Investing in Development, Building National Capacities, Changing Peoples' Lives and Transforming Communities

UNCDF

United Nations Capital Development Fund (UNCDF)

A Local Finance Initiative Programme Report for the Period

January 2017–December 2019

UNITED NATIONS TANZANIA

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1.0 Foreword

David Jackson, Director, UNCDF Local Development Finance and Global LFI Board Chair

We are living in unprecedented times – the 2020 global coronavirus pandemic has totally dominated attention in all corners of the world. This report is about the practical acceleration of local economic development and economic transformation in eight countries from 2017 to 2019 before the pandemic hit. Yet its lessons are even more relevant today because the economic effect of 2020 means that 2021 will be a year of economic recovery. The speed and inclusiveness of that recovery remains to be seen. Will the recovery be driven by pre-existing value chains or new ones? Most importantly, will the recovery continue the transformation of local economies, raising their productivity, diversifying their base and increasing their resilience to external shocks? Or will the economic transformation of developing countries be knocked backwards or sideways by a recovery that weakens fiscal space and reduces local productivity while nominally providing jobs?

These are not simply academic questions. 2021 will also be the year of LDC V – the fifth UN conference on the least developed countries which will set the new programme of action for the LDCs for the period 2021–2030, during which many of them are expected to graduate from LDC status. Graduation requires reaching a gross national income per capita of $1,230 for three successive years and reaching a specified level on the Human Assets Index and Economic Vulnerability Index. However, sustainable graduation means more than passing statistical milestones. It means transforming local economies.

This is especially true in countries that are rapidly urbanizing without the concomitant productivity gains in urban areas and agricultural transformation in peri-urban and rural areas. Recent studies by UNCTAD and by the European Union suggest that this is exactly what is happening in many current LDCs.

Perhaps for this reason, the United Nations Committee for Development Policy recommends that LDC V adopt the theme "Expanding productive capacity for sustainable development" as a framework for the next programme of action. Its analysis points to the long-standing vulnerabilities exposed by the coronavirus pandemic (such as over-exposure to single industries like tourism or extractive industries, and an inability to locally produce basic essential products such as hand sanitizer). The committee identifies "the limited development of productive capacities as a root cause of LDCs' persistent challenges, including insufficient progress in resilience building, the failure to create decent and productive jobs, and limited technological upgrading."

The United Nations Capital Development Fund is one of the support measures for the LDCs. UNCDF's Local Development Finance Practice has developed a capacity for last mile finance that deploys technical expertise in local economic development and its financial instruments to engage directly with the private sector and domestic banks to stimulate increases in productive capacities in specific local economies. This contributes to, inter alia, local government–led economic development initiatives, area development programmes, municipal development strategies, or building climate resilience.

Currently this capacity, called the Local Finance Initiative, is deployed in eight countries in cooperation with their central and local government institutions and domestic banks. These countries are Uganda, Tanzania, Benin, The Gambia, Nepal, Lesotho, Bangladesh and Guinea Conakry. It includes a global team of private sector investment officers that acts as a front office and works with local developers and local public institutions to structure investments and bring them to financing through local banks, third-party investment funds and UNCDF's own lending arm. Each transaction is identified with two key criteria in mind: (i) its transformational effect on the local economy in line with the CDP analysis, and (ii) its ability to change risk perception of domestic institutions and crowd in further local investment in line with sustainability and development effectiveness. This "dual key" investment approach and its pipeline were awarded a prize for innovation in SME finance by the IFC during 2019.

This report highlights the work of the Local Finance Initiative during 2017–2019. UNCDF will be engaging with our United Nations and LDC partners to explore how the Local Finance Initiative can be scaled up to the remaining LDCs and other relevant countries as part of the efforts to accelerate the recovery from the coronavirus pandemic and ensure that this economic recovery is truly transformational as part of the LDC programme of action for 2021–2030.

I would like to thank the Governments of Uganda, Tanzania, Benin, The Gambia, Nepal, Lesotho, Bangladesh and Guinea Conakry for their cooperation in implementing Local Finance Initiative investments as part of their development programmes. I would also like to thank the Governments of Sweden, Tanzania and Norway, and the ONE UN Fund Tanzania for their generous support to the Local Finance Initiative during the period 2017–2019.

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2.0 Executive Summary

The least developed countries have witnessed a resurgence in economic growth in recent years, but it has not been sufficiently inclusive, given widespread poverty, high unemployment and worsening inequality. Translating gains from economic growth into the lower ends of the pyramid is a key milestone for localization of the Sustainable Development Goals (SDGs). To realize inclusive growth, countries should have the capacity and resources to mobilize domestic capital to invest in the "last mile" pockets where poverty is entrenched, economic opportunities are limited and development plans under-funded.

Peter Malika
UNCDF Global LFI Manager and Chief Technical Advisor

This report highlights the achievement of the LFI Programme in terms of investments and the capacities required to facilitate domestic capital mobilization for sustainable development. Specifically, transformative investments with a total value of $50.6 million[1] are either completely implemented and operational or are at different stages of approval and disbursement. It is comprised of 61 per cent owners' equity and 12 per cent UNCDF capital, with the remaining 27 per cent being the amount of additional domestic and international capital mobilized to invest in these projects. In addition to the above, another $158 million is the total value of the LFI current active investment pipeline under preparation and structuring by the LFI in six countries as of 31 December 2019. The case studies, investment stories, challenges and lessons learned highlight the need for support to LDCs to build national capacities in key areas to remove bottlenecks to fund the SDGs.

LFI is a "body of knowledge" and is part of a broader maturity model of UNCDF's innovation, learning and replication, and is now ready for implementation at scale. LFI lessons have been consolidated and repackaged to help LDCs embed these innovations within their national institutions, policies and transformational systems.

The scalability of LFI is possible within the context of (i) the UNCDF local economic development approach, where currently the LFI has been embedded into UNCDF country programs and replicated in Lesotho, Uganda, The Gambia, Guinea, Bangladesh and Tanzania; and (ii) replication to more developing countries as their own version of national capacities for mobilizing resources for the SDGs.

UNCDF's use of LFI and its risk mitigation strategies is critical for leveraging limited public funds to unleash domestic, international and public capital to invest in and scale-up sustainable development.

1 $50.6 million represents the total project cost of transformative projects that are either now operational, under construction or at different stages of approval and disbursement.

3.0 Background

LFI is a UNCDF investment mechanism that can enable LDCs to unlock the flow of domestic capital to invest in sustainable development. The LFI mechanism (Catalytic capital + Technical Assistance + Risk Mitigation Strategies)[1] has proven that transformative local development investments can tap into additional capital from both public sector and domestic capital markets. Facilitation by LFI is a way of making public funding go further by reducing risks so the private sector and other partners can invest in development projects.

Finance is emphasized in the 2030 Agenda for Sustainable Development as a means of implementation under each Sustainable Development Goal (SDG).[2] Particularly, SDG 17 sets the targets of strengthening domestic resource mobilization, mobilizing additional financial resources for developing countries from multiple sources, adopting and implementing investment promotion regimes for least developed countries. The Addis Ababa Action Agenda further provides concrete policies and actions for achieving these targets, and the Financing for Development Forum reviews progress annually. Other important development agendas, such as the Paris Agreement and the New Urban Agenda, reiterate the critical role of financing in adapting to climate change and rapid urbanization. Moreover, the Local2030 Initiative supports on-the-ground delivery of the SDGs by mobilizing resources and partnerships between local actors, national governments and the UN system.[3]

In this context, UNCDF's work on local development finance aims at ensuring that people in all regions and locations benefit from growth. This means dealing with the specific local development challenges in peri-urban areas and remote rural locations. It means re-investing domestic resources back into local economies and services through fiscal decentralization, demonstration of innovative forms of private capital mobilization, and improving the effectiveness of public and private investments in fostering local economic development. These approaches lead to increases in local revenue (through taxes and fees) for local institutions that again can be re-invested in the local economy.

The LFI Programme employs these proven financing techniques to mobilize private financing for relatively small infrastructure projects that are critical in supporting local economic development hand-in-hand with capacity-building mechanisms to empower both government officials and the private sector to scale up local development finance, while providing inputs that improve the business-enabling environment.

LFI will work in harmony with other ongoing local development programmes under the dual key system to test ways of unlocking (preferably domestic) private and public finance for income-generating infrastructure projects as part of coordinated actions with the public sector. These ongoing programmes, such as the Municipal Investment Finance programme, the Inclusive and Equitable Local Development programme, and the Local Climate Adoptive Living Facility (LoCAL) will seek synergies with the LFI global project.

LFI's work with local governments and rural SMEs has resulted in transforming idle rural resources and diversification of rural economies, provided clean and affordable energy, supported women's economic empowerment and enhanced the ability for local governments to create new own sources of revenue in order to provide quality service to its citizens.

1 UNCDF *catalytic capital* include seed capital grants, concessional loans, reimbursable grants and combined with TA and risk mitigation strategies. *Technical assistance* is targeted to prepare projects to be investment ready and minimize investment risks. UNCDF LFI *risk mitigation strategies* or options include financial structures, governance structures, partial loan guarantees, seed grants and target TA.
2 Sustainable Development Knowledge Platform, https://sustainabledevelopment.un.org/topics/finance
3 LoCAL2030, https://www.local2030.org/about

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Our Team

UNCDF Global LFI Technical Secretariat – Investment Management Team

Peter Malika
Global LFI Manager and Chief Technical Advisor
MBA Finance, Certified Information Systems Auditor (CISA), BSc. Accounting

Prior to joining UNCDF, Peter was the Regional Director at E+CO a clean tech fund; Director of the KPMG's Risk and Advisory Services practice.

He has over 20 years of substantive leadership experience in international development and trade, Fortune 500 corporate-centred experience and management consulting, management of global and regional operations, and expertise in financing for development and solutions.

Peter has served the United Nations in different capacities at national, regional and global levels; led cross-cutting innovative work in local economic development and governance, climate resilience, poverty reduction, private sector development, gender and development; and advisory services, knowledge management and partnerships across Africa and Asia.

Imanuel Muro
Senior Investment Officer – Tanzania
CPA; MSc. Enterprise/ Entrepreneurship Development; BCom Commerce and Management

Prior to joining UNCDF Imanuel served as Investment Officer (E+CO clean energy fund); Chair of Fanikiwa Microfinance Company; and 10 years as Portfolio Support Manager for the U.S. African Development Foundation (USADF) programme, an independent U.S. government agency established by Congress to invest in African grassroots organizations, entrepreneurs and small and medium-sized enterprises.

USADF's investments promote local economic development by increasing incomes, revenues and jobs, and creating pathways to prosperity for marginalized populations and underserved communities.

Abraham Byamungu
LFI Senior Investment Officer (Tanzania)
ACCA, CPA, MSc. Financial Economics; BCom Banking Finance

Prior to joining UNCDF, Abraham served at the managerial level in different international and regional banks in Tanzania. He has worked with Barclays Bank, Exim Bank and Bank of Africa.

Before joining the banking industry, Abraham worked with KPMG Tanzania as Audit Senior.

In addition, he has over 13 years of experience in banking, local economic development, financial management and business advisory services.

UNCDF Global LFI Technical Secretariat – Investment Management Team

Prior to joining UNCDF, Stella worked for the Ministry of Local Governments as a Senior Financial Management Officer in the areas of LGA finance, fiscal decentralization, financial analysis, project finance and public-private partnerships.

She has extensive experience in supporting public sector investments, including the structuring of commercial infrastructure investments.

Stella Lyatuu
LFI Investment Officer – Tanzania
Certified Public Accountant (CPA), Master's Financial Management; Bachelor's Accounting and Finance

Prior to joining UNCDF, Michael was the Director – Financial Advisory at Bronkar (U) Ltd providing financial services to SMEs, including preparation for equity investments, business plans, financial analysis, assessment and implementation of internal controls.

He was also an Audit Senior at Deloitte East Africa prior to that.

Michael Mboowa
LFI Investment Officer – Uganda
Bachelor Statistics; Member, Association of Chartered Certified Accountants (ACCA) and Institute of Certified Public Accountants of Uganda (CPA)

Prior to joining UNCDF, Malimu worked at Ernst & Young in Tanzania as a Manager, Transaction Advisory Services, providing buy- and sell-side advisory services to clients in all transactions–including financial due diligence, valuation of businesses, feasibility studies, and pre- and post-acquisition reviews.

