UNCDF inputs to HLPF 2022

SDG 4:

***Digital Solutions for Inclusive and Equitable Education for Underserved Communities*[1]**

The COVID-19 pandemic, when 94 percent of learners worldwide were required to continue education at home regardless of their ability to do so digitally, unveiled the gaps and barriers that may hamper the effectiveness and inclusiveness of the education system.

Key barriers

Supply-side barriers affecting the delivery of education include inadequate funding, teacher training, learning environments and, often, curricula.

Amidst renewed appreciation for the role of digital technologies in education, additional demand-side barriers may limit the use of digital solutions, especially among school-aged youth in those communities in the last mile and most at risk of being left behind. These barriers can also affect the use of digital solutions among teachers. They include:

- Prohibitive cultural practices;
- Limited digital infrastructure;
- Low levels of digital literacy;
- Unfavourable policies.

Opportunities for digital transformation in education

In addition to parents and caregivers, students, teachers and schools stand to benefit from adopting digital solutions. Digital services can facilitate access to high-quality education for the most vulnerable, even in remote rural areas. For example, new pay-as-you-go business models are emerging, smoothing school fee payments and allowing vulnerable populations to access digital content more affordably. Inclusive innovation in the following areas can address critical supply- and demand-side barriers:

- **Digital financial services.** Payments solve the cashhandling issue for students, parents/caregivers and schools, provide clarity over and traceability of school finances, and allow linkages to financial institutions. They are also enabling new 'pay-as-you-learn' business models that align with parents' income flows. In addition to dedicated digital savings and loans, this allows parents/caregivers to designate savings and loans for education only and prevent the diversion of funds for other uses.

- **E-learning (ed tech) solutions** for teachers and students enable virtual training and self-learning, access to high-quality teaching and learning materials, and gamified or interactive content.

- **E-school management solutions** enable the digitization of school records (attendance, performance, etc.), improved communication between teachers and parents, school management (of processes, finances, monitoring), and performance-based pay for teachers. This can improve the overall learning environment.

[1] Extract / summary from the following article "Digital Solutions for Inclusive and Equitable Education for Underserved Communities", retrievable from UNCDF's publication "Inclusive Digital Economies for the Sustainable Development Goals (2021)" available at https://www.uncdf.org/ide4sdg

- **Data analytics** for district leaders to support operational and decision-making in their respective districts and ease the reporting to the ministry level. This provides visibility of schools' key performance indicators that lead to better support. Also, data analytics ease reporting from the district to ministry level. This can also improve the overall learning environment.

A systems and client-centric approach brings focus to feasible **digital solutions** for key stakeholders in the education sector. By addressing the overt and underlying barriers in the education system, it is possible to avoid the many pitfalls that can lead to failed digital solutions in education. Above all, close partnership with the relevant education ministries is critical to design solutions and secure buy-in and future investment for sustainability. In particular, effective digital solutions exist to improve school administration and budget planning in the education sector. Improvement in these dimensions can free up resources and accelerate new educational approaches to enhance educational outcomes and contribute to SDG4. Linking these initiatives to national digital transformation efforts that are now under way, especially with digital literacy programmes, will be pivotal in ensuring that young people have access to and acquire skills for the digital age.

SDG5

Women's Economic Empowerment

Women's equality and empowerment is integral to all dimensions of inclusive and sustainable development. Gender equality by 2030 requires urgent action to eliminate the many root causes of discrimination that still curtail women's rights in private and public spheres. Challenges that need to be addressed include:

- *Women are more likely to be excluded from economic resources, including financing*: Specifically in poorer regions around the world, women are at a higher risk of economic exclusion with structural barriers;
- *Informality and lack of appropriate skills*: Due to lack of training, appropriate skills, and digital literacy, women often opt for economic opportunities in informal sector that often pay poorly with no job security and benefits;
- *The digital and energy divide remains a gendered one:* Most of the 3.9 billion people who are offline and without energy access are in rural areas, are poorer and less educated, and tend to be women and girls;
- *Women-owned businesses remain small*: Inadequate support and financing for women-owned SMEs hamper their ability to grow and access bigger markets;
- *Local policy, law and systems:* Often local policies, laws and social norms are discriminatory. Local fiscal policies and systems of governance often are gender blind with lack of women's leadership in decision-making.
- *Inadequate local financing in gender responsive services and infrastructure:* Absence of infrastructure and related services that would otherwise strengthen women's economic opportunities, increase their security, and lessen the burden of unpaid work.

