

THE LAST MILE TRUST FUND 2022



Impact Capital
for Development

The Last Mile Trust Fund (LMF-TF)

The Last Mile Finance Trust Fund allows donors to support the United Nations Capital Development Fund's use of innovative financing and business models to promote sustainable development in the "last mile" areas of the Least Developed Countries (LDCs): where resources are scarcest and the development challenges for underserved populations the greatest.

LMF-TF will allow UNCDF to use different types of funding from public and private donors to reinforce each other — core funding that supports operations and earmarked non-core funding for programs and form an intermediary flexible and thematic funding for the organization to be more efficient and effective

In this way, UNCDF can provide support along the entire spectrum of an investment's financing needs to support LDC governments, build capacity in the public and private sectors, and realize the goal of building viable, sustainable businesses that continue their development impact into the future.



The updated LMF-TF mechanism provides a flexible vehicle for UNCDF partners to enhance development results in a range of existing programmes and improve SDG impact in LDCs. It enables UNCDF to:

1. Innovate new finance models to support the Addis Ababa Action Agenda (AAAA), the 2030 Agenda, and LDC graduation ambitions by adding value to what others are doing;
2. Replicate promising models in other LDCs and beyond, including through South-South cooperation;
3. Scale up successful finance innovations;
4. Provide a mechanism to leverage private sector finance by blending grant money with commercial funds, building on new partnerships and new tools at hand;
5. Provide capital for grants, loans, and guarantees to craft the blended finance solutions; and
6. Learn lessons together about what works and feed the learning back into the programs to consolidate viable models and then scale them up.
7. Finally, aligns the LMF-TF with the new strategic framework (2022-25) set out by UNCDF in Feb 2022.

SCENARIOS	BASE GROWTH	IDEAL GROWTH	AMBITIOUS GROWTH
TOTAL	\$ 150M	\$ 200M	\$ 250M
CORE	\$ 25M	\$ 30M	\$ 35M
NON-CORE	\$ 100M	\$ 130M	\$ 165M
FLEXIBLE NON-CORE	\$ 25M	\$ 40M	\$ 50M

UNCDF'S STRATEGIC FRAMEWORK & THE LMF-TF

UNCDF embarked on its new four-year framework—Strategic Framework (SF) 2022-2025—which set the organization on a new programmatic pathway. The new framework relies on a five-priority area value proposition that features two traditional practice areas—local transformative finance and inclusive digital economies (again, as areas of work, not practices). The new proposition also features three thematic areas where we will deepen our focus—women's economic empowerment, climate/clean energy/biodiversity, and sustainable food system finance.

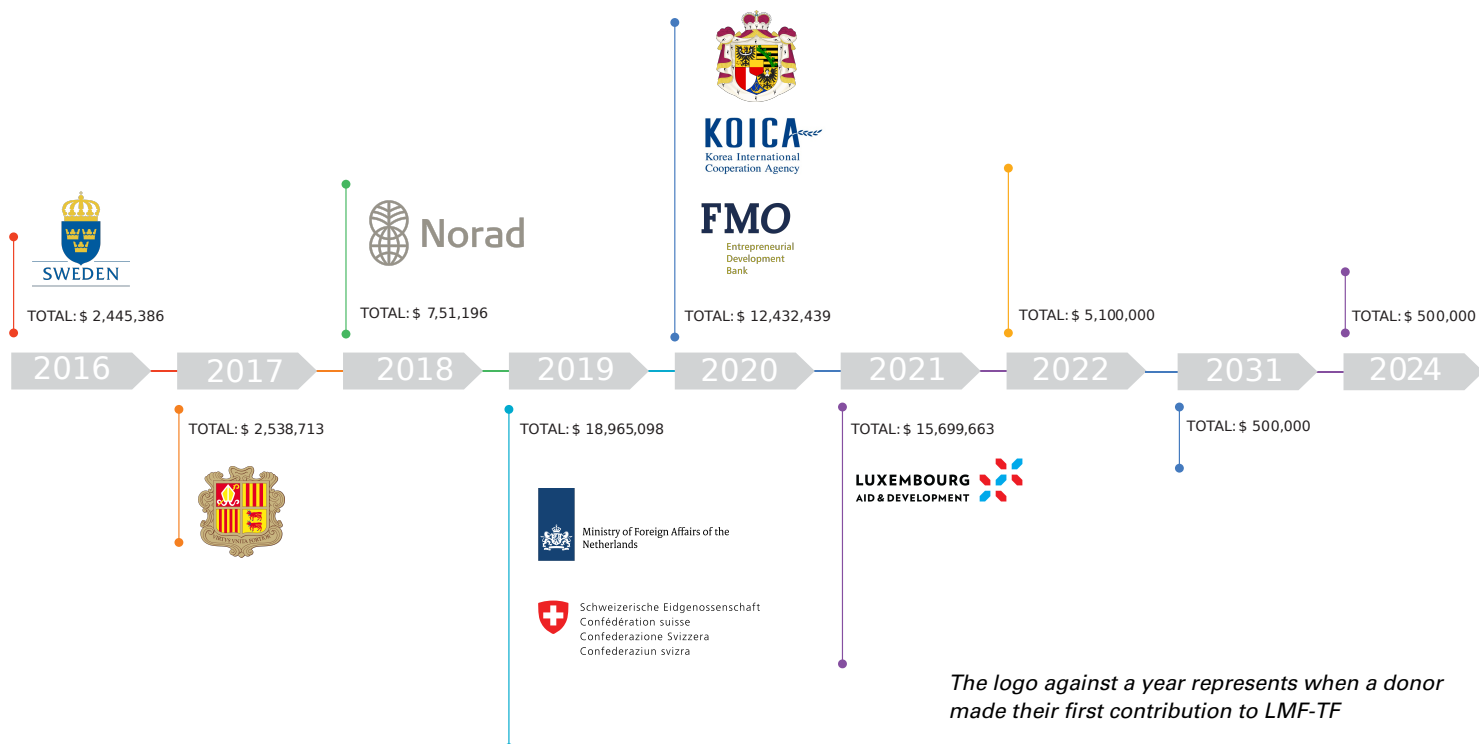
Additionally, projects reflecting these priority areas will be integrated into the UNCDF investment continuum where they can potentially receive larger-ticket financing via our capital investment capabilities. Under this new offer, UNCDF would be positioned to deploy and pool all of its financing and investment support capabilities across all priority areas.