Prior to that he worked, at Riscura, providing private equity advisory services to some of Africa's largest pension and private equity funds. He executed transactions in sectors including manufacturing, agribusiness, and infrastructure covering Southern Africa, West Africa and the MENA region.

Malimu Museru
LFI Investment Officer – Tanzania
MCom Finance; BCom Economics and Finance; BCom (Honours) Investments; Certified Financial Analyst final-level candidate

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Sharmeen Hossain
LFI Investment Officer – Bangladesh
BSc. Business Administration, Master of Business Administration (MBA)

Prior to joining UNCDF, Sharmeen led the Structured Finance desk at a boutique investment bank which also pioneered public-private partnership investment vehicles for large infrastructure transactions as well.

She obtained her MBA from the Kellogg School of Management at Northwestern University and a BBA from Babson College in the United States.

She started her career at JPMorgan as a certified Sales Trader, advising large mutual and hedge funds in Boston and New York investing in U.S. institutional equities. She dedicated her mid-career to developing the secondary equities markets in India and Bangladesh as an Investment Banker specializing in issue management (IPOs, RPOs, rights and preferred shares) and corporate advisory services (M&A and restructuring) for local corporations.

Sirra Foon
LFI Investment Officer – The Gambia
BA (Honours) and MSc. Actuarial Science

Prior to joining UNCDF, Sirra worked as the Business Planning Manager/Research and Actuarial Manager at the Social Security and Housing Finance Corporation, The Gambia.

She works at UNCDF Gambia as an Investment Officer (LFI) for the Jobs, Skills and Finance (JSF) for Women and Youth in The Gambia Programme, providing technical assistance and capital to climate-smart LED investments.

Fidelis Luteganya
LFI Investment Officer – Tanzania
CPA, MSc. Finance and Banking; MBA; BCom majoring in Accounting

Prior to joining UNCDF, Fidelis worked for UNDP and UNCDF in Tanzania for over four years as a Finance Analyst. He previously worked as an Accountant in the private and public sectors in Tanzania at various levels.

Fidelis is an Investment officer in the UNCDF-Tanzania office for the past three years, working on LED project development and financing with a focus on the One UN Kigoma Joint Programme/ Youth Women and Economic Empowerment implementation.

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UNCDF Global LFI Technical Secretariat – Investment Management Team

Prior to joining UNCDF, Dian worked as an Investment Manager and advisor to the CEO of ENE, a French investment company specializing in infrastructure development in the energy and ICT sectors in Europe and Africa for six years.

He also has experience in economic and policy advisory services in France and Africa with consulting firms mandated by governments and donors, combining economic and financial tools to carry out cost-benefit analysis, value for money assessment, ex ante and ex post socioeconomic impact assessment and regulatory impact assessment. Dian is the LFI Investment Officer in Guinea supporting the INTEGRA programme.

Dian Balde
LFI Investment Officer – Guinea
MSc. (Development Economics), MSc. (Development Project Analysis), BA (Economics)

Prior to joining UNCDF, Deus worked with Kilimo Trust for over 10 years, where he rose from an Accountant position to that of Director for Finance and Administration. He previously worked as a Senior Auditor with the Accounting Firm of Kazibwe, Kenneth & Steven Certified Public Accountants.

He is now the UNCDF's START Facility Manager, a blended finance facility under the food security and nutrition component of the Development Initiative for Northern Uganda (DINU) Programme.

Deus Tirwakunda
Manager, UNCDF Start Facility Programme – Uganda
CPA, BA Arts, MBA

Prior to joining UNCDF, Fred worked as a Credit Officer with Uganda Microfinance Ltd until 2008.

In addition, he was a Senior Credit Officer at Equity Bank, a Credit Supervisor at FINA/GTBank, and a Project/Investment Officer at Oikocredit International-East African. He is currently a Programme Analyst–Investment for the DINU Programme–START Facility in Uganda.

Fred Duhaga
Programme Analyst – Investment on DINU/START Facility Uganda
PGD Fin, BCom

Prior to joining UNCDF, Ddamulira started his career at Barclays Bank Limited, Kampala, Uganda, and worked there for 12 years in several roles including Branch Operations Manager, Operational Risk Advisor and Corporate Credit Manager.

He currently works as a Programme Analyst – Investment for the DINU Programme–START Facility based in Kampala, Uganda.

Ddamulira Ivan Bbaale
Programme Analyst – Investment on DINU/START Facility Uganda
CPA, ACCA, MBA, BA Econ.

What We Do

This is the UNCDF front office capacity that helps to deliver local economic development in collaboration with national institutions, local authorities and SMEs. The range of pioneering development capabilities and services provided by LFI is varied:

- **Investment readiness** (preparation of projects to be investment ready): This dynamic project development support is provided to governments and the private sector to ensure completeness and to meet the quality standards expected by financiers including local commercial banks, impact investors and the capital markets.
- **Business development services** or technical assistance is required to enhance business performance, optimize projects' development impact, decrease the risk of defaults and ensure sustainability of businesses in the long term. Businesses and project owners often lack the experience, skills and resources to appraise investment opportunities while navigating the difficult markets in which they operate – hence the need for a great deal of technical assistance. LFI's BDS work sometimes involves supporting projects in accessing other forms of business support and facilities, performance-based grants and challenge funds.
- **Project structuring:** We focus on the essential aspects of the project/transaction such as business case, financial structure, owner and governance structure, risk (identification, analysis, evaluation, allocation, mitigation) strategies, etc. and support developers in structuring transactions that reflect the reality and expectations of financiers.
- **Transaction facilitation:** We are facilitators guiding the identification of appropriate sources of finance for projects both internally at UNCDF and externally with local banks/ investors, thereby maximizing mobilization of local domestic capital in financing development projects. Getting the right balance requires navigation of the financial ecosystem so transactions reach financial closure and can be implemented. This facilitation role of LFI between project owners and financiers increases the chances of an investment being successfully financed.
- The combination of the **UNCDF financial instruments** and the use of LFI development capabilities has helped catalyse access to additional finance from public and private sources to invest in sustainable development, deepen capital markets, support private sector development and create multiplier effects in local economies.
- **Fund management:** As in Lesotho and Tanzania, our niche is in designing and implementing solutions that jump-start local markets and mainstreaming of the impacts – e.g. for resilience projects such as clean cooking energy, biodiversity, solar mini-grids – by providing start-up seed capital to meet financiers' capital financial requirements. The design minimizes investment risk on the part of financiers by allocating and demonstrating acceptable levels of risk.
- **Investment types:** This technical and business capacity includes the development and financing of last mile SME small and medium infrastructure projects and local government projects; structuring of municipal bonds in various forms such as corporate, municipal and pooled bonds for municipal infrastructure projects; structured project finance for industrial projects; public-private partnerships; and blended finance.
- **South-South technical collaboration:** This includes building national capacities among global South countries through learning by doing, training and workshops; and involving project stakeholders and managers, government and its agencies, the private sector, financial institutions, development partners, UN agencies and intermediary technical service providers.
- **Credit guarantee schemes (CGSs):** We have supported governments and national institutions in designing and implementing public CGSs to unlock finance for SMEs. The CGSs UNCDF supported with $200,000 seed capital investment have since been scaled up by government. We are in the process of setting up another CGS with the Central Bank of The Gambia and are in discussions to set up the same with the Government of Tanzania – Zanzibar.

4.0 Geographical Coverage

The LFI Programme is currently implemented in Tanzania, Uganda, The Gambia, Guinea Conakry, Benin, Bangladesh, Nepal and Lesotho through UNCDF country programmes.

Presentation of the LFI transformative investment projects in multiple countries during the LFI Global Board meeting in Tanzania in November 2019.

5.0 Facts & Figures

(as of 31 December 2019)

$14.2 million

Financial Resources Mobilized 2012-2019

Resources mobilized to support operations and expansion of the programme from 2 countries in 2012 to 8 countries by end December 2019. Also, part of the resources was used as seed capital to advanced investments.

$6.1 million

Direct Financial Assistance and Commitments to Projects

$4.4 million disbursed and a remaining $1.7 million waiting fulfilment of disbursement conditions.

Seed capital grants
$3.9 million

Reimbursable grants
$0.15 million

UNCDF concessional loans
$1.4 million

UNCDF guarantee instruments
$0.61 million

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Country Presence

Tanzania, Uganda, Benin, Lesotho, Bangladesh, Nepal, The Gambia, Guinea

LFI active investment project pipeline as of December 2019 (cumulative)

72 Active Projects

$158 million is the total value of LFI current active projects under preparation and structuring by LFI (total project costs); funding gap is **$107 million**

2.8 million Beneficiaries

1.5 million women
1.3 million men

Beneficiaries include over 5,700 households getting connected to electricity; 1.3 million smallholder farmers improving their income levels and obtaining access to market; and more than 600,000 passengers benefiting from new public service delivery infrastructure built.

$21.2 million is the total amount of capital unlocked (funds leveraged) from primary and secondary sources

$11.0 million is the capital leveraged and was anticipated during project planning and development stages.

$10.2 million is the additional capital leveraged – "secondary unlocking" – as a result of the project reaching advanced stages and attracting more partners (not part of initial planning).

42 Completed Projects

$50.6 million is the value of the total project cost of 42 completed investment projects

Including those (i) whose construction has been completed and (ii) is now operational, (iii) under construction, (iv) approved by LDIC pending disbursement and clearing conditions, and (v) those disbursed and about to start construction.

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6.0 Key Achievements

6.1 Mobilization of Domestic Capital for Sustainable Development

UNCDF LFI supported a pipeline of 42 completed investment projects worth $50.6 million invested in sustainable development in 4 LDC countries.[1] Of the $50.6 million, **22 per cent ($11 million[2]) is the additional capital mobilized from both the public and private sectors** in four LFI-supported countries (Tanzania, Uganda, Bangladesh and Benin). Furthermore, $10.2 million is the additional capital leveraged – "secondary unlocking" – as a result of a project reaching advanced stages and attracting more partners (not part of the initial planning). This extra capital comes as a positive developmental response from the government, the private sector and other development partners triggered by the presence of the projects. It comes in various forms, including a government's decision to improve physical infrastructure such as public facilities, roads, water and electricity, around the projects and new business entrants. There is an additional total project cost of $158 million of current LFI active investment pipeline under project preparation, and structuring phases with a funding gap of $107 million expected to be unlocked.

....investment projects worth $50.6 million invested in sustainable development in 4 LDC countries

6.2 Taking LFI Innovations to Scale #1: LFI Body of Knowledge

The LFI as "body of knowledge" and part of the broader maturity model of UNCDF innovation and learning is now ready for scale-up. LFI lessons have been consolidated and repackaged to help LDCs embed these innovations in their national institutions, policies, capacities and transformational systems. The following demonstrates how LFI innovative financing approaches have been scaled up in multiple countries and cross-cutting development initiatives.

Bangladesh: The UNCDF LFI-SME pilot project was established as a framework for collaboration between the Bangladesh Bank, the Department of SMEs and Special Programmes and UNCDF. The aim is to strengthen access to investment capital for women SMEs and their interface with institutions providing domestic capital. As a result, the SME credit guarantee scheme for gender-responsive investments was established with support from UNCDF. To date, the facility has backed the funding of 21 women SMEs via local financial institutions, unlocking $435,300 in bank loans (Approximately $2.20 was crowded in for every dollar of guarantee invested by UNCDF to de-risk commercial bank capital.) Of the 21 first-generation women entrepreneurs, 12 were first-time borrowers who were able to expand viable businesses and create 620 jobs (70 per cent of which are held by women). The scheme has expanded beyond one pilot district and sector to four districts and six sectors. The demand for such a risk-sharing facility is being sought by 60 banks and non-banking financial institutions across the country. The Ministry of Finance has given a directive to the Bangladesh Bank to establish an independent unit to carry out the guarantee scheme under this new architecture. Staff have been recruited to scale up operations of the UNCDF pilot.

1 Completed projects include those (i) whose construction has been completed and (ii) are now operational, (iii) are under construction, (iv) have been approved by LDIC pending disbursement and clearing conditions (v) disbursed and about to start construction. $50.6 million represents the total cost of transformative projects that are either now in operational status, or under construction or at different stages of approval and disbursement.

2 $11 million is the additional capital attracted from the public and private sectors because of our support or structures that mitigated risks or accommodated other partners to invest after our initial work or investment.

