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UNCDF annual report on results for 2025

Summary

This report presents the annual assessment of results achieved by UNCDF in 2025. The report also reviews institutional performance in a year marked by restructuring, summarizes key evaluation findings, and outlines how UNCDF is positioning itself for the implementation of the Strategic Framework 2026-2029 and to recognize its 60th anniversary.

Elements of a decision

The Executive Board may wish to (a) take note of the report; (b) welcome UNCDF's operationalization of paragraph 33 (m) of the Compromiso de Sevilla through deployment of catalytic concessional and first-loss capital to de-risk early-stage markets in least developed countries, small island developing States, and fragile contexts; (c) acknowledge organizational reforms that strengthened investment governance and risk management while maintaining development impact; (d) encourage UNCDF to deepen its role as a specialized financing enabler within the United Nations development system.

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I. Contextual analysis

1. Least Developed Countries (LDCs), small island developing States (SIDS), and fragile settings possess significant untapped economic potential. However, structural constraints in the global financial system continue to limit their ability to translate this potential into progress towards the Sustainable Development Goals and shared prosperity. This challenge has been compounded by declining global financing for development and persistent risk aversion in early-stage and last-mile markets, further constraining access to finance for the countries and communities most in need.

2. Poverty levels are growing, and global economic pressures are intensifying structural vulnerabilities across developing economies. Over 3.4 billion people are living in countries where interest payments exceed public spending on health or education, and over two-thirds of low-income countries are now either in debt distress or at high risk of it[1]. These pressures disproportionately affect fragile and conflict-affected contexts, where 72% of people living in extreme poverty reside[2]. Official development assistance (ODA) is under strain at a time of rising need. Net ODA was projected to decline by 9-17% in 2025 following a 9% decline in 2024, with poorest countries hit the hardest: LDCs were projected to see a 13-25% fall in net bilateral ODA from DAC providers while countries in sub-Saharan Africa could face a 16-28% decline[3]. These countries continue to receive a disproportionately small share of private finance, with LDCs capturing only 12% of mobilized private finance from 2020-2023[4]. The scale of unmet financing needs remains substantial, as ODA-eligible SIDS face an anticipated annual climate adaptation gap of $7.3 billion on average per year until 2030[5]. Micro, small and medium sized enterprises (MSMEs) account for approximately 90% of firms globally, 70% of global employment, and play a critical role in innovation and economic resilience. However, they remain chronically underfinanced, with the MSME financing gap for developing economies widening to $8 trillion when including informal enterprises[6]. MSMEs are central to UNCDF's targeted markets, and through a range of tailored interventions, including reimbursable grants and business advisory support, UNCDF will strengthen pre-market-ready enterprises and enable their formalization, stabilization, and growth.

3. From 2021 to 2025, the percentage of adults without a formal financial account fell from 26% to 21%[7]; this is primarily due to digital financial services making formal accounts accessible via mobile phones. As digital finance grows in reach and popularity, UNCDF supports its development by identifying structural constraints for digital finance implementation to address systemic market failures, close regulatory gaps, and create an enabling environment through the deployment of blended financial instruments to advance digital finance.

4. Capital markets in developing countries remain underdeveloped, despite rising financing needs among firms. Multilateral Development Banks (MDBs) and Development Finance Institutions (DFIs) play a critical role but tend to focus on credit-rated markets and large transactions, leaving subnational actors and local markets in LDCs and SIDS with limited access to capital. UNCDF addresses this gap[8] by providing tailored support to local governments, municipalities, and National Development Banks (NDBs) to improve access to capital for subnational infrastructure and strengthen sectors that drive inclusive growth, resilience, and prosperity. Further, UNCDF strengthens local revenue systems and

[1] United Nations, Confronting the Debt Crisis: 11 Actions to Unlock Sustainable Financing. Report of the Secretary-General's Expert Group on Debt, (New York, 2025).
[2] Organisation for Economic Co-operation and Development, States of Fragility 2025 (Paris, 2025).
[3] Organisation for Economic Co-operation and Development, "Cuts in official development assistance: OECD projections for 2025 and the near term", OECD Policy Briefs, No. 26 (Paris, 2025).
[4] Organisation for Economic Co-operation and Development, Tracking Private Finance Mobilisation: Latest Trends and Ways Forward. (Paris, 2025).
[5] Organisation for Economic Co-operation and Development, Global Outlook on Financing for Sustainable Development 2025 (Paris, 2025).
[6] International Finance Corporation, Financial Institutions Group (FIG): MSMEs, October 2025.
[7] Klapper, Leora and others, The Global Findex Database 2025: Connectivity and Financial Inclusion in the Digital Economy" Executive Summary booklet. World Bank, (Washington, D.C., 2025).
[8] ISF Advisors, The case of missing middles: Gaps in the development finance landscape, and UNCDF's positioning in it (2025).

public financial management to enhance repayment capacity, reduce risk, and unlock the necessary private capital for economic growth.

5. In this context, UNCDF continues to play a distinctive and essential role within the international development finance landscape. As a United Nations agency with a capital mandate and a de-risking capability, UNCDF is uniquely positioned to invest in early-stage, last-mile markets where traditional financiers may face constraints. UNCDF's focus on MSME finance, subnational finance and inclusive digital finance addresses systemic barriers that constrain inclusive growth and economic resilience in LDCs, SIDS, and fragile settings.

II. Reflections on the 2022-2025 Strategic Framework

6. The Strategic Framework 2022–2025 was conceived as a test of whether UNCDF could translate its mandate into sustained development impact through the deployment of catalytic capital in LDCs, SIDS and fragile contexts. The Framework articulated a clear ambition: to move beyond isolated interventions and demonstrate how targeted, risk-absorbing finance, combined with policy engagement and institutional support, could unlock economic opportunity, strengthen local systems and crowd in additional public and private investment. A cumulative review of the period indicates that this ambition was largely realized, while also revealing important constraints and lessons that have directly informed the design of the Strategic Framework 2026–2029.

7. The 2022–2025 period confirms that UNCDF delivered meaningful impact in line with the results it committed to achieve. Across countries and thematic areas, UNCDF supported over 1,600 offerings, with products, services and infrastructure development reaching scale through replication and sustained use rather than one-off delivery. The number of people engaging with UNCDF-enabled solutions increased steadily over the cycle, reaching over 32 million by the end of 2025, half of whom were women.

8. Economic transformation outcomes over the Strategic Framework period also align with expectations set at the outset of the cycle. UNCDF interventions supported enterprise growth, resilience, employment and access to finance at scale, particularly among smaller and locally rooted actors that remain underserved by commercial markets. While annual performance varied, reflecting macroeconomic pressures and country-specific conditions, cumulative results show a positive contribution or support to more than 590,000 enterprises over the period as a whole. Feedback from programme countries consistently emphasized that the value of UNCDF support lay not only in immediate outputs, but in its role in stabilizing local economic activity during periods of stress and uncertainty.