UNCDF response:

Promoting women's economic empowerment (WEE) in programme countries is a cross-cutting focus area for UN Capital Development Fund. UNCDF's two distinct approaches to women's economic empowerment are:

- Market Development to enhance and scale digital innovations aimed at enhancing access to finance and economic participation of women and setting an inclusive policy environment. This approach enables women to be "agents of change", with the goal of making them builders of the digital economy.

- Gender Responsive Local Economic Development Finance to promote local infrastructure investments and SME financing targeted to encourage inclusive local economic development.

UNCDF mainstreams these approaches with the aim to create *Equal Economies.* Creating equal economies, means that every woman has equal access, equal agency and equal leadership within her community. Under this approach, UNCDF works towards two objectives for women's economic empowerment, a) Gender Finance Gap Zero and b) Red Tape Zero:

(a) *Gender Finance Gap Zero.* UNCDF aims to co-create innovative financing solutions to promote women's economic empowerment and overcome the barriers to gender equality. It will deploy innovative finance mechanisms to support women-owned MSMEs through grants, loans, guarantees and technical advice, to reduce the MSME ownership and credit gap and the gender digital divide. UNCDF supports local public and private partners to direct finance towards the delivery of equitable and inclusive services and infrastructure and develop dedicated financing mechanisms to unlock additional finance for investments in women's economic empowerment. UNCDF also will provide technical expertise to Governments to channel existing and catalyse additional public finance to gender equality commitments. Examples include:

- Use UNCDF's loans, guarantees, grants including blended finance instruments and technical assistance, to increase investments in women-led businesses.
    - *Example: UNCDF/UNESCAP Women MSME FinTech Innovation Fund:* UNCDF, in collaboration with UNESCAP, launched an Innovation Fund on digital solutions for micro, small, and medium-sized enterprises in Asia-Pacific. The Innovation Fund co-funds and provides technical support for companies to pilot innovative digital and financial solutions that improve access to finance and/or enhance operational efficiency of women-led MSMEs. The Innovation Fund targeted solutions that are ready for pilot testing and provided US$25,000 to US$ 50,000 of co-funding for selected projects.
- Through innovation, advance gender financing and increase the volume of capital available for women's economic empowerment in partnership with 2X Collaborative.
    - o *Example: Women Driving the Pacific's First Parametric Microinsurance Product:* Using a cross-cutting approach, PICAP's design emphasizes the inclusion of women, youth, and disabled individuals within its practices focusing on specific livelihood sectors namely: Agriculture, fisheries, retail, and tourism. UNCDF's team creating climate and disaster risk insurance products has worked to identify and develop the capacities of women within UNCDF's partner organizations. By empowering women, and with UNCDF's support through grants, funding, and technical assistance, the Programme enables its partners to deliver concrete gender inclusive outputs.
- Partner with governments and banks to set up dedicated funds and financing mechanisms to support women-led MSMEs specially those affected by Covid-19.
    - *Example: We! Fund and Bangladesh Credit Guarantee Scheme*
        - In Bangladesh, we have piloted a Credit Guarantee Scheme (CGS) with the Bangladesh Bank to enhance access to finance for women entrepreneurs. This partial guarantee covers commercial banks from losses on loans to women owned

businesses and helped unlock new bank loans to 21 women entrepreneurs, half of which were first time borrowers. It is now being scaled up. Similarly, in Cambodia we have supported the establishment of the Credit Guarantee Corporation of Cambodia, which has as one of its objectives to support women owned business.

  - The WE! Fund is a financial mechanism using equity and shareholder loans to invest in gender sensitive SMEs and PPPs in the "missing middle". In Senegal, we assist FONSIS, which is Senegal's sovereign wealth fund, to set up and manage a Women's Economic Empowerment Fund, the We! Fund. This fund is currently capitalized at $2 million and made its first investment in 2021 in an innovative bread manufacturing and retail chain, which sources ingredients from local producers. The Fund has a pipeline of some 25 projects for a total investment need of $15 million. Efforts are underway to raise additional capital for the Fund. The WE! Fund was incorporated in November 2019 as a joint initiative from UNCDF and FONSIS to foster women economic empowerment in Senegal, especially in secondary cities. The WE! Fund seeks to be fully aligned with the 'Plan Sénégal Emergent'.