Uganda: The Support to Agricultural Revitalization and Transformation (START) Facility managed by UNCDF is using the LFI approach and its methodologies to deliver its objectives. To date, six projects worth $780,000 have been prepared to be investment ready and eligible to access additional capital from the Uganda Development Bank or from other investors, including the UNCDF BUILD fund. Another 17 projects totalling $1.7 million have been identified for project development and financial modelling as part of the facility's pipeline. Further, the LFI approach informs the development and structuring of public sector revenue-generating projects in the framework of the Local Government Excellence Fund (LGEF). These projects use a mix of grants provided by LGEF, local governments' own source revenues, as well as financial and non-financial contributions of development partners and private sector entities. To date, seven projects have been approved for a total of $709,300, of which $217,300 has been leveraged from local governments and other financial sources. These projects include women- and child-friendly community markets and agro-processing facilities to retain added value locally. LFI developed guidelines to address various aspects of project development and finance including project selection criteria, technical assistance modalities, and application for different types of grants, loans and guarantees. The LFI approach is being mainstreamed in the practices of partner institutions, public and private, including financial institutions, to ensure high-quality projects benefiting from a lower cost of capital and reduced collateral requirements. The START Management Board established with UNCDF support has been praised by national and international partners as an example of an efficient structure that provides a strong foundation for continued functioning of the facility after project decommissioning.

Lesotho: Under the Financial Support Scheme (FSS) in Lesotho, UNCDF is supporting the financing and implementation of 10 solar mini-grids and 10 energy centres in rural Lesotho worth about $2.7 million as part of the SE4All project. LFI is providing technical assistance to the developers and local financial institutions on lending to clean energy services. The fund is for $1.2 million and expects to be leveraged by a ratio of 1:2 after implementation. In 2019, UNCDF helped develop and get financed eight solar mini-grids for a total of $2 million. The LFI approach coupled with the specialized expertise provided by UNCDF has proved to be effective in ensuring expeditious development and closure of high-quality projects. In addition, UNCDF has helped establish a representative Investment Committee overseeing implementation of the FSS, with the ultimate objective of handing it over to the relevant partner institution (the Ministry of Energy and Meteorology) to continue the approach after project closure.

Tanzania: The UN System established an area-based cross-sectoral joint programme to improve both development and human security in the Kigoma region funded by the Embassy of Norway in Tanzania. Poverty in Kigoma is disproportionally concentrated within vulnerable groups – especially rural women who, despite playing a substantial role in primary production, have been unable to fully benefit. The project is also addressing the issue of increasing productivity, increasing financial access, reducing post-harvest losses and increasing market linkages for smallholder farmers in collaboration with other UN agencies (e.g. FAO, WFP, ITC). Using the LFI facility, UNCDF provided technical assistance and seed capital grants of $1.3 million to 15 income-generating projects worth $2.5 million (in storage/crop aggregation centres, cross-border markets, fish processing and preservation and agro-processing) from local public and private sector partners. In addition, UNCDF supported women's economic empowerment and the mainstreaming of gender equality in the projects; developed financially sustainable projects with appropriate governance structures as part of project development, e.g. agricultural marketing co-operative societies and SPVs; and training of LGAs and SMEs in the region as to how to develop and financing income-generating investment projects.

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6.3 Transitioning to Scale #2: Institutional Influence in the Work of Local Governments

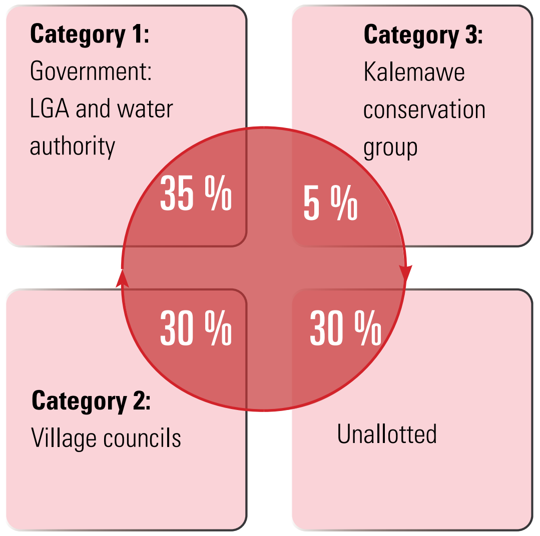
6.3.1 Institutionalization of PPCPs

Public-private-community partnership (PPCP) is a variation on public-private partnerships (PPPs), in which the local community and villagers are one of the partners and beneficiaries of the project. PPCP counters some of the concerns raised in relation to PPP projects, as it ensures that there is a priority on local development rather than on profitability as the only parameter of success.[3] Based on LFI experience and support, the Tanzania PPP Act of 2010 (amended in 2014 and 2018) had only targeted large-scale PPP investment projects at the national level, with small PPPs to be developed at subnational levels. The law's implementation challenges were quickly noted and amended in 2014. Despite the amendment, LGAs and villages did not make best use of the existing legislation to ensure active participation in PPPs because of capacity challenges in addressing legal and governance structures of projects, lack of financial and technical resources, high transaction costs, and challenges in effective determination of concession periods and contracting.

To address these challenges, the LFI supported the set-up and operationalization of 10 PPCPs in Tanzania, including the Kalemawe PPCP example discussed above.[4] The Kalemawe PPCP structure is not now operational and is in the process of constructing its first commercial fish farming pilot project in the community.

Benefits to the communities include the ability of the local population to enjoy the advantages derived from local natural resources, an equity stake in the PPCP companies, participation in project governance and access to new revenue streams in increasing the fiscal space.

Figure 1: Example of Ownership Structure of the Kalemawe Dam Investment Project in Same District, Kilimanjaro Region, Tanzania

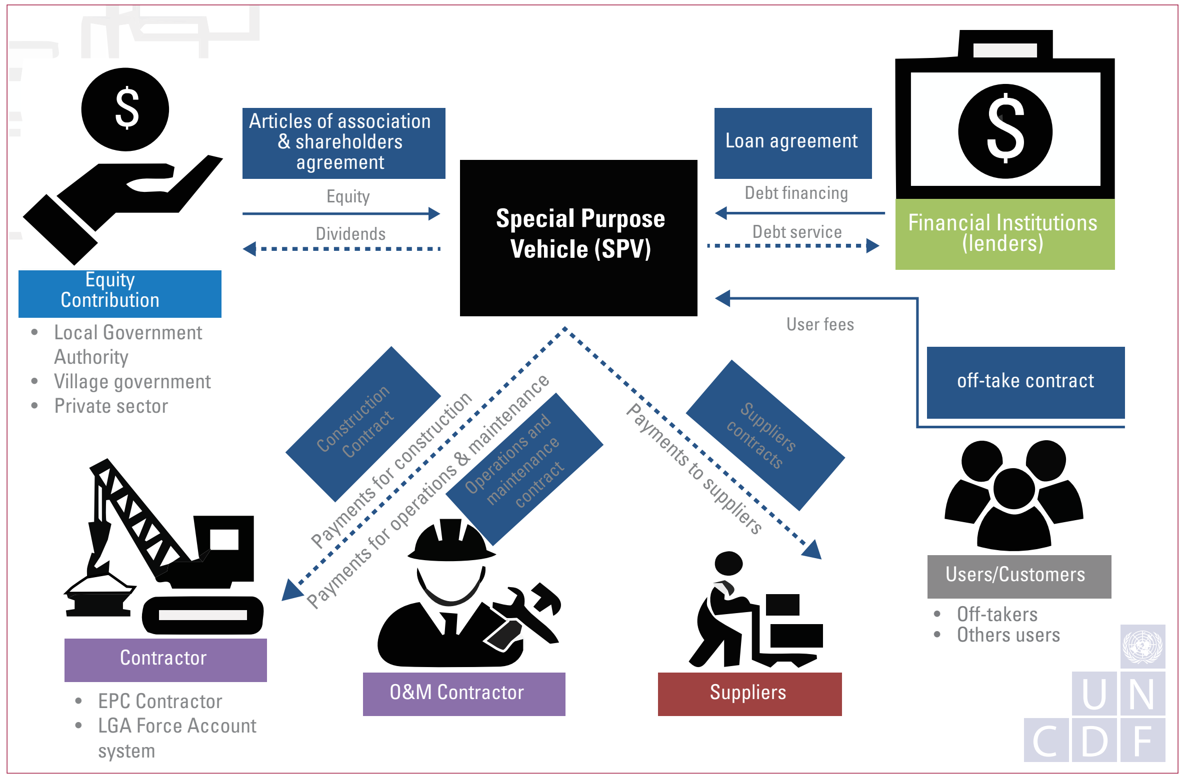


6.3.2 SPVs: Appropriate Governance Structures for Local Government Investments

A special-purpose vehicle (SPV) is a subsidiary created by a parent company to isolate financial risk. Its legal status as a separate company makes its obligations secure even if the parent company goes bankrupt.[5] In a local government setting, it is a separate investment company that is created to manage an income-generating project owned by an LGA. LFI has supported local authorities in designing, establishing and operating SPVs around the PPP law to ring-fence income-generating project operations/revenue streams from LGA main operations.

3 IGB global; 150520_annual_report_2014_-_appendices_-_wash_kenya1.pdf
4 10 PPCPs are at different stages of setting up and or operating in Tanzania including Kalemawe, four in Kigoma and three in the lake region.
5 https://www.investopedia.com/terms/s/spv.asp

Figure 2: Example of an SPV Structure



Result: 10 LGA SPVs are now either operational or under development.

Benefits

Knowledge and skills: Local knowledge and capacities are now available in-country, which provides confidence to other LGAs and potential investors and development finance providers to evaluate and make key decisions.

Protection of private capital/investment: Private investors are protected from political and financial risks associated with holding company / LGA poor income streams.

Budget constraints: Effective instrument to supplement the government development budget resources.

Technology transfer: Transfer of new technologies and innovation. The private sector brings in new skills and experience, which is unusual in a local government environment.

6.3.3 Policy Reforms and Systematic Changes: Supporting the Enhancement of National Capacities towards Issuance of Municipal Revenue Bonds

UNCDF LFI supported the Government of Tanzania and its national agencies in enhancing the capacities needed to mobilize domestic capital to finance sustainable development through the issuance of municipal revenue bonds in Tanzania's capital markets. This initiative aligns with the government's national Five-Year Development Plan (FYDP II) of 2019–2021 to accelerate the use of municipal bonds as a source of financing the plan and the SDGs. Specifically, a planned $20 million City of Mwanza bond was intended to finance six strategic municipal development initiatives.

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The UNCDF-funded municipal bond issuance technical collaboration included the following:

- Led the national municipal bond stakeholders' task force comprised of the Ministries of Finance and Regional-Local Governments; the Central Bank, Capital Markets and Securities Authority; the Dar es Salaam Stock Exchange; the Local Government's Loan Board; and the Tanzania Development Bank.
- Conducted knowledge-sharing sessions on municipal bonds and benefits to national and regional technical staff and political leaders; four local government authorities, including their mayors, city council management team, municipal directors, investment team, and members of parliament.
- The first generation of city capital investment plans (CIPs) were prepared and completed.
- Technical guidance, peer review and provision of inputs to key project development and financing documents.
- Successfully guided and supported the process for the City of Mwanza to be approved to issue municipal bonds at the city level and the Ministry of Local Governments level.
- Frequent communications with and pushing the city's consultant to finalize project documents.
- Tendering process and hiring a consultant to establish SPV.
- Conducted procurement and hired a consultant for technical due diligence, confirmation of project bankability and development of PIMs.
- Tendering of an RFP to hire a lead technical advisor to guide the issuance process. The evaluation process to select a winner is underway.

Resulting Impact

➠ The government, through its national financing strategy (Implementation Strategy for the National Five – Year Development Plan 2016/17 – 2020/21 vII) of 2018 and the Ministry of Finance budget speech for 2018/19, acknowledged the UNCDF initiative of supporting LGAs to access long-term finance to improve their economic development and livelihoods, through issuing municipal bonds as a new financing mechanism.

➠ The government is considering incorporating municipal bonds as an LGA financing source in its next national annual planning and budget guideline. This guideline is a government instrument that instructs LGAs and the national government in planning and budgeting for that financial year. If successful, LGAs will not be required to pursue preliminary government approvals to issue municipal bonds as is now required; this will smooth and fast-track the process.

