



LAST MILE FINANCE SOLUTIONS: FROM INNOVATION TO SCALE

What: Executive Board Briefing on UNCDF

When: 29 January 2016, 1:15 to 2:45pm
(light luncheon to be provided from 1pm)

Where: Conference Room 5, UN

»»» BACKGROUND

To achieve the SDGs and structural transformation, both the Addis Ababa Action Agenda and Agenda 2030 recognize the need for new financing and business models that mobilize resources from the public and private sector. What we see, however, is that investments do not flow predictably and sufficiently to the “last mile” areas of LDCs, where resources are scarcest and the development challenges for underserved populations the greatest.

At the UNCDF side event with the Executive Board on 2 September 2015, Member States requested UNCDF to share practical experiences and lessons on its finance models and programmes that are overcoming such challenges and – through following a path from innovation to consolidation and scale – are helping to get resources flowing to this last mile.

UNCDF’s Local Finance Initiative is a flagship programme which offers such a practical example and platform for knowledge exchange. LDCs suffer from chronic infrastructure deficits which are even more pronounced in places like secondary towns and rural areas. The Local Finance Initiative set out to show that local infrastructure projects that are prioritized by local governments and communities can attract domestic funding if existing market failures are addressed. By directing strategically placed ODA to provide advisory support and seed capital to de-risk and

structure priority local infrastructure projects, the first phase of the Local Finance Initiative demonstrated that domestic and international finance can be leveraged at a rate of at least 1:10 in support of economically transformational investments. Having demonstrated proof of concept, the programme is now emerging as a national platform for investable projects across Tanzania.

This is but one example of how innovative finance is being made to work for the LDCs and to get finance flowing to where it's most needed, in the process changing investor patterns, creating confidence in local economies, and addressing exclusion and inequality. To introduce a similarly new dynamic across LDCs and across different sectors, UNCDF programmes on both financial inclusion and local development finance are innovating those financing models that demonstrate how public resources – such as ODA – can leverage roughly ten times as much in public and private resources, especially from domestic sources. For these innovations to be taken to scale and have transformative impact, as we are seeing from the case of the Local Finance Initiative, they need to be widely supported and capitalized. This has important implications for UNCDF's funding model, its resource base, and the upcoming Midterm Review of its Strategic Framework.

»»» OBJECTIVES

The briefing has three main objectives:

- i. To share concrete lessons about how the first phase of UNCDF's Local Finance Initiative supported the development of local infrastructure and services;
- ii. To discuss how the Local Finance Initiative, and the leverage it has achieved, is making finance work for the poor to support inclusive growth and SDG achievement in LDCs;
- iii. To discuss the implications of lessons from the Local Finance Initiative for UNCDF's business model, funding and resource situation, and the Midterm Review of its Strategic Framework.

The briefing will offer the opportunity to explore some of the following questions:

1. What problem did the Local Finance Initiative seek to solve? What financing models and mechanisms did the Local Finance Initiative test out to raise the resources needed, including from domestic resources, for local infrastructure?
2. How was the Local Finance Initiative able to move along the trajectory from innovation and piloting to scale?
3. What are the lessons we have learned from the first phase of the Local Finance Initiative for how public and private resources, especially at the domestic level, can be leveraged and work effectively together to support local economic development?
4. What are the implications of the lessons of the Local Finance Initiative for UNCDF's business and funding models and how they are affected by resource constraints? What are the implications of these lessons for the Midterm Review of UNCDF's Strategic Framework?

»»» FORMAT

Following opening remarks, the event will be divided into two connected parts: one on the Local Finance Initiative and the lessons learned, and one on the implications these lessons have for UNCDF's business and funding models and the Midterm Review of UNCDF's Strategic Framework. Each will have a moderated discussion in which panelists will actively engage with the audience.