- Support digital, transaction history credit scores, crowd funding, peer2peer lending and other forms of non-collateral based lending mechanisms to unlock capital for women-led MSMEs.
- Address the financing challenges limiting women's digital literacy, phone ownership, internet access and energy access.

(b) *Red Tape Zero.* UNCDF aims to address the barriers to digital and financial inclusion of all women in LDCs by enhancing women's capabilities, enabling their access to digital and financial services and promoting gender-responsive infrastructure and essential services. UNCDF supports Governments to create an inclusive policy and regulatory environment that strengthens gender intentional and -responsive policies and regulations, local development strategies, plans, budgets, and governance structures. To do this, UNCDF:

- Provides policy and regulatory support to address barriers in laws & policies with the aim to achieve digital and financial inclusion for all women in LDCs
- Contributes to inclusive planning and budgeting in cities and urban areas to increase investments, and strengthen local governance
  - *Example: To address women's unpaid care work, special provisions for childcare and elderly care are incorporated as part of the design of the projects.*
- Enhances capacity building of digital and financial institutions in sustainable practices to accelerate the closing of the digital and financial gender gap
  - *Example: Gender Mainstreaming in Digital Agriculture in Uganda:* UNCDF, with support from the government of Sweden, has partnered with Nilecom, Mezzanine, and Cordaid to support farmers in Northern Uganda grow incomes leveraging digital agricultural services. The consortium aims to adapt and scale up the UgFarmer digital agriculture application to improve efficiency, access and utilisation of actionable information, markets, management of payments and inventory. Acknowledging the critical role of farmer organizations, the project seeks to support cooperatives and producer organizations to perform better, thereby creating positive dividends for the 100,000 farmers (60,000 women and 40,000 men) by addressing bottlenecks in their service delivery. The study sought to understand the root causes fueling disproportionate constraints that women face while accessing and using digital services. It is important to decrease the digital divide for women and girls to improve women's economic opportunities and help transform women into the builders of emerging digital economies.
- Increases financing for infrastructure and essential services in cities to transform urban areas into spaces of opportunities for women, youth and marginalized groups.

        - *Example: IncluCity:* Through our initiative IncluCity, which is in pilot phase in Senegal, Bangladesh and Uganda, UNCDF's goal is to transform cities into spaces of equal economic opportunities and social services for everyone by targeting those who are vulnerable and marginalized (slum dwellers, ultra-poor, minorities, informal workers, migrants, women/girls, disabled). UNCDF is focusing on promoting investments in key public infrastructure including transport, housing, water and sanitation and economic opportunities in slum areas using blended financing model.
- Fosters gender-transformation innovations in digital and financial services.
    - *Example: Mainstreaming gender equality in remittances:* By mainstreaming a gender lens into the Migration and Remittances Programme, UNCDF ensures that activities and outcomes reflect the experiences of, and are beneficial for, all migrants, regardless of their gender, and to ensure resilience for all migrants equally, rather than perpetuating existing biases To build migrant-centric and gender-smart remittance products, policies, and systems:, UNCDF:
        - promotes migrant-centric and gender-smart approaches to remittance innovation
        - advocates for data-informed decision making in remittances
        - conducts gender-smart market and policy analyses
        - promotes gender-responsive remittance policies and open digital payment systems
        - invests in migrant customer empowerment, specifically that of women
        - collaborates with partners to accelerate gender equality in remittances
- Uses strategic performance and measurement models to identify key market constraints to women-inclusive digital economies
    - *Example: Inclusive Digital Economies Scorecard:*
        - An element of measurement in UNCDF's Inclusive Digital Economies Scorecard, is the Women's Inclusiveness Score.
        - This score helps understand how inclusive a digital economy is for a woman in that economy.
        - This score includes the number of women in Parliament, which is one indicator of Political empowerment of women in several measures, reflecting (what we hope) is changing social norms.

