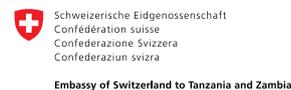


Investing in Development, Building National Capacities, Changing Peoples Lives' and Transforming Communities



United Nations Capital Development Fund (UNCDF)

A Local Finance Initiative
Programme Report
for the period from
January 2017- December 2019



Bangladesh



Benin



The Gambia



Guinea Conakry



Lesotho



Nepal



Tanzania



Uganda



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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 the 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 whilst 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 (PoA) for the period 2021 -2030, during which many of them are expected to graduate from LDC status. Graduation requires reaching a GNI 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 the case in countries that are rapidly urbanising 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 exactly what is happening in many current LDCs.

Perhaps for this reason the United Nations Committee for Development Policy recommends that LDC V adopts the theme “Expanding productive capacity for sustainable development” as a framework for the next PoA. Their analysis points to the longstanding vulnerabilities exposed by the Coronavirus pandemic (such as over exposure to single industries like tourism or extractive industries and an inability to produce locally 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, or area development programmes, or 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, Gambia, Nepal, Lesotho, Bangladesh and Guinea Conakry. It includes a global team of private sector investment officers that act as a front office and work 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: Firstly, its transformational effect on the local economy in line with the CDP analysis; Secondly, 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 the 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 Plan of Action for 2021-2030.

I would like to thank the governments of Uganda, Tanzania, Benin, 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, 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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The Least Developed Countries have witnessed a resurgence in economic growth in recent years, but, it has not been sufficiently inclusive, given the widespread poverty, high unemployment and worsening inequality. Translating gains from economic growth into lower ends of the pyramid is a key milestone for localization of 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.

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 USD50.6m¹ are either completely implemented and operational or are at different stages of approval and disbursement. It is comprised of 61% owners’ equity, 12% UNCDF capital and 27% is the amount of the additional domestic and international capital that was mobilized to invest in these projects. In addition to the above, another USD158 million is the total value of LFI current active investment pipeline under preparation and structuring by LFI in 6 countries as of 31st December 2019. The case studies, investment stories, challenges and lessons learned highlights the need for support to LDCs to build national capacities in key areas to remove the bottlenecks to fund SDGs.

LFI is ‘body of knowledge’ and is part of a broader maturity model of UNCDF’s

1 USD \$50.6 represent total project cost of transformative projects that are either now in operational status, or under construction or at different stages of approval and disbursement.



Peter Malika
UNCDF Global LFI Manager &
Chief Technical Advisor

innovation, learning, replication, and now ready for implementation at scale. LFI lessons have been consolidated and repackaged to help LDCs to embed these innovations within their national institutions, policies, and transformational systems.

The scalability of LFI is possible within the context of 1) UNCDF Local Economic Development approach where currently LFI has been embedded into UNCDF country programs and replicated in Lesotho, Uganda, Gambia, Guinea, Bangladesh and Tanzania 2) replication to more developing countries as their own version of national capacities for mobilizing resources for 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 and scale-up of sustainable development.

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. LFI mechanism (Catalytic capital² + Technical Assistance³ + Risk Mitigation Strategies⁴) has been proven that transformative local development investments can tap into additional capital from both public sector and domestic capital markets. The facilitation by LFI is a way of making public funding go further by reducing risks so that 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)⁵. 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 its 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 the on-the-ground delivery of the SDGs by mobilizing resources and partnerships between local actors, national governments and the UN system⁶.

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. Both these approaches lead to increases in local revenue (through taxes and fees) for local institutions that again can be reinvested in the local economy.

The LFI Programme employs these proven financing techniques to mobilize private financing for relatively small infrastructure projects that are critical for 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 LDFFP’s 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 (MIF), the Inclusive and Equitable Local Development programme (IELD) and the Local Climate Adoptive Living (LoCAL) will seek synergies with the LFI global project.

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

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

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UNCDF Global LFI Technical Secretariat – Investment Management Team



Peter Malika,
Global LFI Manager & 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 centered experience & 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 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



Immanuel Muro
Senior Investment Officer - Tanzania
CPA; MSc. Enterprise/
Entrepreneurship Development;
Bachelor of Commerce and
Management (Bcom)

Prior to joining UNCDF served as Investment Officer (E+CO clean energy fund); Chair of Fanikiwa Microfinance Company; 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.

<https://www.usadf.gov/>



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

Prior to joining UNCDF, Abraham served at 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’ experience in banking, local economic development, financial management, and business advisory.

UNCDF Global LFI Technical Secretariat – Investment Management Team



Stella Lyatuu
LFI Investment Officer - Tanzania
Certified Public Accountant (CPA),
Master’s Degree in Financial
Management, Bachelor of
Accounting & Finance.)

Prior to joining UNCDF, Stella worked for the Ministry of Local Governments as a Senior Financial Management officer, in the areas of LGAs finance, fiscal decentralization, financial analysis, project finance and Public Private Partnerships (PPPs).

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



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

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.

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

Prior to that he worked at Riscura (www.riscura.com/what-we-do/investment-advisory) providing private equity advisory services to some of Africa’s largest pension funds 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 & Finance), BCom
Honors (Investments), Certified
Financial Analyst (CFA) 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, she 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 BBA from Babson College in the US.

She started her career at JPMorgan as a certified Sales Trader advising large mutual and hedge funds in Boston and New York investing in US 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 (M&A and Restructuring) of local corporates.

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 6 years.

He also has experience in economic and policy advisory 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 socio-economic 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.



Sirra Foon
LFI Investment Officer (The Gambia) BA (Hons) and MSc in Actuarial Science

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

Sirra 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.

Prior to joining UNCDF, Deus worked with Kilimo Trust for over 10 years where he rose from Accountant position to that of Director for Finance & Administration. He previously worked as a Senior Auditor with the Accounting Firm - 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 Development Initiative for Northern Uganda (DINU) Program.



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



Fidelis Luteganya
LFI Investment Officer - Tanzania CPA, MSc. (Finance & Banking), MBA, BA. Commerce majoring in Accounting.

Prior to joining UNCDF, Fidelis worked for UNDP and UNCDF in Tanzania for over 4 years as Finance Analyst.

He previously worked as Accountant in the private and public sector in Tanzania at various levels. Fidelis is an Investment officer with 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.

Prior to joining UNCDF he 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 FINA/GTBank; and a project/Investment officer at Oikocredit international- East African. He is currently the Programme Analyst -Investment on DINU/START Facility UGANDA.



Fred Duhaga
Programme Analyst -Investment on DINU/START Facility UGANDA PGD Fin, BCOM

Prior to joining UNCDF, he 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.

Currently works as a Programme Analyst- Investment for the DINU Programme- START Facility based in Kampala, Uganda.



