



Unlocking Public and Private
Finance for the Poor

Results Reporting

Last Mile Finance Trust Fund

LMF -TF

Reporting Period

Jan 1, 2021 - December 31, 2021





Table of Contents

I	Introduction	4
II	Financial Inclusion & Innovation	6
III	Financial Inclusion and Innovation (Least Developed Country Investment Platform)	16
IV	Infrastructure & Services	22
V	Green Economy	26
VI	Food Security & Nutrition	32
VII	Economic Empowerment of Women & Youth	36

At the center of the LMF-TF is the ethos of innovation that defines the United Nations Capital Development Fund (UNCDF). As the UN flagship agency for LDC finance, UNCDF has distinct expertise around innovating and testing new models of finance, while de-risking investments and catalyzing follow-on finance. This is the kind of innovation that has benefitted from the powerful support of the LMF-TF.

Because of the innovation that the LMF-TF has supported, the Fund has dramatically enhanced its partnership development over the five years of its existence; expanding from its anchor investor (the Swedish International Development Cooperation Agency or Sida) to a community of eight donor/partners. Not only have we increased the partner base, but the LMF-TF is pooling the resources of partners towards shared development themes and products, which was one of the defining aspirations of the fund.

Of course, this speaks to the mutually reinforcing power of the LMF-TF, the innovation that the fund supports attracts more partners, which enables UNCDF to execute more innovations in last mile markets—markets that have been historically underserved by the global financial and policy architecture.

Perhaps the greatest importance of the LMF-TF is that it represents a solution to one of the critical challenges of our time: how to harness the untapped growth potential of the LDCs. The LMF-TF provides a vision for such a solution—a solution that can finance innovation while catalyzing partn and resources towards the areas where development needs are greatest.

Preeti Sinha,
UNCDF Executive Secretary

I. Introduction

2021 was a pivotal year in many respects for the UN Capital Development Fund. 2021 was the 55th anniversary year for the organization. It was also the year that UNCDF ushered in its newest Executive Secretary, Preeti Sinha. 2021 also signified the last year of the organization’s Strategic Framework 2018-2021 as well as the year it finalized its new Strategic Framework 2022-2025. 2021 also represented a pivotal year for the Last Mile Finance Trust Fund or LMF-TF.

UNCDF and its partners acknowledged the five year anniversary of the LMF-TF, paying tribute to its growth journey over the year as a flexible funding vehicle to pool lightly earmarked resources from various donors towards thematic priorities; specifically intended to serve as a platform to test new models, innovate solutions, de-risk investments, and catalyze follow-on financing to help achieve the SDGs in the world’s Least Developed Countries, the LDCs.

That growth journey saw the LMF-TF grow from one anchor donor in the Swedish International Development Cooperation Agency (Sida) and a purse of roughly US\$2.5 million to nine donors—including the Government of Andorra, the Norwegian Agency for Development Cooperation (NORAD), the Swiss Agency for Development and Cooperation (SDC), the Kingdom of the Netherlands, the Korea International Cooperation Agency (KOICA), the Nederlandse Financiering- maatschppij Voor Ontwikkelingslanden N.V. (FMO), the Principality of Liechtenstein, and the Grand Duchy of Luxembourg—and a purse of over US\$65 million.

2021 also represented a year when the stewards of the LMF-TF looked to advance the fund into the next phase of its journey. When the fund was originally launched, it operated on the basis of five thematic funding windows and one country expansion window: Green Economy, Food Security and Nutrition, Economic Empowerment of Women and Youth, Financial Inclusion and Innovation, Infrastructure and Service, and a window for Country Expansion. However, there was a recognition that the future of the LMF-TF should reflect the future of UNCDF as reflected in its new Strategic Framework 2022-2025; a future where UNCDF would look to advance and strengthen its position as the UN’s catalytic finance entity for the world’s 46 least developed countries.

As a result, deliberations began in 2021 for a revision of the LMF-TF windows to better align with UNCDF’s new Strategic Framework. Moving forward, the LMF-TF will utilize six new thematic funding windows that will be reflected in next year’s results reporting: Financial Innovation; Digital Economies; Local Transformative Finance; Climate, Energy & Biodiversity; Sustainable Food System Finance; and Women’s Economic Empowerment.

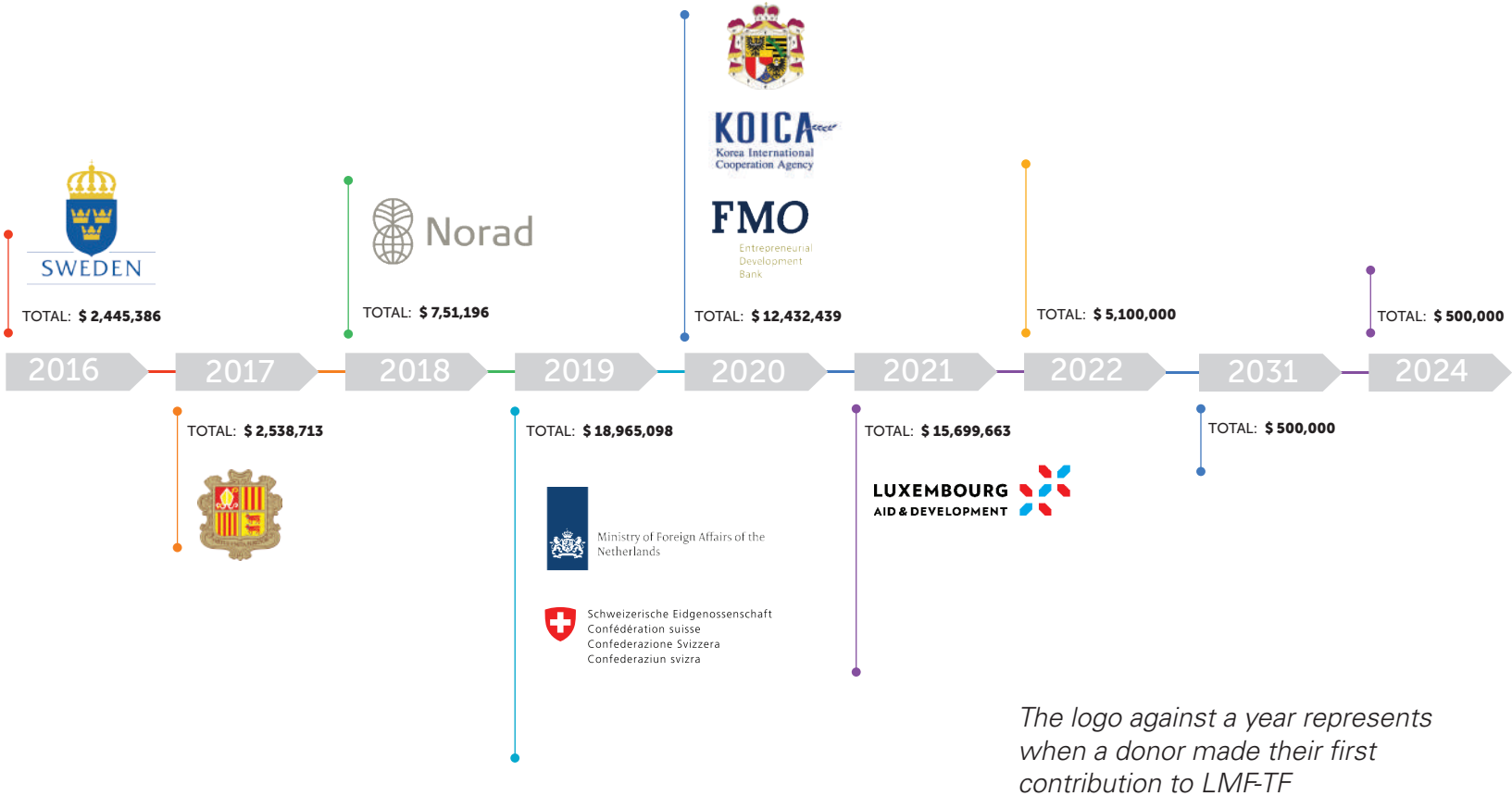


It was also recognized in 2021 that in order for the LMF-TF to become a driver for the scaling of innovative finance solutions, not merely where such platforms can be innovated and deployed, funding ambitions would have to be enhanced. Hence, the new funding window structure for the LMF-TF is intended for an ideal resource mobilization scenario of US\$ 160 million (\$200 million under UNCDF’s “ambitious scenario”) over four years in order for the fund to reach this new level of capability that was defined in UNCDF’s strategic framework.

But 2021 was more than just a year of looking to the future. UNCDF alongside its donor partners as well as many critical government and development partners in LDCs continued to deliver real and substantial development results, all of which represent significant advancements of the SDG agenda despite the continuing challenges of the COVID-19 pandemic.

Such results included supporting over 3 million micro-merchants with digital solutions, supporting National Financial Inclusion Strategies in 14 countries, catalyzing over US\$4 million for local transformative investments, piloting our programme to promote inclusive economic development for women in three countries, directly raising US\$25 million for locally-led climate adaptation, supporting partners in the sale of roughly 400,000 clean energy products in Uganda and Ethiopia alone, and experiencing the most successful year for the organization in terms of its on-balance sheet portfolio of loans and guarantees.

2021 represents both an affirmation of the importance of the LMF-TF to the achievement of the SDGs where the needs are greatest, as well as the inflection point where UNCDF hopes the fund will become an even stronger engine of SDG achievement in order to leave no one behind.





II. Financial Inclusion & Innovation

BACKGROUND AND OBJECTIVES

The digital finance revolution is profoundly impacting the global economy and transforming LDC societies. The digital revolution helps drive increased access to financial services and is changing how poor people save, receive social payments and remittances, as well as 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.

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. UNCDF aims to contribute to the development of inclusive innovation ecosystems and accelerate the development and usage of digital services in key sectors such as energy, health, education and agriculture—notably through its Leaving No One Behind in the Digital Era strategy. Linking digital finance to the real economy and to a broader set of development challenges increases the relevance of usage for marginalized and vulnerable populations. It also includes and leverages other types of actors that are more likely to drive and invest in these use cases than the financial sector itself, offering great potential to contribute to the Sustainable Development Goals through impact channels beyond financial inclusion.

Result #1:

More Than 3.3 Million Micro-Merchants Reached by Leveraging the Merchants Development Driving Rural Markets (MDDRM) in Bangladesh in 2021.

State of Maturity: **Consolidation and Replication**

In 2021, UNCDF successfully completed the Merchants Development Driving Rural Markets (MD-DRM) project. MDDRM supports the growth and competitiveness of retail micro-merchants in rural Bangladesh, through tighter vertical integration with Fast Moving Consumer Goods (FMCG) value chains, and through stronger horizontal integration with digital payment and mobile commerce platforms. The initiative has the overall objective of reducing poverty in rural Bangladesh through increased consumption, employment, and reduced gender disparities in economic participation and financial access.

MDDRM successfully reached more than 3.3 million micro-merchants through private sector-led innovative business interventions alongside supporting 10 innovative platforms offering digital payments, alternative credit scoring, micro-insurance, book-keeping, inventory management, business registry, and rural e-commerce through grants. This has greatly accelerated micro-businesses in the country.

Result #2:

Deepening Financing Access Through Financial Inclusion Policy Implementation, Including the Support of National Financial Inclusion Strategies (NFIS) in 14 Countries in 2021.

State of Maturity: **Consolidation and Replication**

The Making Access Possible (MAP) Programme has embedded financial inclusion as both a pathway out of poverty and as a key contributing pillar in re-establishing a social contract within the context of reduced inequality and inclusive growth. 2021 saw an increase in delivery compared to 2020, with programme expenditure increasing over 90% from 2020, and with almost 100% of 2021 budget spent by end of year.

The successes gained in the past year were possible through adapting to rapidly-shifting circumstances, embedding a strong, evidence-based approach and finding new ways to collaborate on financial inclusion.