Based on the level of project preparation of city projects, the government grant funded a large part of the projects portfolio worth $16 million.

7.0 Select Local Economic Development Impact

Case Study #1: Unlocking Private Sector Finance

UNCDF LFI Response

Facts & Figures

Project developer: Pristine Foods Ltd
Location: Uganda
Total project costs: $850,3535
Duration: 2018–2021
Funder: Sida Booster Fund and NORAD for TA and SME partial loan guarantee, respectively

LFI support has facilitated additional capital leverage and the entrance of private financing for increased production and processing of a key agricultural crop in Uganda. Pristine Foods Ltd is a Uganda-based greenfield agribusiness manufacturing and marketing company selling liquid egg products to serve commercial customers such as bakeries, hotels, restaurants and catering companies. This intervention significantly affects smallholder farmers socially and economically by limiting intermediaries and consequently, resulting in improved household incomes, entrepreneurship, improved livelihoods, job creation and rural development, as well as having a multiplier economic effect on the local economy. Pristine is a pioneer in the East and Central Africa region as the first company to provide regionally produced, high-quality pasteurized and homogenized liquid egg products (i.e. whole, egg whites and yolks in chilled or frozen form and powdered eggs).

UNCDF's **50 %** *partial loan guarantee of $226,900 and tailored technical assistance from LFI, Pristine Foods Ltd raised an additional $650,000 debt capital from the Yield Fund.*

Results Achieved

- By leveraging a catalytic UNCDF 50 per cent partial loan guarantee of $226,900 and tailored technical assistance from LFI, Pristine Foods Ltd raised an additional $650,000 in debt capital from the Yield Fund managed by Pearl Capital Partners Ltd.[1] UNCDF helped to fine-tune the project's investment documents, and the partial guarantee enabled the developer to meet the collateral requirement by the lender and the last mile transaction costs required to clear lender conditions.
- The UNCDF guarantee instrument empowered Pristine to renegotiate the original terms of the financing agreements with Yield Fund, including revision of terms for an EBITDA premium payout, extension of the first interest repayment by six months and the first principal repayment by one year.
- The developer undertook to complete the factory building and start operations as part of the conditions for the guarantee agreement.
- The project is transformative in the health sector as the eggs are pasteurized, homogenized and packed under rigorous HACCP quality assurance standards recommended as they are free of salmonella and avian influenza.

1 https://pearlcapital.net/index.php/2-uncategorised/69-yield-uganda-investment-fund

Additional Funding Unlocked by Pristine Foods Ltd since LFI Support in 2019:

A new capital infusion of $300,000 from the Yield Fund is currently under final negotiations.

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Muhange – woman market seller

Case Study #2: Unlocking Public Sector Finance

UNCDF LFI Response

Facts & Figures

Project developer: Kakonko District Council, Kigoma Region
Location: Tanzania
Total project cost: $533,000
Duration: 2018–2020
Funder: Government of Tanzania, Embassy of Norway Tanzania, Sida for TA and seed capital grants

Muhange Village in Kakonko District is located at the border of Tanzania and Burundi in Tanzania's Kigoma Region.

Throughout history, people from both sides of the border have met once a week to trade goods and services. UNCDF selected the this cross-border market investment project first because it is part of implementation of the East African Community Common Market Protocol[1] composed of six countries in the Great Lakes region in eastern Africa: Burundi, Kenya, Rwanda, South Sudan, Tanzania and Uganda. The Common Markets Protocol promotes regional integration and realization of accelerated economic growth and development through the free movement of goods and people. Secondly, this supports the UN Tanzania Kigoma Joint Programme's Youth and Women Economic Empowerment Programme.

Despite its business volume, products and services are exchanged in an open place without any shed, storage facilities, toiletries, water supply and many other key facilities. Women are significantly affected because, in some instances, they are with their infants; hygienically, the area is dirty and prone to diseases. The district councils and villages are unable to collect a sizeable amount of fees and levies, and huge economic and trade opportunities are wasted due to the lack of permanent market facilities. To address these challenges, UNCDF supported the Kakonko District Council by facilitating replication of the successful Kibaha Town Councils public-private-community partnership model at Mnarani market, which leveraged significant investments from the local private sector and public institutions to build and operate. With a priority of supporting women's economic empowerment, UNCDF facilitated governance structuring of the market to establish an SPV with shareholding given to the local government, women's groups and the local community, a longer-term financial and operational sustainability arrangement. In addition, the design incorporates an initial public building by UNCDF seed capital grant to stimulate demand/demonstration and additional spaces set aside for private sector investments and government facilities.

Results Achieved

- Following the investment of $120,000 as a seed capital grant to build the main shed of the cross-border market, the project has raised over $300,000 from the public and private sectors to invest around the market area.
- There are long-term plans to upgrade the existing gravel road to a tarmac road at an estimated cost of $6 million.
- The new Muhange cross-border market supports more than 150 youth and women who have been allotted permanent trading stalls, thereby contributing to increased security and household income.
- Muhange Village has emerged as a vibrant cross-border economic town within the rural Kakonko District. The village has transformed from having 1 building to more than 24 buildings offering market users and residents a wide range of services, including selling agricultural products and fast-moving consumer goods.
- To date, the national government and the local government have invested in bringing water infrastructure and maintaining existing roads to the market. Access to clean water will be provided to the market and to non-market users, including residents of the nearby villages.
- The cross-border market has attracted other public service delivery, such as the Tanzania Revenue Authority (TRA), a Police Gender Desk, and the Immigration Department.
- Kakonko District Council's own source revenues from the area are expected to increase from the operations of the cross-border market.
- Skills development has been a key aspect of the UNCDF intervention. Through the Kigoma Joint Programme, more than 100 women of the Muhange Women Cooperative Group have benefited from trainings in access to finance, access to markets and gender awareness.
- Implementation is part of the Tanzania One UN Kigoma Joint Programme/Youth Women and Economic Empowerment implementation.

1 https://www.eac.int/commonmarket/documentation/cat_view/24-documents-a-downloads/30-common-market-protocol-a-annexes.html

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Judith Karl, UNCDF Executive Secretary, visits the Nucafe coffee processing factory in Uganda. Nucafe is an LFI-supported project.

Case Study #3: Unlocking Public and Private Sector Finance

UNCDF LFI Response

Facts & Figures

Project Developer: Nucafe-Coffee Cooperative[1]
Location: Uganda
Total project cost: $3.8 million
Duration: 2016–2018
Funder: Sida Booster Fund for TA and seed capital grants

1 https://www.uncdf.org/article/3404/uncdf-lfi-case-study-no6-nucafe-uganda

LFI-tailored technical assistance has facilitated significant financial leverage and the entrance of private financing for increased production and processing of this key agricultural crop in Uganda. The project enhances farmers' capacity to participate in the most profitable nodes of the coffee value chain – consequently resulting in improved entrepreneurship, household incomes and livelihoods; rural development; employment creation; and a multiplier effect on the local economy.

Results Achieved

- By leveraging a UNCDF catalytic seed capital grant of $225,000 and LFI-tailored technical assistance, Nucafe raised an additional $1.7 million in capital from the Uganda Development Bank. LFI helped prepare the project to be investment ready, and the grant enabled the developer to meet the equity contribution requirement of the lender and the last mile transaction costs required to clear lender conditions.
- Since 2018, more than 28,262 farming households (16,401 male and 11,861 female) have been supported to improve capacity in production and productivity so as to meet required International coffee market standards with special orientation in climate-smart agricultural practices, gender equity, family business and succession planning, marketing, the Farmer Ownership Model, value chain and business management.
- The developer undertook warehouse expansion at Nucafe factory to enhance storage capacity for increased green coffee marketing and management of eco-friendly coffee with a total capacity of 6,000 metric tonnes.

With a UNCDF catalytic seed capital grant of $225,000 and LFI tailored technical assistance, Nucafe raised an ***additional $1.7 million*** *in capital from the Uganda Development Bank.*

Additional Funding Unlocked by Nucafe since LFI Support in 2018

- $537,377 from the Nordic Development Fund under the Nordic Climate Facility
- $1,391,798 from Abi Trust for climate resilience through mitigation and adaptation at the factory and farm levels
- EUR 1,200,000 from the European Union for Nucafe to establish a geographical indication targeting coffee from the mountain Rwenzori region; the coffee is now patented as a unique coffee from Uganda, which increases its value and returns to local farmers
- $150,000 from AVSI SKY Foundation-Netherlands Embassy, for Nucafe to establish a training centre through which it will build the capacity of cooperatives to run and improve their business practices, and skills for youth to be employed within the coffee value chain
- EUR 207,118 from CTA, for Nucafe to strengthen ICT for agribusiness development in Uganda, building the capacity of farmer associations to access finance, value chain development and market access
- $250,000 from Centenary Bank towards strengthening and completion of a warehouse at the Namanve factory and hubs
- CHF 70,680 from SCBF for coffee drought index insurance and financial literacy training
- $100,000 from KIVA for working capital (at 0 per cent interest rate) as an advance payment to farmers

Case Study #4: Unlocking Private Sector Finance

UNCDF LFI Response

Facts & Figures

Project developer: Fabrication de Pompes a Eau a Labé (FAPEL)
Location: Guinea Conakry
Total project cost: $461,455
Duration: 2020–2022
Funder: EU Delegation Guinea (Intergra), Sida Booster Fund

Artisanal activities are the second-most important economic activity in Guinea after agriculture. There are up to 120 trades divided into three groups: production crafts (including tailors, carpenters, masons), arts and crafts (including leather workers, jewellers, sculptors, art painters), and service crafts (including hairdressers, mechanics, electricians, plumbers, turners, foundries). The artisans of Labé, Guinea's second largest city for economic activity, have benefited from the assistance of several development agencies in strengthening their technical capacities.

There are many talented artisans who lack the financial resources and infrastructure to apply their technical skills. The support provided by LFI made it possible to obtain additional capital and mobilize private funding from a local bank for the qualification and modernization of the handicraft sector in this region.

FAPEL is a Guinean company that manufactures and markets mainly water pumps, hand-washing stations and furniture. Its customers are the Guinean Government and its partners, farmers' organizations and individuals. The developer holds a patent for its water pumps and has won international awards for innovation in access to drinking water. Its working conditions and facilities were precarious and rudimentary, because the banking sector in Guinea rarely finances manufacturing and industrial projects. By enabling FAPEL to build a modern production unit, this intervention will help improve the craft value chain in Labé, as FAPEL's subcontractors and other craftsmen will settle around the unit, using its modern equipment to materialize their ideas. The craft park project of the Commune of Labé will thus take shape, thanks to this intervention and the spillover and agglomeration effects generated. The result in terms of local development and job creation will be considerable.

Access to water in rural areas will also be positively affected because FAPEL is the only manufacturer of water pumps in West Africa; all other pumps are imported from Europe, cost more and are difficult to maintain because of a lack of spare parts and a network of local technicians.

Results Achieved

- The catalytic role of the UNCDF grant of $100,000 and technical assistance provided through LFI enabled FAPEL to secure an agreement with Afriland FirstBank for a loan of approximately $250,000. UNCDF assisted in fine-tuning the project's investment documents, and the promise of the grant enabled the promoter to meet the lender's guarantee requirement.
- LFI's technical assistance enabled FAPEL to negotiate very favourable loan terms, including a lower interest rate and a one-year grace period.
- The promoter began preparatory work to start construction, as this was part of the terms of the grant agreement with UNCDF.
- The project is expected to be transformative in the artisanal sector and will lead to the creation of at least 1,114 jobs over the next 10 years (or 111 full-time jobs per year for 10 years) at a labour opportunity cost of $250; this is five times higher than the mandated minimum wage in Guinea.

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Case Study #5: Unlocking Private Sector Finance

UNCDF LFI Response

Facts & Figures

Project developer: Tropingo Foods
Location: The Gambia
Total project cost: $651,499
Duration: 2020–2022
Funder: EU Delegation Gambia, JFS Programme, Sida Booster Fund

Agriculture is a mainstay of the Gambian economy, employing nearly half of the labour force and the source of livelihood for about 80 per cent of the rural population, according to the 2015/16 Integrated Household Survey. However, its performance has been weak and volatile. UNCDF LFI support in The Gambia involves the provision of investment readiness technical assistance, the design of risk mitigation strategies with key government institutions, and the provision of seed capital grants to local authorities and SMEs. In the agricultural sector, the focus is to move SMEs from start-up/subsistence agriculture to investment-ready/market-oriented agriculture.