Ddamulira Ivan Bbaale Programme Analyst- Investment for the DINU Programme- 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 is a dynamic project development support 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 the development impact of the project; decrease the risk of defaults and ensure sustainability of the businesses in the long term. Businesses and project owners often lack the experience, skills and resources to appraise investment opportunities and at the same time navigate the difficult markets they operate in, hence the need for a great deal of technical assistance. LFI BDS work sometimes involve supporting projects to access 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, owners and governance structure, risk (identification, analysis, evaluation, allocation, and mitigation) strategies etc. and support developers to structure transactions in a way that reflect the reality and expectations of financiers.
- **Transaction facilitation** – we are facilitators that guide the identification of appropriate sources of finance for projects both internally at UNCDF and externally with local banks/investors, thereby maximizing the mobilization of local domestic capital in financing development projects. Getting the right balance require navigation of the financial eco system to get transactions to reach financial close and to be implemented. This facilitation role of LFI between project owners and financiers increases the chance of the investment to be successfully financed.
- The combination of the **UNCDF financial Instruments** and the use of LFI development capabilities has helped to catalyze access

- to additional finance from public and private sources to invest in sustainable development, deepening capital markets, support private sector development, and creation of multiplier effects in local economies.
- **Fund management** –As in Lesotho and Tanzania, our niche is in the designing and the implementation of the 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 etc. by providing start-up seed capital to meet financier’s capital financial requirements. In addition, 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; PPP; and blended finance.
- **South-South Technical Collaboration** – Building national capacities among global south countries through learn by doing, training and workshops, and involving project stakeholders and managers, government and its agencies, private sector, financial institutions, development partners, UN agencies and intermediary technical service providers.
- **Credit Guarantee Schemes** – We have supported governments and thier national institutions to design and implement public credit guarantees schemes (CGSs) to unlock finance for SMEs. The credit guarantee schemes that UNCDF supported with \$200,000 seed capital investment has since been scaled up by the government. We are in the process of setting up another CGS with the Central Bank of Gambia and discussions to set up the the same with the government of Tanzania - Zanzibar have started.

4.0 Geographical coverage

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



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



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5.0 Facts & Figures

As of December 2019 (numbers and figures)



USD 14.2m

Financial resources mobilized so far (2012-2019)

Resources mobilised 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.

USD 6.1 million

Direct financial assistance and commitments to projects

USD 4.4 million disbursed and the remaining USD 1.7m waiting fulfilment of disbursement conditions.

- Seed capital grants
USD 3.9 million

- Reimbursable grant
USD 0.15 million

- UNCDF concessional loans
USD 1.4 million

- UNCDF guarantee instrument
USD 0.61 million



8

Country Presence

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



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

72 Active Projects

USD158 million is the total value of LFI current active⁷ projects under preparation and structuring by LFI (total project costs); Funding gap is **USD107 million**

2.8million
1.5m Women
1.3m Men

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

USD 21.2million

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

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

USD 10.2 million is the additional capital leveraged "secondary unlocking" that happened as a result of the project to reach advanced stages and attracted more partners (was not part of the initial planning).

42 Completed Projects

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

Completed Projects

(a) include those whose construction has been completed and b) now operational, c) under construction, d) approved by LDIC pending disbursement and clearing conditions e) those disbursed and about to start construction.

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⁷ USD 158 Million is the total value of LFI current active projects as of 31st December 2019

6.0 Key Achievements

6.1 Mobilization of Domestic Capital for Sustainable Development

UNCDF LFI supported a pipeline of 42 completed⁸ investment projects worth USD50.6⁹ million invested in sustainable development in 4 LDC countries. Out of the USD50.6m above, **22% of it is (i.e. USD 11m¹⁰) is the additional capital mobilized from both public and private sector** in 4 LFI supported countries (Tanzania, Uganda, Bangladesh and Benin). Furthermore, USD \$10.2 million is the additional capital leveraged “secondary unlocking” that happened as a result of the project to reach advanced stages and attracted more partners (was not part of the initial planning). This extra capital comes as a positive developmental response from the government, private sectors and other development partners triggered by the presence of the projects. It comes in various forms including government 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 USD158 million of current LFI active investment pipeline under project preparation and structuring phases with a funding gap of USD107 million expected to be unlocked.

....investment projects worth USD50.6 million invested in sustainable development in 4 LDC countries

6.2 Taking LFI Innovations to Scale #1 –The LFI body of knowledge

The LFI as ‘body of knowledge’ and part of the broader maturity model of UNCDF’s innovation and learning is now ready for scale up. The LFI lessons have been consolidated and repackaged to help LDCs to embed these innovations in their national institutions, policies, capacities, and transformational systems. The following is a demonstration of 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, department of SME 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 USD \$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). Out of the 21 first generation women entrepreneurs, 12 were first time borrowers, who were able to expand their viable businesses and created 620 jobs (70% of which are being held by women). The scheme has also expanded beyond one pilot district and sector to four districts and six sectors. The demand for such 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 continued guarantee scheme under this new architecture. Various staff have been recruited to scale-up operations of the scheme piloted by UNCDF.

Uganda: The Support to Agricultural Revitalization and Transformation (START) Facility managed by UNCDF is using the LFI approach and its common methodologies in delivering its objectives. To date, 6 projects worth USD 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 with a total of USD 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 government own source revenues as well as financial and nonfinancial contributions of development partners and private sector entities. To date, 7 projects have been approved for a total of USD 709,300, of which USD 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 a number of guidelines to address various aspects of project development and finance including project selection criteria, technical assistance modalities, application of different types of grants, loans and guarantees. The LFI approach is being mainstreamed in the practices of the partner institutions, public and private, including financial institutions, to ensure high quality projects benefitting 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 a continued functioning of the facility after the 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 centers in rural Lesotho worth about USD 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 USD 1.2 million and expects to be leveraged by ratio of 1:2 after implementation. In 2019, UNCDF helped develop and get financed eight solar mini grids for a total of USD 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 Financial Support Scheme, with the ultimate objective of handing it over to the relevant partner institutions (Ministry of Energy and Meteorology) to continue with the same approach after the 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 disproportionately concentrated within vulnerable groups especially rural women who despite playing a substantial role in the primary production, they have been unable to fully benefit. In addition, the project is addressing the issue of increasing productivity, increasing financial access, reducing post-harvest losses and increasing market linkages for small holder farmers in collaboration with other UN agencies e.g. FAO, WFP, ITC etc. Using the LFI facility, UNCDF provided technical assistance and seed capital grants of USD \$1.3m to 15 income generating projects worth USD 2.5m (in storage/crop aggregation centers, cross border markets, fish processing and preservation, and agro-processing) from the local public and private sector partners. In addition, UNCDF supported women 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 (AMCOS) and SPVs; and training of LGAs and SMEs in the region as to how to develop and financing income generating investment projects.

8 Completed Projects are (a) include those whose construction has been completed and b) now operational, c) under construction, d) approved by LDIC pending disbursement and clearing conditions e) those disbursed and about to start construction.
9 USD \$50.6 represent total project cost of transformative projects that are either now in operational status, or under construction or at different stages of approval and disbursement.
10 USD 11m is the additional capital that was attracted from public and private sector to because of our support or the structures that mitigated risks or accommodated other partners to come invest after our initial work or investment.

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6.3 Transitioning to Scale #2: Institutional influence in the work of Local Governments

6.3.1 Institutionalization of Public Private Community Partnership (PPCP)

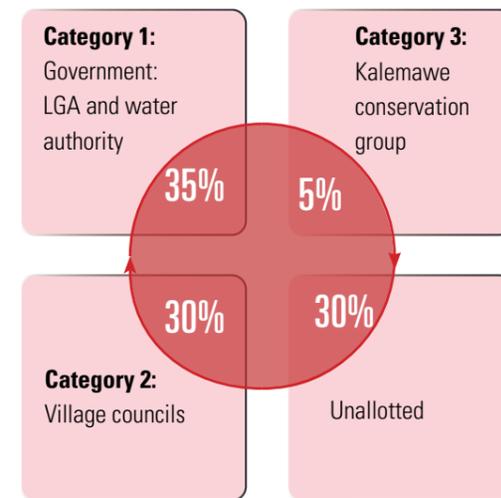
The public-private-community partnership (PPCP) is a variation of (Public Private Partnership (PPP) in which the local community and villagers are one of the partners and beneficiaries of the project. PPCP counters some of the concerns raised in relation to PPP projects, as it ensures that there is priority on local development rather than profitability as the only parameter of success¹¹. Based on LFI experience and support, the Tanzania PPP Act, of 2010 (amended 2014, 2018) had only targeted large scale public private partnership (PPP) investment projects at national level and small PPPs to be developed at sub-national levels. The laws implementation challenges were quickly noted and amended in 2014. Despite the amendment, LGAs and villages did not make best use of the existing legislations to ensure active participation in PPPs because of capacity challenges in addressing legal and governance structures of the projects, lack of financial and technical resources, high transaction costs, challenges of effective determination of concession period and contracting.

