



UN Capital Development Fund
Access to finance in LDCs in Asia

6 December 2022



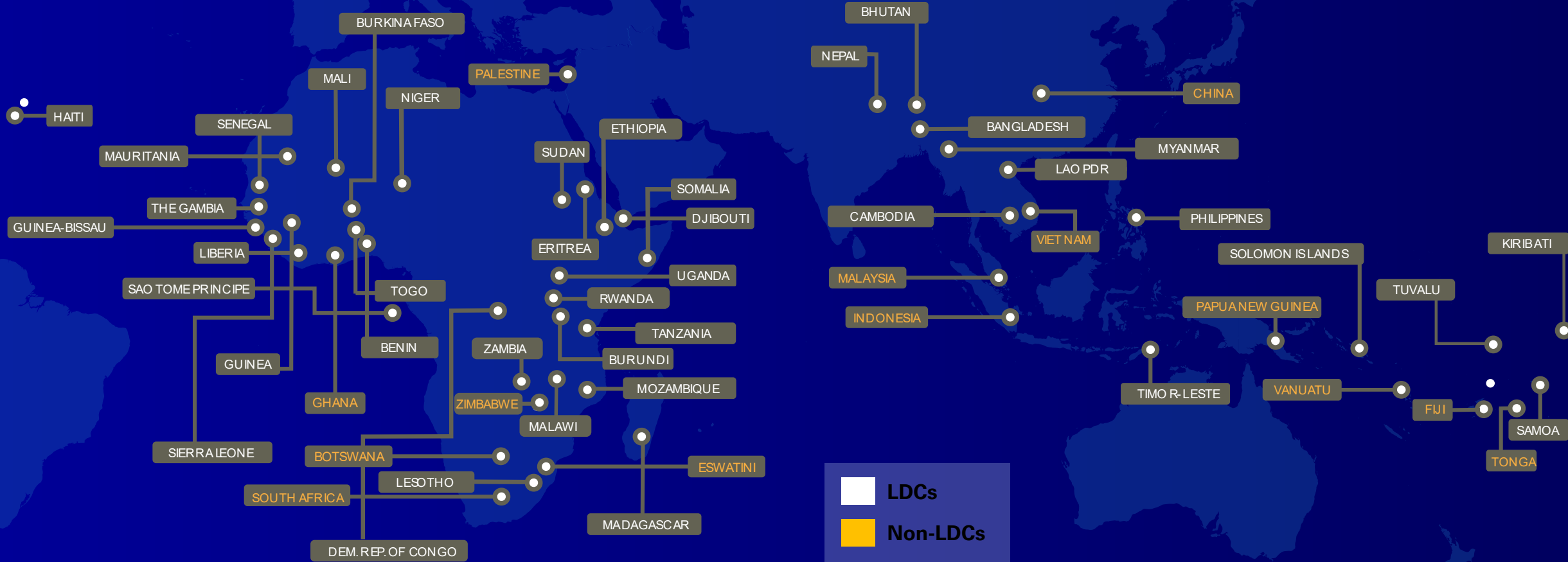
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2. UNCDF instruments and approaches to catalyze finance for LDCs

- ✓ UNCDF direct investments: Grants, loans and guarantees
 - ✓ Third-party managed investments with UNCDF technical assistance
 - ✓ Local climate finance through public finance systems
 - ✓ Capital market development
 - ✓ Digital finance and digital economies
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Where We Work: LDCs as a primary focus



The UNCDF Offer

What we do

- Capital deployment
- Financial & business advisory services
- Capital mobilization & catalysation

- Technical assistance
- Capacity development
- Policy advice, advocacy & thought leadership
- Market analysis



UNCDF - A unique toolkit to leverage private and public funding

⑦ Equity-like investment

A grant with contingent repayment (receive payments from a grantee when the grantee generates a revenue stream following receipt of a UNDP grant) is used as a direct capital contribution to a company, or PPP, usually to send a signal to other investors and attract additional capital.

⑥ Technical assistance grant

Grant is provided to a company to strengthen the design of a project and increase the chances of crowding in finance. Can be combined with other forms of finance.

⑤ Investment grant

Grant is used to reduce the project's overall cost and the total investment required from other actors. It increases the project's financial viability and makes external financing more likely.

⑧ Blended financing

Blended capital, including grants, concessional financing, commercial debt, equity, and third-party managed funds.



