

MOPAN ASSESSMENT REPORT

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# United Nations Capital Development Fund (UNCDF)

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Published 2026

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# United Nations Capital Development Fund (UNCDF)

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Please cite this publication as:

MOPAN (2026), *MOPAN Assessment Report: UNCDF (Part I)*, MOPAN Publishing, Paris

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## ABOUT MOPAN

The Multilateral Performance Network (MOPAN) comprises 20 members that promote an effective multilateral system, trusted to deliver solutions to evolving global goals and local challenges.

MOPAN is a network of members who assess multilateral organisations, shape performance standards, and champion learning and insights to strengthen development and humanitarian results and promote accountability. Capitalising on the Network's unique cross-multilateral system perspective and expertise, MOPAN members work together to deliver relevant, impartial, high-quality and timely performance information as a public good through an inclusive and transparent approach.

FIGURE 1: MOPAN MEMBERS AS OF 1 AUGUST 2026



## PREFACE

### INTRODUCING MOPAN

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The Multilateral Performance Network (MOPAN) comprises 20 members<sup>1</sup> that promote an effective multilateral system, trusted to deliver solutions to evolving global goals and local challenges.

A MOPAN assessment report seeks to provide a snapshot diagnostic of an organisation's performance, within its mandate. MOPAN's mission and vision are described in Box 1, below.

#### BOX 1. MOPAN's mission and vision

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MOPAN is a network of members who assess multilateral organisations, shape performance standards, and champion learning and insights to strengthen development and humanitarian results and promote accountability.

Capitalising on the Network's unique cross-multilateral system perspective and expertise, MOPAN members work together to deliver relevant, impartial, high-quality and timely performance information as a public good through an inclusive and transparent approach.

MOPAN's performance information mitigates risks, informs decision-making and supports change, helping to increase knowledge and trust amongst all stakeholders, and ultimately to achieve a stronger and better performing multilateral system.

MOPAN's shared vision is to promote an effective multilateral system, trusted to deliver solutions to evolving global goals and local challenges.

MOPAN's assessments provide a comprehensive overview of organisational effectiveness, including how an organisation is positioned to address its current and future challenges. These assessments support MOPAN members in their governance and decision-making for the multilateral organisations they fund. They also support the leadership of multilateral organisations in implementing reforms that reflect multilateral good practices.

MOPAN also produces a range of analytical insights into the multilateral system. MOPAN's full range of performance evidence and analysis can be found [on the MOPAN website](#).

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<sup>1</sup> As of 1 August 2026: Australia, Belgium, Canada, Denmark, Finland, France, Germany, Italy, Ireland, Korea, Luxembourg, Netherlands, New Zealand, Norway, Qatar, Spain, Sweden, Switzerland, United Kingdom, USA.

## ASSESSMENT PROCESS AND STRUCTURE OF THE REPORT

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MOPAN assessments are conducted through a rigorous and collaborative process to ensure that the findings are based on a strong evidence base and resonate with an organisation and its stakeholders. It draws on multiple lines of evidence (documents, survey, and interviews) from sources within and outside an organisation. Evidence from these different sources is triangulated to identify findings and determine ratings against MOPAN's indicator framework using [MOPAN's methodology](#), which is based on international best practice. Additional information about the process is provided in Chapter 5 of this report and in MOPAN's methodology manual.

This assessment report includes 5 Sections:

- *Executive summary*, which provides an overall summary of the assessment;
- *Chapter 1: Introducing UNCDF*, which provides key information about the organisation being assessed, including its mandate, governance structure, business model and operations;
- *Chapter 2: Assessment conclusions and future trajectory*, which lays out the overall conclusions of the assessment and identifies forward-looking considerations for the organisation and its governing body;
- *Chapter 3: Findings and ratings*, which describes the findings of the assessment against MOPAN's framework and Key Performance Indicators; and
- *Chapter 4: About this assessment*, which provides additional information about the methodology and approach, including timelines for implementation and key activities.

The report is complemented by a set of Technical Annexes available online. Annex A describes the underlying analysis feeding into the assessment ratings. Annex B provides the results of MOPAN's partner survey.

## ACKNOWLEDGEMENTS

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The MOPAN assessment of the United Nations Capital Development Fund (UNCDF) was conducted under the overall strategic guidance of Suzanne Steensen, Head of the MOPAN Secretariat. It was managed and guided by William Norris who helped to finalise the report.

MOPAN is very grateful to Paul Waldmann from Switzerland for championing this assessment on behalf of the MOPAN membership.

The assessment was conducted in co-operation with Centennial Advisory. Gaiv Tata led the assessment and is the principal author of the report. A team comprised of Rakesh Nangia, Fayezul Choudhury, Julia Weinstock, and Shivan Bhakta supported the assessment and contributed to the final report. The report also benefited from an external peer review, conducted by Paul Balogun.

The external partner survey was managed by Corentin Beudaert-Ugolini from the MOPAN Secretariat, who supported the implementation of the survey.

The report was edited by Christopher Mooney, and Baseline Arts Ltd provided the layout and graphic design.

MOPAN would like to convey appreciation to Marjolaine Côté from UNCDF who co-ordinated the process and provided substantive feedback on the report.

This assessment would not have been possible without the close engagement and valuable contributions from many senior officials and technical staff from UNCDF as well as representatives of development partners who participated in interviews and the survey.

Finally, MOPAN is grateful to all Steering Committee representatives for supporting the UNCDF assessment, and to its member countries for their financial contributions, which have made the report possible.

# TABLE OF CONTENTS

|                                                                  |           |                                                                                                    |    |
|------------------------------------------------------------------|-----------|----------------------------------------------------------------------------------------------------|----|
| <b>ABOUT MOPAN</b>                                               | <b>1</b>  | Assessment process                                                                                 | 73 |
|                                                                  |           | Methodology for scoring and rating                                                                 | 73 |
| <b>PREFACE</b>                                                   | <b>2</b>  | Scoring of KPIs 1-8                                                                                | 73 |
| Introducing MOPAN                                                | 2         | Scoring of KPIs 9-12                                                                               | 74 |
| Assessment process and report structure                          | 3         | Rating scales                                                                                      | 74 |
|                                                                  |           | Limitations                                                                                        | 74 |
| <b>ACKNOWLEDGEMENTS</b>                                          | <b>4</b>  | List of references                                                                                 | 76 |
| <b>ABBREVIATIONS AND ACRONYMS</b>                                | <b>6</b>  |                                                                                                    |    |
| <b>EXECUTIVE SUMMARY</b>                                         | <b>7</b>  | <b>FIGURES</b>                                                                                     |    |
| Introducing United Nations Capital Development Fund (UNCDF)      | 9         | Figure 1. MOPAN MEMBERS as at 1 August 2026                                                        | 1  |
| Assessment conclusions                                           | 9         | Figure 2. UNCDF performance review                                                                 | 12 |
| Future considerations                                            | 11        | Figure 3. UNCDF organisational chart as of January 2025                                            | 18 |
|                                                                  |           | Figure 4. UNCDF revenue and expenditures, 2018-25                                                  | 20 |
| <b>Chapter I. INTRODUCING UNCDF</b>                              | <b>13</b> | Figure 5. Key findings on UNCDF's Strategic Management                                             | 41 |
| Mission and mandate                                              | 15        | Figure 6. Key findings on UNCDF's Operational Management                                           | 47 |
| Governance arrangements                                          | 16        | Figure 7. Key findings on UNCDF's Relationship Management                                          | 52 |
| Organisational structure                                         | 16        | Figure 8. Key findings on UNCDF's Performance Management                                           | 57 |
| Financial resources                                              | 17        | Figure 9. Key findings on UNCDF's Results areas                                                    | 61 |
| Staffing                                                         | 21        | Figure 10. UNCDF's assessment process                                                              | 73 |
|                                                                  |           | Figure 11. UNCDF performance overview                                                              | 78 |
| <b>Chapter II. CONCLUSIONS AND CONSIDERATIONS FOR THE FUTURE</b> | <b>23</b> | <b>TABLES</b>                                                                                      |    |
| Context analysis                                                 | 25        | Table 1. UNCDF financial overview (2020-24)                                                        | 17 |
| UNCDF's strategic response                                       | 26        | Table 2. UNCDF investments over the 2022-25 strategic period                                       | 20 |
| Assessment conclusions                                           | 26        | Table 3. UNCDF: Top 5 funding partners in 2025                                                     | 21 |
| Considerations and future trajectory                             | 34        | Table 4. Performance areas and key performance indicators                                          | 69 |
| <b>Chapter III. ASSESSMENT FINDINGS</b>                          | <b>39</b> | <b>BOXES</b>                                                                                       |    |
| Organisational effectiveness                                     | 41        | Box 1. MOPAN mission and vision                                                                    | 2  |
| Strategic Management                                             | 41        | Box 2. Findings regarding UNCDF's administrative, strategic and operational relationship with UNDP | 28 |
| Operational Management                                           | 47        | Box 3. Main strengths and areas for improvement                                                    | 34 |
| Relationship Management                                          | 52        |                                                                                                    |    |
| Performance Management                                           | 57        |                                                                                                    |    |
| Development/humanitarian effectiveness Results                   | 61        |                                                                                                    |    |
| <b>Chapter IV. ABOUT THIS ASSESSMENT</b>                         | <b>67</b> |                                                                                                    |    |
| The MOPAN approach                                               | 69        |                                                                                                    |    |
| Applying MOPAN 3.1 to UNCDF                                      | 69        |                                                                                                    |    |
| Interpretations and adaptations to the methodology               | 69        |                                                                                                    |    |
| Lines of Evidence                                                | 70        |                                                                                                    |    |

## ABBREVIATIONS AND ACRONYMS

|              |                                                              |                 |                                                           |
|--------------|--------------------------------------------------------------|-----------------|-----------------------------------------------------------|
| <b>APA</b>   | Africa Policy Accelerator                                    | <b>MSME</b>     | Micro, Small and Medium-sized Enterprise                  |
| <b>DEI</b>   | Diversity, Equity, Inclusion                                 | <b>OAI</b>      | Office of Audit and Investigations                        |
| <b>DFS</b>   | Digital Finance Services                                     | <b>OECD-DAC</b> | OECD Development Assistance Committee                     |
| <b>DFI</b>   | Development Finance Institution                              | <b>POPP</b>     | Programme and Operations Policies and Procedures          |
| <b>DINU</b>  | Development Initiative for Northern Uganda                   | <b>PSEAH</b>    | Protection from Sexual Exploitation, Abuse and Harassment |
| <b>ESG</b>   | Environmental, Social, Governance                            | <b>QCPR</b>     | Quadrennial Comprehensive Policy Review                   |
| <b>FfD4</b>  | Fourth International Conference on Financing for Development | <b>RBM</b>      | Results-Based Management                                  |
| <b>HR</b>    | Human Resources                                              | <b>SDG</b>      | Sustainable Development Goal                              |
| <b>IDE</b>   | Inclusive Digital Economies                                  | <b>SEA</b>      | Sexual Exploitation and Abuse                             |
| <b>IFI</b>   | International Financial Institution                          | <b>SFS</b>      | Sustainable Food Systems                                  |
| <b>IMVL</b>  | Impact Monitoring, Verification and Learning                 | <b>SH</b>       | Sexual Harassment                                         |
| <b>IRRM</b>  | Integrated Results and Resources Matrix                      | <b>SIDS</b>     | Small Island Developing States                            |
| <b>KPI</b>   | Key Performance Indicator                                    | <b>SME</b>      | Small and Medium Enterprise                               |
| <b>LDC</b>   | Least Developed Country                                      | <b>SOP</b>      | Standard Operating Procedure                              |
| <b>LoCAL</b> | Local Climate Adaptive Living Facility                       | <b>TAM</b>      | Transaction Assessment Memo                               |
| <b>LoGIC</b> | Local Government Initiative on Climate Change                | <b>UNCDF</b>    | United Nations Capital Development Fund                   |
| <b>LTF</b>   | Local Transformative Finance                                 | <b>UNCT</b>     | United Nations Country Team                               |
| <b>MDB</b>   | Multilateral Development Bank                                | <b>UNDP</b>     | United Nations Development Programme                      |
| <b>MI</b>    | Micro-Indicator                                              | <b>UNEG</b>     | United Nations Evaluation Group                           |
| <b>MIF</b>   | Municipal Investment Facility                                | <b>UNSDG</b>    | United Nations Sustainable Development Group              |
| <b>MOPAN</b> | Multilateral Organisation Performance Assessment Network     | <b>WEE</b>      | Women's Economic Empowerment                              |
| <b>MRP</b>   | Migration and Remittances Programme                          |                 |                                                           |



**UNITED NATIONS**  
**CAPITAL DEVELOPMENT FUND**  
EXECUTIVE SUMMARY





## INTRODUCING UNITED NATIONS CAPITAL DEVELOPMENT FUND (UNCDF)

Established in 1966, the United Nations Capital Development Fund (UNCDF) assists developing countries in the development of their economies by supplementing existing sources of capital assistance by means of grants and loans with a particular focus on the least developed countries (LDCs). Over the last six decades, its strategic focus has evolved from small-scale local development and financial inclusion to three interlinked capabilities: MSME finance, subnational finance, and digital finance.

UNCDF is an independent entity which is voluntarily funded. It is governed by an Executive Board, which also serves as the Executive Board for the United Nations Development Programme (UNDP), UN Population Fund, and United Nations Office for Project Services. The UNDP Administrator serves as the Managing Director of UNCDF and day-to-day operations and programmatic leadership are managed by the Executive Secretary.

This assessment focuses primarily on the period from January 2021 to December 2025, during which time there were significant changes in institutional strategy, management and organisational structure, policies, frameworks, staffing and financial instruments. During this time, UNCDF sought to adapt to the rapidly changing global development landscape through mobilising adequate and predictable resources – both core and non-core; leveraging blended finance and innovative instruments to attract private capital; strengthening market systems and local governance capacities; and embedding gender equality, climate resilience, and inclusive growth at the heart of all operations.

## ASSESSMENT CONCLUSIONS

**UNCDF has entered the 2026-29 strategic period with a clear direction aligned closely with its comparative advantage.** UNCDF has repositioned itself within a crowded development finance architecture to occupy a distinctive niche focused on catalytic concessional finance, early-stage market development, risk absorption, and preparing markets for follow-on public and private investment. This sharper institutional focus addresses concerns raised during earlier periods regarding the breadth of UNCDF's thematic activities. Hence, the five thematic areas included under the Strategic Framework 2022–25 have been consolidated into a focus around three core capabilities – MSME finance, subnational finance, and digital finance – supported by women's economic empowerment as a cross-cutting priority. It is particularly relevant in LDCs, SIDS and fragile contexts where needs for smaller-scale and early-stage financing are often not addressed by larger global and regional development finance actors. While UNCDF reforms commenced earlier, they are broadly aligned with broader UN system reforms – under the UN80 initiative – focusing on institutional differentiation, financing constraints, and the need to rebalance organisational models toward clearer comparative advantage and more sustainable mandate delivery.