Building the basis for financial inclusion with countries and regions:

At a country level:

MAP continued to support NFIS implementation in 14 countries in Africa and Asia, through:

- Updating National Financial Inclusion Policy and conducting five new financial inclusion refresh diagnostics (Botswana, Lesotho, Nepal, Cambodia and Laos), to track market growth and ensure evidence-based decision making.
- Generating three new financial inclusion datasets (Botswana, Lesotho and Cambodia), including a new mobile survey methodology (Cambodia).
- Preparing for two more datasets (Nepal and Laos), leveraging a strategic partnership with the World Bank livelihoods unit, to support national evidence bases for financial inclusion.
- Providing input and review to the NFIS in Mali.

At a regional level:

- MAP continued to replicate the Monitoring progress in financial inclusion M&E series in 2021, with eight participating ASEAN Member States and five SADC countries, providing a crucial regional governance mechanism, and enabling national government accountability on implementation at the regional level.
- MAP constructed an updated view of financial inclusion implementation progress across eight West African Economic and Monetary Union (WAEMU) states, with the financial inclusion market, policy and regulation scoping report to inform engagements in 2022.
- Engagements with the World Bank and BCEAO to establish partnerships for data collection in West Africa, given the dearth of livelihoods data to undertake M&E frameworks or determine market movement in financial inclusion.

Ensuring Financial inclusion and the low-income focus at a global level:

• In response to the COVID-19 pandemic, the UN Secretary-General along with the Prime Ministers of Canada and Jamaica called for the United Nations to set policies to address the health, social, economic and financial crisis, to speed an inclusive recovery and better prepare for a sustainable and more resilient future. Six clusters of focus were put together and ILO was tasked with developing the “financing a socio-economic response” cluster. MAP provided inputs to the ILO to embed financial inclusion in inclusive recovery and ensure that financing for the low-income populations remains a priority.

• MAP provided technical input on the relevance of financial inclusion in developing countries to the G20 roadmap on Sustainable Finance, through UNDP who serves as the secretariat for the G20 and has ensured that developing countries and social inclusion have not been ignored at the G20 level. This also links to the GPFI work on financial inclusion thus ensuring that the two global structures speak to each other on the technical parameters of financial inclusion ensuring the focus for the low-income market.

• MAP worked with the IFC Sustainable Banking Unit to provide input on financial inclusion and the low income into the Global Poverty Progress Report 2021, thus defining the conceptual linkages between sustainable finance and financial inclusion. This sets up the technical basis for better embedding financial inclusion within the ESG frameworks – creating stronger accountability frameworks for the private sector to invest in the low-income segment.

MAP Technical innovation on financial inclusion:

• MAP has undertaken a scoping of current financial inclusion data availability and determined that MAP currently holds the largest database of livelihoods based financial inclusion data, which can be used for encouraging the expansion of market investments as well as policy implementation.

• An SME market analytical framework was developed that provides further context and nuance on SME activity with the objective of more clearly and deliberately identifying SME’s that can support inclusive growth– by sector, segment and size to encourage investments by the private sector. This forms the basis of the SME Investor Series toolkit.

• Partnering with Boston University, MAP is co-developing a technical note on the global economic commons and the role of inclusive financing, to address inequality by focusing on the low-income market. This technical note will seek to better link inclusive growth within the context of multi-stakeholder financing models.

• MAP has defined the technical parameters for the critical supporting role that digital finance can play in the informal economy. It is in the process of applying the proof of concept in two SADC countries. The aim is to understand local informal economic activity to enable private digital finance interventions and collaborations.

MAP UN partnerships to accelerate financial inclusion implementation:

• MAP provided technical input to UNDP, UNFPA and UN Women on inclusive growth and generating pathways out of poverty for the low-income using financial inclusion for their new Strategic Framework;

• Following MAP’s strategic input on financial inclusion in the UNDP Strategic Framework 2022 - 2025, significant work was undertaken with UNDP’s Inclusive Growth Unit, in identifying joint activities for financial inclusion under Signature Solution 1;

• MAP progressed in building the partnership basis to identify national and UN agencies that could accelerate implementation of financial inclusion, working in collaboration with Government and other stakeholders. This was most progressed at a practical level with country teams in UNDP Eswatini and UNDP Lesotho.

• Working with UNDP’s finance sector hub on the newly launched insurance and climate change facility;

• UNHCR requested MAP’s technical input on financial inclusion for their recently published technical note on cash disbursements and access to formal financial services.

• The MAP approach on financial inclusion has been included in UNOSSC’s publication on IPOA.

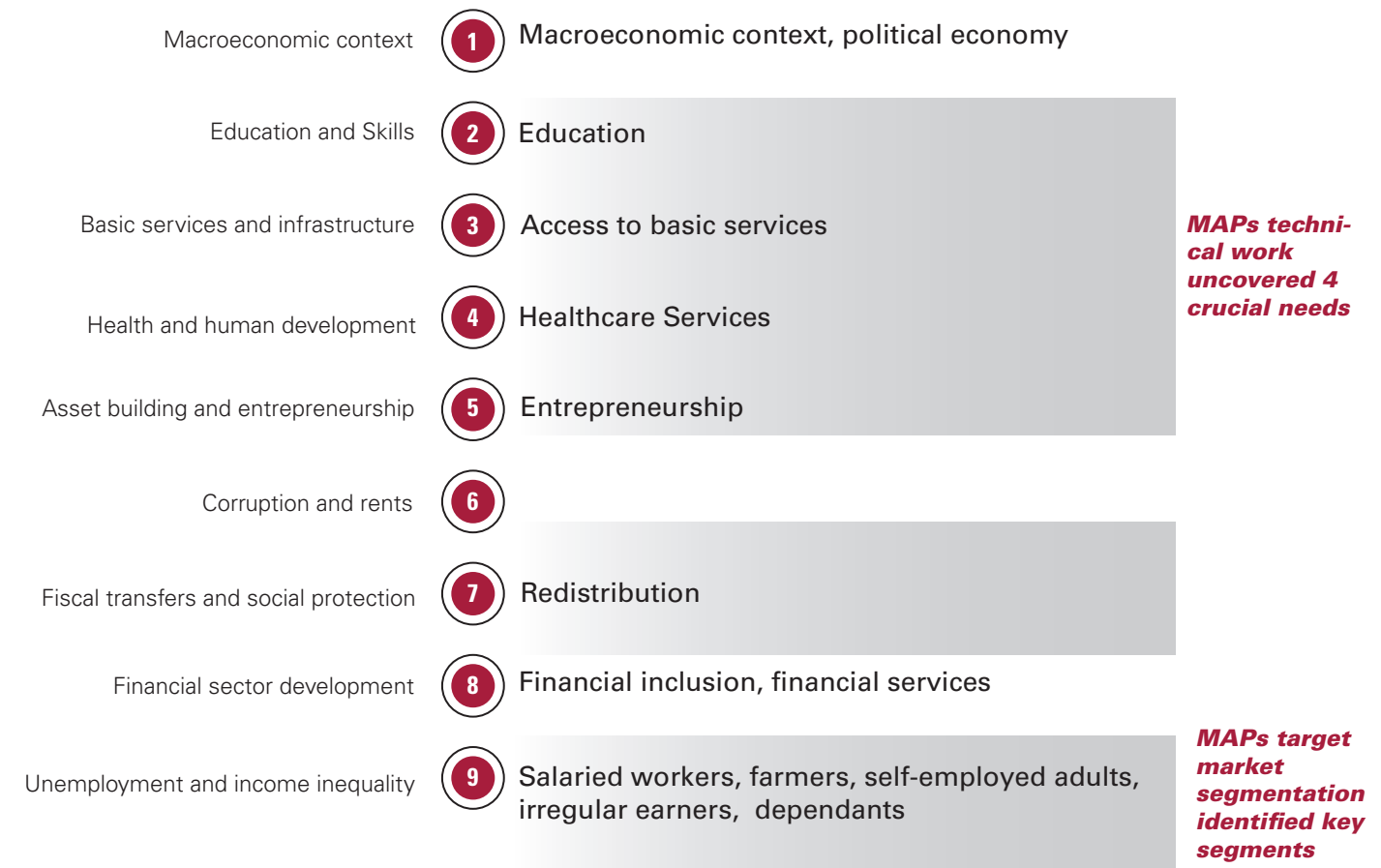
MAP multi-lateral and private sector partnerships to advance financing for the low-income:

• MAP has agreed with Standard Bank, operating in 18 African countries, to partner in parallel funding commercially-viable SMEs for growth, in partnership with UNDP. This is under the auspices of the African Free Continental Trade Agreement – where Standard Bank and UNDP are signatories. Standard Bank has pledged US\$75M to the AU to support SME financing for growth.

• Combined with MAP’s financial inclusion roadmaps, coordination capacity and relationships in Africa, this will facilitate a more cohesive view of financing.

• MAP supported Rabobank with in-depth analytics on cooperatives and MFI market characteristics with a focus on digital channel development in Togo, Burkina Faso and Benin to inform investments to expand the role of cooperatives in advancing financial inclusion beyond MFI’s in the region.

• MAP has extended its bank pricing database for the low-income market to stimulate financial sector innovation and market competition. This builds on the 2017 and 2018 datasets and updates the data from 2019-2023. This was done under the technical guidance of the IMF data unit. In partnership with the IFC, MAP is exploring the linkages between financial inclusion and sustainable finance within the context of ESG principles and the SDG’s.



Result #3:

Over 180,000 Women and Girls Accessing New Financial Products and Gaining Improved Financial Capability in Myanmar, Among Other Advances in Women’s Economic Empowerment.

State of Maturity: Consolidation and Replication

UNCDF in Myanmar prioritized women’s economic empowerment and mainstreamed thematic approaches across the design and execution of all its projects. As a result of its efforts, over 180,000 women and girls benefited from access to new financial products and services, as well as improved financial capability. Nearly 11,000 men also experienced these benefits as well.

Additional results in Myanmar included:

Contribution to increasing awareness on gender issues beyond Myanmar:

- The gender smart product design in Myanmar is the first research of its kind with broader applicability beyond Myanmar. For example, subsequent to the finalization of this case study, new funding from FMO Entrepreneurial Development Bank (Netherlands) for expanded gender smart product design work in 2 new countries in Asia and 2 in Africa was approved for an additional US\$600,000.
 - A gender smart product design (GSPD) case study analyzing supply side data from three large MFIs operating in Myanmar was developed and published, with recommendations for MFIs on how to address key constraints for women entrepreneurs.
- Under the **Multi Partner Trust Fund (MPTF) Programme:**
- UNCDF partnered with UNDP and UN Women to promote and empower women owned and/or led MSMEs in Myanmar.
 - 50 women-led MSMEs have been selected and are currently undergoing an acceleration and resilience building programme designed by the UN partner organizations.

- In parallel, the UNCDF team is engaging with ecosystem players to build their capacities to improve their services and attitudes towards women entrepreneurs.

The MMD (Myanmar Microfinance Digitalization)

- Project also developed a gender strategy that will be used to inform key stakeholders and partners as well as develop recommendations for further action to improve women’s access to financial services and products in 2022.
- Through a systems-based approach, the programme has also started the process of linking entrepreneurs with financial and digital solution providers, and to institutionalize services that are essential for women- entrepreneurs in the longer-term perspective.

Result #4:

100,000 Small and Micro Businesses (SMBs), with More than 25% Women-Led, Reached through Digital Financial Literacy Modules in Cooperation with Visa in Bangladesh

State of Maturity: Consolidation and Replication

In 2021, UNCDF Bangladesh, in partnership with EkShop and ShopUp, and with financial support from Visa, conducted a rapid needs assessment of the SMBs in Bangladesh to map the existing financial and digital literacy gaps in SMBs with a special focus on women entrepreneurs. Basic digital financial literacy modules were launched (go to <https://academy.ekshop.gov.bd/>) on these platforms and have reached more than 100,000 SMBs of which more than 25% are women led.

