LAST MILE FINANCE TRUST FUND

A PARTNERSHIP FOR THE LDCs

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UNITED NATIONS CAPITAL DEVELOPMENT FUND

Unlocking Public and Private Finance for the Poor

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Executive Summary

This document provides a partnership framework for UNCDF's Last Mile Finance Trust Fund (LMF TF). Through this new Trust Fund (TF), UNCDF will support the Least Developed Countries (LDCs) in their pursuit for sustainable development through innovative finance and business models that have truly transformative impact on peoples' lives. UNCDF will bring together a group of partners to support sustainable development in the "last mile" areas of LDCs, where resources are scarcest and the development challenges for underserved populations the greatest. This TF will focus on thematic areas of critical importance for the realization of the new 2030 Agenda in the LDCs. These areas are also crucial to laying the groundwork for structural transformation at the local level that will help LDCs meet their graduation ambitions, as emphasised in the Istanbul Programme of Action 2011-2020.

UNCDF's value proposition is strongly relevant to both the Addis Ababa Action Agenda (AAAA) and the 2030 Agenda. UNCDF addresses failures in last mile finance to build more dynamic local economies, crowd in domestic and international investors where they would not otherwise invest, and expand local fiscal space. UNCDF also works on the frontier of connecting new technologies with local innovations in finance, to bring adapted solutions that translate into direct, measurable and long-term development benefits to poor households and small and medium-sized business and localities.

By providing a flexible funding mechanism, this TF will enable UNCDF to pilot and scale up its innovative finance models in response to demand in LDCs, and thereby assist LDCs in unlocking public and private finance to address exclusion and inequality in the last mile. It will build on the successful four-year experience with the Partnership Framework for Global Initiatives for Inclusive Growth and Sustainable Development (PFIS) 2012-2015, that was supported by the Swedish Agency for International Development (Sida). That framework provided flexible funding, as a complement to UNCDF's core resources, for the piloting and replication of innovative finance models in specific thematic areas, paving the way for important learning, the incubation of leading-edge business models that leverage domestic and other investment resources, and scaling up and replication of what works.. The current TF will foster a spirit of informed risk taking and build on the knowledge gained to expand existing programmes, bring these programmes to LDCs where they are not currently active, and pilot models on the new frontiers of innovative finance in line with Agenda 2030.

Given the strongly integrated nature of the Sustainable Development Goals (SDGs), the thematic and country windows of the TF have been designed to enable UNCDF to leverage its experience and expertise in local development finance and financial inclusion to address a range of development challenges in a similarly integrated fashion. The thematic areas of the TF are operationalized through UNCDF's global, regional and country programmes in LDCs, including in crisis and conflict-affected settings. The five thematic windows focus on bringing innovative, blended finance solutions to the following areas: 1) green economy; 2) food security and nutrition; 3) economic empowerment of women and youth; 4) infrastructure and essential services; 5) financial inclusion platforms and technology/ innovation frontiers. The sixth country expansion window allows partners to contribute to extending UNCDF's models to LDCs not already planned in existing global, regional and country programme frameworks, based on country demand.

This LMF TF mechanism, therefore, provides a flexible vehicle for partners with UNCDF to:

1) Innovate new finance models consistent with LDC graduation ambitions, the AAAA and Agenda 2030;

2) Learn lessons together about what works, and under what conditions, around leading edge last mile finance solutions, managed risk-taking, innovation, consolidation and scale-up;

3) Provide opportunities for leverage to partners' blended finance and other investment vehicles by identifying new markets, de-risking the local investment space, and building viable and investable project pipelines;

4) Replicate and scale up models with proven impact, such as for example on production and consumption patterns, local resilience through projects and systems that apply detailed project appraisal techniques and/or verifiable resilience building measures;

5) Scale up successful finance models; and

6) Engage across a focused range of themes and/or countries, including in "frontier" areas where local finance can unlock sustainable development potential, by, for example, unlocking domestic capital markets through the productive use of existing domestic resources, investing in public and private infrastructure with proven fiscal sustainability, or connecting new technologies to localities and households.

The LMF TF provides a critical complement to the UNCDF core resource base, which assures the bedrock capacities and risk capital for UNCDF to provide its globally recognized expertise in financial inclusion and local development finance, and to maintain its track record as a valued LDC partner, consistently ranked as a high performer across a range of internal and external measures across LDCs.

The LMF TF itself provides a flexible platform for partners to test and scale up, with UNCDF, a range of last mile finance solutions that are closely articulated with the AAAA and the Agenda 2030, in support to LDC graduation. Building on UNCDF's flexible capital investment mandate (with its grants, loans and guarantee instruments), the LMF TF offers a unique platform that will enable its funders to leverage their own instruments of blended finance by "un-covering" new frontier markets and investment opportunities. The LMF TF also provides the vehicle for shared knowledge and learning about scalable development and business models that will be funded under its different windows, with the objective to mainstream those innovations across LDCs through institutional investors and the private sector.

Through this flexible partnership vehicle and an enhanced core (to meet the $25 million per annum target set out in the Strategic Framework 2014-2017), UNCDF seeks to accelerate the push to bring last mile finance solutions to the maximum number of LDCs from the earliest stages of the 2030 Agenda, and as a statement of commitment to LDC graduation ambitions under the Istanbul Plan of Action (IPoA). The Least Developed Countries Report 2015 (UNCTAD) stated the LDCs are the battleground where the 2030 Agenda will be won or lost. For that win to also be more equitable than past pathways have allowed, partners need to traverse the last mile where current systems and finance do not reach, and through these innovative models achieve true inclusion and sustainability.

1. INTRODUCTION

1.1. A New Agenda for Development

In September 2015 the nations of the world adopted the ambitious SDGs. The 17 goals and 169 targets cover a range of economic, social and environmental objectives that lay out the transformative steps urgently required for sustainable and resilient development. The 2030 Agenda recognizes that eradicating poverty in all its forms is the paramount global challenge and a pre-requisite for sustainable development. The key element of the agenda is its universality. It commits to reaching the goals and targets for all nations and segments of society, leaving no one behind. It calls for reaching those furthest behind, which includes the LDCs. The agenda is also distinguished by its integrated approach to development which recognizes the interconnectivity and cross cutting elements across the goals and targets. The 2030 Agenda commits to this singular transformation within the short span of 15 years. It is, thus, an unprecedented challenge, but also an immense opportunity to effect transformative and sustainable change.

1.2. Least Developed Countries and the 2030 Agenda

The SDGs constitute a new approach to development with significant implications and once-in-a-generation opportunities for developing countries overall and, in particular, for the LDCs.

First, the 2030 Agenda for Sustainable Development is a universal and transformative agenda. At the heart of the SDGs is a strong focus on eradicating poverty, reducing inequality and increasing sustainability. The 2030 Agenda commits to leaving no one behind, and to meeting the goals and targets for all nations and all peoples and segments of society. It specifically calls for reaching those furthest behind, which includes the group of Least Developed Countries (LDCs), but also those currently excluded from the benefits of development.

Second, the SDGs present an agenda to achieve sustainable development in its three dimensions – economic, social and environmental – in a balanced and integrated manner. This focus on integration underscores the importance of ensuring that development interventions can contribute to progress across a number of different goals, helping countries achieve the transformation they seek in a coordinated and coherent manner.

Third, both the Addis Ababa Action Agenda and 2030 Agenda, recognize that there is a need for multiple sources of finance to meet the SDGs, and that these must work together effectively through a revitalized Global Partnership for Sustainable Development. So important are the means of implementation to the Agenda that they form the basis for SDG 17 and its supporting targets.

This provides the impetus for public and private actors, both international and domestic, to come together to help overcome national resource constraints within a short period of time. International public finance – such as Overseas Development Assistance (ODA) – remains central to achieving the SDGs, particularly for those countries where needs are greatest and the capacity to raise resources is weakest, such as in LDCs. But it will not suffice. The role of the private sector is indispensable to meeting the SDGs. But private resources may not be allocated to where the development needs are greatest because of perceptions of high risk; lack of investor understanding or knowledge of a market; or concerns about regulatory environments and weak management.

This underscores the need for innovating those models in LDCs which can blend public and private resources and incentivize greater investment flows to the last mile, demonstrating that they can yield both financial and social returns. The focus on the domestic level resources is especially important. Indeed, many LDCs have accumulated both public and private capital reserves (such as in banks, pension funds, remittances, savings, revenue from commodity exports, and growing local and national tax receipts). Unlocked, these resources can promote sustainable development, help retain value locally, and stimulate inclusive growth.

Fourth, many LDCs have made and continue to make impressive progress towards achieving their development ambitions, often with limited resources and capacities and in the face of an uncertain external environment, whether that relates to the global economic recovery, ODA flows, commodity price volatility, or climate change impacts. Growth in LDCs as a group is projected at 5.2 percent in 2015. While this is down from a post-economic crisis peak in 2012 of 7.2 percent, it remains above the projected rate for developing countries as a whole (4.4 percent)[1] . Across LDCs as a whole, gross fixed capital formation increased to over 26 percent of GDP in 2013. This is higher than the 25 percent level deemed necessary to sustain long-term growth[2] .

Many LDCs have the vision, backed up by plans and commitment, to become middle income, in line with the targets set out in the Istanbul Programme of Action which intends to see half of the LDCs graduate by 2020. The Istanbul Programme of Action underlines that the least developed countries "represent an enormous human and natural resource potential for world economic growth, welfare, prosperity and food and energy security. A successful renewed and strengthened global partnership that effectively addresses the special needs of least developed countries will contribute to the cause of peace, prosperity and sustainable development for all".

Nonetheless, the LDCs are the battleground on which the 2030 Agenda will be won or lost[3] . They are among those confronting severe structural impediments to sustainable development. They have some of the highest rates of poverty, high degrees of vulnerability to economic and environmental shocks, and more limited human capacities. A number of them are also affected by conflict. The 48 LDCs have a total population of 880 million, representing about 12 percent of the world's population, but with less than 2 percent of world Gross Domestic Product[4] . LDCs can also find it difficult to mobilize resources, and rely heavily on external financing for investments.

Taken together, these factors not only highlight the need for a tremendous acceleration in the rate of progress, but also the necessity for a global commitment to make that happen. Countries recognize that they cannot simply extrapolate from what has worked in the past: new models are needed to reach the last mile of exclusion, where the development challenges for underserved populations remain the greatest.

This in turn provides the impetus for supporting LDCs in applying those innovative finance and businesses models that can spark the flow of finance to previously unreachable areas, reducing inequalities and building dynamic and resilient local economies. Moreover, innovative finance models can have

1 The Least Developed Countries Report 2015, UNCTAD
2 The Least Developed Countries Report 2015, UNCTAD
3 The Least Developed Countries Report 2015, UNCTAD
4 The Least Developed Countries Report 2015, UNCTAD

transformational impact in helping to reach the last mile across a range of different development goals. For instance, many local government capital investments have high economic and social returns. Investments in essential infrastructure, such as feeder roads, bridges, or micro-hydro projects can free people's time for more productive purposes, get produce and goods to market faster, empower women, and improve access to basic services. Similarly, access to formal financial services can help families better manage their financial lives, better cope with shocks such as climate-related weather events without having to sell down their assets, and free up resources so they can make educational and entrepreneurial investments to transition out of poverty.

1.3. UNCDF's Mandate and Role in the 2030 Agenda

UNCDF's mandate from the UN General Assembly (1966) is to "assist developing countries in the development of their economies by supplementing existing sources of capital assistance by means of grants and loans". This was further amended in 1973 to support "first and foremost the least developed among the developing countries".

UNCDF's singular contribution is to make finance work for the poor. This means that UNCDF's models are specifically designed to extend the reach of financial mechanisms, systems and markets where they would not go without the demonstration value provided by UNCDF. This also means targeted investments in under-served areas for local climate-resilient infrastructure development; local food security systems and value chains; making renewable energy and other frontier technologies accessible to localities, small businesses and poor households; designing financial inclusion products that strengthen household resilience and financial planning; using digital technology to improve efficiency, transparency, and access to poor and remote populations; and importantly through all our work, focusing on financial models for women's economic empowerment. This includes ensuring that structural barriers to women's participation in the local economy are addressed (e.g. through addressing child care burden, transport infrastructure needs, barriers to borrowing), and recognizing and addressing women's multiple roles as consumers, employers, and employees in the design of financial solutions. It is well proven that such solutions improve household resilience, improve girls' attendance in primary school, and support women's productive engagement in the economy.

UNCDF is uniquely placed to mobilise public and private sector actors, globally and locally as well as between sectors, through its existing partnerships and financial instruments. UNCDF models show how strong public/private partnership can unlock resources at the local level, and where public resources – including ODA – "prime the pump" for private investment. UNCDF does this in two ways: by showing how localized development finance (through fiscal decentralization, innovations in municipal finance, and structured project finance) can drive public/private funding for local development plans to underpin local economic expansion; and through savings-led financial inclusion which expands the opportunities for individuals, households and small businesses to participate in the local economy, take advantage of infrastructure endowments, and improve household resilience.