**UNCDF is accelerating the process of developing its partnerships to capitalise on its comparative advantage and scale-up its impact.** Its evolving role creates opportunities to combine UNCDF's financing capabilities with the policy, technical and operational strengths of UN partners, while also creating pathways for Multilateral Development Banks (MDBs) and Development Finance Institutions (DFIs) to engage in markets they may otherwise not reach. Within the UN system, it has increased its outreach to other UN entities to identify how its financial instruments can complement their technical, normative and sectoral expertise. Outreach is also ongoing to expand partnerships with MDB and DFIs, with closer co-ordination to explore the potential to scale successful UNCDF investments, develop de-risking facilities and co-investment opportunities, and build shared pipelines. While recent progress made by UNCDF to develop an integrated offer with UNDP represents an important template that could be replicated with other multilateral partners, successful operationalisation will require UNCDF and UNDP to continue addressing technical and capacity constraints, including at the country level, which have been a barrier to date. Consideration should also be given to the institutional incentives for these partnerships to mobilise partner capital into last-mile markets for follow-on financing, to support scaling up successful UNCDF-supported interventions.

**Reforms introduced have helped ensure that UNCDF's organisational structure, policies and systems support delivery of its new strategic repositioning.** UNCDF has pursued an extensive and appropriate reform agenda. A central achievement has been the introduction of a front-middle-back office architecture to clarify responsibilities for investment origination, portfolio oversight, risk management and operational controls. Furthermore, functions previously dispersed across programme structures have been consolidated and a growing share of investment and programme functions has been decentralised to regional hubs. Reforms introduced also address weaknesses identified by previous audits and evaluations. For example, UNCDF introduced a revised Enterprise Risk Management framework, a formal Risk Appetite Statement, and Supplementary Guidelines to the UNDP's Programme and Operations Policies and Procedures.

**With many key elements of UNCDF's corporate structure and operating model in place, it now needs to focus on operational delivery.** While the Strategic Framework 2026–29 provides greater clarity regarding UNCDF's institutional focus, further operational prioritisation is still required regarding how its financing offer will translate into country- and regional-level deployment choices. This will require greater operational selectivity regarding where UNCDF deploys its limited resources and how investment pipelines are prioritised and developed. However, UNCDF lacks tools or mechanisms to translate its corporate strategic priorities into regional and country-level operational planning and implementation. As a result, programming often remained influenced by funding opportunities and donor preferences, limiting UNCDF's ability to consistently prioritise markets and interventions where its catalytic role and comparative advantage were strongest.

**The refocusing of UNCDF's operations demands significant new funding and introduces new risks and financing challenges which will require careful planning, monitoring and mitigation.** UNCDF's funding model, which is reliant on voluntary contributions with a high degree of earmarking, continues to constrain operational flexibility and strategic deployment, with limited core resources relative to the breadth of its mandate and institutional reform agenda. Hence, UNCDF will need to raise significant new funds to support both the larger portfolio of loans, guarantees and blended finance operations as well as the costs of developing and supervising this significantly larger portfolio. Compared to grant-based technical assistance, loans, guarantees, and blended finance operations involve longer preparation, supervision, and risk management horizons. As UNCDF expands the use of these instruments, the organisation increasingly faces the challenge of ensuring that staffing models, operational systems, and oversight arrangements remain aligned with the demands of a more investment-oriented portfolio. Administrative costs will be incurred well before significant fee income, interest revenue, or investment reflows materialise and will require funding.

**UNCDF interventions have contributed to enabling conditions, but evidence of longer-term impact and sustainability remains limited.** UNCDF's results information presents an incomplete picture of UNCDF's performance. On the one hand, monitoring data and evaluation findings confirm UNCDF's contributions to government systems, institutional capacity and market systems. On the other, evaluation coverage currently provides limited evidence regarding sustainability and follow-on investment, additionality and longer-term impact, particularly for financial instruments and market development interventions whose results materialise over extended periods. The assessment also found that the evaluation function was not structurally or operationally independent from management arrangements during the review period. UNCDF has begun to strengthen results measurement and accountability systems but the resulting improvements in data quality, verification processes and outcome-level reporting would need to be assessed when these changes are fully implemented.

## FUTURE CONSIDERATIONS

**The reforms undertaken during the assessment period have put in place many of the necessary conditions for UNCDF to deliver on its mandate and new strategic focus.** However, further complementary actions are required for UNCDF to deliver fully on its potential. Ultimately, the success of UNCDF's transformation will depend on whether it can achieve sufficient scale, partnerships and financing to demonstrate the viability of its evolving operating model in an increasingly constrained funding environment.

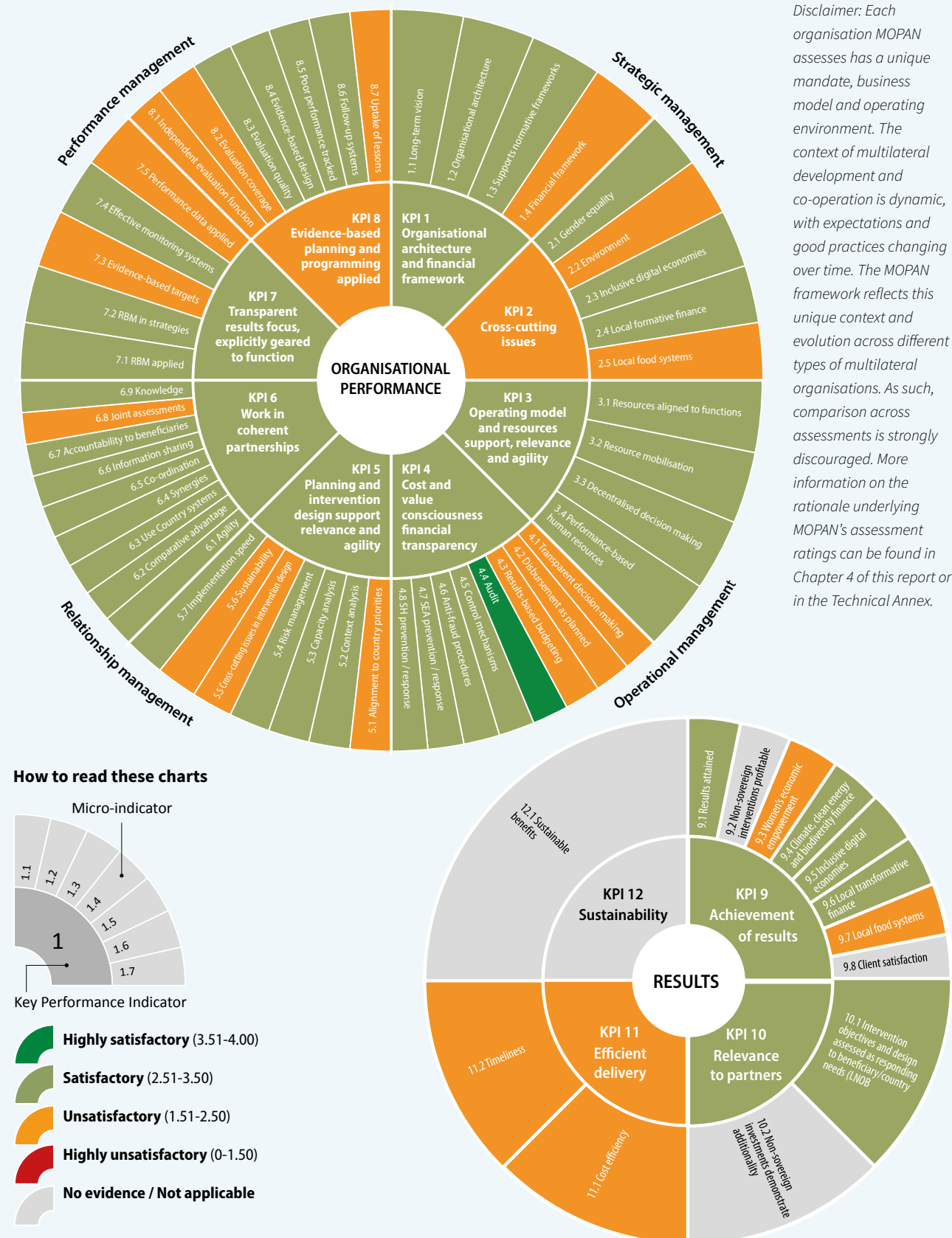
In this regard, there are four interconnected priorities that will be crucial:

- **UNCDF must mobilise new resources and achieve sufficient scale (“critical mass”) for its catalytic finance model to become operationally and financially sustainable.** UNCDF's heightened ambitions are placing increased financing demands on the organisation. In particular, UNCDF is projecting a rapid expansion of loans and guarantees which will require significant resource mobilisation. Moreover, up-front investment in operational activities – such as pipeline development, due diligence, portfolio supervision and risk management over the lifecycle of loans, guarantees and blended finance operations – will be required before fee income associated with these activities becomes available. Other recent reforms, including improvements in governance, risk management and results systems, will also require additional resources.

As UNCDF's portfolio evolves, continued adaptation of its financing model and cost recovery approaches may be required to support longer-term expansion of its financing portfolio and associated supervision and portfolio management activities.

- **The viability of UNCDF's evolving operating model will depend on its ability to translate strategic positioning into visible operational pipelines and demonstrable results.** Operational selectivity regarding where and how financial instruments are deployed will be crucial to maximise catalytic impact. This will require more explicit prioritisation regarding where the organisation intends to focus and how it will tailor its offer, prioritising pipeline development and allocating limited resources in line with strategic objectives. Continued strengthening of investment, portfolio management and financial structuring expertise will remain important as UNCDF operationalises its evolving mandate.
- **UNCDF's future positioning within the development finance architecture will depend partly on its ability to demonstrate complementarity with larger financing actors.** UNCDF's increased focus on investment products and market development functions creates growing opportunities for complementarity with UN system actors and the MDBs. Future success will likely depend on whether these emerging partnerships and engagement efforts translate into more systematic operational collaboration, pipeline linkages, and financing pathways capable of supporting scale-up over time. The recent “joint offer” developed between UNCDF and UNDP is potentially an important model for collaboration agreements with other agencies and institutions.
- **Results credibility and evaluation systems will become increasingly important for both institutional learning and future resource mobilisation efforts.** As UNCDF expands the use of financial instruments, funding partners are likely to place increasing emphasis on evidence regarding additionality, catalytic effects, and sustainability. Strengthening evaluation independence and expanding longer-term evidence generation regarding market effects, efficiency, and sustainability will become increasingly important not only for accountability and learning purposes, but also for supporting future resource mobilisation and institutional credibility.

FIGURE 2. UNCDF PERFORMANCE OVERVIEW



# INTRODUCING THE UNITED NATIONS CAPITAL DEVELOPMENT FUND





## CHAPTER 1: INTRODUCING UNCDF

### MISSION AND MANDATE

The United Nations Capital Development Fund (UNCDF) is the UN entity mandated to make public and private finance work for the poor in the world's 46 Least Developed Countries (LDCs). The formal establishment of UNCDF came with Resolution 2186 (XXI), adopted on 13 December 1966. This resolution created UNCDF as an autonomous organisation within the UN, reporting to the UN General Assembly (GA). Its primary purpose was to assist developing countries by supplementing existing sources of capital assistance through grants and long-term loans, particularly those that were interest-free or carried low interest rates. The fund was intended to promote accelerated and self-sustained economic growth, with a strong emphasis on industrial development.

As UNCDF evolved, its focus shifted toward serving the needs of LDCs. This reorientation was formally established in GA Resolution 3122 (XXVIII), adopted on 13 December 1973. The resolution reaffirmed UNCDF's original mandate while placing stronger emphasis on its role in supporting LDCs, particularly in areas such as rural development and small-scale industries. It also highlighted the Fund's potential to foster co-operation among developing countries themselves.

The strategic focus of UNCDF has evolved over decades from small-scale local development and financial inclusion to three interlinked capabilities: MSME finance, subnational finance, and digital finance. This evolution is set out below<sup>1</sup>:

- Until the mid-nineties, UNCDF focused on financing standalone capital infrastructure, roads, bridges and irrigation schemes. From the mid-nineties, UNCDF focused on supporting local governments in planning, financing, and maintaining capital investments and working on microfinance particularly in rural development.
- In 2016, UNCDF narrowed its focus on developing innovative programmes and partnerships with the public and private sectors, particularly linked to domestic resource mobilisation, in support of poor households, small businesses and underserved regions, and the strong relevance of UNCDF innovations and last mile finance models for the implementation of Sustainable Development Goals (SDGs) and Financing for Development Agenda.
- The 2018-21 Strategic Framework emphasised financial solutions for those “in the last mile” who are often left behind including through: making finance work for inclusion, responding to needs of the LDCs and aligning with global agendas. In addition to the then existing areas of practice on Local Development Finance and Inclusive Digital Economies, it highlighted the Least Developed Countries Investment Platform (LDCIP), an on-balance sheet fund offering targeted loans and guarantees, as an emerging practice area.
- The 2022-25 Strategic Framework positioned UNCDF to work with LDCs to invest and catalyse capital in achieving SDGs and the 2022-25 Doha programme of action for the least developed countries. It aimed to accelerate financing for development in LDCs by focusing on catalysing additional private and public flows of capital, strengthening market systems and financing mechanisms, and accelerating inclusive, diversified, green economic transformation. It also emphasised a geographic focus on non-LDC Small Island Developing States (SIDS) and Fragile and Conflict-Affected Settings.

1. This analysis draws on the 2024 Mid-Term Evaluation of the Strategic Framework 2022-25.

- The Strategic Framework 2026–29 frames UNCDF’s work in the context of the SDGs with a strong emphasis on SDGs 1, 5, 8, 13, and 17. It further consolidates UNCDF’s operational focus around three core financing capabilities—MSME finance, subnational finance, and digital finance—while repositioning women’s economic empowerment as a cross-cutting priority. The framework also places greater emphasis on investment-oriented operations, portfolio management, and mobilisation of catalytic finance aligned with UNCDF’s evolving role within the broader development finance architecture.

Over the assessment period, UNCDF’s strategic priorities reflect both continuity with its founding mandate and adaptation to a rapidly changing global development landscape. Key contemporary issues include mobilising adequate and predictable resources – both core and non-core – to maintain catalytic impact; leveraging blended finance and innovative instruments to attract private capital; strengthening market systems and local governance capacities; and embedding gender equality, climate resilience, and inclusive growth at the heart of all operations.

### Governance arrangements

UNCDF is an independent entity governed by an Executive Board, which also serves as the Executive Board for UNDP, UN Population Fund, and United Nations Office for Project Services. This board is composed of 36 Member States, selected from regional groupings and serving on a rotating basis. It meets three times per year to review and guide the strategic direction, policies, and performance of the organisations it oversees. The board’s composition is designed to reflect a balance between stakeholders:

- Two-thirds of the members are programme countries, which are typically recipients of development assistance.
- One-third are donor countries, which contribute financial resources and policy input.