» 100,000

SMBs with more that 25% Women-Led

Result #5:

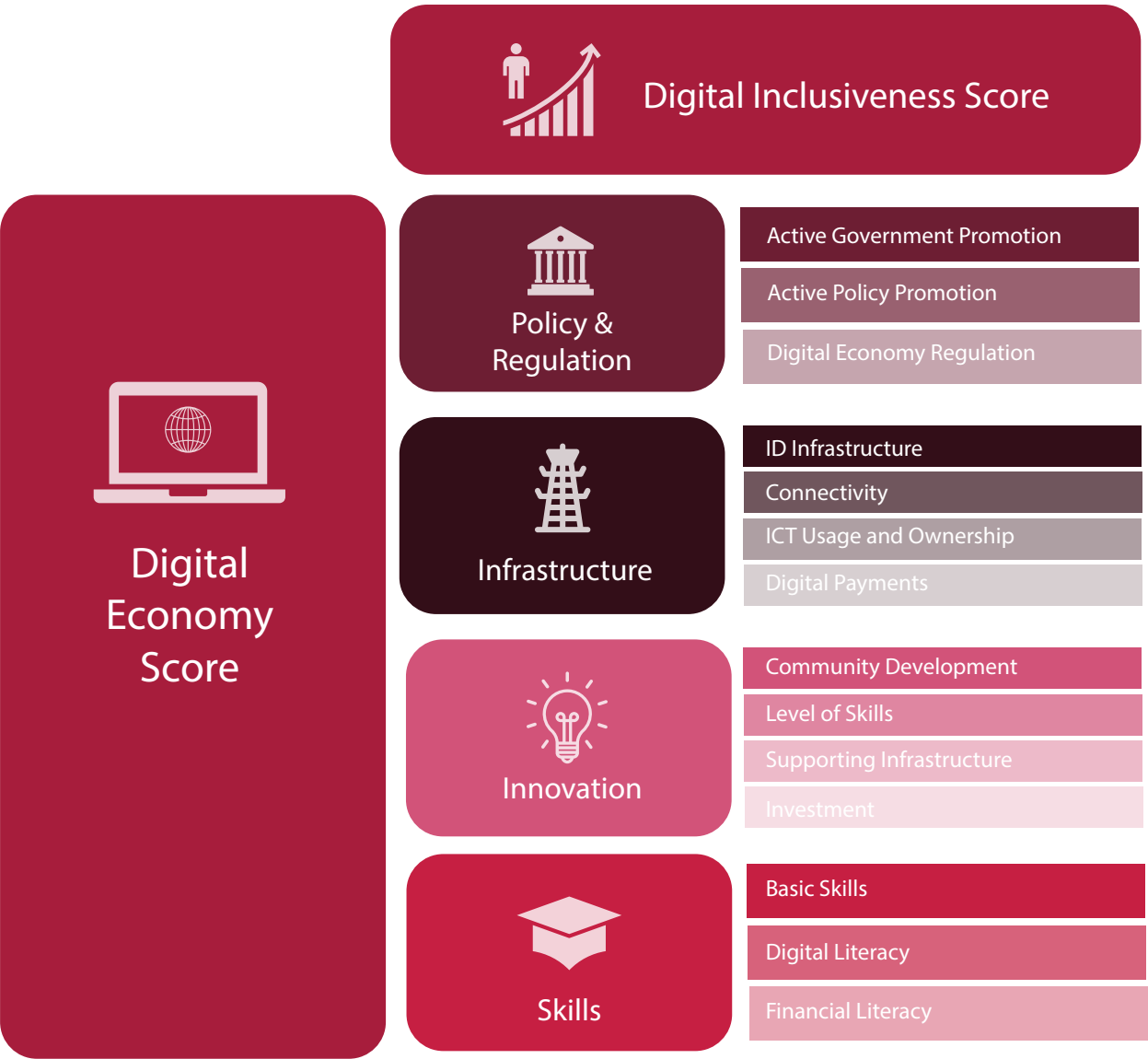
Engagement with Governments of Bangladesh, Malawi and Ethiopia using The Inclusive Digital Economies Scorecard IDES).

State of Maturity: Consolidation and Replication

The Inclusive Digital Economy Scorecard (IDES) is a strategic performance and policy tool that has been developed to support countries in better understanding and monitoring the status of their digital transformation, with a view to supporting greater inclusivity. The IDES identifies the key market constraints hindering the development of an inclusive digital economy and helps governments set the right priorities with public and private stakeholders, in order to foster accelerated development of a digital economy that leaves no one behind.

The IDES process was conducted in Bangladesh for the first time involving extensive stakeholder engagements with public and private stakeholders. In addition to multiple individual consultations, the team also organized a virtual IDES multi-stakeholder consultation workshop in August 2021, which included participation from Bangladesh Bank, Cabinet Division, Ministry of Expatriates’ Welfare and Overseas Employment (MoEWOE) among others.

The IDES tool was further deployed in the Eastern and Southern Africa region in 2021 and is increasingly being adopted by country stakeholders. IDES was used for the digital finance assessments conducted in Malawi and Ethiopia. In both countries, a DFS Working Group was established that will serve as for a for public private dialogue and action.



Result #6:

The Better Than Cash Alliance Accelerating Responsible Digital Payments at National & Multilateral Levels.

State of Maturity: Consolidation and Replication

The Better Than Cash Alliance, whose secretariat is hosted by UNCDF, is a partnership of nearly 80 governments, companies, and international organizations that accelerates the transition from cash to responsible digital payments to help achieve the SDGs. In 2021, the Alliance launched two major initiatives:

- » Reaching Financial Equality for Women, a 10-point action plan to rebuild stronger after COVID-19 by prioritizing women’s digital financial inclusion. The initiative was co-launched by Indonesia & Mexico Ministers of Finance, and the Governor of the Bank of Ghana, in partnership with the Generation Equality campaign, UN Women, UNSGSA, Women’s World Banking, UNCDF and the World Bank among others;
- » The UN Principles for Responsible Digital Payments, which is intended to provide a practical guide to building trust, mitigating risk and driving inclusive economies in the process of leveraging digital payments to achieve the SDGs.

At national level, for example, the Alliance Secretariat worked with the Government of Ethiopia to launch its first-ever National Digital Payment Strategy (NDPS), which is now being implemented to benefit over 100 million people by 2024, and to reduce the financial inclusion gender gap. Approved by Ethiopia’s Council of Ministers in June, the strategy is spearheaded by the National Bank of Ethiopia (NBE), in coordination with the Ministry of Finance, Ministry of Innovation and Technology and in collaboration with key stakeholders of the Ethiopian digitization ecosystem. Implementation of several of the strategy recommendations is underway, such as expanding interoperability to all players and platforms within the payment ecosystem.

Another example of results at national level is Senegal. Digitizing 50% of employee

payments could add US\$84 million to the Senegalese economy every year.

As a result, the Presidents of Senegal and Burkina Faso committed to public and private sector wage digitization. Through research and advocacy, the Alliance equipped the Governments of Senegal and Burkina Faso to make commitments to move towards digitization of wage payments. Furthermore, following the Alliance partnership, the World Bank launched a Matching Fund with the Senegalese Government with US\$20 million invested by the World Bank for SMEs digitization, including payments to workers. National companies are also taking action on digitizing payments and enrolling workers to government-subsidized health care: over 400,000 workers will now have access.

NOTE: A complete narrative on The Better Than Cash Alliance achievements can be found in the Alliance’s 2021 annual report.

Result #7:

Supporting Government and Regulators in Developing National Digital Transformation Strategies and Through Other Endeavors.

State of Maturity: Consolidation and Replication

As part of its IDE strategy, UNCDF supports governments and regulators to develop and implement strategies, policies and regulations that advance their national development plans through the expansion of an inclusive digital economy. Demand for these services have increased in the context of supporting economic recovery from the COVID-19 pandemic.

UNCDF in 2021 directly supported three national governments in the creation of their national digital strategies:

- In **Zambia**, UNCDF supported the development of the first national digital transformation strategy;
- In **Uganda**, the National Digital Transformation Working Group;
- In **Tanzania**, UNCDF was invited to be part of the technical task force that will commence work on the digital economy strategy in 2022.

Zambia



As a neutral broker, UNCDF brought together government, the private sector and donors in developing the country’s first national digital transformation strategy. UNCDF also supported the development and launch of a sandbox for the Security Exchange Commission (SEC). The sandbox allows fintech companies to test their products without placing undue risk on investors and the financial system. The sandbox helps regulators to understand how to effectively regulate and enable innovation.

Uganda



UNCDF is also supporting the development, testing and deployment of digital solutions to improve access to health and education services. The solutions are designed in close partnership with the Ministry of Education and Ministry of Health:

- UNCDF supports the Ministry of Health with the digitalization of Village Health Teams (VHTs), in partnership with BRAC. The digital solution allows VHTs to track their activities, access health-related information and sell financial and non-financial products. The Ministry of Health and District Health Officers can use the information from the platform to monitor health indicators and better manage health services. Currently 300 VHTs are using the application.
- UNCDF also supports the pilot and scale up of a digital solution that tracks stock levels of essential drugs and medical supplies in health facilities in Northern Uganda. The solution allows health facilities to monitor their stock level, use the analytics to better forecast and plan, and report to District Health Officers, leading to more efficient drug distribution and reduced drug stock out in health facilities in rural communities. Currently 15 health facilities are using the solution.
- In the education sector, UNCDF supports the development of an e-recruitment solution for the Education Service Commission. The solution aims to improve matching of job seekers and available positions as well as more effective recruitment of teachers and other staff, particularly for schools in rural communities.
- UNCDF also developed an e-learning platform for teachers in rural communities. The platform allows the Ministry of Education to better monitor training compliance of teachers and aims to strengthen teachers’ pedagogical skills.

Tanzania



UNCDF also supported the ICT Commission in the formulation of a regulatory sandbox framework. The framework guides the process of establishment of sandboxes by regulators in a bid to ease regulatory hurdles for digital innovators whilst allowing time for regulators to understand and monitor a digital innovation and improve regulation.



COVID-19 CONTEXT

Delivery of projects were impacted by many obstacles relating to the COVID-19 pandemic, such as availability of team members, delays for activities that require field presence (i.e. workgroups, workshops) and logistical challenges (i.e. savings groups meetings could not be held due to government restrictions). Therefore, initial agreements and deadlines had to be adjusted to adapt to these constraints. Performance based-agreements, including targets and budget, had to be frequently discussed for many projects as partners cannot meet their initial commitments.

UNCDF’s partners also had to curtail their operations due to multiple lockdowns imposed by the government. This affected a lot of field activities such as research, customer sign-up and onboarding, trainings etc. Knowledge management activities that required travelling, such as donor field visits, events, and video shoots were also affected. The pandemic limited the numbers of customers at physical shops with continued lockdowns and precautionary restrictions. At an individual level, it is not feasible for small MSME retailers to employ and train delivery staff and then continually monitor their movements. Restriction in movement also made it difficult for customers to access financial services, such as loans, which required in-person verifications.

As for East and South Africa, in Tanzania, the surge in agricultural input prices due to global supply chain issues also led to decreased usage of the UNCDF-supported DMA platform, a digital marketplace for agricultural inputs. Overall, the pandemic also increased the relevance of digital services and created opportunities for programming.

GENDER HIGHLIGHTS

The WEFIP (Women’s Economic and Financial Inclusion Project) funded by FCDO was completed during 2021 achieving the following results among others:

- » Contributed to the financial inclusion ecosystem and improved access to finance for women through creation of case studies on women’s access to finance in Internally Displaced Person (IDP) areas;
- » Published research on women’s financial and economic empowerment approaches through savings groups in Myanmar ([link](#));
- » Published a case study on gender smart product design working with 3 microfinance organizations in Myanmar ([link](#)).

Overall the initiative reached over 165,000 women with improved financial capability – out of which almost 15,000 accessed new financial products and services.

» **+165,000**
Women reached



III. Financial Inclusion & Innovation (Least Developed Country Investment Platform)

BACKGROUND AND OBJECTIVES

Fully unleashing the development potential of the private sector in LDCs will require dramatically improving access to investment capital needed to grow small businesses, support financial institutions and finance infrastructure projects, as existing domestic and international investors often view them as too small and risky and not offering the right risk and reward.