The updated LMF-TF mechanism reflects this new value proposition embodied in the UNCDF SF 2022-2025. The expansion of the LMF-TF funding window structure from five thematic windows (not counting country expansion) to six thematic windows is very much in line with the new priority area value offer of UNCDF.

Under the new SF and new LMF-TF, donors will have an easier time identifying pooled funding opportunities now that the development themes are more clearly articulated.

Donors

The LMF-TF has grown 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.



THEMATIC AREAS

The thematic windows represent areas where UNCDF has already proven concept of workable public/private finance models that are relevant to the 2030 Agenda; and enjoy already established and/or evolving partnerships with UNDP and other UN system partners, international development banks, and across the public and private spheres. Thematic windows will be underpinned and operationalized through UNCDF's existing global, regional and country programme architecture.

FINANCIAL INNOVATION

INCLUSIVE DIGITAL ECONOMIES

LOCAL TRANSFORMATIVE FINANCE

WOMEN'S ECONOMIC EMPOWERMENT

SUSTAINABLE FOOD SYSTEMS FINANCE

CLIMATE, ENERGY AND BIODIVERSITY

FINANCIAL INNOVATION



INVESTMENTS (LOANS AND GUARANTEES FOR DIGITAL SMES, FOOD, GENDER, CLIMATE, CITIES, BIODIVERSITY)

Investments of loans, guarantees and other financial instruments are facilitated through the BRIDGE Facility which aims to catalyze growth capital for SMEs, Financial Service Providers (FSPs), municipalities, and other entities that bring basic services and infrastructure to people in last-mile markets. We project a leverage of up to 1-3 times the capital deployed by either immediate mobilization or sequential catalyzation of capital. At the immediate mobilization level, UNCDF may co-invest alongside other “more commercial” investors in the same deal. We also anticipate that this initial capital will help selected companies and projects grow their business, strengthen their balance sheet, build credit history and improve their overall bankability. In turn, this should attract new investors and sequentially unlock follow-on capital after UNCDF loan has been repaid. As shown in recent transactions, sequential unlocking could come with a leverage of up to 2-3 times the concessional capital initially provided.