To solve challenges discussed above, the LFI supported the set up and operationalization¹² of 10 PPCPs in Tanzania including the Kalemawe PPCP example above. The Kalemawe PPCP structure above is not is now operational and in the process of constructing their first commercial fish farming pilot project in the community.

The benefits to the communities include the ability of local population to enjoy the gains derived from local natural resources, equity stake on the PPCP companies, participation in the governance of the project and to have

access to new revenue streams in increasing the fiscal space.

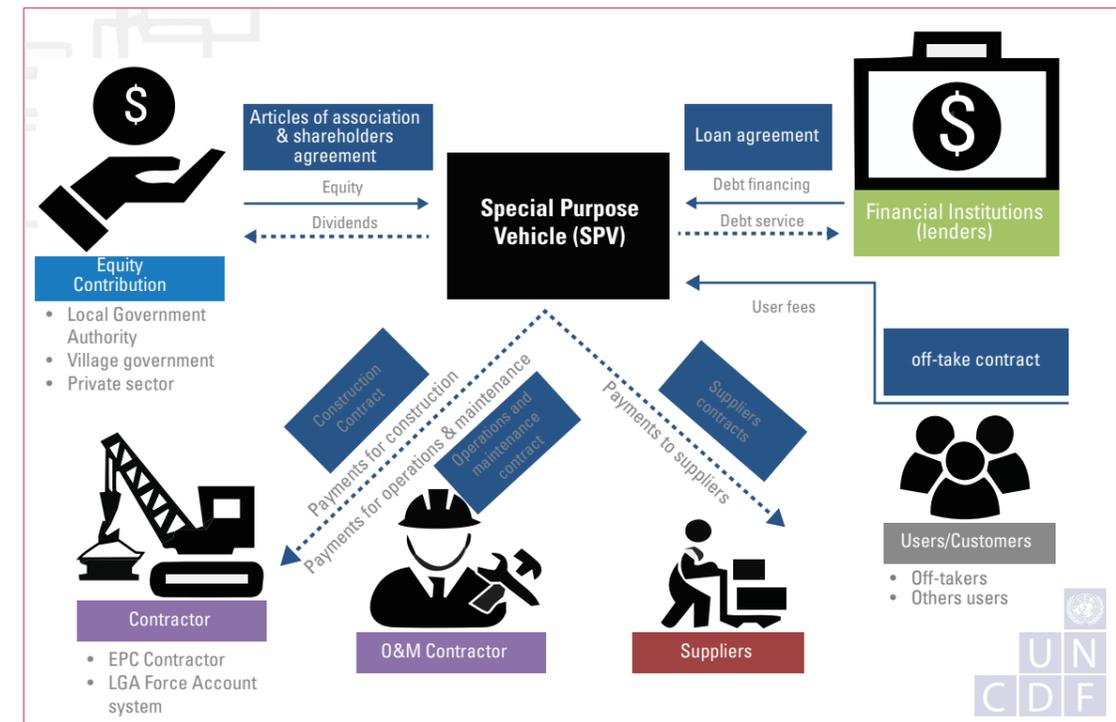
Figure #: Example ownership structure of the Kalemawe Dam Investment Project in Same District, Kilimanjaro region, Tanzania.



6.3.2 SPV's - 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 bankrupt¹³. 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 to design, establish, and operate SPVs around the PPP law to ring fence income generating project operations/revenue streams from the LGA main operations.

Example SPV structure



Result: 10 LGA SPV's are now either operational or under development.

Benefits:

- Knowledge and skills: The local knowledge and capacities are now available in-country which offers 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/ LGAs poor income streams
- Budget constraints: effective instrument to supplement the government development budget resources
- Technology transfer: Transfer of new technologies and innovation. Private sector brings in new skills and experience which are rare in local government environment

6.3.3 Policy reforms and systematic changes: Supporting the enhancement of national capacities towards issuance of municipal revenue bond

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

¹¹ IGB global; 150520_annual_report_2014_-_appendices_-_wash_kenya1.pdf
¹² 10 PPCPs are at different stages of setting up and or operating in Tanzania including (Kalemawe, 4 in Kigoma and 3 in lake region
¹³ <https://www.investopedia.com/terms/s/spv.asp>

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

- Led the national municipal bond stakeholder’s task force comprised of Ministries of Finance and Regional-Local Governments; Central Bank, Capital Markets and Securities Authority; Dar es Salaam Stock Exchange; Local Government’s Loan Board, and Tanzania Development Bank).
- Conducted knowledge sharing sessions on municipal bonds and benefits to national and regional technical staff and political leaders; Local government authorities (4) 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 their key project development and financing documents
- Successfully guided and supported the process for the City of Mwanza to get approved to issue municipal bond at the City level and the Ministry of Local Governments level.
- Frequent communications 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 RFP to hire a lead technical advisor to guide the whole issuance process. Evaluation process to award the winner was underway

Resulting Impact:

➔ The government through its national financing strategy¹⁴ 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 one of the new financing mechanisms.

➔ Is considering incorporating municipal bond as one of the LGAs financing source in their next national annual planning and budget guideline. This guideline is a government instrument that instructs LGAs and national government in terms of planning and budgeting for that financial year. If successful, LGAs will not be required to pursue preliminary government approvals to issue municipal bonds as required now, hence smoothen and fast-track the process.

Based on the level of project preparation of the city projects, the government grant funded a big part of the projects portfolio worth USD \$16m.

14 Implementation Strategy for the National Five – Year Development Plan 2016/17 – 2020/21 vll

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.

The 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 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 impacts the smallholder farmers socially and economically by limiting the intermediaries and consequently, resulting into improved household incomes, entrepreneurship, improved livelihoods, job creation, rural development and have 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, that is, whole, egg whites and yolks in chilled or frozen form and powdered egg.

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’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 managed by Pearl Capital Partners Ltd¹⁵. 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 to meet last mile transaction costs required to clear lender conditions.
- 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 pay-out, the extension of the first interest repayment by 6 months and first principal repayment by 1 year.
- The developer undertook to complete the factory building and start operations as this was part of the conditions for the guarantee agreement.
- The project is transformative in the health sector as the eggs pasteurized, homogenized and are packed under a rigorous HACCP Quality Assurance standards recommended as they are free of Salmonella and Avian Influenza.

Additional funding unlocked by Pristine Foods Ltd since LFI support in 2019

- a) A new capital infusion of USD 300,000 from the Yield Fund Limited is currently under final negotiations.