The Executive Board is subordinate to the Economic and Social Council (ECOSOC) and to the United Nations GA, ensuring that UNCDF’s work remains aligned with the broader UN development agenda and subject to intergovernmental oversight.

The UNDP Administrator also serves as the Managing Director of UNCDF. This dual role seeks to ensure strategic alignment between the two organisations. Day-to-day operations and programmatic leadership of UNCDF are managed by the Executive Secretary, who is responsible for overseeing implementation and delivery. Pradeep Kurukulasuriya has served as Executive Secretary of UNCDF since 2024.

### Organisational structure

At the beginning of the assessment period, UNCDF’s structure was organised around thematic divisions such as inclusive digital economies, local development finance, climate and energy, and women’s economic empowerment. Flagship practices each evolved distinct governance and operating approaches, with cross-cutting corporate functions dispersed across country, regional and practice levels without clear reporting lines to headquarters. In practice, this model reinforced siloed delivery and a continued emphasis on technical assistance and grants, limiting UNCDF’s ability to operationalise more complex catalytic instruments such as loans and guarantees. Both the 2023 Office of Audit and Investigations (OAI) audit and the 2024 Mid-Term Evaluation identified these structural features as constraining UNCDF’s capacity to deliver on its catalytic finance mandate. The evaluation recommended a comprehensive corporate strategic planning process to realign organisational structure, governance arrangements, performance indicators and management lines with UNCDF’s strategic objectives and capital mandate.

UNCDF undertook a major restructuring between 2023 and 2025, moving from a fragmented thematic model to a front–middle–back office architecture to enable delivery on its strengthened focus on catalytic finance. The Front Office (Investment and Implementation Division) now leads investment origination and execution, including loans

and guarantees; the Middle Office (Investment Finance Oversight Division) was created to provide the financial oversight, risk management, and compliance functions that both the audit and mid-term evaluation identified as missing; and the Back Office (Operations and Oversight Division) manages operations, fiduciary functions, and programme support. Corporate policy, evaluation, communications, and external relations now report directly to the Executive Secretary, consolidating corporate direction. The restructuring was accompanied by targeted staffing reforms to close identified capacity gaps, including recruitment of senior finance, risk and portfolio management specialists and measures to strengthen institutional capacity on gender and inclusion.

The restructuring also involved decentralisation of selected functions from headquarters to regional hubs in Dakar, Nairobi and Bangkok. Operational responsibilities for investment origination, oversight and technical delivery are increasingly anchored at the regional hub level. These adjustments were intended to strengthen proximity to programme countries, consolidate financial expertise, and reinforce oversight and corporate functions.

### Financial resources

In terms of financing, UNCDF is a voluntarily funded organisation. It receives contributions from UN Member States, international development partners including UNDP, and philanthropic foundations. UNCDF financial model includes:

- Core voluntary contributions: Unrestricted funds that support the organisation's overall mission and operations.
- Flexible non-core funding: Semi-earmarked resources that allow for strategic allocation across programmes.
- Earmarked funds: Contributions designated for specific projects, themes, or geographic areas.
- Reflows and income from financial instruments: Repayments and fees from UNCDF's financial instruments that can be redeployed into future investments.

Looking ahead, as UNCDF strengthens its focus on financial instruments, associated revenues such as fee income, interest or investment reflows will eventually also contribute to UNCDF funding.

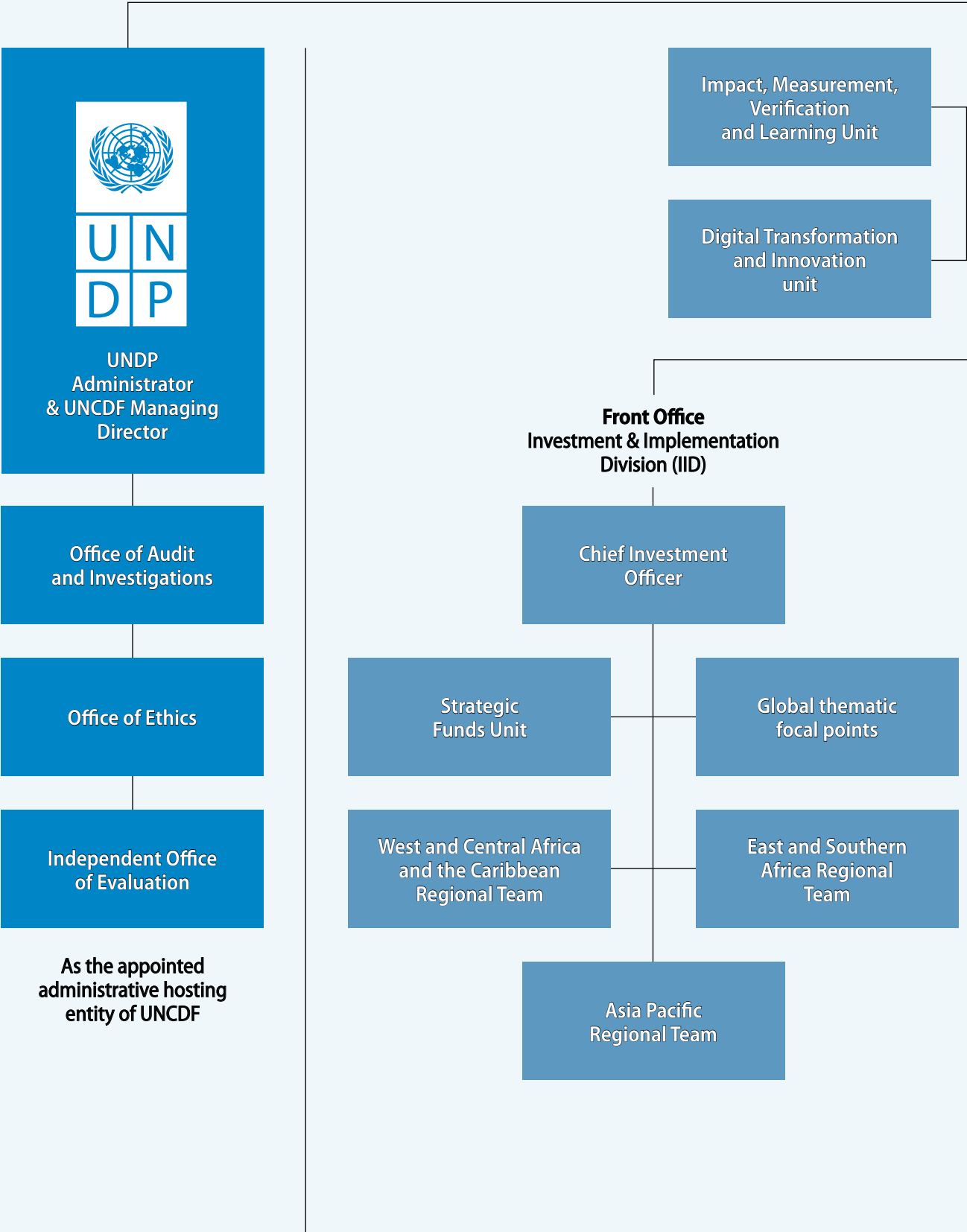
UNCDF's revenue and expenditure fluctuated over the assessment period. Between 2020 and 2022, revenue increased by 47% in 2022 to USD 202 million (Table 2), driven by expanded programme delivery in digital economies and local finance. It then declined by 17% in 2023 and a further 39% in 2024 as a result of a declining number of partners providing regular funding (from 11 in 2021 to 6 in 2025) and a cut in regular contributions from UNDP. Expenditures followed a similar trajectory over this period.

**TABLE 1. UNCDF FINANCIAL OVERVIEW (2020–2024) (USD MILLION)**

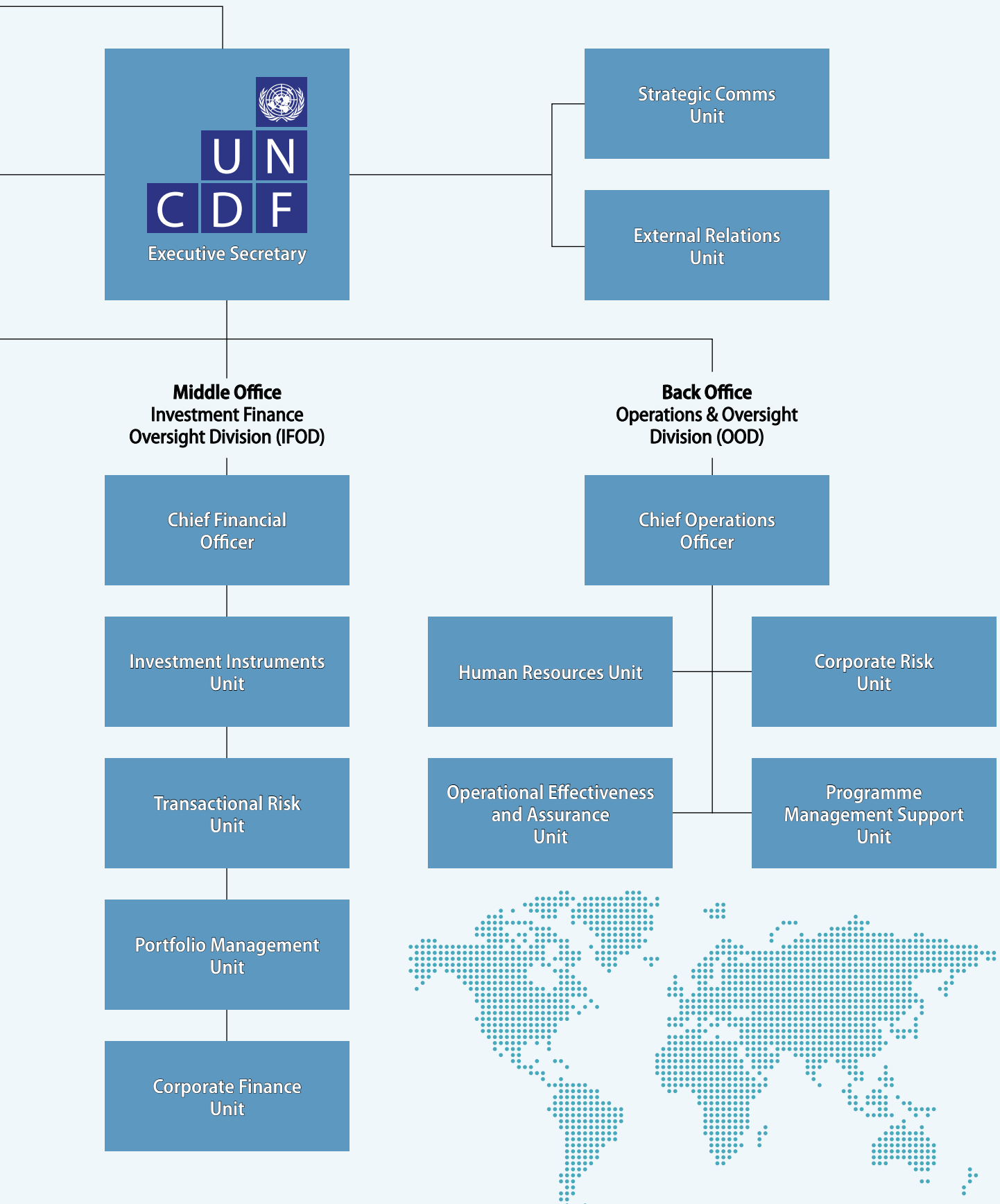
| Indicator   | 2020 | 2021 | 2022 | 2023 | 2024 |
|-------------|------|------|------|------|------|
| Revenue     | 76   | 137  | 202  | 168  | 103  |
| Expenses    | 82   | 97   | 116  | 101  | 85   |
| Surplus     | (6)  | 40   | 86   | 67   | 18   |
| Assets      | 292  | 333  | 417  | 485  | 506  |
| Liabilities | 23   | 24   | 19   | 24   | 25   |
| Net Assets  | 269  | 309  | 398  | 461  | 481  |

Source: Annual Review of the Financial Situation of the UNCDF 2020-24

FIGURE 3: **UNCDF ORGANISATIONAL CHART** (as of January 2025)



Source: [UNCDF](#)



UNCDF seeks to use these resources to attract or unlock additional capital (“catalytic capital”) and deploy blended finance instruments that support sustainable development. Across the review period, UNCDF operated in between 36 and 43 LDCs annually, consistent with its mandate focus on least developed and other underserved markets.

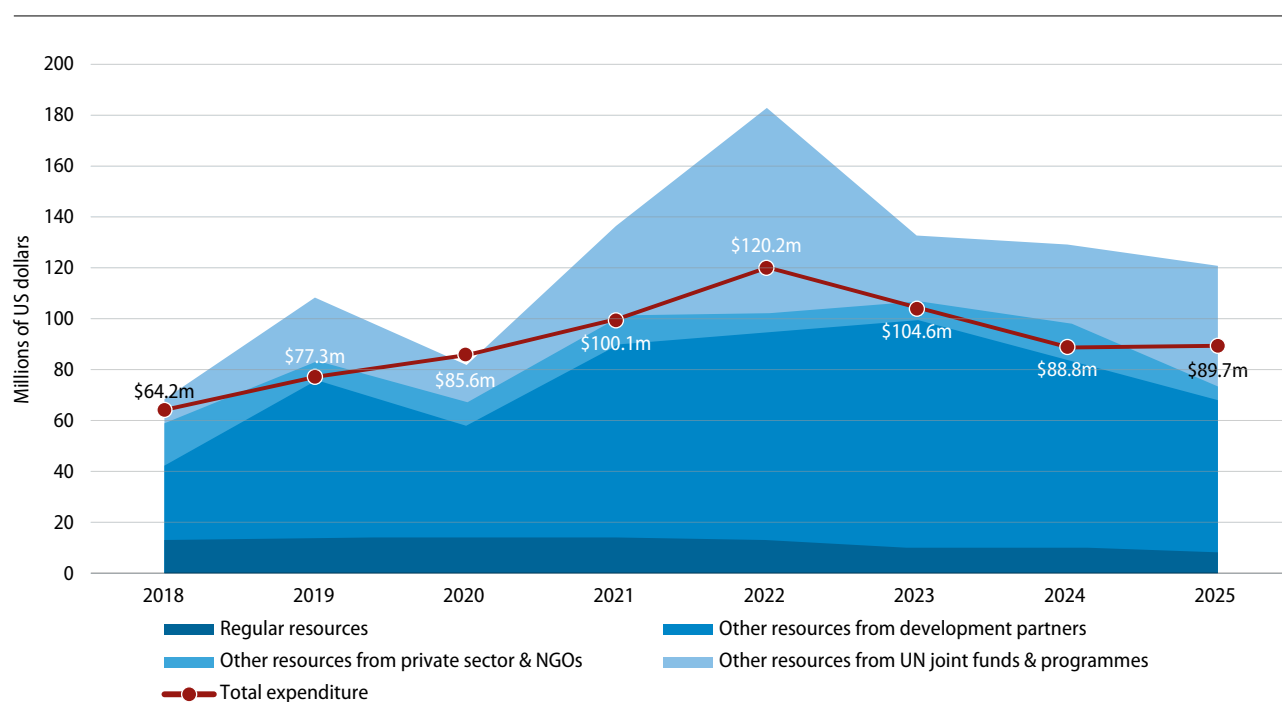
UNCDF’s investment portfolio declined significantly after 2022 (Table 3), reflecting a reduction in the volume of grants issued before showing signs of gradual recovery in 2024 and 2025. Across the period, grants remained the dominant instrument by volume, while loans and guarantees accounted for a smaller but proportionally increasing share of the portfolio.

