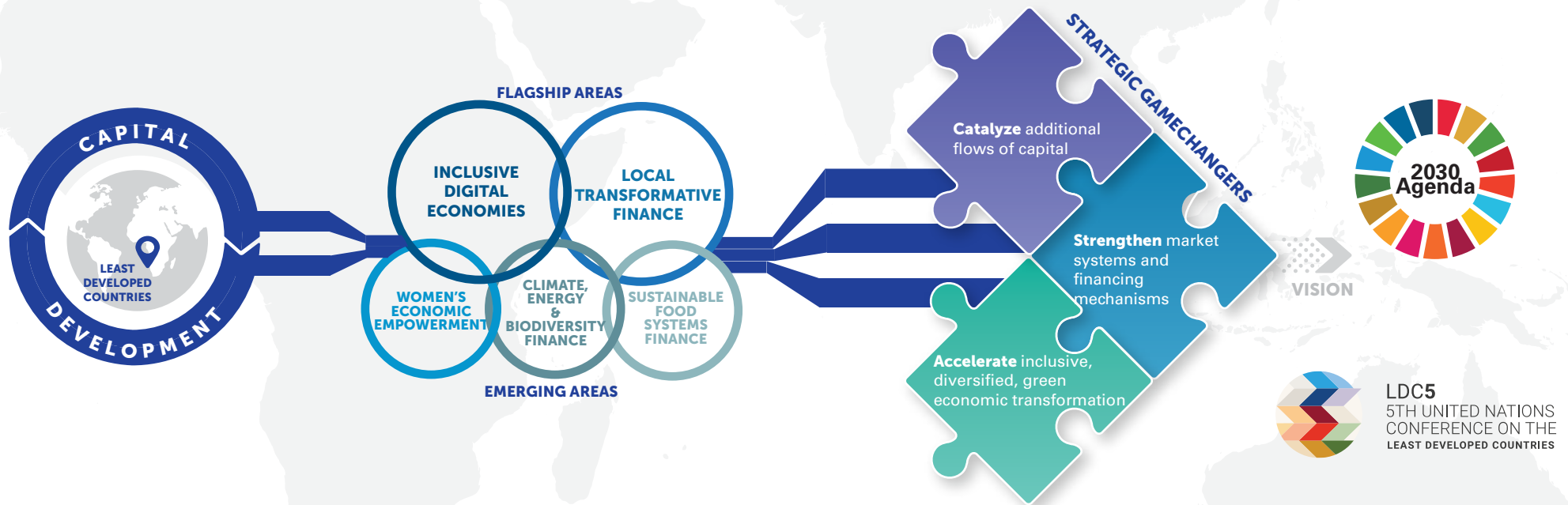
UNCDF also aims to contribute to:



The UNCDF Offer

What we do

UNCDF uses a combination of capital and development triggers applied across five priority areas to support countries to achieve three strategic game-changers.