Targeted seed capital can de-risk the local economic space and support the development of a pipeline of bankable projects. This demonstrates to private and public sector investors how financing local infrastructure and essential services can generate both financial and social returns. It then crowds in additional resources that already exist in the economy – such as pension funds and bank liquidity – to invest in local productive sectors. Small but catalytic investments can have a transformational impact on local economies, supporting food security, women's empowerment, job creation, and clean energy. This increases local fiscal space, capital formation and, most significantly, output per capita, through the investments themselves and their multiplier effects.

Box 1

UNCDF works directly with:

The **Public Sector**: strengthening public investment at the local level. UNCDF supports decentralization and strong financial management within decentralized systems. This leads to improved allocation of scarce public resources, stronger and more responsive local governments and, ultimately, better public investment – in roads, marketplaces, irrigation systems and other basic infrastructure that improves people's lives and lays the foundations for economic growth.

The **Private Sector**: ensuring financial services reach poor people and small businesses. Inclusive financial systems promote private sector driven, pro-poor growth. By ensuring formal financial systems include poor people – with savings, credit, payments, insurance, and remittances – UNCDF helps poor families and small businesses generate income, build assets, invest in opportunities and strengthen resilience to setbacks. It also helps crowd in domestic private finance to help build much needed local infrastructure and services.

Similarly, targeted capital investments can incentivize the private sector to increase financial intermediation at the local level, supporting overall economic development and financial stability. There are 2 billion unbanked people, most of them women. Supporting financial service providers to expand access to the last mile drives growth on the back of savings that already exist. Putting these resources into formal savings vehicles and productive circulation promotes entrepreneurship, lifts people out of poverty, helps households manage their financial needs, raises domestic resources, and gets small businesses going, creating jobs for women and young people. The use of digital pathways can act as a major enabler for access to poor and remote populations, can contribute to transparency of transactions, and can help government and private sector users reap significant efficiency savings.

By unlocking public and private resources for the poor, UNCDF contributes to SDGs 1 (eradicating poverty) and 17 (means of implementation). By identifying where innovative financing models can leverage domestic resources (at a minimum of $1 to $10) and reach the last mile, UNCDF currently contributes to SDGs 2, 5, 7, 8, 9, 10, 11, 13, and 16.

Box 2

UNCDF provides support through:

Capital grants, loans and **guarantees**: Unique in the UN system, UNCDF can issue loans, grants and guarantees directly to the private sector or any level of government. This flexibility makes it a natural partner for larger financial institutions.

Technical assistance and **policy advice**: UNCDF's downstream investments give it upstream credibility to shape national policies on financial inclusion and public finance for local development. UNCDF's resources are modest compared to the scale of the challenges faced by least developed countries. Its role is to pilot innovative approaches that can be adopted and taken to scale by the private sector, larger development partners and national governments.

The ability to provide capital financing – in the forms of grants, loans and guarantees – and the technical expertise in preparing portfolios of sustainable and resilient capacity building and infrastructure projects, makes its mandate complementary to the mandates of other UN agencies. It also positions UNCDF as an early stage investor to de-risk opportunities that can later be scaled up by institutional financial partners and, increasingly, by philanthropic foundations and private sector investors. UNCDF has proven its ability to deliver true leverage on smaller and riskier investments and interventions within its core areas of expertise. The concept-proven pilot projects and programmes are replicated and brought to scale with help and additional financing from other development partners with different, and yet complementary, mandates. All programmes supported by UNCDF employ a "Maturity Model" approach that consists of three stages: innovation; consolidation; and scale up. UNCDF's core is a major contributor to the innovation stage, by providing the organisation's backbone of expertise and infrastructure, and risk capital to try out new finance models and derive learning. UNCDF's non-core, including the current Trust Fund mechanism, supplements the core and allows UNCDF the flexibility to allocate resources where they are most needed, to further test, then replicate, consolidate, and scale up (usually through parallel resources from public and private domestic sources, large development banks, and/or private international actors).

The Strategic Framework 2014-2017 approved by the Executive Board guides UNCDF's work programme. It foresees a capacity to bring UNCDF's innovative finance models to 40 LDCs based on a core-funding base of $25m per year over the course of the plan. However, due to significant shortfalls in core, as of end 2015 UNCDF operates in only 31 countries and is at risk of further reductions without partner recommitment to the core and to this flexible Trust Fund mechanism.

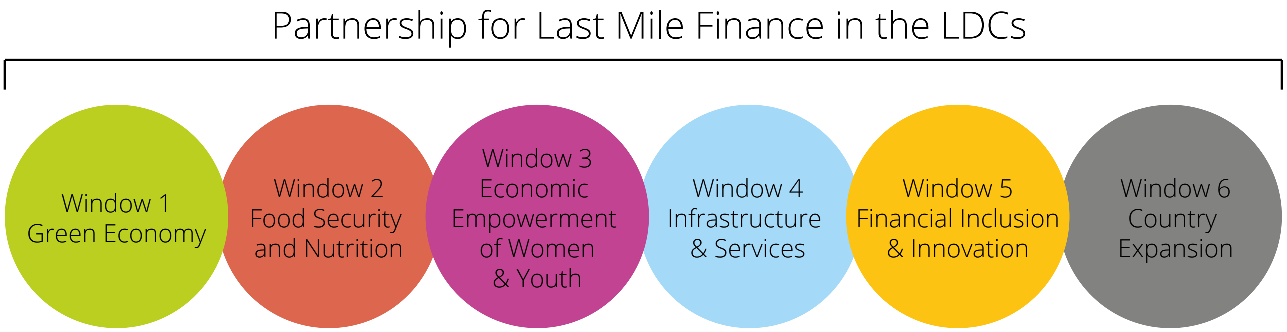
2. A STRATEGIC PARTNERSHIP FOR A TRANSFORMATIVE DEVELOPMENT AGENDA

2.1. Need for a New Partnership

Agenda 2030 provides an unprecedented opportunity for public and private partners to recommit to LDCs in their pursuit of graduation through equitable and sustainable growth patterns. As an international support measure for the LDCs, UNCDF has a critical role to play in demonstrating how blended finance models can attract productive investment for transformative change in the local economic space. This Trust Fund mechanism is designed to promote a tripartite community of innovation, learning, leverage, and replication/scale among LDCs, supporting organisations, and UNCDF.

2.2. Structure of the Partnership

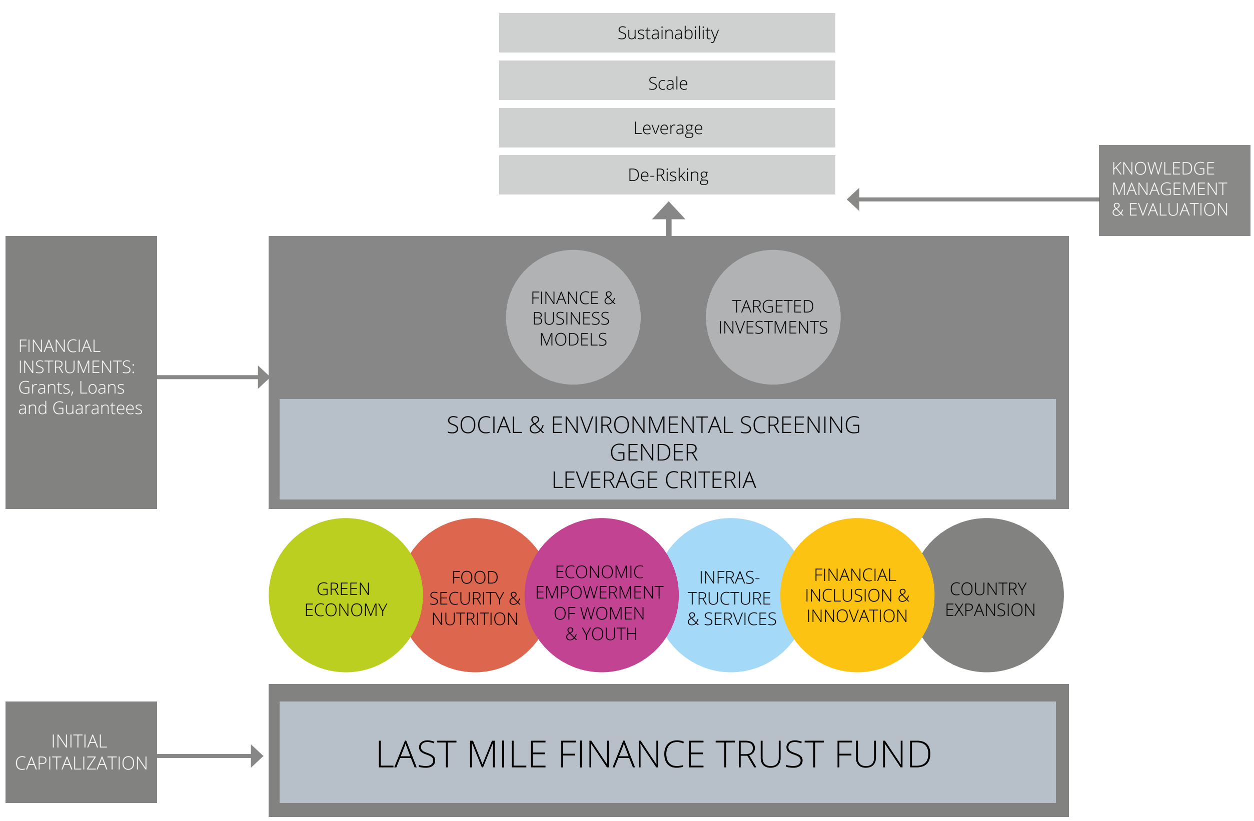
Figure 1: Windows under the LMF TF



The TF will be structured with thematic and country expansion windows as shown in Figure 1. These windows address areas where transformative financing solutions at the local level have proven capacity to achieve sustainable impact. Partners can choose to provide un-earmarked contributions, allowing UNCDF to allocate resources where they are needed most, or to support one or a combination of windows. Initially five thematic windows are being established to address the Green Economy, Food Security and Nutrition, Infrastructure and Services, Economic Empowerment of Women and Youth, and Financial Inclusion and Innovations. A sixth window for country expansion is provided to enable UNCDF to take its finance models into the maximum number of LDCs possible, based on country demand. Issues related to gender are addressed in all programmes through specific strategies and targets.

For crisis-affected countries, UNCDF has extensive experience bringing local finance solutions to complex environments. UNCDF currently has active local development and financial inclusion programmes in crisis-affected areas, and will continue to work with partners to bring creative finance solutions to help at-risk populations (e.g. youth), communities, and localities re-establish pathways to development and growth. Contributions to the country expansion window will be particularly valuable for creating space for UNCDF to engage more actively in a range of crisis-affected LDCs which tend to be disfavoured by low core resource levels and limited short-term interest among investors.

Figure 2: Last Mile Trust Fund – A flexible funding mechanism for last mile finance solutions



2.3. Value of the Partnership

This Trust Fund framework aims to take a partnership approach that will bring value to all stakeholders. First and foremost, it will provide value to the governments and populations in LDCs where the programmes will produce results that translate into direct, measurable and long-term development benefits and scalable models for transformative impact. These programmes will also lead to consistent support for the regulatory, institutional and policy frameworks needed for supporting more effective financial models to benefit local green economy and increase food security, infrastructure and services, financial inclusion, and the empowerment of women and young people. At the same time, the programmes have strong demonstration effects that can change behaviours of both investors and service providers. They can reveal the potential of markets that were previously deemed non-viable, unlock investment interest, provide powerful domestic resource mobilisation benefits, and specifically aim to build experience and knowledge for learning and further innovation.

For funding and learning partners the framework provides a flexible vehicle for channelling resources to shared strategic priorities, and by pooling resources with other interested partners it assures learning within a like-minded community of actors. For partners with impact, investment or other blended finance vehicles, sharing in the learning supported by this Trust Fund can help reveal additional investment options and potential, and catalyse partnerships across a wider range of financing instruments. In terms of efficiencies, funding partners may find that contributions to the core and/or to a flexible non-core facility such as this Trust Fund significantly reduces transaction, monitoring and oversight costs (vis-à-vis project-by-project funding) through consolidated annual reporting and consultations regarding priorities and results achieved. Engagement provides access to UNCDF's strong in-house technical expertise, flexible investment instruments, and systems and presence on the ground. The portfolio approach allows for regular monitoring of results and the ability to quickly channel resources to areas of highest potential, thus reducing the risk that funds will not be utilised effectively.

Box 3

UNCDF works directly with **national governments** and the **private sector** throughout the 31 Least Developed Countries (LDCs) where it currently operates, in country, regional and global partnerships.

In 2015, **38 Development Partners** (including DAC and non-DAC donors, LDC governments, multinational financial institutions and private foundations) directly contributed to UNCDF core and noncore resources (a full list of UNCDF partners is available online).