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.

Despite the difficult global environment in 2021, the year has seen the fruition of several key programs and projects managed by the Least Developed Countries Investment Platform (LDCIP) Practice. During the relatively short operational existence of the Practice, a robust loan and guarantee framework has been designed, implemented, tested and subjected to EU pillar six assessment. These milestones have facilitated fund raising discussions with several donors, partners and other UN agencies under the BRIDGE Facility, the BUILD Fund and BUILDER Technical Assistance Facility, to date mobilizing up to US\$12M of support towards unbanked or underbanked businesses in some of the poorest countries in the world.

Result #1:

Nine Loan and Guarantee Transactions Facilitated Through the BRIDGE Facility in 2021, Representing the Most Successful Year for UNCDF.

State of Maturity: **Scale Up**

In terms of the issue of new loans and guarantees, 2021 has been the most successful year for UNCDF and its Least Developed Country Investment Practice (LDCIP), with the origination and execution of nine loans and guarantees to the value of USD 1.7 million for the year.

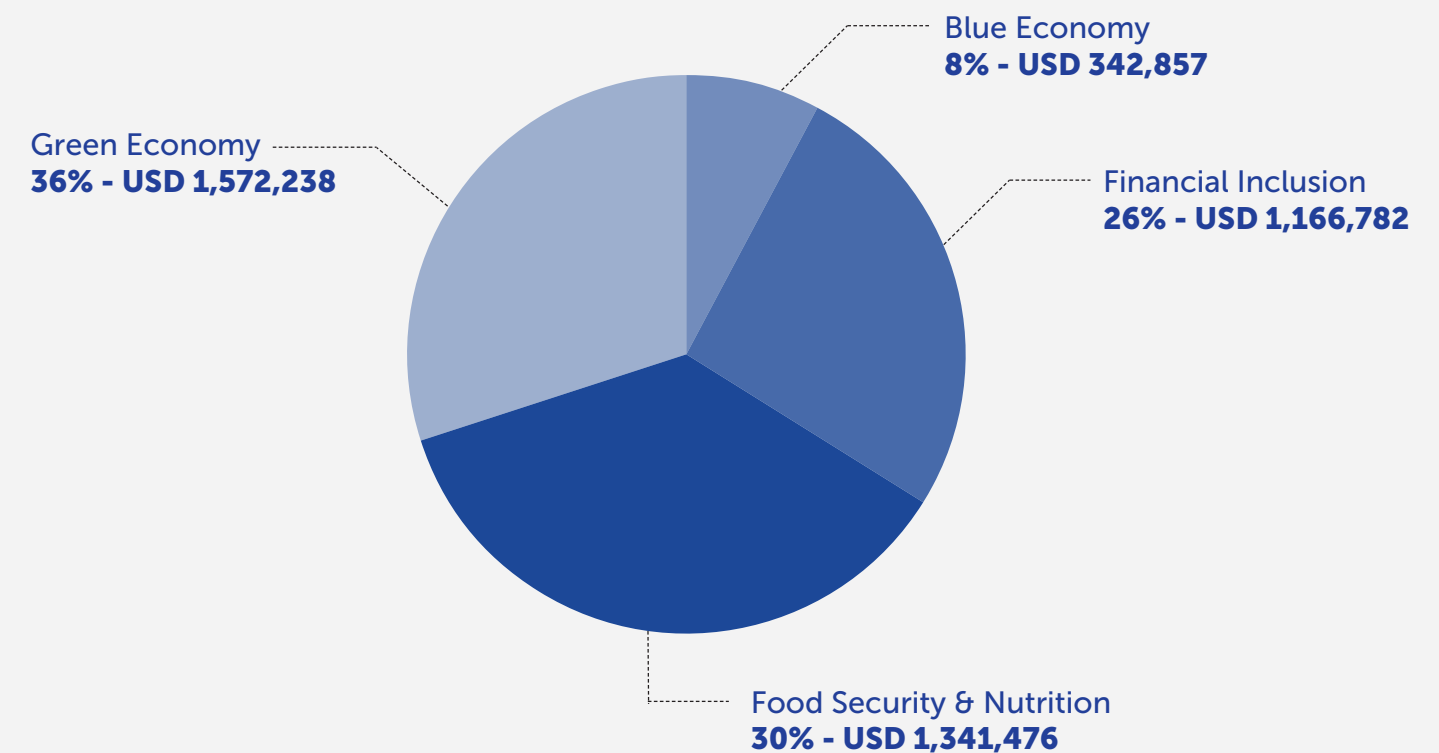
Since the establishment of the BRIDGE Facility, a total of 30 loans and guarantees have been issued with a total value of USD 5.8 million. Five of the loans issued since 2016 have been fully repaid, validating the sustainability of providing last mile funding in LDCs.



1.7M USD

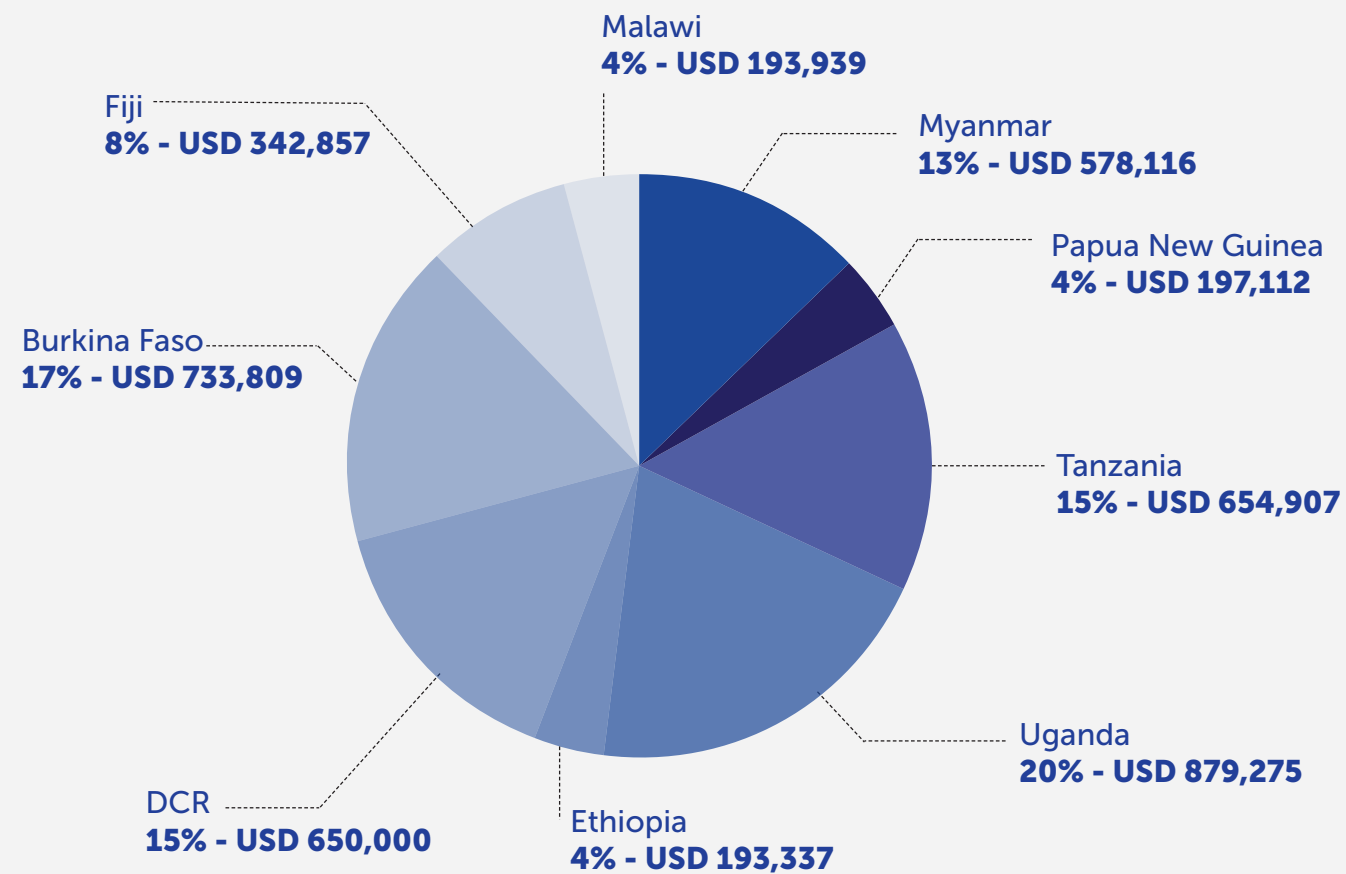
Value of 9 loans and guarantees in 2021 for LDCIP

On - Balance Sheet Portfolio by Sector



In line with the COP 21 Paris accord, the portfolio reflects the organization's strong commitment to climate related investments and the broader Green Economy, representing 36% of the total on-balance sheet portfolio size (up from 27% in the previous year). 2021 has been a successful year for the implementation of the LDCIP's diversification strategy and has seen the introduction of the Blue Economy as a key sector in the portfolio as part of the Global Fund for Coral Reefs (GFCR) operation. With the introduction of the Blue Economy operations, single sector concentration has reduced from 42% in 2020 to 36% in 2021, with forecasted sector concentration reducing further as the rollout of GFCR continues.

On - Balance Sheet Portfolio by Country



As the broader UNCDF continues its development activities in several of the poorest countries in the world, it is pleasing that Malawi and Fiji have been added as new countries supported with loans and guarantees in 2021. Since 2019, the organization has more than doubled the number of countries supported through loan and guarantee operations, echoing the commitment to scale up its operations. As a result, the concentration by country has decreased with Uganda at 20% of the on-balance sheet portfolio being the single largest country exposure.

Result #2:

47 Investment Initiatives Explored by four Investment Specialists through The Investment Advisory Initiative (IAI).

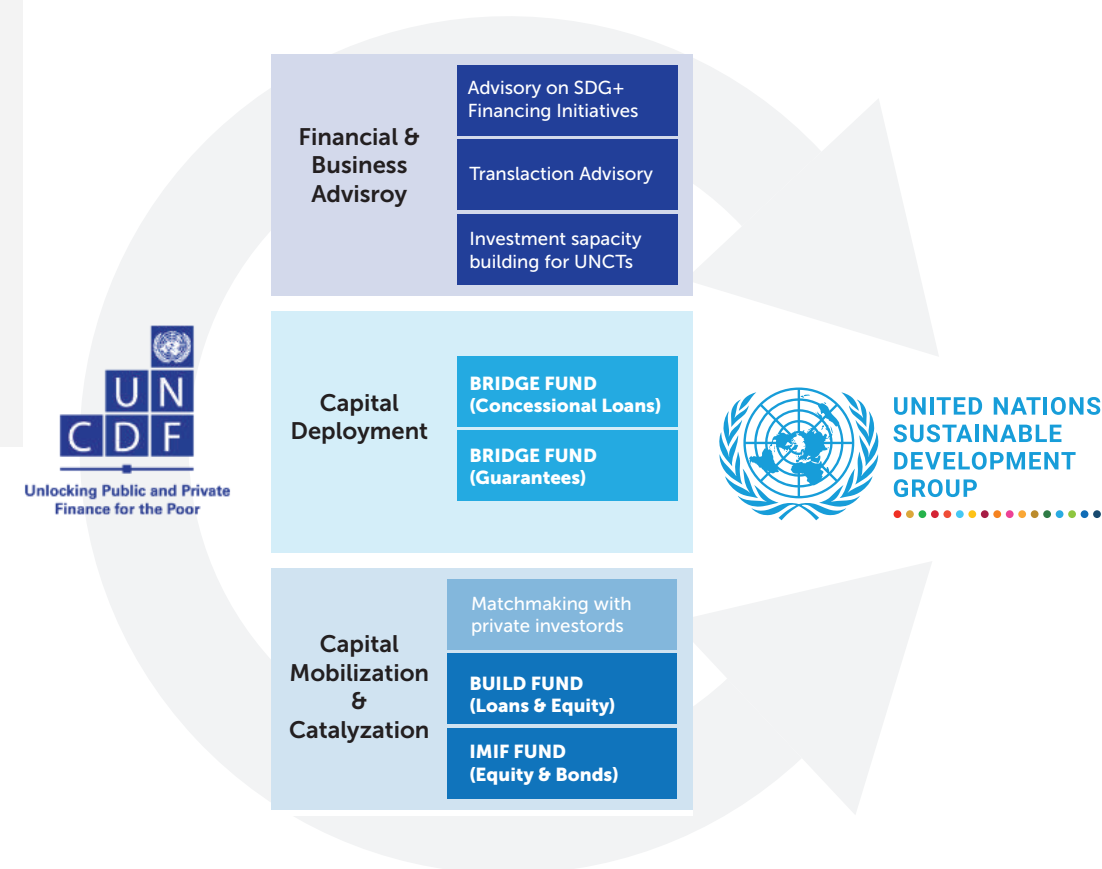
State of Maturity: Scale Up

The Investment Advisory Initiative (IAI), funded by the Netherlands Ministry of Foreign Affairs, supports the United Nations Development System (UNDS) in 11 countries (Benin, Ethiopia, Rwanda, Senegal, Burkina Faso, Ghana, Kenya, Mali, Niger, Sudan, Uganda).