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

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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 Costs: \$533,000
Duration: 2018-2020
Funder: Government of Tanzania, Embassy of Norway Tanzania & SIDA for the TA and seed capital grants

Muhange village is in Kakonko District located at the border of Tanzania and Burundi in Kigoma region, Tanzania. Throughout history,

people from both side of the border have met once a week to trade goods and services. UNCDF selected the Muhange Cross Border Market investment project because it is part of 1) implementation of the East African Community (EAC) Common Market Protocol¹⁶ composed of six countries in the Great Lakes region in eastern Africa: Burundi, Kenya, Rwanda, South Sudan, Tanzania, and Uganda. Common Markets Protocol which promotes regional integration and realization of accelerated economic growth and development through the free movement of goods and people. 2) UN Tanzania Kigoma Joint Programme's Youth and Women Economic Empowerment Programme.

¹⁶ https://www.eac.int/commonmarket/documentation/cat_view/24-documents-a-downloads/30-common-market-protocol-a-annexes.html

Despite its business volume, the 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 trade with their infants and hygienically the area is dirty which makes it prone to diseases. The district councils and villages are unable to collect sizable amount of fees and levies and huge economic and trade opportunities are wasted due to lack of permanent market facilities. To address these challenges, UNCDF supported Kakonko District Council by facilitating the replication of the successful Kibaha Town Councils Public Private Community Partnership (PPCP) model at Mnarani market that leverage significant investments from local private sector and the public institutions to build and to operate. With a priority of supporting women economic empowerment, UNCDF facilitated governance structuring of the market to establish an SPV with shareholding given to the local government, women groups and the local community, a longer term financial and operational sustainability arrangement. In addition, the design incorporates initial public building built 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 USD 120,000 as seed capital grant to build the main shed of the cross-border market, the project has raised over USD 300,000 from public and private sector to invest around the market area.
- There are long term plans to upgrade the existing gravel to a tarmac road with an estimated cost of USD \$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 one 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 since invested in bringing water infrastructure and maintenance of the existing roads to the market. Access to clean water will be provided to the market and non-market users including villagers of the nearby villages.
- The cross-border market has attracted other public delivery such as Tanzania Revenue Authority (TRA), Police Gender Desk, and 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 UNCDF's intervention. Through the Kigoma Joint Programme, more than 100 women of Muhange Women Cooperative Group have benefitted from trainings access to finance, access to markets, and gender awareness.
- The implementation is part of the Tanzania One UN Kigoma Joint Programme Youth and Women Economic Empowerment programme.

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Judith Karl, UNCDF Executive Secretary visiting 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 Cooperative¹⁷
 Location: Uganda
 Total Project Costs: \$3.8 Million
 Duration: 2016-2018
 Funder: SIDA Booster Fund for the TA and seed capital grants

The 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, and consequently, resulting into improved entrepreneurship, household incomes, improved livelihoods, rural development, innovators for employment creation and have 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 \$1.7m in capital from Uganda Development Bank. LFI helped to prepare the project to be investment ready and the grant enabled the developer to meet the equity contribution requirement of the lender and to meet last mile transaction costs required to clear lender conditions.
- For the last 2 years from 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 the required International coffee market standards with special orientation in climate smart agricultural practices, gender equity, family business & succession planning, marketing, the Farmer Ownership Model, value chain and business management.
- The developer undertook warehouse expansion at NUCAFE factory to enhance increased storage capacity for increased green coffee marketing and management of eco-friendly coffee with total capacity of 6,000 Metric tons.

...UNCDF catalytic seed capital grant of \$225,000 and LFI tailored technical assistance, NUCAFE raised an **additional \$1.7m** in capital from Uganda Development Bank

17 <https://www.uncdf.org/article/3404/uncdf-lfi-case-study-no6-nucae-uganda>

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Additional funding unlocked by NUCAFE since LFI support in 2018

- a. USD 537,377 from Nordic Development Fund under Nordic Climate Facility (NCF).
- b. USD 1,391,798 from Abi Trust, for Climate resilience through mitigation and adaptation at the factory and farm level.
- c. EURO 1,200,000 from European Union, for NUCAFE to establish geographical indication targeting coffee from mountain Rwenzori region. This coffee is now patented as a unique coffee from Uganda which in turn increases its value and returns to the local farmers.
- d. USD 150,000 from AVSI SKY Foundation- Netherlands embassy, for NUFACE to put up a training centre through which they will build capacity of the cooperatives to run and improve their business practices, and skill the youth to be easily employed within the coffee value chain.
- e. EURO 207,118 from CTA, for NUCAFE to strengthen ICTs for agribusiness development in Uganda, building capacity of farmers associations to access finance, value chain development and market access.
- f. USD 250,000 from Centenary Bank towards strengthening and completion of a warehouse at the Namanve factory and hubs.
- g. CHF 70,680 from SCBF for coffee drought index insurance and financial literacy training.
- h. USD 100,000 from KIVA for working capital (at 0% interest rate) as an advance payment to farmers.

Case Study #4: Unlocking Private Sector Finance UNCDF LFI Response

Facts & Figures

Project Developer: Fapbrication De Pompes A Eau A Labe (FAPEL)
 Location: Guinea Conackry
 Total project costs: \$461,455
 Duration: 2020-2022
 Funder: EU Delegation Guinea (Intergra), SIDA Booster Fund

Collaboration between Labé, Municipality and FAPEL: The Guinea's 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 (this group includes tailors, carpenters and masons), Arts and Crafts (which includes leatherworkers, jewelers, sculptors, art painters), and finally the Service Craft (where we find 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.

As a result, there are many talented artisans who lack the financial resources and infrastructure to apply their technical skills. Hence the support provided by LFI which 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 to improve the craft value chain in Labé, as FAPEL's subcontractors and other craftsmen will come and settle around the unit, using the unit's 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. Consequently, the result in terms of local development and job creation will be considerable.

Access to water in rural areas is also positively affected because FAPEL is the only manufacturer of water pumps in West Africa; all the other pumps are imported from Europe, costing 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 favorable loan terms, including a lower interest rate and a one-year grace period.
- The promoter started 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 labor opportunity cost of USD 250, which is 5 times higher than the legal 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 costs: \$ 651,499
 Duration: 2020-2022
 Funder: EU Delegation Gambia – JFS programme and SIDA Booster Fund

Agriculture is a mainstay of the Gambian economy, employing nearly half of the labor force and is the source of livelihood for about 80 percent 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 provision of investment readiness technical assistance, designing of risk mitigation strategies with key government institutions, and provision of seed capital grants to local authorities, SMEs. In the Agri-sector the focus is to move SMEs from the 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 pack 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 on 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, Netherlands, United Kingdom, France The United States and Canada. They have 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 the exportation of said produce.

Results Achieved

- ◆ By leveraging the UNCDF’s \$100,000 seed capital grant, additional \$150,000 was unlocked from FAO by Tropingo in the form of grant – allowing them to increase their capacity for storage of fresh produce;
- ◆ 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; in a banking sector where access to finance is the biggest challenge for SMEs;
- ◆ Tropingo was able to partner with the National Women Farmer’s Association (NAWFA) and FAO to increase their smallholder farmer network from 300 to 10,000;
- ◆ Over the next 2 years, it is expected that the project will create over 420 jobs of which 120 is direct and 300 is 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 visiting a solar power Mini grid in the village of Ha Mabeke, Lesotho.

