

Results Reporting

Last Mile Finance Trust Fund (LMF-TF)

Reporting Period

Jan 1, 2020 - December 31, 2020

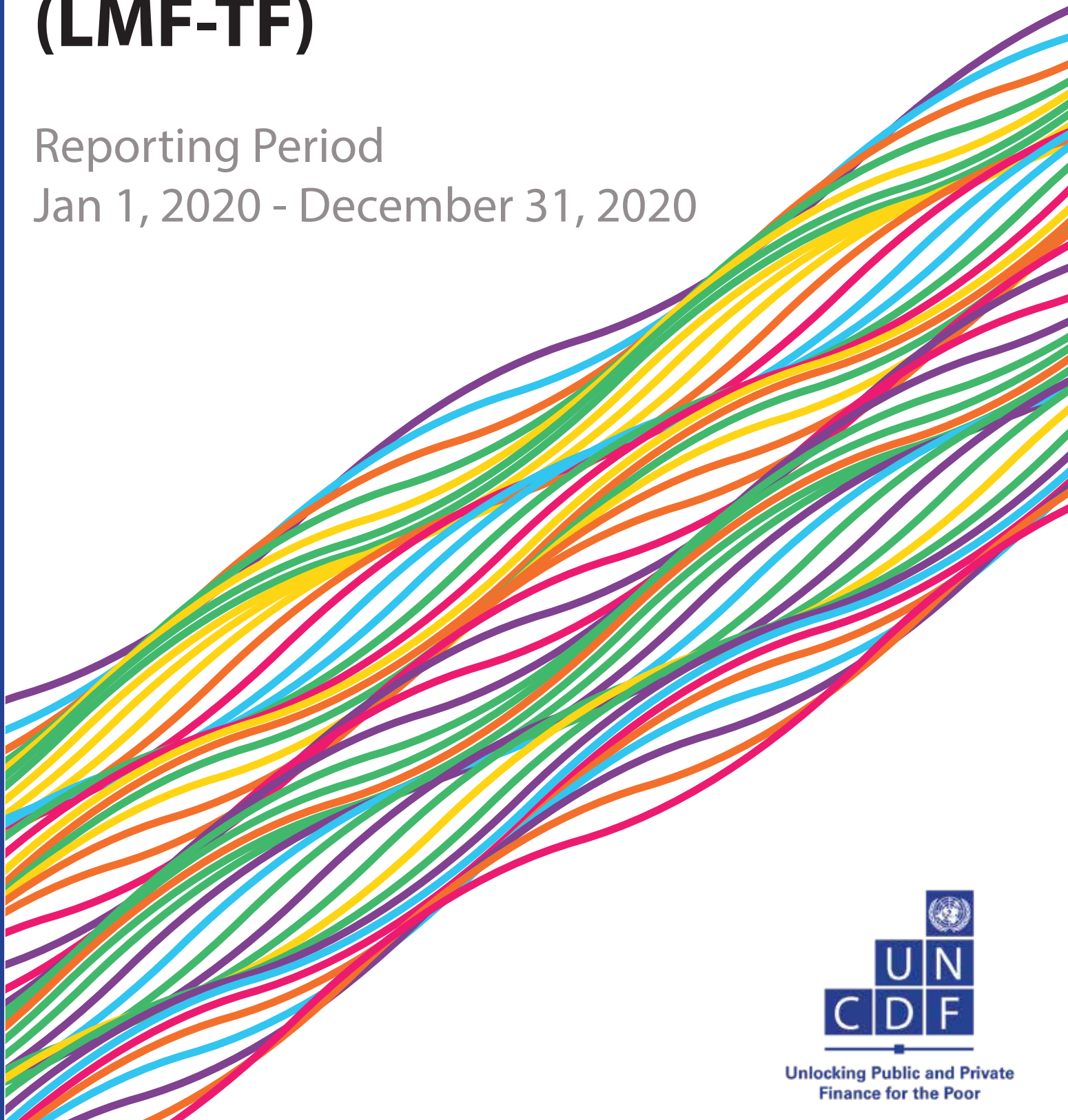


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The Financing for Sustainable Development Report 2021 warned of a lost decade of development due to setbacks resulting from the COVID-19 pandemic, as well as the challenges stemming from a global financial and policy architecture in dire need of reform in order to support a resilient post-COVID recovery and advance the Sustainable Development Goal (SDG) agenda.

While the current decade is recognized as the Decade of Action for implementation of the SDGs, the next 10 years may also signify the last best chance for the global community to achieve the goal of delivering sustainable development where it is needed the most—notably the world's 46 least developed countries—to truly leave no one behind.

Delivering the flows of finance as well as the various kinds of finance—concessional and commercial—to support SDG achievement in the last mile ultimately requires innovation and partnership, which are precisely the key elements that have made the first five years of the Last Mile Finance Trust Fund (LMF-TF) so impactful and promising.

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 partnerships and resources towards the areas where development needs are greatest.

We thank you for your support to the LMF-TF, to the United Nations Capital Development Fund, and the effort to leave no one behind.



Preeti Sinha
Executive Secretary
UN Capital Development Fund

LMF-TF in Context

A. Five Years of the Last Mile Finance Trust Fund



Supporting the Last Mile Finance Trust is a step in fulfilling the promise of leaving no one behind

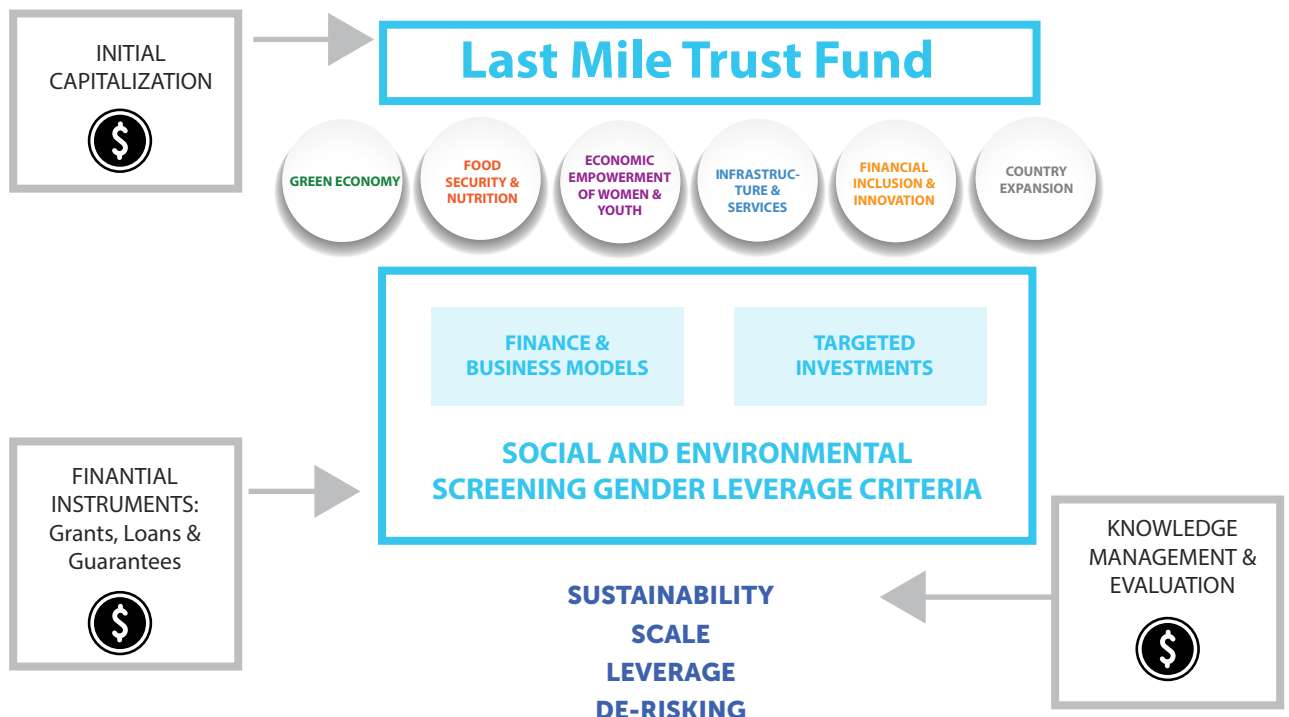
Isabella Lovin

Minister for International
Development Cooperation and Climate
June 9, 2016



When UNCDF launched the Last Mile Finance Trust Fund (LMF-TF) in June 2016, the world looked very different. In September 2015, the United Nations adopted the first global development agenda, aiming to help every country reach the Sustainable Development Goals by 2030. The international financial system, eight years after the financial crisis, continued to stockpile liquidity in developed markets and overlook emerging markets, where the development needs are greatest. And the international development finance landscape continued to evolve, with consistent declines in financing of core resources to most UN aid agencies and increasing demands to justify official development assistance from even the most generous donors.

In response to those conditions, UNCDF created the LMF-TF as a flexible funding vehicle to pool lightly earmarked resources from various donors towards thematic priorities. The Fund was also 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.



The government of Sweden, through the Swedish International Development Cooperation Agency (Sida), was UNCDF's partner in creating the LMF-TF, providing an anchor donation of just over US\$ 2.2 million.

As the LMF-TF celebrates its fifth anniversary, the donor pool has grown to eight donors: 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 Financieringsmaatschappij Voor Ontwikkelingslanden N.V. (FMO), and the Principality of Liechtenstein. Sida's initial donation would catalyze follow-on donations of just over US\$ 53 million, fulfilling the promise of a pooled financing mechanism.

From 2016 - 2020, the LMF-TF supported a range of development impacts in the world's most difficult markets, including the sale of over 650,000 clean energy products; the deployment of a local climate adaptation mechanism with 280 local governments; more than US\$ 11 million unlocked to support local development finance; the creation and support of inclusive digital economies in eight countries; investments in food security in Burundi; and the financing of biometric capabilities to expand financial inclusion to rural women in Papua New Guinea,