9. The Framework's emphasis on leveraging capital beyond UNCDF's own resources was a central feature of its theory of change. In this regard, performance over the period was notable. UNCDF investments mobilized more than \$132 million and catalyzed nearly \$843 million in additional public and private financing, with leverage particularly pronounced where UNCDF assumed early-stage or first-loss risk through guarantees, blended finance vehicles and structured facilities. It is in these contexts that UNCDF's role as a first mover and risk absorber is most valuable within the international financial architecture, especially in markets not yet able to attract large-scale commercial or development finance on standard terms.

10. The Strategic Framework also sought to ensure that impact was embedded in policies, institutions and systems. During the previous strategic planning cycle, UNCDF contributed to the adoption and strengthening of over 150 policy and regulatory frameworks that underpin inclusive finance, subnational fiscal systems and sustainable investment at the local level. As a result, LDCs improved access to basic financial services, MSMEs reduced cash-flow volatility, and subnational infrastructure benefited from more fit-for-purpose financing for climate adaptation. UNCDF contributions aligned domestic rules with global best practice, consulted stakeholders, and used data and research for evidence-based reforms, collectively enabling stable investment climates and sustainable capital mobilization. These engagements were linked to investment pipelines and implementation, reinforcing UNCDF's positioning at the interface between policy and capital. Member States and partners have

consistently recognized this dual role as a distinguishing feature of UNCDF’s contribution within the United Nations development system.

11. The 2022–2025 period underscores that impact was not achieved uniformly across all dimensions of the Framework. While overall results remained strong, delivery was affected at times by institutional and resourcing constraints. In particular, core resources remained below the level required to fully capitalize UNCDF's risk-taking mandate as recognized in the Compromiso de Sevilla. At $8.5 million in 2025, core resources represented approximately 7% of total contributions, substantially below the Secretary-General's Funding Compact target. The organizational restructuring undertaken in 2024 was designed to align operational capacity with UNCDF's capital mandate and strengthen investment governance for scaled delivery.

12. Institutional effectiveness results reflect this balance between performance and constraint. UNCDF maintained high standards of fiduciary assurance, audit compliance and evaluation follow-up throughout the period, reinforcing confidence among partners and governing bodies. Environmental and social standards were increasingly integrated into programme and investment decisions, and risk management practices were progressively strengthened. At the same time, performance against certain internal indicators, particularly those related to staff engagement and senior-level gender balance, highlighted areas for further improvements. These gaps were acknowledged and addressed through organizational reforms initiated in 2024, aimed at aligning structures, processes and incentives more closely with UNCDF’s mandate as a capital-deploying fund.

13. An important feature of the Strategic Framework 2022–2025 was UNCDF’s operating model in fragile and crisis-affected contexts. UNCDF demonstrated that its combination of local presence, flexible instruments and risk tolerance enabled it to sustain essential services and economic activity during periods of disruption. Interventions in climate-vulnerable and fragile settings confirmed the relevance of pre-emptive and resilience-oriented financing tools, while also highlighting the importance of rapid decision-making and predictable resources in such contexts. These experiences have been explicitly incorporated into the design of the next Strategic Framework.

14. The lessons emerging from the 2022–2025 period confirm that UNCDF’s impact is greatest when it concentrates on its comparative advantage: deploying catalytic capital and complementary advisory services in markets where risk, rather than lack of ideas or demand, is the binding constraint. Second, they demonstrate that scale is achieved not through volume alone, but through disciplined risk-taking, strong pipeline development and close alignment with partner incentives. Third, they underscore that institutional credibility and predictability of resources are essential to sustaining impact over time.

15. These lessons have directly shaped the Strategic Framework 2026–2029. The new Framework sharpens UNCDF’s focus on MSME finance, subnational finance and digital finance, areas where evidence from the previous cycle shows the strongest results and demand from countries and partners. It positions UNCDF more explicitly as a first mover and risk absorber within the United Nations system and the broader development finance ecosystem, complementing the roles of MDBs and DFIs. It also places greater emphasis on organizational readiness, capital allocation discipline and integrated risk management, reflecting the experience of the 2022–2025 period.

16. Through the Strategic Framework 2022–2025, UNCDF largely delivered on the results it set out to achieve and provided a clear assessment of the conditions under which its model is most effective. The transition to the Strategic Framework 2026–2029 is therefore best understood not as a change of direction, but as a consolidation and refinement of the approach tested during the previous cycle.

III. Programmatic achievements/performance highlights of 2025

17. In 2025, UNCDF concentrated its efforts on ensuring finance reaches local economies where development outcomes are shaped. At a time of constrained fiscal space, heightened risk, and selective capital flows, UNCDF helped enable finance to engage earlier, operate more inclusively, and align with national and local priorities. During the year, UNCDF operated in 67 countries, including 36 LDCs and 16 SIDS, reaching approximately 3.3 million people through UNCDF-enabled solutions, two third of whom were women.

18. Across LDCs, SIDS, and fragile settings, UNCDF worked through domestic institutions and systems to reduce risk, strengthen financial ecosystems, and improve the enabling environment for investment. By deploying catalytic capital with discipline and purpose, UNCDF helped create conditions for public and private actors to invest alongside limited public resources, extending the reach and impact of development finance beyond what would otherwise be possible.

19. The achievements outlined in this section reflect a portfolio shaped by clear strategic choices and a consistent focus on translation: translating policy objectives into financing solutions, translating early-stage interventions into pathways for scale, and translating public risk-taking into market participation. Together, they demonstrate how UNCDF's mandate, instruments, and partnerships contribute to more inclusive, resilient, and sustainable development outcomes at the last mile.

Inclusive Digital Economies

20. In 2025, UNCDF advanced inclusive digital economies by strengthening the financial systems through which households and enterprises access capital, manage risk, and participate in formal markets. UNCDF worked with domestic institutions and regulators to ensure digital transformation translated into economic participation for MSMEs, women, and underserved communities.

21. Through the Digital Finance for Resilience (DFS4Res) programme funded by the European Union, UNCDF expanded access to digital financial services among underserved groups. In the Pacific, strengthened agent and merchant networks enabled over 10,000 people to actively use digital wallets. In Niger, rural network expansion supported nearly 60,000 new mobile money accounts and 2,000 active agents, including women kiosk operators generating income. In Gabon, supported platforms enabled transactions for over 37,000 clients and 9,000 agents, while in Ethiopia approx. 12,000 MSMEs, many led by women and youth, accessed improved financial and business services through digital platforms, strengthening enterprise resilience.