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Uganda

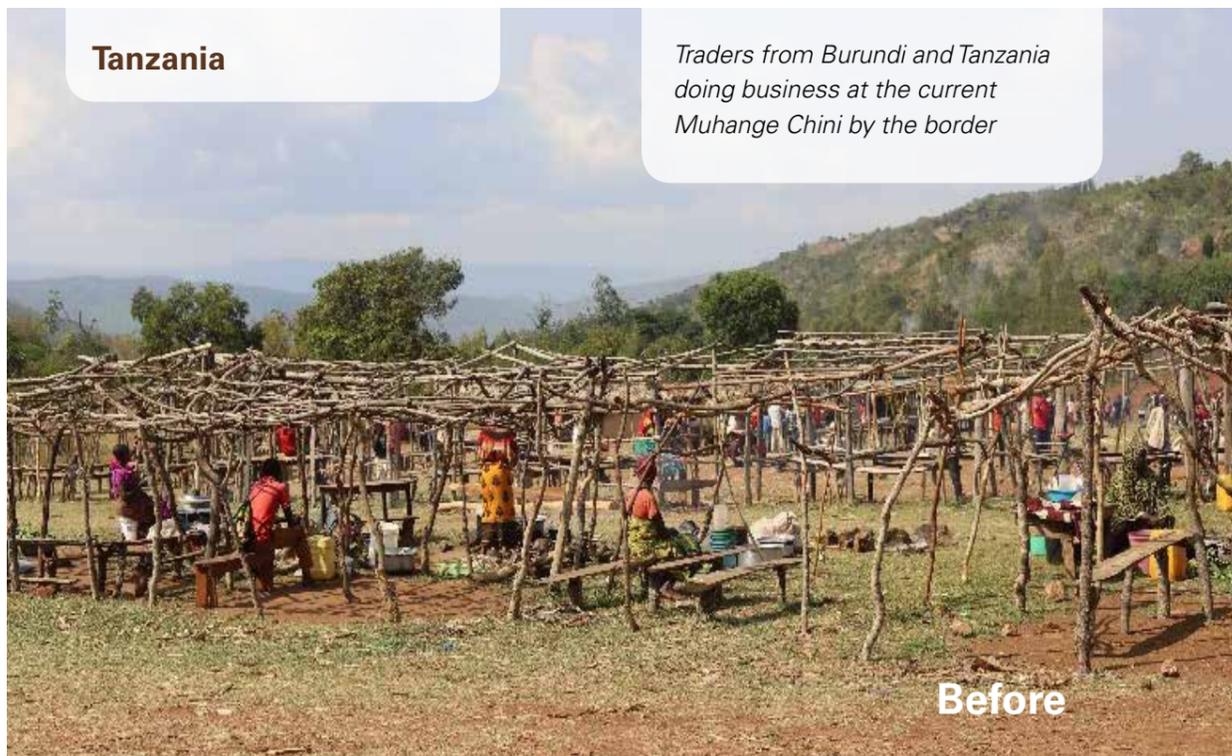


Enabling local businesses to achieve their objectives: Production of high quality, affordable and extended shelf life egg products has started at Pristine foods company in Kireka, Wakiso district, Uganda.



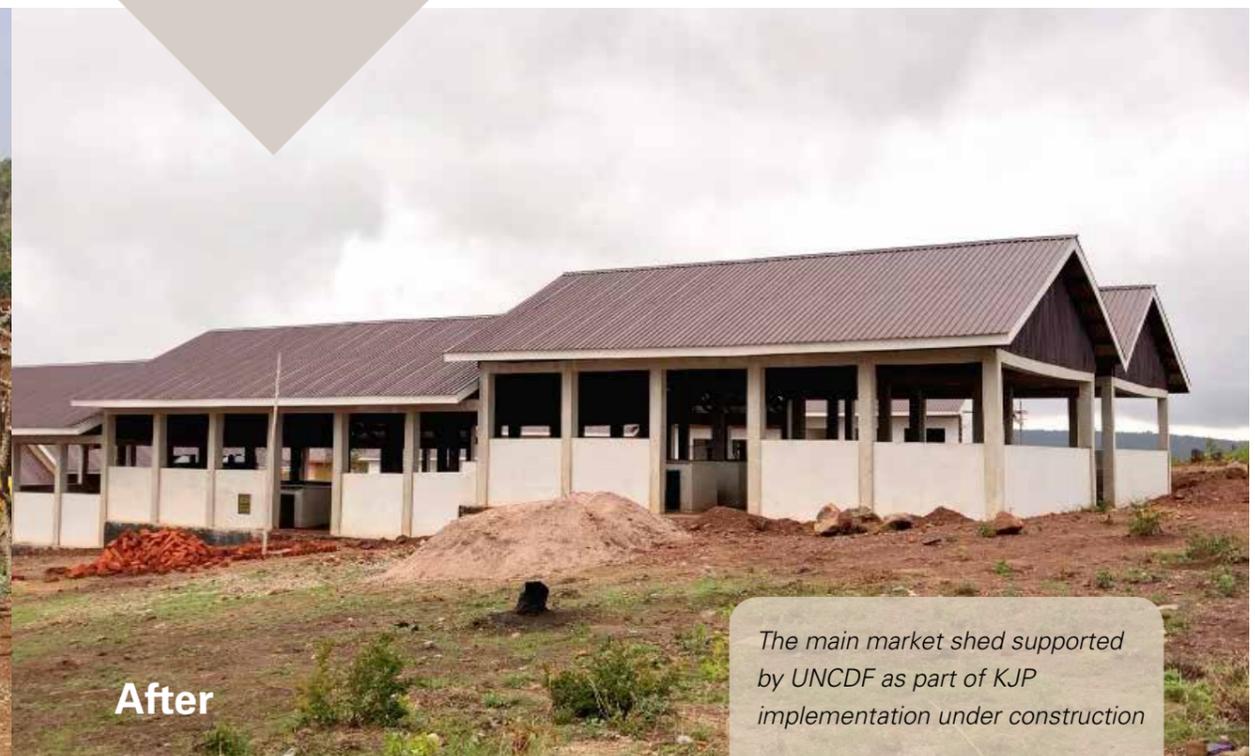
Temporary local workers were employed during the construction period by the project