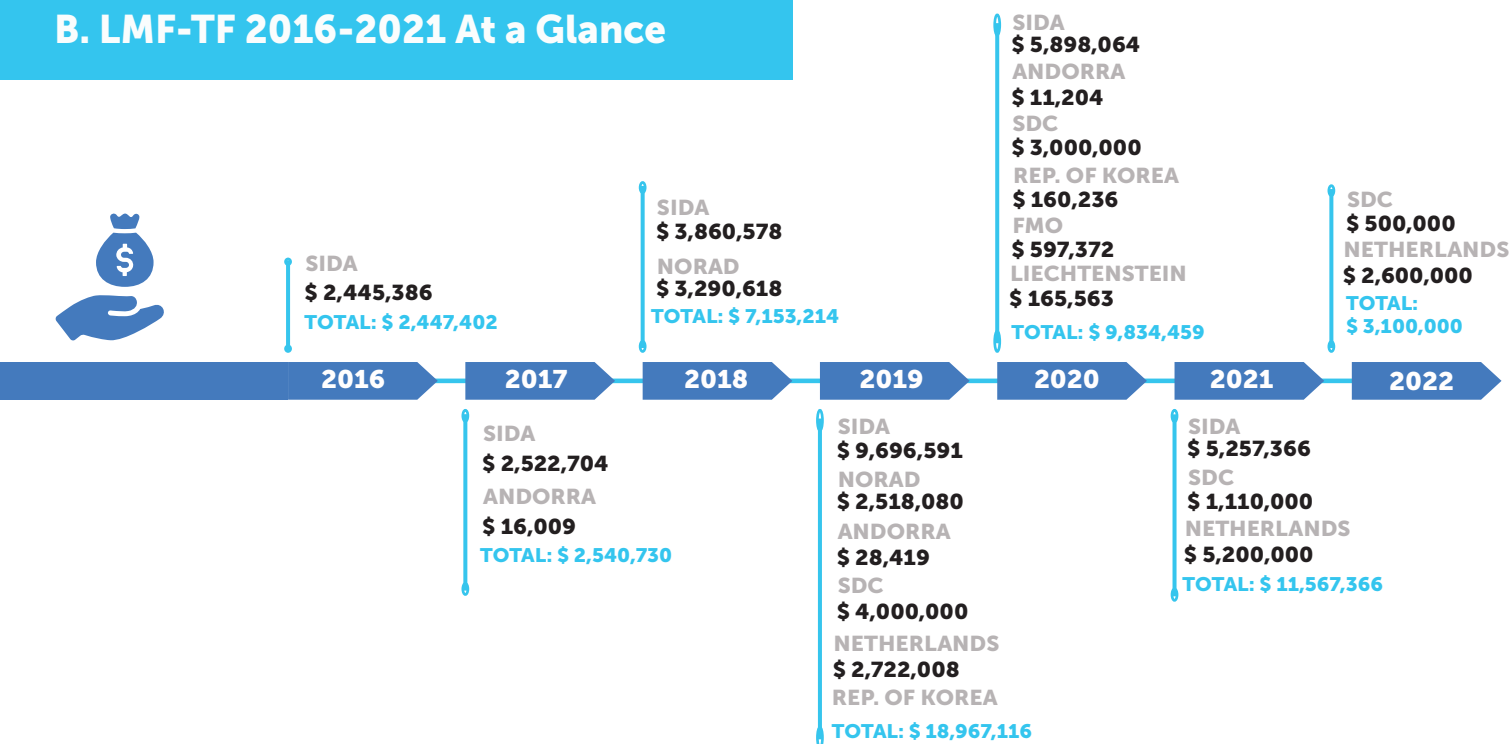
In 2020, the COVID-19 pandemic hit LDCs hard. Investors pulled \$83 billion out of developing countries, the largest outflow ever recorded¹. UNCTAD estimates that LDCs will see drops of 30% to 40% in foreign direct investment between 2020 and 2021.² The lockdowns, quarantines, health impacts and economic impacts of the pandemic caused tremendous disruption to the lives of LDC citizens, and posed severe challenges to UNCDF's work in the field.



However, despite the obstacles, UNCDF's staff and teams on the ground still produced notable development results. As the pandemic hit, UNCDF repurposed its capabilities to support COVID-19 recovery on the ground, including promoting digital solutions, transitioning to e-grants, granting payment holidays to borrowers and supporting local governments to deliver critical local services. By the end of the year, UNCDF had realized its highest level of development assistance ever delivered, an increase of nearly 10% from 2019.

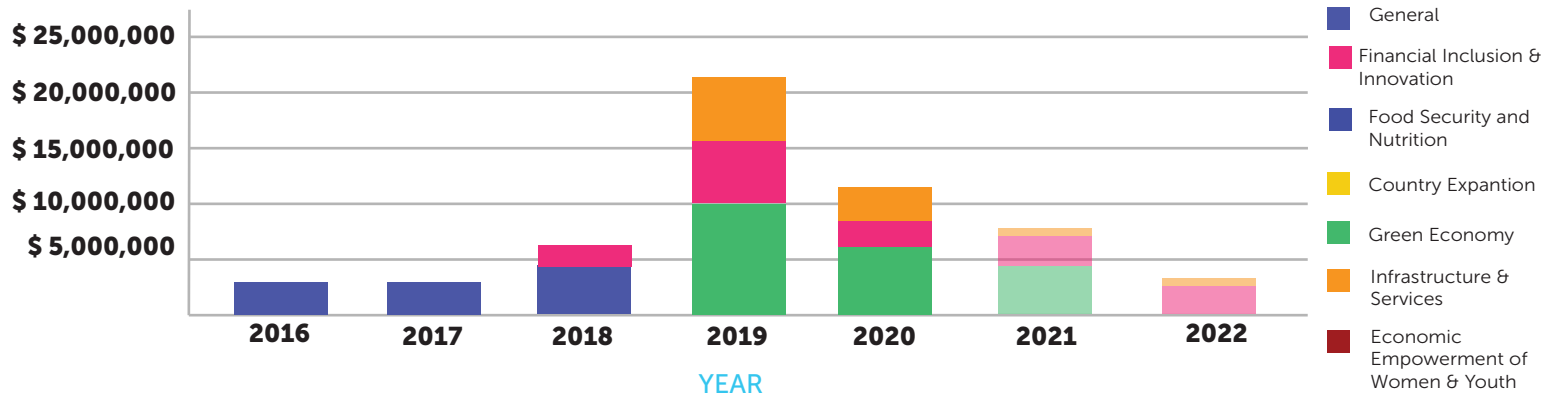
By continuing to expand its donor base, the LMF-TF has also demonstrated the potential of pooling donor funds towards common sustainable development themes. LMF-TF donors have helped fund climate mitigation and resilience projects and expand the staff and capacity of LDC Investment Platform to support the wider UN system in 12 countries across Africa.

B. LMF-TF 2016-2021 At a Glance

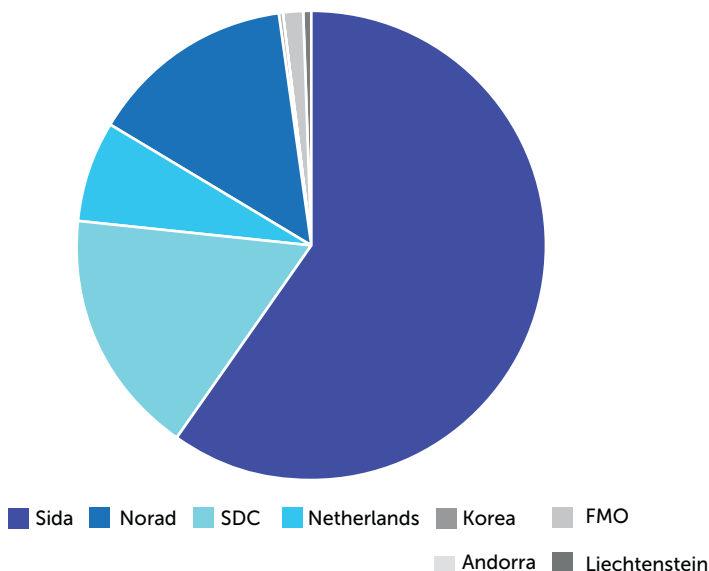


FUNDING
AMOUNT USD

Committed Capital by Year and Window 2016 - 2022



Funding Amount by Donor 2016 - 2020



DONOR	FUNDING AMOUNT 2016 - 2020 (USD)	COMMITTED CAPITAL 2021 - 2022 (USD)
Sida	24,423,323	5,257,366
SDC	7,000,000	1,610,000
Netherlands	2,722,008	7,800,000
Norad	5,808,698	0
Korea	160,236	0
Andorra	55,632	0
FMO	597,372	0
Liechtenstein	165,563	0
TOTAL	40,932,832	14,667,366



C. Areas of Growth for the Future

In 2020, UNCDF will consult with donors and partners during the development of Strategic Framework 2022-2025 to reimagine how the LMF-TF can best serve the needs of LDCs and donors going forward. UNCDF has outlined three priorities to enable strengthen the trust fund to support SDG achievement in the “Decade of Action” for implementation.

Rethink Thematic Windows—The LMF-TF operates on the basis of the original five thematic windows. Yet LMF-TF’s work has expanded in scope and depth since 2016, while the challenges of sustainable development have become more complex. In consultation with our donor partners, we will work to repurpose the existing thematic window framework to reflect these new realities.

Reach more LDCs: As an organization, UNCDF worked in 39 LDCs in 2020. Yet much of this was project presence only, not the robust on-the-ground staffing that would enable UNCDF to offer full strategic assistance to LDC governments. UNCDF will work to expand its country presence to all LDCs and make its tools and capacities available to meet country demand.

Focus on Scale: The LMF-TF has consistently supported UNCDF innovations with the greatest potential for scale. Along with our donor partners, UNCDF will leverage the trust fund as an enabling engine for UNCDF’s most promising projects.

II. Results-Green Economy

A. Background and Objectives

The shift towards a green economy provides an opportunity to advance clean energy and climate solutions tailored to the challenges of LDCs. UNCDF pursues this work through two approaches:

- Promoting access to finance across the energy value chain from customer to enterprise. IDE Clean Energy strives to fill in the “missing middle” in renewable energy SME financing by investing in early stage and growth stage, high-risk ideas;
- Promoting 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.

UNCDF’s clean energy workstream is executed through the Inclusive Digital Economy (IDE) practice, which houses the organization’s clean energy portfolio. UNCDF IDE Clean Energy promotes access to finance across the energy value chain from customer to enterprise. IDE Clean 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, 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 technologies including the PAYGO as a means of payment and client-base management.
- Strengthening the sector by including incubators as grantees for the fund, offering TA services to all applicants, beneficiaries of grants or not.