SDG 14:

Coral reefs are vital to the global ecosystem and economy. However, a Conservation for Biodiversity High-Level Panel assessment estimated that current global funding levels fall far short of the funding required for coral reef protection. Private investment capital and innovative finance tools are needed to efficiently scale-up initiatives to save coral reefs and build the resiliency of communities that depend on them. However, there is limited pipeline of reef positive businesses and limited technical capacity locally to design innovative blended finance solutions that can attract private sector investment to the nascent blue economy sector. Additionally, the financial ecosystem is lacking experience and appetite to finance coral reef climate resilience and adaptation projects. Reef positive enterprises that need to borrow to fund their development are subjected to high interest rates that compromise the ability to get sustainable blue economy projects and businesses off the ground. Requirements to access credit can be so demanding that it makes it impossible for local businesses to obtain a loan. Public investment, which provides an important platform for private sector growth and development, is also frequently limited. Further, different organizations regard "investability" in different ways.

Despite these challenges, the political momentum and investor interest around ocean ecosystems is growing: 14 countries forming the High-Level Panel for a Sustainable Ocean Economy have committed to sustainably managing 100% of their waters and in a recent survey, 72% of investors have confirmed their interest in investing in a sustainable ocean economy. However, an interest in investing is not the same as being able to invest.

Global Fund for Coral Reefs

UNCDF recognises the crucial role that public and private funding can play in incubating, scaling and replicating the solutions necessary to preserve and restore life under water. That is why UNCDF partnered with UN entities (UN Environment and UN Development Programme) and global development partners (incl. the German Federal Ministry for Economic Cooperation (BMZ), the UK's Department for Environment, Food and Rural Affairs (DEFRA), the French Ministry for Europe and Foreign Affairs and the Government of Canada) to mobilize action and resources for coral reef protection, resilience and restoration, and launched the "**Global Fund for Coral Reefs**" (GFCR) in 2020. The GFCR is a blended finance initiative raising at least $125 million in grant funding (the "Grant Window") and a $500 million private equity fund (part of the "Investment Window") that seeks to enhance the resilience and adaptive capacity of priority coral reef ecosystems and of the communities that depend on them.

UNCDF has been appointed to manage the Fund's concessional lending window, called the GFCR "Blue BRIDGE", as it helps de-risk investments and acts as a bridge towards more commercial financing.

The Global Fund for Coral Reefs is the first UN impact Fund dedicated to SDG 14. The GFCR is creating a new paradigm for protection of an ecosystem on the brink of extinction with a myriad of implications. Through blended finance and innovative public-private partnerships, the GFCR is catalysing a sustainable financial ecosystem for conservation of coral reef ecosystems and development of the communities that depend on them.

The Global Fund for Coral Reefs supports efforts to incubate and accelerate revenue-generating interventions that can sustainably finance the mitigation and elimination of unsustainable direct and indirect local drivers of coral reef degradation.

Blue bond - Fiji

With rising threats to ocean conservation, sea-based natural capital and marine resources, UNCDF together with UN development programme and the Government of the United Kingdom is supporting the Government of Fiji to issue the country's first sovereign **blue bond** in 2022, including by defining a sustainable development bond framework and developing a pipeline of investment-ready marine conservation projects. The Blue Bond will help the Government of Fiji to sustainably capitalise on its vast ocean face and meet the National Ocean Policy's vision to provide for "a healthy Ocean that sustains the livelihoods and aspirations of current and future generations of Fiji".

The Blue Bond will raise up to US$10 million for investments aimed at delivering a sustainable blue economy, creating jobs and protecting oceans and biodiversity. Funds raised through the Bond will contribute to setting up Fiji's blue economy on a carbon-neutral path by 2050, and help Fiji meet its commitments under the 2030 Sustainable Development Goals in the face of a sharp COVID-induced economic downturn that began in 2020.

SDG 15

Blended finance for forest conservation and peace - Burundi

To support conservation, restoration and sustainable use of "Life on Land", UNCDF works with partners to leverage blended finance solutions that conserve and sustainably use biodiversity and ecosystems, especially in the Least Developed Countries.