**TABLE 2. UNCDF INVESTMENTS OVER THE 2022-25 STRATEGIC PERIOD**

| Category                                                             | 2022 Actual  | 2023 Actual  | 2024 Actual  | 2025 Actual  |
|----------------------------------------------------------------------|--------------|--------------|--------------|--------------|
| Number of investments (total)                                        | 382          | 130          | 71           | 93           |
| <i>Of which:</i>                                                     |              |              |              |              |
| a) <i>By type: Catalytic grants/Loans and guarantees</i>             | 375 / 7      | 122 / 8      | 64 / 7       | 78 / 15      |
| b) <i>By recipient: Directed at public entities/private entities</i> | 112 / 270    | 51 / 79      | 5/68         | 14/18        |
| Value of investments (USD million)                                   | 44.13        | 21.55        | 13.85        | 28.21        |
| <i>Of which:</i>                                                     |              |              |              |              |
| a) <i>By type: Catalytic grants/Loans and guarantees</i>             | 40.00 / 4.13 | 13.61 / 7.94 | 6.09 / 7.76  | 21.80 / 6.41 |
| b) <i>By recipient: Directed at public entities/private entities</i> | 22.73 / 21.4 | 4.38 / 17.17 | 2.28 / 11.57 | 9.22 / 18.99 |

Source: UNCDF (2025), UNCDF Integrated Results and Resources Matrix (IRRM) 2024

**FIGURE 4. UNCDF REVENUE AND EXPENDITURES, 2018-25 (IN MILLIONS OF DOLLARS)**



Source: UNCDF (2026). UNCDF annual report on results for 2025

Regular resources cover administrative and operational costs, including oversight, staffing, compliance, and innovation. The shortfall in regular resources has had a direct impact on UNCDF's ability to manage its programme and investment portfolio, particularly in areas such as audit, evaluation, results-based management, and maintaining a meaningful presence in all LDCs.

To address these constraints, UNCDF implemented a cost-reduction reform process in 2024, which included:<sup>2</sup>

- Streamlining operations to focus on its core investment mandate.
- Relocating personnel closer to client countries, with enhanced regional presence in Bangkok, Dakar and Nairobi.
- Strengthening grant management and oversight, including streamlining grant disbursement modalities to reduce transaction costs, following recommendations from the United Nations Board of Auditors and the Independent Office of Audit and Investigation.

**TABLE 3. UNCDF: TOP 5 FUNDING PARTNERS IN 2025**

| Funding partner                             | Regular resources | Other resources | Total (USD million) |
|---------------------------------------------|-------------------|-----------------|---------------------|
| The Multi-Partner Trust Fund Office (MPTFO) |                   | 45.0            | 45.0                |
| Government of the United States of America  |                   | 21.9            | 21.9                |
| European Union                              |                   | 15.7            | 15.7                |
| Government of Switzerland                   | 2.5               | 4.3             | 6.8                 |
| Government of the Netherlands               | 0.6               | 5.6             | 6.2                 |

### Staffing

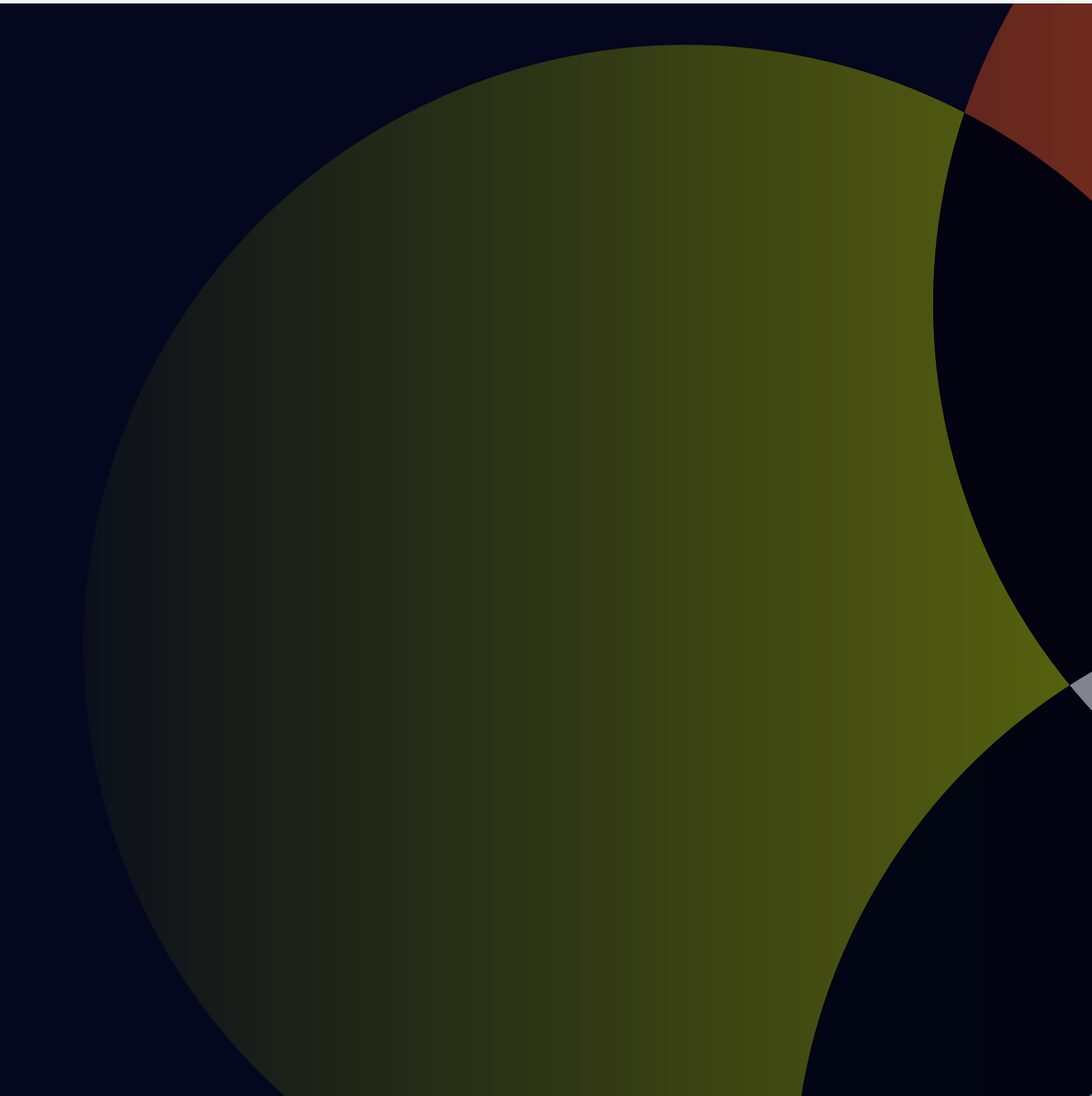
The organisation was undergoing wider restructuring during the review period, including changes to regional arrangements, consolidation of functions, and implementation of a revised organisational model aligned with the evolving investment-focused strategic framework.

UNCDF reported 146 staff in 2025, down from 170 in 2023 and 175 in 2022, reflecting ongoing organisational restructuring and portfolio adjustments. Staffing remained decentralised, with 108 staff (74%) based outside headquarters and 38 (26%) staff located in New York headquarters. Regionally, the largest concentration of staff was located in East and Southern Africa and the Arab States region (46 staff), followed by Asia and the Pacific (31 staff) and West and Central Africa and the Caribbean (24 staff).

The organisational structure is heavily weighted towards “front office” reflecting UNCDF's operational focus on programme delivery, investment structuring, and portfolio oversight.

The “front office” (the Investment and Implementation Division) accounted for 92 of 146 staff, followed by the “back office” (Operations and Oversight Division) with 29 staff, the “middle office” (Investment and Finance Oversight Division) with 12 staff, and the Directorate with 10 staff.

2. UNCDF (2025). Cumulative review of the UNCDF Strategic Framework, 2022-25, and annual report on results achieved in 2024.



# CONCLUSIONS AND CONSIDERATIONS FOR THE FUTURE





This chapter describes the conclusions of the assessment including the extent to which UNCDF is currently equipped with the right strategy, policies and systems to deliver on its mandate, and areas for further attention. This chapter concludes by discussing the future trajectory of the organisation, including the policy environment and potential pressures the organisation might face, and identifies considerations for MOPAN members and senior management of the organisation. These conclusions build upon the ratings and findings of the assessment against MOPAN's framework which consider UNCDF's performance over the assessment period 2022-25 (described in further detail later in the next chapter).

## CONTEXT ANALYSIS

**Implementation of the 2030 Agenda for Sustainable Development has fallen well behind.** While access to infrastructure and basic services has expanded, the 2026 UN Secretary General's report shows that only 15% of the 139 SDG targets with sufficient data are on track for achievement, and 32% have made no progress or have regressed, compared to the 2015 baseline. At the same time, climate change is accelerating and the number of state-based conflicts nearly doubled between 2010 and 2024. The UN Secretary-General has called this “a global development emergency”.<sup>1</sup>

**The nature of the development challenge is evolving.** After decades of rapid decline, the global extreme poverty rate has levelled off at around 10%. Increasingly, the extreme poor are concentrated in conflict-affected and climate-vulnerable locations.<sup>2</sup> Moreover, since the onset of the COVID-19 pandemic, developing countries have been beset by shocks and crises, including conflict, climate disruption and almost continuous global economic turmoil, creating adverse conditions for national development.

**Global development finance has been declining.** Official Development Assistance fell considerably in 2025, with preliminary 2025 data showing a 23.1% decrease over 2024. This tightening is compounded by declining private flows as investors have sought safer markets in times of global economic uncertainty. Net resource flows to developing countries have been negative since 2022, with developing countries paying back more in external debt service than they receive in new loans. Debt service costs are displacing development expenditure; in 2024, 92 countries spent more on external debt service than on implementing the SDGs.<sup>3</sup> Finally, debt levels of developing countries are approaching historic highs. Given inadequate investment and increasing needs, the annual SDG financing gap has risen by 60%, from USD 2.5 trillion in 2015 to over USD 4 trillion.

**The Fourth International Conference on Financing for Development emphasised the need to strengthen the international financial architecture and adopt innovative approaches to mobilise private capital, improve debt sustainability, and unlock domestic resources.** Traditional financiers, such as multilateral development banks and development finance institutions, remain essential but largely focus on sovereign-level, credit-rated markets and large transactions. Meanwhile, private investors are hesitant to engage in early-stage and last-mile markets due to perceived risks and weak enabling environments. As a result, subnational entities, local financial institutions, and MSMEs – particularly those serving women and youth – continue to face significant financing gaps. The outcome document further highlights the role of catalytic, concessional and risk-absorbing finance to help bridge these gaps, including by preparing transactions, de-risking early-stage opportunities and enabling larger public and private financiers to enter.

1. UN (2025) The Sustainable Development Goals Report

2. OECD (2025), States of Fragility 2025, OECD Publishing, Paris, <https://doi.org/10.1787/81982370-en>.

3. OECD (2025), Global Outlook on Financing for Sustainable Development 2025: Towards a More Resilient and Inclusive Architecture, OECD Publishing, Paris, <https://doi.org/10.1787/753d5368-en>.

**In this context, the challenges facing UNCDF and other multilateral actors are significant.** They must find new ways to maximise productive use of declining development finance, strengthen the system-wide response to development challenges through coherent partnerships built around comparative advantages, and be able to demonstrate their impact to maximise accountability to stakeholders.

## UNCDF'S STRATEGIC RESPONSE

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**In response to these pressures, UNCDF has undertaken a major institutional reform programme to strengthen its position and additionality in the multilateral system and to ensure that it has the right policies, frameworks, structures and staff to deliver on its more focused catalytic finance mandate.**

**UNCDF has repositioned itself within the development finance architecture to address financing gaps.** During the assessment period, UNCDF refined its new Strategic Framework (2026-29) to place greater emphasis on three financing capabilities: MSME finance, subnational finance, and digital finance while positioning women's economic empowerment as cross-cutting priority. This repositioning also aligned with broader international discussions on financing for development. The outcome document of the Fourth International Conference on Financing for Development (FfD4), adopted in Sevilla, explicitly recognised UNCDF's role in providing catalytic concessional first-loss capital to help de-risk investments in LDCs and other countries in special situations. In addition, UNCDF advanced a significant institutional transition intended to align its operating model, staffing structure, and financing instruments with its comparative advantage as the United Nations entity focused on deploying catalytic concessional finance in LDCs, SIDS, and fragile contexts.

**Through these efforts UNCDF now occupies a distinctive niche within the multilateral system focused on early-stage market development and risk absorption.** Stakeholders consistently identified UNCDF's comparative advantage as its ability to operate in higher-risk and smaller-scale markets where traditional development finance actors and commercial financiers often have limited engagement. This positioning differentiates UNCDF both from larger development finance institutions, which typically focus on larger transactions and more mature markets, and from broader UN development actors whose comparative advantage lies primarily in policy support and programme delivery.

**UNCDF has introduced substantial organisational, internal oversight and operational reforms in a challenging funding environment where resource levels have continued to decline.** The organisation undertook significant restructuring during the review period, including the introduction of a front-middle-back structure, decentralisation of selected functions to regional hubs, revisions to enterprise risk management arrangements, and the adoption of Supplementary Guidelines to the UNDP Programme and Operations Policies and Procedures (POPP) covering grants, loans, and guarantees. UNCDF also strengthened investment review, oversight, and operational functions in response to findings from the Mid-Term Evaluation of the Strategic Framework 2022–2025 and the 2023 OAI audit. A 2025 OAI follow-up audit subsequently confirmed that UNCDF had implemented all recommendations from the 2023 audit.

## ASSESSMENT CONCLUSIONS

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**UNCDF is pursuing an appropriate direction based on a clear comparative advantage and offer, but its capacity to engage partners will be critical to delivering impact at scale.**

**UNCDF retains a clear and widely recognised comparative advantage within the development finance architecture.** Across interviews and stakeholder consultations, UNCDF was consistently recognised as occupying a distinct niche within the multilateral system given its focus on catalytic concessional finance in underserved and high-risk and smaller scale-markets. This comparative advantage was viewed as particularly relevant in LDCs, SIDS, and fragile contexts where smaller-scale and early-stage financing needs are often not addressed by larger development



finance actors or by broader UN development actors whose comparative advantage lies primarily in policy support and programme delivery. Its mandate to combine grants, loans, guarantees, and technical assistance allows UNCDF to operate in areas where financing constraints, limited institutional capacity, and elevated risk profiles continue to inhibit broader investment flows. For example, in Afghanistan, UNCDF, in partnership with UNDP, established a portfolio guarantee facility that combines risk-sharing, technical assistance and business development services to unlock private lending for MSMEs.