UNCDF IDE Clean Energy Investment Overview

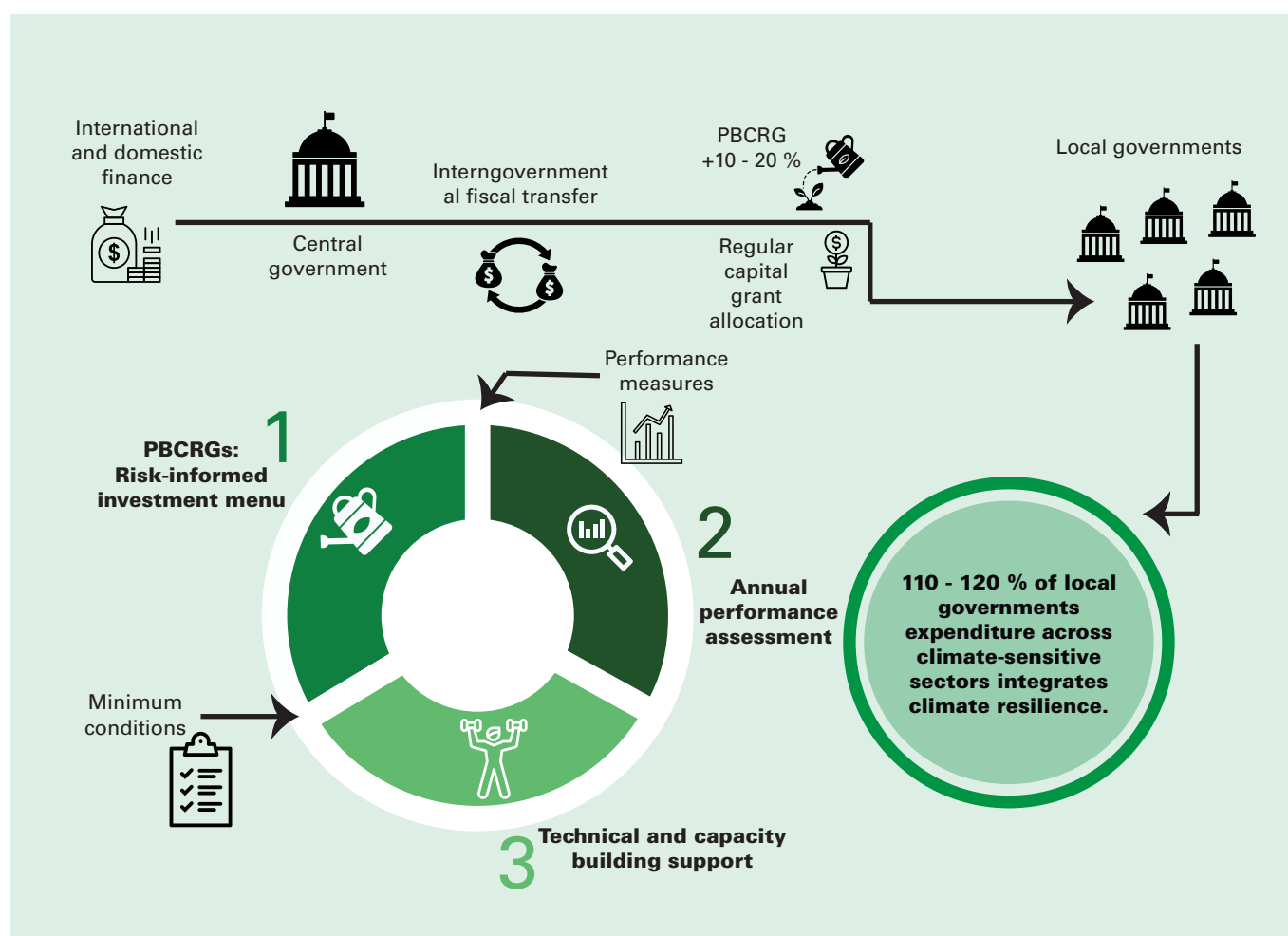
32 Companies Funded	12 Clean Cooking Solutions	4 Water Pump Solutions	13 Solar Home System Technology	3 Productive Use Solar Technologies
6 Financial Service Providers 26 Energy Service Providers	Improved cookstoves, biogas, LPG, briquettes, institutional cookstoves	Including solar irrigation systems	Mini-grids, pico lanterns, large and small solar home systems	Solar refrigeration, solar milling machines, solar dryers.

In terms of 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.



B. Results—Delivering Climate Adaptation and Clean Energy in LDCs

Result #1: 304 Local Governments Engaged and 595 Adaptation Investments; Supporting LoCAL Global Expansion and PBCRG Deployment for Increased Climate Resilience.

STATE OF MATURITY: CONSOLIDATION AND REPLICATION

To December 2020, LoCAL have been active in 27 countries in Africa, Asia, Pacific and Caribbean (14 operation and 13 in design). In 2020 only, seven new countries have formally expressed interest to deploy the mechanism and are undertaking scoping/design exercises:

Phase I: The Gambia, Lao PDR, Lesotho, Nepal, Tanzania, Tuvalu, Mali

Phase II: Ghana, Niger, Bangladesh, Benin, Mozambique

Phase III: Bhutan, Cambodia

Scoping/Design: Burkina Faso, Côte d'Ivoire, Fiji, Jamaica, Liberia, Malawi, São Tomé and Príncipe, Pakistan, Senegal, Sudan, Solomon Islands, Uganda and Vanuatu.

In 2020, LoCAL has engaged with 304 local governments (24 new local governments in 2020 or 9% increase with respect to 2019) and 595 small scale adaptation investments were realized through the PBCRG system. Overall, LoCAL has financed 1,686 investments, reaching more than 2.7 million direct beneficiaries and more than 11.5 million indirect beneficiaries since 2014.

Result #2: 504,870 Clean Energy Products Sold in Uganda, benefitting 2.6 million people

STATE OF MATURITY: PILOT/INNOVATION

As of 31 December 2020, UNCDF's Inclusive Digital Economies Energy portfolio of clean cooking and solar partners (partners collaborating with UNCDF through our Renewable Clean Energy Fund) sold 504,870 clean energy products. This includes consumer use assets such as: improved cookstoves, liquefied petroleum gas (LPG) units, biogas digestors. The figure also includes solar products serving as productive use assets (assets intended to promote economic growth, generate jobs and consequently increase the affordability of an energy service) such as refrigerators, water pumps, milling machines. Additionally, 4,979 tonnes of briquettes were sold to households, institutions and commercial entities.

The sales of these products would benefit a large constituency in Uganda. The products sold are benefitting over 2.6 million people in rural, peri-urban and urban areas. Over the total lifetime of the projects in Uganda, they are estimated to offset over 650,000 tonnes of CO₂.

Result #3: Over 110,000 Clean Energy Products Sold and 6 Clean Energy SMEs Recruited to Credit Risk Guarantee Facility in Ethiopia

STATE OF MATURITY: PILOT/INNOVATION

In 2019, UNCDF's Inclusive Digital Economies Energy portfolio commenced a credit risk guarantee facility in Ethiopia; in partnership with UNDP, the Development Bank of Ethiopia, and the Ministry of Water and Energy of Ethiopia. In 2020, over 110,000 additional energy products (66% improved cooking stove technologies & 34% solar technologies) have been sold by partner energy SMEs.

The total sale of clean energy technologies since the start of the credit risk facility has exceeded 428,000. Just under 1,000 additional solar technologies have been financed by our partner MFI through a direct loan obtained from UNCDF's Least Developed Country Investment Platform (LDC-IP).



In 2020, six energy SMEs were recruited to the guarantee facility, obtaining credit to grow and expand their businesses, while 15 SMEs were provided support in preparing business plans. Technical assistance was provided to energy SMEs and financial institutions, complemented by an affiliated project promotion campaign, resulting in the guarantee fund utilization rate increasing to 92%.

Result #4: Resource Mobilization and Direct Access to International Climate Finance.

STATE OF MATURITY: CONSOLIDATION AND REPLICATION

As of December 2020, LoCAL over the lifetime of its existence had cumulatively mobilized approx. USD 98.89 million in both direct and parallel funding, more than doubling in only two years resources mobilized to 2018. In 2020, LoCAL was able to mobilize USD 14.36 million, in direct and parallel funding. It is worth noting that almost half the resources mobilized in 2020 (i.e., \$6.37 million) came from parallel funding – demonstrating LoCAL's catalytic effect in leveraging climate finance through the PBCRG. In 2020, LoCAL delivered USD 14.5 million in support to member countries, a considerable share of this support being transferred as PBCRG to increase the amount of climate finance available at the sub-national level.

LoCAL has also supported partner institutions in getting GCF direct access international climate finance. As of December 2020, three institutions directly engaged with LoCAL were supported in getting accredited to the GCF - the Bhutan Trust Fund for Environmental Conservation (BT FEC) being accredited early in 2020 with LoCAL assistance. The LMF-TF funding envelope for 2020 contributed, among other things, to develop a GCF pipeline of approx. USD 120 million globally for LoCAL scale up in partnership with both national and regional implementing entities.

C. COVID Context & UNCDF Response

The outbreak of COVID-19 had a significant impact on the operations of energy SMEs. Due to bans on travel as well as other restrictions imposed to contain the spread of COVID, partner energy companies were not able to import products nor distribute in the local market. As a result, sales of clean energy technologies significantly declined from the previous year; in Ethiopia the decline was approximately 58%; and in Uganda, the sales decline was about 43% (from February - June 2020), while companies had a 30% default rate from PAYGO customers.

Despite the myriad challenges emerging from COVID, UNCDF deployed several responses to maintain resilience:

Cash Management: Early disbursements were made to improve the liquidity positions companies. For companies with debt, loans were restructured.

Amendments to Performance Based Agreements (PBAs) and Loan Rescheduling: In Uganda, the Embassy of Sweden granted time extensions to all PBAs in order to extend project implementation to December 2021. In Ethiopia, UNCDF facilitated rescheduling of loans for five (5) energy SMEs that were severely impacted by COVID-19.

Covid -19 Resilience Training: Partners were invited to attend online webinars addressing resilience and recovery mechanisms in response to the pandemic. These were organised by partner institutions, namely the African Management Institute, GIZ and Private Sector Foundation Uganda.

Technical Assistance for Business Continuity and Digitization: LMF-TF resources in particular were used to stand-up bootcamps that trained businesses on sustainability, financial management, and health and safety measures. Management and staff of 10 portfolio companies benefited from these bootcamp sessions. To improve operational resilience of businesses during these times and beyond, UNCDF IDE Clean Energy leveraged LMF-TF resources were also specifically used to install digital solutions with the help of Hedera online.

Negotiated extensions with Energy Portfolio Partners: Given the harsh economic impacts of COVID-19, UNCDF moved quickly to support the companies during COVID-19 related shutdowns and successfully negotiated extensions for 21 of the 22 partners, giving the companies time to resume operations. Additionally, technical assistance was provided to support companies during the shutdown.

Leveraging Virtual/Remote Solutions to Receive Challenge Fund Applications: In Burkina Faso, given that the Challenge Fund was launched the same month that COVID-19 spread globally, a greater amount of effort was needed to receive successful high-quality applications. Travel was restricted to international experts, most of the work was done remotely. On the ground, due diligence on grantee applications was not possible as normal; a combination of field visits (done by local experts only) and virtual/remote interviews were conducted.

D. Gender Highlights

In Ethiopia, 48% of the 110,000 energy products sold were purchased by women. More importantly, after recognizing the collateral challenge faced by women, the guarantee coverage ratio for women owned businesses increased from 50% to 70%. This increase in the guarantee coverage is anticipated to enhance financial inclusion for women, thereby ensuring gender equality and significantly greater dissemination of rural energy technologies by women-owned enterprises.

In Uganda, over 57% of jobs created by UNCDF's IDE Energy program were created for women, with the team actively supporting women-owned companies. Additionally, Value for Women, an

international NGO, was hired to provide technical assistance to IDE Energy partners on gender hiring strategies and business opportunity.

In the DRC, the Investment Committee Chair for UNCDF's IDE Clean Energy Program is a woman who was selected from private sector, with two women-led associations receiving technical assistance from the programme then shifting from "nonprofit entity" to "enterprise." These new enterprises have been selected for the second round of challenge fund for financing. The grantees have planned and committed to creating new jobs within the hiring ratio favoring women at a rate of approximately 60%.

II. Results-Food Security & Nutrition

A. 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 food insecure citizens often concentrated in specific geographic areas: rural areas that are much more prone to food shortages and shocks, more dependent on subsistence agriculture, and less diversified in their food baskets. As a result, food and nutritional insecurity have a strong territorial dimension. Responses must be tailored to the specific challenges of each territory and characteristics of local food systems, while considering a multidimensional approach that includes the four pillars of food security and nutrition: availability, access, utilization and stability.