④ Concessional loan

Finance tranche with a lower priority for repayment than debt issued by other financiers. In the case of default, donors absorb the losses first.

① Loan guarantee

Guarantee issued to secure debt liabilities in case of default so that lender agrees to finance the project or to do so on better terms.

② Interest rate subsidy

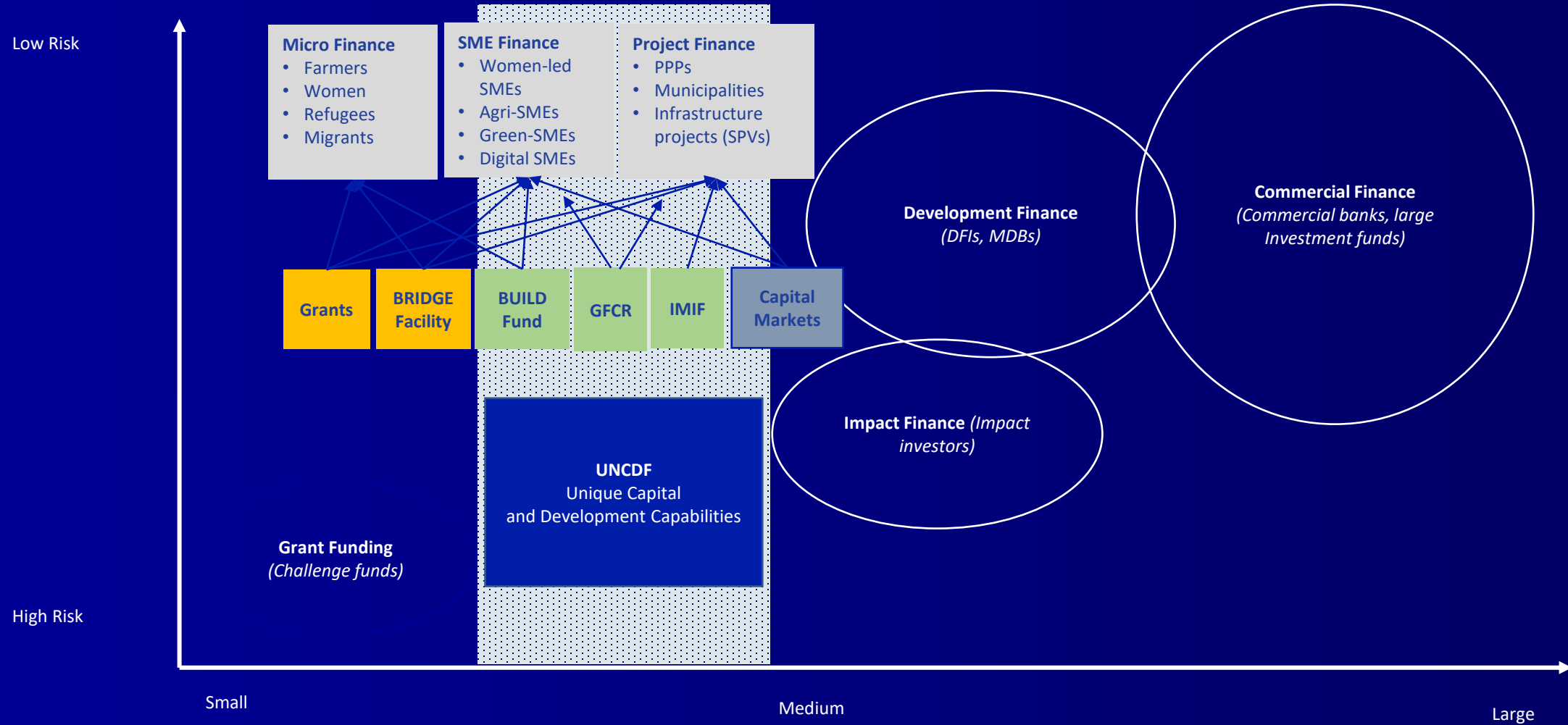
Grant used to cover part of the interest payments: project beneficiary thus receives a subsidized loan at a below-market interest rate, and/or including affordable climate risk insurance products targeting the agriculture. The interest rate subsidy is generally provided in relation to loans from third parties.

③ First loss

Finance tranche with a lower priority for repayment than debt issued by other financiers. In the case of default, UNCDF absorbs the losses first.