Tropingo Foods (Tropingo) is a Gambian-owned food processor, distributor and exporter of fresh and dried fruits and vegetables. The company operates a fresh packing house and fruit drying facility, with contract farming arrangements with 18 local women's gardens as well as 300 smallholder mango farmers across the country. These suppliers are trained in climate-smart agriculture techniques and processes, including agroforestry systems, to ensure their increased adaptive capacity/resilience to climate change impacts. Tropingo processes and packs produce for the local and export markets, including Senegal, Nigeria, Belgium, the Netherlands, the United Kingdom, France, the United States and Canada. It has worked with various national and subnational stakeholders to strengthen supply chain capacity to supply high-quality fresh produce for export markets as well as apply the necessary certifications for exportation of this produce.

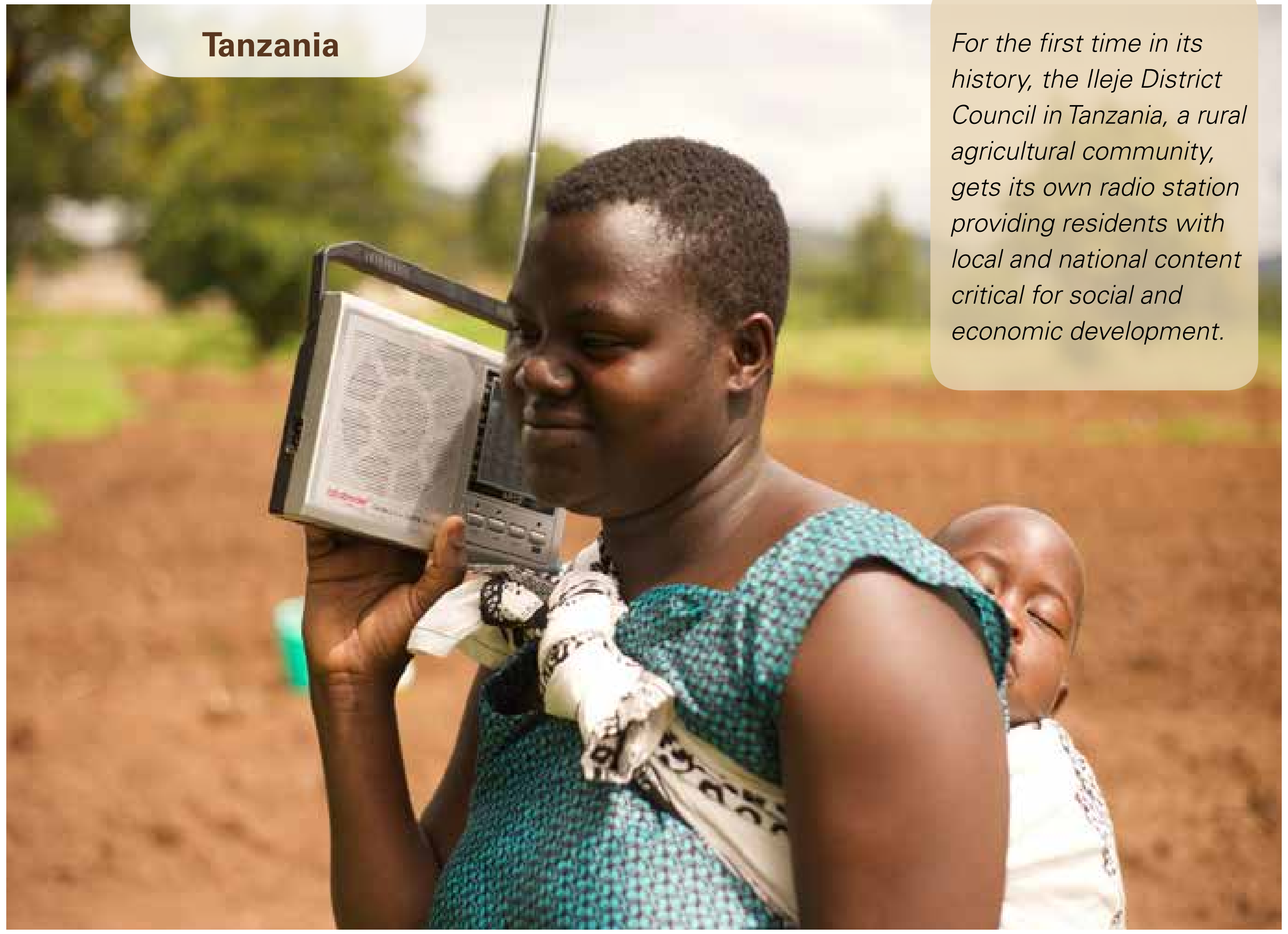
Results Achieved

- By leveraging the UNCDF's $100,000 seed capital grant, an additional $150,000 was unlocked from FAO by Tropingo in the form of grant, allowing it to increase its capacity for fresh produce storage.
- Because of LFI technical support to prepare the project to be investment ready, $50,000 was leveraged from Ecobank Gambia Limited as an extended working capital overdraft facility in line with its expected expansion; this was accomplished in a banking sector where access to finance is the biggest challenge for SMEs.
- Tropingo was able to partner with the National Women Farmers' Association and FAO to increase its smallholder farmer network from 300 to 10,000.
- Over the next two years, it is expected that the project will create over 420 jobs, of which 120 are direct and 300 indirect (mostly youth and women in rural Gambia).

The first shipment of the season to Montreal, Canada for Tropingo Foods Ltd, a fruit and vegetable processing and export company in The Gambia.

8.0 Investment Stories

Tanzania



For the first time in its history, the Ileje District Council in Tanzania, a rural agricultural community, gets its own radio station providing residents with local and national content critical for social and economic development.

Lesotho

Providing clean and affordable energy: UNCDF Financial Support Scheme Investment Committee members visit a solar power mini-grid in the village of Ha Mabeke, Lesotho.

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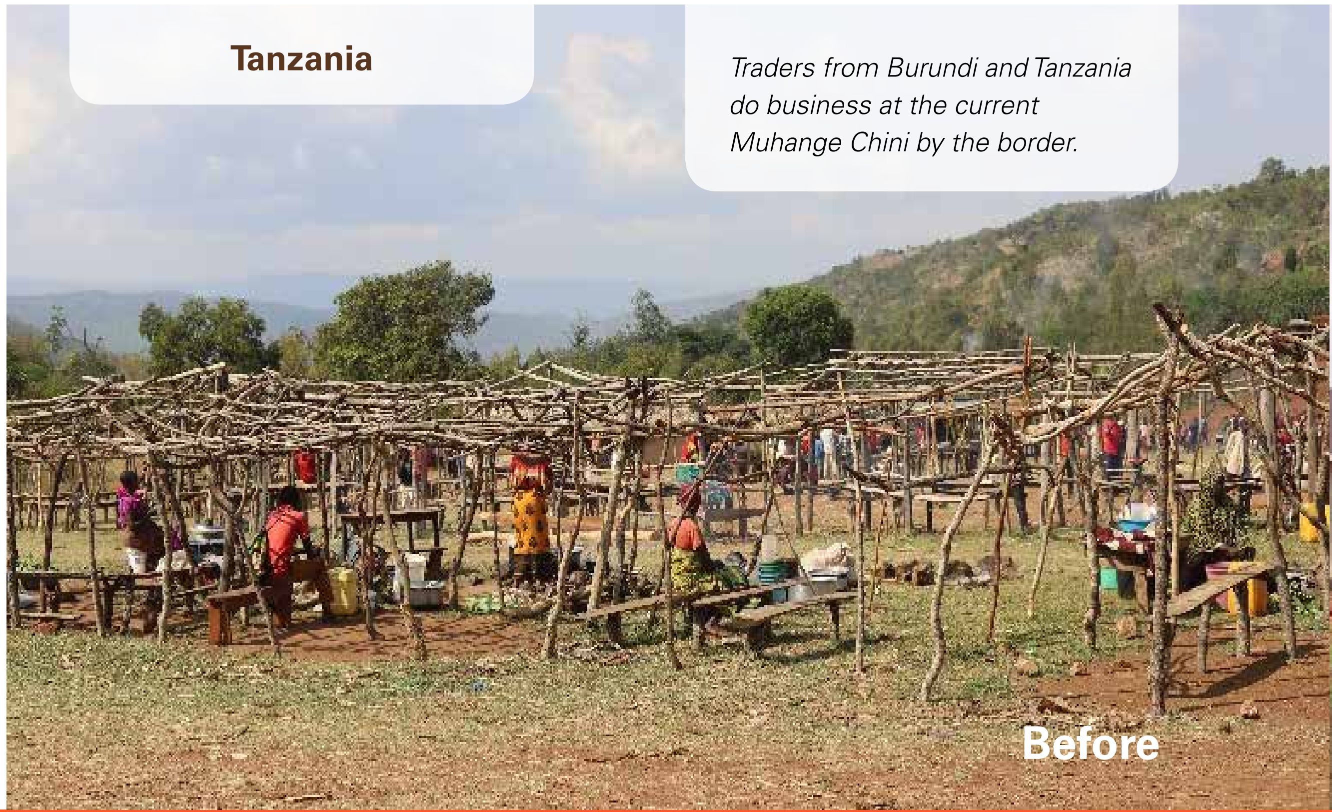
Uganda

Enabling local businesses to achieve their objectives: Production of high-quality, affordable and extended shelf-life egg products has started at Pristine Foods Company in Kireka, Wakiso District, Uganda.

Temporary local workers were employed during the construction period by the project.

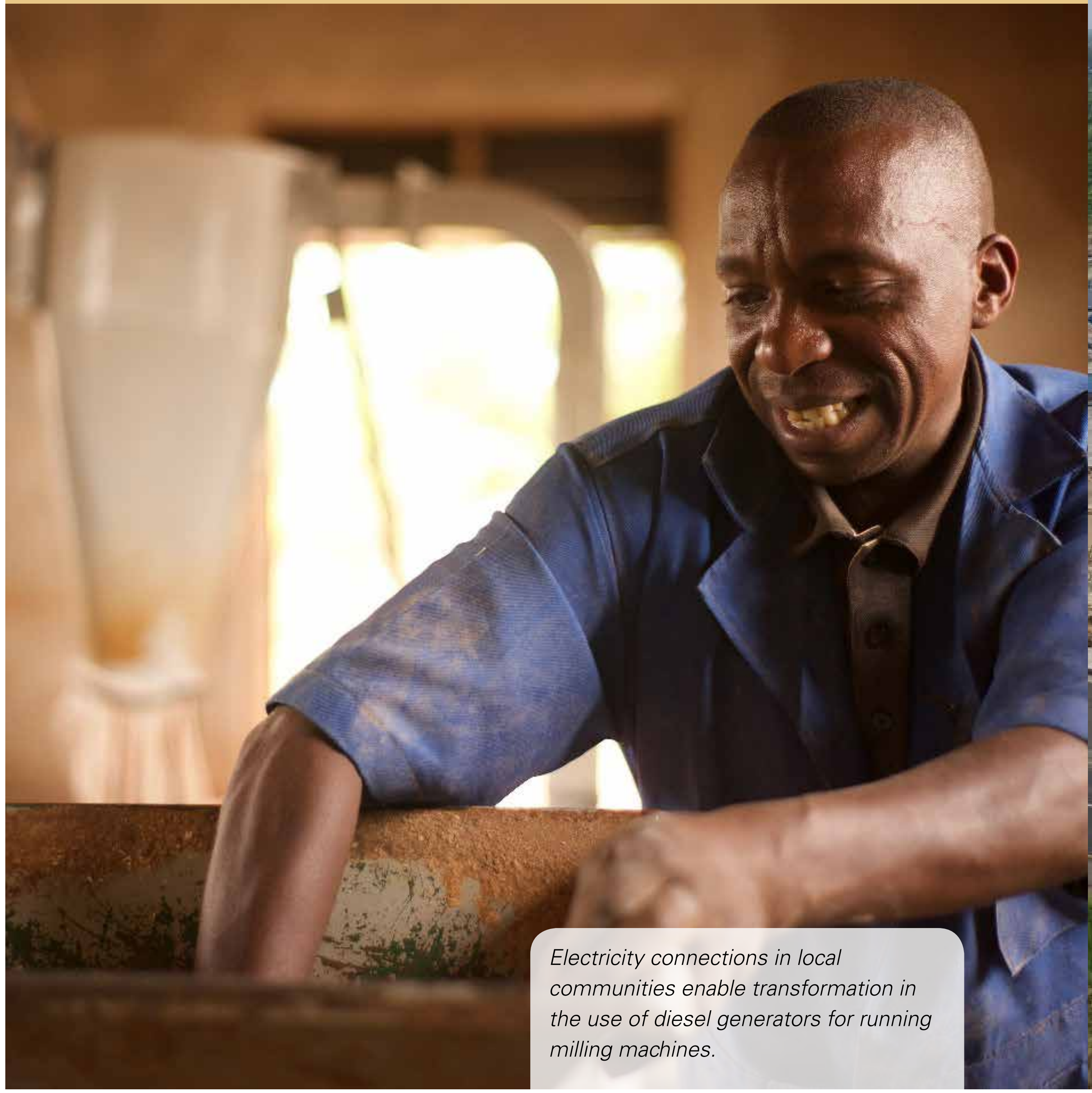
Tanzania

Traders from Burundi and Tanzania do business at the current Muhange Chini by the border.