UNCDF interventions to fight poverty and food security in developing countries have increasingly focused on valorizing the role of local governments, private sector and bottom-up policy approaches. UNCDF's approach to food security promotes territorial and place-based focused approaches. These interventions generated a number of lessons learned, including from its Finance For Food-F4F Program on the best ways to support Food Security and Nutrition (FSN) 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. Through the LMF-TF financing, UNCDF is committed to address the issue of FSN through territorial approaches and financial products that strengthen agricultural value chains, mitigate risk, and maximize the local impact of investments for food security.

B. Results — Food Security Through a Territorial Approach

STATE OF MATURITY: PILOT/INNOVATION

Result #1: From Grant-Based Food Security Investments to Blended Funding Mechanism and Scale Up

The UNCDF LDF Practice started its blended finance mechanisms based on the “dual key system” approach, by applying the F4F Methodological Framework/ Impact Assessment Criteria to assess the investment proposals with a focus on FSN.

The UNCDF Food Security approach has become the impact assessment vehicle of the Local Finance Initiative (LFI) to increase the effectiveness of financial resources for FSN through mobilization of primarily domestic private capital. The FSN Impact Assessment Framework is currently used by the Support to Agricultural Revitalization and Transformation (START) Facility to finance 17 agricultural value adding projects, including to address Covid 19, in Northern Uganda.

The F4F approach is also being used to support the Municipal Investment Program (MIF) to improve access to capital for food security investments in the river basins within the framework of the Blue Peace Initiative. Food security and nutrition assessments will also be provided in the context of the Blue Peace Initiative in the Gambia River basin, focusing on the critical links between water management and food security, identification of key investments with FSN, and improved water management opportunities.

C. COVID Context and UNCDF Response

Partnering on the UN Food Systems Summit - An assessment of the F4F programme was commissioned in 2020 and has provided forward looking recommendations on UNCDF’s role and expertise, especially in the post COVID context. Based on the experience acquired the LMFTF, UNCDF is contributing to the preparation of the UN Food Systems Summit, participating in relevant Action Tracks and cross-cutting Working Groups to share its experiences in financing food security investments, with a focus on the importance of territorial approaches for the localization and integration of SDGs, the key role of Cities and Local Governments, and the importance of food systems as an integrating entry point and key dimension of the post-COVID recovery as well as achievement of the SDGs. UNCDF has presented two solutions and is engaging with other UN systems and partner organizations to consolidate and elevate these efforts.

D. Gender Highlights

To address the lockdown effect in Niger, UNCDF channeled some of the Spotlight Initiative EU funding to support 600 women and girl survivors of gender-based violence by supporting gender-sensitive food security infrastructure investments, including cash crop production and animal husbandry kits, as part of a “Build Back Better” strategy.

IV. Results – Economic Empowerment of Women & Youth

A. Background and Objectives

Women and girls today face difficult challenges in almost every country in the world. Women earn less money than men, globally, the gender pay gap is estimated at about 20 per cent. Specifically, in poorer regions around the world, women, including smallholder farmers and informal workers, are at a higher risk of economic exclusion and face structural barriers in accessing economic resources. This is the reality on the ground for most women in the countries where UNCDF works. 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.

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 that would strengthen economic opportunities, increase their security and lessen the burden of unpaid work. 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.

UNCDF leverages two approaches to its work to advance 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.



Inclusive Digital Economies connects individuals, households, and small businesses with financial eco-systems that catalyze participation in the local economy and provide tools to climb out of poverty and manage financial lives. UNCDF partners with women and the public and private sectors to leverage technology and innovation to help increase the number of women that: a) earn money; b) control their money; and c) have access to critical services specific to their country context (e.g., health, energy.)



Inclusive Local Economic Development, capacitates localities through gender policies/budgets, fiscal decentralization, innovative municipal finance, and SME finance to drive equitable local economic development. Promoting women's voice through local leadership and creating accountable local institutions is another important area of work.

B. Results—Supporting Women's Economic Empowerment Through Local and Digital Finance

Result #1: 807 Savings Groups with 18,000+ Members and US\$ 728,000+ in Accumulated Assets in Tanzania

STATE OF MATURITY: SCALE UP

In 2019, an internal gender assessment conducted on savings groups in refugee-hosting areas suggested that women (68% of savings groups' members) would benefit from more targeted livelihood and gender programming. In 2020, UNCDF responded by supporting 807 savings groups with 18,737 members (12,689 women; 2,220 youth under 25; 7,176 refugees). During this time, assets (funds and profit savings and profits from internal lending) held with savings groups of refugees and host communities grew by 32% from US\$ 552,085 (1 January 2020) to US\$ 728,903 (1 January 2021).

As savings kept increasing, more savings group members (68% women; 38% refugees) were eligible for member loans and improved their resilience. A midterm evaluation conducted in May (comparing the first semester of 2020 to baseline data from December 2019) on 1,236 savings groups members in the host community (70% women, 12% youth under the age of 25) found that through participation in savings groups and digital-financial-literacy activities, 51% of members were able to start or expand their business; meet education and food expenses (5% increase of members were able to do so); and start participating in vocational trainings, build and farm more (+29%).

Respondents reported on average a 4% increase in assets owned by savings group members. Examples of assets are mobile phones (81%), mattresses (74%), livestock (63%), bicycles (57%), poultry (54%), solar panels (50%) and batteries (44%). Furthermore, dependence on subsistence farming dropped by 25% while income diversification increased.

Result #2: WEE Financing Under Inclusive and Equitable Local Development Programme

STATE OF MATURITY: SCALE UP

UNCDF supported WEE financing work in programme countries as part of the global programme, Inclusive and Equitable Local Development (IELD), in 2020, especially to support gender responsive COVID-19 economic recovery efforts. UNCDF recognized how structural inequality can be exacerbated by crises such as the COVID-19 pandemic and have repositioned its tools and investments to mitigate the impact of the health crisis against women and girls.

In Uganda, UNCDF in partnering with UNDP and UN Women under IELD completed gender-sensitive local economic assessments in 24 districts and provided support to women's MSME recoveries. In the United Republic of Tanzania, UNDP together with UNCDF supported the establishment of a guarantee fund to leverage private sector financing for women's groups in three local government associations.

In Senegal, UNCDF continued supporting the country's Strategic Sovereign Investment Fund (FONSIS) through the dedicated women's economic empowerment fund (WE!Fund) launched in 2019 to support local women businesses. In 2020, the first women SME was selected for financing with a credit amount of \$220,000 by FONSIS's Investment committee.

Building on IELD work, in Bangladesh, UNCDF together with UNDP and UN Women launched a full-fledged country programme with support of the Kingdom of the Netherlands to reduce the structural barriers for women's participation in local economies and unlock domestic financing for women businesses.

Result #3: New Initiative IncluCity to Leverage Local Development Finance for Gender-Responsive, Inclusive Investments

STATE OF MATURITY: PILOT/INNOVATION

UNCDF's Local Development Finance Practice launched a new programme in November 2020 with the approval of the programme initiation phase document. Funded by the resources from the LMF-TF, the pilot phase (Nov 2020-Dec 2021) allows UNCDF to develop new tools and financing approaches to make cities in target countries gender responsive and inclusive.

IncluCity was launched at a technical roundtable organized by UNCDF in November 2020. Prior events on women's economic empowerment organized as part of DeLog annual meetings, UN High Level Political Forum 2020 and collaborative events together with UCLG provided an important basis for the development of the concept and the launching event. The event gathered experts and practitioners, including city government representatives and development partners, to discuss how to address growing inequality in cities. The event was critical for a way forward for alliance building with key stakeholders and for initiating pilot phase implementation work in coordination with the local partners. A well-articulated programme initiation phase (PIP) document was prepared in consultation with relevant UNCDF staff including regional advisors. The document was approved by the programme appraisal committee in Nov 2020.



Given the late 2020 launch, initial results are anticipated in 2021. The pilot phase of IncluCity focuses on the development of new tools for innovative inclusive cities financing including gender responsive economic assessment tools for urban areas, a municipality gender score card and city inclusivity index. These tools are critical for the identification of targeted pilot city investments in programme countries (Senegal, Uganda and Bangladesh). The pilot inclusive municipal projects planned to be financed in 2021 from LMTF resources will be critical for laying the foundation of a gender, youth and minority responsive municipal investment agenda with a complete toolbox for UNCDF and partners. Selection of the municipal projects is currently underway in collaboration with the targeted city governments.

Result #4: A Digital Platform to Link Farmers to Inputs, Markets and Finance in Tanzania

STATE OF MATURITY: SCALE UP

Insurance and agricultural input funds accumulated by savings groups are helping meet farming expenses, which has been a lifeline of critical support during the pandemic. Through our partners, Norwegian Church Aid (NCA) and the fintech, Digital Mobile Africa (DMA), UNCDF has facilitated access to last-mile marketplaces and input distribution as well as formal finance. The savings group members benefit from the NCA project through the provision of micro-investment kits, including drip irrigation and seeds, advice from business development officers on appropriate horticulture crops, as well as trainings and information on good agricultural and nutrition practices through agronomists. 472 farmers (332 women) have already invested in the micro-investment agricultural kits and one producer group has been formed. The project was awarded a prize for best agricultural innovation at the Nanenane 2020 agricultural exhibition in Kakonko on August 8.

In order to link this project to the agricultural project in Kigoma, 207 farmer members of savings groups in host communities were also registered on the DMA platform. DMA provides last mile input distribution and a mobile wallet that is soon to be integrated with Tanzania Postal Bank and already integrated with Halotel and Vodacom. Through the DMA mobile wallet, users gain access to formal finance. Full integration between DMA and the savings groups under the NCA projects is in progress and is expected to be completed by Q1 2021. The project is contributing to strengthening the livelihoods of farmers (focusing on women and youth in host-community savings groups) strained by COVID-19-related economic slow-down.

C. COVID Context & UNCDF Response

In Tanzania, with refugee camps closed to non-essential operations, UNCDF had to rely on communication trees and partner teams that could access camps for in-kind distribution and similar essential services. Additional responses included:

COVID-19 Contingency Plan: UNCDF developed a contingency plan in response to the COVID-19 pandemic, intended and designed to ensure that:

- Implementing partners remained on-track with project activities while protecting both project staff and beneficiaries from COVID-19.
- Project activities were effectively implemented under COVID-19, in compliance with government directives and guidance (e.g. Kigoma Contingency Plan).
- Savings groups continued to operate safely during the pandemic and were prepared to quickly adapt their policies and procedures (e.g. early share-out, dealing with drop-offs).
- Sensitization, education and social mobilization around COVID-19 was included and reached savings group members.

New Modules Supporting Digital Finance: UNCDF approved new modules on awareness raising and business continuity during COVID-19 on the USSD Arifu platform;

Broadcast Advertisements: Advertisements were broadcasted on Radio Kwizera, the most popular radio in the region, on how to safely organize savings groups meetings and deal with the virus.

Amending Partner Agreements: UNCDF amended all partner agreements to allow for procurement of smartphones, implementation of the contingency plan and distribution of new education materials in quick fashion. We advised partners to set up communication trees, conduct remote monitoring and data collection.

In Rwanda, access to the refugee camps had been prohibited, delaying the start of the project and slowing down field work because of COVID-19 related restrictions. The digital solutions that were piloted were particularly timely given the COVID-19 pandemic. As a result:

- Uptake of Technology Platforms: Savings groups adopted the digitalization platforms to continue their weekly transactions despite COVID-19 mobility restrictions. More than 100 groups are using such fintech solutions.