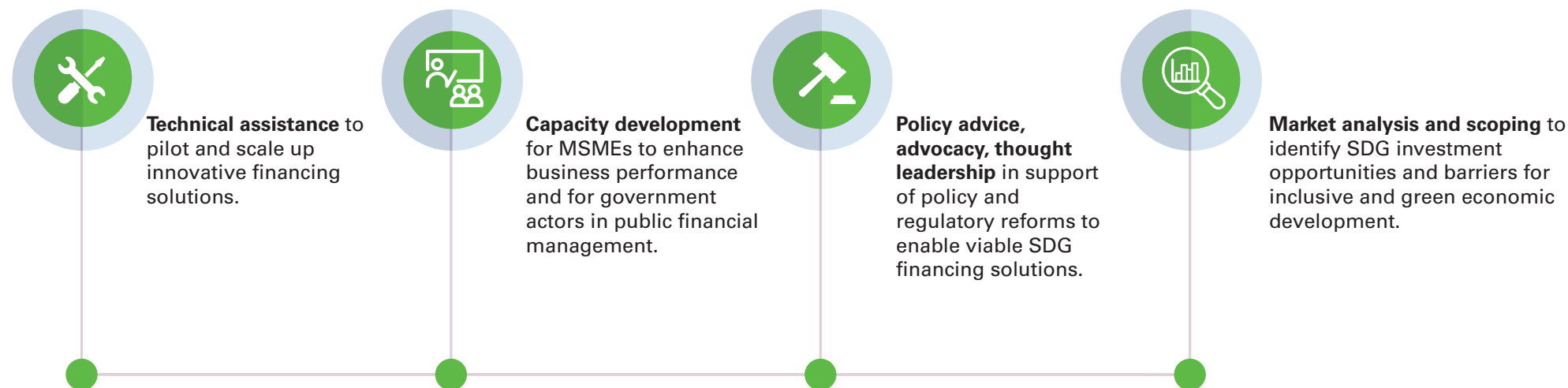


The UNCDF Offer

Capital Triggers



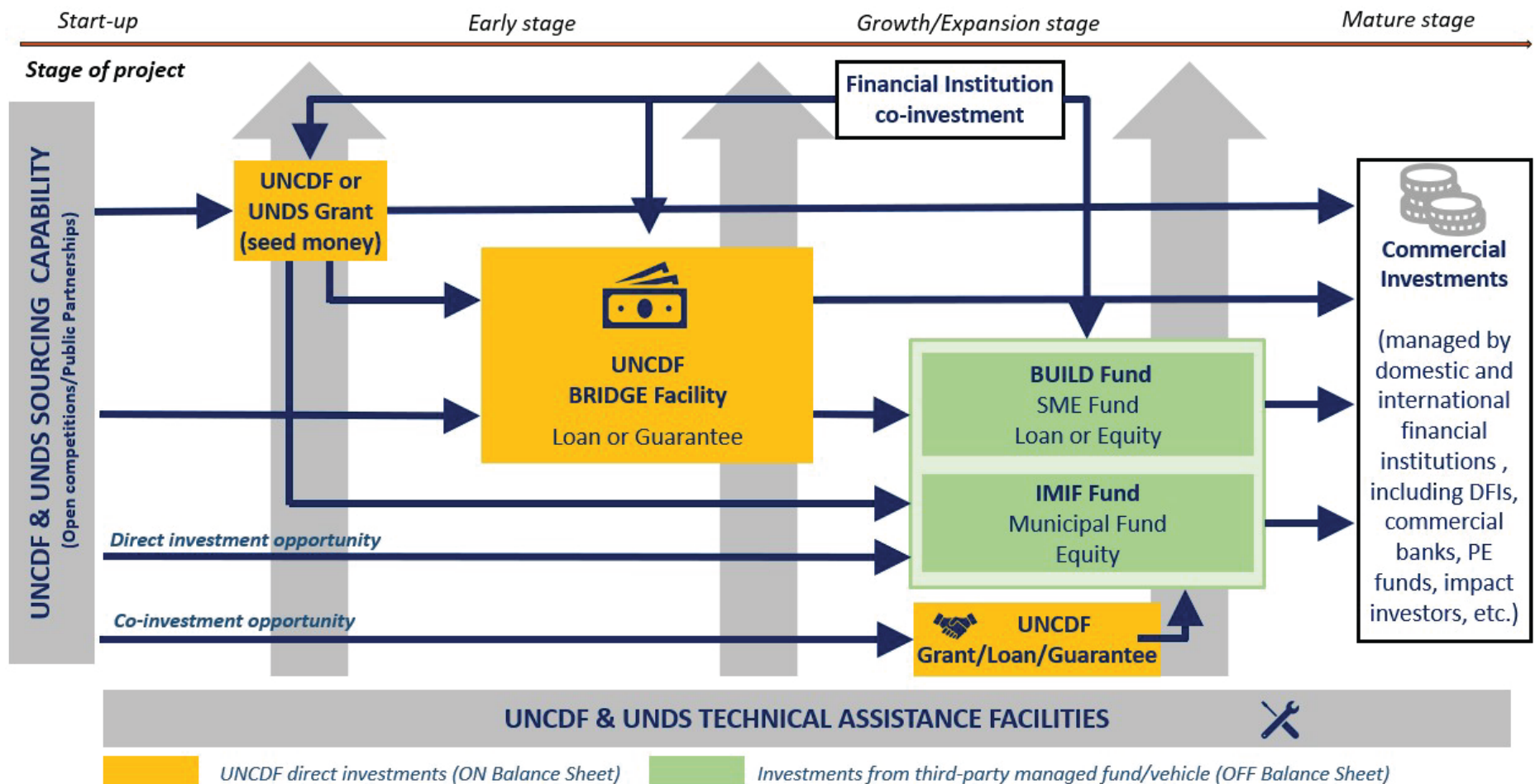
Development Triggers



The UNCDF Offer

The UNCDF Investment Continuum

UNCDF's financial and non-financial assistance will support investments ranging from early stage to more mature SDG positive enterprises and projects.



In Focus: LDC Investment Platform

UNCDF's specialized unit, the LDC Investment Platform, manages the BRIDGE Facility and supports the BUILD Fund.