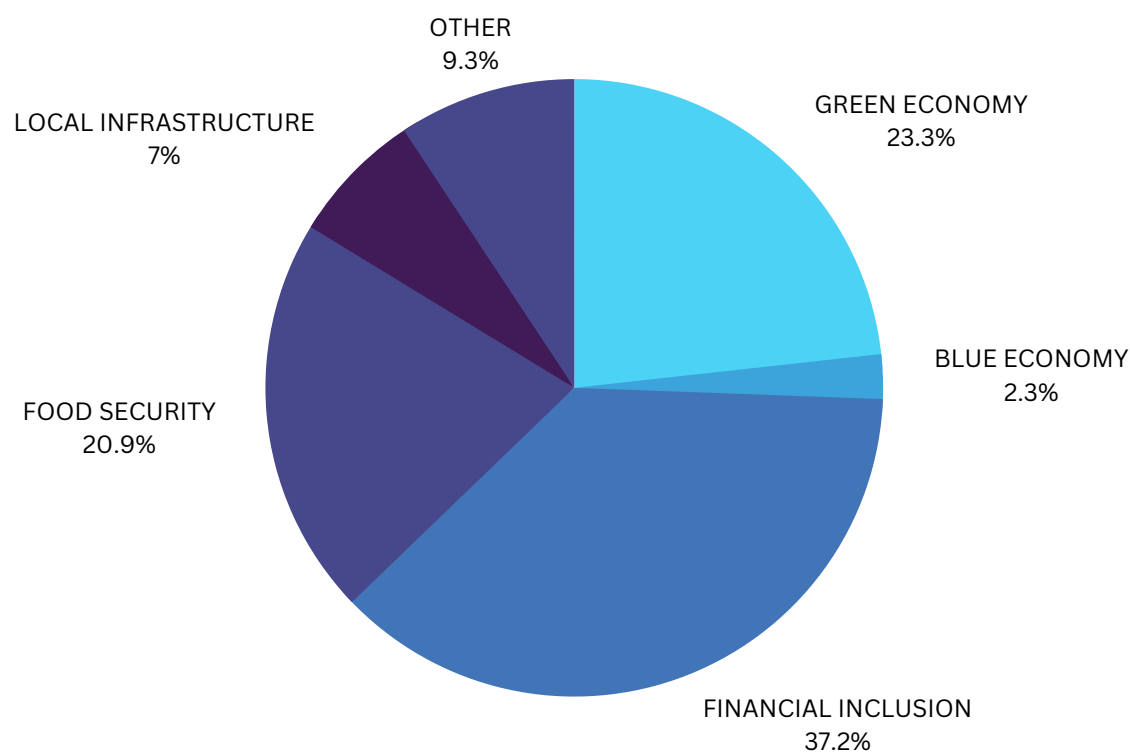
These transactions supporting key but financially underserved economic players will have a trickle-down impact on small businesses, farmers and households, which will have better access to productivity enhancing services such as electricity and financial services, and infrastructure such as agro-processing facilities. Primary impact will be on SDG 2 ‘End hunger, achieve food security and improved nutrition and promote sustainable agriculture, SDG 5 ‘Achieve

gender equality and empower all women and girls’, SDG 7 ‘Ensure access to affordable, reliable, sustainable and modern energy for all’ and SDG 8 ‘Promote sustained, inclusive, and sustainable economic growth, full and productive employment, and decent work for all’

During the first three quarters of 2022, the pipeline of potential investments from the BRIDGE Facility experienced a substantial increase and transformation, both testimony to the transition of the facility into its scale-up and expansion phase. Whereas the BRIDGE Facility pipeline stood at USD 2.6 million as of end of December 2020 and USD 6.4m as of end of December 2021, it now stands at USD 32.3m, which if added to current portfolio already deployed would bring the overall invested capital of the facility i.e., Assets Under Management (AUM), close to its stated objective of USD 50m. The pipeline also shows a diversification in terms of sourcing channels, financial instruments, type of transactions and potential investees, and countries. 14 countries, mostly in LDCs (including challenging markets like Afghanistan) would be new countries for the Facility. More UN agencies and other development partners are now contributing to origination, alongside UNCDF’s development programmes and country offices. An increase in demand for portfolio guarantees, re-guarantees and bond purchases is observed, alongside more traditional loans and standard credit guarantees. Investment targets, which initially were mostly SMEs and FSPs, now include municipalities, SPVs for infrastructure

projects, and catalytic investment or guarantee funds. All the above contributes to an enhanced risk mitigation capability while continuing to operate and deploy capital in the most difficult market environments, in which very few other investors operate.

The current pipeline of potential transactions includes 43 projects with an investment value of USD 32.3 million covering the following sectors:



Despite such progress, a substantial portion of the pipeline, mostly catering the smaller ticket sizes (i.e., the ones that few other financiers are willing to invest in) and the riskier segments (like SMEs or portfolio guarantees meant to facilitate access to finance for marginalized communities) currently remains unfunded. There are 21 transactions (out of 43) that are currently lacking resources allocation, representing about USD 5.5m. An allocation reducing this gap would significantly contribute to establishing the BRIDGE Facility as UNCDF’s flagship financing vehicle for the LDCs and the most underserved investment segments. The proposed capitalization would leverage UNCDF’s existing investment management capability and BRIDGE Facility governance

structure, including an already operational Impact Investment Committee. UNCDF, through its Investment Platform, will administer and manage the investment window. This includes and is not limited to assessment of businesses that will access finance through the BRIDGE Facility, fund management, loan disbursement or guarantee deployment, financial monitoring of the transactions and reporting of funds used. Based on UNCDF’s experience, the related costs and expenses that are mandatory in deployment of the BRIDGE Facility include the capital for the financial investment, initial origination and transaction costs as well as monitoring expenses over the life of the transactions.