D. Gender Highlights (In Focus)

In Tanzania in 2020, progress was made towards empowering women and youth through participation in savings groups and the introduction of micro-investment kits for agricultural business, both largely targeting women. The investment kits include seeds and fertilizer, a simple drip-irrigation system that can be easily procured and maintained locally, reusable sanitary pads, face-to-face and app-based agri-extension services, capacity building on participating/setting-up producer groups, as well as information on sexual & reproductive health and nutrition. These initiatives, combined with the digital- and financial-literacy intervention, are expected to positively impact several key domains of women's empowerment: economic independence, self-esteem, voice and leadership, health, mobility and social connectedness. Kits are inexpensive (around US\$ 6, TZS 15,000) as women tend to make smaller investments because of both affordability and risk-aversion considerations. Moreover, only 12% of the women surveyed as part of the baseline reported access to sanitary towels. The access to reusable sanitary pads from the kits can provide security and safety for women during menstruation days for more than 12 months. This will eventually improve their participation in economic activities, but also build their self-esteem and confidence. Finally, in the baseline study we conducted in 2019, we looked at collective action for buying inputs, selling outputs and training; activities which are all quite limited (14%, 16% and 24% respectively). As part of this project, producer groups will be promoted with the objective of facilitating market linkages both at the back-end (efficiencies and savings) and front-end (buyers) of the production cycles.

V.Results-Infrastructure & Services

A. Background and Objectives

The growing realization is that local government action is essential to achieve a majority of the SDGs. Achieving the SDGs requires local approaches. With 33% of LDC populations now living in urban areas, cities, local authorities and communities have a critical role to play in implementing the SDGs. With often dramatic economic and social differences between capital cities, secondary cities and rural areas within a given country, development requires local approaches. Local development policies, fiscal decentralization and targeted local investments are key to tackling specific local challenges to reduce inequalities and accelerate sustainable development. To further unlock the powerful role of local governments requires strengthening capacities and defining more effective channels for public and private development finance to flow to the local level.

The aim of UNCDF's municipal investment finance work is to increase the ability of local governments and other sub-sovereign entities to address key urbanization challenges through access to sustainable sources of capital financing, which will improve resilience and quality of life in LDC cities, especially for the poor. UNCDF's work has been designed to work with governments to establish these goals and recruit partners who can collectively deliver the necessary activities. In doing so, this will bring a sharper focus on channeling development partners' efforts towards this innovative financing work that purposefully increases the net fiscal space for local governments to invest.

UNCDF leverages its experience in fiscal decentralization and local development finance to expand access to capital for cities and local governments to invest in climate adaptation, women's economic empowerment, food security, health, and local economic development. UNCDF's Local Development Finance Practice (LDFP) serves as a centre of excellence for local development finance in LDCs, promoting the transformative role of subnational governments to finance the SDGs. UNCDF in 2020 supported 525 local governments, 131 SMEs, and 80 public organizations in 42 countries and completed 391 localized strategic investments.

B. Results—Local Development Finance and Municipal Finance as Drivers of Transformation on the Ground

Result #1: 114 Investments Passed Through Dual Key System

STATE OF MATURITY: CONSOLIDATION AND REPLICATION

The centrepiece of UNCDF's local development finance facility is the "Dual Key" system. The Dual Key system is a multi-assessment analysis that enables UNCDF to determine whether the prospective investment will move ahead to financial disbursement. One assessment considers the capability to deliver impact in the form of local economic development, women's economic empowerment, ESG or food security, which would unlock the technical key. The other assessment considers the capability to deliver financial impact in the form sustainability and follow-on investment potential, which would unlock the financial key.

Up to December 2020, 176 active projects were considered for technical assistance of which 151 projects received technical and financial support, structuring, due diligence and de-risking. 114 of those projects successfully passed through the LD Dual key system and reached investment readiness stage, of which 106 investments reached financial closure.

Fully structured projects that completed the Dual Key Process and are investment ready by theme:

- 69 projects on local economic development
- 25 projects on women's empowerment
- 12 projects on food security
- 1 project on municipal finance
- 3 projects on Climate resilience and climate adaptation
- 4 projects on Renewable Energy

Result #2: Over US\$ 20 Million in Additional Capital Catalyzed

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. As of December 2020, UNCDF committed and disbursed a sum of USD 9 million in financing to support implementation of the programme in participating countries. Furthermore, this financing has resulted in unlocking the flow of capital to invest towards local development. By the end of 2020, a total of USD 20.7 million in cumulative additional capital was unlocked from various private and public sector sources.

Result #3: The Blue Peace Initiative Launches the Freetown/Blue Peace Initiative

STATE OF MATURITY: PILOTING/INNOVATION

Blue Peace seeks to introduce innovative financing of transboundary and multi-sectoral water cooperation to support circular economies as well as promote peace and stability. 2020 marked the launch of the "Freetown/Blue Peace Initiative." The vision of the initiative is to construct reliable water, sanitation and hygiene facilities (WASH) as an extension of delivering safe, affordable, sustainable water to the residents of Freetown. At the same time, the initiative is intended to demonstrate a successful model for financing sustainable water production and consumption in the world's least developed countries (LDCs) by exploring a municipal bond in a different way. 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.

Result #4: Blue Peace Initiative for River Basin Organization (RBO): MoU with OMVG and start of implementation phase

STATE OF MATURITY: PILOTING/INNOVATION

During the scoping phase (2019) for the Blue Peace Initiative for River Basin Organizations (RBOs), it was agreed to use the Gambia River Basin Development Organization (OMVG) as a pilot case. An endorsement by the OMVG Council of Ministers was signed in December 2019 (with a formal resolution signed at ministerial level) to explore Blue Peace Initiative together with UNCDF, SDC and Geneva Water Hub (GWH). Consequently, a formal MoU between OMVG and UNCDF was signed in the first half of 2020 and kick started the implementation phase in two stages:

- Technical assistance process which will support the RBO to gain capacity and be ready to issue a financial instrument on the capital market, absorb the financing with the ability to roll out physical infrastructure and last to ring fence the revenues it receives in order to pay back investors; and
- Provide support to OMVG during the process of issuing the financial instrument on the capital market (this process will include subsidizing the mechanism guarantee).

In July 2020, UNCDF has launched the Request for Proposal for acquiring the consultancies for the Masterplan (lot 1), Technical Assistance (lot 2) and Legal Review (lot 3) for OMVG. The procurement process has resulted in time-intensive public procurement but is expected to be finalized early 2021 for all three lots.

In 2020, UNCDF has also developed profiles and recruitment of UN Volunteers to support OMVG, e.g. through a new investment officer and water engineer for OMVG as well as national consultants in all 4 member states, who have started with national consultations and data collection. In addition to that, UNCDF is supporting OMVG in the labeling process for the World Water Forum in Dakar since OMVG is submitting the Blue Peace Initiative as its flagship/labeling project.

Result #5: Blue Peace Initiative: Exchanges on expansion, scaling up and impact measurement have started

STATE OF MATURITY: PILOTING/INNOVATION

In 2020, first exchanges with the Southern African Development Community (SADC) and the Climate Resilient Infrastructure Development Facility (CRIDF) have started, allowing UNCDF and its Blue Peace Partners (SDC and GWH) to start exploring the opportunity to expand the Blue Peace Initiative for RBOs to the region of South Africa.

Furthermore, the Blue Peace partners have started with the scoping of an impact measurement system. This also includes the development of a Blue Peace Standard, for which a reflection process has started late 2020.

Result #6: The Formation and Initial Preparation of 6 Municipal Projects for the International Municipal Investment Fund Technical Assistance Facility (IMIF-TAF)

STATE OF MATURITY: PILOTING/INNOVATION

In 2019, UNCDF oversaw the launch of the International Municipal Investment Fund (IMIF), a unique, bespoke fund designed and set up by UNCDF and UCLG with the collaboration of FMDV to support cities and local governments (notably municipalities in developing countries including the least developed countries) in accessing national and international capital markets.

In 2020, UNCDF formed the Technical Assistance Facility in support of the IMIF (IMIF-TAF). The TAF is primarily donor funded and aims to provide a full pipeline of local government investment opportunities in developing countries. Pipeline projects could benefit from UNCDF de-risking instruments (grants, reimbursable grants, concessional loans, guarantees) and capacity support to prepare projects to investment stage. The TAF is designed to be modular in nature and will work with affiliated TAF funding sources to ensure projects are fully financed. The TAF will also offer technical support to prepare the policy and regulatory environment for municipal finance. In January 2020, UNCDF inaugurated the first investment committee for the TAF, which approved the first batch of municipal projects that will receive technical assistance in order to be investment ready.

Upon the formation of the IMIF-TAF, UNCDF started the project preparation phase with a shortlist of pilot cities. Faced with travel restrictions as a result of the COVID-19 pandemic, an expedited approach for project preparation was utilized to virtually start preparing these projects to reach bankability. This establishes the basis for the first disbursement of investments, which are expected to take place in early 2021. Project preparation work commenced in the following cities:



Porto Novo, Benin

Telita, Moldova

Kumasi, Ghana

Sao Tome, São Tomé and Príncipe

Chefchaouen, Morocco

Jambi, Indonesia

C. COVID Context & UNCDF Response

Inability to travel as a result of the pandemic was a significant challenge to completion of our work. The inability to travel and to conduct face to face meetings was challenging to the efficiency of our interventions.

COVID-19 response work was undertaken through the launch of the Rebuilding Local Fiscal Space Initiative. The purpose of this initiative was to understand the factors that contribute to the loss of local fiscal space followed by designing and testing measures to accelerate trust. Phase 2 of the initiative is starting in 2021 and is expected to go into 2022, which will mark the end of the initiative.

Studies Regarding Fiscal Space: These studies have been carried out in Kumasi (Ghana), Chadpur (Bangladesh), Telita (Moldova) Gulu (Uganda), Chiapas (Mexico) and Chefchaouen, Morocco. Phase 1 of the initiative has been completed in 2020 and concluded with the launch of a global virtual webinar where the results were presented.

Convening of Stakeholders: The webinar launch brought together mayors and local government officials of the participating cities, central government representatives and high-level participants from development partners, with the objective of:

Presenting the findings of the initial study on local fiscal space in the context of COVID-19 challenges;

Discussing and exploring the measures to accelerate economic and fiscal recovery;

Raising the awareness of the imperative of rebuilding local fiscal space.

D. Gender Highlights

Local Economic Acceleration Through Partnerships

In 2019, UNCDF launched the Local Economic Acceleration through Partnerships (LEAP) project focused on infrastructure investments and economic development in secondary cities. This programme targets gender equality and women's equality from an economic perspective to include inclusive and equitable economic growth. The research work included engagement at both the local and national level with different groups of stakeholders, with a focus on a balanced gender representation was a critical driving factor of this work. This included launch activities, discussion groups, and workshops.

This project focused on four secondary cities, two in Ghana (Agona Swedru & Cape Coast) and two in Uganda (Gulu and Mbale).