22. Programme interventions strengthened financial inclusion for MSMEs and community-based savings groups by improving their access to formal financial services. In Ethiopia, MSMEs and traders engaged through UNCDF-supported platforms reported improved access to concessional finance. In Gabon, more than 1,500 MSMEs transitioned from informality to formality as digital transaction histories enhanced their eligibility for financial services. In Malawi, UNCDF digitally onboarded nearly 10,000 Village Savings and Loan Association members, generating structured transactional data now used to develop alternative credit scoring models to unlock formal credit for historically excluded groups.

23. With the support of the European Union, the Governments of New Zealand and Australia, UNCDF accelerated digital transformation across Pacific Island countries by strengthening policy, regulatory, and payment infrastructure. The programme expanded digital payment ecosystems, enabling QR code mobile wallet payments and facilitating mobile-wallet-based government-to-person payments reaching over 3,000 citizens in Kiribati and advancing inclusive access to digital financial services.

24. In Bangladesh, with the support of the Government of Switzerland, UNCDF partnered with seven private sector and financial technology (fintech) actors under the Shafal programme to co-create migrant-centric and women-focused financial solutions that promote safer remittance management and greater use of digital financial services. Nationwide awareness campaigns reached over 260,000 people, strengthening responsible digital finance behaviors and supporting financial resilience among migrant families and women.

25. Through the Policy Accelerator Program, UNCDF strengthened the regulatory and institutional foundations of digital finance and MSME markets, ensuring capital deployed by UNCDF and its partners is built on stable and scalable investment climate. In Ethiopia, Tanzania, Uganda, Cameroon, Gabon, Zambia the program advanced reforms in digital public infrastructure, competition through interoperability, and consumer protection. Over 100 regulators were trained to develop regulations that reduce systemic risk, improve investor confidence, and create clearer pathways for domestic and international capital to flow into underserved markets.

26. With the support of the Government of Norway, UNCDF implemented a catalytic digital payments intervention in Gaza in partnership with PalPay, a subsidiary of the Bank of Palestine, under

conditions of widespread destruction of financial infrastructure, including bank branches, ATMs and cash distribution networks. Severe liquidity shortages and movement restrictions made cash transactions increasingly unviable, transforming digital payments from a financial inclusion tool into an economic lifeline. While e-wallet adopting increased rapidly under crisis conditions, merchant acceptance became a critical bottleneck, with as few as 50 active merchants able to accept digital payments at the height of the destruction. Through targeted awareness campaigns, merchant incentives and consumer cash-back schemes, UNCDF helped onboard more than 900 merchants, expanding the acceptance network nearly twentyfold and restoring transaction functionality across neighborhoods and informal commercial clusters. This enabled households and small businesses to continue economic activity despite systemic banking disruptions, while generating digital transaction histories that lay the foundation for future access to formal financial services.

27. UNCDF supported the expansion of digitally delivered climate and disaster risk finance solutions as part of broader inclusive digital economy efforts. Across the Pacific, UNCDF worked with governments, regulators, insurers, and distribution partners to scale parametric insurance products for farmers, fishers, and low-income households. In 2025, excessive rainfall in Fiji triggered payouts to more than 1,100 households, transferred directly to bank accounts or mobile wallets. These fully digital processes reduced transaction costs, limited leakage risks, and demonstrated how rules-based protection can provide timely support following climate shocks.

28. UNCDF also contributed to strengthening the enabling environment for inclusive digital economies. In Sierra Leone, UNCDF worked with the central bank to produce a comprehensive assessment of the digital financial services market, informing policy and regulatory approaches to expand access for underserved populations, including women and youth.

29. In Ghana, UNCDF de-risked the initial investments of financial service providers (FSPs) to design digital financial solutions tailored to women- and youth-led MSMEs that would otherwise remain underserved. The facility, developed with the United Nations Development Programme (UNDP) and the United Nations Conference on Trade and Development (UNCTAD) and financed by the Joint Sustainable Development Goals (SDG) Fund, scales a holistic approach for MSMEs that blends financing solutions, conducive policy environment and business development services and skills. In 2025, the facility introduced human-centered design approaches in collaboration with private-sector partners, enabling financial institutions and fintechs to better understand and address the structural barriers limiting underserved entrepreneurs' access to credit. By supporting FSPs to develop, test, and refine inclusive digital financial products, UNCDF played a catalytic role in crowding in private capital enabling partner institutions to prepare the grounds and expand MSME lending through their own contributions.

Local Transformative Finance

30. In 2025, UNCDF advanced local transformative finance by enabling subnational governments and local institutions to mobilize resources for inclusive, climate-resilient development. This work responded to a persistent structural challenge: while climate risks, service delivery gaps, and development needs are felt most acutely at the local level, access to predictable and performance-linked financing remains limited. UNCDF focused on strengthening local public finance systems and connecting them to national and international financing channels, ensuring that locally identified priorities can translate into implementable investments.

31. The Local Climate Adaptive Living Facility (LoCAL) remained the cornerstone of this effort. In 2025, LoCAL operated in 23 countries across Africa and the Asia-Pacific, including 18 LDCs and four SIDS. Through performance-based climate-resilient grants, LoCAL supported subnational governments to plan, finance, and implement locally led adaptation investments aligned with national climate strategies, while reinforcing public finance management systems. More than $10 million was delivered to subnational governments in seven countries, supporting 189 completed investments ranging from climate-resilient water supply and irrigation to nature-based solutions and renewable energy. These investments strengthened local resilience while reinforcing planning and budgeting systems.

32. LoCAL's approach continued to attract donor partnership, including from Denmark, Ireland, Norway, Australia, Sweden, the European Union, and New Zealand. 2025 also marked a transition

point in the evolution of the Facility. A period of review prepared an expanded offer that complements grant-based support with a market finance window designed to leverage private capital for adaptation. This next phase, launched as LoCAL+ in 2026, reflects demand from Member States to embed local adaptation finance within broader financing architectures. Uganda was selected as the initial pilot country, supported by a contribution from Denmark signed in 2025.

33. National and subnational ownership of local climate finance deepened further during the year, with UNCDF support. In Cambodia, the Committee for Sub-National Democratic Development Secretariat secured $9.7 million from the Green Climate Fund to continue and expand implementation of the LoCAL approach. This demonstrates how performance-based, locally led adaptation mechanisms can be institutionalized within national systems and underscores the value of UNCDF's targeted support at the subnational level.