In 2021, there were four dedicated Africa-based Investment Specialists and a fellow who provided support in the area of development finance and investments for the SDGs. The support revolves around initiatives to inform policy makers, create a demonstration effect to showcase the viability of SDG finance in LDCs and increase investments in the poorest nations.

With the objective of further increasing collaboration between UN agencies on the ground, the Investment Specialists are specifically helping the UN Resident Coordinators and the UN Country Teams work with the private sector and Governments to unlock SDG-positive capital and develop policies conducive to more investments in LDCs.

In a year's time, the four Investment Specialists have explored 47 initiatives, involving development finance policy advisory as well as capital deployment. Through the IAI, UNCDF also employs its unique investment mandate at the service of other UN agencies to deploy financial instruments such as loans, guarantees, and blended finance investment vehicles.



- BUILD Malawi specific sub-hub
- Power Project in The Gambia (NAMA)
- Cold Storage Project in Kenya (NAMA)



- Set-up of global blended finance vehicles for agricultural value chains



- Global Strategic Investment Facility (SIF)
- Innovative Finance Study in Benin



- Global MOU on financing for SMEs



- BUILD financing for Women-led SMEs in Rwanda
- BRIDGE guarantee for women micro-businesses in PNG

Result #3:

Strengthened Capacity to Support the Investment Management.

State of Maturity: **Scale Up**

With a total number of 13 staff members based in five countries, the LDCIP Practice has been able to strengthen its capacity to deliver on its ambitious growth objectives for 2022. The Oracle based Financial Instruments Management System (FIMS) has been launched towards the end of 2021 and will improve the investment management process as the portfolio increases. During the year, a Portfolio Manager has been hired to ensure proper portfolio management once the transaction has been made.

COVID-19 CONTEXT

While the 2021 response to COVID-19 shifted away from specific short-term loan and guarantee restructuring and rescheduling interventions, the organization remained committed to its clients who operate in a very difficult macro-operating environment (including the prolonged impact of COVID-19, draughts, floods, political coup, etc.). In this regard, 9 client loans were restructured/rescheduled during the year, which included, payment holidays (both principal and interest), loan tenor extensions and interest rate reductions. In a post pandemic environment, the general trend of banks and micro finance institutions is to reduce its lending activities to SMEs due to the perception of risk; inversely and aligned to its development mandate, UNCDF has been able to increase its lending and guarantee operations by 67% compared to the prior year.



GENDER HIGHLIGHTS

Several loan or guarantee transactions have been completed where the company is promoting either a woman ownership structure, women leadership or women in the workforce. One of these examples relate to a loan of USD 0.2 million issued in 2021 to Eco-Group Limited – a woman-led business providing cooking solutions such as clean cooking stoves, clean ovens and clean cooking fuel. The full detail of the portfolio is reported for in the relevant programs.



IV. Infrastructure & Services

BACKGROUND AND OBJECTIVES

Achieving the Sustainable Development Goals, the objectives of the Rio Conventions and recovery from the COVID-19 pandemic requires localized approaches and transforming towns and cities into inclusive, resilient and sustainable growth centres. This is particularly the case in LDCs, which are among the world's most rapidly urbanizing countries, but also holds true for urban centres in lower- and middle-income countries. The lack of productive, service-oriented infrastructure in urban and rural areas is a key obstacle to local development and economic transformation. Yet, flows of public and private development as well as climate finance reaching local governments in LDCs remain scarce. Strong domestic capital markets, local fixed-capital formation and expanded local fiscal space are instrumental for the critical transition to higher productivity and green and inclusive local economies.

To deliver on its mission, UNCDF is reorienting its local development finance work to "local transformative finance," becoming a technical and financial partner for local transformation. Clients will encompass local and regional governments, cities as agencies of local transformation, domestic capital market participants, and regulatory and budgetary authorities. UNCDF combines finance and investment instruments with sector expertise across all aspects of subnational public and private finance.

To this end, UNCDF will offer its clients financing and policy expertise in three overlapping transitions: (a) The urban transition to implement the New Urban Agenda that transforms cities into inclusive, sustainable and resilient places with everyone benefiting from growth, access to transport, housing, water and sanitation, green space and the "right to the city"; (b) The green transition to implement the Rio Conventions through sustainable city planning and zoning, urban food systems land-use management, circular water management and clean and smart energy solutions; (c) The productive transition to implement the priorities of the Doha programme of action for the Least Developed Countries (2022-2031): increasing productive capacities through a territorial approach to local economic development and the creation of value-added urban/rural linkages leading to structural transformation.

Result #1:

24 investments approved through the UNCDF Local Finance Initiative in 2021.

State of Maturity: Consolidation and Replication

UNCDF's Local Finance Initiative (LFI) has the objective of unlocking finance from domestic banks for local infrastructure and local economic development. It combines UNCDFs' catalytic capital, technical assistance and risk mitigation strategies to structure financeable transactions. In 2021, the Global LFI Pipeline approved 24 investments. The approved projects had an accumulative ticket size equivalent to US\$ 9,663,553 of which US\$ 3,921,409 of various blended finance instruments were needed. UNCDF committed US\$ 2,667,707 in seed capital to unlock and leverage additional domestic, regional and international finance.



24

Investments approved.



USD 2,667,707

committed by UNCDF in seed capital to unlock and leverage.

Result #2:

USD 4,300,722 Leveraged from Public and Private Capital in 2021.

State of Maturity: Consolidation and Replication

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.

In 2021, the UNCDF Local Finance Initiative disbursed a sum of US\$ 833,797 in various blended finance instruments to public and private investments which resulted in the unlocking

USD 4,300,722 from domestic and international financiers (public and private). With the important support of LMF-TF into its design and operations, the global LFI pipeline has managed to unlock approximately USD 25 million in additional domestic public and private capital towards its investments.

Result #3:

US\$1.5 Million Mobilized and Initial Feasibility Studies Underway for the Freetown/Blue Peace Initiative.

State of Maturity: Piloting and Innovation

The Swiss Agency for Development and Cooperation (SDC); the Municipality of Freetown, Sierra Leone; and the United Nations Capital Development Fund (UNCDF) oversaw the Freetown/Blue Peace Initiative. The Freetown/Blue Peace Initiative aims to deliver access to safe, affordable sustainable water. The Blue Peace Finance initiative will specifically contribute to the achievement of two signature, data-driven goals under the Transform Freetown process: access to affordable and sustainable water for 75% of the Freetown population; and the safe collection, management and disposal of 60% of solid and liquid waste. The initiative was formally launched in December 2020, commencing the 2021 work flow.

Through the UN Peacebuilding Fund, financing in the amount of US\$ 1.5 million was mobilized for the Freetown/Blue Peace Initiative in 2021. Additionally, the Freetown City Council (FCC) in 2021 conducted and submitted the feasibility study for the first projects in the Freetown/Blue Peace portfolio, specifically for water kiosks and public toilets.



Result #4:

The Gambia River Basin Development Organization Financing Pre-Approved for the Blue Peace Initiative for the River Basin Organization (RBO).

State of Maturity: Piloting and Innovation

Building off 2020 when the Blue Peace Initiative for the River Basin Organization (RBO) achieved programmatic gains around technical assistance and issuing the financial instrument on the capital market, the Initiative continued this momentum in 2021. The Gambia River Basin Development Organization (OMVG) started the development of an integrated masterplan as well as delivered on the diagnostic study for the Initiative. Additionally, the financing structure for the Blue Peace Bond has been developed and pre-approved by OMVG.

Result #5:

Workstream in Bangladesh Around Waste to Energy and the First Ever Municipal Bond.

State of Maturity: Consolidation and Replication

UNCDF received approval from the government of Bangladesh for the development of feasibility studies for five municipal waste to value projects. UNCDF engaged with the Dhaka North City

Corporation with an offer of technical assistance for the issuance of its first municipal bond. The endeavor leverages UNCDF’s experience in fiscal decentralization at the local level in Bangladesh.

Result #6:

Implemented the Financing Durable Solutions Initiative for Forcibly Displaced People in Four Cities

State of Maturity: Consolidation and Replication

The Financing Durable Solutions Initiative for Forcibly Displaced People was developed to promote equitable access to social services and economic opportunities for forcibly displaced people. With the project raising US\$ 3.9 million from SDC, project implementation commenced in four areas: Gulu, Arua, Biodaso and Basso.



USD 3.9M

project raising from SDC.

COVID-19 CONTEXT

Dual Key Pipeline

UNCDF repurposed some of the programme funding in Uganda, Tanzania and Bangladesh to support SMEs and local government authorities in economic recovery from the impact of COVID-19 pandemic.

Blue Peace Financing Initiative

Gambia River Basin Development (OMVG): Because of the COVID 19 pandemic, some activities were postponed or took place in a virtual format (e.g., national workshops or kick-off meetings to kick-start the consultant’s work for Lot 1).

Freetown/Blue Peace Initiative: A response to the COVID-19 pandemic in Freetown is being provided and implemented following UNCDF’s approach. The Freetown/Blue Peace Initiative includes completing a feasibility study as well as the design of public toilets and water kiosks in the context of COVID-19 response. This includes the building 25 public toilets and 40 water kiosks.

TADAT

COVID-19 delayed commencement on implementation of activities due to COVID-19 restrictions: movement restrictions; curfews; banning of gatherings; social and physical distancing affected consultation processes and service delivery in both National and County governments, hospitality sectors, and transport operations.

In Response: UNCDF was still able to conduct successful TADAT training field visits and assessments via virtual and hybrid meetings.

NYU Research

COVID-19 impacted the municipal government’s capacity to respond to data collection and interviews in relation to the research.

Rebuilding Fiscal Space Initiative
COVID-19 has posed challenges for participating local governments to respond timely but project results have been achieved due to close follow-up and coordination.

GENDER HIGHLIGHTS

UNCDF supported formalization of women groups to become investment vehicles in order to participate in ownership of economic activities in developing countries.

OMVG Initiative

For the master plan consultant firm selection, some criteria regarding gender have been incorporated (analysis of women economic activities, literacy rate, socio-economic data). During the data collection, few data have been collected with gender disaggregation.

Freetown Project

Freetown WASH Project (launched in 2020): Women tend to be disproportionately burdened with the responsibility of water collection. By improving access to water and reducing the time women spend on water collection, we are freeing women’s time to undertake other tasks. Improved WASH services also improve women’s safety and empower them by freeing up time to pursue other opportunities related to education and income generation.



V. Green Economy

BACKGROUND AND OBJECTIVES

UNCDF has developed its suite of climate-related interventions to span a variety of competencies: notably, around climate change adaptation and resilience, clean energy, and biodiversity.