BRIDGE Facility

The BRIDGE Facility provides catalytic concessional loans and guarantees for early-stage companies and projects not yet ready to access finance from other financial institutions, helping them build an investment track record. With its high-risk appetite, the BRIDGE Facility fills a gap in the international development finance architecture.

uncdf.link/bridgefacility

BUILD Fund

The BUILD Fund, a third party-managed blended finance vehicle, provides finance for more mature SDG-positive enterprises requiring larger investments in the range of \$250,000 to \$2.5 million. UNCDF provides the pipeline of investments to this Fund.

uncdf.link/buildfund



A photograph showing a young woman with dark hair tied back, wearing a yellow t-shirt, leaning over and assisting an elderly woman. The elderly woman, with short grey hair and wearing a red shirt with a blue and white floral pattern, is holding a black mobile phone. They are both looking at the phone's screen. The background shows a wooden counter and shelves with various items, suggesting a community center or a small shop.

Flagship Priority Area: Inclusive Digital Economies

UNCDF aims to equip people to use innovative digital services that contribute to financial inclusion and achieving the SDGs.

UNCDF addresses market-system constraints and gender inequalities that prevent the emergence of inclusive digital economies, working closely with private and public partners and civil society to create demonstration effects and an enabling environment that drives digital transformation, both in finance and real economy sectors critical for the SDGs.

By 2025, UNCDF plans to support 25 countries on their paths to inclusive digital transformation, directly reaching 14 million people.

Flagship Priority Area: Local Transformative Finance

Achieving the SDGs requires localized approaches and transforming towns and cities into inclusive, resilient and sustainable growth centres.

UNCDF combines investment with sector expertise across all aspects of subnational public and private finance to design and support financing mechanisms and funds that advance urban, green and productive transitions.

By 2025, UNCDF will support fiscal decentralization and public finance management in at least 20 countries and catalyse at least \$1 billion for local infrastructure and development, including through the International Municipal Investment Fund, established by UNCDF and partners as the first ever blended fund for municipal climate resilient infrastructure projects.





Priority Area: Women's Economic Empowerment

Promoting women's economic empowerment (WEE) in the LDCs implies creating Equal Economies, where every woman has equal access, equal agency and equal leadership within their societies and communities. UNCDF will work towards two objectives for WEE: Gender Finance Gap Zero and RedTape Zero.

Gender Finance Gap Zero: UNCDF aims to co-create innovative financing solutions to promote WEE and overcome the barriers to gender equality.

Red Tape Zero: UNCDF addresses the barriers to digital and financial inclusion of women in LDCs by enhancing women's capabilities, promoting gender-responsive infrastructure and essential services and supporting gender-intentional and -responsive policies and regulations, local development strategies, plans, budgets and governance structures.



Priority Area:

Climate, Clean Energy, Biodiversity Finance

Climate finance: UNCDF delivers financing and support for climate adaptation for vulnerable communities to local government authorities in LDCs.

This includes a greater focus on supporting nature-based climate solutions, promoting green economies, and developing innovative structures that can increase finance flows for climate related emergencies.

By 2025, the Local Climate Adaptive Living Facility (LoCAL) will expand across eligible countries and at least double the volume of finance mobilized.

Clean energy finance: UNCDF supports an energy transition agenda in LDCs that emphasizes decentralized, renewable and clean energy solutions that expand access and drive green growth.

UNCDF promotes access to finance across energy value chains, and supports business models that integrate digital and other technologies to increase their bankability and to reach excluded populations.

By 2025, UNCDF aims to support investments that allow 6 million people in at least 10 countries to access and benefit from clean energy.

Biodiversity finance: UNCDF supports initiatives that catalyze finance for integrating biodiversity conservation into business models and economic development.

UNCDF supports instruments such as blue or green blended finance schemes that leverage additional financing.



Priority Area: Sustainable Food Systems Finance

UNCDF supports the piloting and delivery of financing solutions for municipal and SME investments in food systems that advance food security, mitigate the effects of COVID-19 and help reduce the risk of future shocks.

UNCDF provides support for the following:

- ▶ **Investments** in public infrastructure and services essential for sustainable food systems, such as irrigation schemes, roads and energy infrastructure.
- ▶ **Innovative private or blended finance mechanisms** for local food supply chain SMEs.
- ▶ **Access to capital** for municipalities to strengthen urban food systems.
- ▶ **Digital solutions** for improved access to finance and other services for local producers and value-chain participants.



UNCDF's Core Markets

UNCDF focuses primarily on supporting the 46 LDCs to achieve their development priorities. This includes support for a smooth transition for recently graduated LDCs.

Throughout all its work, UNCDF prioritizes empowerment of youth, women, migrants, refugees, smallholder farmers, informal sector entrepreneurs and persons with disabilities. To reach and benefit these populations, UNCDF provides its support to and through several groups of partners: (a) in the private sector; MSMEs and larger enterprises, including financial service providers; and (b) in the public sector; government counterparts, including regional and local governments in cities, rural and peri-urban areas.