In 2020, the work was completed with the production of the final report titled "National Enablers for Infrastructure Investment and Economic Development in Secondary Cities in Ghana and Uganda." Produced by UNCDF, the report explores how national governments in developing countries can enable infrastructure financing and local economic development. Various options for financing infrastructure in Ghana and Uganda are reviewed with the objective of providing recommendations for the best options for the two countries. Cities Alliance have provided partial financing support for this publication.



VI. Results – Financial Inclusion & Innovation

A. Background and Objectives

The digital finance revolution is profoundly impacting the global economy and transforming LDC societies. The number of registered global mobile money accounts surpassed 1 billion in 2019, with 469 million such accounts in sub-Saharan Africa alone. The digital revolution helps drive increased access to financial services and is changing how poor people save, receive social payments and remittances, and buy products and services. It is also changing how micro, small and medium sized enterprises (MSMEs) can access financing to grow their businesses and deliver services and SDG solutions more efficiently. With only one in six people connected to the internet in LDCs, significant investment and support will be needed to fully tap these digital opportunities and make sure LDCs are not left behind.

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. “Leaving No One Behind in the Digital Era” focuses on communities that are often marginalized—namely women, youth, migrants, refugees and MSMEs. By building inclusive digital economies through a market development approach, UNCDF supports last mile communities to use digital services in ways that contribute to accelerating achievement of the SDGs.

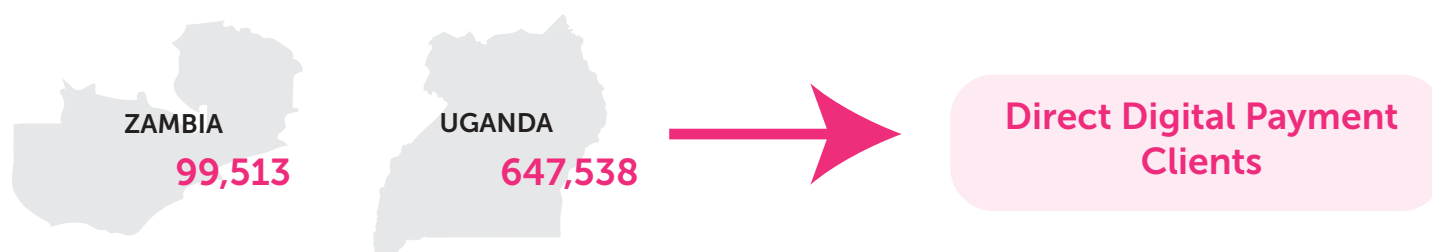
UNCDF aims to contribute to the development of inclusive innovation ecosystems and accelerate the development and usage of digital services in key sectors such as energy, health, education and agriculture. Linking digital finance to the real economy and to a broader set of development challenges increases 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, and offers great potential to contribute to the Sustainable Development Goals through impact channels other than financial inclusion.

B. Results—Building Ecosystems for Inclusive Digital Financial Services

Result #1: 747,069 Direct Digital Payment Clients Served in East and South Africa, While Advancing Market Development Towards an Innovation Ecosystem

STATE OF MATURITY: CONSOLIDATION AND SCALE

Countries in the region are at different stages of development and face unique challenges and barriers in their development of an inclusive digital economy. However, compared to other regions, East and Southern Africa (ESA) has a relatively high mobile money penetration. The development of relevant use cases around these “digital rails” is increasingly important in driving usage of digital financial services and developing an inclusive digital economy. Fintech companies have an important role to play, in increasing access to financial services in un(der)served geographies. Through its engagement with start-up incubators and innovation hubs, UNCDF supports the strengthening of an enabling environment for fintech companies and, more broadly, the innovation ecosystem as a whole. In 2020, UNCDF in the ESA region supported 747,069 direct digital payment clients.



Result #2: Deploying the Inclusive Digital Economies Scorecard

STATE OF MATURITY: PILOTING AND INNOVATION

Building on its work in promoting financial and digital inclusion, UNCDF has developed a policy tool that governments can use to measure the development and help set priorities of their country's digital transformation called the Inclusive Digital Economy Scorecard (IDES). The Scorecard provides national authorities and private sector partners with insights in key market constraints that hinder the development of inclusive digital economies and help advance the right priorities to leave no one behind in the digital economy.

In 2020, UNCDF piloted the scorecard in 4 countries – Burkina Faso, Nepal, Solomon Islands, and Uganda – in partnership with the national authorities and started the expansion in an additional 9 countries. UNCDF's objectives is to use IDES in 28 countries in Africa, Asia and The Pacific at end of 2021.

IDES scoring for 2020 has been completed for Nepal. The overall score for Nepal's digital economy has increased from 35% in 2019 to 47% this year, with digital inclusivity also increasing from 15% to 22%.

The major jump has been observed in “Empowered Customers” segment [active participation of the public and private sectors in digital and financial skills development, as well as the usage of digital channels for relevant skills development], which increased from 13% to 31%.

Overall, Nepal is on track to achieve the goal of reaching digital economy score of 60% (nationally) and increasing the inclusivity to 30% by 2024.

IDES was also piloted in Uganda. In June 2020, UNCDF organized a working session with government counterparts in Uganda to present the scorecard and receive their feedback. Stakeholder engagement is planned for 2021.

Result #3: Advancing Digital Solutions for Smallholder Farmers

STATE OF MATURITY: CONSOLIDATION AND SCALE

In Uganda, UNCDF has partnered with technology firms to pilot solutions that enable value chain traceability, which serves as a catalyst to improve aggregation and bulking of produce, as well as farmers' access to information and markets. In other projects, UNCDF in Uganda is working with partners to set up digital platforms to provide extension and advisory services for smallholder farmers, with the objective to increase productivity and ultimately boost the livelihoods of vulnerable families and communities. To date, these solutions have been used by 37,000 people in rural communities in Northern Uganda of whom 41% are women. Note that to ensure digital financial services are available in rural communities UNCDF has been supporting the rollout of a last mile distribution model of digital community entrepreneurs. Through those partnerships more than 300,000 people have been onboarded to digital financial services (40% women).

In Tanzania, UNCDF is working with the FAO, WFP and ITC to provide a digital platform through which farmers can access financial services and connect to input supply companies, buyers and off-takers of agricultural produce.

The digital solution allows smallholder farmers to access formal financial products, training on good agricultural practices and lower-priced inputs. The platform is developed by Digital Mobile Africa (DMA), a UNCDF partner.

UNCDF facilitated the profiling of approximately 11,000 smallholder farmers of which 8,500 were registered, identified and verified through e-KYC. It entailed the digital platform of DMA to integrate with Tanzania's Postal Bank's (TPB) core banking system, which was done with UNCDF support. To date, a total of 3,800 smallholder farmers have accessed farm inputs worth USD 261,894 via the platform. TPB may roll out the smallholder agricultural finance product nationally. UNCDF has also supported DMA to develop a sustainable business model to expand to other regions.

In Nepal, Prabhu Management started to partner with financial cooperatives to develop a digital credit product and pilot test in two geographies where it is implementing the dairy value chain digitization project. The target segment for the digital credit is the low income rural population, primarily farmers who require short term credit for household needs as well as bridge finance for livelihoods.

Result #4: Piloting Last Mile Finance Models to Support the Real Economy

STATE OF MATURITY: PILOTING AND INNOVATION

The work UNCDF achieved in reaching and servicing clients was built on the basis of several projects. Leveraging a market development approach, UNCDF worked to enhance the innovation ecosystem in the region, ultimately advancing inclusive innovation at the country level.



UNCDF partnered with ModusBox to design an interoperable platform that allowed MFIs to integrate their core banking systems to a common platform which, at the same time, is connected to other types of digital financial service providers. The pilot project worked with more than 10 digital financial service providers including MFIs, MFSPs and banks; and partnered with other technology providers such as core banking systems vendors. Building on the success of the piloted integration platform, UNCDF was able to attract an additional USD 2.5 million in funding from the Bill and Melinda Gates Foundation to scale up the platform to include additional use cases, and support electronic cash transfers and other government transfers as part of COVID-19 response.



UNCDF designed & deployed a 'Knowledge & Education Platform' to build capacities and empower targeted segments to make informed decisions. The initial project targets 25,000 dairy farmers in Nepal and aims to bring about behavior change and adoption of DFS.



In Zambia, UNCDF and BongoHive Innovation and Technology Hub partnered to launch the FinTech4U Accelerator Programme for businesses in the Fintech and DFS industry that target underserved population segments and contribute to the SDGs. The objective is to address the challenges experienced by startups and fintechs in navigating regulations and accessing capital and technical advice.

The 3.5-month programme provides Fintechs with a platform to develop and test their products in a safe environment, interact with regulators, build partnerships with larger players and address the various risks of early-stage growth with the support of mentors and the provision of legal, accounting and financial advice. The first cohort of five fintechs has completed the programme and piloted new solutions linked to payments, savings, insurance and school fee loans. The active client base of the firms has quadrupled since participation in the programme commenced, and the piloted solutions have 4500 active users. In an evaluation survey conducted three months after the programme ended, all cohort participants reported improved understanding of licensing requirements and increased interaction with potential investors. The second cohort is currently ongoing.

UNCDF also supports Bank of Zambia (BOZ) to design and set-up a DFS data automation & analytics platform. The platform automates the collection, consolidation and analysis of market data and provides regular information on the DFS market to guide policy decisions and market interventions. The project started in 2019 but the platform was finalized in 2020 and is currently in final stages of testing. The official launch is scheduled for Q1 2021.



In Uganda, UNCDF is a co-founding partner of Start-up Uganda, the industry association for innovation enablers in Uganda. Start-up Uganda was established in 2019 to convene innovation enablers in response to an increasingly fragmented ecosystem. With the support of UNCDF, Start-up Uganda strengthened the capacity of 20 innovation hubs and start-up incubators in running acceleration programs.

UNCDF also supported in organizing Kampala Innovation Week 2020, themed "Recovery – Resilience – Innovation." The three-day event is organized to bring together the Ugandan innovation ecosystem actors. Each day attracted between 5700 and 8350 attendees. Given the pandemic, this edition was held virtually, allowing for attendance and learning from other countries including UAE, Sudan and Kenya. UNCDF also supports Start-up Uganda to strengthen the association's capacity in raising funds, knowledge management and communication, and UNCDF will run an innovation challenge to identify six solutions for piloting.

UNCDF is leveraging digital solutions to improve access to health and education services. The projects were designed to address the sector constraints that were identified in the programme inception study. The projects are developed in close partnership with the Ministry of Education and Ministry of Health. All projects have launched but pilots have not yet commenced in Q1 2021.



In 2020, UNCDF conducted a mapping of the fintech landscape in Tanzania in partnership with the ICT Commission and Sahara Ventures, one of the leading innovation hubs in Tanzania. The study maps out and profiles the fintechs currently operating in Tanzania, the challenges and gaps they face, and the opportunities. The main challenges reported were: i) a fragmented funding ecosystem, which means firms invest a lot of time and effort to attract limited funding, ii) a lack of affordable and skilled local talent, and iii) low levels of financial and digital literacy among Tanzanian adults, particularly those in rural areas.

UNCDF, the ICT Commission, and Sahara Ventures hosted a workshop for key stakeholders in Tanzania's financial services ecosystem including regulators, donors, financial institutions, fintech startups, and startup accelerators to validate the findings and discuss the key determinants of fintech growth such as technical skills, access to capital and the policy and regulatory environment.