Tanzania



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

Before



After

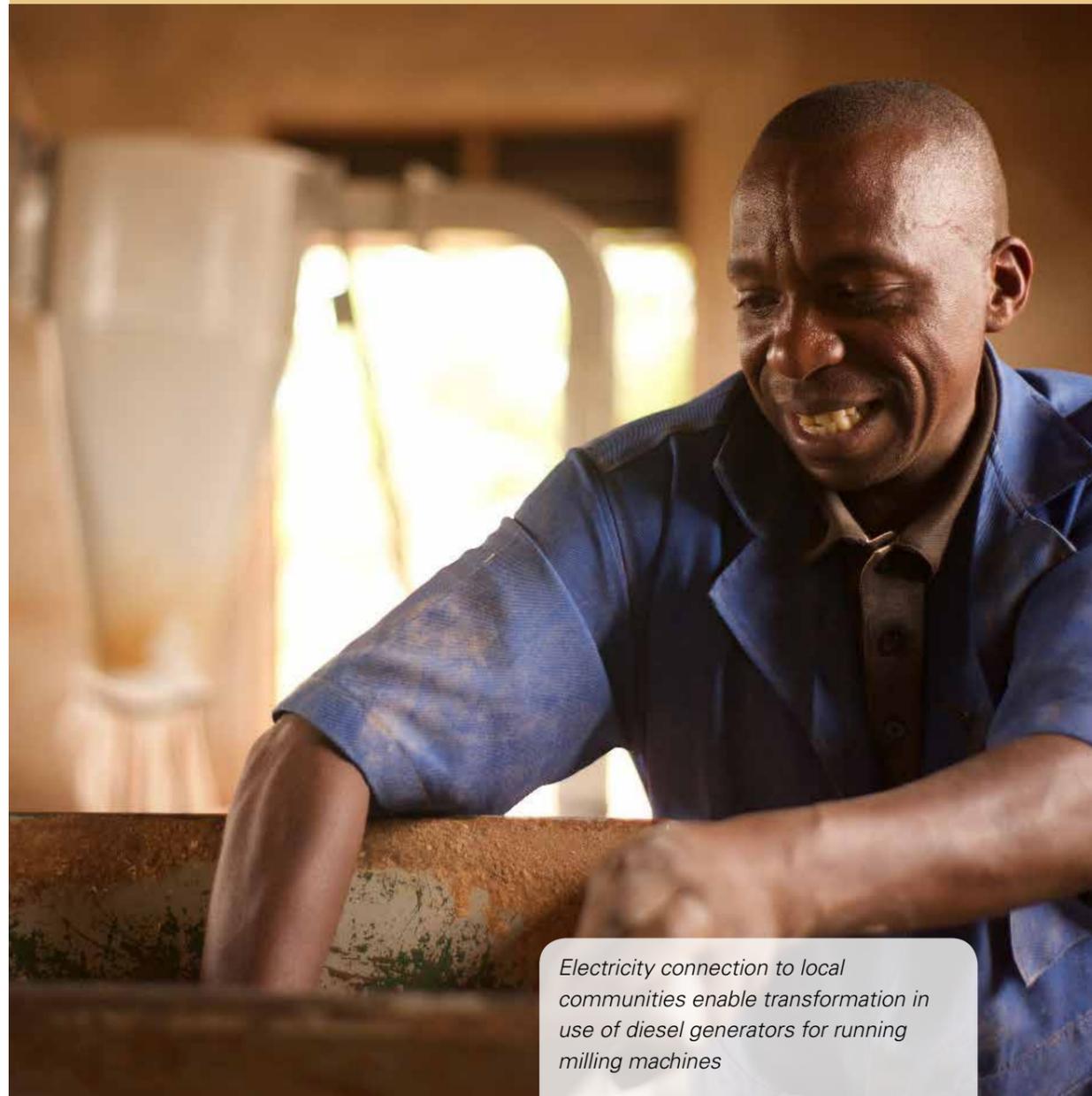
The main market shed supported by UNCDF as part of KJP implementation under construction

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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, December 21, 2019, Lifakara village in Mbinga, Ruvuma, Tanzania.



Electricity connection to local communities enable transformation in use of diesel generators for running milling machines



The completion of Kibaha Bus Terminal enables the local government to improve service delivery and adding complementing infrastructure such as feeder roads, water, electricity and sewerage. Youth trading 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 & Development Finance

The effect of global warming is 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, whose population of 14,261 is primarily dependent on irrigated vegetable farming and livestock production. BECL and farming communities around ward rely on water from the Ruvu river to irrigate their crops during dry periods.

UNCDF 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 Beth Equisolutions Ltd (BECL) to access a total of USD \$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. 1) The first half of the year was characterized by higher-than-usual temperatures (in excess of 35 degrees Celsius) which was unfavourable to most of the crops. 2) The second half of the year was characterized by heavy rains. The rains caused flooding (first time in over a decade), extensive damage to crops, the farm's green houses and irrigation infrastructure and causing significant unbudgeted cost outlays for the company. This situation forced the company to delay production for one year.



BECL horticulture project farmland under water after the floods.



Women farmers moving through water to salvaged 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 neighbouring Arusha district and will be mostly using 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 Arusha region to fulfil our client contracts." Edith Banzi, CEO, BECL, January 25,2020, Same District, Kilimanjaro region.

9.2. Lack of Patient Capital to Finance Development

Small and growing business in many developing countries rely primarily on the banking sector. "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"¹⁸. LDC's economies have very thin corporate sectors which are dominated by agriculture. Some SMEs, have flourished on both trading and agri-business value addition for domestic and export.

9.2.1. Case of MEMA Holdings Company Ltd:

UNCDF together with NMB bank invested capital in MEMA Holdings company, an agri business project worth USD \$ 1,094,080 of which 21% of it \$234,956 is for the silo equipment.

Implementation challenges of this project:

- ➔ **Poor project design and escalation of CAPEX costs:** The silo technology has been around for years, but it has been less practiced in Tanzania. This resulted into poor project design and planning. As a result, the capex was highly understated due to little knowledge of how huge the civil works will cost. Also, the cashflow projections were not properly done as the workings were based on the traditional warehouse model. To address this, MEMA had to hire consultants from neighboring Kenya under the advice of the EAGC to review the whole project.
- ➔ **Unexpected changes in payment terms from the supplier:** MEMA initial engagements with equipment supplier was that out of the EUR 440,000, only Eur 240,000 will be paid upfront and the remaining Eur 200,000 will be a soft loan to be repayable in 2-3yrs after commencing operations. However, the supplier changed the terms and required full settlement before shipping. This has a profound impact in the project and financing has to be sought to cater for this requirement.



➔ Limited long-term financing in many LDC's.

Michael K, CEO of MEMA Holdings: "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 to local and regional development banks. Some good progress in TADB who has issued an indicative term sheet which we have signed and sent back. We will appreciate UNCDF intervention to try speeding up the implementation at TADB. Also, a regional player - EADB has indicated interest and they are awaiting approvals from Kampala"

18 United Nations. Report of the Intergovernmental Committee of Experts on Sustainable Development Financing, page 8, domestic private finance.

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9.2.2. The case of Gambia: (Support to SME's)

Gambia is designated as a fragile state by the United Nations and its affiliates.

A persistent problem for the private sector in Gambia is access to investment capital for development. More than 50% of Gambian SME have cited access to finance as the biggest obstacle they face in the World Bank Enterprise Survey 2018 with current prevailing market-lending rates of 20% to 23%. Moreover, the regulatory architecture has not been historically supportive of long-term lending. Lending has been restricted due to the ossified prudential regulation which restricts balance sheet mismatches, i.e. banks cannot provide long-term capital and are limited to provide short tenured loans because their asset profiles are predominantly short-term deposits.

In the absence of a national development bank tasked with fostering the deepening of capital markets, a mechanism for subsidizing SME credit is needed. The government of 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 in Local Authorities

The Local Governments have significant responsibility in the delivery of key government services at the local level. Therefore, LGAs are expected to establish and maintain reliable sources of revenue to provide quality service delivery to their community. To date, local authorities face significant challenges to address critical urban infrastructure and quality service delivery due to 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); while from rural perspective there is high migration of people especially youths to Cities, in search for jobs and business opportunities.

Despite presence of different legal and institutional frameworks coupled with several financial mechanisms available to support LGAs development financing; LGAs dependency of fiscal transfers from the central government is still significant. Nevertheless, national governments are decreasing their fiscal support (grants) to local authorities while they are still faced with strong demand and cost pressures, with no reduction in their statutory obligations to provide community services. Similarly, current practices for increasing resilience to global issues like climate change and the need to localize SDGs, adds 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 could possibly enhance their local fiscal capacity. Moreover, in some areas, capacity development and shielding implementation of development strategies from local political interference is required.

The change toward 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 into both international and domestic capital while leveraging limited public funding.

9.3.1 The case of Guinea: (Legal framework challenges for PPPs:)

Based on our experience we learned that there are fundamental problems related to the understanding of the PPP concept especially LGA related and caused by 1) Guinean legislation on the subject is very recent it dates from 2017. 2)The local elections that should

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have taken place in 2010 in Guinea were delayed until 2018; communal councils were not actually installed until March 2019.