INCLUSIVE DIGITAL ECONOMIES



UNCDF's IDE team is grateful to Sida for allocating approx. SEK 3 Million during 2022 to fund personnel and project costs for the purpose of building pipeline funding opportunities with added value. The allocation increase confirmed for 2023 and 2024 is very positive news. For the purpose of allocation of these funds a breakdown of 2022 allocation vis-a-vis envisioned 2023 and 2024 allocations is shown below in SEK. For both 2022 past allocation and 2023 and 2024 future proposed allocation the funding is linked to specific deliverables to create new opportunities for larger funding.

The allocated funds for 2023 and 2024 will be linked to specific deliverables creating new opportunities for larger funding, particularly in the areas of MSME finance and growth (Digital Catalysts), digital skills (Digital Futures), and Policy and Advocacy. More information around these deliverable areas is summarized below.

DIGITAL CATALYSTS (MSME FINANCE)

UNCDF is leading a large initiative to spearhead MSME financing in LDCs, named Digital Catalysts. Digital Catalysts offers a timely and holistic solution to accelerate the digitalization of MSMEs and leverage the accompanying digital data to unlock new forms of capital for MSMEs. The solution requires bringing large stakeholders from the public and private sector together and using an array of financial tools to engage with entities as the ecosystem matures to build a new paradigm for MSME support.

UNCDF will serve as a convener, enabler and neutral broker to build a core ecosystem of partners to implement Digital Catalysts, initially starting in the East and Southern Africa (ESA) region covering Uganda, Ethiopia, Rwanda, Tanzania, Zambia and Malawi. This

approach will also be tested in other regions, including West / Central Africa and Asia. Key partners include: MSMEs and women's business associations, global and local technology partners providing digital tools and services to support MSME digitalization, local financial service providers participating in the new financing models and donors and development finance institutions contributing to overall project resourcing and a digital era MSME finance facility. This multi-stakeholder approach is critical to facilitating systems change and enabling public, private and civil society to work together strategically to address the MSME digitization and financing gap, which will unlock significant growth, innovation and scale in this sector.

DIGITAL FUTURES (SKILLS)

Digital Futures is a new multi-stakeholder initiative led by UNCDF that mobilizes an international digital and workforce skills partnership ecosystem – comprising public, private and educational institutions and donors. Digital Futures will deliver advanced digital and 21st century workforce skills training to youth, women, and TVET students in multiple LDCs in Africa, Asia and the Pacific. To support the implementation of Digital Futures, UNCDF has secured a partnership with IBM via IBM SkillsBuild, and an ecosystem of local organizations to support digital and workforce skills training with an East and Southern Africa pilot phase currently underway.

YOUTH EMPLOYMENT AND CLIMATE CHANGE

UNCDF convenes and supports the entire ecosystem of stakeholders who can play a key role in boosting youth employment and entrepreneurship. This includes governments, universities, TVET and training centres, banks and Fintechs and other financial service providers, as well as innovative digital platforms such as ecommerce or gig workers platforms, so that better opportunities are created for youth by working together. In this context, UNCDF particularly focus on the economic opportunities that will allow LDC to develop a green economy and to adapt to climate change. This includes

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This includes supporting sustainable agriculture, green skills and renewable energies, among others. Currently, UNCDF has a portfolio of projects in countries such as The Gambia, Ghana, Burkina, DRC and Madagascar, and plans to expand it to additional countries in West and Central Africa, East and Southern Africa and Asia.

POLICY AND ADVOCACY

UNCDF works directly with governments to provide technical assistance and strategic advice that improves participation in the digital economy, especially for women and underserved groups that are traditionally been excluded from the formal economy. UNCDF's Policy Accelerator acts as the delivery platform for policy advisory and government advocacy. The platform leverages UNCDF's neutral market position, local presence, and in-house expertise to help direct regulatory advice to the right government agency and facilitate consultation with the private sector and civil society. UNCDF pays particular attention to gender intentional policy change and financial consumer protection as crucial areas for policy reform. UNCDF will expand its policy and advocacy support to more LDCs in those areas, as well as other critical policy areas such as data protection, access to critical infrastructure, and competition.