Climate Adaptation and Resilience

Local government authorities are in a unique position to identify climate change adaptation responses that best meet local needs. Moreover, they typically are mandated to undertake the small to medium-sized adaptation investments needed to build climate resilience. Yet they frequently lack the resources to do so – particularly in a manner aligned with established local decision-making processes and planning and budgeting cycles.

Building on its experience working with local governments, UNCDF designed the Local Climate Adaptive Living Facility (LoCAL) in 2011. LoCAL aims to promote climate change–resilient communities and local economies by establishing a standard and internationally recognized country-based mechanism to channel climate finance to local government authorities in developing countries, mainly LDCs – thereby contributing, through the subnational level, to country achievement and implementation of the Paris Agreement, particularly nationally determined contributions, national adaptation plans and climate-related Sustainable Development Goals.

LoCAL increases local level climate change awareness and capacities, integrates climate change adaptation into local government planning and budgeting in a participatory and gender-sensitive manner, and increases the financing available to local governments for climate change adaptation.

It combines performance-based climate resilience grants (PBCRGs) – which ensure programming and verification of climate change expenditures at the local level while offering strong incentives for performance improvements in enhanced resilience – with technical and capacity-building support.



Clean Energy

The shift to a green economy provides an opportunity to advance clean energy and climate solutions tailored to the challenges of LDCs. IDE Energy promotes access to finance across the energy value chain from customer to enterprise. IDE partner companies’ product sales and job creation advance numerous SDGs and leverage digital advancements to achieve climate change action, social/economic improvements and financial leverage. IDE Energy strives to fill in the “missing middle” in renewable energy SME financing by investing in early stage and growth stage, high-risk ideas to set energy SMEs on a pathway for larger, more commercial-oriented capital. The following principles are central to IDE Energy: 1) Additionality; 2) Sustainability; 3) Inclusiveness; 4) Results-orientation; 5) Co-creation.

The country programmes support innovations such as:

- » Productive uses of clean energy (solar and clean cooking) along with a mix of UNCDF financial instruments (grants, loans, and guarantees).
- » Strengthening the sector by including not only Energy Service Companies (ESCOs) but also Financial Service Providers (FSP) and Payment Service Providers (PSP) as beneficiaries of the fund.
- » Business models based on new digital technologies including PayGo and mobile money as a means for consumer payments, apps for customer service communication and client-base management systems.
- » Strengthening the sector by including incubators as grantees for the fund, offering TA services to all applicants, beneficiaries of grants or not.

Result #1:

Approximately US\$25 Million in direct funding Raised and US\$17.6 Million Delivered in 2021 for the Local Climate Adaptive Living Facility (Lo-CAL).

State of Maturity: **Scale-Up**

At the Climate Adaptation Summit 2021, UNCDF committed to at least double the size of the initiative every 5 years. In line with this target, Lo-CAL in 2021 raised approximately US\$25 million in direct funding. Since LoCAL's inception, it has a total of US\$125 million (including direct and parallel funding).

In 2021, LoCAL delivered US\$17.6 million, which represents an estimated 60% increase compared to the 2020 delivered budget, accounting for a delivery rate standing at 95%. To further support LoCAL expansion in candidates and existing LoCAL countries, LoCAL has supported partner institutions in acquiring direct access to the Adaptation Fund and Green Climate Fund, while supporting national and regional direct access entities in developing concept notes and funding proposals for sub-national adaptation finance amounting to USD 170 million globally.

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USD 125M

Total funding since inception.

Result #2:

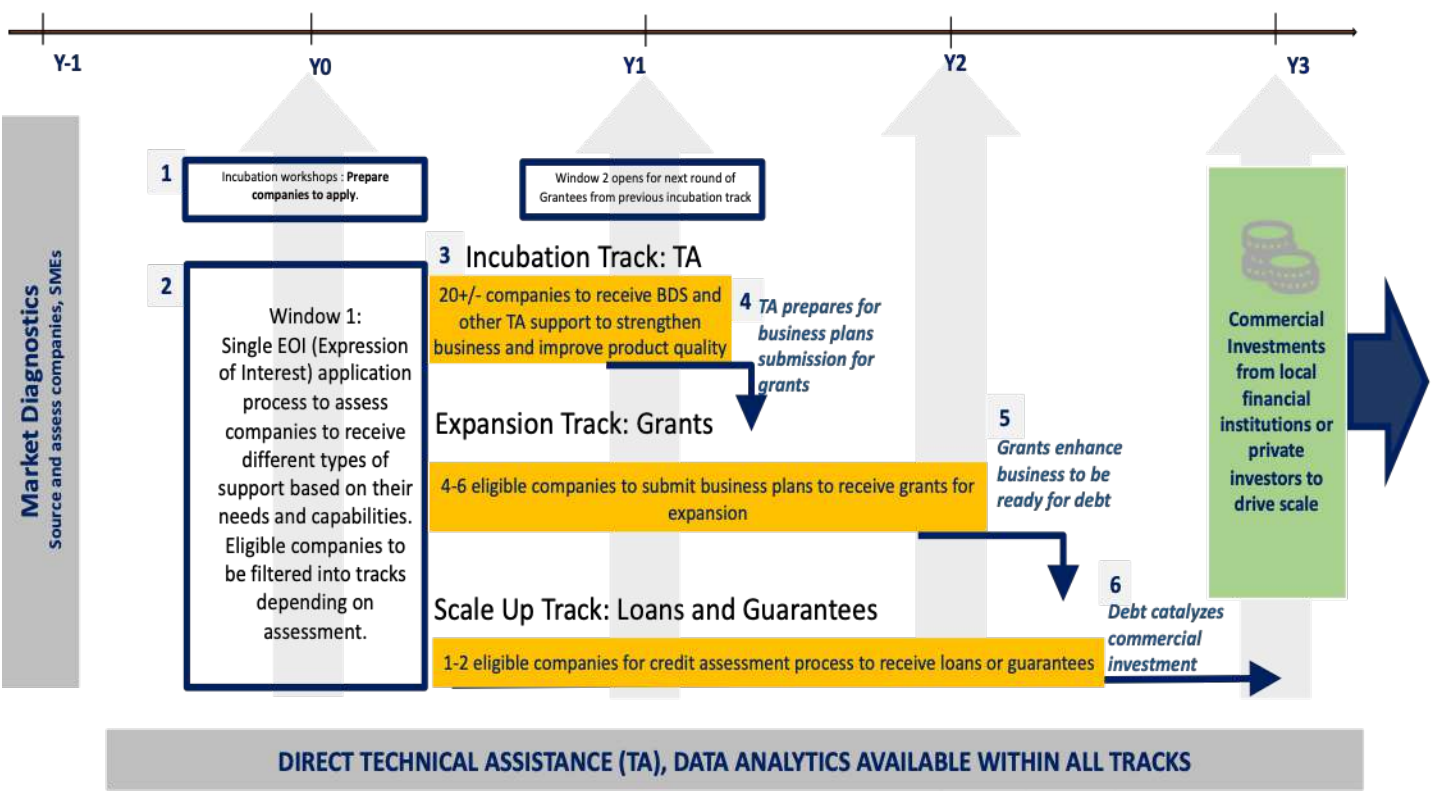
Over 270,000 Clean Cooking and Solar Products sold in 2021 in Uganda, Benefitting Just Under 5 Million People Since Project Inception in the Country.

State of Maturity: **Pilot/Innovation**

In Uganda, over 245,000 clean cooking products and 28,000 solar products were sold in 2021. Since programme inception in 2015, the IDE Energy portfolio of clean cooking and solar partners have sold: 926,841 improved cookstoves, LPG units and biogas digestors, and solar products including productive use assets such as refrigerators, water pumps, milling machines. Partner sales also include 7,904 tonnes of briquettes to households, institutions, and commercial entities. Of the 24 portfolio companies, 17 have completed all milestones and all funds have been disbursed. These partners will continue to report for one year after the completion of the final milestone.

The products sold since project inception are benefitting over 4.9 million people in rural, peri-urban and urban areas and are projected (in the product lifetime) to offset over 1 million tonnes of CO2. Furthermore, the IDE Energy portfolio has employed over 560 full and part time staff and over 2,100 active sales agents. On average the percentage of jobs (including agent jobs) created for females is 43% and youth employment is at 80%. Many partners indicate that most of the sales agents are youth.

UNCDF through its Least Developed Country Investment Platform (LDC-IP) approved a US\$150,000 loan for EcoGroup, a Uganda portfolio company. Since inception LDCIP has provided almost US\$750,000 to Uganda partners.



Result #3:

Over 129,000 Clean Energy Products Sold Among 19 Energy Service Partners in Ethiopia in 2021, Despite Political Unrest and COVID-19.

State of Maturity: **Pilot/Innovation**

Despite challenges posed by COVID-19 and political unrests in some parts of the country, the 19 partner energy service providers (ESPs) sold over 129,000 different types of clean energy products, making the total number of cooking and solar units sold cumulatively in Ethiopia to over 566,000 (68% were sold to female-headed households).

In Ethiopia during 2021, two energy service companies (ESCOs) received loans totaling US\$131,250 (ETB 6.3 million) from partner FSPs through the guarantee facility (50% guarantee) established within the Development Bank of Ethiopia (DBE). Technical assistance was also provided to PEACE MFI (a US\$ 300,000 loan recipient from UNCDF's Least Developed Country-Investment Platform ((LDC-IP)) in 2020) to enhance its risk management and loan appraisal practices and support the integration of new core banking systems.

A small grant challenge fund was launched in Q2 of 2021 to energy service providers willing to pilot and scale-up solar PAYGO technologies in Ethiopia. The challenge fund aims to enhance adoption and utilization of solar energy technologies in off-grid areas by leveraging digital services. After evaluation of the applications, two promising companies were selected and approved by the IDE Energy Board to receive a performance-based grant of US\$ 40,000 each. The project will be operationalized starting from January 2022. The two companies are expected to utilize the fund in the coming 12 months and sell 3,000 PAYGO solar energy products to rural households living in off-grid areas of the country.

Result #4:

Three New Countries Have Entered into the LoCAL Community in 2021, Bringing the Total Number of Officially Engaged Countries to 30, including 25 LDCs.

State of Maturity: **Scale-Up**

Three additional countries have joined the LoCAL community in 2021 —Somalia, Tunisia, and Zambia. As of December 2021, with new official expression of interests from countries following COP26, LoCAL is now officially engaged with 30 countries, including 25 LDCs, 6 SIDS and 20 African nations across Africa, Asia, Pacific and Caribbean. LoCAL is active in more than half of the LDCs and over a third of Africa.

Phase I:	LAO PDR, Lao PDR, Lesotho, Nepal, Tanzania, Tuvalu, Mali, Burkina Faso, Malawi, Uganda
Phase II:	Ghana, Niger, Bangladesh, Benin, Mozambique, The Gambia
Phase III:	Bhutan, Cambodia
Scoping/Design:	Côte d'Ivoire, Fiji, Guinea, Jamaica, Liberia, São Tomé and Príncipe, Senegal, Sudan, Solomon Islands, Somalia, Tunisia, Vanuatu and Zambia.

As of December 2021, LoCAL has engaged with 322 local governments, contributing to building community climate resilience for more than 12.5 million people.



Result #5:

Over US\$518,000 Disbursed Through 12 Performance-Based Agreements in the Democratic Republic of Congo in 2021, Serving 233,000 People.

State of Maturity: **Pilot/Innovation**

In the Democratic Republic of Congo (DRC), the Programme de Consommation Durable et Substitution Partielle au Bois-Energie signed 12 performance-based agreements totaling over US\$1,000,000. As of December 2021, US\$ 518,400 has been disbursed. The portfolio companies have sold over 36,000 cookstoves, 7,500 LPG starter kits and LPG stoves and over 890 tonnes of LPG. Approximately 233,000 people are being served. Over 90 full and part time jobs and 800 commission-based agents have been created and almost 500 people received business development training.