34. UNCDF also applied its local finance expertise through programmes that reinforce decentralized governance and service delivery. In Bangladesh, the LoCAL approach was implemented through the LoGIC programme, delivered jointly with UNDP. In 2025, LoGIC supported 50 locally-led adaptation initiatives across highly climate-vulnerable upazilas (administrative unit in Bangladesh), reaching more than 34,000 people. Investments improved access to clean water, restored agricultural land through climate-smart irrigation, expanded renewable energy generation, and promoted ecosystem-based adaptation. These results were achieved while strengthening the capacity of local governments to integrate climate adaptation into planning and budgeting processes.

35. In Mozambique, with European Union funding, the DELPAZ (Local Development for the Consolidation of Peace in Mozambique, Desenvolvimento Local para a Consolidação da Paz in Portuguese) programme completed its final year with a focus on consolidation and institutional strengthening. UNCDF supported district and provincial authorities in public planning, budgeting, financial management, and integrating climate adaptation and disaster risk reduction into local development plans.

36. Local transformative finance also extended beyond climate adaptation to broader municipal and urban financing challenges. In Southeast Asia, UNCDF partnered with the Association of Southeast Asian Nations (ASEAN) Secretariat under the Smart Green ASEAN Cities initiative to translate policy ambition into bankable investment pipelines. In 2025, with European Union funding, the programme supported 14 cities across five ASEAN countries, delivering two blended finance pilots and completing feasibility studies for 12 cities. The pilots demonstrated how blended finance can scale urban services, crowd in private operators, strengthen municipal revenue models, and improve environmental outcomes.

37. Across Africa, UNCDF supported subnational access to capital markets and domestic resource mobilization. In East Africa, UNCDF provided technical assistance for the region's first subnational green bond, strengthening municipal financial management and investor confidence while unlocking private capital for climate-aligned infrastructure. In Somalia, through the Asaaska Fikir project, UNCDF strengthened local government capacity in asset and own-source revenue management, improving predictability and sustainability of local financing for basic service delivery.

38. Taken together, UNCDF's work in local transformative finance during 2025 demonstrates how strengthening subnational finance systems delivers concrete development outcomes while reinforcing national frameworks. By working through local governments and institutions, and by linking local investments to national and global financing channels, UNCDF helped ensure that climate resilience, service delivery, and inclusive growth are financed where they matter most, at the local level.

Climate, Clean Energy and Biodiversity Finance

39. In 2025, UNCDF expanded its support for climate, clean energy, and biodiversity finance by focusing on one central challenge: mobilizing capital for climate and nature at scale in markets where risk perceptions, limited institutional capacity, and small transaction sizes continue to deter investment. UNCDF concentrated its efforts on translating global climate and biodiversity priorities into locally anchored financing mechanisms that can operate through domestic institutions and attract additional public and private capital.

40. In the Pacific, UNCDF worked with national development banks and partners to establish guarantee facilities that enable lending to enterprises contributing to climate resilience, biodiversity protection, and sustainable livelihoods. These interventions demonstrate how risk-sharing can move climate and biodiversity finance beyond pilot initiatives and into institutionalized financial systems. In Papua New Guinea, UNCDF in close collaboration with UNDP, with financing from the Global Fund for Coral Reefs (GFCR), deployed a complementary Women's Micro Bank Limited Blue Economy Portfolio Guarantee to enable climate- and biodiversity-aligned MSMEs to access finance for sustainable marine livelihoods. By working through a women-focused domestic financial institution, the guarantee reinforced the link between women's economic participation and ecosystem stewardship, while strengthening the bank's ability to serve coastal and remote communities. These transactions illustrate UNCDF's comparative advantage in translating global biodiversity finance into bankable, replicable financing mechanisms within domestic financial systems in SIDS.

41. UNCDF also supported climate-resilient and clean energy investments in other regions by addressing early-stage risk and strengthening enabling environments. In Tanzania, the CookFund programme, funded by the European Union, delivered results in expanding access to clean cooking solutions, supporting enterprise growth, job creation, and alignment with national clean cooking strategies. The programme also strengthened institutional capacity and policy frameworks, including work on carbon trading and market readiness.

42. In 2020, UNCDF, with funding from the Central African Forest Initiative (CAFI), launched the Challenge Fund and Incubation for Clean Cooking Solutions in the Democratic Republic of the Congo (DRC). In 2025, programme-supported companies sold more than 15,000 clean cooking units, bringing total sales since inception to more than 322,000 clean energy technologies. During the year, nearly 94,000 individuals engaged with clean energy products, contributing to improved indoor air quality and reduced reliance on polluting fuels, while capacity-building support reached nearly 34,000 individuals, including more than 20,000 women and 27,000 young people.

43. UNCDF also engaged with global insurance and capital market actors to explore innovative approaches to disaster resilience financing. In 2025, UNCDF partnered with Aon to establish a disaster resilience financing vehicle focused on climate-vulnerable countries, including SIDS. The initiative illustrated how guarantees and risk transfer mechanisms can help crowd in private insurance and capital markets, complementing public finance and strengthening preparedness for climate shocks.

44. Across these interventions, UNCDF builds financing pathways that connect climate and biodiversity objectives with domestic financial institutions, regulatory frameworks, and market actors. Rather than financing climate and nature outcomes in isolation, UNCDF focused on embedding them within financial systems capable of sustaining investment over time.

Sustainable Food Systems Finance

45. In 2025, UNCDF supported sustainable food systems by addressing a persistent constraint across many Member States: the limited availability of appropriate finance for smallholder farmers, early-stage agribusinesses, and food value chain actors operating in high-risk and underserved markets. UNCDF focused on enabling access to finance where commercial lending remains constrained by perceived risk, limited collateral, and fragmented value chains, while supporting national priorities for food security, rural employment, and climate resilience.

46. UNCDF's interventions combined catalytic financing with targeted technical support to strengthen producers' engagement with financial institutions and markets. In Niger, the AGRODIGI (Digitization and structuring of the agricultural value chain) programme, jointly implemented with UNDP, advanced digital and financial inclusion across agricultural value chains. More than 2,000 farmers and value-chain actors received training in digital and financial services, contributing to improved financial access, while more than 700 participants enrolled in savings mechanisms.

47. In Rwanda, UNCDF continued to demonstrate how risk-sharing instruments can unlock financing for agribusinesses. Through the BRIDGE project, jointly implemented with the World Food Programme (WFP), an initial $500,000 guarantee was fully deployed, unlocking more than $714,000 in loans to 92 agribusinesses across the country. Seventeen of the supported enterprises were women-owned or women-led.