As an associated fund of the **United Nations Development Programme (UNDP)**, UNCDF is represented at the country level by the UNDP Resident Representative. UNCDF has a privileged partnership with UNDP and frequently works through joint programmes with UNDP at the country level. **UNCDF also collaborates with** the wider group of UN entities including **UN Women**, **UN Office of the High Representative for the Least Developed Countries (UN-OHRLLS)**, **UN-Habitat**, **International Labour Organization (ILO)**, **International Fund for Agricultural Development (IFAD)**, **United Nations Conference on Trade and Development (UNCTAD)**, **Food and Agricultural Organization (FAO)**, **United Nations Convention to Combat Desertification (UNCCD)**, and the **UN Children's Fund (UNICEF)**.

UNCDF is a co-founder and serves as the secretariat of the Better Than Cash Alliance, a partnership of governments, companies, and international organizations that accelerates the transition from cash to digital payments in order to reduce poverty and drive inclusive growth. Currently BTCA has 48 members (country governments and organizations) who have committed to the Better than Cash principles and to digitizing payments.

cont.

UNCDF's unique development finance mandate in the UN system makes it a natural partner for larger development finance institutions. UNCDF partners with **The World Bank, African Development Bank, Asian Development Bank**, and **International Finance Corporation**.

UNCDF has also forged strategic partnerships with networks, associations and academic organizations: **Associations for South-Eastern Asian Nations (ASEAN), West African Economic and Monetary Union (WAEMU/UEMOA), Organisation for Economic Co-operation and Development (OECD), Economic Community of West African States (ECOWAS), Banque Central des États de l'Afrique de l'Ouest (BCEAO), The Alliance for Financial Inclusion (AFI), Southern African Development Community (SADC), Consultative Group to Assist the Poor (CGAP), Aspen Network of Development Entrepreneurs (ANDE), European Microfinance platform (e-MFP), Helix (Digital finance), World Resources Institute (WRI), Microinsurance Network, Microcredit Summit, Smart Campaign, Linking for Change Savings Charter** and **The Hague Academy**.

For UNCDF it offers much needed flexibility in responding to operational challenges in LDCs more effectively and in a timely manner. It fills critical gaps in programming and enables allocations to programmes according to their maturity level. Its predictability allows for better financial and human resources planning and programme coherence, improving organizational efficiency and enabling it to better serve LDC clients and targeted beneficiaries. Very significantly, a more integrated and predictable funding base will make UNCDF a better partner to UNDP and to the UNCT and government on the ground by providing a robust base at country level on which to build strategic, rather than just project-based, approaches to engagement. UNCDF's capital mandate was designed to bring specific depth and reach to UNDP and other agency programmes, but this can only be optimized with presence on the ground and an ability to engage throughout the programme cycle.

This framework will create a stronger platform for cross-fertilization of knowledge and technical expertise across themes and across regions and countries. If adequately resourced, it can provide a strong rapid response capacity for such unforeseen events as the Ebola crisis (with digital payments to health workers, for example), or for innovation around new technology frontiers. It will help incubate, consolidate and scale up innovations, and enable the development and strengthening of proven approaches for the benefit of the international community. It will also increase the scope of UNCDF's efforts by helping build new lines of business in key thematic areas while increasing scale by enabling programmes to move up the maturity model.

Non-financial leverage will be obtained through more informed policy dialogue with stakeholders using the convening power of the UN, through access to global knowledge for the organization improving its programmes and innovations, and through continued cultivation, based on years of experience, of South-South and triangular exchanges of workable models, knowledge, networking and learning.

2.4. Development Impact of the Thematic Areas

The five thematic areas address development issues considered critical to extreme poverty eradication in the LDCs within Agenda 2030. These issues are articulated in the State of the LDCs Report 2014 from the UN Office of the High Representative for the LDCs. They include increasing productive capacity through infrastructure, energy, industrialization and sustainable agriculture, setting the stage for structural transformation while leading to greater employment and capital formation. This would increase domestic resource mobilization and reduce both reliance on external finance and exposure to external shocks. Another key area highlighted is food security and nutrition. The majority of the LDC population, in particular the food insecure, live in rural areas and rely on agriculture as a primary source of subsistence. The state of the rural economy and improvements in agricultural productivity determine the pace of reduction in food insecurity. Enhancing agricultural productivity – with a focus on sustainably increasing smallholder yields and access to irrigation and strengthening safety nets through access to agricultural finance, insurance and other risk mitigation tools – is seen as crucial in this context. The LDCs are among the countries most affected by climate change, thus mitigating fallout while building resilience and adaptive capacity is key; access to green climate finance is also important. LDCs lag behind in access to modern energy access; and increased investment in energy including in renewable energy, is vital for their sustainable development.

The five thematic windows also represent areas where UNCDF has already proven concept of workable public/private finance models relevant to Agenda 2030; they build on previously established and/or evolving partnerships with UNDP, other UN system partners, and 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.

2.4.1. The Green Economy

A green economy contributes to integrated and sustainable development through low-carbon, resource-efficient, and socially inclusive development. It can meet the objective of economic diversification and be a part of new growth trajectories designed to be more responsive to poverty reduction. Growth is driven by public and private investments that reduce carbon emissions and pollution, enhance energy and resource efficiency, and prevent the loss of biodiversity and ecosystem services. These investments need to be incentivised and supported by targeted public expenditure, policy reforms and regulations.

LDCs are well positioned in the transition to a green economy given their low carbon profile and rich natural capital assets[5]. This provides a basis to pursue a low-carbon, climate adaptive and resource-efficient path of economic growth and development, anchored in investment and policy reform designed to enhance livelihoods for the poor, create employment opportunities, and reduce poverty. While other countries face sizeable economic and social costs of de-carbonization and the retirement of inefficient fossil fuel-based technologies, LDCs have the opportunity to jumpstart the transition to a green economy by maintaining and expanding the sustainable practices that already exist while building on the potential for others.

The move towards a green economy also provides an opportunity to address the infrastructure challenges of LDCs in a sustainable way. There is, in addition, large potential for renewable energies in which private resources can play a significant role. Innovations in decentralised energy present unprecedented opportunities for low-income people to transition to clean energy. This market has advanced in the past decade, and today we are seeing an influx of products that are better quality and incorporate consumer-centric design. In addition, new finance models, primarily involving Pay As You Go (PAYG) mechanisms, are changing the access landscape significantly. However, one of the biggest constraints for this market segment that remains is the ability to pay for these energy products and services.

Refocusing policies and investments to target sectors in last mile areas like renewable energy, green infrastructure and climate resilience can lead to the economic empowerment of low-income populations and be more conducive to inclusive growth. It can make a significant contribution to achieving multiple SDGs (7, 8, 9, 11, 12 and 13) that deal with clean water and sanitation, affordable and clean energy, resilient infrastructure, sustainable industrialization and innovation, sustainable cities and communities, sustainable production and consumption and climate action. UNCDF is already testing and consolidating models that provide a mechanism for green finance to flow to local governments for climate resilient infrastructure and services at the local level and for decentralized off-grid clean energy access for poor people. These models will be further consolidated and scaled up under this window.

2.4.2. Food Security and Nutrition

Access to food security and nutrition is a major global challenge, particularly in the LDCs. Three quarters of an

5 Why a Green Economy Matters for the Least Developed Countries, UNEP, 2011

estimated one billion hungry people live in rural areas of agriculture-based economies, and these people are the most affected by demographic growth and environmental challenges. For the 70 percent of the world's poor who live in rural areas, agriculture is the main source of income and employment. According to the Food and Agriculture Organization (FAO), the agricultural sector employs about 70 percent of the work force in LDCs. Forty four of the 48 LDCs rely on imports to feed their populations. One third of the population in LDCs, amounting to 285 million people, is chronically malnourished.

Food insecurity is one of the root causes of migration and political instability. By 2050, global food production must increase by 60 percent from its 2005–2007 levels to meet increasing demand by the world's projected population of 9.7 billion[6]. The continued effort to improve food security and nutrition (FSN) is addressed by Agenda 2030 through SDG 2, which focuses on ending hunger, achieving food security and improved nutrition, and promoting sustainable agriculture. The cross-cutting nature of FSN and its adverse impact on human health, educational attainment, and access to economic opportunities means that it has significant implications for the achievement of other SDGs, such as ending poverty (SDG 1), ensuring healthy lives (SDG 3), and ensuring sustainable consumption and production patterns (SDG 12). The differentiated needs and roles of women, who often do not have access to the same level of resources as men, makes a gender perspective crucial to ensuring food security and nutrition for all. The evidence from impact studies[7] consistently shows positive economic outcomes for women from access to savings, including increased productivity of rural women (and increased profits), and improved consumption-smoothing in the face of economic shock. Consumption-smoothing can be a key contributor to SDG target 2.1, and greater access to finance, particularly by women, can help boost agricultural production and food security (SDG target 2.3)[8].

Regional disparities in food and nutrition security remain high. Progress in achieving food and nutrition security has been more modest in some parts of the world, in particular in Sub-Saharan Africa. Conflict, natural disasters and market imperfections continue to pose significant challenges to eradicating hunger. They all draw attention to the need for sustainable and innovative solutions to food security that go beyond humanitarian interventions and top-down, sectoral approaches. Solutions need to address the key pillars of FSN that include availability and stability of supply, as well as accessibility, especially in food insecure regions and for the poor, taking into account disparities in growth and urbanization. Another pillar is utilization, which is important to ensure nutrition. UNCDF is addressing 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. These programmes will be incubated and consolidated under this window of the TF.

2.4.3. Empowering Women and Youth

The elimination of gender inequalities and the empowerment of women and girls in all aspects of life will make a crucial contribution to the realization of the 2030 Agenda (SDG 5), serving as a catalyst to accelerate sustainable development overall. Studies have shown that women's economic empowerment can raise economic productivity, reduce infant and maternal mortality, improve nutrition, promote health, increase the chances of education for future generations, and help advance women's rights. Women play important yet underappreciated roles in the financial health of their families and communities, from choosing what to purchase and providing food for their families to working in and owning their own businesses. However, women around the globe are more

6 Leaving no one Behind: Humanitarian effectiveness in the age of the Sustainable Development Goals", OCHA Policy and Study Series, 2015

7 See meta-level analysis of randomized control trials, World Bank Policy Research Paper 7087, "Promoting Women's Economic Empowerment, What Works?" Mayra Buvinic and Rebecca Furst-Nichols, Nov 2014. http://www-wds.worldbank.org/external/default/WDSContentServer/WDSP/IB/2014/11/04/000158349_20141104112018/Rendered/PDF/WPS7087.pdf

8 SDG Target 2.1: By 2030, end hunger and ensure access by all people, in particular the poor and people in vulnerable situations, including infants, to safe, nutritious and sufficient food all year round. In addition, SDG Target 2.3: By 2030, double the agricultural productivity and incomes of small-scale food producers, in particular women, indigenous peoples, family farmers, pastoralists and fishermen, including through secure and equal access to land, other productive resources and inputs, knowledge, financial services, markets and opportunities for value addition and non-farm employment.

financially excluded than men, with only 58 percent having access to bank accounts compared to 65 percent of men[9].

As referenced earlier, impact studies[10] consistently show positive economic outcomes for women from access to savings, including increasing the productivity of rural women, expanding their profits, generating greater investment in their businesses and improved consumption smoothing in the face of economic shock, and creating greater legal and psychological control over funds. In addition, digital financial services increase women's financial autonomy, support women's participation in the labour force, and improve the performance of their businesses[11]. To accelerate progress towards the SDGs, there is a shared responsibility to recognize women as vital development agents and identify transformative solutions that will remove barriers to their full economic potential.

The world is experiencing the largest youth bulge in history. There were 1.2 billion youth aged 15-24 years in 2015 and by 2030, the figure will reach nearly 1.3 billion[12]. Africa and Asia have the greatest concentration of the world's youth population (62%). Young people are disproportionately affected by high unemployment rates and represent 40% of the world's unemployed. In Africa, three out of five youths are unemployed and, in Southeast Asia and the Pacific, the rate is six times that of adults[13]. Providing these young people with the means to lead productive lives is a global challenge.

The large youth populations in LDCs are faced with even more limited economic opportunities. Poverty eradication in LDCs requires increasing access to economic opportunities and financial services for young people, with a focus on young women, youth living in rural areas and out-of-school youth. Productive employment that is inclusive of all groups of people, including women and youth, plays a fundamental role in economic development and in people's lives, allowing a dignified path out of poverty. LDCs will be more likely to achieve sustainable progress, improve the living conditions of the most vulnerable, and meet the SDGs, in particular SDG 8, which calls for decent work for all, including women and young people. Access to finance is a key part of providing youth with economic opportunities. Account penetration for young people is just 14.8 percent in low-income countries and 20.5 percent specifically in Sub-Saharan Africa (SSA); and where there is access, the opportunity to obtain credit is very limited at 3.8 percent for low income and a lower 3.4 percent for SSA[14]. UNCDF's programmes are actively addressing the economic empowerment of women and youth. They are meeting the need for customized financial services and infrastructure and other services for women, and provide young people with both financial services and economic opportunities to lead productive lives.