Result #5: Expansion of National Financial Inclusion Policy to 9 ASEAN Countries

STATE OF MATURITY: CONSOLIDATION AND REPLICATION

UNCDF successfully expanded its national financial inclusion policy M&E initiative from the initial pilot with the South African Development Community (SADC) to include 9 ASEAN countries in collaboration with the ASEAN Secretariat. The ASEAN Regional M&E report was officially endorsed at the 2020 ASEAN Finance Ministers Meeting by the ASEAN Working Committee on Financial Inclusion (WC-FINC). The SADC M&E report was expanded into two additional countries for a total of 5 for the third consecutive year. 19 knowledge products were generated in 2020, including 3 refresh diagnostics conducted, with 5 more refreshes already being kicked off for completion in 2021.

Two new pilot projects were also implemented: a replication of the very successful Lesotho remittances pilot into new corridors in the region, and a new pilot project to provide a basic income to migrant families, dependent on remittances during the covid pandemic. In partnership with a number of providers, (including FinMark Trust) remittance providers and central banks, remittance activity data was used to identify recipients based on their regular remittance activity on a monthly basis to families in order to alleviate financial pressure during the hard-lockdown in South Africa.

Result #6: The Better Than Cash Alliance accelerates the SDGs in the face of COVID-19

The Better Than Cash Alliance, whose secretariat is hosted by UNCDF, continued to expand its membership to 75 public and private sector entities that committed to accelerating responsible digital payments to achieve the SDGs. In 2020, the Alliance Secretariat launched more than 20 new digitization initiatives with members in 12 countries, with around 50% of these initiatives having a specific focus on women. The Secretariat also contributed to 44 new policies and commitments driving the acceleration of responsible digital payments and financial inclusion. Examples include the Alliance's work with the Government of Bangladesh on developing Grievance Redress Mechanisms (GRM) to help around 4 million garment workers access information and recourse on digital payments. 80% of line workers in Bangladesh are women. These efforts were particularly important since 2.5 million accounts were opened through mobile financial services, following the move by the government to deliver the COVID-19 response package for the ready-made garment (RMG) sector digitally.

The Alliance also identified a US\$ 300 billion opportunity in emerging countries from digitizing tax payments in its report "Success Factors in Tax Digitalization". Alliance member Rwanda, for instance, improved its tax-to-GDP ratio by 4.5 percentage points to over 16% between 2004 and 2016. Moreover, G20 Finance Ministers endorsed the Alliance report "Advancing Women's Digital Financial Inclusion", jointly published with the World Bank and Women's World Banking. Women's financial inclusion is at the heart of the Alliance's work with the Government of Pakistan to accelerate the digitization of pensions, with Pakistan's Employees Old-Age Benefits Institution (EOBI) scaling its social protection program for the informal sector.

C. COVID Context & UNCDF Response

In the ESA region, the pandemic impacted UNCDF programmes on the ground. For example, refugee camps were closed for non-life saving activities in Tanzania; in Zambia the pilots of the Bongo Hive innovation programme were delayed and agent onboarding was not possible because it requires a team on the ground. But the pandemic also increased the relevance and accelerated the adoption of digital services, and as such created opportunities for programming.

- In Uganda, UNCDF partnered with SafeBoda, the main ride-hailing company in Kampala to provide an e-commerce platform that connected market vendors to customers, leveraging SafeBoda's trusted transport services. Six months after project launch, 520 market vendors used the platform, which allowed them to continue to generate revenues during the lockdown. 57,000+ clients used the platform for food and goods delivery. During this delivery information about the virus was shared with clients and their household members to combat the spread.
- As with most workshops, conferences, and meetings around the globe, the FinTech4U capacity building workshops in Zambia on regulatory navigation were delivered online. In total, the workshop was now attended by 30 firms.

National Financial Inclusion Initiative: COVID-19 resulted in a series of lockdowns across programme countries; this has inevitably resulted in limited movement and minimal face to face engagement.

- **Impact on Surveys:** For our projects this resulted in a reimagining of how traditional surveys can be undertaken remotely and how we can continue to engage with country level stakeholders with the same level of closeness without physical proximity. Inescapably, delivery timelines have had to be adjusted to accommodate country level responses to COVID-19.
- **Remittances:** Our partnership with FinMark Trust and early cross-border work on remittances in SADC was a key enabler in securing additional partner funding to assist families dependent on remittances with a basic grant, using the remitting data and channel activity.

D. Gender Highlights

In 2019, UNCDF organized a Sprint4Women Design Sprint Competition in Zambia. DFS providers were invited to submit proposals to participate in the programme, which helped participants further develop and test their product and/or delivery to better suit the financial needs of Zambian women. Three institutions were selected: Jumo, Hobbiton and Fenix. As part of the programme UNCDF supported Fenix in refining their financial literacy materials. Analysis of the performance of the members in the Chilimba groups (savings group) suggest that the materials contributed to improved financial literacy skills. Hobbiton's Patumba is a mobile digital savings/investment product that allows anyone with an active mobile money account to invest an amount as low as 1 Zambian Kwacha into a Patumba account for a minimum investment period of 90 days.

UNCDF is supporting Hobbiton in improving their customer journey and refining its marketing approach to attract women to the platform. Note that Jumo was selected the winner of the competition but refused to sign the PBA because of concerns related to intellectual property.

Overall, UNCDF projects continued to reflect the challenges existing in LDC markets relating to the digital gender divide, in significant part due to the lack of sex disaggregated data. UNCDF is committed to working closely with financial institutions and technology firms to enhance their awareness of capacities for collecting sex-disaggregated data, and addressing the gender divide in financial and digital services.

VII. Results - Least Developed Country Platform

A. Background and Objectives

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

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.

By the end of 2020, LDC Investment Platform (LDCIP) had achieved results in many key areas: an increased use and expansion of loans and guarantees in UNCDF; appropriate COVID-19 response through restructurings to help alleviate the difficulties of borrowers and guaranteed parties; expansion of LDCIP's organizational capabilities; and advanced partnership initiatives for the BUILD Fund and NAMA Gambia Facility.

B. Results— Capitalizing the SME Missing Middle

Result #1: An On-Balance Sheet with Loan and Guarantee Portfolio of 18 Loans and 3 Guarantees; Loan Portfolio Value-US\$ 3.5 Million; Guarantee Coverage-US\$ 4.1 Million; 45% Growth Year Over Year

STATE OF MATURITY: CONSOLIDATION AND REPLICATION

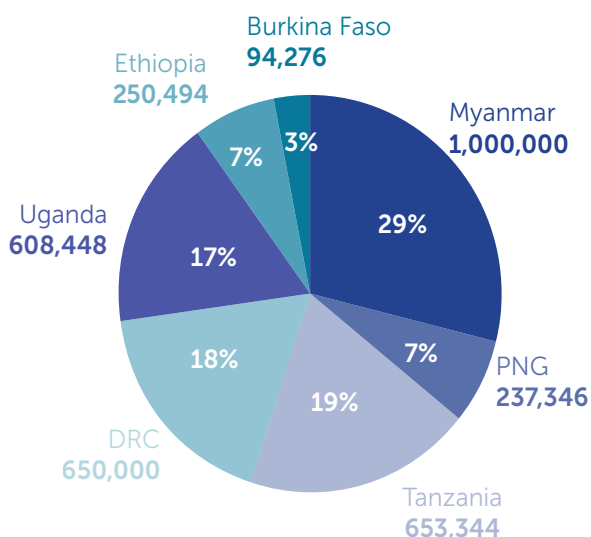
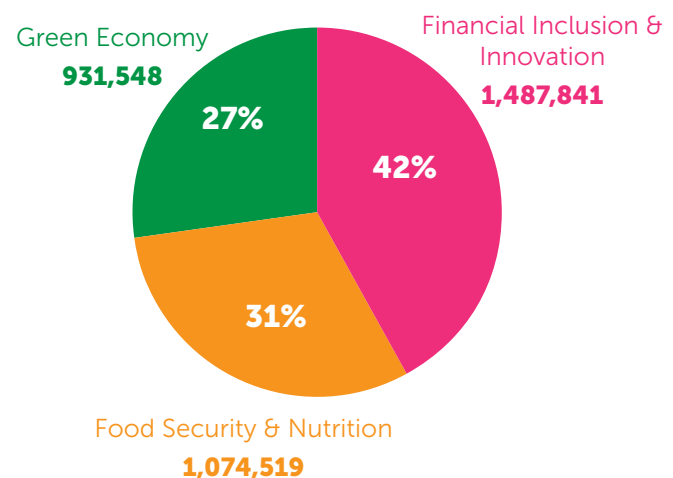
In 2020, UNCDF's loan and guarantee portfolio expanded with the addition of 5 new loans disbursed and 1 guarantee extended to small enterprises in the LDCs. The new loans disbursed amounted to USD 1.1 million while the coverage for the guarantee amounted to USD 90 000. The new borrowers are BM Energy, Metajua, PEACE Microfinance, BBOX DRC, and Altech Group, while the newest guarantee beneficiary is Faso Dembe through the guarantee of its loan from Coris Bank International.

By December 2020, UNCDF's outstanding portfolio has reached USD 3.5 million. The growth from USD 2.4 million in 2019 to USD 3.5 in 2020 represents a 45% growth.

Since 2017, UNCDF has disbursed a total of 18 loans and 3 guarantees, totaling USD 4.1 million in disbursements and guarantee coverages. One borrower, Pyae Mahar, has successfully repaid its loans in full by 2020, while other borrowers have remained committed to honoring its financial obligations.

Portfolio by Sector

As of December 2020, the financial inclusion and innovation sector accounted for 42% of the outstanding portfolio, while food security and nutrition, and green economy sectors accounted for 31% and 27% of the portfolio respectively. Financial inclusion and innovation has remained the largest sector since the beginning of the new loan and guarantee program in 2017. The majority of activities in this sector consist in the provision of wholesale loans to microfinance institutions to facilitate access-to-finance to micro enterprises and households.



Portfolio by Country

In 2020, UNCDF's loans and guarantees expanded its reach to 3 new countries: Ethiopia, Democratic Republic of Congo, and Burkina Faso. These new countries have broadened UNCDF's reach to a total of 7 countries. UNCDF's top 3 countries for loans and guarantees are Myanmar, Tanzania and Democratic Republic of Congo, accounting for 29%, 19% and 18% of the outstanding portfolio, respectively.

Result #2: Financing the Landmark Investment into the BUILD Fund

STATE OF MATURITY: PILOT/INNOVATION

UNCDF has a joint initiative with an Impact investor based in Geneva, Bamboo capital, to set up a fund: The BUILD Fund. UNCDF will be providing pipeline from its programs and the wider UN system. Bamboo capital will be the Fund manager and raise commercial capital. The partnership started in 2018. In 2020 the BUILD Fund initiative recorded a number of key achievements in 2020.