**UNCDF's strategic direction has become more focused and more closely aligned with its comparative advantage.**

The Strategic Framework 2026–2029 provides greater clarity regarding UNCDF's intended role as a catalytic finance platform. By consolidating earlier thematic areas into three core financing capabilities, the organisation has established a clearer operational identity. This sharper articulation of institutional focus addresses concerns raised during earlier periods regarding the breadth of UNCDF's thematic coverage and provides a more coherent basis for future operational prioritisation.

**UNCDF's strategic repositioning reflects an effort to strengthen its relevance within a crowded development finance landscape.**

The organisation's transition toward a more explicitly finance-oriented mandate reflects broader shifts within the international development architecture, including increasing emphasis on mobilising private capital, leveraging blended finance approaches, and expanding financing solutions for underserved markets. UNCDF's positioning as a provider of concessional first-loss capital and market-building support aligns with these trends and provides a rationale for expanded engagement with development finance institutions, private investors, and blended finance platforms. At the same time, this repositioning also increases institutional pressure to demonstrate catalytic impact, additionality, and sustainability more systematically over time.

**UNCDF is accelerating the process of developing its partnerships to capitalise on its comparative advantage and scale-up its impact.**

Within the UN system, it has increased its outreach to other UN entities to identify how its financial instruments can complement their technical, normative and sectoral expertise. From a UN system perspective, this creates opportunities to combine the technical and policy expertise of UN agencies with financial instruments and blended finance capabilities that can only be provided by UNCDF. Outreach is also ongoing to expand partnerships with MDB and DFIs and to explore closer co-ordination to explore potential for scaling of successful UNCDF investments as well as even developing de-risking facilities, co-investment opportunities and shared pipelines.

## BOX 2. Findings regarding UNCDF's administrative, strategic and operational relationship with UNDP

**UNCDF is an autonomous UN organisation that benefits from administrative support and field support services provided through UNDP.** The Administrative Arrangements define an administrative arrangement under which UNCDF adheres to UNDP's accountability framework, adheres to key policies in areas such as Human Resources and safeguarding, and benefits from back-office functions including services from the Office of Audit and Investigation, Office of Ethics, Independent Office of Evaluation, and Bureau and Management Support. The 2026 MOPAN assessment of UNDP found that UNDP performed well in these areas, and that its financial governance, workforce management and safeguarding frameworks were among the organisation's chief assets. This assessment finds that whilst UNCDF continues to draw on UNDP strengths in these areas, it has taken important steps to revise key elements of the administrative services arrangement to better reflect its business model and needs.

**At a strategic level there is a reinvigorated commitment from all parties for greater alignment and integration.** Both UNDP's Strategic Plans and UNCDF's Strategic Frameworks set out a commitment to leverage each other's capacities, capabilities and instruments to maximise impact. Stakeholders interviewed conformed that the leadership of both organisations were visibly committed to deliver on this objective, and that significant progress had been made by UNCDF to refocus its offer to maximise complementarity with UNDP services.

**UNCDF and UNDP are taking steps to operationalise the strategic partnership.** The Administrator has actively promoted awareness and uptake of UNCDF services by UNDP country offices. However, there remains significant potential to better integrate UNCDF services into UNDP activities. A recent joint paper defines an integrated UNDP/UNCDF "policy to capital investment facility" Multi-Partner Trust Fund to further country-led financing arrangements. It describes the division of responsibilities between the two organisations and identifies an implementation model covering shared country entry points; combining UNDP diagnostic tools with UNCDF's blended finance design templates; integrated communications; and joint impact reporting.

**Whilst important steps are being taken to strengthen integration and deliver synergies, successful operationalisation will require both organisations to continue addressing technical and capacity constraints, including at the country level, which have been a barrier to date.** At the corporate level, both organisations should continue exploring opportunities to maximise the use of UNDP's back-office functions and shared corporate services where these can improve efficiency, reduce duplication and allow UNCDF to focus resources on its core mandate. At the country-level, delivering on the partnership's potential will require continued awareness raising and training to ensure that UNDP country-offices contain the necessary technical knowledge to promote UNCDF's offer, revisiting UNDP country planning processes and monitoring to ensure that promoting UNCDF is incentivised, and ensuring resources are available to build links between UNCDF's regional hubs and UNDP country teams and provide the necessary support.

**With many key elements of UNCDF's corporate structure and operating model now in place, it now needs to focus on operational delivery.**

**While UNCDF has commendably undertaken significant reforms to-date within constrained administrative budgets, particularly for core funding, the completion of the transformation agenda will require dedicated resources to be fully implemented in a timely manner.** Substantial organisational reforms have significantly strengthened alignment of institutional structures with the evolving strategic focus, increasing UNCDF's capacity to deliver. During the review period, UNCDF implemented significant changes to its organisational structure, governance arrangements, and operational policies to support greater use of non-sovereign financial instruments. Central to

these reforms was the introduction of a front-middle-back office architecture intended to strengthen investment origination, portfolio oversight, risk management and operational controls. Functions previously dispersed across programme structures were consolidated and redefined to better align with the operational requirements of loans, guarantees, and blended finance activities. UNCDF also decentralised a growing share of investment and programme functions to regional hubs, with regional teams increasingly responsible for pipeline development and oversight across multiple countries.

**Institutional reforms were driven both by strategic repositioning and responses to oversight findings.**

The reforms undertaken during the assessment period reflected both the evolving direction of UNCDF's Strategic Framework and recommendations arising from oversight and evaluation processes. In particular, the Mid-Term Evaluation of the Strategic Framework 2022–2025 and the 2023 OAI audit highlighted weaknesses related to organisational arrangements, grant management, oversight functions, investment governance, and operational controls. In response, UNCDF introduced a revised Enterprise Risk Management framework, a formal Risk Appetite Statement, and Supplementary Guidelines to the UNDP POPP. These reforms strengthened institutional guidance for grants, loans, and guarantees and clarified governance arrangements for non-sovereign operations. UNCDF also revised investment review and oversight arrangements, including restructuring investment committee functions and strengthening controls related to grants to private sector entities. A 2025 OAI follow-up audit subsequently confirmed that UNCDF had implemented all recommendations from the 2023 audit.

**With UNCDF's corporate structure and operating model stabilised, it now needs to focus on delivery; operational selectivity regarding where and how financial instruments are deployed is crucial to delivering its strategy.** While the Strategic Framework 2026–2029 provides greater clarity regarding UNCDF's institutional focus, further operational prioritisation is still required regarding how the three financing capabilities will translate into country- and regional-level deployment choices. The assessment found that programming during the review period often remained influenced by funding opportunities and donor preferences, limiting UNCDF's ability to consistently prioritise markets and interventions where its catalytic role and comparative advantage were strongest.



**The transition toward regional hub-led operations will require further refinement to address implementation and co-ordination challenges at country level.** The decentralisation of investment and oversight functions has strengthened regional technical capacity and pipeline management functions. However, country-level engagement arrangements continue to evolve alongside the new operating model. In several contexts, UNCDF's operational presence focuses on delivery of legacy projects and technical assistance, while responsibility for investment origination and oversight increasingly has shifted to regional teams. Further clarification of the division of labour between regional hubs, country-level project teams, and UNDP country offices may help strengthen operational co-ordination, pipeline development, and engagement with governments and financing partners especially as UNCDF scales up financial instruments.

**The evolving product mix may require continued adaptation of staffing profiles, operational guidance, and partnership arrangements within and outside the UN system.** Loans, guarantees, and blended finance operations require different technical capacities and operational processes than traditional programme delivery models. Continued strengthening of investment, portfolio management, and financial structuring expertise will likely remain important as UNCDF operationalises its evolving mandate. Stakeholders also highlighted the importance of strengthening engagement with UNDP country offices, MDBs, DFIs, and other financing partners to support pipeline development and implementation continuity. Effective operationalisation of the new governance and risk management architecture will similarly depend on continued staff onboarding, operational guidance, and consistent application of revised procedures across regional and country operations. Sustained outreach and communication with Resident Coordinators, Resident Representatives, and UN Country Teams will remain important to strengthen understanding of UNCDF's evolving product mix and support pipeline identification and collaboration opportunities.



**The refocusing of UNCDF's operations introduces new risks and financing challenges which will require careful planning, monitoring and mitigation.**

**UNCDF's transition toward greater use of financial instruments introduces important financial sustainability considerations.** Compared to grant-based technical assistance, loans, guarantees, and blended finance operations involve longer preparation, supervision, and risk management horizons. As UNCDF expands the use of these instruments, the organisation increasingly faces the challenge of ensuring that staffing models, operational systems, and oversight arrangements remain aligned with the demands of a more investment-oriented portfolio. This includes sustaining capacity for pipeline development, due diligence, portfolio supervision, and risk management over longer operational cycles. Scaling this portfolio will therefore require not only additional capital for loans, guarantees and blended finance operations, but also additional resources to develop, manage and supervise these investments throughout their life cycle. During this transition, the operational costs associated with building and managing an expanded investment portfolio will be incurred well before significant fee income, interest revenue or investment reflows are expected to materialise. As a result, UNCDF will need to mobilise resources or ensure sufficient cost-recovery to also finance these expanded operational requirements before longer-term revenues from these financial instruments become available.

**UNCDF's funding model continues to constrain operational flexibility and strategic deployment. UNCDF remains highly dependent on earmarked and non-core funding, while core resources remain limited relative to the breadth of its mandate and institutional reform agenda.** Donor financing continues to shape programming choices and limits UNCDF's ability to independently prioritise activities and scale operations based on strategic considerations alone. New initiatives and financing instruments frequently remain linked to the mobilisation of additional donor funding, reinforcing an opportunity-driven programming model in several operational areas.

**UNCDF should consider further adaptation of cost recovery approaches in response to its evolving portfolio.** Historically, UNCDF's administrative cost model was closely linked to grant management and technical assistance delivery. However, investment and guarantee operations require more sustained supervision and portfolio management functions that may extend beyond traditional project implementation periods. The assessment found that ensuring adequate recovery of preparation, supervision, and oversight costs will become increasingly important as UNCDF expands its portfolio of more complex financial instruments and seeks to sustain specialised operational capacities over time.

**UNCDF's evolving portfolio will generate new operational risks which will require ongoing adjustments to the risk management framework.** UNCDF has introduced more robust institutional arrangements for investment governance, enterprise risk management, grants management, and safeguards oversight. These reforms significantly strengthened the organisation's control environment and addressed several weaknesses identified through oversight processes. However, the assessment found that effective implementation will depend on consistent operational application across regional and country operations, particularly as new instruments are deployed alongside legacy programming approaches. The transition toward more complex financing operations also increases reliance on specialised staffing profiles and institutional continuity in areas such as investment assessment, portfolio supervision, and risk oversight.

**As it transitions to its new catalytic finance focus, UNCDF must further strengthen its performance information systems to track progress, undertake course correction where necessary, and demonstrate its impact.**

**Evidence indicates that UNCDF interventions have contributed to enabling conditions, institutional capacity, policy frameworks and market systems across several priority areas while evidence of longer-term sustainability, follow-on investment and scaling by financing partners is uneven and not yet documented systematically across the portfolio.**

**UNCDF has recognised the need to strengthen results measurement and accountability systems as it expands its use of financial instruments.** During the assessment period, UNCDF initiated several reforms intended to strengthen results-based management and improve alignment between its evolving mandate and accountability architecture. These included development of a revised IRRM aligned with the Strategic Framework 2026–2029 and the introduction of Impact Measurement, Verification and Learning (IMVL) processes. Together, these reforms reflected recognition that a more finance-oriented operating model requires stronger evidence regarding outcomes, catalytic effects, and sustainability over time.

**However, UNCDF’s results reporting framework continues to rely heavily on activity, output, and reach indicators, and the organisation should do more to demonstrate its impact at the outcome level.** The assessment found that corporate reporting remains focused primarily on operational delivery metrics, including financing volumes, beneficiaries reached, and policy or institutional outputs. While these indicators provide evidence of implementation activity and operational reach, outcome-level reporting and analysis remain less developed and are critical to support UNCDF’s resource mobilisation efforts. In particular, reporting on additionality, sustainability, behavioural change, and longer-term market effects was often limited or not systematically demonstrated across corporate level reporting products.

**These limitations become increasingly important as UNCDF scales investment and guarantee operations.** Compared to grant-based technical assistance, financial instruments require stronger evidence regarding catalytic impact, market development effects, and sustainability over longer time horizons. The assessment found that UNCDF’s evolving product mix places increasing importance on demonstrating how interventions contribute to crowding in financing, strengthening markets, and generating sustained development outcomes beyond immediate operational outputs. While the revised IRRM and IMVL reforms are intended to strengthen measurement of these dimensions, with IMVL positioned as an investment-specific impact verification tool distinct from standard programme monitoring, implementation remains at an early stage.

**The evolving instrument mix may also require continued adaptation of UNCDF’s financial reporting and transparency practices.** As loans, guarantees, and blended finance operations become a larger share of the portfolio and potentially result in reflows, stakeholders may require more detailed reporting on portfolio composition, deployment by instrument, risk exposure, and mobilisation. While UNCDF’s accounting and financial reporting practices will need to remain aligned with evolving International Public Sector Accounting Standards (IPSAS),



standard UN financial reporting may not provide all the supplementary information required to assess an increasingly investment-oriented portfolio. UNCDF may therefore benefit from reporting approaches more commonly used by development finance institutions and multilateral development banks, enabling stakeholders to better assess performance, particularly of the portfolio of financial instruments, which could benefit UNCDF resource mobilisation efforts.

**Results reporting and accountability reforms are still being operationalised across the organisation.** UNCDF introduced updated indicators and strengthened results measurement processes during the assessment period, including efforts to improve monitoring, verification, and learning functions. However, the assessment found that several implementation challenges remain, including strengthening data quality, verification processes, and outcome-level reporting, as well as improving thematic and financial reporting aligned with strategic priorities and evolving investment operations. UNCDF has begun introducing measures intended to strengthen results quality and consistency, including the rollout of IMVL processes and designation of RBM focal points across the organisation. These reforms represent important initial steps toward strengthening institutional learning and verification functions. However, their effectiveness in improving the quality, consistency and use of results evidence across the organisation will need to be assessed as implementation progresses.

**Evaluation independence and capacity constraints limit the strength of UNCDF's accountability architecture.** The assessment found that the evaluation function was not structurally or operationally independent from management arrangements during the review period, limiting alignment with established good practice for independent evaluation functions. The function also operated with limited staffing capacity relative to the breadth and complexity of UNCDF's portfolio. These constraints limited the ability of the evaluation function to provide consistent strategic oversight and independent evaluative coverage across the organisation's evolving portfolio.