2.4.4. Infrastructure and Services

The importance of infrastructure for sustained economic development is well recognized. High transaction costs arising from inadequate and inefficient infrastructure can prevent the economy from realising its full growth potential. Both SDG 9 – which aims to build resilient infrastructure, promote sustainable industrialization and foster innovation – and SDG 11 – which ensures cities are inclusive, safe, resilient and sustainable – recognize the importance of infrastructure to achieving the SDGs. Infrastructure is an enabler for many other services. Transportation, energy and communication through backward and forward linkages facilitate growth. Social infrastructure, including water supply, sanitation, and sewage disposal are primary services that impact the quality of life. Developing infrastructure also leads to greater investment by providing economic incentives to public and private sector participants. The accessibility and quality of infrastructure in a region helps shape domestic firms' investment decisions and determines the region's attractiveness to investors. Well-developed infrastructure reduces the effect of distance, integrating the local market by connecting it to other markets. In addition, the quality and extent of infrastructure networks significantly impact economic growth and reduce income inequalities and poverty in a variety of ways. A well-developed transport and communications infrastructure network is a prerequisite for less-developed communities to access core

9 Global Findex Database 2014 World Bank
10 Buvinic and Furst-Nichols, op cit.
11 "Digital Financial Solutions to Advance Women's Economic Participation: How governments, private sector and development organizations can bring more women into the global economy through digital financial services." World Bank Development Research Group, Better Than Cash Alliance, Bill & Melinda Gates Foundation Women's World Banking, November 16, 2015 https://btca-prod.s3.amazonaws.com/documents/122/english_attachments/Women's_Economic_Participation_Report_16_November_2015.pdf?1447440924
12 Word Population Prospects, 2012 Revision
13 Global employment trends for youth: August 2010—Special issue on the impact of the global economic crisis on youth (Geneva: International Labour Organization, August 2010).

14 Global Findex Database 2014, World Bank

economic activities and services. Effective modes of transport enable entrepreneurs and farmers to get their goods and services to market in a secure and timely manner, and facilitate the movement of workers to suitable jobs. Economies also depend on electricity supplies that are free from interruptions and shortages, ensuring businesses and factories can work unimpeded. Finally, a solid and extensive telecommunications network allows for a rapid and free flow of information, which increases overall economic efficiency by helping to ensure that businesses can communicate, and decisions can be made by economic actors that consider all available relevant information.

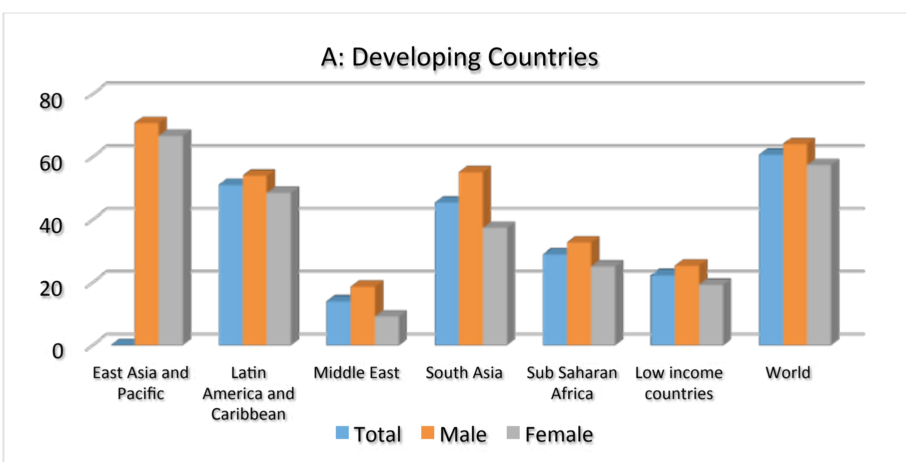
LDCs suffer from chronic infrastructure deficits which are even more pronounced in the last mile areas like secondary towns and rural areas. LDCs have the lowest rates of access to modern energy. Less than a third of the total population is connected to a power supply, with levels of access being as little as 1.5 percent in South Sudan. The situation is more daunting in rural areas, where, on average for the LDCs, only 18 percent of the population is connected to a power supply. Limited access to electricity causes many people to rely heavily on solid combustibles for cooking and heating, with some adverse environmental and health consequences, especially for women. There is potential for renewable energy, especially for micro-hydro plants and solar energy. A key development challenge in LDCs is the lack of investment in the infrastructure of last mile areas. Even where domestic capital is available, investors view these areas as risky investments. Increasing urbanization is now a global phenomenon, and managing cities and urban growth has become one of the pressing development challenges of the 21st century, including in the LDCs. The balanced and sustainable growth of cities that contribute the major part of a country's GDP is key to improving economic growth in the LDCs. UNCDF has been working to successfully crowd in domestic private resources to meet the investment needs of these localities, and has also begun to address the capital financing needs of secondary cities that, in comparison to larger cities, have limited access to capital. These programs will be among those covered by this window.

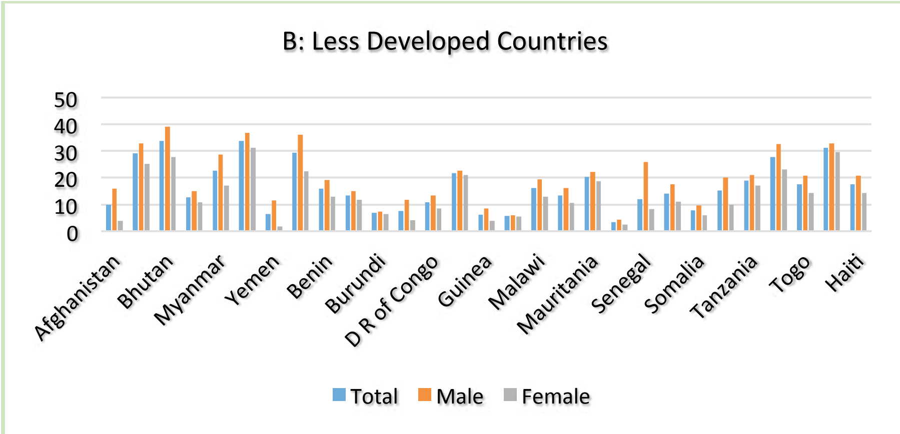
2.4.5. Financial Inclusion and Innovations

Financial inclusion has been broadly recognized as critical in reducing poverty and achieving inclusive economic growth. It is not an end in itself, but the means to several ends. It provides people the freedom to make decisions on health, education, and employment, and it impacts several SDGs. The effort is to ensure that all households and businesses have access to and can use the appropriate financial services needed to improve their lives. Expanded and responsible access to finance can empower poor people, especially women. An estimated 2 billion working-age adults – more than half of the world's adult population – are unbanked[15]. The percentage of the population with access to an account, which is the single best indicator of financial access, is quite small in low-income countries and in sub-Saharan Africa. The situation is even worse in the sample of individual LDCs, with Guinea, Malawi

15 Global Findex Database 2014 Measuring Financial Inclusion Around the World, The World Bank

Figure 3: Percentage of men and women with account access at a Financial Institution in Developing Countries and the LDCs





Source: Global Findex Database 2014, World Bank

and Yemen showing some of the lowest levels of access[16] (see Figure 3).

The world's poor live and work in the informal economy. To save, borrow and manage expenses they rely on cash in hand, family and friends, pawn-brokers, moneylenders, or they keep cash under the mattress[17] . Inclusion in the financial system helps increase savings, smooth consumption, and build working capital. It can help to manage risks and mitigate financial shocks. Inclusion in the financial system can also increase the economic empowerment of women and young people, and for small businesses or microenterprises, it can provide the investment necessary for growth.

Technological innovation is opening up exciting possibilities to increase both the depth and breadth of financial inclusion for the poor. Mobile banking is one such innovation with dramatic potential for expanding financial inclusion. Only 2 percent of adults worldwide have a mobile money account. Sub-Saharan Africa is an exception to this global picture, with 12 percent of all adults reporting they owned a mobile money account. Within this group, about half reported having a mobile money account only. Almost 42 percent of populations in LDCs had access to mobile subscriptions in 2012, up from 34 percent in 2010[18]. The financial services market currently serves on average 14 percent of the population, and growth is stagnant[19]. This disparity presents an opportunity, and there is growing evidence that connecting poor people to digital financial services generates sizeable welfare benefits for them. Products and business models that are tailored to meet consumer demand can expand the use of financial services. A number of emerging small and micro-enterprises (SME) are developing private sector solutions; those that leverage the existence of a ubiquitous, electronic retail payments system are promising because they link financial innovation to tangible benefits. Household electricity is one of the initial examples of this potential[20], while models to access to clean water are emerging, together with other promising opportunities. As mobile money services spread in the LDCs, so will these innovations.

UNCDF is recognized as a leader in providing digital financial services to the poor through the use of mobile telephony. Programmes funded under this window will bring to bear the technical expertise of UNCDF to drive innovations in this space. This includes providing more granular diagnostics, and working with governments to engage stakeholders in creating roadmaps for financial inclusion. They will bring to the table Financial Service Providers (FSPs), insurance companies, mobile network operators, technology companies, agricultural suppliers, and remittance companies, as well as regulators, policymakers (such as ministries of telecommunications, agriculture, education, social welfare) and civil society actors like consumer associations and financial education providers. Challenge funds will support the development of new prototypes, and bring to scale viable business models that serve low-income consumers, medium, small and micro-

16 Ibid
17 Consultative Group to Assist the Poor, 2015
18 UN-OHRLLS, The State of the Last Developed Countries, 2013
19 Honohan, Patrick. "Cross Country Variation in Access to Financial Services." Journal of Banking & Finance . Volume 32, Issue 11, November 2008, Pages 2493-2500.

20 UNCDF support to expanding clean energy will be funded under the Green Economy thematic window.

enterprises (MSMEs) and, especially, women within these markets.

2.4.5. Country Expansion

UNCDF is currently working in 31 of the 48 LDCs, sometimes with integrated programmes at the country strategy level, sometimes on a specific project only. The UNCDF Strategic Framework 2014-2017 foresees an integrated country presence in 40 LDCs, and require $25m in core funding to ensure that UNCDF programmes have an anchor in these countries for landing and testing new finance models, and from which robust programmes can be leveraged in response to country demand. Country presence is crucial to the ability to build long term relationships with governments, stakeholders, the private sector and investor communities, and to customize innovations in the specific context of each country.

The country expansion window will allow UNCDF to: build up robust and integrated programmes where UNCDF is currently present, allowing UNCDF programmes to be more strategic, multi-themed on a demand basis and more embedded in the UN system in-country; and bring in sufficient programming and investment resources to complement UNCDF core investments needed for expanding coverage to additional LDCs, and in particular to bring finance models to particularly hard-to-access areas (e.g. crisis-affected areas).

3. PROGRAMMING ARRANGEMENTS

3.1. Implementation Arrangements

The overall administration of the TF and programmes funded will be governed by UNCDF's policies, rules and regulations, including Programme and Operations Policies and Procedures (PoPP) and UNCDF's Operations Manual (OM). UNCDF will use the appropriate implementation modality for UNCDF managed activities, as specified in each programme document. UNCDF will programme the funds and manage the activities specified in the Resources and Results Framework (RRF) of each Programme Document in line with its established rules and regulations. UNCDF will have full responsibility for programme execution and is directly accountable for delivery to each donor as specified in the respective Trust Fund agreements.

3.2. Governance

3.2.1. Advisory Board

The Advisory Board will comprise representatives of contributing DPs, select LDC governments in which programmes are being implemented, and UNCDF. The Board will be chaired by the UNCDF Executive Secretary, and will meet once a year or when deemed necessary by members. The Board will meet annually to review the performance of the TF. The venue of meetings will be decided on an annual basis.

3.2.2. Trust Fund Management

The oversight of the TF will be with the UNCDF Executive Secretary who will be the TF manager. UNCDF will be accountable for ensuring proper and effective use of the TF resources in alignment with its intended objectives. In accordance with the decisions and directives of the Executive Board reflected in the Policy on Cost Recovery from Other Resources, all contributions to the TF will be subject to cost recovery for indirect costs incurred by UNCDF in providing General Management Services (GMS). To cover these costs contributions shall be charged a fee equal to 8%. Furthermore, as long as they are unequivocally linked to the specific project(s), all direct costs of implementation will be identified in the project budgets and borne by the projects accordingly.

3.2.3. Fund Allocation

Except for project level earmarked contributions, fund allocation to eligible projects will be decided by an Allocation Committee chaired by the Deputy Executive Secretary and consisting of the two Practice Directors, the two Deputy

Directors, the Head of Management Support Unit and the Head of Partnerships Policy and Communications.

The TF will make allocations based on strategic, operational, country demand, and readiness (for innovation, for replication, for scale up) criteria that will be developed. Funds will be allocated on a rolling basis. For funds provided to the TF overall or to a specific window or windows, UNCDF will make allocation decisions that help to realize the strategic outcomes under the theme funded, and/or to address unmet country demand for the country expansion window. The allocation under each window will be reported to partners as part of the annual trust fund report comprising financial and narrative details.

3.3. Duration and Geographical Coverage

The TF will initially cover a five year period from 2016-2020 and can accept multi-year contributions beyond that date. The TF will go through a review in 2017 (the final year of the UNCDF Strategic Framework 2014-2017) under the guidance of the Advisory Board, and will be adapted as needed to synchronize with the next Strategic Framework 2017-2020 to be approved by the UNCDF Executive Board. TF agreements will be signed by each development partner and by UNCDF for a period of five years or less in the first phase. The LMF TF document will be attached to the agreement as an Annex.

