**Annex II**

**UNCDF Strategic Framework 2022 – 2025: Resource Scenarios**

Section VI. of the Strategic Framework describes UNCDF’s funding architecture with regular resources (core), other resources (non-core) resources, comprising flexible other resources and earmarked other resources.

The evaluation of UNCDF’s Strategic Framework 2018-2021 highlighted that a more cohesive overarching strategy driving institutional funding and resource mobilization would have allowed UNCDF to create efficiencies and synergies to make further progress in achieving the ideal resources to results scenario, especially for core resources and the one-time capitalization of the BRIDGE Facility (previously known as the LDC Investment Fund). Subsequently, and in line with the management response to this evaluation, UNCDF has established a resource mobilization task force that will develop the following elements to achieve the below resource scenarios:

1. A UNCDF business plan, which will align the Integrated Results and Resources Matrix (IRRM) with consolidated programme and corporate resource requirements. The resource scenarios below have been defined as a result of preliminary business planning that shows growth potential for UNCDF programming based on increasing demands from LDCs and strengthened alignment with priorities of funding and other partners.
2. A corporate-wide resource mobilization strategy to ensure enhanced internal co-ordination, collaboration and cohesion in the efforts to mobilize resources needed to meet the objectives and results laid out in the Strategic Framework and the IRRM.

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| **Scenarios** | **Base Growth** | **Ideal Growth**  | **Ambitious Growth** |
| **Annual Resource estimates\*:** |
| **Total**  | **$ 150m** | **$ 200m** | **$ 250m** |
|  Core | $ 25m | $ 30m | $ 35m |
|  Non-core | $ 100m | $ 130m | $ 165m |
|  Flexible non-core |  $ 25m  | $ 40m | $ 50m |

\* Based on a preliminary business plans exercise for 2022-2025

With predictable and sufficient funding in these categories, UNCDF will be able to meet growing demands for innovative and catalytic financing solutions at a time when multilateral support to help scale up mobilization of private and public SDG financing for the LDCs is more critical than ever.

UNCTAD estimates that the annual average fixed investment requirements from 2021 to 2030 for LDCs to achieve select key SDG targets are as follows: (i) $462 billion for economic growth (SDG 8.1); (ii) $485 billion for poverty eradication (SDG 1.1); and (iii) $1,051 billion for structural economic transformation (SDG 9.2).[[1]](#footnote-1) These target-specific investment requirements cannot necessarily be added up due to potential double-counting. For example, the investments needed to achieve SDG 9.2 on doubling manufacturing, would also enable LDCs to achieve or make significant progress on most of the other Goals (incl. 1.1 and 8.1). Another study by the Sustainable Development Solutions Network estimates that the total annual cost for achieving the SDGs in low-income and lower middle-income countries to be about $1 trillion, with a financing gap of some $400 billion.[[2]](#footnote-2)

The ideal and ambitious resource scenarios above will allow UNCDF to be a more robust and strategic partner to support LDCs to make further progress in meeting these SDG financing requirements.

* Additional regular resources will allow UNCDF to have more meaningful presence at country and regional levels to support more LDCs, ensuring more strategic engagement with national Governments, UNDP and the wider UN development system. Regular resources also support UNCDF’s critical role in developing and piloting innovative financing and programming solutions that can be taken to scale by UNCDF and its partners. This includes investing in sufficient capacity to provide financial advisory services and structuring support to develop and enable access to capital markets and other financing sources for SDG investments. In addition, a right-sized regular resource base will allow UNCDF to be nimble and rapidly respond to shocks and crisis situations, such as COVID-19.
* Other earmarked resources, which have increased steadily since 2016, enable UNCDF to build scalable projects and portfolios at country, multi-country and thematic levels. Preliminary business planning for the 2022-2025 period indicates increased demand and opportunities for key programming areas. This includes the full roll-out of support for inclusive digital economies to a majority of LDCs based on UNCDF’s global digital strategy and expanded support for transformative local government and municipal financing solutions. There is also increased demand forjoint programming with UN entities as part of UN Sustainable Development Cooperation Frameworks at country level, including leveraging lessons and experiences of engagement with the Joint SDG Fund.
* Other flexible resources, channeled through its unique pooled funding mechanism, the “Last Mile Finance Trust Fund” (LMFTF), allow UNCDF the flexibility to strategically invest in areas that LDCs, UN and other development partners prioritize, where those partners see UNCDF’s unique capital mandate as conducive to achieving their developmentgoals. The number of funding partners and total contributions to the LMFTF have grown steadily since its launch in 2016 and projections indicate continued strong interest in support for thematic areas such as innovative municipal infrastructure finance, climate and green economy, women’s economic empowerment, and financial inclusion and innovation.

The ideal and ambitious resource scenarios will allow UNCDF to reach greater development impact and significantly benefit the people it serves by supporting a greater number of partners, including localities and small and medium-sized enterprises (SMEs), in a larger number of countries, and by catalyzing larger amounts of public and private resources for last-mile SDG investments.

Achieving expanded results would be cost efficient. Economies of scale would be achieved as UNCDF’s existing corporate infrastructure, such as capital assets and human resources, would be able to support higher levels of activity without proportional increases in costs for delivery capacity.

1. The least developed countries in the post-COVID world: Learning from 50 years of experience, UNCTAD, 2021 [↑](#footnote-ref-1)
2. [SDG Costing and Financing for Low-Income Developing Countries, Sustainable Development Solutions Network, 2019](https://resources.unsdsn.org/sdg-costing-financing-for-low-income-developing-countries) [↑](#footnote-ref-2)