**Current evaluation coverage provides limited evidence regarding sustainability, additionality, and longer-term impact.** Evaluation activity during the review period focused primarily on programme- and project-level assessments, often undertaken during relatively early implementation stages. As a result, many evaluations were limited in their ability to fully assess longer-term outcomes, catalytic effects, and sustainability, particularly for financial instruments and market development interventions whose results materialise over extended periods. The assessment also found limited evidence of systematic ex-post evaluation mechanisms intended to assess whether outcomes and market effects were sustained following programme completion.



### BOX 3. Main strengths and areas for improvement

#### Main strengths

- Comparative advantage in catalysing concessional finance to support market development in LDCs, SIDS, and fragile contexts reaffirmed by global development finance community. Institutional strategy clearly articulates comparative advantage and is anchored in a clear multilateral mandate.
- Corporate structure and core operating model aligned with a finance-oriented mandate, including through the front-middle-back office architecture and strengthened investment, risk and oversight functions.
- Policy and risk-management architecture have been strengthened, including through supplementary guidance, clearer investment procedures and a risk management framework for private sector engagement.
- Important reforms have been initiated to strengthen results measurement and accountability, including the development of a new results framework and the establishment of the Impact Measurement, Verification and Learning Unit.

#### Areas for improvement

- Sharpen selectivity by translating corporate strategic priorities into regional and country-level operational programmes.
- Strengthen partnership engagement processes at regional and country level to identify and source investment opportunities and scale up successful pilots.
- Accelerate resource mobilisation for the scale-up of financial products and for funding of administrative costs for developing and supervising the portfolio.
- Enhance the evaluation function's operational and financial independence and provide it with adequate resources to independently validate the efficiency, effectiveness and sustainability of UNCDF's annual work programme.

### CONSIDERATIONS AND FUTURE TRAJECTORY

The reforms undertaken during the MOPAN assessment period have put in place many of the necessary conditions for UNCDF to deliver on its mandate and new strategic focus. However, further complementary actions are required for UNCDF to deliver fully on its potential. In this regard, there are four interconnected priorities that will be crucial:

**Firstly, UNCDF's future trajectory will likely be shaped primarily by its ability to "achieve critical mass" by mobilising resources and demonstrating catalytic value within an increasingly constrained donor funding environment.** During the assessment period, UNCDF introduced substantial reforms intended to reposition the organisation around a more focused catalytic finance mandate. Stakeholders broadly recognised the rationale for this transition and viewed the shift toward a clearer set of financing capabilities and instruments as an important corrective to earlier periods where UNCDF's role within the wider UN system was less differentiated. At the same time, in a global environment of dramatically reduced aid flows, the assessment noted uncertainty in donor appetite to support UNCDF at the funding level required to operationalise and scale its model to a sustainable level.

**While UNCDF reforms commenced earlier, they are broadly aligned with broader UN system reforms – under the UN80 initiative – focusing on institutional differentiation, financing constraints, and the need to rebalance organisational models toward clearer comparative advantage and more sustainable mandate delivery.** The recent MOPAN Thematic Brief on UN80 highlights that many UN entities continue to face pressure from declining



flexible funding, growing earmarking, and incentives favouring fragmented project delivery over longer-term policy and systems engagement. In this context, UNCDF's efforts to consolidate its mandate around a narrower set of catalytic finance capabilities and a more explicit private-sector and investment-oriented role appear broadly aligned with wider reform discussions emphasising institutional focus, partnership-based delivery models, and clearer functional differentiation across the UN system.

**Nevertheless, the scale of the planned expansion of UNCDF's portfolio – particularly of its financial instruments – requires careful consideration to the approach to recovering/financing of its operating costs.** During the 2026–29 Strategic Cycle, UNCDF envisages development and humanitarian programme expenditure of approximately USD 500.9 million, alongside deployment of financial instruments – primarily loans and guarantees – totalling an additional USD 337.1 million. This represents a substantial increase in the scale and complexity of investment operations compared to the previous cycle, including projected growth in loans from approximately USD 12.6 million in 2022–2025 to USD 120.8 million and guarantees from USD 7.0 million to USD 216.3 million. At the same time, UNCDF notes that regular resources remain limited and continue to finance much of the organisation's core oversight, fiduciary, and institutional capacities. The scaling up of lending and guarantee products – whose fees and interest charges support recovery of operational costs only over an extended period of time – will require adjustments to the current model for funding operational costs.

**Particular attention will therefore be required during the transition period.** Given that significant income from fees and interest charges on lending and guarantee products will only be available in the longer term, the costs of UNCDF's operational activities for scaling up deployment of the financial instruments in the transition period will need to be funded solely from non-fee sources. Ideally this would be done through core funding but given the reality that core funding is extremely scarce for both UNCDF and for the UN system in general, it may need to consider – as part of its Resource Mobilisation Strategy – raising focus on dedicated non-core funding to support its deployment of financial instruments.

**Secondly, the viability of UNCDF's evolving operating model will depend on its ability to translate strategic positioning into visible operational pipelines and demonstrable results.** While the Strategic Framework 2026–2029 provides greater clarity regarding UNCDF's comparative advantage, future effectiveness will increasingly depend on how this strategy is operationalised across countries, regions, and financing instruments. Even under this envisioned scale-up, UNCDF is expected to remain a relatively small and specialised organisation within the broader UN development system, with a comparatively lean institutional structure and focused technical capacities. The next phase of UNCDF's transition will likely require more explicit prioritisation regarding where the organisation intends to focus, how pipelines will be originated, and how investment opportunities will be packaged and communicated to

funding partners. UNCDF has already begun expanding outreach and engagement with a wider set of actors, including UNDP Resident Representatives, Resident Coordinators, other UN agencies and World Bank Group. The focus is on strengthening awareness of its evolving financing role and supporting pipeline development. However, these efforts remain at a relatively early stage.

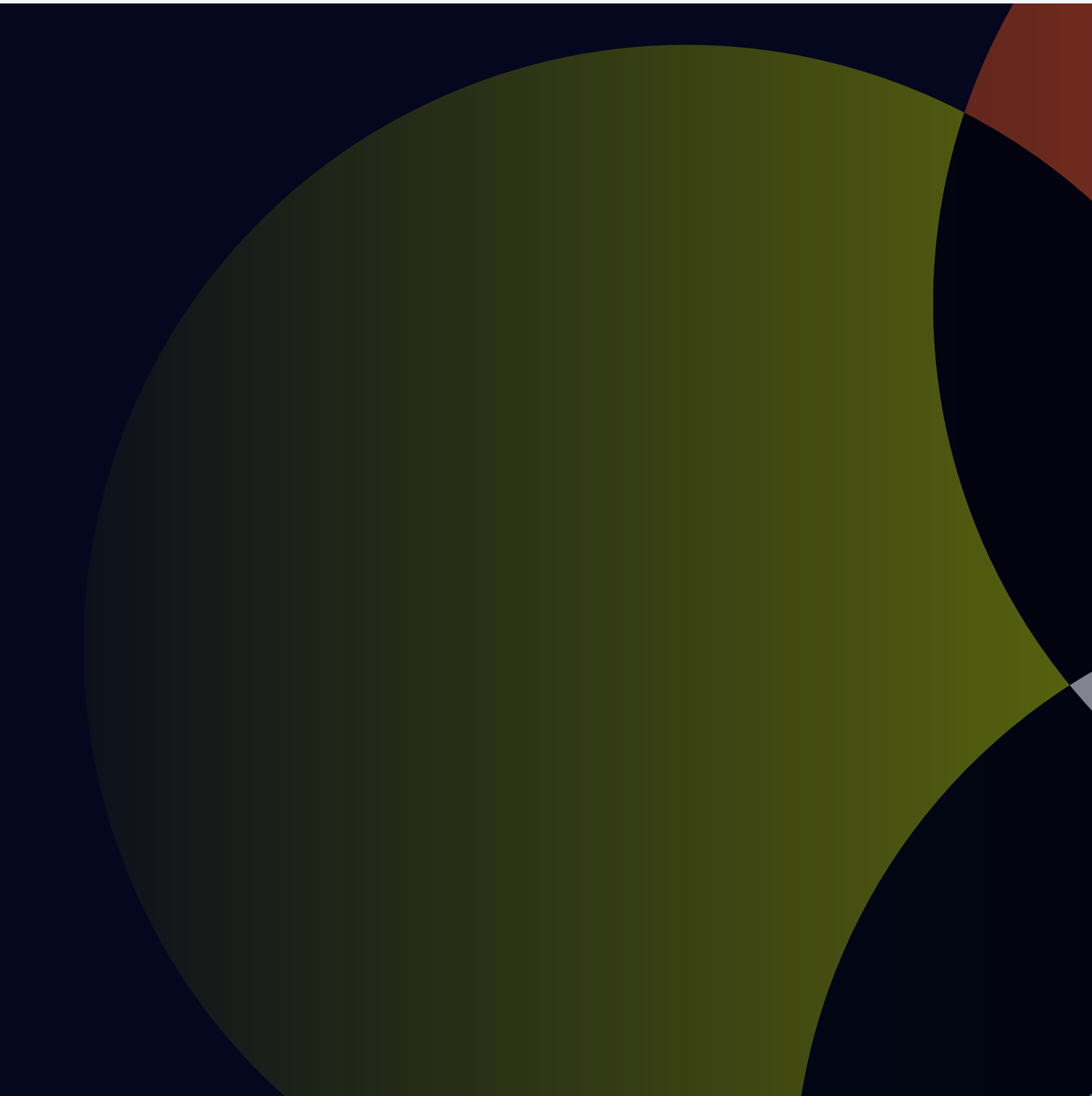
**Thirdly, UNCDF's future positioning within the development finance architecture will depend partly on its ability both to demonstrate complementarity with larger financing actors and to work with governments to mainstream its successful activities.** Stakeholders broadly recognised that UNCDF occupies a distinct space within the financing landscape, particularly in smaller transaction sizes and higher-risk markets that larger MDBs and DFIs often do not serve directly. UNCDF's intended role as an early-stage catalytic actor capable of helping develop and de-risk markets was viewed as broadly credible. There are also growing opportunities for complementarity with MDBs and wider UN system actors as UNCDF increases its focus on investment products and market development functions. Future success will likely depend on whether these emerging partnerships and engagement efforts translate into more systematic operational collaboration, pipeline linkages, and financing pathways capable of supporting scale-up over time. The recent "joint offer" developed between UNCDF and UNDP is potentially an important model for collaboration agreements with other agencies and institutions.

**Finally, results credibility and evaluation systems will likely become increasingly important for both institutional learning and future resource mobilisation efforts.** As UNCDF expands the use of financial instruments, funding partners are likely to place increasing emphasis on evidence regarding additionality, catalytic effects, and sustainability. UNCDF has initiated important reforms through the rollout of revised IRRM and IMVL processes intended to strengthen results measurement, verification, and learning functions. However, many of these reforms remain at an early stage of implementation, and their effectiveness in improving the quality and credibility of results evidence remains to be demonstrated. Strengthening evaluation independence and expanding longer-term evidence generation regarding market effects, efficiency, and sustainability may therefore become increasingly important not only for accountability and learning purposes, but also for supporting future resource mobilisation and institutional credibility.

**The current external environment increases both the urgency and the difficulty of UNCDF's transition.** Stakeholders noted that reductions in official development assistance and wider pressures across the multilateral system may constrain the availability of concessional resources over the coming years. At the same time, several stakeholders also viewed the current environment as potentially reinforcing the relevance of UNCDF's catalytic finance mandate, particularly if the organisation is able to demonstrate operational focus, effective partnerships, and credible results in underserved and higher-risk markets.

**Completing UNCDF's ambitious transformation agenda will require dedicated administrative budget resources over the next few years though the amounts required are modest relative to those of larger multilateral financing institutions.** The actions noted throughout this report will require resources for implementation, including staff capacity, outreach, pipeline development, results reporting and evaluation. Given limited core funding, UNCDF may need to combine core resources with dedicated non-core support for transition and scale-up costs. Dedicated resources for completing the transformation could help accelerate implementation of activities including: further reskilling and training of staff to manage a riskier portfolio of financial instruments; investing in outreach with other UN organisations both at headquarters and field levels to explain UNCDF's product offerings; identifying and implementing a pipeline of projects with MDBs, strengthening results reporting and self-validation systems and finally, strengthening external evaluation to support both accountability and learning. UNCDF's financing requirements remain relatively modest compared to those deployed for larger multilateral financing institutions. Nevertheless, dedicated administrative budget funding could be critical to ensuring that the organisation demonstrates the effectiveness and sustainability of its evolving operating model within a relatively limited timeframe.





# ASSESSMENT FINDINGS





This chapter provides a more detailed assessment of UNCDF's performance across the five performance areas – strategic management, operational management, relationship management, and performance management and results – and the Key Performance Indicators (KPIs) that relate to each area, accompanied by their score and rating.