Two companies are partnering with LDC-IP for additional investment: ALTECH received US\$ 350,000 loan and BBOXX received a US\$ 300,000 loan.

COVID-19 CONTEXT

Regarding IDE Energy, the continuation of COVID-19’s worldwide infection resulted in slower sales growth than planned. Companies were cautious about hiring new staff while the markets re-opened and given the overall economic impact, many households, especially in rural areas, had less income in 2020/21 than in 2019. Restrictions that were imposed to contain the spread of the COVID-19 pandemic caused supply chain difficulties for partner energy companies to import products. IDE’s efforts to revise performance-based agreements and extend terms has helped companies recover.

GENDER HIGHLIGHTS

In Uganda, nearly 50% of the jobs created through our clean energy workstreams went to women and the team supported women-owned companies. Additionally, a portfolio company launched a female recruitment program to attract and retain more women commission-based agents. The program was a woman-to-woman referral programme with cash incentives for existing female staff to recruit new female staff. In 2021, 119 women were recruited through the referral programme.

 ETHIOPIA 68% of 520,000 Energy products, sold to female-headed households.	 BURKINA FASO 33% of 382 jobs Created are women.	 DRC 114 women participated in the training programs and 13 women have been hired in the programme representing 25% of new hires
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VI. Food Security & Nutrition

BACKGROUND AND OBJECTIVES

Least Developed Countries (LDCs) are the most vulnerable to severe hunger and malnutrition because of heightened susceptibility to external shocks. But disparities within national boundaries still exist, with higher food insecure households levels often concentrated in rural areas where households are much more prone to food shortages and shocks, more dependent on subsistence farming, and access to less diversified food baskets. As a result, food insecurity has a strong territorial dimension. Responses must be tailored to the specific challenges of each territory and characteristics of local food systems, while considering a multi-dimensional approach that includes the four pillars of food security and nutrition (FSN): availability, access, utilization and stability.

UNCDF's approach to food security promotes territorial approaches. These interventions generated a number of lessons learned on the best ways to support Food Security and Nutrition through locally driven investments utilizing a combination of instruments, notably local development funds and public- private partnerships (structured project finance and SME finance) that have a transformative impact on food security.

With support from the LMF-TF Fund, a Transformative Food System Finance (TFSF) approach has been initiated to develop financing mechanisms to promote public services and social protection schemes that address food insecurity for vulnerable groups. The TFSF initiative aims to leverage financing to SMEs and PPPs to implement food security investments in the LDCs and graduated countries. This includes providing technical assistance and financing to national funding and financial institutions to increase their dedicated resources to SMEs in the agriculture value chain. The TFSF approach will further unlock domestic capital for food security and helps those financial institutions increase their capabilities to deal with food security investments and how to measure their impact.

Result #1:

US\$ 200,000 in Financing from UNCDF to Support a US\$ 1 Million USD Food System Vehicle in Senegal.

State of Maturity: **Piloting/Innovation**

The Global TFSF initiative has been implemented in Senegal. In Senegal, UNCDF has supported to the "Délégation Générale à l'Entreprenariat Rapide des Femmes et des Jeunes (DER) to increase the resources of its existing independent financial vehicle dedicated to promoting and facilitating access to financial resources for the youth and women through entrepreneurship, micro, small and medium enterprises (MSMEs), technical assistance as well as monitoring and evaluation.

The vehicle has been structured with a total US\$ 1,000,000. US\$200,000 from UNCDF will leverage five times and mobilize US\$200,000 from DER and US\$600,000 from Domestic Bank. This will lead to financing of 5 to 10 Food System investments. UNCDF will also help to increase the ticket size from currently US\$5000 to US\$20,000 for women and youth-based enterprises. The partnership between DER and UNCDF should bring additionality by directing both public (DER / FJ) and private (bank) capital to increase food security investments. In Senegal, the LMF-TF fund used in this partnership has great potential to increase the cash collateral on credits granted by the bank through the UNCDF Blue Peace Initiative that will use the financial vehicle to support the implementation of the OMVG Master Development Plan.

Result #2:

Introduction of Blended Finance to De-Risk Social Enterprise/Food Value Chain Investment that Unlocked 63% of Total Project Financing.

State of Maturity: **Pilot/Innovation**

The Global TFSF initiative has also been implemented in Bangladesh. In Bangladesh, UNCDF introduced blended finance to de-risk investment of the GUK, a social enterprise for the promotion and marketing of OFSP (Orange Fleshed Sweet Potatoes). A UNCDF grant and reimbursable grant represents 37% of the project cost, which has unlocked 63% of project cost in the form of a bank loan, developer's equity, and local government contribution. This led to the creation of employment opportunities for 5000 farmers (3000 female and 2000 male) while increasing farmers income by 25% and decreasing food post-harvest loss and addressed micronutrient deficiency as low-cost options for children, pregnant and breastfeeding women for poor rural and urban households.

This OFSP selling hub will lead to expand the local fiscal space and facilitated the fixed capital formation with the construction of the storage facility. The GUK financing is the first ever reimbursable grant disbursed in Bangladesh and is instrumental to improving local food supply chains and increasing the capacity of local farmers to familiarize themselves with the nutrient's fortification food that can be distributed as school-meals.



Result #3:

Contribution to the UN Food Systems Summit.

State of Maturity: **Piloting/ Innovation**

The LMF-TF Food Security project has increased UNCDF visibility in the Food Security Community of Practice in the run-up to and during the United Nations Food System Summit (UNFSS). Based on the Summit’s commitment of filling the gap of financing and enhancing food system governance through the empowerment of local governments and food local actors, UNCDF has been selected to co-lead together with the European Union and the World Food Programme on the Solution Cluster: “Enhancing local production for local consumption.”

Over the months of intensive work, the solution cluster became a thematic area, emerging as a coalition, and then evolving into the Alliance on Resilient Food Supply Chains: Local production for Local Consumption. The objective is to transform local food systems to withstand disruption and shocks in the short term while supporting resilient and inclusive economies and societies in the long term in member countries. In partnership with many UN agencies and the EU, UNCDF organized several side events organized throughout the UNFSS preparation.

UNCDF’s work around the Food Summit also resulted in publications to support the strengthening of local food systems finance; notably, the publication “Territorial Food Systems for Sustainable Development: Issue Brief for UN Food Systems Summit.”

COVID-19 CONTEXT

While the agreement for financial support to “Délégation Générale à l’Entreprenariat Rapide des Femmes et des Jeunes (DER) in Senegal was executed, the process of implementing the agreement was delayed due to the COVID-19 pandemic. The workflow from DER as well as interaction with local stakeholders in particular was where the delays were experienced.

GENDER HIGHLIGHTS

In Bangladesh, 40% of the farmers who are producing orange-fleshed sweet potato (OFSP) in the social enterprise are women. Half of all the workers employed in the OFSP facility are women. UNCDF’s intervention will enable female employees to reap the benefits of formal employment.



VI. Economic Empowerment of Women & Youth

BACKGROUND AND OBJECTIVES

Beyond finance, women and girls face a wide array of constraints and obstacles that impede their economic rights, ranging from lack of ownership of land and other productive assets, to lack of technical knowledge and the absence of infrastructure and related services. Investment decisions on socio-economic infrastructure and the provision of essential services are often gender blind and fail to address the specific constraints faced by women and girls. Females also face a wide range of discriminatory laws and social norms that affect their agency and limit their opportunities to lead productive and fulfilling lives. Lack of appropriate skills often pushes many women to work in sectors that pay poorly, with no job security or social protection. Similarly, women-owned SMEs often have limited capacity and expertise to scale up business and to gain better access to markets, inputs and machinery. Lastly, the digital and energy divide remains a gendered one. Most of the 3.9 billion people who are offline and without energy access are in rural areas, are poorer and less educated, and tend to be women and girls.

UNCDF leverages two approaches towards its work in advancing women's economic empowerment: an inclusive digital economy approach, which connects individuals, households, and small businesses with financial ecosystems that catalyze participation in the local economy; and a local economic development approach that capacitates localities.

Result #1:

Nearly US\$ 480,000 Invested to Support Digital Products that Advanced Women's Economic Empowerment in Nepal.

State of Maturity: Consolidation and Replication

The LMF-TF Food Security project has increased UNCDF visibility in the Food Security Community of Practice in the run-up to and during the United Nations Food System Summit (UNFSS). Based on the Summit's commitment of filling the gap of financing and enhancing food system governance through the empowerment of local governments and food local actors, UNCDF has been selected to co-lead together with the European Union and the World Food Programme on the Solution Cluster: "Enhancing local production for local consumption."

Agricultural insurance is projected at less than 3% penetration in Nepal with smallholder farmers often lacking access to insurance products.

Even where such products may be accessible, they may be limited and not able to provide comprehensive coverage for all of the various climate related production risks. Area Yield Index Insurance (AYII) does not exist in Nepal and there is no index-based agricultural insurance in the market. Women smallholder farmers, in particular, do not have access to markets for their produce. This leads to food waste and low income, as well as difficulty accessing finance for their farming operations. In contrast, urban markets in Nepal need good quality and fresh produce at reasonable prices.

In 2021, a total of US\$ 474,819 was invested by partners in different projects due to UNCDF's direct involvement and investments. This financial leverage contributed largely to the development of insurance products for smallholder farmers (mostly women) and to provide loans for women MSMEs. In addition, in terms of catalytical leverage, US\$16,794 in external funds were also mobilized by one of UNCDF supported partners (Aeloi). Several innovative products were launched through this support.

Sustainable and Scalable Digital Financial Solutions for Women-Owned MSMEs:

UNCDF supported Khalti, a DFS provider, to build sustainable and scalable solutions that allow Kirana stores to efficiently order, pay and deliver everyday essential items. Partnering with the payment service provider for the development of an e-commerce platform has proved to be an effective model. MSMEs effectively navigated the challenges of COVID-19 and found new or alternative sources of revenue thanks to digital transactions. The 688 onboarded MSMEs, out of which 239 enterprises are women-owned, conducted more than 213,000 DFS transactions. That means an additional revenue amounting to nearly US\$ 640,000 for these MSMEs.

Digital Credit Product for Dairy Cooperatives:

UNCDF in partnership with Prabhu Management launched a digital credit product for dairy cooperatives members. As of September 2021, 750 digital credit loans valued at more than USD 52,000 were disbursed.

Digital Extension Services: UNCDF in partnership with Pula and Jeevan Bikash, piloted AYII and digital extension services to benefit 15,000 smallholder farmers (100% women) who are paddy rice farmers. Women smallholder farmers who were insured through this initiative received protection against multiple climate threats, pest, and plant diseases through an index-based insurance offering that provides more comprehensive coverage at affordable price.

Result #2:

Promoting Inclusive Urban Economic Development through IncluCity.

State of Maturity: **Piloting/ Innovation**

IncluCity initiated in 2021 as an Inclusive Cities financing work, is a major pilot initiative of UNCDF that aims to transform cities into spaces of equal opportunities for everyone by targeting those who are vulnerable and marginalized (women/girls, slum dwellers, ultra-poor, minorities, informal workers, migrants etc.). With strong partnerships with the city mayors and municipalities, IncluCity provides a comprehensive approach to city planners through technical assistance, new tools and direct financing to deploy innovative solutions to address growing urban inequalities and economic exclusion.

As part of IncluCity, UNCDF prioritizes key inclusive urban infrastructure including transport, housing, water and sanitation and economic opportunities in city peripheries and slum areas. Through technical support, UNCDF assists municipalities in mobilizing local financing as well as setting up dedicated funds to support inclusive agendas and gender priorities. Amplifying voices of the local targeted communities including women and girls for their meaningful participation in local policy, planning processes and economic decisions is another major priority.