48. In partnership with the African Adaptation Initiative, UNCDF led the Food Security Accelerator to unlock investment in resilient food systems and agribusinesses across frontier and emerging markets in Africa. Using concessional grants and loans, the programme mobilizes private financing, strengthens conditions for agricultural innovation, and catalyzes locally led, sustainable economic transitions. By addressing systemic barriers, the Accelerator advances more resilient food systems and livelihoods.

49. In Afghanistan, working in partnership with UNDP, UNCDF expanded a portfolio guarantee facility that increased the leverage and capacity of the Afghanistan Credit Guarantee Facility. This enabled partner institutions to continue and expand lending to micro and small enterprises despite severe liquidity constraints. Nearly 13,000 MSMEs accessed guaranteed financing across 15 provinces, with women accounting for almost one quarter of borrowers. The supported portfolio was diversified across trade, agriculture, production, and services, contributing to the continuation of economic activity and employment in a context marked by acute uncertainty.

50. Across these interventions, UNCDF's enabled food systems actors to access finance that reflects the realities of agricultural production, seasonal cash flows, and climate risk. By de-risking early-stage investment, strengthening investment readiness, and connecting producers and enterprises to financial institutions and markets. The results achieved in 2025 demonstrate how catalytic public finance can support more inclusive, resilient, and sustainable food systems while reinforcing national development objectives.

Women's Economic Empowerment

51. In 2025, UNCDF advanced women's economic empowerment by expanding access to finance, strengthening women-led enterprises, and embedding gender-responsive approaches within financial systems and local economies. Across its portfolio, UNCDF treated women's economic participation not as an ancillary objective, but as a core driver of inclusive growth, resilience, and local economic transformation. UNCDF issued new portfolio guarantees in Rwanda, Papua New Guinea, Fiji, and Burkina Faso, alongside a top-up in Afghanistan, supporting lending to health practitioners, women- and youth-led enterprises, peacebuilding initiatives, and blue economy businesses. By year-end, UNCDF managed seven active guarantees with a ceiling of $5 million. Together with its loan portfolio, these instruments mobilized over $32 million in financing, demonstrating how catalytic public capital can unlock domestic lending.

52. Access to finance remained central to this effort. In several countries, UNCDF deployed catalytic instruments and technical support to enable women entrepreneurs to engage with financial institutions on more equitable terms. In Rwanda, women entrepreneurs benefited from financial support and capacity building under the Unlocking Agricultural Finance for Youth and Women project, enabling greater participation in agricultural value chains and improved access to markets. In Afghanistan, blended finance instruments and risk-sharing mechanisms supported women-led and small enterprises, helping sustain livelihoods and economic activity where alternatives remain limited.

53. UNCDF also strengthened women's financial inclusion through digital solutions that reduce reliance on cash and expand access to formal financial services. In Afghanistan, under the Digital Prosperity Project, UNCDF facilitated the creation of more than 1,700 digital wallet accounts for women participating in village savings groups and small-scale trading activities. These accounts enabled safer and more transparent transactions, improved payment management and traceability, and strengthened financial literacy and confidence in the use of digital financial services. Similar digital approaches were integrated into broader inclusive finance initiatives across multiple countries

54. Women's economic empowerment was also advanced through sector-specific financing approaches that link income generation with local development priorities. In Guinea-Bissau, under the Peaceful Natural Resources Management in the Koliba–Corubal Basin project, funded by the Peacebuilding Fund (PBF), and implemented in partnership with UNDP, United Nations Human Settlements Programme (UN-Habitat) and the Food and Agriculture Organization of the United Nations (FAO), UNCDF supported gender-responsive financing linked to water-related value chains. In Sierra Leone, the Blue Peace Financing Initiative demonstrated how women's economic empowerment can be embedded within infrastructure and public service delivery. In Freetown, UNCDF supported the construction of 24 solar-powered water kiosks, all of which were transferred to women-led management

teams. These teams were drawn from a cohort of 200 women trained in kiosk operations, business management, and financial literacy, including 45 women leaders. Once operational, the kiosks will improve access to clean water for approximately 24,000 residents while creating sustainable income and leadership opportunities for women.

55. UNCDF also strengthened women's entrepreneurship and employability through partnerships that address skills, market access, and institutional coordination. In Ghana, under the European Union–Ghana Pact for Skills project, UNCDF expanded partnerships with tertiary education institutions and industry to support women's participation in entrepreneurship and the school-to-work transition. In 2025, tailored technical assistance reached education personnel and ecosystem actors, half of whom were women.

56. By working through financial institutions, local governments, and national systems, UNCDF helped ensure that gains in women's access to finance and economic opportunity are embedded within structures that endure beyond individual projects. The results achieved in 2025 demonstrate how catalytic public finance, when paired with institutional strengthening and targeted partnerships, can contribute to more equitable economic participation and durable development outcomes.

IV. Augmenting the impact of the United Nations system

57. In 2025, UNCDF augmented the impact of the United Nations system by embedding its financing and investment expertise across a broad portfolio of joint programmes and United Nations-led initiatives. UNCDF collaborated with 40 United Nations entities across climate resilience, digital economies, food systems, MSME finance and subnational development. These projects positioned UNCDF as a specialist financing enabler within multi-agency programmes, rather than a parallel delivery actor.

58. UNCDF's partnerships extended beyond development agencies to include a mix of development, humanitarian and policy-focused United Nations entities, including FAO, the International Fund for Agricultural Development (IFAD), the United Nations Children's Fund (UNICEF), UNCTAD, WFP, UN-Habitat, and UN Women.

59. UNCDF also contributed to system-wide and pooled financing mechanisms, including engagement with the SDG Fund and the Multi-Partner Trust Fund Office (MPTFO), where its role focused on strengthening the financial design, sustainability and investment readiness of joint programmes.

60. At the country level, UNCDF aligned its work with national priorities coordinated by United Nations Resident Coordinators (RC), embedding access to finance, local capital mobilization and investment structuring within United Nations Sustainable Development Cooperation Frameworks.

61. In 2025, UNCDF played a targeted catalytic role within Peacebuilding Fund–supported initiatives by linking conflict prevention with inclusive economic and environmental governance in fragile and transition settings. In Burundi, UNCDF supported cooperation between communities and park authorities around Kibira National Park, helping to institutionalize dialogue through 17 Community Protection Committees and operationalizing a payment-for-ecosystem-services agreement that secures long-term financing for conservation while reducing livelihood-related conflict risks.

62. In the Democratic Republic of Congo, UNCDF strengthened inclusive and accountable natural resource governance around Kahuzi-Biega National Park by supporting grievance management and redress mechanisms, contributing to improved trust between communities and park institutions. UNCDF also contributed to government-led environmental peacebuilding in the Niger, where, alongside FAO, it helped local land commissions issue formal land tenure acts and resolve land disputes through dialogue, mitigating climate- and resource-related tensions.