UNCDF has deployed the Inclusive Digital Economy Scorecard in 25+ countries, as a tool to help countries understand the development stage of their digital economy, as well as its degree of inclusiveness. IDES has been used by governments to convene inter-ministerial dialogues and prioritize interventions and investments. UNCDF plans to further refine IDES methodology and further leverage it to support strategic discussions with governments, national stakeholder and the private sector to help define national priorities around digital transformation for the SDGs.

LOCAL TRANSFORMATIVE FINANCE



The UNCDF Local Transformative Finance Practice aims to become the UN hub for sub-national financing for Cities and Local Governments by addressing the unmet financing needs of 46 LDCs to achieve sustainable development. Local governments and cities are not only a unit of analysis, but also an essential unit of action towards a more productive, green and inclusive urban agenda. We believe local government finance is development finance and it is critical to expand local fiscal space and capital availability that enables the transformation. UNCDF is contributing to building a global financial ecosystem that works for cities and local governments by reforming five key elements identified in UNCDF's 2022 flagship publication "Local Government Finance is Development Finance" – 1) Intergovernmental fiscal transfers; 2) Own source revenues; 3) Domestic capital market for long-term debt financing; 4) City-friendly investment funds; and 5) Global guarantee fund for cities. UNCDF provides financial instruments and technical assistance for local governments to enhance these five elements through two flagship areas: 1) SDG Cities Global Initiative that aims to advance and support sustainable financing at the local level in partnership with UN-Habitat, and 2) Local Climate Adaptive Living Facility (LoCAL), a country-based mechanism that channels climate finance to local governments in developing countries.

INFRASTRUCTURE AND SERVICES

UNCDF Local Transformative Finance provides policy, financial and technical support for local infrastructure investments in developing countries. UNCDF supports local governments to unlock impact capital from financiers including domestic banks, domestic capital markets and international financiers through the UNCDF Dual Key approach. UNCDF provides project structuring and de-risking, due diligence, technical assistance and advisory services to achieve investment readiness while ensuring both the investment projects' development impact and financial sustainability.

An example of intervention is the International Municipal Investment Fund (IMIF) with a technical assistance facility. IMIF is a city-friendly investment fund, created by UNCDF and UCLG, which aims to increase the capacity of cities and local governments in accessing capital markets and through intermediaries. IMIF invests in financeable and transformative projects by municipalities to expand their fiscal space. UNCDF manages the IMIF Technical Assistance Facility.

WOMEN'S ECONOMIC EMPOWERMENT



IDE- Women's digital and financial inclusion in LDCs

UNCDF Inclusive Digital Economies Practice aims to address the barriers to digital and financial inclusion of all women in LDCs by enhancing women's capabilities, enabling their access to digital and financial services (DFS) and promoting gender-responsive infrastructure and essential services.

During the period 2023-24, UNCDF will further the ongoing implementation of gender-intentional programmes and activities across three key areas:

KEY AREA

Infrastructure & Innovation

Policy & Regulation

Advocacy & Participation

OBJECTIVE

Facilitate inclusive innovation through the design of human-centric and gender-smart services, and by increasing access to assets (e.g., mobile phones, energy sources, etc.) that ensure women have can benefit equally from DFS.

Support the design of inclusive policies, designed based on sex-disaggregated data and with a focus on prioritizing women's needs at all stages of policy, regulatory, and supervisory processes.

Empower women so they can lead advocacy for their needs and be represented in the policymaking process and the design of products and services.

ACTIVITY

Conducting research and supporting private sector players to design gender-responsive customer journeys, and reconfigure value chains and business models.

Creating tools for policymakers and regulators to support them during their analysis, design, and implementation of inclusive DFS policies.

Co-creating multi-stakeholder advocacy strategies that ensure gender considerations related to DFS are a policy and industry priority.

LTF- Investing in Inclusive Cities

UNCDF's IncluCity initiative aims to transform cities into spaces of equal opportunities by targeting those who are vulnerable and marginalized. It provides a comprehensive approach to city planners through technical assistance, capacity building, new tools and direct financing to support resilient livelihoods, better public services and infrastructure specially to address growing urban inequalities and economic exclusions specially among marginalized communities including those living in slum areas.

Through IncluCity, UNCDF prioritizes key public infrastructure including transport, housing, water and sanitation and economic opportunities specially in marginalized and slum areas. This includes:

1) Focus on informal economies by targeting the needs of economically excluded groups specially those residing in slums and most marginalized peripheries of the cities; 2) Making investments that make cities safer and free of violence specially for women, girls and 3) Investing in municipal infrastructures that connects jobs with public transport and housing. Another important priority is to promote the role of female mayors and amplify the voices of local communities including women and girls for their meaningful participation in local policy, planning processes and local economic decisions.