At the beginning of the UNCDF Intervention, we also learned that the newly community leaders did not have sufficient experience in local development, investments project management and PPPs. Also, given the novelty of carrying out and managing a market (usually carried out and managed by the town halls) by a private sector partner, there was a problem of acceptability of the project.

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

9.3.2 Policy environment for Gambia LGA's:

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

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

9.4. Concessional loans defaults and its impact to funders

Background: Mwenge sunflower oil mills Ltd¹⁹ is a mid-sized sunflower edible oil processor based in Singida, Tanzania. In 2017, the LFI programme assisted Mwenge in obtaining a bank loan of TZS 1,664m (USD 765k) from NMB Bank to modernize and expand the company's oil processing capacity. Consequently, a USD 250k loan agreement was signed between UNCDF and Mwenge in December 2017 and funds disbursed in February 2018 to implement the project.

Mwenge has since defaulted on the above loans and the implementation of the project has stopped following:

➔ **Late purchases of sunflower seeds due to late disbursement by the bank.**
A typical harvest season for sunflower commences in March of any given year. Between March and May/June prices of sunflower seeds are their lowest due to excess supply. The new working capital facility was released in August 2018. At this point, the 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. This was the situation in all parts of the country. Heavy rainfalls cause suboptimal germination of seeds resulting in much reduced oil content in the sunflower seeds. This meant that seeds purchased during that season (purchased 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 between 25% to 30% less than the normal oil content. To remedy the situation Mwenge tried to source seeds from outside of Singida including Simiyu and Shinyanga regions in search for better sunflower seeds. However, the results were the same.



19 <https://www.uncdf.org/article/3329/case-study-no1-mwenge>

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

UNCDF and NMB bank have started joint restructuring discussions on this loan.

NMB bank is fully secured with assets and a partial loan guarantees on this transaction.

On the UNCDF side, chances of recovery is hinged on NMB relationship on this specific transaction but also 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 7500 small holder farmers may not be realized.



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

10.0 Lessons Learned

10.1. Concessional financing instruments are not adequately secured.

We find that innovations is needed to develop sufficient safeguards for concessional loan to public and private sector partners.

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

In project finance situation, 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 to provide the security arrangements, which will also require detailed legal documentation to ensure its 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 following 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 mechanism²⁰, the local government finances could be heavily impacted. 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 unique legal and local environment, understanding the roles and responsibilities of board of directors, availability of standard operating manuals to guide, case studies and examples of different governance structures.

10.3 Municipal Revenue Bond issuance in LDCs

The case of the Mwanza City Municipal Bond:

The following is a select key lessons by the UNCDF team in its support to the efforts of Mwanza City to issue a revenue municipal bond in Tanzania.

- Despite its feasibility and viability, use of such bonds has been virtually nonexistent in Tanzania and other LDCs due to structural hindrances especially due to the weak capacity of many Municipals to generate enough revenues. However, there are Municipals that can generate enough revenue and therefore be able to issue revenue bonds to finance development projects if the structural weaknesses and bottlenecks are addressed.
- 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, strength of its balance sheet, vulnerability to changing economic conditions and the quality of its budgeting and oversight processes. But, understanding of local, regional, and national political dynamics

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can make the difference 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.

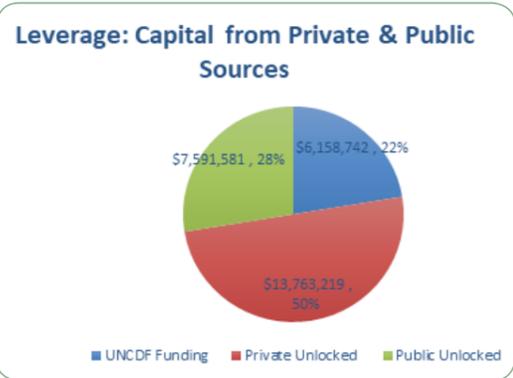
- Sensitization and training at all levels including decision makers and technical staff need to be embedded due to general lack of local capacity and technical ability to prepare bankable municipal transactions that will ensure enough financial return to prospective capital markets investors.
- One 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 lead a national municipal bond issuance task force and had active partnership with

the following international organizations: USAID DCA unit, GuarantCO etc.

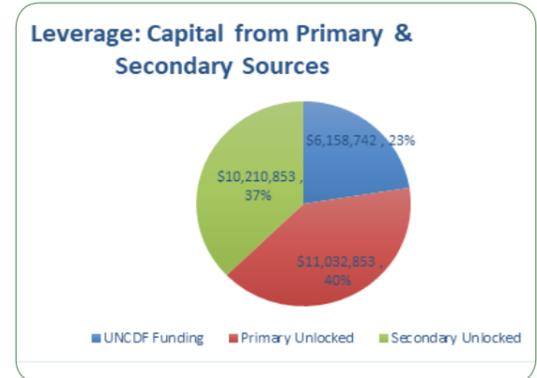
- A government action for whatever reason can de-rail the issuance of a municipal bond.

10.4. New Sources of Capital (Secondary Unlocking)

During project preparation and planning, all the 'primary' sources of the capital will be identified by the LFI team as part of the project 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 become easier for developers to attract new funding and new partners after our support. Our interventions helped the businesses to enhance their sustainability levels and reduced risks. In Uganda, for example, after LFI investment in NUCAFE, Abi Trust invested in USD 1,391,798 and USD 537,377 came from Nordic Contribution.



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



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



11.0 Key Events & Activities

11.1 Global Board

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

The event brought together partners from public and private sector, diplomatic missions, United Nations, and representatives from the Government of the United Republic of Tanzania, Nepal, Uganda, Bangladesh, Gambia,

Guinea, and Lesotho among others. Partners, stakeholders and the media heard first-hand the progress of localizing the implementation of SDGs in LFI countries. Specifically, its local development finance approach of combining seed capital and technical assistance to build a business model and appropriate governance structures that ensure financial and operational sustainability of its investments beyond UNCDF support.

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



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

11.2 Technical Collaboration: Greater emphasis is on training and knowledge transfer based on national policies and priorities.

Majority of the SDGs are implemented at sub-national level but yet there is very limited funding flowing there. Local authorities face significant challenges to address critical urban infrastructure and services due to lack of funding. In most LDC's the dependency of fiscal transfers from the central government is approximately 90% of their budgets. Therefore, developing income generating projects as one of the new sources of funding will help local authorities to increase 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, 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 the UNCDF LFI investment readiness training conducted by the Tanzania and the Gambia 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

*MDA - Ministries, Department and Agencies

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

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



11.3 South-South technical collaboration

Senegal and Gambia: LFI showcasing technical collaboration and training of LGA 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.

LFI Global secretariat team has been supporting other countries through technical assistance in project development and capacity building to local government authorities. Since 2017, the LFI secretariat conducted capacity building to UNCDF colleagues in LFI member countries in the light of enhancing South-South collaboration. 7 technical missions have been done in The Gambia, Guinea, Lesotho Gambia, Senegal and Uganda. The overall objective is supporting UNCDF colleagues and local government authorities to develop bankable projects and investment portfolio.

12.0 Awards

12.1 Mpale Village 50kw Solar Micro Grid Award

UNCDF LFI supported clean energy project (Mpale village 50kw solar micro grid) developed by ENSOL (T) LTD won the Alliance for Rural Electrification (ARE) award²¹ in the "Best Off-Grid Project" in Africa category. The Award was presented during the ARE Awards ceremony which was held at the 4th ARE Energy Access Investment Summit in Catania, Sicily on the evening of 13th 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 honorable 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.