63. In collaboration with FAO, UNDP, the International Telecommunication Union (ITU) and the International Labour Organization (ILO), UNCDF supported the Centre of Excellence for Financial Inclusion to launch Papua New Guinea's National Financial Inclusion Dashboard, enabling real-time, gender- and location-disaggregated data tracking. This innovation strengthened data governance and

enhanced evidence-based policy and regulatory oversight under the National Financial Inclusion Strategy 2023–2027. With UNCDF's support, Women's MicroBank Limited scaled up digital financial literacy nationwide through a sustainable model where customers pay for courses. Over 3,000 individuals have been trained in 2025, improving financial capability and digital inclusion. As part of this project, UNCDF and its partners helped Papua New Guinea's Credit Guarantee Corporation pilot a psychometric credit scoring tool leveraging behavioral and alternative data to assess SMEs with limited collateral or credit history.

64. In Democratic Republic of Congo, UNCDF worked in close partnership with UNDP on the CleanStart Joint Energy Project, contributing technical expertise to advance clean cooking market development. In 2025, UNCDF supported the elaboration of the liquefied petroleum gas (LPG) master plan for Lubumbashi, Kananga and Kasai, working alongside UNDP to strengthen evidence-based planning for the expansion of LPG markets. UNCDF also mobilized private-sector actors to conduct market analyses of LPG development in their respective areas, while UNCDF experts participated directly in data collection and analysis.

65. Working with the United Nations Office for Disaster Risk Reduction (UNDRR), the United Nations Office for South-South Cooperation (UNOSSC), the Multi-Partner Trust Fund Office , and UN-Women, the Pacific Insurance and Climate Adaptation Programme (PICAP) anticipatory action insurance product was featured as a flagship case study in major research examining links between anticipatory action and climate risk insurance. Developed with UNDRR, the product appeared in an academic paper by the Munich Climate Insurance Initiative submitted to Springer Nature Business and Economics, an MCII policy brief, and a joint Anticipation Hub–MCII discussion paper. Across these publications, PICAP was recognized for its dual-trigger mechanism enabling payouts before and after cyclone events, strengthening preparedness and recovery, and positioning its anticipatory approach as a model for climate-responsive risk financing.

66. Working with UNDP and the United Nations Environment Programme (UNEP), the Investing in Coral Reefs and the Blue Economy (ICRBE) joint programme, supported by the GFCR and the Joint SDG Fund, accelerated implementation in 2025 following an independent mid-term review and donor consultations. The programme was refocused on two investment-ready transactions aligned with national priorities: a blended finance mechanism supporting Locally Managed Marine Areas (LMMAs) and reef-positive enterprises through the Fiji Development Bank, and catalytic support for remediation of the Sigatoka dumpsite to strengthen solid waste management in Fiji's Western Division.

67. Under the first transaction, the Fiji Development Bank launched its Blue Lending Facility, approved a $920,000 credit guarantee ($770,000 from ICRBE and $150,000 from PICAP), and identified a pipeline of 10 LMMAs and four enterprises, with up to $1.3 million in lending expected once operational. Under the second, technical preparation advanced in coordination with the Asian Development Bank, alongside $1 million in government co-financing, paving the way for remediation that will reduce coastal pollution risks and support climate-resilient blue economy investment.

68. The Pacific Digital Economy Programme, a partnership between UNDP, UNCDF and UNCTAD, led to the advancement of digital transformation across Fiji, Vanuatu and Kiribati. Joint efforts focused on strengthening digital economy policies and regulatory frameworks, expanding access to open digital payment systems, and enhancing consumer empowerment. Key results included the strengthening of digital economy frameworks through MSME e-commerce tools, resilient connectivity standards, and evidence-based policymaking.

69. In Sierra Leone, the Empowering Youth Bike Riders project, led by UNDP and supported by the United Nations Resident Coordinator's Office (RCO), strengthened delivery and impact in 2025 by advancing peacebuilding and social cohesion within the bike riding sector. UNDP provided strategic leadership and technical guidance in line with national priorities, while the United Nations RCO ensured coherence with the United Nations cooperation framework and facilitated engagement with government and development partners. In total, over 4,700 youth riders received training on conflict-resolution and communication skills. Through joint coordination with authorities, security actors, and bike rider unions, tensions were reduced in high-risk areas, while field missions and monitoring ensured consistent application of conflict-sensitive approaches.

70. The Renewable Energy Fund in Zimbabwe strengthened collaboration among participating United Nations organizations, including UNESCO, UN-Women and UNDP, demonstrating effective United Nations system coordination to mobilize private capital for renewable energy. Working closely with UNCDF, partner agencies provided technical guidance across the investment lifecycle, ensuring alignment with United Nations development, climate, and energy objectives. The programme also supported the financing and implementation of priority renewable energy investments, including the Mater Dei Hospital and Guruve Solar Park, improving energy reliability for critical social and productive infrastructure.

71. In 2025, UNCDF worked with the Peacebuilding and Peace Support Office (PBPSO) on the Investing for Peace (I4P) initiative, which established an investment platform that uses catalytic donor funding to unlock DFI and impact investor capital for peace-positive private sector investments in fragile and conflict-affected settings. As part of this collaboration, UNCDF and PBPSO jointly convened the first stakeholder consultation workshop designed to gather inputs and refine the emerging I4P peace impact strategy. This collaborative process will ensure that the investment strategy grounded in peacebuilding realities, informed by field experience, and shaped by diverse perspectives, strengthening the rigor and relevance of the I4P investment approach.

72. In Tanzania, UNCDF partnered with FAO, IFAD, and the United Nations RCO on the Joint Programme SDG–Data for Digital Agri Transformation project. FAO led stakeholder consultations and alignment with agricultural programmes, while IFAD identified complementary digital initiatives, including integration of satellite-based data through the Satellite-based Digital Solutions for Climate-Resilient Agriculture (SAT-CARE) project. UNCDF developed the data governance framework and preparatory work for the Data Accelerator, drawing on its digital ecosystem expertise. The RCO supported coordination with government and development partners, enabling collaboration including co-funding from Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ). Together, the partnership strengthened technical alignment, policy dialogue, and the foundations for scalable digital agriculture solutions.

73. The GFCR project operates as a joint, multi-agency team co-hosted by UNCDF, UNDP, and UNEP, combining financial, policy, technical, and coordination expertise to support the delivery of reef-positive outcomes at scale. By leveraging the complementary mandates of the three organizations, GFCR functions as an integrated delivery mechanism, linking programme development, investment structuring, safeguards, governance, partnerships, and global advocacy. This approach has positioned GFCR as a credible platform for mobilizing blended finance for coral reef conservation while supporting sustainable livelihoods and community resilience.