#### MOPAN PERFORMANCE SCORING AND RATING SCALE

|                                 |                                   |                              |
|---------------------------------|-----------------------------------|------------------------------|
| Highly satisfactory (3.51-4.00) | Satisfactory (2.51-3.50)          |                              |
| Unsatisfactory (1.51-2.50)      | Highly unsatisfactory (0.00-1.50) | No evidence / Not applicable |

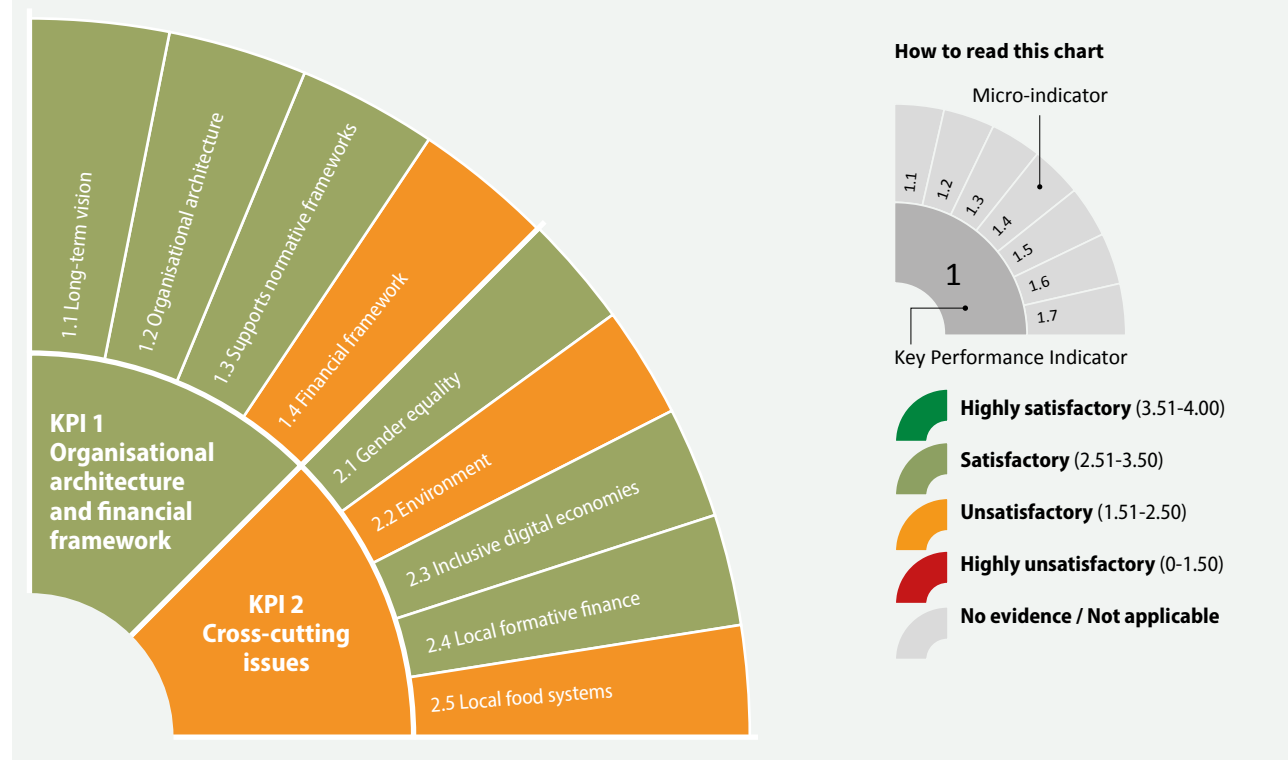
Assessment key findings draw on information from the three evidence sources (document reviews, interviews and a partner survey – see Chapter 4 for more information). Further analysis per micro-indicator and detailed scoring can be found in Annex A, while the full survey results are included in Annex C. For the full list and citation details of the documents referred to, please see Annex B.

### ORGANISATIONAL EFFECTIVENESS

#### STRATEGIC MANAGEMENT

*Clear strategic direction geared to key functions, intended results and the integration of relevant cross-cutting priorities.*

FIGURE 5. KEY FINDINGS ON UNCDF'S STRATEGIC MANAGEMENT



**KPI 1: Organisational architecture and financial framework enable mandate implementation and achievement of expected results**

Satisfactory

3.02

*KPI 1 assesses whether UNCDF's strategic architecture, operating model and financial framework enable it to deliver on its mandate and intended results. The assessment considers the clarity of UNCDF's strategic vision and comparative advantage, the extent to which its organisational architecture and operating framework support mandate implementation, alignment with global commitments, and whether the financial framework provides the transparency, flexibility and resourcing needed to deliver strategic priorities.*

**UNCDF has a clear strategic vision and a distinctive comparative advantage, but the operationalisation of this vision has been strengthened only towards the end of the assessment period.** The Strategic Framework 2022–2025 articulated UNCDF's long-term vision around enabling LDCs to access and leverage capital for sustainable and inclusive economic growth, and positions UNCDF as the United Nations flagship catalytic financing entity for LDCs (UNCDF 2021a). This vision was anchored in three strategic game-changers: catalysing additional flows of capital, strengthening market systems and financing mechanisms, and accelerating inclusive, diversified and green economic transformation. UNCDF's comparative advantage was rooted in its capital mandate, focus on LDCs, and ability to combine grants, concessional loans, guarantees and advisory support in higher-risk markets. The Strategic Framework 2026–2029 sharpens this positioning further by reorganising UNCDF's work around three core capabilities: MSME finance, subnational finance and digital finance (UNCDF 2026a). This capability-based model operationalises UNCDF's comparative advantage by clarifying where the organisation adds value: taking earlier risk, building investment readiness, strengthening financing mechanisms and creating conditions for follow-on public and private finance in markets where larger financiers are less able to enter directly.

**UNCDF has used evaluation and oversight findings to refine its strategic direction and organisational architecture.** The final evaluation of the 2018–2021 Strategic Framework identified the need for a clearer common mission and vision, stronger corporate strategic planning, a revised IRRM, more coherent resource mobilisation, and strengthened gender integration (UNCDF 2018). The 2024 Mid-Term Evaluation similarly found that UNCDF had not fully exploited its capital mandate or articulated its additionality in sufficiently operational terms and recommended a comprehensive corporate strategic planning process for the next framework (UNCDF 2024j). UNCDF accepted these recommendations and used them to inform the 2026–2029 Strategic Framework, including updated vision and mission statements, an investment framework, a revised results architecture and integrated budget arrangements.

**UNCDF's organisational architecture has become more congruent with its catalytic finance mandate.** Earlier in the assessment period, UNCDF's structure was organised around thematic practices, including Inclusive Digital Economies, Local Transformative Finance, climate, clean energy and biodiversity finance, and women's economic empowerment. This model reinforced siloed delivery and did not provide a sufficiently integrated structure for scaling loans, guarantees and blended finance instruments. The 2023 OAI audit and 2024 Mid-Term Evaluation identified weaknesses in governance, oversight, risk management, and organisational coherence that constrained UNCDF's ability to deliver on its catalytic finance mandate (UNDP OAI 2023, UNCDF 2024j). In response, UNCDF shifted to a front-middle-back office model, with the Investment and Implementation Division leading origination and execution, the Investment Finance Oversight Division (middle office) providing financial oversight and risk management, and the Operations and Oversight Division (back office) supporting operations, fiduciary functions and programme management. This structure directly addresses the fragmentation, risk management and investment oversight weaknesses identified earlier in the assessment period.

**The revised operating framework has strengthened role clarity, but full operational alignment remains in progress.** UNCDF formalised its institutional relationship with UNDP through an Administrative Arrangements Agreement and received a Delegation of Authority from the UNDP Administrator to the UNCDF Executive Secretary, clarifying administrative accountabilities and escalation arrangements (UNDP and UNCDF 2024). The 2025 OAI follow-up audit confirmed that UNCDF had fully implemented all ten recommendations from the 2023 audit, including those related to administrative arrangements, grant management, investment governance, risk management,

safeguards, and monitoring (UNDP OAI 2026). These reforms provide a stronger foundation for implementation. However, as UNCDF decentralises investment functions to regional hubs and expands financial instruments, further clarification of regional–country engagement arrangements, selectivity criteria and pipeline responsibilities will be important to ensure consistent accountability for results.

**UNCDF’s strategic plan is well aligned with global commitments, but tracking and reporting against those commitments remain stronger at the level of alignment than demonstrated contribution.** The Strategic Framework 2022–2025 is explicitly aligned with the 2030 Agenda, the Doha Programme of Action for LDCs, the Addis Ababa Action Agenda, Quadrennial Comprehensive Policy Review (QCPR) expectations and relevant UN-wide commitments on gender equality and environmental sustainability (UNCDF 2021a). The IRRM includes SDG-linked impact indicators, QCPR-related measures of UN system co-operation, gender indicators linked to UN-SWAP, and indicators on environmental and social standards (UNCDF 2024f). UNCDF also publishes annual aggregated results through Executive Board reporting and UN-SWAP submissions. However, reporting remains limited by weak articulation of the pathways through which UNCDF outputs contribute to global-level outcomes, additionality and system-level change. The planned IMVL system and revised IRRM for 2026–2029 are intended to address these limitations, but their effectiveness remains to be demonstrated.

**UNCDF’s financial framework is transparent but has only recently developed a fully integrated basis for strategic resource allocation.** UNCDF submits annual financial situation reports to the Executive Board, providing visibility on contributions, core and non-core resources, expenditure levels, liquidity, capital investments and donor concentration (UNCDF 2021b, 2022d, 2023d, and 2024d). This supports regular governing body oversight. However, during the review period UNCDF did not operate through a single integrated budgetary framework linking resources to strategic priorities, results or organisational capabilities (UNCDF 2026b). Financial reporting did not disaggregate resources or expenditures by Strategic Framework priority area or thematic cluster, limiting transparency on whether priority areas were adequately funded. This issue was also identified by the Mid-Term Evaluation and OAI audit, which highlighted fragmented and unpredictable funding and gaps in integrated planning (UNDP OAI 2023, UNCDF 2024j). An integrated budget framework has been recently developed to support implementation of the 2026–29 Strategic Framework.



**High earmarking remains the main constraint on UNCDF’s ability to finance its mandate strategically.**

From 2020 to 2024, earmarked and other resources accounted for 86–95% of annual contributions, while regular core resources ranged from 5–14% (UNCDF 2021b, 2022d, 2023d, and 2024d). This funding profile limited UNCDF’s flexibility to allocate resources across strategic priorities and reinforced a project-driven funding model. UNCDF used some mechanisms, including the Last Mile Finance Trust Fund, to pool resources around broad thematic priorities, although this did not substantially increase the share of flexible funding available for organisation-wide priorities. The 2026–2029 Resource Mobilisation Strategy introduces a stronger focus on increasing core funding, expanding multi-year contributions and developing pooled financing arrangements, but these measures were not yet operational during the assessment period (UNCDF 2026c). In addition, available data indicate that UNCDF exceeded the 15% pooled funding benchmark in 2023 and 2024, reflecting continued use of UN pooled and joint funding modalities.

**Overall, UNCDF has made important progress in aligning its strategic and organisational architecture with its mandate, while financial flexibility remains a central weakness.**

The score reflects strong performance on strategic vision, comparative advantage, regular review and organisational restructuring, balanced against weaker performance on integrated budgeting, flexible financing, and operational tracking of resources against strategic priorities. The organisation has acted on evaluation and audit findings, and its new strategic cycle provides a more coherent platform for catalytic finance. UNCDF will need to demonstrate that this improved architecture translates into disciplined resource allocation, sustained pipeline development, and clearer evidence of results across its three core capabilities.

**KPI 2: Structures and mechanisms support the implementation of global frameworks for cross-cutting issues at all levels, in line with the 2030 Sustainable Development Agenda principles**

|                |      |
|----------------|------|
| Unsatisfactory | 2.43 |
|----------------|------|

*This assessment examined UNCDF’s support for five strategic and cross-cutting issues reflected in the Strategic Framework 2022–2025: (i) women’s economic empowerment (WEE); (ii) climate, clean energy and biodiversity finance; (iii) inclusive digital economies (IDE); (iv) local transformative finance (LTF); and (v) sustainable food systems (SFS).*

*For each issue, MOPAN assessed the extent to which these themes are: (i) reflected in institutional strategies and policy frameworks; (ii) integrated into results and accountability systems; (iii) embedded in operational design and appraisal processes; and (iv) supported through human resources, institutional capacity and staff development.*

**UNCDF has established a comparatively strong strategic architecture for integrating cross-cutting priorities into its corporate frameworks.**

Under the Strategic Framework 2022–2025, all five themes were identified as institutional priority areas and reflected in the IRRM through thematic classifications, targets and annual reporting (UNCDF 2024f). Across the assessment period, UNCDF also developed thematic strategies and practice frameworks in several areas, most notably for inclusive digital economies and gender equality. This provides a relatively coherent institutional basis for aligning programming with broader sustainable development objectives.

**At the same time, the assessment found that institutionalisation across thematic areas remains uneven.**

UNCDF’s strongest performance was observed in areas where clearer thematic strategies, larger operational portfolios and more established practice areas existed – particularly IDE and LTF. These themes were supported by dedicated practice structures, significant staffing allocations prior to the 2024–2025 reorganisation, and comparatively more developed IRRM classifications and reporting arrangements relative to other thematic areas (UNCDF 2024f). For IDE specifically, UNCDF had a dedicated IDE Strategy, a substantial digital portfolio, IRRM indicators and targets, public reporting of IDE-related results, and a dedicated practice structure during the review period. The transition from IDE to Digital Finance under the 2026–29 Strategic Framework further institutionalises



this area as one of UNCDF's three core capabilities. For LTF specifically, UNCDF had a practice framework, a theory of change for local government finance and local economic development, IRRM indicators and targets, application through country operations, and the largest thematic staffing grouping prior to the 2024–2025 reorganisation. The transition from LTF to Subnational Finance under the 2026–2029 Strategic Framework further positions these functions within one of UNCDF's three core capabilities.

**By contrast, other thematic areas rely more heavily on broad strategic references and IRRM tagging mechanisms rather than dedicated institutional approaches.** Climate, biodiversity and sustainable food systems finance are reflected in strategic and results frameworks, but evidence of dedicated operational systems, thematic screening tools, organisation-wide accountability mechanisms, or sustained staff capacity development remains more limited. Women's economic empowerment occupies an intermediate position, with a dedicated Gender Equality Strategy and integration into IRRM reporting, supported by WEE-related IRRM indicators and classifications, sex-disaggregated reporting, gender-marker indicators, UN-SWAP institutional effectiveness indicators and the Gender Mainstreaming Checklist. Evidence remains more limited on the consistent assessment of empowerment outcomes across the portfolio (UNCDF 2022e and 2024f).

**UNCDF's accountability architecture for cross-cutting priorities relies primarily on the IRRM.** Across all five thematic areas, the IRRM includes classifications and indicators linked to investments, products and services, policies and regulations, financing mechanisms and capacity development activities. These classifications provide a mechanism for annual monitoring and reporting against 2025 targets. However, the assessment found that IRRM classifications often function primarily as thematic tagging mechanisms rather than as stand-alone results frameworks with clearly articulated causal pathways and outcome measurement approaches. Board-level reporting and evaluations also do not consistently analyse performance against thematic targets as distinct accountability streams (UNCDF 2024a).

**UNCDF has incorporated cross-cutting considerations into aspects of its design and appraisal architecture through strategic alignment requirements, safeguards processes and investment review templates though formalised thematic screening systems remain underdeveloped.** The Pre-Assessment Memo (PAM) and Transaction Assessment Memo (TAM) require alignment with UNCDF strategic priorities, but most themes are not supported by mandatory screening criteria, standardised analytical questions, or scoring systems systematically applied across all interventions. Existing safeguards and due diligence systems are primarily designed for risk management and compliance rather than identification and assessment of thematic opportunities or transformational outcomes.



**The assessment also identified broader institutional capacity constraints affecting implementation across thematic areas.** During much of the review period, dedicated thematic staffing and technical capacity remained uneven and concentrated in selected practice areas. While IDE and LTF maintained comparatively large staffing structures prior to the organisational restructuring, other thematic areas relied more heavily on focal points, mainstreaming arrangements or external technical partnerships. Evidence of organisation-wide staff capacity development was generally limited across all thematic areas. Apart from mandatory gender-related onboarding requirements and selected portfolio-specific initiatives, the documentation reviewed did not demonstrate systematic institutional training programmes dedicated to the assessed cross-cutting themes.