21 <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 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 on site visit of the UNCDF supported activities related to women economic empowerment at Kibaha mnarani retail market



14.0 Funding Arrangements

The financial support from SIDA has catalyzed and pushed the work of LFI this far. In addition, efforts at global and country level have attracted additional funding from different development partners to expand the programme work for better results:

Swedish International Development Cooperation Agency (SIDA) through several programmes such as Booster Fund—specifically for investments, and Partnerships Framework on Inclusive Growth and Sustainable Development (PFIS), and Last Mile Trust Fund (LMTF). Other donors include the Norwegian Agency for Development Cooperation (NORAD), Swiss Agency for Development and Cooperation (SDC), and One UN Fund in Tanzania which attracts funding from multiple donors including from Embassy of Sweden and Norway in Tanzania.



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15.0 Appendices



Appendix 1: Global LFI Board Decisions 2019

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

Appendix 1: LFI Programme Board Decision

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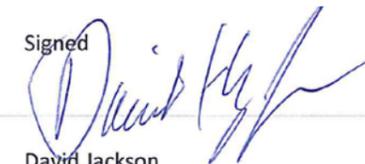
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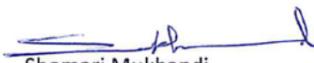
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10. Recommends that LFI team works with member countries on introducing and strengthening credit guarantee financing for local economic development and reports on progress to board members and to the local development finance investment committee.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

David Jackson
Director, Local Development Finance, United Nations Capital Development Fund

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

 
Ben Kumumanya
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

 
Bakary Sylla
Advisor, In-charge of Economic, Banking and Monetary Matters, Ministry of Finance, Republic of Guinea-Conakry

 
Mani Ram Gelal
Director General, Ministry of Urban Development, Republic of Nepal

 
Kamrul-Hasan Azad
Deputy Director, Bangladesh Bank, Republic of Bangladesh

Appendix 2: Financial Delivery

The reporting period covers subsequent three years of implementation of the Global LFI Programme for period year 2017 to 2019. This report will show comparison and financial changes through out the three years of implementation.

For the period of January 2017 – December 2019, the Global LFI Programme received USD 7,909,756 as per Table 01 below and managed to deliver up to 88 percent of the received budget. Funding from Sida through UNCDF HQ contributed about 53 percent which has been well utilized by 92 percent.

Table 01: 2017-2019 Global LFI Programme Budget and Expenditure by Source of Funding

Source of funds / Donor	January 2017 – December 2019			Delivery Against Budget (%)
	Budget (USD)	Contribution <%>	Expenditure (USD)	
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 (NOR-FUND)	764,721	10%	475,535	62%
UNCDF Core	573,657	7%	573,657	100%
GRAND Total	7,909,756	100%	6,990,972	88%

Sida Tanzania and Norway Tanzania are in-country mobilized resources through One UN Fund in Tanzania; hence only applicable to LFI Tanzania Programme. Therefore, funding mobilized at UNCDF HQ (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 channeling the money into loanable investments. As this was new source of funding to support a new financial instrument, the implementation was delayed due to preparation of financial tools, mobilization of human resources and preparation of lending conditions.

Table 02: 2017-2019 Global LFI Programme Budget and Expenditure by Country

Country	January 2017 – December 2019		Delivery Against Budget (%)
	Budget (USD)	Expenditure (USD)	
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%

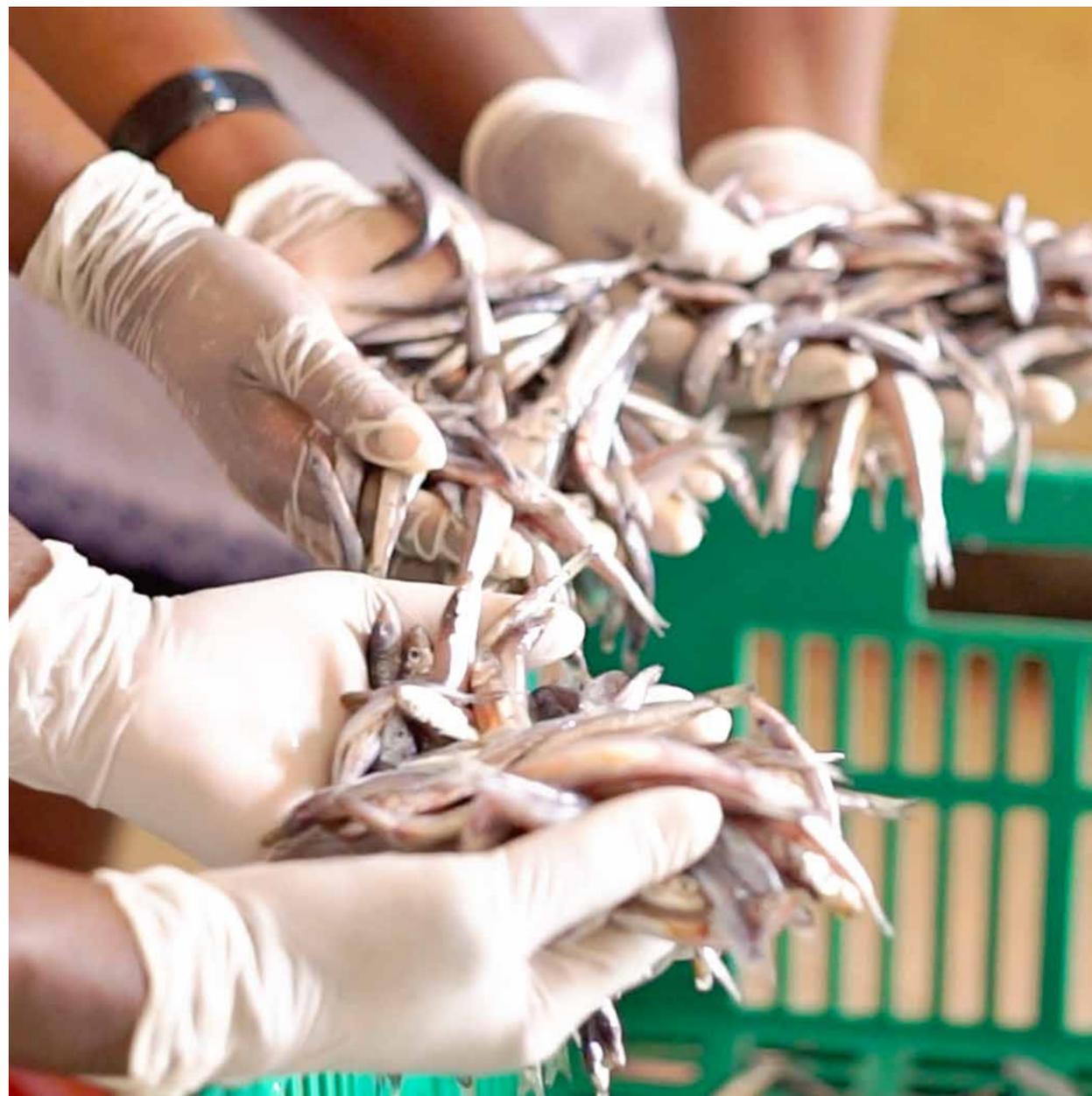
In terms of programme activities, the Global LFI Programme is delivered through implementation of two outcomes. The funding allocation to the two outcomes is almost equal and the financial delivery per outcomes is as per Table 03 below.

Table 03: 2017-2019 Global LFI Programme Budget and Expenditure by Outcome

Country	January 2017 – December 2019		Delivery Against Budget (%)
	Budget (USD)	Expenditure (USD)	
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%

Appendix 3: Six Additional UNCDF LFI 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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