UNCDF has established a country relationship manager system to enhance strategic engagement with LDC partners and UN country teams and support development of country investment pipelines.



Partnerships

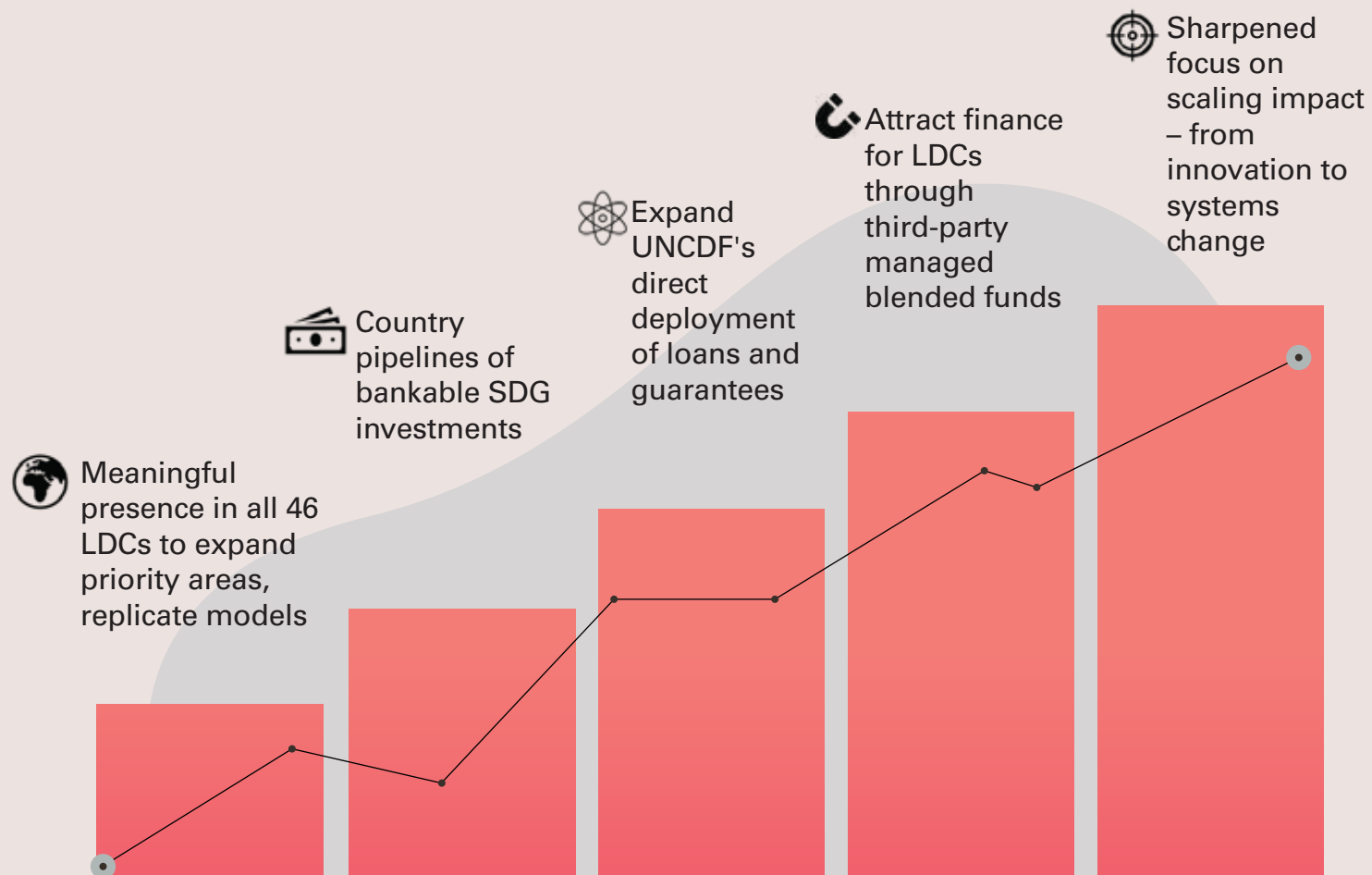
Joining efforts with the UN system and beyond

UNCDF will expand and deepen partnerships with a growing network of domestic and international, public and private actors to achieve greater scale and impact.



Looking Forward—Scaling for Impact

UNCDF commits to serving all 46 LDCs by 2025. This will allow UNCDF to replicate models, expand its priority areas of work, and leverage additional financial resources and partnerships, including with the United Nations development system.





Unlocking Public and Private
Finance for the Poor

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