V. Institutional performance and effectiveness in a year of transition

74. The 2025 fiscal year was a defining period of consolidation for UNCDF. Following a significant institutional transition, marked by a major organizational restructuring and the arrival of new senior leadership, the Fund emerged with a sharper, more agile operational model. Operations were consolidated into three strong regional hubs, supported by headquarters, to improve focus, efficiency, and country-level delivery. This new architecture is designed to advance UNCDF's unique financing mandate within the United Nations system. Concurrently, the year was characterized by disciplined financial management and reinforced accountability, with internal and external audit processes.

75. UNCDF's preliminary total annual contributions for 2025 amounted to $120.4 million, reflecting overall stable financial performance in a constrained global funding environment. A persistent strategic challenge remains the level of regular (core) resources, which are critical for institutional oversight, risk and portfolio management, and innovation. In 2025, regular resources totaled $8.2 million, with $3.4 million received from UNDP and the rest from six Member States. This combined core funding remains substantially below the 30%target of the Secretary-General's Funding Compact and the $25 million goal of the 2022-2025 strategic framework, impacting the organization's ability to fully leverage its unique role in crowding-in finance for LDCs.

76. Preliminary annual contributions to other resources, which constituted the majority of funding, amounted to $112.2 million. This portfolio demonstrated strategic diversification with 53%

(approximately $59 million) originating from government and development partners, 5% (approximately $5.5 million) from the private sector and non-governmental organizations and 42% (approximately $47 million) from the United Nations entities and Multi-Partner Trust Funds. The top five overall contributors in 2025 were the Multi-Partner Trust Fund Office (MPTFO), the Government of the United States of America, the European Union, the Government of Switzerland and the Government of the Kingdom of the Netherlands.

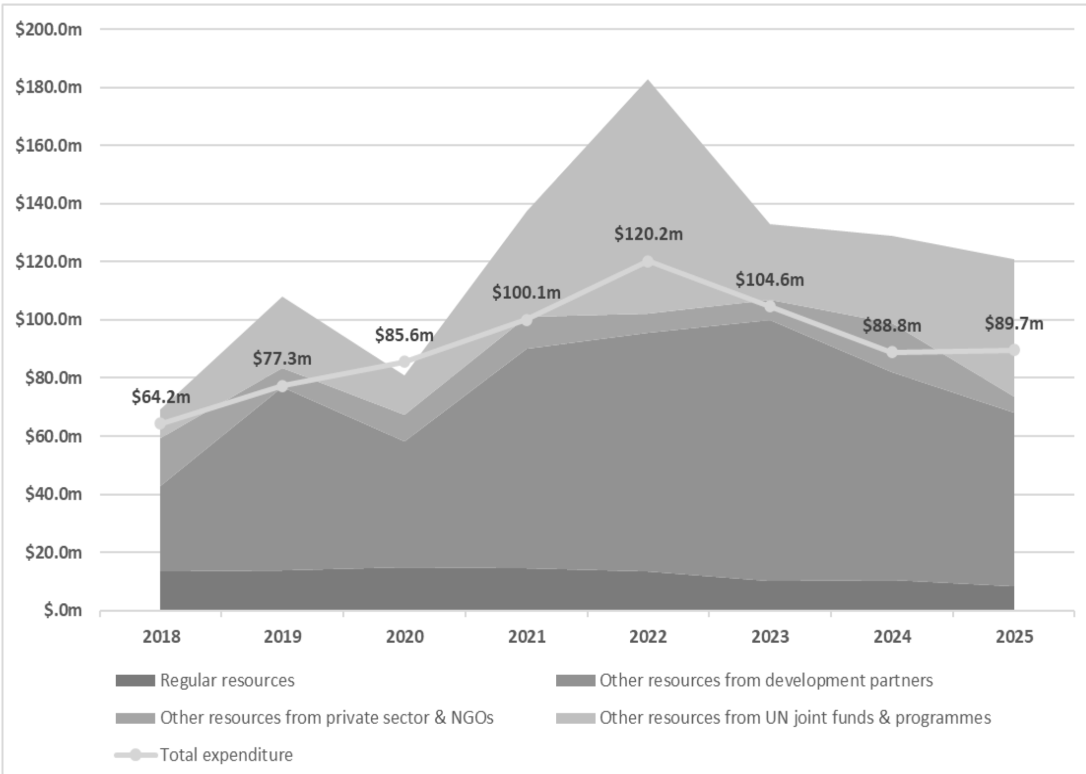

Figure 1. UNCDF annual contributions and expenditures, 2018-2025 (in millions of dollars)

77. Preliminary expenditures reached $89.7 million in 2025, exceeding 2024 levels. The organizational restructuring is central to a broader reform agenda focused on long-term sustainability. By locating expertise closer to client countries through hubs in Bangkok, Dakar, and Nairobi, UNCDF is improving its responsiveness. This operational shift is coupled with a more deliberate focus on its unique investment mandate, a strengthened communications strategy, and the active implementation of a new Resource Mobilization Strategy to explore innovative funding avenues and strategic collaborations.

78. In 2025, UNCDF disbursed $6 million in loans, committed $3.1 million in guarantees. These financial instruments helped mobilize $32 million and catalyze an additional $18 million, unlocking a total of $50 million for 19 countries in 2025. This sets the ground for future growth of the financial instruments in 2026, in line with the new Strategic Framework 2026-2029.

79. At the end of 2024, UNCDF received an unqualified audit opinion on its financial statements from the UNBOA. This marked 13 consecutive years of unqualified audit opinions since UNCDF started presenting its own separate financial statements in 2012, confirming a strong commitment to continuous improvement in financial management, transparency and accountability. The follow-up audit conducted by the UNDP Office of Audit and Investigations (OAI) in 2025 showed that the 10 recommendations made in October 2023 have been fully implemented. For the 2024 recommendations issued by the UNBOA, UNCDF is on track to close all outstanding items by the agreed-upon due date.

80. UNCDF's policy advocacy at high-level forums, including the Fourth International Conference on Financing for Development in Seville (FFD4), Conference of the Parties 30 (COP30) in Belém, and the Second World Summit for Social Development, has helped to position the organization as a partner of choice within the development finance architecture. At FFD4, UNCDF's catalytic mandate was formally recognized in the Compromiso de Sevilla outcome document, with Member States encouraging UNCDF to support LDCs and countries in special situations through catalytic concessional first-loss capital to de-risk early-stage markets and crowd in private investment.