The geographical coverage of the TF will include all LDCs.

3.4. Reporting, Results Monitoring and Evaluation

A consolidated annual report will be submitted to each donor for all the programmes funded by LMF TF acknowledging the contribution of the donor, as per UNCDF's standard format for global reporting. The report, which will be both narrative and financial, will analyse progress in meeting the key objectives set by the underlying programmes, and how programme results have contributed to the key thematic area under the specific window under which the programme was funded. It will provide an overview of what UNCDF's financial innovation and instruments have helped to achieve in these key global thematic areas. The narrative reports will discuss the inputs, activities, outputs, contributions to outcomes, and impacts of the programmes paying particular attention to consolidated results by thematic window.

In addition to the annual review, UNCDF will take the opportunity to engage with the country representatives of contributing partners and to brief the partners on progress when meeting them during missions so that effective two-way communication is maintained. Development is a dynamic process, and often challenges may arise which may or may not be within UNCDF's control. UNCDF will undertake to report problems that arise during implementation to partners as soon as they are perceived and understood, along with actions taken to address these challenges.

The TF will be subject to one external evaluation every five years focusing on the organisational performance and relevance of the Fund, and the contribution of its programmes to UNCDF's broader results and strategic positioning. It may also be subject to review every two or three years to identify performance matters and other evolving matters that could affect the structure and operations of the Fund.

In parallel, the Trust Fund management will keep the Advisory Board updated with the results of any external evaluations of the Trust Fund programmes that would be commissioned by UNCDF's Evaluation Unit in line with its bi-annual Evaluation Plan.

3.5. Knowledge Management and Dissemination

Knowledge generation and capture through the global reach of programmes, the forging of strategic knowledge partnerships and alliances, and the sharing of lessons globally are fundamental components of the structure of the partnership. This will also form the basis for fostering South-South Cooperation. UNCDF continues to be recognized by the quality of its expertise and its contributions to relevant policy dialogues in the areas of inclusive finance and local development. The knowledge generated by UNCDF programmes is a public good that will be widely disseminated and available through its websites globally.

Programmes will systematically document, analyse and disseminate lessons learned. UNCDF will develop platforms at global, regional and national levels to strengthen and share this knowledge, even as it deepens existing partnerships and develops new ones through publications and other knowledge products in the funded thematic areas. It will present the findings from programmes funded at workshops and key conferences engaging the main knowledge brokers in this space. A key strategy fostered by the TF will be to work on the early scale up with partners involved in order to generate new knowledge. The findings from continuous monitoring and evaluation will be fed into the design of new programmes and improve existing programmes throughout the implementation cycle.

4. Results Framework*

The Results Framework for the TF overall is built on the underlying global, regional and country programmes which have their own RRFs. The RRF is available at the Last Mile Finance Trust Fund's website at www.uncdf.org/lmftf.

TRUST FUND THEMATIC WINDOWS	MAIN OUTCOME AREA – UNCDF STRATEGIC FRAMEWORK	OUTCOMES	OUTCOME INDICATORS
INFRASTRUCTURE AND SERVICES	I - Financing increased for basic services and sustainable inclusive growth	1. Increased ability of local governments (LGs), businesses and other sub-sovereign entities to address key local economic development and urbanization challenges through access to sustainable sources of capital financing.	• Decrease in number of legal and policy impediments for provision (and use) of long-term credit by urban local governments; • Increase in number of LGs with multi-year capital investment plans that address critical urbanization needs (social, environmental, and economic) and investment sustainability; • Increase in number of Local Governments (LGs) with demonstrated debt-carrying capacity ; • Increase in number of LG debt transactions completed and repaid • Increase in capital available to LGs at market-like terms ; • Increase in number of private sector partners and investors involved in LG debt transactions;
		2. Increased domestic capital (public and private) for Local Economic Development (LED)	• Increase in volume of financing by the domestic financial sector for small to medium-sized LED infrastructure projects; • Volume of public sector funding leveraged to mobilize private sector financing for LED projects
		3. Increased investment capacities and investments in local communities in cross-border areas in Africa and Asia	• Increase in public and private financing for local infrastructure and services that improve resilience of local governments and populations to shocks in cross-border areas.
FOOD SECURITY AND NUTRITION	I - Financing increased for basic services and sustainable inclusive growth II – Effective finance mechanisms for increased resilience to economic and environmental shocks	Enhanced food security (FS) and nutritional status of target populations through more effective and resilient Local Food Systems (LFS)	• Number of local institutional and policy frameworks established for FS • Number of FS investments including income generating activities for enhanced access to food disaggregated by type of investments

ECONOMIC EMPOWERMENT OF WOMEN AND YOUTH	I - Financing increased for basic services and sustainable inclusive growth II – Effective finance mechanisms for increased resilience to economic and environmental shocks III - Policy environment that is conducive to sustainable financing for sustainable development	1. Increased access to appropriate financial and non-financial services for youth (15 to 25 years old), with emphasis on adolescent girls and young women, to equip them to make more informed financial decisions, build financial and social assets for their futures, and create sustainable livelihoods	• Number of regulations/policies approved and implemented that increase economic opportunities for youth in particular for young women; • Number of youth that use financial services to access savings and credit • Number of youth that use services to start/ expand a business • number of platforms able to sustainably offer services to youth in particular young women
		2. Increase number of women economically empowered through a suite of financial services developed for the different roles of women as managers of households, entrepreneurs, employees and consumers through successful combination of data driven research, policy and investment in scalable business models. 3. Gender sensitive policies and regulations that address access and agency barriers impeding women's access, use of and benefit from local investments and financial services	• Number of countries with gender sensitive polices and regulations that improve women's access, use of and benefit from financial services; • Number of women who have access to an account; • Number of women who access additional financial services; • Number of women who receive supportive non-financial services • Number of financial services providers with gender-sensitive financial products/services and/or channels.
		4. Increased domestic financing for gender sensitive local basic services and local economic development	• Volume of domestic capital invested in local infrastructure and services that unlock barriers to women's economic empowerment. • Number of institutions that increase financing for infrastructure and services that women's economic empowerment
GREEN ECONOMY	I – Effective finance mechanisms for increased resilience to economic and environmental shocks	1. Increased local government access to climate finance and increased climate adaptation investments at the local level in target countries.	• Number of countries with nation-wide mechanisms to channel funding for climate adaptation to local governments using national transfer systems • Increase in international climate financing earmarked for local governments; • Increase in investments targeted at climate resilience at the local level.
		2. Increased sustainable access to clean and affordable energy by low-income households and micro-entrepreneurs through microfinance	• Number of people that secure access to low-cost decentralized clean energy supplies; • Number of LDCs and developing countries where decentralized clean energy business and finance models have been adopted; • Number of micro entrepreneurs supplying low cost decentralized clean energy solutions to low income populations.

FINANCIAL INCLUSION AND INNOVATIONS	I - Financing increased for basic services and sustainable inclusive growth II – Effective finance mechanisms for increased resilience to economic and environmental shocks III- Policy environment that is conducive to sustainable financing for sustainable development	1. Increased number of low-income rural households that have access to financial services to manage risks, invest in the future	• Number of improvements in the regulatory environment that enable the linkage of informal savings groups to formal financial services; • Number of accounts opened and active disaggregated by gender, first time users using appropriate technologies; • Number of providers in selected countries that have services/products that link informal savings groups.
		2. Development of national financial inclusion roadmaps identifying key drivers of financial inclusion with recommendations for appropriate national action	• Number of comprehensive country-level financial inclusion diagnostics completed • Number of roadmaps based on these diagnostics adapted by governments
		3. Increased number of low-income households, micro small & medium enterprises in LDCs that are using financial service platforms and technologies	• Number of investments using financial inclusion platforms that move from initial concept, to incubation and scale • Number of poor and low-income people, disaggregated by gender that benefit from integrated services and investments in key SDG target areas
		4. Increased number of low-income households, micro and small enterprises in LDCs that have on-going access to quality, affordable digital financial services	• Increase in number of active users of branchless and digital financial services
COUNTRY EXPANSION	I - Financing increased for basic services and sustainable inclusive growth II – Effective finance mechanisms for increased resilience to economic and environmental shocks III - Policy environment that is conducive to sustainable financing for sustainable development	1. Innovative financing models tested and scalable results achieved with measurable direct benefits to low income populations in new and targeted fragile and crisis affected areas	• Number of new LDCs served with innovative financing models • Volume of investments to bring business/ financing models to hard-access areas including Fragile and Crisis affected areas

* This is a draft Results Framework which will be finalized shortly.

5. BUDGET

The budget figures for the five thematic windows indicate the overall resources required for the operational programmes that underpin each theme (see Annex for a description of each programme). The funding gap indicates the shortfall between the planned budget for the programme and the amount already mobilized for that programme (from core or non-core sources). In 2016 the total resource mobilisation target for the five thematic windows is about $42m. The composition of programmes underpinning each theme will be kept under review as programmes and innovative finance opportunities evolve.

The sixth window, for country expansion, is designed to provide programme funding to complement the core for UNCDF to apply on a demand basis, to expand programmes into additional LDCs that are not currently foreseen in planned programme budgets. Un-earmarked resources through the country expansion window provide UNCDF greatest flexibility to determine where they are best allocated, based on country readiness, new opportunities, and evolving funding outlook across the entire portfolio. This window will be particularly useful in ensuring that UNCDF can bring robust programme funding to crisis-affected countries that are less favoured by other non-core and investor funding vehicles. While meeting the $25m core level will allow UNCDF to ensure presence in 40 LDCs for the initial start-up of innovative finance models (risk capital), this TF funding window will allow UNCDF to complement those start-up funds with more robust programming across the thematic areas, to leverage additional resources, and to consolidate and ultimately scale up these programmes.

Table 1: Total LMF TF Budget and Funding Gap
(as of March 2016 in thousands of USD)

Windows		2016	2017	2018	2019	Total
1. Green Economy	Budget	8,628	8,866	10,148	14,980	42,621
	Funding Gap	3,005	6,634	10,148	14,980	34,767
2. Food Security and Nutrition	Budget	1,772	3,801	5,572	5,070	16,215
	Funding Gap	1,361	3,688	5,467	4,950	15,465
3. Economic Empowerment of Women and Youth	Budget	12,685	15,374	15,035	17,374	60,468
	Funding Gap	8,086	12,854	14,887	17,187	53,014
4. Infrastructure and Services	Budget	14,172	10,211	11,642	14,669	50,693
	Funding Gap	11,554	9,389	10,722	13,433	45,098
5. Financial Inclusion and Innovations	Budget	25,763	22,411	22,250	23,455	93,880
	Funding Gap	15,995	17,435	18,776	19,451	71,656
Total Funding Gap (5 windows)		*40,000*	*50,000*	*60,000*	*70,000*	*220,000*
6. Country Expansion	Budget	10,000	10,000	10,000	10,000	40,000
Total Funding Needed		*50,000*	*60,000*	*70,000*	*80,000*	*260,000*

ANNEX: SUMMARY OF INDICATIVE PROGRAMMES UNDER EACH THEMATIC WINDOW

1. Green Economy Window

1.1. The Local Climate Adaptive Living Facility (LoCAL)

Local authorities in LDCs are well positioned to identify climate adaptation responses that best meet local needs. They have the mandate to undertake the small to medium investments required for climate resilience. Often, however, funds are lacking and/or not aligned with their decision making processes, planning and budgeting cycles. LoCAL provides a mechanism to integrate climate adaption into local government planning and budgeting systems, increase awareness and response to climate change at local level, and finance climate adaptation investments. The goal is to promote climate change resilient communities and economies by increasing financing for and investment in climate change adaptation at the local level. This contributes to the achievement of the specific goals of ending poverty (SDG 1) and combatting climate change and its impacts (SDG 13).

LoCAL aims for increased local government access to climate finance. It applies the principles of fiscal decentralization, and effective local planning and public financial management, to climate change through performance-based climate-resilience grants combined with capacity-building support. LoCAL grants provide a financial top-up to cover the additional costs of making investments climate resilient. These grants are channelled through the inter-governmental fiscal system and are part of the regular budget envelope, and can thus finance the adaptation element of larger investments, allowing for holistic responses to climate change. LoCAL uses the demonstration effect to trigger further flows for local adaptation, through national fiscal transfers and global climate finance. LoCAL operates through three phases. Phase I (pilot) involves initial scoping, followed by testing in two to four local governments. Phase II takes place in a higher number of local governments to demonstrate the effectiveness of the mechanism at a larger scale. In phase III, it is scaled up as a nationwide mechanism to channel financial resources (domestic/international, public/private) for adaptation in an efficient and transparent manner, through the system of transfers to local authorities.