One such example of UNCDF's city finance work is the **Senegal IncluCity** project, which focuses on rehabilitation of Gueule Municipality's major fish market to promote a women led local economic development process. The Soumbédioune fish market has existed since 1954 and it has continued to grow along with the city of Dakar due to its strategic location in the heart of the Senegalese capital. Women are almost exclusively responsible for selling fish, which they buy directly from the fishermen on the beach. The UNCDF funded project directly contributes to increased incomes as well as a clean environment with its focus on better waste collection and disposal solutions in addition to improved working conditions for women.

The market incorporates a childcare facility as well as proper sanitation, a cold storage facility and proper roofing for women. This is one important example of investing wisely in a city project that is exclusively designed to promote inclusion and better opportunities for women and girls.

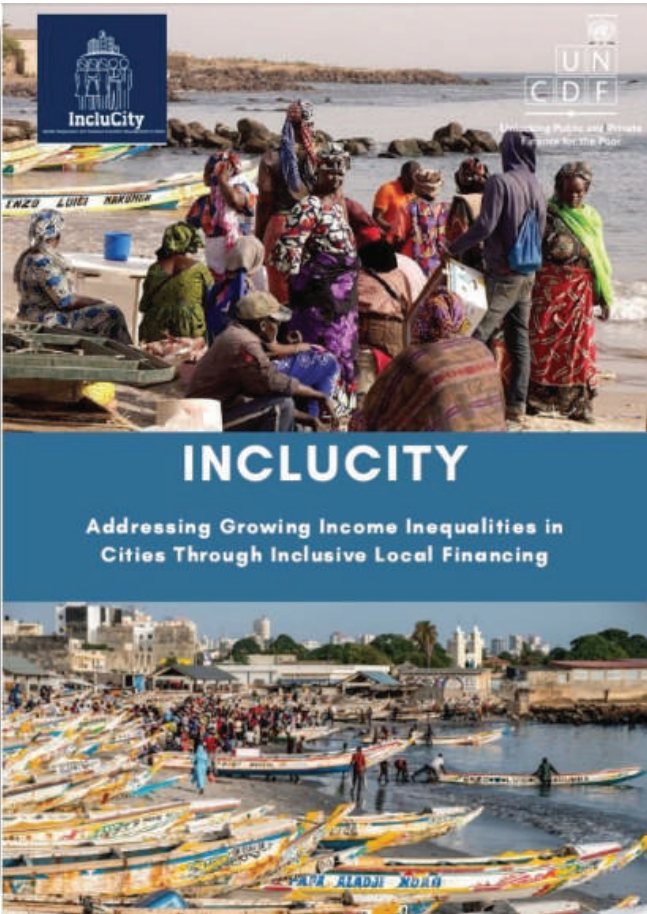
Similarly, in **Uganda, IncluCity** is in the process of developing Water Reservoirs & Solar Lighting in Slum Areas and informal settlements of Mbale City. The target project areas have been disproportionately affected by climate change. The constant outages of water supply in the dry season, frequent flooding in regular season, and contamination of water sources leading to health problems are some of the challenges encountered by the city. Piped water exists but with inadequate water points and irregular flow; only 20% of the households in informal settlements have access to clean piped water. This forces many women and youth from these settlements to travel and acquire water from various water points, often posing a major risk to their well-being, safety and health. Installation of water reservoirs is expected to significantly improve the condition of local women and girls and relieve them from burden of attaining water. The reservoirs will be properly lit using solar energy, thus leveraging clean energy resources.

In **Bangladesh, IncluCity** provides support in Narial Municipality to put women and most marginalized communities in slum areas at the center of the local economic development process. Narail is one of the poorest districts and has among the highest numbers of slum settlements in Bangladesh. The project includes construction of a new growth center promoting local artisans who utilize local raw material such as bamboo, cane and wood to produce environmentally friendly and sustainable products. There is no waste accumulation and hence no harmful impact on the environment is anticipated. This project is a perfect example of a marginalized community-led local economic development process that expands local production of sustainable and environment friendly commodities.

To deepen our work in inclusive cities—investments and promotion of systems for inclusive city planning, budgeting and regulatory/policy framework—UNCDF is in the process of developing two important tools in partnership with our partners and experts, which include:

1) **City Score Card for Inclusion:** UNCDF developed a City Score Card, which is planned to be used for ranking cities on their commitment for the priority to inclusion. The tool assists municipalities in linking the inclusion agenda with the cities financing agenda. The tool measures the effectiveness of city policies, systems, plans and investments against inclusion criteria via qualitative and quantitative metrics. It assesses existing gaps and vulnerabilities within urban areas and assists municipalities in devising targeted investments for the most marginalized populations, hence an important accountability tool to deliver on priorities and investments that specifically address the needs of the most vulnerable. The plan is to use the City Score Card as an instrument for ranking cities on their commitment for the inclusion priority (in partnership with UN-Habitat).

2) **The Inclusivity Index:** The tool will be used for the selection and ranking of municipal investment projects based on inclusion criteria and projects' potential benefits for the excluded and marginalized groups. The Index is derived from a set of indicators, and it ranks and assigns a value to municipal projects based on their contribution to the Inclusion agenda. The tool will assist municipalities in linking Inclusion priorities effectively with investments goals as the Index aims to integrate the inclusion lens effectively as part of city's economic development projects. The tool is the first of its kind that will combine inclusion and investment objectives.





Result #3:

Created an Interactive Game to Support Insurance Uptake for Women Farmers in Senegal.

State of Maturity: Consolidation and Replication

With the support of UNCDF, VIAMO Senegal created an interactive audio game available via mobile (Wanji Game), introducing the concepts and relevance of agricultural insurance for women farmers. This awareness of agricultural insurance will allow women interested in these offers to connect with agricultural microinsurance professionals. The Viamo project just started in December 2021. The target for the initiative is 1500 participants in the audio game and 600 women farmers trained.



600 women farmers

Trained, is the target for the initiative

COVID-19 CONTEXT

In Bangladesh, UNCDF’s partners had to curtail their operations due to multiple lockdowns imposed by the government. This affected a lot of field activities such as research, customer sign-up and onboarding, and trainings. Monitoring visits that required travelling to the field were also severely affected. Discussions with partners on the ground also indicate that the pandemic has impacted the commodity prices thereby impacting the farmers profitability. All of these MSMEs are women owned and were severely impacted by mobility restrictions. From 200 active service providers, they moved to 30 active service providers during 2021, and then bounced back. Some of our partners such as iFarmer took some extra time to submit documentation associated with milestone payments as they were unable to capture hard-copy documentation evidence

documents provided by women to register on their platform and borrow from them.

In response to these challenges:

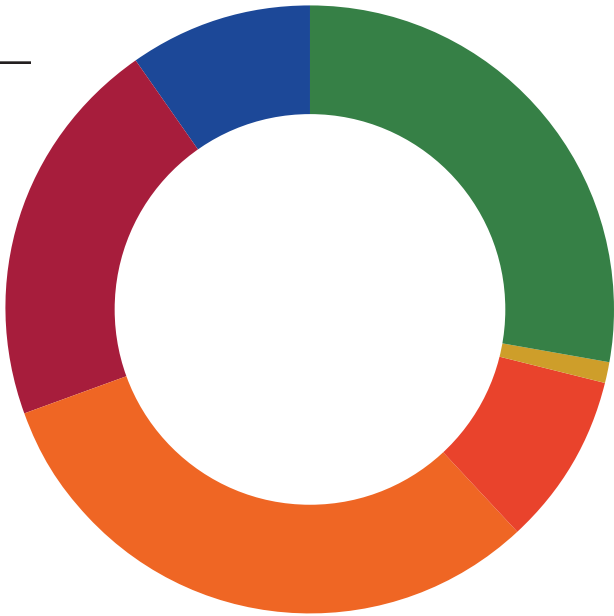
- One of UNCDF’s partners (Romoni) diversified their business and added beauty products to their portfolio offering along with other services.
- UNCDF launched the agricultural value chain digitization RFA in the region, including Bangladesh, to support smallholder farmers impacted by COVID-19.
- In order to support our farmers negatively impacted by the pandemic, we also provided top-up grant support to ifarmer to set up 3 collection centers across 3 districts in Bangladesh and increase the number of women farmers supported through our grant.

XII. Financial Expenditures 2021

Financial Expenditure by Thematic Window in USD

THEMATIC WINDOW	EXPENDITURE IN USD
Green Economy	3,080,695
Food Security & Nutrition	148,033
Economic Empowerment of Women & Youth	1,005,349
Infrastructure & Services	3,491,965
Financial Inclusion & Innovation	2,304,010
Financial Inclusion & Innovation (LDC-IP)	1,052,802

**Expenditures including Sida financing disbursed through the "Booster" fund*



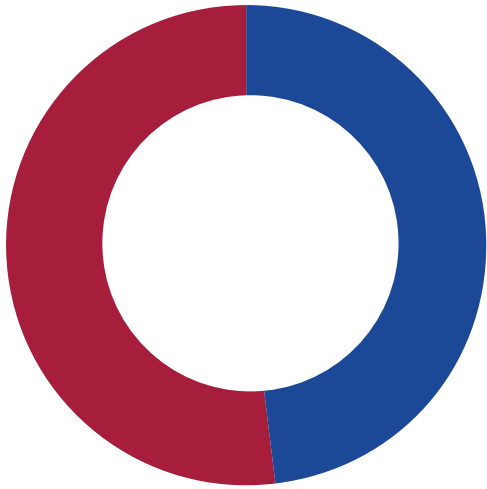
Multi-Window Disbursement by Funder: Swedish International Development Cooperation Agency (Sida)

THEMATIC WINDOW	EXPENDITURE IN USD
Green Economy	3,071,065
Food Security & Nutrition	148,035
Economic Empowerment of Women & Youth	1,005,349
Infrastructure & Services	1,453,703
Financial Inclusion & Innovation	2,304,010



Multi-Window Disbursement by Funder: The Kingdom of the Netherlands

THEMATIC WINDOW	EXPENDITURE IN USD
Financial Inclusion & Innovation	845,312
Financial Inclusion & Innovation (LDC-IP)	904,044



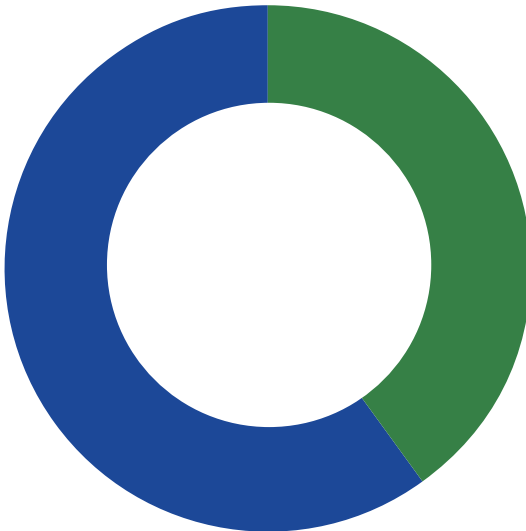
Multi-Window Disbursement by Funder: Norwegian Agency for Development Cooperation (NORAD)

THEMATIC WINDOW	EXPENDITURE IN USD
Infrastructure & Services	204,672
Financial Inclusion & Innovation	80,800
Financial Inclusion & Innovation (LDC-IP)	106,188



Multi-Window Disbursement by Funder: Government of Andorra

THEMATIC WINDOW	EXPENDITURE IN USD
Green Economy	9,630
Financial Inclusion & Innovation (LDC-IP)	14,445



Single Window LMF-TF Expenditures by Funder

Single Window LMF-TF Expenditures by Funder
The Swiss Agency for Development and Cooperation (SDC):

Infrastructure & Services 1,833,590



Single Window LMF-TF Expenditures by Funder
Nederlandse Financieringmaatschppij Voor Ontwikkelingslanden N.V. (FMO)

Financial Inclusion & Innovation 22,980
(LDC-IP)



Single Window LMF-TF Expenditures by Funder
The Principality of Liechtenstein:

Financial Inclusion & Innovation 5,138
(LDC-IP)



Single Window LMF-TF Expenditures by Funder
Korea International Cooperation Agency (KOICA):

Financial Inclusion & Innovation (LDC-IP)