UNCDF Within the Development Finance Architecture

Financing solutions that help fill the missing middle financing gap



Catalysing private capital in LDCs

UNCDF helps countries crowd in additional finance for the SDGs



ON Balance Sheet:
create demonstration effects



OFF Balance Sheet: scale-up
what works



Capital Markets:
towards long-term solutions

UNCDF Direct Investment Operations

BRIDGE Facility

What?

Concessional loans, guarantees,
quasi-equity

For who?

SMEs, FSPs, Municipalities,
Project developers

Third-party managed investment funds

- **BUILD Fund**

- **Int'l Municipal Investment Fund**

- **Global Fund for Coral Reefs**

*(Blended Finance
investment vehicles)*

Country-owned capital market systems and products

- Thematic bond structuring and frameworks;
- Municipal finance solutions;
- Credit rating advisory support

*(Capital market
TA and capacity development)*

UNCDF BRIDGE Facility (direct loans & guarantees)

A revolving investment facility hosted on UNCDF's balance sheet

Category	Terms
Facility Size	Initial capitalization of \$50 million , with possible future replenishments
Funding	Grant funding from donors (member states, foundations, other philanthropies)
Investment Instruments	Loans: Concessional loans (senior "pari-passu" or subordinated), Mezzanine debt Guarantees: Loan guarantees (senior "pari-passu" or subordinated), Portfolio guarantees, Volume guarantees, Equity capital guarantees
Deal Size	Ideal is "missing middle" – between \$100,000 and \$1,000,000
Geographic Focus	Any of 46 LDCs with priority for countries where UNCDF has personnel to lead transactions and where UNCDF has programmatic presence
Currency	Both hard and local currency, with preferences for local
Sector Focus	Food security and nutrition, financial inclusion & digital innovation, green economy & renewable energy, local public infrastructure, blue economy, women's & youth economic empowerment
Key Principles	Adherence to the UNCDF Strategic Framework, no risk of market distortion, contribution to market development, minimum concessionality, additionality
Eligibility Criteria	Prospect is an SME , an FSP , a Municipality , a PPP , or SPV . Prospect is a formally registered legal entity and must have revenue generating activity. Prospect must be creditworthy and have sound financial management practices.



BRIDGE Facility example: Loan Sub-Window

Market Development Facility for MFIs

Initiative Overview

- Budget & Timeframe – 7 loans 5 years
- Project Objective – Support MFIs in Myanmar to continue and expand operations under political turmoil
- Intended Impact
 - 100,000 small holder farmers (50% women)
 - 7 MFIs trained in operating efficiencies
 - Thitsar Ooyin, EdM Sont Oo Thetwin, ECLOF, Shine Heart, Wanlark
 - Flexibility terms provided by UNCDF after the coup such as concessional terms, rescheduling, bullet payments,

UNCDF Role

- Creation of a Market Development Facility to provide concessional loans and TA (Allocated Budget - \$2M)
- Source businesses from UNCDF existing pipeline
- Capital Instruments - medium-term loan
- Provide technical assistance, business advisory and mentoring services
- Fund Management and Monitoring

MFIs

Project Finance

Capital Markets

Development Finance Capacity

Blue Economy Initiatives in the Pacific

Two initiatives in Fiji incubating bankable blue economy projects & providing catalytic debt/guarantee



Investing in Coral Reefs and Blue Economy

- **Goal:** Catalyze USD 50M in investments into reef-positive and blue economy investments in Fiji
 - Investment readiness facility: USD 1.5M
 - Investment capital: USD 6.1M
- **Implemented by 3 UN agencies:**
 - UNDP (investment readiness, ecosystem development & project management)
 - UNCDF (investment readiness & investment)
 - UNEP (impact measurement)
- **Implementing/financing partners:** Blue finance, Matanataki, Pegasus
- **Budget:** USD 10M
- **Time frame:** 2021-2024
- **Donors:** Global Fund for Coral Reefs, Joint SDG Fund