The main market shed supported by UNCDF as part of KJP implementation is under construction

"Energy access is at the heart of development and a fundamental requirement to meet basic human needs and economic development. Without access to basic energy services for lighting, cooking, heating, pumping, transportation, communication and other productive purposes, people – most often women – are forced to spend much of their time and physical energy on subsistence activities."
– Frank Ndunguru, 21 December 2019, Lifakara Village in Mbinga, Ruvuma, Tanzania



Electricity connections in local communities enable transformation in the use of diesel generators for running milling machines.

The completion of the Kibaha Bus Terminal enables the local government to improve service delivery and add complementary infrastructure such as feeder roads, water, electricity and sewerage. Youth trade agricultural goods to up-country passengers in transit at the new terminal.

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9.0 Implementation Challenges

9.1 Effect of Climate Change on Horticultural Crops and Development Finance

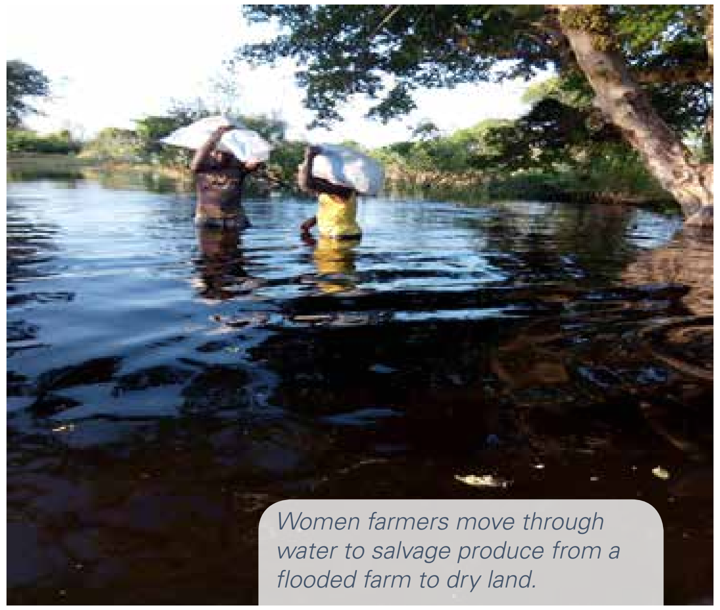
The effects of global warming are now visible in many parts of the world. Abnormality in climate patterns, induced by accelerated warming, has started to affect local businesses and communities.

In the Same District in northern Tanzania, the district government partnered with the private sector in an innovative partnership to bring development solutions to the local community of the Ruvu Ward, working with local farmers. The ward, with a population of 14,261, is primarily dependent on irrigated vegetable farming and livestock production. Beth Equisolutions Ltd (BECL) along with farming communities around the ward, rely on water from the Ruvu River to irrigate their crops during dry periods.

UNCDF's blended finance investment approach of combining owner's equity; loan, technical assistance and seed capital grants; partial loan guarantee and local commercial bank loan was used to support BECL in accessing a total of $703,650 to expand production, trading and distribution of fruits and vegetables – by investing in storage infrastructure and cold chain logistics.

Unpredictable weather patterns have caused delays and challenges to the business in its first year since our investment. The first half of the year was characterized by higher-than-usual temperatures (in excess of 35°C), which was unfavourable to most of the crops. The second half of the year was characterized by heavy rains. The rains caused flooding (for the first time in over a decade), extensive damage to crops, the farm's greenhouses and irrigation infrastructure and significant unbudgeted cost outlays for the company. This situation forced the company to delay production for a year.

BECL horticulture project farmland was under water after the floods.



Women farmers move through water to salvage produce from a flooded farm to dry land.

The floods have affected this business and the community as well. As a survival strategy, BECL shifted some of its farming operations to the neighbouring Arusha District and will mostly use contract farmers. UNCDF and funding partners had to restructure their loans to accommodate unforeseen business challenges.

"The necessary public infrastructure investments by the district council will significantly mitigate the risk of floods in the area. In the meantime, in order to survive as a business, we had to engage new contract farmers in the Arusha region to fulfil our client contracts." – Edith Banzi, CEO, BECL, 25 January 2020, Same District, Kilimanjaro Region

9.2 Lack of Patient Capital to Finance Development

Small and growing businesses in many developing countries rely primarily on the banking sector. As a recent UN report noted, "Although domestic credit has grown substantially over the past decade, in many countries, banking sector credit is primarily short term. For example, in some countries in Africa, short-term credit accounts for up to 90 per cent of bank financing compared to 50–60 per cent for developing countries."[1] LDC economies have very thin corporate sectors, which are dominated by agriculture. Some SMEs have flourished in both trading and agribusiness value addition for domestic use and export.

9.2.I Case of MEMA Holdings Company Ltd

UNCDF, together with NMB Bank, invested capital in MEMA Holdings Company, an agribusiness project worth $1,094,080, of which 21 per cent ($234,956) is for silo equipment.

MEMA Holdings Project Implementation Challenges

➠ **Poor project design and escalation of capex costs.** Silo technology has been around for years, but it has been less practiced in Tanzania. This resulted in poor project design and planning. As a result, the capex was highly understated, due to little knowledge of how much the civil works would cost. Also, cash flow projections were not properly done, as the workings were based on a traditional warehouse model. To address this, MEMA had to hire consultants from Kenya under the advice of the EAGC to review the entire project.

➠ **Unexpected changes in payment terms from the supplier.** MEMA's initial understanding with the equipment supplier was that only EUR 240,000 of the EUR 440,000 would be paid upfront, with the remainder being a soft loan to be repayable in two to three years after commencing operations. However, the supplier changed the terms and required full settlement before shipping. This had a profound impact on the project, and financing has to be sought to respond to this requirement.

➠ **Limited long-term financing in many LDCs.**

The post-harvest project is long term and requires long-term project financing. Short-term available funds are costly and can only be used as working capital and not as capex. To address this, the new project document has been shared with local and regional development banks. Some good progress has been made with TADB, which has issued an indicative terms sheet which we have signed and sent back. We appreciate the UNCDF intervention trying to speed up implementation at TADB. Also, a regional player, EADB, has indicated interest and they are awaiting approval from Kampala." – Michael K, CEO, MEMA Holdings

1 UN, Report of the Intergovernmental Committee of Experts on Sustainable Development Financing.

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9.2.2 The Case of The Gambia: Support to SMEs

The Gambia is designated as a fragile state by the United Nations and its affiliates. A persistent problem for the Gambian private sector is access to investment capital for development. More than 50 per cent of Gambian SMEs have cited access to finance as the biggest obstacle they face, according to the World Bank Enterprise Survey of 2018, with current prevailing market lending rates of 20–23 per cent. Moreover, the regulatory architecture has not been historically supportive of long-term lending. Lending has been restricted due to ossified prudential regulations which restrict balance sheet mismatches – i.e. banks cannot provide long-term capital and are limited in providing short tenured loans because their asset profiles are predominantly short-term deposits.

In the absence of a national development bank tasked with fostering a deepening of capital markets, a mechanism for subsidizing SME credit is needed. The Government of The Gambia has requested UNCDF to support its efforts to establish the first credit guarantee scheme for SMEs with a view to unlocking commercial agriculture and driving SME credit for inclusive growth and development.

9.3 The Challenges of Self-Financing for Local Authorities

Local governments have significant responsibility in the delivery of key services at the local level. LGAs are expected to establish and maintain reliable sources of revenue to provide quality service delivery to their communities. However, local authorities face significant challenges in addressing critical urban infrastructure and quality service delivery due to a lack of funding. High growth in population translates to higher demand for local needs, which does not correlate to LGAs' resource capability. Most of the urban population in LDCs lives in unplanned settlements with poor or unsupported infrastructure (transport, clean energy, water, waste management, affordable housing, etc.); from a rural perspective, there is high migration of people, especially youths, to cities in search of jobs and business opportunities.

Despite various legal and institutional frameworks coupled with financial mechanisms available to support LGA development financing, LGAs' dependency on fiscal transfers from the central government remains significant. But national governments are decreasing their fiscal support (grants) to local authorities in the face of strong demand and cost pressures, with no reduction in LGAs' statutory obligations to provide community services. Similarly, current practices for increasing resilience to climate change and the need to localize SDGs add more decentralized functions to LGAs without guaranteed local resources (technical and financial) for successful implementation.

Local authorities have not sufficiently utilized available financing and investment opportunities that might enhance their local fiscal capacity. In some areas, capacity development and shielding implementation of development strategies from local political interference is needed.

A shift towards the advancement of income-generating projects would respond positively to LGAs' uncertain financial future and long-term financial sustainability. UNCDF is positioned to support local authorities to tap both international and domestic capital while leveraging limited public funding.

9.3.1 The Case of Guinea: Legal Framework Challenges for PPPs

Our experience in Guinea has shown that there are fundamental problems related to an understanding of the PPP concept, especially as this relates to LGAs. For one thing, Guinean legislation on the subject is very recent, dating only to 2017. Further, the local elections that should have taken place in 2010 in Guinea were delayed until 2018; and communal councils were not installed until March 2019.

At the beginning of the UNCDF Intervention, we also learned that the newly established community leaders did not have sufficient experience in local development, investment project management or PPPs. Also, having a private sector partner carry out and manage a market (a function usually handled through town halls) led to a problem of acceptability of the project.

To overcome these difficulties, UNCDF collaborated with the mayor of Boffa, the project and team, and the implementing partners of the AGREM project to explain the outlines of a municipal PPP, its governance and advantages. The team assisted in the interpretation of legal texts governing municipal PPPs based on the Local Government Act and PPP Act, and advised the parties in their efforts to develop a concession agreement with a private sector implementer for the Boffa market.

9.3.2 Policy Environment for Gambian LGAs

Based on feedback from a week-long training of LGAs, we identified the following challenges in the enabling environment for LGAs to develop income-generating investment projects:

- Fiscal decentralization is well covered in the Local Government Act of 2002, but very little has been done to build the autonomy of LGAs in securing and investing in income-generating projects/investments.
- There is a PPP policy but no PPP legislation. The absence of a legislative and regulatory environment slows implementation of an income-generating infrastructure project through a PPP financing mechanism (i.e. Build Operate Transfer – BOT).

9.4 Concessional Loan Defaults and Impact on Funders

Mwenge Sunflower Oil Mills Ltd is a mid-sized sunflower edible oil processor based in Singida, Tanzania.[2] In 2017, LFI assisted Mwenge in obtaining a bank loan of about $765,000 from NMB Bank to modernize and expand its oil processing capacity. A $250,000 loan agreement was signed between UNCDF and Mwenge in December 2017, and funds were disbursed in February 2018 to implement the project. Mwenge has since defaulted on the loans, and project implementation has stopped for reasons noted in the box opposite.

2 https://www.uncdf.org/article/3329/case-study-no1-mwenge

➠ **Late purchases of sunflower seeds due to late disbursement by bank**. A typical harvest season for sunflower begins in March of any given year. Between March and May/June, prices of sunflower seeds are at their lowest due to excess supply. The new working capital facility was released in August 2018. At this point, Mwenge had already lost money due to the purchase of relatively expensive sunflower seeds.