LoCAL has provided grants for more than a hundred projects in 38 local governments, servicing a population of more than 4.5 million across eight LDCs in Asia (Bangladesh, Bhutan, Cambodia, Lao PDR and Nepal) and Africa (Benin, Mali and Niger) and Ghana. Nationwide scale up will target more than 275 million people across these countries. More LDCs want to join LoCAL as it offers a verifiable and scalable mechanism to channel climate finance effectively and transparently to the people most in need of this support. In 2015-2016, an additional dozen local governments from 4 LDCs in Africa (Mozambique, Tanzania, Uganda and Lesotho) and the Pacific

(Tuvalu) are expected to make use of the mechanism, enabling another 2 million people to benefit.

1.2. CleanStart

Innovations in decentralised energy present unprecedented opportunities for low-income people to transition to clean energy. In the past decade, this market has come far and today we are seeing an influx of products with better quality and consumer-centric design. However, one of the biggest constraints for this market segment is the ability to pay in a convenient manner for energy products and services like solar home systems, improved cook-stoves or even power on demand. The CleanStart programme's vision is to dramatically expand consumer financing for low-income consumers who want to transition to cleaner and more efficient energy. To make this happen it partners with microfinance institutions and energy enterprises – offering risk capital and advisory support – to test scalable financing solutions in varying market conditions. This contributes directly to SDG 7, which targets affordable and clean energy.

An early lesson from CleanStart in Nepal and Uganda was that consumer financing for energy amounts to more than just loans and owning systems. Hire-purchase and utility models, often combined with mobile payment platforms, are paving the way for poor people to use improved technologies. These are exciting times where multiple financing options offer greater prospects for this underserved market of more than two billion people to use clean energy and improve living conditions, as the emergence of Pay-As-You-Go models in East Africa and India have shown. There is significant potential for market growth, but much more could be done to catalyse commercially viable businesses that offer value to low-income customers. Grameen Shakti and M-Kopa have shown that both scale and commercial viability are possible. What both these examples show is how much success rides on the ability to match the right partnerships and business models with key financial support. This is a complex market, generally characterised by low consumer awareness and purchasing power, weak supply chains, and low profit margins. However, it is this incubation stage, where business models are tested and refined, that businesses face the biggest financing constraints, and that impact investors typically are not interested in supporting. However considerable opportunities exist in this frontier area of energy access. Currently, CleanStart partners with 15 different businesses testing models in Asia and Africa.

What is needed are flexible and risk-sharing financing instruments such as risk-capital grants and risk guarantees, combined with business advisory support, to help promising business models become scalable and build the technical and social infrastructure, such as supply chains and market awareness. Examples of this could include a small local bank providing loans for biogas digesters, an entrepreneur selling solar-generated electricity to a community, or a national business financing a simple technology through a mobile payment platform, or a consortium of any number of these. CleanStart aims to catalyse and accelerate these financing and investment arrangements by supporting market-based projects that apply competitively for support. By challenging businesses to move into the last mile of service delivery, to build innovative business models and to look for new partnerships, CleanStart is contributing to a wider market-making agenda of building energy access ecosystems. This will also crowd in a range of investors, by delivering the potential for risk adjusted returns that prove attractive to enter new markets.

CleanStart is supporting low-income consumers in six countries in Asia and Africa to transition to cleaner and more efficient energy through financing, and aims to further expand its footprint especially in Africa, with an initial emphasis on West and Central Africa. The programme provides support to develop and refine scalable consumer finance models, increase the scale potential by tackling critical bottlenecks in the value chain (e.g. distribution, consumer awareness), make the knowledge and tools that are generated widely available to the industry, and advocate for industrywide changes and broker partnerships with upstream actors like investors and policy makers.

2. Food Security and Nutrition Window

2.1. Finance for Food (F4F)

The achievement of Food Security and Nutrition (FSN) and SDG 2 will depend on strong local action, buy-in, and leadership, embedded in a well-coordinated multi-level governance system. Through this program UNCDF will localize the goal of ending hunger, achieving food security and improved nutrition, and promoting sustainable agriculture (Goal 2, with impacts on SDG 1, 3 and 12). By coordinating and facilitating effective food security interventions, F4F contributes to the implementation of the IPoA by increasing investment in rural infrastructure and affordable food production technologies, and providing effective financing and greater security of tenure, including access to and control of land by young and women farmers that can help LDCs meet graduation criteria.

The programme has been conceived to provide solutions for local FSN in LDCs through increased public, public-private and community investments to fill missing links in global food security interventions. The innovative nature of the programme is in ensuring that local food systems are improved through strategic investments and in a holistic, systematic and gender-sensitive manner at local level. The goal is to ensure more effective food security interventions coordinated through local governments, governments which have increasing responsibilities for local development, service provision and land and resources use.

F4F aims to: strengthen capacity of local governments to assess local food systems and identify intervention priorities; ensure intervention pathways are integrated into local planning, with appropriate actions taken and implementation monitored; and ensure a complete menu of financing mechanisms and investments are available for this purpose. This includes providing strategic financing in the form of grants, loans, guarantees, equity, and/or quasi-equity, as well as advisory services and capacity-building support and effective advocacy for the adoption of local food system approaches within FSN Communities of Practice and the development community.

Key funding mechanisms used to increase local food security investments include the Local Development Fund (LDF) coupled with improved Public Expenditure Management (PEM) systems for public investments and Structured Project Finance (SPF) based on the Local Finance Initiative (LFI) for public-private and private investments. F4F will initially be implemented in Mozambique, Burundi, Mali, Benin, and Niger, building on FSN programmes with LDF as the main financing mechanism. The geographical coverage will increase over the five-year duration of the programme either through stand-alone or UN joint programmes. The first phase of 18 months will harmonize the approach within these countries and set up the global steering committee. The second phase will roll out programmes in two or three countries, with consolidation where private investments are possible through structured project finance in more mature countries. The third phase will involve restructuring based on the global steering committee recommendations. The lessons learned from these experiences of local food system development will be collected, exchanged and discussed with stakeholders in the LDCs and with the larger global community. UNCDF is partnering the International Fund for Agricultural Development (IFAD), the Food and Agriculture Organization (FAO) and The Organisation for Economic Co-operation and Development (OECD) to implement this programme.

3. Economic Empowerment of Women and Youth Window

3.1. Inclusive and Equitable Local Development (IELD)

The initiative is a global programme of UNCDF, UNDP, and UN Women, with the aim of supporting local governments to design, plan, implement and sustain local investments that take into consideration the differentiated and specific needs and priorities of poor women and men. Within this initiative there is a particular emphasis on transformative impact financing, an innovative approach to unlocking domestic capital for public and private infrastructure projects, which can have a transformative impact on women's economic empowerment and entrepreneurship.

A gender-sensitive Local Economic Assessment (LEA) will be carried out in partnership with local governments and in consultation with local communities. The goal is to identify structural impediments that prevent poor women and men from entering the labour market. For instance, if women have to spend considerable time fetching water, then the programme will work with local authorities to utilize their capital mandate and unlock fiscal transfers to invest in water infrastructure projects. This will free up time for the women to engage in productive activities. The assessment will examine the role of the private sector at the local level, its potential for growth in specific sectors, forward and backward linkages, and its relation to the national, regional and global economy. IELD will then identify a pipeline of investable projects, women-led/owned enterprises and gender-sensitive businesses that will have a transformative impact and create jobs for both women and men. IELD will work with these enterprises to build their capacity and upgrade their business plans, making it possible for them to obtain funding from domestic banks. IELD will work with banks to build their capacities to understand this market, allowing them to adjust their risk mitigation policies and compliance measures and unlock domestic capital for women-led enterprises. The pilot phase will span five years and cover three to four LDCs, while increasing country presence based on demand, resources and capacity to deliver effectively on agreed results.

3.2 Finance for Economic Empowerment of Women (F4E2W)

Financial inclusion can lead to the economic empowerment of women in powerful ways. UNCDF sees women as actors in—rather than beneficiaries of—change processes, recognizing their role as entrepreneurs, employees and consumers. Financial inclusion can enhance the options of women in manage their household finance through building assets, mitigating risk and seizing economic opportunities. Financial Service Providers (FSPs), through sustainable financial practices that combine financial, social and environmental sustainability in their lending operations, can empower women as employees and consumers by funding the production of goods and services that benefit women in their socio-economic roles.

A key aspect is that the programme will not only address access to the right kind of financial and non-financial services to enhance economic opportunities, but also consider agency issues, including a wide range of socio-economic factors, that impede women from using and benefitting from financial services, even with access. A global technical hub will be set up with the goal of fostering women's economic empowerment through inclusive financial markets. It will develop innovative approaches and models and link them to UNCDF's existing programmes, to test and scale up innovations through existing platforms to create substantial economies of scale and scope. UNCDF will in this manner seek to impact national agendas on women's economic empowerment, particularly through increased financial inclusion.

The interventions will include research and data to drive evidence-based approaches and models for Women's Economic Empowerment (WEE). This will use data from the diagnostic tool Making Access Possible (MAP) and other sources to understand demand, access and usage of financial services by women. It will create in-country gender disaggregated profiles to identify and build business cases for the different roles that women play, and highlight country-specific access and agency issues that impede women's access and use of financial services. Consumer-oriented market research will be used to design appropriate products, services and delivery channels, as well as to support women in benefiting from these services. The second pillar will be policy advocacy, and here UNCDF will engage with policy makers, global and local experts to develop advocacy efforts to promote WEE through financial inclusion in cooperation with UN Women and global women's advocacy groups.
The third pillar will identify and fund promising models of capacity-building around financial and non-financial services. This includes financial education and building social capital through networking and mentoring, among others. It will develop the capacities of financial institutions, policy makers and regulators for designing women-centric policies and regulations. An Innovation Fund for innovations in product

and service design will be set up and innovations scaled up through existing programmes and beyond.

These include MAP-based country programming and global thematic initiatives focusing on youth, access to clean energy, digital finance, etc. It will create a global facility to engage with other partners and expand promising approaches. These include UN Women for global advocacy and policy, and The Consultative Group to Assist the Poor (CGAP), International Finance Corporation (IFC) and the Netherlands Development Finance Company – FMO - on SME promotion with a gender lens. In the investment window, UNCDF will seek to use its financial instruments (grants, loans and guarantees) to crowd in investors around economic models that enhance the role of women as entrepreneurs, employees and consumers, and leverage the role of domestic financial systems to fund those models. It will also seek active synergies with the IELD programme to test approaches that combine the role of local governments in providing conducive environments and critical socio-economic infrastructure with the right incentives and capacity building that will, in turn, nudge the domestic financial sector to fund investments and enterprises that empower women economically. The expected outcome is the economic empowerment of women through inclusive financial markets enhanced through a combination of interventions around data driven diagnostics, policy dialogue, advocacy, capacity-building and investment to fund scale business models.

3.3. Shaping Inclusive Finance Transformations (SHIFT)

The SHIFT programme advances women's economic empowerment and market participation by unlocking financial markets and integrating women-centric strategies in growing inclusive enterprises. SHIFT achieves this by using innovative financing mechanisms to extend investments in last mile financial structures, by working with governments to establish and roll out financial inclusion policies, and by creating opportunities for technology and information to improve the customer journey.

SHIFT's target is to assist 6 million low-income consumers, and small and growing enterprises, to use well-regulated and affordable financial services by 2020. At least 65 percent of low income consumers will be women, while 100 percent of small and growing enterprises will be significantly women-owned or employing/serving women.

SHIFT's approach to delivering its ambitious goal will be achieved through various work-streams which include:

- SHIFT's next-generation Challenge Fund, a flexible, common platform for crowding in investors and donors to support projects targeting financial inclusion. The Fund offers competitive matching grants to catalyse investments by private sector financial institutions, often in collaboration with businesses, in testing and scaling innovative business models by altering their risk-adjusted returns on investments. Performance milestones are agreed on and payments are made against performance, enabling the Fund to quickly identify projects that do not work, and scale up those that do through sustained co-funding. The Fund also offers a flexible risk-sharing structure, to enable additional public and private investors to co-invest in deals originating from the Challenge Fund's discovery process through loans, equity and guarantees.

- SHIFT's learning and skills development work-stream, which supports business development service providers and learning platforms to develop and bring to scale viable learning models. Support will be provided through a learning window under the SHIFT Challenge Fund, by providing co-funding to business development service providers and learning platforms to develop or scale-up learning tools aimed at strengthening the capacity of financial service providers and/or the agency of women consumers and businesses.

- SHIFT's data and analysis work-stream (in partnership with UNCDF's MAP programme, UN Data Labs, UN Women and ILO), which produces and consolidates robust data and information on supply, demand and regulation in financial markets, and supplies qualitative analysis of the customer journey in securing access to and using financial services. Data and analysis is used to inform, influence, and strengthen the evidence base and investment decisions of financial service providers, regulators and policy makers.