Sovereign Blue Bond

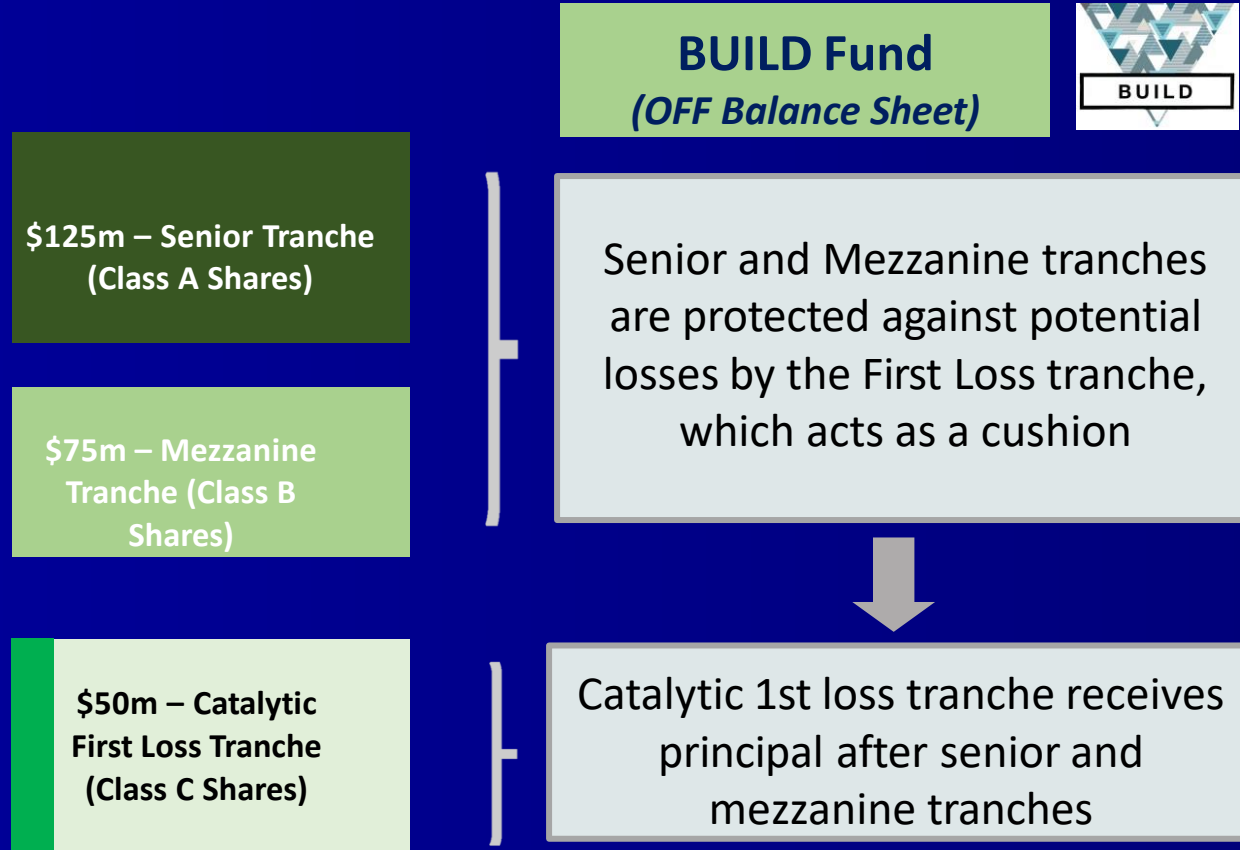
- **Goal:** Catalyze USD 10M in investments into blue economy investments in Fiji through the issuance of the first sovereign Blue Bond by Aug '22
 - Green shipping
 - Sustainable fisheries
 - Marine Protected Areas
 - Waste management
- **Implemented by UNDP & UNCDF:**
 - UNDP (investment readiness, project management, MRV)
 - UNCDF (investment readiness, structuring, investment)
- **Implementing partners:** Ministry of Economy
- **Budget:** USD 2M
- **Duration:** 2021-2022
- **Donors:** UNDP, UK Government (Blue Planet Fund)

- Incubating bankable blue economy businesses/projects worth USD 70M + in Fiji
- Providing catalytic, patient capital worth USD 6M to crowd in commercial investment
 - GFCR Equity Window (Pegasus)
 - Althelia-Mirova



The BUILD Fund

Blended finance vehicle targeting \$250M



BUILD Fund Malawi Window

USD 20M – Mezzanine Malawi Tranche

USD 15M – Malawi First Loss Tranche



International Municipal Investment Fund – Infrastructure and other Municipal Projects



EUR 350M



Meet financial return targets



Meet a standard related to resilience and sustainability in line with the implementation of the Paris Agreement



Develop municipal capital market access to cities in developing countries



Accessible by all cities within the non-OECD market

17 PARTNERSHIPS FOR THE GOALS

11 SUSTAINABLE CITIES AND COMMUNITIES

13 CLIMATE ACTION

Represents and defends the interest of **local governments**

Membership of over **200,000 local governments** worldwide

Represents **over 70%** of the world's population



Impact capital for development

53+ years of working in LDCs + local presence in 31 LDCs



Pre-investment technical assistance provider through the IMIF Technical Assistance Facility



Local climate finance

Local Climate Adaptive Living Facility (LoCAL)

Helping local governments in LDCs access climate finance and technical support to adapt to climate change.