➠ **Unexpected heavy rainfalls during the 2018 farming season.** The 2018 farming season in Tanzania was characterized by heavy rainfalls in all parts of the country. These rainfalls caused suboptimal germination of seeds, resulting in much reduced oil content in the sunflower seeds. This meant that the seeds purchased during that season following the approval of the second working capital facility had a very low oil content. The client estimates that for each bag of sunflower purchased during the season, the oil content was 25–30 per cent less than normal. To remedy the situation, Mwenge tried to source seeds from outside Singida, including the Simiyu and Shinyanga regions, in search of better sunflower seeds. However, the results were the same.

➠ **Diversion of working capital funds to finance the factory.** Based on discussions with NMB Bank, about $100,000 for the purchase of sunflower seeds was diverted into erecting the new steel structure for the refinery.

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UNCDF and NMB Bank have begun joint restructuring discussions about the loans.

NMB Bank is fully secured with assets and a partial loan guarantees on this transaction. On the UNCDF side, chances of recovery are hinged on the NMB relationship in this specific transaction, but may be further limited by our development mandate and rules of engagement.

The impact of Mwenge's default will mean that the project may not be completed, and the intended impact targeting over 7,500 smallholder farmers may not be realized.

LFI Board members visiting the Mwenge sunflower processing plant during construction in Singida, Tanzania, June 2019. A Mwenge engineer is explaining implementation challenges, including equipment and civil works.

10.0 Lessons Learned

10.1 Concessional Financing Instruments Are Not Adequately Secured

Innovation is needed to develop sufficient safeguards for concessional loans to public and private sector partners.

These measures can prevent avoidable default circumstances and can be used as a deterrent. UNCDF could consider introducing protections such as personal guarantees, debentures, corporate guarantees and the management of security instruments through independent third-party agents.

In project finance situations, a typical security package may include all the contracts and documentation provided by various parties involved in the project funding to assure lenders that their funds will be used to support the project in the way intended. The package also provides that, if things go wrong, lenders will still have some likelihood of being repaid. It is possible that additional expense will be incurred by the lenders to identify and provide the security arrangements, which will also require detailed legal documentation to ensure effectiveness.

10.2 Legal and Regulatory Framework for Operationalization of LGA SPVs

SPVs play a vital role in the rapid transformation of local governments. The projects carried out through SPVs are in most cases local development infrastructure projects such as industrial parks, commercial fish farms, markets, bus terminals, etc., with significant potential to generate revenue to ensure financial and operational sustainability. However, without a well-developed regulatory framework and adherence to appropriate governance structures, these types of vehicles may pose several challenges to local governments. For example, if an SPV becomes insolvent, without a well-developed insolvency mechanism,[1] the local government finances could be heavily affected. In Tanzania, our experience of supporting the establishment of several LGA SPVs shows that it is also critical to provide continuous knowledge and capacity trainings on the operationalization of SPVs (e.g. customize set-up according to the unique legal and local environment, understanding the roles and responsibilities of the board of directors, the availability of standard operating manuals, case studies and examples of different governance structures).

10.3 Municipal Revenue Bond Issuance in LDCs

The case of the Mwanza City municipal bond provides key lessons from the UNCDF team in its support of efforts of Mwanza City to issue a revenue municipal bond in Tanzania.

- Despite their feasibility and viability, the use of such bonds has been virtually non-existent in Tanzania and other LDCs due to structural hindrances, especially due to the weak capacity of many municipalities to generate enough revenues. However, there are municipalities that can generate sufficient revenue and therefore should be able to issue revenue bonds to finance development projects if structural weaknesses and bottlenecks are addressed.
- The political approval process can produce a single point of failure. Many factors are considered when evaluating the quality of a municipal bond issuer, including sources of the issuer's income, the strength of its balance sheet, its vulnerability to changing economic conditions, and the quality of its budgeting and oversight processes. Understanding local, regional and national political dynamics can make the difference

1 Central and Local Government Relations in Asia: Achieving Fiscal Sustainability.

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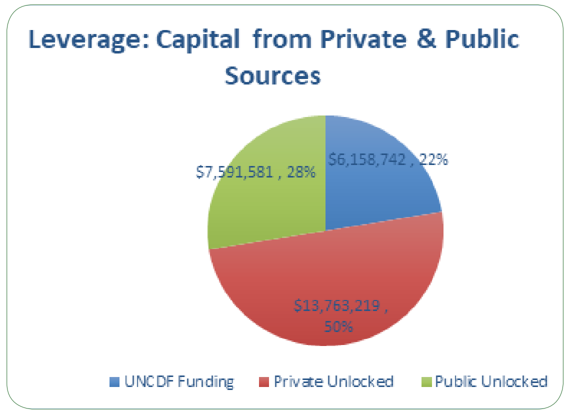
between failure and success. It is critical to manage politics throughout the project and to secure preliminary approvals early on. Sometimes, the approval process appears to depend on subjective criteria and ambiguous definitions which may add to the unpredictability of receiving approval in a timely manner.

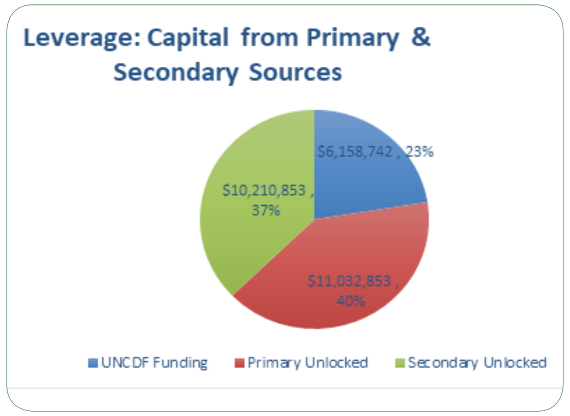
- Sensitization and training at all levels, including of decision makers and technical staff, need to be embedded due to a general lack of local capacity and technical ability to prepare bankable municipal transactions that will ensure sufficient financial return to prospective capital market investors.
- One institution cannot do this alone. A coalition of strategic national and international partners is needed to work together in parallel to achieve a common objective. In Tanzania, UNCDF led a national municipal bond issuance task force and had active partnerships with several international organizations (USAID DCA unit, GuarantCO, etc.).
- A government action, for whatever reason, can de-rail the issuance of a municipal bond.

10.4 New Sources of Capital (Secondary Unlocking)

During project preparation and planning, all primary sources of capital will be identified by the LFI team as part of the project's capital structure. The "secondary unlocking" is a new lesson learned by LFI, as more funding for some projects comes after investment or project completion. One of the lessons learned is that it becomes easier for developers to attract new funding and new partners after our support. Our interventions helped businesses enhance their sustainability levels and reduced risks. In Uganda, for example, after LFI investment in Nucafe, Abi Trust invested $1,391,798, with $537,377 from Nordic Contribution.



Overview of UNCDF funding and that leveraged from private and public partners



Overview of UNCDF funding and that leveraged from primary and secondary sources

11.0 Key Events and Activities

11.1 Global Board

As part of the 3rd Global LFI Board meeting held in Dar es Salaam, Tanzania, on 16–17 November 2019, LFI organized a results and knowledge-sharing event with a specific focus on innovative finance models that can be implemented to achieve SDGs at scale.

The event brought together partners from the public and private sectors; diplomatic missions; the United Nations; and representatives of the Governments of the United Republic of Tanzania, Nepal, Uganda, Bangladesh, The Gambia, Guinea, and Lesotho, among others. Partners, stakeholders and the media heard first-hand progress in localizing implementation of the SDGs in LFI countries. Specifically highlighted was its local development finance approach, combining seed capital and technical assistance to build a business model and appropriate governance structures that ensure financial and operational sustainability of investments beyond UNCDF support.

Board meeting, 16 November 2019. From left to right: Bakary Sylla, Ministry of Finance, Guinea; Buba Sanyang, Permanent Secretary, Ministry of Local Governments, The Gambia; Sirra Foon, LFI Investment Officer, The Gambia.

> *Speaking during the ceremony, the Deputy Permanent Secretary, President's Office – Regional Administration and Local Government in Tanzania, Gerald Mweli, said, "The government appreciates UNCDF's efforts to support the development of income-generating investment projects to enhance new sources of revenue and to meet development needs at the local level."*

11.2 Technical Collaboration: Greater Emphasis on Training and Knowledge Transfer Based on National Policies and Priorities

The majority of the SDGs are implemented at the subnational level, but there is very limited funding flowing there. Local authorities face significant challenges in addressing critical urban infrastructure and services due to a lack of funding. In most LDCs, dependency on fiscal transfers from the central government is approximately 90 per cent of their budgets. Therefore, developing income-generating projects as a new source of funding will help local authorities increase their ability to access sustainable sources of capital financing by mobilizing public and private capital investment, while transitioning their finances from traditional pure grant funding to a broadened mix of financial sources, so as to be able to address their local challenges.

UNCDF LFI technical collaboration is designed to increase the flow of funding, increase developmental impact and improve the financial sustainability of a locality considered for UNCDF funding and that of other external partners. The funding needs should be accompanied by capacity development, especially if they aim to introduce innovative service delivery methods.

SME representatives in The Gambia attending UNCDF LFI investment readiness training conducted by the Tanzanian and Gambian teams

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Training and Technical Collaboration Summary

	Males	Females	Total
LGA	775	325	1,100
SMEs	360	161	521
	1,135	486	1,621
MDA	21	9	30
	1,156	495	1,651

Note: MDA = ministries, departments and Agencies.

The total number of people trained in development and financing of income-generating infrastructure projects in Tanzania, Uganda, Benin, Bangladesh, Nepal, Lesotho, The Gambia and Guinea is 1,651:

- 1,100 from local government authorities
- 521 from local enterprises
- 495 females and 1,156 males

11.3 South-South Technical Collaboration

In Senegal and The Gambia, LFI showcased technical collaboration and training of LGAs and SMEs by the Global LFI Technical Secretariat as part of implementing South-South technical collaboration as directed by the LFI Global Board meeting of November 2019.

The LFI Global secretariat team has been supporting other countries through technical assistance in project development and capacity building of local government authorities. Since 2017, the secretariat has conducted capacity building for UNCDF colleagues in LFI member countries in light of enhancing South-South collaboration. Seven technical missions have been conducted in The Gambia, Guinea, Lesotho, Senegal and Uganda. The overall objective is to support UNCDF colleagues and local government authorities in developing bankable projects and investment portfolios.

12.0 Awards

12.1 Mpale Village 50kw Solar Micro Grid Award

UNCDF LFI supported a clean energy project – the Mpale Village 50kw solar micro grid – developed by ENSOL (T) LTD, which won the Alliance for Rural Electrification (ARE) award in the "Best Off-Grid Project" in Africa category.[1] The award was presented during the ARE Awards ceremony which was held at the 4th ARE Energy Access Investment Summit in Catania, Sicily, 13 March 2018.

Mahamudu Athuman (60), a multi-talented man from Mpale village, benefits from Mpale solar power project

12.2 UNCDF Dual Key System Award

The UNCDF local development finance dual key system received an honourable mention by the IFC during the Global SME Finance Forum in 2019, for the best product innovation of the year. LFI is the implementer of the financial key of this award-winning system.