In Burundi, to address root-causes of instability in the Great Lakes Region, UNCDF supports joint peacebuilding and conservation interventions under its "Kibira Peace Sanctuary" programme, funded by the Peacebuilding Fund (PBF), targeting drivers of conflict and instability associated with the lack of protection of the Kibira Forest. The programme fosters an enabling environment for sustainable peace in the Kibira National Park by supporting the government in deploying a new force of Rangers/Eco-guards managed by the National Park Authority (OBPE), a reducing emissions from deforestation and forest degradation (REDD+) strategy aimed at reducing drivers of deforestation, accessing carbon market, providing alternative livelihood models that bring co-benefits to the communities, and fostering durable conservation and peace.

By harnessing the capacities of long-term partners at the international, national, and sub-national level, the programme fosters a risk-tolerant environment that encourages financing innovation. This combined innovative effort can drive effective peacebuilding by reducing drivers of conflict and bring peace dividends in the form of community cohesion, sustainable livelihoods and other co-benefits from biodiversity conservation.

By addressing the link between forest degradation and instability in the Kibira Forest, as well as providing investment in a renewable energy project, the programme will deliver REDD+ objectives that include the reduction of CO_2 emissions and improved access to reliable and sustainable energy, a high priority for the national authority.

By implementing local clean energy projects, community ownership of the project becomes a critical factor in sustainably shifting from degradation to conservation of forest resources. According to REDD+ principles, conservation cannot be achieved unless the surrounding communities are developed and provided with alternative, sustainable and feasible sources of livelihood. Clean energy investment provides this opportunity while also paving the path for future investment and economic activity in the region.

A local investment facility will be created and managed by a special purpose entity (SPE) controlled by the Kibira Foundation that will be in position to unlock additional public and private finance from international and domestic sources, play a unique role in supporting local private entrepreneurs from the surrounding communities, and prioritize opportunities with potential social and conservation impact.

The SPE will be a REDD+ Investment Fund and will be an equity fund supporting investments ranging from $50,000 to $1 million. It will aim to provide catalytic capital alongside other sources of private financing in a 60 / 40 ratio such that the investment facility will retain a majority stake in the project while also bringing in other investors to co-finance.

SDG17

Mobilize private sector financial resources for the LDCs

Least Developed Countries typically face significant financing gaps in their efforts to achieve the Sustainable Development Goals (SDGs). According to UNCDF's publication Blended Finance in the Least Developed Countries, between 2012 and 2018, only 6 per cent of private finance mobilized by official development finance went to the LDCs, and even that 6 per cent was highly concentrated in a small number of sectors, countries, and transactions.

Financing shortfalls are especially large for **small and medium enterprises (SMEs**) seeking relatively small amounts of growth capital. According to the International Finance Corporation (IFC), the unmet credit need for formal SMEs in the developing world is about $4.5 trillion. The issue is even more acute in

LDCs, where the percentage of firms identifying access to finance as a major constraint is higher than in the rest of the developing world.

When it comes to supporting **local infrastructure**, continuing population growth and urbanization mean that by 2050, two-thirds of the global population will live in urban areas. Responsibility for meeting the enormous demand for infrastructure and services has increasingly shifted from national to sub-national governments. Yet, local governments outside major cities often lack the capacities, financial resources, management systems, and pipeline of bankable projects to fulfil this responsibility.

The Addis Ababa Action Agenda and the 2030 Agenda both identify the need for multiple sources of finance to work together effectively and in new combinations. Yet, the international financial architecture is not designed to directly support small ticket size, higher risk transactions that – nevertheless – will be the key to achieving transformative impact and ensure SDG progress at the local level.

UNCDF experiences

SDG targets 17.3 - *Mobilize additional financial resources for developing countries from multiple sources* – and SDG 17.6 - *Enhance the global partnership for sustainable development* - are of critical importance to achieve the SDGs, especially the engagement with and the mobilization of private sector financing. UNCDF has put in place a number of initiatives and mechanisms that deploy a blended finance approach to leverage strategic ODA and public capital in order to attract private sector resources for the SDGs, with a particular focus on the LDCs.

UNCDF's own investments: To enhance sustainable financing strategies and investment at the regional and country levels, especially in LDCs, UNCDF has fully activated its unique capital mandate and is now expanding the use of catalytic financing instruments to unlock further flows of capital to the LDCs.

In 2017 UNCDF established its LDC Investment Platform to address the financing gap for SMEs primarily. Since then, UNCDF has significantly scaled up its investment capabilities and manpower and now has a growing portfolio of concessional loans and guarantees.