Since 2014:

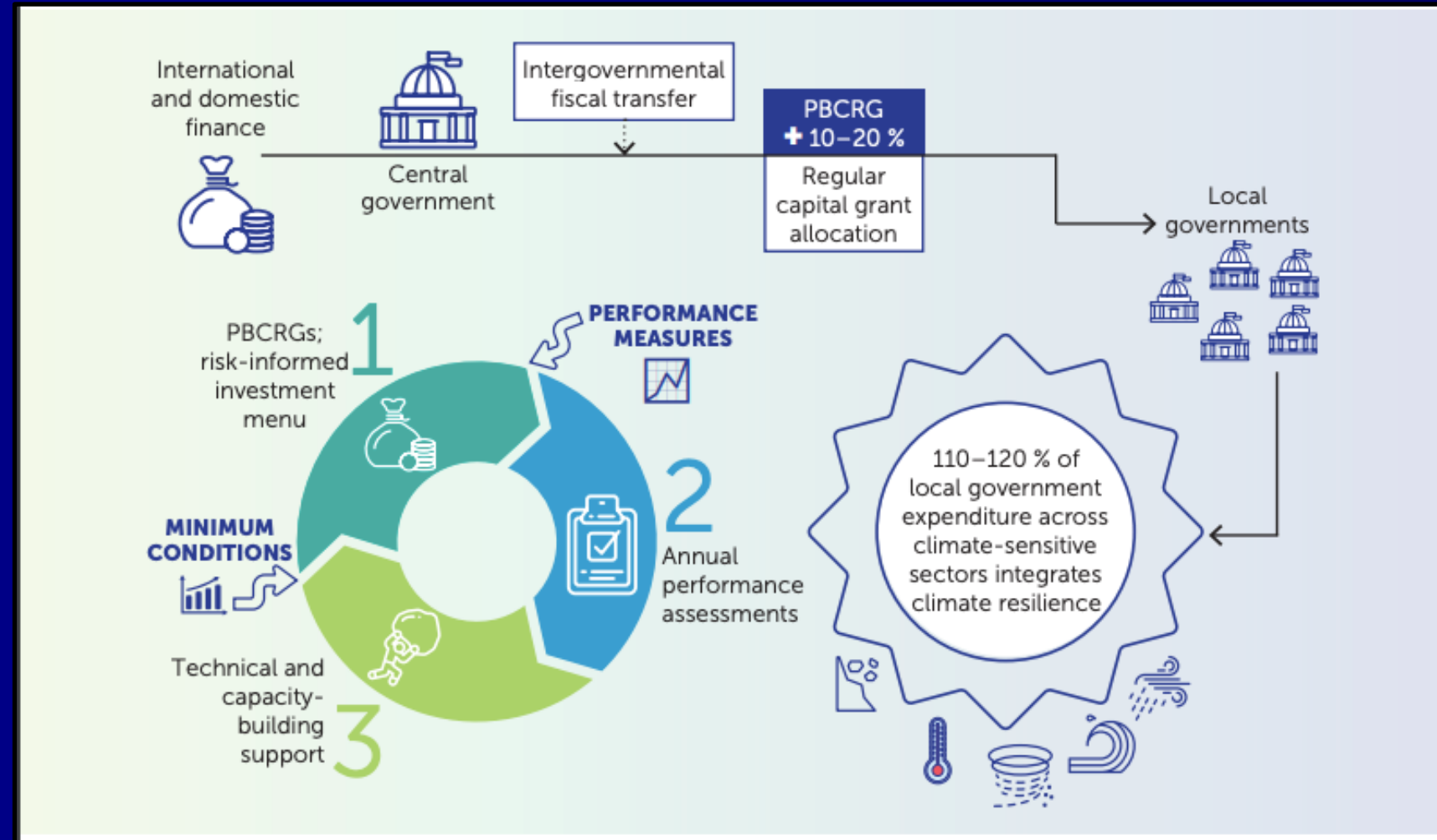
- Financed 2000+ small-scale climate- resilient interventions
- Mobilised **\$125 million** for local adaptation