During the period 2023-24, UNCDF will further deepen the ongoing work on IncluCity in Uganda, Bangladesh and Senegal in collaboration with UN Habitat by supporting inclusive cities investments and implementing the IncluCity tools in select municipalities. Specifically, the LMF-TF resources will contribute to enhanced technical assistance for local partners in integrating Inclusion perspectives in city investments in infrastructure and services. Technical Capacity of municipalities will also be strengthened to Implement Inclusive Plans, Budgets and Policy and Regulatory Frameworks in select cities.

Note: Other things to include in Financial Innovation:

- Gender-lens investing in emerging markets: Orange bond and the 2X Collaborative
- The Digital Literacy Equity Outcome Fund in partnership with the Government of Finland, UNICEF, and Volta Capital

SUSTAINABLE FOOD SYSTEMS FINANCE



UNCDF's approach to sustainable food systems finance relies on two fundamental drivers. One such driver is "Transformation." Transformation towards sustainable and inclusive food systems can help address hunger, food insecurity and malnutrition and improve health by addressing diet-related diseases, as well as fight poverty, protect and restore biodiversity, and tackle climate change through GHG reduction. The other driver is "Territorial." A territorial perspective to food systems facilitates the articulation and integration of relevant sector policies at different scales of action. It embraces integrated landscape management, which considers the socio-ecological dimension of interactions between species and ecosystems, as well as the socio-economic dimensions of the use of natural resources. It connects local, regional, national and international scales as well as urban and rural areas, and takes into account the effects and impacts of globalization. It promotes more social participation and allows policymakers to close information gaps and make better-informed decisions across different sectors.

UNCDF applies these two drivers towards its Transformative Food Systems Finance (TFSF) approach. The TFSF approach was developed out of consultations connected to the 2021 UN Food Systems Summit. Just as importantly, the approach is built upon UNCDF's years of experience advancing local and territorial approaches for food security and nutrition, which was supported in significant part through the LMF-TF.

The TFSF approach 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 help financial institutions increase their capabilities to deal with food security investments, as well as how to measure impact.

BLENDED FINANCE SUPPORTING TRANSFORMATIVE FOOD SYSTEMS FINANCE

The TFSF approach has been deployed on the ground in the form of supporting blended finance facilities in two LDCs. In Senegal, UNCDF has supported the "Délégation Générale à l'Entrepreneuriat 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 capital. UNCDF will also help to increase the ticket size from currently US\$5000 to US\$20,000 for women and youth-based enterprises.

TFSF has also supported blended finance 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. As of the end of 2021, 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 micro-nutrient deficiency as low-cost options for children, pregnant and breastfeeding women for poor rural and urban households.

DIGITIZING AGRICULTURE VALUE CHAINS

UNCDF works towards digitalizing value chains in agriculture to improve convenience for smallholder farmers and rural populations. Since July 2020, UNCDF has been working with various Ugandan technology companies to develop, scale and apply home-grown digital technologies to combat the systemic constraints in agriculture in rural communities. The solutions, which are initially being applied in Northern Uganda aim to unlock the systemic constraints in the agriculture sector with the ultimate goal of improving the productivity of smallholder farmers and consequently boosting the livelihoods of vulnerable families and communities.

SERVICES	ILLUSTRATIVE FARMER ADAPTATION NEEDS (in addition to those needed for production)	UNCDF PARTNERS
Climate Services	Weather forecasts, advisory and early warning products that enable them to anticipate changes	Quest Digital
Extension Services	Accessible training, information and advice on agricultural practices and technologies	Quest Digital, Hamwe East Africa, Cabral tech, and Nilecom Consortium
Inputs	Access to the right inputs at the right time	Famunera, Nilecom, Quest Digital
Financial Services	Savings, loans to invest in new practices and technologies, smooth cash flow during growing season to realize higher prices, and insurance	Ensibuuko, Akello Banker, Hamwe East Africa, Mobipay
Precision Agriculture	Customized services, such as information or water-efficient irrigation	MobiPay, Aptech, Cabral Tech
Post Harvest & Markets	Improved market access, traceability, logistics, storage, and processing to enhance revenue and reduce loss	Hamwe East Africa, SafeBoda

PURSuing PARTNERSHIPS FOR SUSTAINABLE FOOD SYSTEMS

The TFSF approach is also informing the partnerships we pursue to support food systems that are resilient and inclusive. UNCDF's in 2021 launched The Local Food Supply Chains Alliance, which seeks to address a combination of priority areas that have emerged from national dialogues and game changing solutions contributed by a variety of stakeholders. The Alliance aims to contribute to transformation of local food systems to withstand disruption and shocks in the short term, support resilient and inclusive economies and societies in the long term. The approach is game-changing as it mobilizes technical resources, capital investment and stakeholders at local, national, regional, continental and global levels for structural transformation of food systems.