1 https://www.uncdf.org/article/3363/uncdf-supported-project-wins-best-off-grid-project-award

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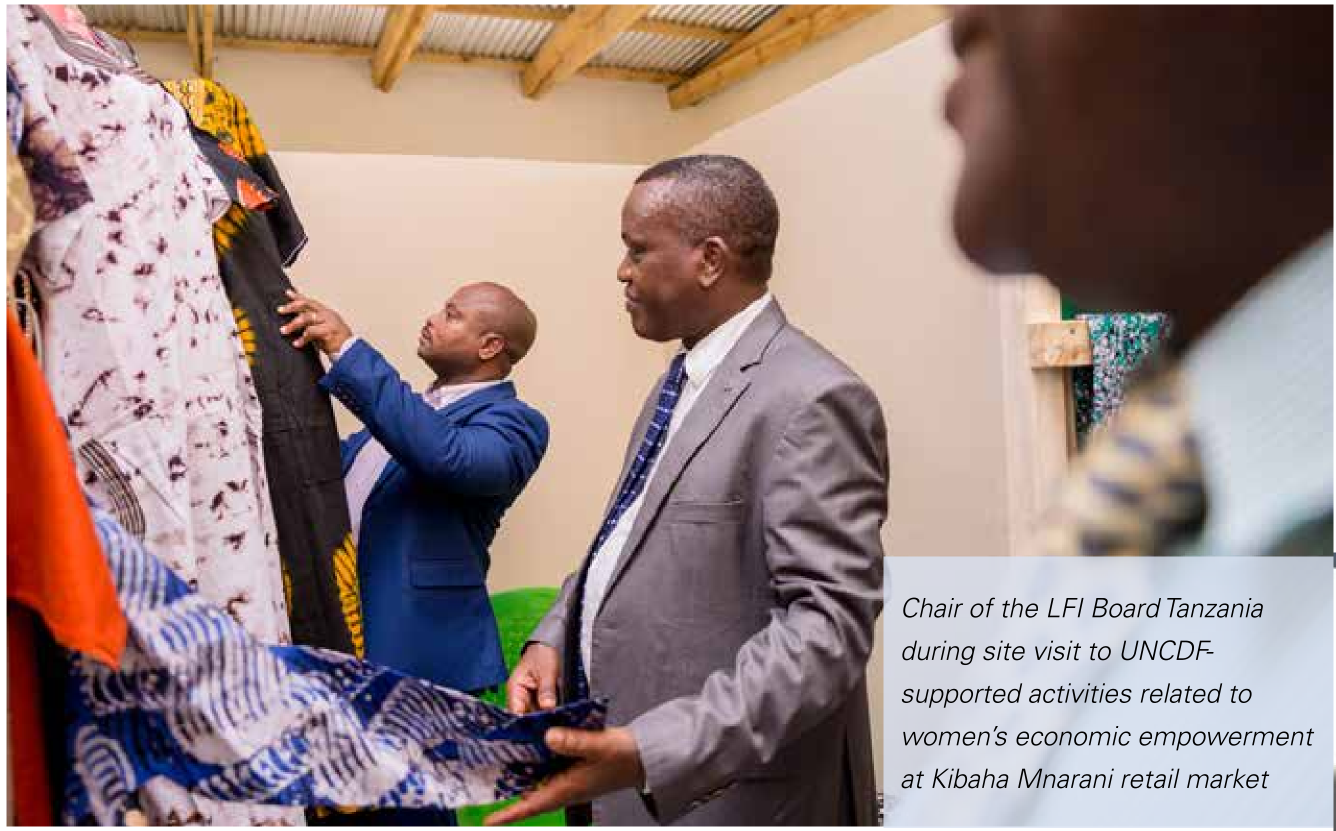
13.0 Governance

LFI is a UNCDF Global programme under the Local Development Finance Practice (LDFP). David Jackson is the Director of LDFP and the Chair of the Local Development Investment Committee (LDIC). Peter Malika is the Global LFI Manager and is supported by the Global LFI technical secretariat based in Tanzania and other country-based investment officers in all LFI countries.



Chair of the LFI Board Tanzania during site visit to UNCDF-supported activities related to women's economic empowerment at Kibaha Mnarani retail market

14.0 Funding Arrangements

Financial support from the Swedish International Development Cooperation Agency (Sida) has catalysed and pushed the work of LFI this far. In addition, efforts at the global and country levels have attracted additional funding from different development partners to expand the programme work for better results. Sida provides support through several programmes such as its Booster Fund, specifically for investments; Partnerships Framework on Inclusive Growth and Sustainable Development, and Last Mile Trust Fund. Other donors include the Norwegian Agency for Development Cooperation (NORAD); the Swiss Agency for Development and Cooperation; and the One UN Fund in Tanzania, which attracts funding from multiple donors including the Embassy of Sweden and Norway in Tanzania.

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15.0 Appendices

LFI Global Programme Board
Annual Session 15–16 November 2019
Dar es Salaam, Tanzania

Appendix 1: Global LFI Board Decisions 2019

LFI Programme Board Decision

1. *Considering that, in Least Developed Countries, the promotion of local economic development largely falls under the core mandate and responsibilities of local governments;*

2. *Considering further that catalytic and transformative investment for local economic development is essential to resilient and sustainable local economies that can provide employment and income for households at increasingly higher value;*

3. *Considering that the objective of LFI is to develop standard and recognized country-based platforms for the promotion of Local Economic Development Finance with the objective to invest primarily domestic resources in local economies for catalytic and transformative investments, with measurable impact, in the areas of local economic development, climate resilience, food security and land degradation, clean energy and women and youth economic empowerment;*

4. *Considering that Uganda and Tanzania are signatories to country LFI project documents and have agreed to become founder members of the LFI global programme board together with Benin and Bangladesh, which have signed country framework agreements with UNCDF under the auspices of the global programme document signed on 4 April 2014;*

5. *Membership of the LFI global programme is open to eligible countries that are implementing approved UNCDF local development finance programmes under the terms of the global programme document;*

The LFI Programme Board

6. Congratulates the partners in LFI on winning an award from International Finance Corporation (IFC), for innovation in SME finance through the Dual Key system and the Finance Investment Committee and recognizes the ability of this committee to make strategic decisions on resource allocation.

7. Reaffirms the 2017 May Board Decisions, especially the three conditions for membership of LFI:

   7.1. Letter of application delivered to the Chair of the LFI board and signed by the Permanent Secretary or equivalent level of the Government Ministry or Government Department responsible for local government affairs;
   7.2. Proven existence of the source of funding for LFI seed capital (from government, local government, development partners or other sources);
   7.3. Sufficient regulatory environment to enable investment in LFI pipeline (this includes regulatory environment for public private partnerships with local government and for SME investments).

   UNCDF, as secretariat of the Board, will verify that these conditions have been met and communicate to Board Members.

8. Acknowledges the implementation of the previous board decision to introduce reimbursable grants as an effective financing instrument for LFI in addition to grants, loans and guarantees.

9. Acknowledge the introduction of the online system which will be used for financial management and data sharing of the LFI investment pipeline hence full implementation of the previous board decision.

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10. Recommends that LFI team works with member countries on introducing and strengthening credit guarantee financing for local economic development and reports on progress to board members and to the local development finance investment committee.

11. Recommends that the LFI team works with member countries on building and strengthening national financial intermediaries for local economic development finance, for example sub-national development banks and domestic sovereign funds. The LFI team will report on progress to board members and to the local development finance investment committee.

12. Recommends that LFI member countries works with member countries on introducing and strengthening South-South Cooperation for local economic development finance; for example supra-national cooperation on river basins and cooperation between cities in different countries. The LFI team will report on progress to board members and to the local development finance investment committee.

13. Acknowledges that the LFI team has become a global facility that supports local development finance investments associated with UNCDF local development country programmes implementing the Local Development Finance Practice theory of change.

14. Acknowledges the creation of the International Municipal Investment Fund as an instrument of the UNCDF and UCLG coalition for a global financial eco-system that works for cities and local governments that follows the same theory of change. Further, the board acknowledges that the LFI teasm will provide technical assistance to the pipeline of investments for this fund.

15. Recognizes with satisfaction that the recommendations of the mid-term evaluation of LFI have been implemented and looks forward to the next phase of the programme.

16. To further implement the recommendations of the mid-term evaluation on resource mobilization, LFI member countries commit to developing and implementing a resource mobilization strategy and work plan with clear targets and benchmarks. LFI board mandates the LFI team to support member countries in formulating and implementing this strategy.

17. Recommends the development and implementation of joint resource mobilization strategies that connect the LFI approach to relevant government and UN initiatives and policies.

18. Encourages LFI team to continue providing technical support to LFI member countries and thanks them for the efforts so far.

Signed

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Assistant Director, President's Office, Regional Administration and Local Government, United Republic of Tanzania

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Permanent Secretary, Ministry of Local Government, Republic of Uganda

Gnonlonfoun Rick
General Secretary, Ministry of Decentralization and Local Governance, Republic of Benin

Buba Sanyang
Permanent Secretary, Ministry of Lands and Regional Government, The Gambia

Khomoatsana Tau
Principal Secretary, Ministry of Energy and Meteorology, Republic of Lesotho

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Mani Ram Gelal
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Appendix 2: Financial Delivery

The reporting period covers three subsequent years of implementation of the Global LFI Programme for the period 2017–2019. This report shows comparisons and financial changes throughout the three years of implementation.

For the period January 2017–December 2019, the Global LFI Programme received $7,909,756 as per Table 1 and managed to deliver up to 88 per cent of the received budget. Funding from Sida through UNCDF Headquarters contributed about 53 per cent; this has been well utilized by 92 per cent.

Table 1: 2017–2019 Global LFI Programme Budget and Expenditure by Source of Funding

Source of funds / donor	January 2017–December 2019			Delivery against budget (%)
	Budget ($)	Contribution (%)	Expenditure ($)	
Sida Tanzania	583,276	7	453,608	78
Norway Tanzania	1,835,391	23	1,665,432	91
Sida Global	4,152,711	53	3,822,740	92
Norway Global (NORFUND)	764,721	10	475,535	62
UNCDF Core	573,657	7	573,657	100
Total	**7,909,756**	**100**	**6,990,972**	**88**

Sida Tanzania and Norway Tanzania are in-country mobilized resources through the One UN Fund in Tanzania, and are hence only applicable to the LFI Tanzania Programme. Funding mobilized at UNCDF Headquarters (i.e. Sida Global and Norway Global) are available for allocation to the five programme countries currently implementing the Global LFI Programme (Tanzania, Uganda, Benin, Bangladesh and Nepal).

The programme received funding from Norway towards the end of 2017 with a target of channelling the money into loanable investments. As this was a new source of funding to support a new financial instrument, implementation was delayed due to preparation of financial tools, mobilization of human resources and preparation of lending conditions.

Table 2: 2017-2019 Global LFI Programme Budget and Expenditure by Country

Country	January 2017–December 2019		Delivery against budget (%)
	Budget ($)	Expenditure ($)	
Tanzania	5,627,692	5,212,796	93
Uganda	1,011,174	735,586	73
Benin	724,445	534,091	74
Bangladesh	420,000	415,497	99
Nepal	126,445	93,002	74
Total	**7,909,756**	**6,990,972**	**88**

In terms of programme activities, the Global LFI Programme is delivered through implementation of two outcomes. The funding allocation to the two outcomes is almost equal, and the financial delivery by outcome is shown in Table 3.

Table 3: 2017-2019 Global LFI Programme Budget and Expenditure by Outcome

Country	January 2017–December 2019		Delivery against budget (%)
	Budget ($)	Expenditure ($)	
Outcome 1: Improved capacities of public and private project developers to develop small to medium-sized infrastructure projects	4,493,656	3,706,510	82
Outcome 2: Increased ability and willingness of domestic financial sector to provide financing for small to medium-sized LED infrastructure projects	3,416,100	3,284,462	96
Total	**7,909,756**	**6,990,972**	**88**

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Appendix 3: Six Additional Case Studies

- UNCDF LFI Case Study No.1: Mwenge (https://www.uncdf.org/article/3329/)
- UNCDF LFI Case Study No. 2: Mpale Village (https://www.uncdf.org/article/3341/)
- UNCDF LFI Case Study No. 3: Cipta (https://www.uncdf.org/article/3400/)
- UNCDF LFI Case Study No. 4: Talian (https://www.uncdf.org/article/3401/)
- UNCDF LFI Case Study No. 5: Reparle (https://www.uncdf.org/article/3402/)
- UNCDF LFI Case Study No. 6: Nucafe (https://www.uncdf.org/article/3404/)

Appendix 4: Linkages to Sustainable Development Goals

Goal 1. End poverty in all its forms everywhere

Goal 2. End hunger, achieve food security and improved nutrition, and promote sustainable agriculture

Goal 5. Achieve gender equality and empower all women and girls

Goal 7. Ensure access to affordable, reliable, sustainable and modern energy for all

Goal 8. Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all

Goal 9. Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation

Goal 10. Reduce inequality within and among countries

Goal 11. Make cities and human settlements inclusive, safe, resilient and sustainable

Goal 12. Ensure sustainable consumption and production patterns

Goal 13. Take urgent action to combat climate change and its impacts by regulating emissions and promoting developments in renewable energy

Goal 17. Strengthen the means of implementation and revitalize the global partnership for sustainable development

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