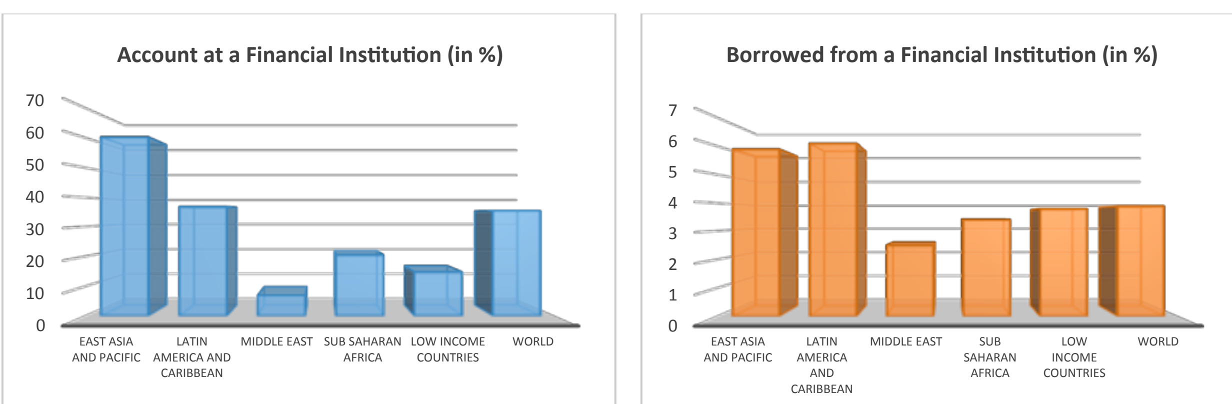
- SHIFT's Policy and Advocacy work-stream, which forms partnerships and alliances to influence policy makers, financial service providers and governments to enable financial markets to be more responsive to the wider development priorities of governments and their people, giving a specific focus to the needs of women. SHIFT is partnering with the Alliance for Financial Inclusion (AFI) to integrate gender strategies in the development and application of financial inclusion regulatory policies and standards by its members, while also partnering with, for example, UN Data Labs, UN Women and ILO to undertake gender disaggregated analysis of data and qualitative research to better understand women's journey to financial inclusion. Similarly, SHIFT is working with inter-governmental bodies in ASEAN to roll out national financial inclusion roadmaps, support monitoring of targets, facilitate peer-to-peer learning on national financial inclusion strategies, and leverage work across a number of working groups (SME, migration, connectivity, etc.) to integrate financial inclusion with other development priorities.

3.4. YouthStart Global

The world is experiencing the biggest youth bulge in history with 1.2 billion youth, with nearly 90 percent living in developing countries. It is estimated Africa's youth population accounts for around 20 percent of the populace, making it the continent with the largest youth population, and the growth of this demographic is yet to peak in Africa. Though this vibrant group has much to offer in terms of innovation, labor, and enthusiasm, over 20 percent are unemployed. Youth unemployment is thus a top policy priority for countries. This figure is exacerbated by the lack of jobs in the formal economy to meet this demand, and by insufficient training programs to meet labor market needs, with young people either under-skilled or with outdated skills, and with poor access to services that could otherwise enable young people to create their own economic opportunities. Across all regions, young adults (ages 15–24) are less likely than older adults to have a bank account [21]. SDG 8 aspires to sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all. It sets a target of full and productive employment and decent work for all women and men, including for young people and persons with disabilities, and equal pay for work of equal value by 2030. To achieve this goal youth will need to create their own economic opportunities by accessing relevant technical and life skills training, coupled with relevant and affordable financial and nonfinancial services.

21 The Global Findex Database 2014 Measuring Financial Inclusion Around the World, The World Bank

Figure 4: Financial Inclusion of Youth in Developing Countries by Region 2014



Source: Global Findex Database 2014, World Bank

The goal of the YouthStart Global programme is to provide access to financial services and economic opportunities for young people, with a focus on fragile and conflict-affected countries. It works closely with FSPs and youth-serving organizations (YSOs) to develop a consortium of partners to provide affordable, relevant, and accessible financial products to youths between 15 and 24 years of age through FSPs and technical training through YSOs. YouthStart Global will continue to focus on low-income youth, in particular young women and out-of-school youth living in Africa and Asia, where 62 percent of the young people live. It will place a special emphasis on rural youth, as two thirds of young people in sub-Saharan Africa live in rural areas where it will leverage opportunities provided by the agricultural, non-farm and technology sectors.

The strategic outcome sought at the end of the five-year programme is provision of integrated financial (savings, loans, insurance, payments, etc.) and non-financial (vocational training and financial literacy) services to at least 800,000 youth in LDCs, of which half will also be receiving complementary holistic services (mentoring, apprenticeships, etc.) to either secure decent work or start or expand their own business. The underlying theory of change is that providing youth the right combination of good quality financial services and complementary services will support smoother transitions from school to work, support both expanded and responsible access to finance, and foster an increased ability to seize economic opportunities available in their communities. Provision of these complementary services must be integrated so that each young person can benefit from both greater access to entrepreneurship education and financial services, and must be framed by coordinated actions of stakeholders in the youth economic opportunities ecosystem, and within an enabling policy and regulatory environment where economic opportunities for youth can flourish.

This will be accomplished through three strategies. The first aims to improve the coordinated action of YSOs, FSPs, and NGOs working with youth and for youth to design and deliver financial and non-financial products and services in ways that complement each other. Another seeks to promote a bundle of services that will motivate young people to seize economic opportunities in sectors with the greatest potential (for example, agriculture, household enterprises or digital jobs). The third strategy seeks to partner with other stakeholders, including governments, to improve policies and regulations that facilitate youth transition to economic independence.

This program builds on the YouthStart programme that launched in 2010 in partnership with The MasterCard Foundation in Sub-Saharan Africa as a regional pilot. The objective of YouthStart was to reach 200,000 youth by the end of 2014. This innovative programme worked with ten FSPs in eight countries to design, test and scale up financial services delivered in tandem with non-financial services. As of June 2015, access to financial and nonfinancial services, primarily financial education, was provided to over 600,000 youth of whom 49 percent were young women. This was three times the original target. Young people in the programme saved more than $16 million and over 80,000 young entrepreneurs were provided with $11 million in loans. In addition to UNCDF, YouthStart Global has received funding from Sida and support from FSD Mozambique to co-finance the Youth Economic Opportunities Ecosystem Map in Mozambique. YouthStart Global has enough resources to carry out the inception phase in seven countries in 2015, but will need funds beyond this phase.

4. Infrastructure and Services Window

4.1. Municipal Investment Financing Facility (MIF)

The programme aims to address the severe shortfall of infrastructure and services especially in the secondary cities of LDCs, where the problem is compounded by growing urbanization and migration. These cities do not have the capacities or the access to resources that capital cities have, and their growth is critical to both inclusive growth and LDC graduation. The MIF programme will initiate a new line of business in municipal investment finance.

The goal 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 through innovative financial instruments and mechanisms, such as loans, bonds, pooled financing or investment funds. This includes improving access to capital for investment in critical urban infrastructure and services in LDC cities, creating or strengthening financial markets and market intermediaries so that they can facilitate capital access for cities, and establishing policies, standards, and practices that improve the efficiency and effectiveness of the capital financing process in these countries.

The theory of change involves addressing infrastructure investment needs through facilitated access to domestic private sector finance and capital markets resources. During the five years of implementation, the program will be rolled out in four countries (two in Asia and two in Africa). The pilot countries are Uganda and Bangladesh.

4.2. Local Finance Initiative (LFI)

A key challenge in LDCs is to unlock domestic private resources to fund local infrastructure and services that have substantive impact on local economic development (LED). Even when local capital is available, banks are reluctant to fund local investments due to the perceived risks and lack of knowledge regarding this sector. LFI is designed as an investment mechanism and set of instruments to unlock domestic capital for infrastructure projects critical for unleashing the potential of local economies. It aims to bring supply and demand to an optimal level by reducing the perceived risks and transaction costs of financial services for all LED stakeholders and participants in the financial market. The overall outcome sought is to crowd in additional domestic and private capital for inclusive and sustainable LED. The aim is to structure and execute demonstration projects coupled with targeted capacity-building and build a national platform that enables the financing of local investments.

Implementation of these projects, identified through a participatory and inclusive process, will be supported by the provision of project development and financing support. Seed capital and credit enhancement support will be provided to jump-start the process of project identification, development and structuring of deals. Capacity-building activities will include training and the development of appropriate tools for public and private stakeholders. Impact measurement and performance tracking will provide benchmarking and information for replication. The effort will be to mobilize private financial resources from commercial banks and institutional investors through the selective leveraging of public resources. The limited public resources including ODA is leveraged by attracting private capital using financial structures and instruments that mitigate risks. This increases the effective use of scarce public resources, deepens private sector engagement, increases the capacities of local stakeholders and enhances domestic capital markets.

LFI is targeting investment projects that: 1) increase agricultural productivity and market access to small and medium agri-businesses and farmers; 2) enhance women's economic empowerment and gender equality; and 3) build sustainable productive systems through small and medium sized infrastructure and consumption patterns that create opportunities for trade, entrepreneurship and employment, improve people's lives, domestic revenue collection and public service delivery. The attempt is also to build resilience to climate change and access to clean and sustainable energy. The program implementation will be in eight countries during four years. The initiative has been piloted in Tanzania and Uganda and was rolled out in Bangladesh, Benin and Senegal in 2015.

4.3. Local Cross Border Development Initiative (LOBI) and Local Transformative and Uplifting Solutions (LOTUS)

Cross-border cooperation is crucial for peace, stability and increased economic development in many cross-border zones, where social, cultural and economic ties are intense and result in active and dynamic movements of people and resources across borders. These areas often lack basic infrastructure, and local authorities are unable to access investments, limiting socio-economic development, even when there is potential for greater development due to existing ties and the common challenges local authorities on both sides of the border face. The creation of cross-border governance and investment mechanisms could help alleviate these development challenges and provide a platform for a coordinated cross-border approach to development.

The ultimate objective of this programme is to contribute to peace and security, especially in fragile states by increasing investment capacities of local communities in cross-border areas. This requires a reinforcement of governance and financial mechanisms for cross-border investments in public and private sectors, and the piloting of replicable institutional and financial support systems for the promotion of cross-border initiatives with high development impact. To this end new investment mechanisms adapted to local communities will be developed and put in place with the involvement of regional bodies and national institutions.

The programme will support regional and national entities in improving the decentralization framework, with a specific emphasis on cross-border cooperation and the needs of local authorities in border regions. Scalable and replicable mechanisms will be created to develop planning and budgeting processes at the local level. UNCDF will test innovative planning, budgeting and procurement processes in specific cross-border areas. The objective is to reinforce the capacities of local authorities across borders to develop a common understanding of their shared needs and identify priority investments that leverage local development across borders. Emphasis will be put on the joint formulation of investment plans and pipelines that strengthen local forward and backward linkages between investments. It will test planning, budgeting and impact monitoring tools for cross-border development.

Local capacities will be established to enable private sector and local authorities to identify and develop infrastructure projects essential for cross-border trade, especially in development corridors. Lack of markets, storage, commercial infrastructure, electricity and transport in cross-border areas constitutes a barrier to economic development and to achieving sustainable peace. Even when development corridors are developed and trade between countries is increased, local development impacts may not be achieved. The programme will work on specific private and public-private investments to reinforce the role of growth corridors in regional development and cohesion. Advocacy, knowledge management and the development of strong partnerships are crucial elements of this programme, which deals with very innovative approaches to financing local development in cross-border areas. Strong knowledge management will be needed to translate the initial results from the pilot investments into a coherent approach to cross-border local development. Once this approach has been tried and tested, effective advocacy will be needed to promote the adoption of institutional and financial mechanisms for cross-border development and their upscaling to other regions. Implementation will cover West Africa, where work has already been initiated, the programme is being expanded into the ASEAN region as LOTUS where it will also look at key clusters within countries that impact cross border trade. Note that the concept note for LOTUS is under development.

5. Financial Inclusion and Innovations

5.1. Making Access to Financial Services Possible (MAP)

MAP is a multi-country financial diagnostic programme that, by providing data at the country level, offers a powerful platform to encourage private sector investments in expanding financial inclusion, by supporting critical market data-driven investment decisions and establishing an enabling environment to incentivize those investments. It is a powerful engine for South-South cooperation, fostering peer-to-peer learning among countries, by leveraging global platforms like the Alliance for Financial Inclusion, or regional ones like ASEAN, SADC or the West African UEMOA. MAP impact on the Addis Agenda by helping unlock domestic resources, by transitioning informal savings into the formal system and expanding access of domestic lending for the real economy, and by attracting private foreign investments to support financial inclusion through north as well as south-based investors.

MAP adopts a livelihood approach, moving from an institutional or product perspective, to understand financial inclusion in the context of people's lives and realities. This is done through detailed integrated demand-side research that can be disaggregated to better understand gender, age, spatial and other dimensions of access and use. This enables interventions that can better contribute to the sustainability of livelihoods. MAP supports global initiatives on financial inclusion, including G20 initiatives, and the Maya Declaration. MAP is a powerful tool to translate the Maya commitments into reality.