First, the Fund was formally incorporated and registered with the Luxembourg Companies Register (RCS) as a reserved alternative investment fund (fonds d'investissement alternative réservé), moving this initiative from idea to reality. Secondly, the BUILD Fund finalized its initial impact framework, investment guidelines, and the role and scope of the pipeline building and TA services ("BUILDER TA Facility") that will be provided from UNCDF to the BUILD Fund manager (Bamboo Capital Partners). Thirdly, UNCDF received a new commitment from the Norwegian Agency for Development Cooperation (Norad) to support this initiative. Norad will join the Luxembourg Agency for Development Cooperation as the first UN member states to support the first-loss investment layer of the Fund, which will be vital to unlocking capital in the upper investment layers.

Finally, UNCDF and the BUILD Fund finalized an innovative capital mechanism ("beneficiary units" or parts bénéficiaires) to channel Luxembourg's contribution into the Fund. UNCDF now invested the Luxembourg contribution into the first loss layer in the form of Beneficiary Units. The Beneficiary Unit is not classified as equity in the same way other instruments are, which is why UNCDF was able to invest. This innovation can be applied to absorb future member state contributions supporting blended finance in the world's LDCs. It is the first time UNCDF, a United Nations agency with a specialized capital mandate to make finance work for the poor, is investing directly into a structured blended finance fund.

Result #3: Expansion of the LDC-IP Organization

STATE OF MATURITY: PILOT/INNOVATION

The LDCIP has continued to expand in terms of staff. A portfolio management function has been launched with two staff in addition to the investment specialists focusing on structuring, due diligence and risk assessment. A TA facility manager has also been recruited with the specific competence to help companies grow by providing business advice. As a result of a collaboration with the Netherlands, four investment specialists were employed by UNCDF to support the wider UN system in Africa. The growing organization and portfolio have been deemed to require a better financial instrument management system and in 2020 the implementation of an Oracle based system was initiated.

Result #4: The Investment Advisory Initiative

STATE OF MATURITY: PILOT/INNOVATION

In 2020, the LDCIP progressed towards the extension of its investment mandate, architecture and expertise to the UN Development System (UNDS), to support the Resident Coordinators (RCs) and UN Country Teams (UNCTs) on issues of SDG-positive investment finance. With the support received from the Ministry of Foreign Affairs of the Netherlands, UNCDF launched the "Investment Advisory Initiative" through the deployment of four Country-based Investment Specialists (Senegal, Benin, Ethiopia, and Rwanda). Each will cover up to 3 African countries with the aim to ensure that UNCDF's finance capacities benefit the wider UNDS under the "One UN" approach. The Country-based Investment Specialists will work at two mutually reinforcing levels: at the policy and advisory level and at the transactional level. The overall expected outcome of the initiative is to unlock private finance for investments towards the achievement of the SDGs, foster government-led reforms to the enabling environment that will make countries more attractive to investors over time, and deepen financial markets that work for poor and vulnerable populations.

Result #5: Advancing the NAMA Facility

STATE OF MATURITY: PILOT/INNOVATION

Since 2018, UNCDF and UNDP have worked together to support the building of a solar power plant in the Gambia. In 2020, UNCDF and UNDP secured the funding for the project and started to implement. During the year, LDCIP worked jointly with UNDP to lay the groundwork to put in place governance and operational structures required to commence implementation of the NAMA Facility-sponsored project. The national stakeholders are actively engaged in the project's progress and have extended their support to advance the project's implementation. The next step is the tender process, which is expected to be launched in early-2021.

During the year, LDCIP strengthened its relationship with the NAMA facility donors as well as UNDP- resulting in the submission of two more joint-proposals to the 2020 NAMA Facility Call (currently undergoing donor selection process). If selected, UNCDF will not only support projects that can demonstrate the potential for climate change mitigation outcomes, but also enable them to leverage private sector finance while doing so. Further, it would deepen UNCDF's collaboration with UNDP and exhibit a strong case for pursuing similar partnerships with the UNDS.

C. COVID Context & UNCDF Response

The COVID-19 crisis adversely affected UNCDF's borrowers and guaranteed parties and their ability to fulfill their financial obligations. As early as April 2020, UNCDF assessed the impact of the situation by sending questionnaires to the clients and gathering inputs from the Programmes.

UNCDF responded by implementing measures to alleviate the financial difficulty of borrowers and guaranteed parties.

Restructuring UNCDF Loans: UNCDF restructured 8 loans immediately after the assessment. In the second half of 2020, UNCDF restructured 3 additional loans to ease the financial burden of borrowers. In total, UNCDF restructured 11 loans to enable borrowers to recover from the setback brought about by COVID-19 and to resume repayment of loans to UNCDF. In general, these outstanding loans were subjected to a number of measures involving the following:

Principal repayment holidays,

Capitalization of accrued interest,

Debt rescheduling,

Interest waiver,

Covenant waiver,

Liquidity injection.

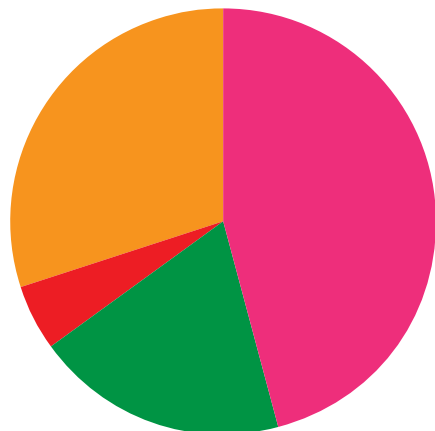
D. Gender Highlights

A number of loan or guarantee transactions has been completed where the company is promoting either women ownership, women leadership or women in the workforce. The actual results are reported for in the relevant programs.



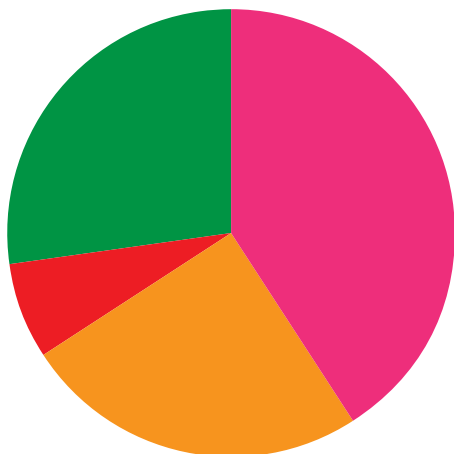
XII. Annex III: 2020 Financials

Financial Allocation—



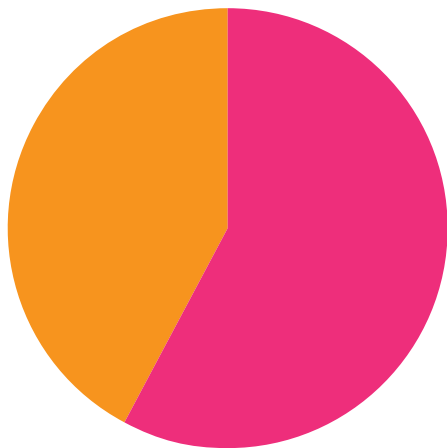
Thematic Window	Financial Allocation (USD)
Green Economy	1,335,148
Food Security	11,150
Economic Empowerment of Women and Youth	360,574
Infrastructure and Services	2,075,798
Financial Inclusion and Innovation	3,218,222

Source of Funds—Sida



Thematic Window	Financial Allocation (USD)
Green Economy	1,325,457
Food Security	11,150
Economic Empowerment of Women and Youth	360,574
Infrastructure and Services	1,446,208
Financial Inclusion and Innovation	2,214,610

Source of Funds—NORAD



Thematic Window	Financial Allocation (USD)
Infrastructure and Services	160,479
Financial Inclusion and Innovation	220,659

Single Thematic Window Funding

The Kingdom of the Netherlands:

USD\$ 816,879 deployed through the Financial Innovation and Services window

Swiss Agency for Development and Cooperation (SDC):

USD\$ 408,931 deployed through the Infrastructure and Services window

Korea International Cooperation Agency (KOICA):

USD\$ 17,598 deployed through the Financial Inclusion and Innovation window

The Government of Andorra:

\$9,691 deployed through the Green Economy window

NederlandseFinancieringmaatschppijVoorOntwikkelingslanden N.V. (FMO):

USD \$8,656 deployed through the Financial Inclusion and Innovation window.

Explanatory Note: **Sida Booster Spending**

In 2014, Sida approved a USD 13 million funding package called “Leveraging Domestic Finance for Inclusive Growth and Resilience in LDCs” (LDFGR). This agreement included three separate UNCDF initiatives: 1) Municipal Investment Fund (MIF); 2) CleanStart; 3) Resilience Booster Fund or Booster Fund (a combination of the Local Finance Initiative-LFI and the Local Climate Adaptive Living-LoCAL-facility).

All proposed investments under this joint initiative had the objective of advancing development in four areas, with all proposed investments intended to generate significant environmental value and contribution to women’s economic empowerment.

Resilience to climate and disaster and promotion of food and shelter;

Building sustainable production systems and consumption patterns;

Access to clean and sustainable energy sources; and,

Sustainable urban development.

As noted in the 2017 amendment, Sida agreed to allow UNCDF to roll over approximately USD 1 million in the LDFGR to disburse as grants by the end of 2018. Also as noted in the amendment, Sida agreed in November 2017 to disburse USD 2.37 million to the LDFGR to use for loans, in accordance with the UNCDF Loan and Guarantee Policy. Additionally, the loans that utilized LDFGR funds were deployed through UNCDF’s LDC Investment Platform (LDCIP).

As Sida Booster funds were ultimately funneled through the LMF-TF last year, the results of the LMF-TF reflect results attributable to Booster funding; specifically the results under the Green Economy (IDE Clean Energy/CleanStart and LoCAL); the Infrastructure and Services Window (Dual Key/LFI Pipeline) and the Financial Inclusion and Innovation Window (the eight projects receiving loans via Booster funds through the LDC-IP).

Total Booster Fund Allocation as of December 2020

DONOR	Capital Contribution	Outstanding Loan	Repaid Capital	Interest/Fee Income	TOTAL
SIDA BOOSTER	1,429,274.22	1,082,324.21	346,950.01	138,136.88	485,086.89

Booster Fund Allocation by Programme as of December 2020 (In USD)

LFI

Recipient	Agreement Year	Currency	Amount Disbursed	Outstanding Loan	Principal Payments to Date	Interest/Fee Paid to Date	Interest Rate
Mwenge	2017	TZS	240,070	240,070		22,313	11.5%
BECL	2018	TZS	93,065	93,065		4,972	5%

IDE Clean Energy (formerly CleanStart)

Recipient	Agreement Year	Currency of Disbursement	Amount Disbursed	Outstanding Loan	Principal Payments to Date	Interest/Fee Paid to Date	Interest Rate
All in Trade	2018	UGX	228,430	163,164	65,266	56,084	15%
Aptech	2018	UGX	259,667		259,667	48,265	15%
Solar Today	2018	UGX	33,026	11,009	22,017	6,343	15%
Peace	2020	ETB	243,016	243,016			12.5%
BBox DRC	2020	USD	182,000	182,000			7%
Altech	2020	USD	150,000	150,000			7%

Sida Booster Expenditures (2020): Note: The first tranche

Programme	Expenditure in USD
LoCAL (includes Ecobonds)	457,760
LFI (Described under Dual Key pipeline)	483,708
CleanStart (now IDE Clean Energy)	32,871



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