Overall, with its investment work UNCDF aims to demonstrate to domestic and international investors that LDC markets can and do generate returns, provide opportunities for successful investment, and merit the attention of a wider range of investors. With its targeted loans and guarantees, UNCDF helps companies advance to the next level of growth where more commercial funding will replace the concessional funding. UNCDF also uses its demonstration effects to support policy and regulatory improvements and scale up of what works by other actors.

UNCDF supports companies or projects in the so called 'missing middle' that are maturing but not yet ready for fully commercial finance. It provides concessional loans and guarantees from its own on-balance sheet **BRIDGE Facility.** This financing serves as growth capital and to help small businesses build an investment track record. UNCDF's portfolio of loans and guarantees demonstrates that these investments can be both financially viable and have significant development impact.

With a high-risk appetite and concessionality in its loans and guarantees, UNCDF fills a gap in the international development finance architecture by providing finance for businesses and projects that are unable to access finance from other financial institutions.

UNCDF-supported third-party managed funds: To complement its own investment operations, UNCDF also supports establishment of third-party managed investment funds that focus on SDG-positive investments.

i) For example, UNCDF has partnered with an impact investment firm to establish a blended investment vehicle called the **BUILD Fund** to bring more commercial capital to small and medium enterprises, especially in least developed countries. UNCDF provides the pipeline of investments from its programmes and the wider United Nations development system, and it manages an associated technical assistance facility to provide pre- and post-investment business services to BUILD Fund clients.

The BUILD fund was formally incorporated in 2020 and is designed to attract concessional, semi-commercial and select commercial growth finance to SMEs, financial service providers, and local infrastructure projects. It is one of the few investment funds in the market with a specific focus on LDCs. The Fund's target capitalization is $250 million, consisting of $50 million of "first loss" shares to absorb early losses and catalyse greater follow-on financing, $75 million in mezzanine shares, and $125 million in senior "Class A" shares. Bilateral donors and other partners are committing financing to the first-loss investment layer of the fund, which is vital to unlocking capital in the upper investment layers. In 2021 a total of $25 million was mobilized for first loss and mezzanine financing.

ii) To support mobilization of capital for climate resilient infrastructure projects at the municipal level in LDCs and other developing countries, the **International Municipal Investment Fund (IMIF)** is an instrument of the UNCDF and United Cities and Local Governments (UCLG)-led Malaga coalition for a global financial ecosystem that works for cities and local governments. The external fund manager, selected by UNCDF in a competitive process, has secured significant capital towards the fund's first close of 290m Euros. UNCDF manages the associated IMIF technical assistance facility to support development and preparation of investment-ready projects for consideration by this Fund.

SDG 17 - Proposed messages for inclusion in the Ministerial Declaration

In line with various existing UN resolutions, including the draft Doha Programme of Action and the Quadrennial Comprehensive Policy Review 2020-24, the following are proposed key messages to make greater progress on the financing of the SDGs, especially SDG 17.3.

- Encourage the UN system and wider development community to intensify engagement with the private sector to establish and implement innovative financing mechanisms, including blended finance, in order to leverage additional and substantial private sector finance towards the SDGs. A particular focus should be placed on mechanisms that target and support the LDCs to recover from the COVID-19 pandemic and build forward better with more inclusive, green and diversified economies.

- Place a greater focus on developing or expanding financing mechanisms that target small and medium-sized enterprises and small investment projects, which traditionally face particularly great challenges in accessing financing. Mechanisms that focus on financing bankable enterprises and projects that support women's economic empowerment **(SDG 5)** protection of marine ecosystems **(SDG 14)**, biodiversity conservation **(SDG 15)**, should be further pursued.

- Encourage member states and other partners to urgently increase allocations of flexible ODA, other public financing or philanthropic capital that can be used as first loss, concessional, or de-risking capital to attract private sector resources into above mentioned type of blended financing mechanisms.

- Urge providers of private sector capital, including institutional investors, to engage proactively with development partners to define suitable SDG financing vehicles that meet their requirements.

- Encourage enhanced support for establishment of suitable credit ratings approaches for developing countries including LDCs, including by extending the horizon of credit ratings, to enable better assessment of risks and insights for long-term oriented investors.