One example is our UN to UN partnership with the World Food Programme (WFP). Both agencies are interested in scaling up programmes that support the goals of the coalitions that emerged from the 2021 UN Food Systems Summit. These include coalitions focusing on school meals, the Humanitarian-Development-Peace Nexus, climate-resilient food systems, social protection, the zero hunger pledge, healthy diets, resilient local food supply chains, women and girls in food systems and people with disabilities. UNCDF's TFSF approach will be leveraged to support identified coalition themes on the ground in LDC geographies.

THOUGHT/KNOWLEDGE LEADERSHIP IN SUSTAINABLE FOOD SYSTEMS

UNCDF leveraged the platform of the UN Food Systems Summit to position itself as a thought and knowledge leader in sustainable food systems finance. UNCDF intends to continue playing this role to scale financing approaches that resilient and inclusive food systems, include the TFSF approach.

Two publications were launched--
"Territorial Governance: Operationalizing the Transformation of Food Systems & This publication seeks to provide inputs to the Food Systems Summit's Secretariat and Action Tracks leadership.

Both publications were create to ensure that territorial approaches are recognized and duly addressed in food systems transformation to facilitate implementation and ensure sustainability in the long term. The intent of the publication is to enhance understanding around the role of territorial governance and to stress the importance of resilient and equitable territorial food systems on the policy agenda.

Click through links below
<https://www.uncdf.org/article/7178/territorial-governance-operationalising-the-transformation-of-food-systems>
<https://www.uncdf.org/article/7177/territorial-food-systems-for-sustainable-development-issue-brief-for-un-food-systems-summit>

CLIMATE, ENERGY AND BIODIVERSITY



CLEAN ENERGY

funding through the LMF-TF has been critical in recent years to drive results and pathways to scaling in several countries targeting SDG7 a theme. Significant progress in scaling the market has been made in Uganda and Ethiopia, where a combined total of 1.5 Million energy solutions have been sold/financed in those markets in recent years through over 40 companies/financial institutions. On the other hand, countries such as the DR Congo and Burkina Faso are still in the earlier stage of market development, but are on target to expand significantly. In those two countries, UNCDF support 25 Energy Service Companies and other ecosystem entities to build strong decentralized energy markets. Throughout, UNCDF contributes to market systems strengthening and applies its "investment continuum" to individual enterprises. As such, Energy provides a strong pipeline of enterprises for UNCDF's Bridge financing facility, as well as for the BUILD Fund.

UNCDF has now built a strong and tested platform to continue growing energy markets in frontier economies, and to expand into new market also. It is able to generate a credible and sizeable investment pipeline in the most challenging markets. In addition to collaboration with the Global Off-Grid Lighting Association to promote common performance standards in the PAYGo sector, it now is a strategic partner of the global Clean Cooking Alliance and targeting innovative climate financing in the clean cooking sector.

UNCDF's Energy work is a pillar within its overall thematic targeting of climate, energy and nature assets (biodiversity), and gender is a key consideration both in terms of providing solutions to households as well as promoting leadership and employment within Energy SMEs. UNCDF collaborates with UNDP in DR Congo, Ethiopia and other markets, including on the Climate Aggregation Platform financing initiative.

Significant public resources in the form of grant funding are still needed to play the critical role of pipeline discovery, preparation and initial investment readiness support. In the last year alone, new opportunities have emerged in Madagascar as well as Malawi, where UNCDF is initiating activities on clean cooking and energy for productive use. Digital innovation within the clean cooking sector in particular offers tremendous new opportunities in terms of MRV (monitoring, reporting and verification), the tapping of new carbon finance income streams for enterprises, as well as tracking climate finance benefits to the households at the end of the energy value chain.

UNCDF aims to scale the Energy work to at least 10 countries by 2025 and to reach over 6 Million people with clean energy solutions. To achieve this, at least 100 Energy Service Companies will be supported and will achieve leverage of at least 1:3 in terms of public resources leveraging private investment. These will generate over 5000 new jobs with over 50 percent of these targeting women and youth. Access to electricity is often a power driver of connectivity, something that is valued sometimes even more than lighting—especially by younger customer segments.

For Energy, UNCDF is requesting an allocation to support its global Energy agenda. This would support its global infrastructure, new country launch initiatives, market diagnostics, and innovation activities. The aim of all is to leverage flexible LMF-TF funding to leverage much larger funding and to enable a significant scaling of investments within enhanced decentralized energy markets.

