

First Intergovernmental Preparatory Committee Meeting

**Preparatory process for the Fifth UN Conference
on Least Developed Countries**



LDC5
5TH UNITED NATIONS
CONFERENCE ON THE
LEAST DEVELOPED COUNTRIES



Supporting Transformative Investments for SDG Achievement in LDCs

Hosted by UNCDF

May 26, 2021

3:00-4:30pm EDT

Speakers:

Moderator: Dia Martin, Managing Director, US International Development Finance Corporation

Panelists:

Mwigulu L. Nchemba, Minister of Finance, United Republic of Tanzania

Preeti Sinha, Executive Secretary, UN Capital Development Fund

Tariye Gbadegesin, Managing Director & Chief Executive Officer, ARM Harith Infrastructure Investment Limited

Magnus Lekander, General Counsel & Head of Group Operations, East Capital International AB



Unlocking Public and Private
Finance for the Poor

Supporting Transformative Investments for SDG Achievement in LDCs

UNCDF Side event at PrepCom1

May 26, 2021, 3:00-4:30pm EDT

Registration link: https://undp.zoom.us/webinar/register/WN_Py_9xF42RaSbTupFAT3F0Q

Context and Background

Least Developed Countries (LDCs) typically face significant financing gaps in their efforts to achieve the Sustainable Development Goals (SDGs). According to UNCDF's publication *Blended Finance in the Least Developed Countries*, between 2012 and 2018, only 6 per cent of private finance mobilized by official development finance went to the LDCs, and even that 6 per cent was highly concentrated in a small number of sectors, countries, and transactions. All these factors underscore that the international community is not yet shifting scaled and responsive capital flows toward LDCs, where resource needs are greatest. The risk, therefore, is that "business as usual" for mobilization of sustainable private sector investments could further deepen structural inequalities by excluding the national and local levels of LDCs and not contributing to local private sector and capital market development. This goes contrary to global ambitions to leave no one behind.

Financing shortfalls are especially large for small and medium enterprises (SMEs) seeking relatively small amounts of growth capital. According to the International Finance Corporation (IFC), the unmet credit need for formal SMEs in the developing world is about \$4.5 trillion. The issue is even more acute in LDCs, here the percentage of firms identifying access to finance as a major constraint is higher than in the rest of the developing world.

The Addis Ababa Action Agenda and the 2030 Agenda both identify the need for multiple sources of finance to work together effectively and in new combinations. Yet, the international financial architecture is not designed to directly support small ticket size, higher risk transactions that – nevertheless – will be the key to achieving transformative impact at the local level.

Against this context, it is critical that the LDC5 Conference delivers concrete solutions that make finance work better for the LDCs and to leave no one behind. Among such solutions could be the establishment of a dedicated and sufficiently large blended finance de-risking facility for LDCs that is focused on providing catalytic capital to growth SMEs, small investment projects and other strategic investments with transformative SDG potential, in order to unlock further commercial and semi-commercial investments.

Session objective and contribution to LDC5

This session is a side event during the First [Intergovernmental Preparatory Committee](#) (Prepcom1) meeting in the preparatory process for the [Fifth UN Conference on Least Developed Countries](#) (LDC5).



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In line with the statement from the outcome document of the Africa Regional Review meeting held in February 2021: “We also call for a dedicated financing mechanism that delivers catalytic investment capital for SMEs and small investment projects in African LDCs and Haiti to mobilize sustainable private investments that advance the SDGs and act as a crisis facility to mitigate the effects of COVID-19”, this event will discuss mobilizing the finance necessary to support this sort of dedicated financing mechanism.

The panelists will discuss the use of catalytic capital to mobilize sustainable private finance for LDCs to achieve the next Programme of Action. This includes the need for a blended financing facility, the potential capital providers who could be involved, the instrument mix that will be necessary to crowd in other investors, and any enabling environment conditions that would need to be in place.

In addition, the session will highlight the identification of a pipeline of transformative investment projects in LDCs that would benefit from this type of investment. The panelists will explore what will be needed to develop more robust pipelines of investable SDG projects in LDCs.

Speakers

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