The MAP pilot commenced in 2013 and research was completed in Myanmar, Thailand, Swaziland, Lesotho, Cote D'Ivoire, Laos, Malawi and Mozambique. It is currently ongoing in the Democratic Republic of Congo (DRC), Botswana, Madagascar, Nepal and is starting up in Cambodia, Burkina Faso and Vietnam. The programme is poised for expansion, its methodology well positioned to assist countries to increase financial inclusion. This is more so in countries in Africa and Asia with high rates of financial exclusion due to a variety of reasons, including their large rural and poor population pockets that are difficult to reach sustainably due to lack of infrastructure and the cost and difficulty of doing business in post-conflict environments.

As an outcome of the pilot process, the data generated is being synthesised to extract key learnings to contribute to the global discourse and to feed back into the next set of countries where work is planned or in progress. The synthesis will highlight the role of financial inclusion in enhancing people's welfare and in influencing the real economy in a more penetrating and focused way than traditional approaches. One of the early insights is that a new generation of client typologies is emerging. The traditional typologies for promoting access to financial services are SMEs, farmers, urban vs. rural, employed vs. the unemployed, etc. Initial studies are revealing a more nuanced set of typologies based on needs, behaviour and usage of financial services. These better differentiated target market categorisations, for instance salaried workers, farmers, piece job workers/irregular earners and the self-employed, and the information available allow for better policy initiatives. Beyond the diagnostic and roadmap design, it is important to maintain the momentum created to take the process forward into the roadmap implementation. This is critical to the overall success of the programme as it is unlikely to succeed without sufficient funding and attention to programming.

5.2. Mobile Money for the Poor (MM4P)

Traditional banks are unable to provide low-cost financial services to low-income clients in rural areas. Over half of the 2 billion unbanked have access to mobile phones, but due to lower incomes and economic activity, and poorer infrastructure and regulatory environments, banks and Mobile Network Operators (MNOs) have not invested in these services in LDCs. The challenges include a lack of (or outdated) regulations that discourage moving unbanked populations into the formal financial sector, and a lack of understanding of the potential for digital financial services (DFS) and the DFS ecosystem. The business case for branchless banking for low-income clients is not clear in countries with low-density population, a small market size and regulatory barriers. At the industry level the issue is that operations, technologies and products are introduced with little market testing or research. Providers are often driven by short term interests. Partnerships between MNOs, FSPs, value-chain actors and other stakeholders that are key to providing cost-effective financial services are not there. Many approaches are linked to banks due the need for liquidity at agent service points. Providers and their distributors need assistance in developing new models that take advantage of community organizations and other local infrastructure.

Urban males are the primary users of branchless banking and that use is limited to transfers. Expanding the range of users to include rural women is a key challenge. Growth in branchless banking is impressive, but anecdotes of fraud, system down-time, lack of agent liquidity, etc. impact clients' trust in the system. As noted by CGAP[22], if customers don't trust the service and/or they don't understand how to use it, then the target of full financial inclusion will be unrealized. Customers' ability to use DFS is limited due to low education levels, lack of understanding of financial services, and experiences that did not meet expectations. Through several programmes UNCDF has been working with banks, mobile network operators, MFIs, regulators and consumers in challenging markets to reach the unbanked. There is need to harmonize these efforts to build a greater digital financial services portfolio.

22 http://www.cgap.org/sites/default/files/Focus-Note-Doing-Digital-Finance-Right-Jun-2015.pdf

MM4P was launched in partnership with the Sida, Australian Department of Foreign Affairs and Trade (DFAT), Bill and Melinda Gates Foundation, The MasterCard Foundation and USAID. It is designed to focus on poorer countries where the business case for branchless banking and mobile money is marginal, but the needs are great. It is currently engaged in several countries, each of which presents a unique set of challenges: Lao PDR, Nepal, Uganda, Malawi, Zambia, Benin, Senegal and Liberia. It is possible to characterize four stages in market development for DFS: inception, start-up, expansion and consolidation. MM4P's theory of change focuses on the steps needed to move a market through these stages.

MM4P has identified the range of actors and actions required to build the ecosystem for DFS. The work streams are in the diagram below. That work includes market research involving key stakeholders. Critical to this is placing a full time DFS Expert in country, tasked with building the capability of stakeholders and establishing or supporting a national DFS public/private working group. With regulators and policy makers, the focus is on capacity-building to develop, implement and monitor new approaches. With providers and agent networks, the emphasis is on improving existing operations and innovation to reach low income, rural and women customers. MM4P works with governments to move to digitized social protection payments and to create an on-ramp to financial inclusion. In doing so, it works with the Better Than Cash Alliance (BTCA) to support the transition of large payment streams by government, development organizations and the private sector, from cash to electronic payments.

The greatest challenge lies in improving the adoption rate. MM4P will look at customer research, human-centric product design, rapid prototyping and improved customer interfaces, all of which are necessary if the promise of DFS is to reach the majority of the population. It will focus on four areas in order of priority. It will deepen the engagement in current countries, including two that have been hit by disasters in the past year (Nepal and Malawi). It will integrate digital expertise across UNCDF by providing technical input for a growing number of programmes that are incorporating DFS. UNCDF is working towards a new initiative on digitizing payments and transfers during and after crises and conflicts. This would provide an operational modality through which recovery programmes can be made financially inclusive. It will lead on this effort by

Figure 5: Digital Financial Services Ecosystem

building on the experience with the Ebola crises and Nepal earthquake. It will develop a new paradigm for policy and regulation in partnership with Oxford University and others. It will work with industry players to build standard definitions, data and measurement tools, including a pilot with Mix Market to develop an online reporting system. It will identify three LDCs with high potential and need for the MM4P approach. Possible country candidates are Myanmar, Burkina Faso, Ethiopia and Mali, as well as post-conflict/fragile countries like Burundi, Central African Republic, Liberia and Sierra Leone.

5.3. MicroLead: Building Resilience and Empowerment for Last Mile Populations

Traditional banking continues to struggle to provide low-cost financial services to low-income clients in rural areas. Informal savings clubs, ROSCAs, ASCAs, tontines, etc. continue to be used, especially by remote rural communities. With the advent of mobile banking and agent networks, access is not as much of an issue as is the challenge of developing customer-centric products and services which meet the needs of the target populations. The challenge remains twofold: 1) the need for development of products that bring the poor into the formal sector safely and responsibly and 2) the need for deep understanding of customer needs and desires. With the right products and services and a financially educated customer base, the issues of dormancy and account usage will decline, increasing the business case for FSPs and MNOs to serve rural customers. Informal groups offer an excellent platform upon which FSPs and other stakeholders like MNOs can access significant numbers of customers and their savings.

MicroLead's earlier phases focused on savings mobilization by regulated FSPs. Phase I bought market leaders from the South into underserved LDC markets in DRC, South Sudan, Ethiopia, Laos and East Timor. Phase II focused on reaching remote rural communities with regulated deposit services, combining new technologies such as digital financial services, and alternative delivery channels, such as agent networks. Between the two phases, over 2 million customers have been served. In phase II the majority of the projects began working on informal savings which include international NGO-facilitated and local/traditional groups. This new phase will take the lessons learned and scale up informal group linkages, resulting in increased access and use of deposit services in rural communities. This will result in increased WEE, as the majority of members are women, and in increased food security, as most members are smallholder farmers. In rural areas savings are invested informally with family, friends, savings groups and/or household assets. "It's no secret that savings groups are the lifeblood of the informal financial economy, especially for smallholder households in developing economies…Savings groups are seen as a social and financial safety net for those who weather seasonal hardships related to the variability of their harvest or unforeseen emergencies."[23]

The programme proposes to drive financial sector innovation through partnerships for last mile financial inclusion, linking informal savers to formal financial services using a customer-centric approach to product development and by experimenting with technology, like e-recording, mobile animations and ledger links, to educate clients and make group meetings more productive. The approach will focus on four areas. The first will identify focus countries including fragile states. MicroLead will identify nine to ten LDCs with branchless banking and informal savings groups but have not looked at potential linkages. Based on initial research, countries of interest are Benin, Burkina Faso, Ethiopia, Malawi, Mali, Rwanda, Tanzania, Uganda, Zambia, Viet Nam, Myanmar and Lao PDR. A specific window for post-conflict and fragile countries would focus on Burundi, Central African Republic, Liberia, Sierra Leone and South Sudan. The second step is to develop request for proposals (RFP) for partnerships between MNOs, FSPs and customer-centric design firms to design and pilot tools, models, strategies and/or products to increase savings for rural women and small holder farmers using savings groups. Selection will also be based on the ability to provide financial education and business and entrepreneurial skills development. With the majority consisting of women smallholder farmers, the potential to aggregate the groups for value chain financing would be explored. A third step is to work with regulatory bodies to improve the enabling environment for regulated financial services to informal groups. The fourth is to create a platform for information sharing, learning and partnerships that benefits the grantees

23 http://www.cgap.org/blog/savings-groups-fuel-digital-design-smallholders-rwanda, 27 May 2015.

as well as the international community. The programme will be implemented over four years. The pre-operational phase will last six months, while the scale-up phase will last forty two months.

5.4. Digital Finance Plus Innovation Platform

The objective is to build on financial inclusion models for innovations that contribute to achieving the SDGs. UNCDF will partner with the Consultative Group to Assist the Poor (CGAP) and its members to develop mechanisms to identify and support such innovations. CGAP has identified more than 60 start-up businesses in the digital finance and innovation space. Other areas include humanitarian payments in crises or post-conflict settings. The inception phase would be used to develop and test modalities to partner with key actors like CGAP, USAID, Bill & Melinda Gates Foundation, etc. on these innovations and with IFAD on remittances. UNCDF would utilize its experience from global thematic initiatives to inform these modalities. Potential tools include market assessments of thematic issues that show promise, request for applications resulting in performance-based financing agreements (PBAs) and publications that build the business case to crowd in additional providers and investors. The expected result is a pipeline of innovative projects that move from discovery to incubation to scale within the programme period. Each will have key performance indicators linked to specific SDGs. Based on the risk tolerance of partners, the expected percentage of ideas that move through each stage would be specified during the inception phase.

6. Additional Information

How to contribute to this Trust Fund

Development partners wishing to contribute to the Last Mile Finance Trust Fund may use the following bank account information. For currencies not listed below and for additional information, please contact the Partnerships Policy and Communications Unit at investing@uncdf.org or +1 (212) 906 – 6565.

1) For contribution is USD (preferred option)

Contribution Account	**UN Capital Development Fund**
Bank name	**Citibank**
Address	111 Wall Street New York, NY
Account Number	**36349685**
ABI/ABA	021000089
SWIFT CODE	CITIUS33
Reference	**UNCDF LMF-Trust Fund**

2) For contribution is EUR

Contribution Account	**UNDP Contribution Account**
Bank name	**Bank of America**
Address	5 Canada Square, London, E14 5AQ, England
Account Number	62722 022
Swift Code	BOFAGB22
Reference	**UNCDF LMF-Trust Fund**

3) For Contribution in EUR (for EC Contributions)

Contribution Account	**UNDP Contribution Account**
Bank name	**ING BELGIUM S.A./NV**
Address	60 COURS ST. MICHEL, BP 1040 BRUSSELS (BELGIUM)
Account Number	**301 – 0186139 - 77**
IBAN	BE80301018613977
Reference	**UNCDF LMF-Trust Fund**

4) For Contribution in GBP

Contribution Account	**UNDP Contribution Account**
Bank name	**Bank of America**
Address	5 Canada Square, London E14 5AQ, UK
Account Number	**600862722030**
IBAN	GB37BOFA1650 5062 7220 30
SWIFT CODE	BOFAGB22
Reference	**UNCDF LMF-Trust Fund**

5) For Contribution in CHF

Contribution Account	**UNDP Contributions Account**
Bank name	**UBS SA Geneva**
Address	
Account Number	**240C02400360**
IBAN	CH8800240240C02400360
SWIFT CODE	UBSWCHZH12A
Reference	**UNCDF LMF-Trust Fund**

6) For contribution in SEK

Contribution Account	**UNDP Contribution Account**
Bank name	**NORDEA BANK SWEDEN A.B.**
Address	Hamngatan 21 5-105 7l Stockholm Sweden
Account Number	**4849 I 300046-SEK**
IBAN	SE4530000000048491300046
SWIFT CODE	NDEASESS
Reference	**UNCDF LMF-Trust Fund**

7) For contribution in NOK	
Contribution Account	**UNDP Contribution Account**
Bank name	**DEN NORSKE BANK**
Address	Kirkegt 21, Oslo – 1, Norway
Account Number	**7001.02.43287**
IBAN	
SWIFT CODE	DNBANOKK
Reference	**UNCDF LMF-Trust Fund**

8) For Contribution in DKK	
Contribution Account	**UNDP Contribution Account**
Bank name	**DANSKE BANK**
Address	Frederiksborggade 11 1360 Copenhagen K Denmark
Account Number	**3996034445**
IBAN	DK0830003996034445
SWIFT CODE	CITIUS33
Reference	**UNCDF LMF-Trust Fund**

7. More information on UNCDF

UNCDF was created in 1966 by the UN General Assembly. It is an autonomous, voluntarily funded UN organization, affiliated with UNDP. General information on UNCDF's mandate, governance, funding, organizational structure and detailed programme information can be found at www.uncdf.org.

1966
2016

Unlocking Public and Private Finance for the Poor

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