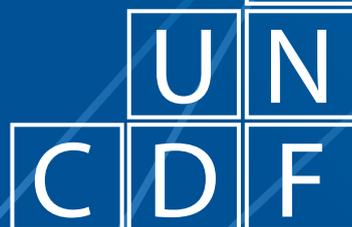


LOCAL FINANCE INITIATIVE



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Jacqueline Namfua & Rob Beechey



Unlocking Public and Private Finance for the Poor

Capacity enhancement of LGAs & private sector engagement. Building effective institutions for public and private finance.

Targeted seed capital investments. Re-investing domestic resources back into local economies.

Monitoring transformational impact.

There is no lack of entrepreneurial spirit in Tanzania. What keeps many dreams from coming true is lack of financing for local development projects and the complex process required to transform dreams and ideas into reality.

The need for investment in developing economies is well known, but current levels are too low – especially in local economies – and financial markets are often less mature.

The Local Finance Initiative (LFI) is a flagship United Nations Capital Development Fund (UNCDF) programme playing a vital role in overcoming these obstacles. LFI uses targeted seed capital investments and technical support to reduce the risks for private investors, such as local banks, to fund essential economic infrastructure and basic services at the local level.

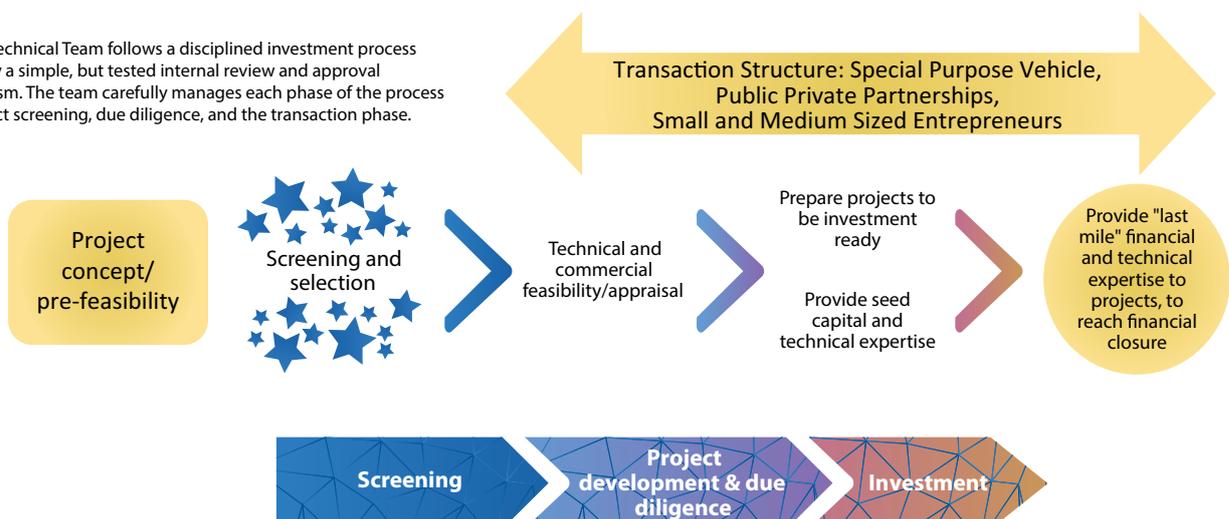
LFI in Tanzania

LFI Tanzania (LFI-T) supports both public and private project developers in local communities to prepare and structure feasible, credit-worthy investment pipelines and demonstrates how such projects can yield both financial and social economic returns. Well-designed, investments in small-scale infrastructure – agro-processing, hydro-power for rural electrification, transportation hubs and markets for public service delivery, and telecommunications – are having a transformational impact on communities across Tanzania, supporting food security, women's and youth empowerment, job creation, climate change and clean energy.

At its core, the Local Finance Initiative aims to ensure that people in all regions and locations can benefit from and contribute to a nation's growth. Re-investing domestic resources back into local economies helps to retain their value and build inclusive, productive and resilient local economies that become dynamic contributors to growth. In addition, our work with local governments aims at enhancing their capacities to develop such projects as part of their annual budget and investment plans. As a result, Local Government Authorities (LGAs) are able to access new sources of capital from the private sector and domestic capital markets and increase revenues from quality public services. Other important results are more robust local economies and more self-sufficient local governments that are less dependent on the central government for financial resources.

LFI Approach & Process Flow

The LFI Technical Team follows a disciplined investment process driven by a simple, but tested internal review and approval mechanism. The team carefully manages each phase of the process i.e. project screening, due diligence, and the transaction phase.



LFI Case Study: Kibaha modern market

Overview:

-  Sector: Public service delivery
-  Project: modern market
-  Location: Kibaha District, Pwani Region
-  Cost: USD 10.1 million; bank loan USD 7.6 million
-  UNCDF contribution: seed capital USD 252,160 & technical support



Existing market at Maili moja, Kibaha



Kibaha proposed modern market structure

The total project cost of the Kibaha modern market is approximately USD 10.1 million. LFI provided technical expertise to confirm commercial viability and USD 252,160 in seed capital to meet the gap in the project's capital contribution of Kibaha Town Council. This contribution, combined with that of others, will unlock domestic capital, including a USD 7.6 million loan, representing three-fourths of the total investment cost, from Tanzania Investment Bank.

"We have no market in our town just small stalls and we only have a small bus terminal which is not enough to meet the demand – this has been a major challenge for us for over ten years. Our town is growing and we now need modern facilities. The loan agreement from Tanzania Investment Bank was a result of much technical support from UNCDF, especially when talking to the bank. Every meeting we had with the bank they were with us to ensure smooth and successful discussions. We really thank UNCDF for all their support. The Kibaha Town Council has a responsibility to provide service delivery and the new modern facilities will help to increase revenue for Kibaha."

Kibaha Town Council Executive Director, Ms. Jenifa Omolo.

LFI-T will continue operating in Tanzania until 2019. The Government of Tanzania has already expressed an interest in applying LFI's techniques and strategies in all local governments throughout the country. LFI programmes were launched in Uganda in October 2015 and Benin in November 2015.

United Nations Capital Development Fund

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