Active in:

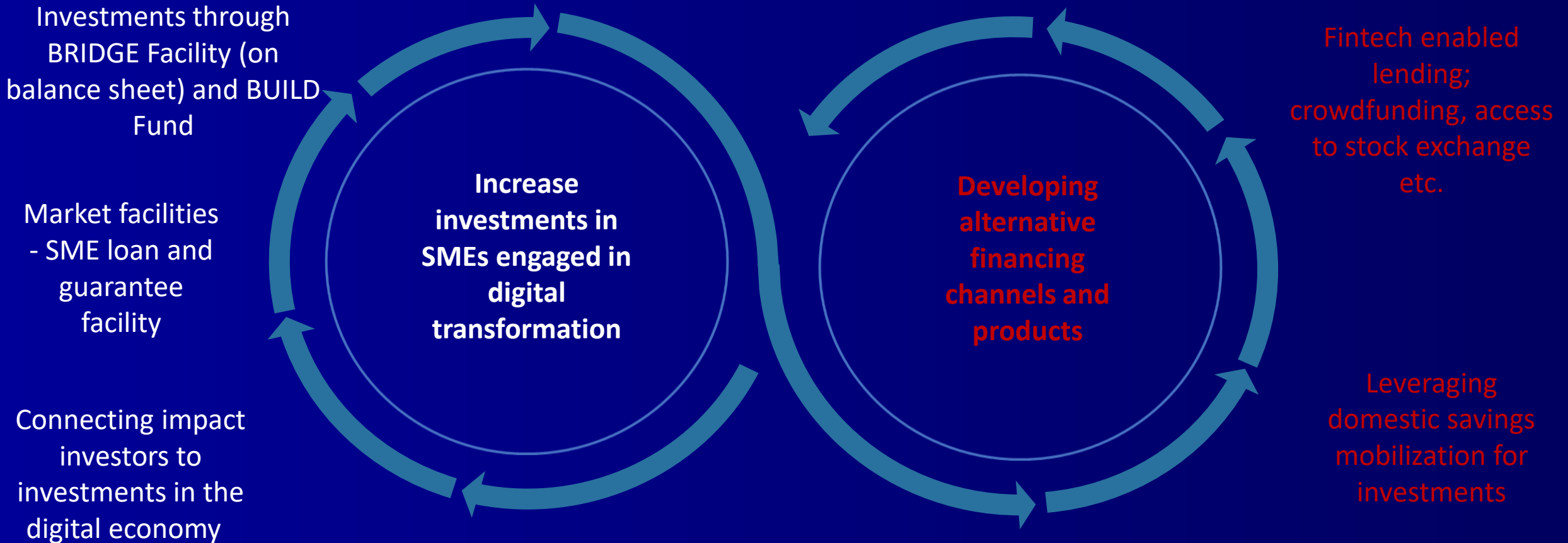
- 29 countries
- 6 countries in Asia Pacific
- 25 LDCs
- 6 SIDS

Country Example - Cambodia:

- Localized climate adaptation investments to over 50 districts (with IFAD and Sweden).
- National Committee for Subnational Democratic Development Secretariat approved as a direct access-accredited entity of the **Green Climate Fund (GCF)**.

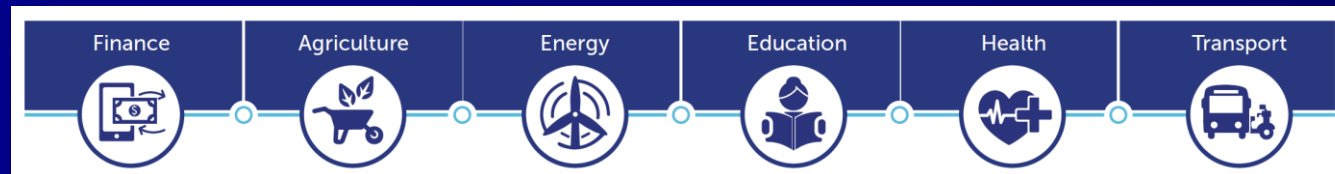


Driving investments in the digital economy



\$164 M

unlocked from public and private sources



\$121 M

in loans for clients



THANK YOU!

For more information please contact:
Maria Perdomo
Asia Regional Coordinator, UNCDF
maria.perdomo@uncdf.org