NATURE ASSETS - BIODIVERSITY

The United Nations Capital Development Fund (UNCDF) has launched a new Nature Asset Team (NAT) to structure and deploy tailored financial mechanisms for biodiversity, accelerate private investment, and build markets that promote the protection, transformation and enhanced valuation of nature assets. As part of the transformation needed to achieve the targets set forth in the post-2020 Global Biodiversity Framework, UNCDF NAT will accelerate efforts to integrate nature as a central pillar of economic and financial decision-making.

The essence of this transformation is a strategic shift from viewing nature as a resource to treating nature as an asset. This represents a very different view to natural resource investing wherein nature is commoditized for short run gain and its long run economic and nature-based value is not taken into consideration. By building financing instruments and solutions anchored to nature assets, market participants are incentivized to fund interventions against drivers of degradation and tackle root causes in anticipation of more prosperous biodiversity with associated gains in biodiversity valuation.

THEORY OF CHANGE

Markets value Nature Assets and support their resilience through sustainable investments

Desired Change
Transform the treatment of nature as a resource to nature as an asset by establishing new nature-based economic models

For transformational change development of co-benefits are essential to obtain local and high level political buy-in

Impact

Natural Assets Markets are created and enhance ecosystem services that provide SDG co-benefits for people

REDUCED POVERTY

PEACE & SECURITY

FOOD SECURITY

GENDER EQUALITY

**CLIMATE CHANGE
MITIGATION &
ADAPTATION**

HEALTH

A balance between anthropogenic use of nature and safeguarding the longevity of ecosystems

To achieve development impact, outcomes must produce a series of co-benefits

ENABLE

Enabling environment for investment into Nature Assets established

ENHANCE

Investments enhance ecosystem services and resilience of Nature Assets

BALANCE

Benefits of Nature Assets are shared equitably

CLIMATE ADAPTATION

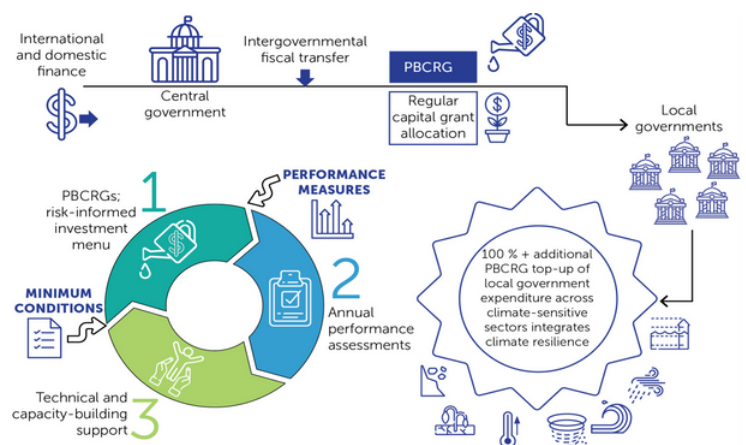
CLIMATE DISASTER RISK FINANCING AND INSURANCE

UNCDF leads the implementation of the Pacific Insurance and Climate Adaptation Programme covering the small island developing states in the Pacific that are highly vulnerable to climate change and natural hazards. Started in 2021, the programme has already achieved significant results using a market ecosystem development approach catalyzing the private sector to develop and deploy innovative risk transfer solutions like parametric microinsurance. While implementation is currently underway in Fiji, Vanuatu, and Tonga, UNCDF plans to expand to other Pacific SIDS in 2023 and strategic expansion to underdeveloped markets in Asia, Africa and the Caribbean.

THE LOCAL CLIMATE ADAPTIVE LIVING (LOCAL) FACILITY

This initiative supports the vertical integration of the Nationally Determined Contributions and National Adaptation Plan process, and places particular emphasis on nature-based solutions and sustainable biodiversity.

The LoCAL Facility, designed and hosted by the UN Capital Development Fund, promotes climate change–resilient communities and local economies by establishing a standard, internationally recognized country-based mechanism to channel climate finance to local government authorities in least developed countries, mostly LDCs, SIDS and African Countries. 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 NAP and NDC- aligned investments. LoCAL combines performance-based climate resilience grants – 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. The integration of adaptation action and implementation is based on climate risks, vulnerabilities to climate change, and adaptation options.



THE UN CAPITAL DEVELOPMENT FUND

The UN Capital Development Fund makes public and private finance work for the poor in the world's 46 least developed countries (LDCs). UNCDF offers "last mile" finance models that unlock public and private resources, especially at the domestic level, to reduce poverty and support local economic development.

UNCDF's financing models work through three channels: (1) inclusive digital economies, which 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; (2) local transformative finance, which capacitates localities through fiscal decentralization, innovative municipal finance, and structured project finance to drive local economic expansion and sustainable development; and (3) investment finance, which provides catalytic financial structuring, de-risking, and capital deployment to drive SDG impact and domestic resource mobilization.

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