81. At the Blue Economy and Finance Forum in Monaco and the Third United Nations Ocean Conference in Nice, UNCDF advanced systemic approaches to closing the SDG 14 finance gap, contributing to the launch of the co-design process for One Ocean Finance and highlighting blended finance mechanisms capable of mobilizing capital from ocean-dependent industries and blue economy sectors. At these forums, UNCDF also underscored the role of targeted risk-sharing instruments in reef-positive finance, sustainable fisheries and circular economy solutions, including new commitments to the GFCR and the advancement of the Plastics Transition Investment Facility (PTIF) in partnership with International Finance Corporation and UNEP.

82. In October 2025, UNCDF presented its Compendium of Risk Transfer Solutions at the G20 Disaster Risk Reduction Ministerial Meeting. Drawing on practical applications from LDCs and SIDS, the Compendium consolidated blended finance and risk transfer instruments as essential tools for financial resilience. At the World Summit for Social Development, UNCDF underscored the role of catalytic finance in advancing inclusive social outcomes by mobilizing capital for SMEs, local governments, and underserved communities. At COP30, UNCDF showcased how catalytic concessional and blended finance solutions can translate climate commitments into investable opportunities for MSMEs, climate resilience, nature-based solutions, and just energy transitions, while also advancing integrated approaches at the nexus of climate, peace and security.

83. UNCDF's resource mobilization performance in 2025 reflected broader system-wide funding pressures, including ongoing constraints on core funding across the United Nations development system. UNCDF continued to mobilize non-core resources through partnerships and programme-specific financing, reinforcing its role as a financing enabler despite a challenging funding environment. This mix of declining core resources and sustained non-core mobilization underscored both the need for continued diversification of funding sources and the relevance of UNCDF's specialized financing expertise.

84. UNCDF continues to integrate gender equality into its core operations. In 2025, the organization met or exceeded 55.5% of the performance targets under the new United Nations System-Wide Action Plan 3.0 on Gender Equality and the Empowerment of Women (2024-2030). UNCDF remains committed to strengthening institutional capacity, human resources, and operations to meet these ambitious goals and ensure equal opportunities across all its activities.

85. Reaffirming its commitment to robust evaluation and learning, UNCDF scaled its evaluative work, tripling the number of evaluations managed within a single year. In 2025, the Evaluation Unit managed nine active independent evaluations, reaching 37 countries to engage communities, partners, and donors. This effort involved 30 independent lead and thematic evaluators, including 13 field visits, and covered a portfolio of approximately $500 million. To fund these rigorous reviews, UNCDF invested $990,000 in independent evaluations. Three evaluations have been completed and six are due to be finalized by mid-2026.

86. Among the key evaluations completed in 2025 was the final evaluation of the YouthStart-Entrepreneurship Programme. This evaluation assessed the initiative's impact on increasing financial access for underserved youth. It highlighted UNCDF's success in leveraging digital financial services to improve economic inclusion. The evaluation noted that while the program was highly relevant and efficient, the transition to sustainable business models for financial service providers post-intervention remains a challenge. Recommendations emphasize the need for longer implementation timeframes and a more systematic approach to knowledge management.

87. The Formative Evaluation of the Last Mile Finance Trust Fund (LMF-TF) examined how the fund complements existing instruments to support sustainable development in the "last mile." Through this

Trust Fund, UNCDF's early risk-taking in high-risk markets has helped crowd in larger financiers. Recommendations focus on establishing a trust fund that is aligned with the new 2026-2029 Strategic Framework and associating it with a clear strategic value proposition, theory of change, governance and oversight mechanisms, and accompanied by a multi-year funding strategy and transparent reporting.

88. The final evaluation of the PBF Burundi (Kibira Foundation) focused on the intersection of environmental conservation and peacebuilding, this evaluation analyzed the program's relevance in high-conflict, high-risk environments. It commended the use of blended finance to make community-led projects bankable through the "Bankable Kibira" model. The evaluation found that the model successfully reduced social conflict by providing sustainable, forest-friendly livelihoods for local communities. Recommendations noted that more robust monitoring is required to better capture the direct contributions of these financial investments to local peace and stability outcomes.

89. As UNCDF transitions into its new Strategic Framework (2026-2029), the evaluation function is evolving to meet the demands of a more complex development finance landscape. A primary focus for 2026 will be the increased evaluation of financial instruments and investment programs, ensuring that UNCDF's unique mandate as a catalytic finance entity is backed by rigorous evidence. This evolution includes the integration of a newly created Impact Measurement, Verification, and Learning (IMVL) unit. This shift will strengthen data collection and impact measurement capabilities, enhancing the availability of robust evidence to inform future evaluations and drive organizational learning.

VI. Looking ahead: UNCDF at 60

90. As UNCDF will mark its sixtieth anniversary in December, the organization enters 2026 with renewed clarity on the role it plays within the international development architecture. In a period of constrained resources and rising development needs, the ability to translate policy priorities into investment at local level has become increasingly central to advancing inclusive growth and resilience.

91. The launch of UNCDF's Strategic Framework for 2026 to 2029 provides a clear orientation for this next phase. Guided by the direction set in the Compromiso de Sevilla, the Framework focuses on directing catalytic finance to early-stage and last-mile markets, ensuring that development efforts are reinforced by investment solutions where they are most needed.

92. Across LDCs, SIDS, fragile settings, and countries facing fiscal and debt pressures, economic progress depends on the strength of local markets. Small and medium-sized enterprises, entrepreneurs, and subnational economies underpin employment, service delivery, and productive capacity. Supporting these actors is essential to sustaining inclusive development outcomes over time.

93. UNCDF augments the work of the United Nations development system by deploying catalytic capital alongside technical expertise, helping to turn country priorities into investable opportunities. Through concessional loans, guarantees, and performance-based instruments, UNCDF helps reduce barriers to investment, strengthen local financial ecosystems, and creates conditions that allow public and private capital to engage at scale.

94. Over the coming period, UNCDF will focus on deepening this catalytic role. This includes expanding access to finance for enterprises, strengthening subnational economies, and advancing digitally enabled financial solutions that broaden participation and improve efficiency. Together, these efforts support more resilient market systems capable of generating jobs, incomes, and long-term opportunity.

95. Ultimately, development advances not in the abstract, but in towns, communities, and local economies where people build livelihoods, take risks, and invest in their futures. Success is measured not only by the volume of finance mobilized, but by where it flows and what it enables on the ground. By making local markets visible to capital and expanding access to finance in places where opportunity is most fragile yet most transformative, UNCDF helps deliver development outcomes that endure, strengthening resilience, social cohesion, dignity, stability and economic empowerment in the communities where progress is lived.