**UNCDF's evolving operating model under the draft Strategic Framework 2026–2029 represents a significant institutional transition that may alter how cross-cutting priorities are operationalised moving forward.** The organisation is shifting from a thematic structure toward a capability-based model centred on MSME Finance, Subnational Finance and Digital Finance. Under this approach, gender equality is positioned as a cross-cutting priority embedded across financing and advisory operations. At the same time, UNCDF is introducing a revised results architecture combining the IRRM with a new IMVL system intended to strengthen monitoring, indicator guidance and verification processes.

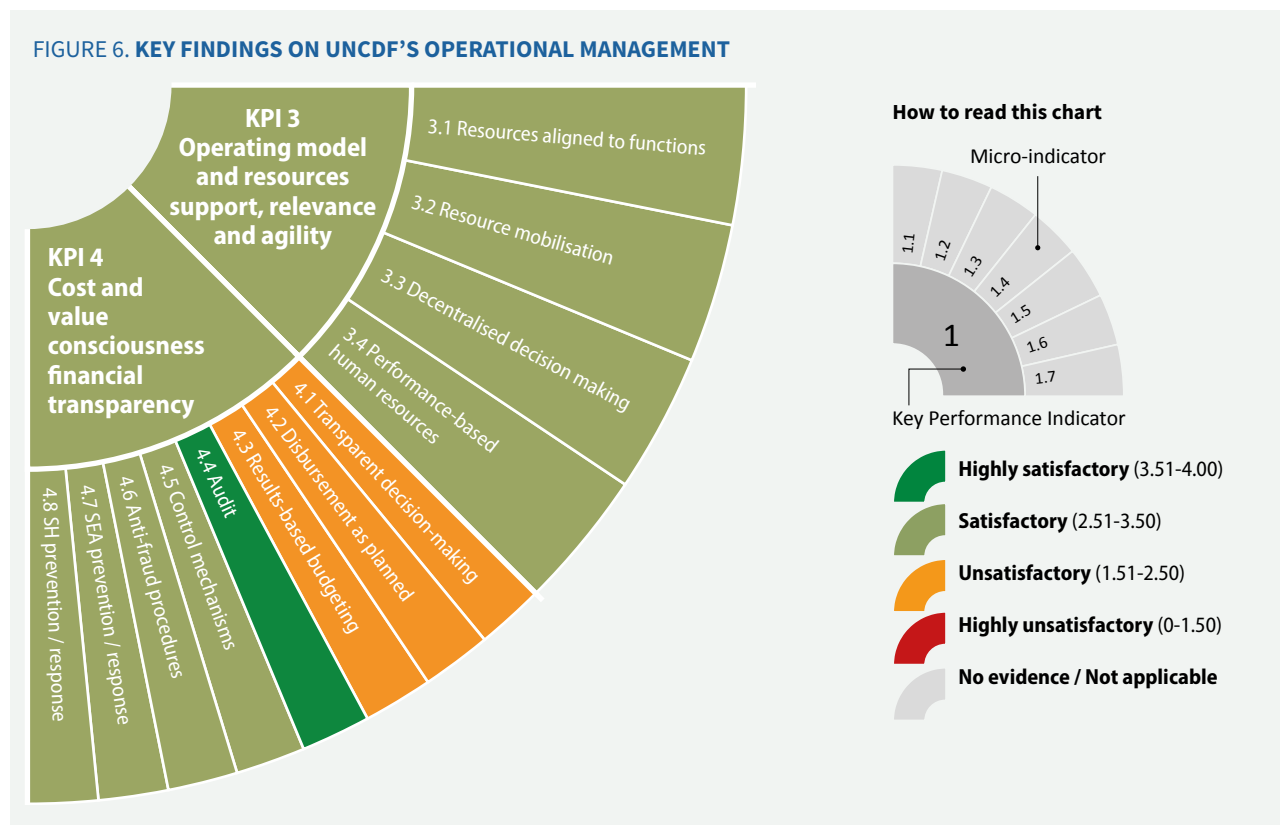
**While these reforms may strengthen integration and reduce fragmentation across thematic areas, they could not be assessed as they were still under rollout during the assessment period.** The IMVL system and the capability-based structure may improve thematic accountability, strengthen evidence on outcomes and impacts, or address the capacity and implementation constraints identified across several cross-cutting areas. However, it is too early to assess the implementation of the revised operating model.

**Overall, UNCDF demonstrates a clear institutional commitment to integrating cross-cutting priorities within its strategic and results frameworks, supported by comparatively strong practice development in selected areas such as IDE and LTF.** However, implementation remains uneven across thematic areas, with important gaps in systematic screening approaches, dedicated institutional capacity, thematic accountability mechanisms and organisation-wide staff development. These constraints limit the extent to which cross-cutting priorities are consistently operationalised and assessed across the portfolio.

## OPERATIONAL MANAGEMENT

Assets and capacities organised behind strategic direction and intended results, to ensure relevance, agility and accountability.

FIGURE 6. KEY FINDINGS ON UNCDF'S OPERATIONAL MANAGEMENT



### KPI 3: Operating model and human and financial resources support relevance and agility

|              |      |
|--------------|------|
| Satisfactory | 2.86 |
|--------------|------|

KPI 3 assesses whether UNCDF's operating model, resource mobilisation approach, delegation framework and human resource systems support relevance, agility and delivery of its strategic priorities. The assessment considers whether UNCDF's organisational and staffing structures are aligned to its strategic direction, whether resource mobilisation efforts support the mandate, whether decision-making arrangements balance responsiveness with fiduciary oversight, and whether Human Resources (HR) systems support performance, inclusion and staff engagement.

#### UNCDF has substantially reorganised its operating model to better align with its catalytic finance mandate.

Between 2024 and 2025, UNCDF moved from a thematic, practice-based structure to a front-middle-back office architecture intended to support investment origination, risk management, portfolio oversight and operational assurance. This restructuring responded directly to weaknesses identified in the 2023 OAI audit and the Mid-Term Evaluation, including siloed practices, unclear accountabilities, and gaps in finance, risk and oversight capacity (UNDP OAI 2023, UNCDF 2024j). The revised model is directionally aligned with both the Strategic Framework 2022–2025 and the Strategic Framework 2026–2029, which places greater emphasis on MSME finance, subnational finance and digital finance (UNCDF 2021a and UNCDF 2026a).

**UNCDF's staffing model is being reshaped around specialist finance, risk and regional delivery functions, but the impact of these changes on institutional capacity is still emerging.** The restructuring consolidated investment origination in the Front Office, financial oversight and risk functions in the Middle Office, and operational assurance and programme support in the Back Office. It also shifted selected functions toward regional hubs in Dakar, Nairobi and Bangkok to strengthen proximity to programme countries and support pipeline development. These changes are consistent with UNCDF's move toward a capability-based operating model and its need for specialist competencies in blended finance, structuring, credit risk and municipal finance. However, these changes are recent, and there is limited evidence that the new structure has yet produced the competency profile required for the 2026–2029 strategy.

**Administrative expenditure has been redirected toward priority control and oversight functions, but financing institutional capacity remains a structural challenge.** UNCDF prioritised recruitment and staffing for functions such as risk, programme support and oversight following audit findings on insufficient staffing in key administrative and control areas (UNDP OAI 2023 and UNDP OAI 2025). These actions strengthened alignment between administrative capacity and the organisation's evolving operating model. However, UNCDF's heavy dependence on earmarked resources and limited core funding continue to raise questions about the sustainability of financing essential institutional functions, particularly as the organisation expands investment products requiring longer preparation, supervision and risk management horizons. As UNCDF seeks to grow its investment portfolio, it will need to mobilise resources not only for the capital deployed through loans, guarantees and blended finance operations, but also for the costs of pipeline development, due diligence, portfolio supervision and risk management over the life cycle of these instruments.

**UNCDF's resource mobilisation strategy is aligned with its mandate but has not yet materially changed the funding structure.** The Resource Mobilisation Strategy and Action Plan 2024–2025 identifies the need to increase core funding, revitalise trust fund arrangements, consolidate fragmented earmarked funding and diversify partnerships with public, private and philanthropic actors (UNCDF 2024h). The strategy recognises that fragmented and unpredictable resources constrain delivery, and it seeks more predictable multi-year funding. However, core resources remained below target during the review period, while earmarked funding continued to dominate UNCDF's resource base. Diversification has therefore occurred mainly within earmarked funding rather than through a stronger and more flexible core funding base.

**UNCDF's revised resource mobilisation approach gives greater attention to future financing needs but remains early in implementation.** The Integrated Resource Plan and Integrated Budget Estimates 2026–2029 (UNCDF 2026b) project a broader financing model, including programme expenditure and loans and guarantees funded through other resources, while the Resource Mobilisation Strategy 2026–2029 places greater emphasis on diversified contributors, multi-year funding and engagement with MDBs, DFIs, foundations and private sector partners (UNCDF 2024h and 2026b). These reforms are well aligned with UNCDF's planned expansion of the investment portfolio, but their effectiveness will depend on whether sufficient resources are mobilised. Resource mobilisation will need to cover both the capital required to expand the investment portfolio and the up-front and continuing costs of pipeline development, due diligence, portfolio supervision and risk management before significant fee income manifests.

**UNCDF has clarified delegation and decision-making arrangements for investment operations, while programming authority remains largely centralised.** UNCDF applies the UNDP accountability framework and has supplemented it with UNCDF-specific guidance for grants, loans and guarantees through the Supplementary Guidelines to UNDP POPP and the SOPs for the Investment Process (UNCDF 2025f and 2025g). These instruments define approval gates, review roles and escalation pathways across the investment cycle. Regional hubs now play a stronger role in origination and pipeline development, but authority over resource allocation and approval of financial commitments remains at headquarters. This provides fiduciary control but limits the degree of decentralised decision-making autonomy.

**UNCDF's engagement with the UN system is shaped by its administrative hosting relationship with UNDP rather than by a standalone country presence.** UNCDF does not participate in Resident Coordinator nominations or separately contribute to RC system cost-sharing arrangements. Its country-level representation is channelled through UNDP Resident Representatives, and UNCDF relies on UNDP's administrative, operational and representational infrastructure. This arrangement supports mutual recognition and avoids parallel administrative systems, but it also makes the regional-country interface critical for pipeline development and country-level engagement. The joint UNDP-UNCDF offer on country-led financing arrangements points to a more structured model for future collaboration across policy diagnostics, pipeline development, investment structuring, and impact reporting (UNDP and UNCDF 2025). More recently, UNCDF expanded outreach and engagement efforts with UNDP country offices, Resident Coordinators, and United Nations country teams to strengthen understanding of its catalytic finance role and investment capabilities and support earlier identification of pipeline opportunities. These efforts are likely to become increasingly important to delivering the ambitions of the Strategic Framework 2026–2029, which places greater emphasis on investment origination, pipeline development, and integrated financing approaches across the United Nations development system.

**UNCDF applies UNDP performance management and HR systems, with systematic implementation of annual performance reviews.** UNCDF personnel are covered by UNDP's Performance Management and Development system, which requires annual performance planning, mid-term review and annual assessment across staff categories. Completion rates reported by UNCDF were above 90% in 2023, 2024 and 2025. The system also provides established recourse mechanisms for performance-related disagreements and links performance management to broader UNDP HR policies.

**The performance management system is operational, but evidence of its strategic use remains limited.** Available documentation does not clearly show how UNCDF-specific strategic objectives, partnership performance or collaboration with external entities are reflected in individual performance assessments. It is also unclear how performance ratings have informed promotion, incentives, sanctions or mobility decisions within UNCDF. It is, hence, difficult to assess the extent to which performance management was used as a strategic tool for driving organisational improvement, during a period of significant restructuring and capability development.



**UNCDF has strengthened mechanisms to assess workplace culture and inclusion, while staff survey results point to areas requiring continued management attention.**

UNCDF participates in UNDP-wide Diversity, Equity, Inclusion (DEI) frameworks and conducted engagement and inclusion surveys in 2024 and 2025 (UNCDF 2024b, UNCDF 2024e, and UNCDF 2025c). Survey results point to positive perceptions in areas such as camaraderie, respectful team interactions and comfort in speaking up, but also identify weaker scores on empowerment, action-taking and willingness to challenge the status quo. The 2025 Inclusion Survey also identified concerns around reporting misconduct, including fear of negative consequences. These results provide a useful feedback mechanism, but sustained follow-up will be important to ensure staff engagement and inclusion issues are addressed transparently.

**Overall, UNCDF’s operating model is moving in the right direction.** The score reflects meaningful progress in restructuring the organisation, strengthening functional roles, clarifying investment decision-making and applying UNDP HR systems. It also reflects important limitations: core funding remains weak, resource mobilisation has not yet delivered a more flexible financing base, regional and country-level operating arrangements continue to evolve, and evidence is limited on whether staff performance and competencies are being managed strategically against UNCDF’s future operating model.

**KPI 4: Organisational systems are cost- and value-conscious and enable transparency and accountability**

|              |      |
|--------------|------|
| Satisfactory | 2.83 |
|--------------|------|

*This KPI assesses the extent to which UNCDF’s organisational systems, governance arrangements, and accountability mechanisms support transparent, controlled, and responsible management of resources. It examines: (i) the clarity and adaptability of resource allocation and disbursement systems; (ii) the extent to which budgeting and financial management are linked to results; (iii) the effectiveness of audit, integrity, and misconduct oversight mechanisms; and (iv) the organisation’s systems to prevent and respond to sexual exploitation and abuse (SEA) and sexual harassment (SH).*

**UNCDF’s organisational systems for cost-consciousness, transparency and accountability are rated as satisfactory.** During the review period, the organisation significantly strengthened its governance, investment control, and accountability framework, particularly following the 2023 OAI audit which identified weaknesses in investment governance, risk management, and oversight. In response, UNCDF introduced a substantial package of reforms, including a formal Investment Strategy, revised Supplementary Guidelines to the UNDP POPP, strengthened investment Standard Operating Procedures (SOPs), enhanced risk management arrangements, and updated governance structures for loans, guarantees, and grants. Follow-up audit work in 2025 confirmed implementation of all recommendations from the 2023 audit.

**UNCDF has established increasingly structured systems governing investment appraisal, transaction approval, disbursement controls, audit follow-up, fraud prevention, and misconduct reporting.** For non-sovereign operations in particular, the organisation now applies more formalised procedures for transaction review, financial viability assessment, risk screening, and investment approval. UNCDF also benefits from integration within UNDP’s broader ethics, oversight, investigation, anti-fraud, and PSEAH frameworks, which provide established institutional systems for misconduct investigations, whistleblower protection, reporting channels, ethics training, and victim support.

**At the same time, important gaps remain in the institutionalisation of portfolio-level resource allocation, results-based budgeting, and performance transparency.** While UNCDF ensures broad alignment between operations and its Strategic Framework, the organisation does not operate with a formal allocation framework that systematically prioritises resources across countries, sectors, or partner types based on comparative criteria,

thresholds, or portfolio-level targeting methodologies. This applies across both UNCDF's traditional grant and technical assistance portfolio and its expanding non-sovereign and investment operations. Resource allocation continues to be shaped heavily by earmarked donor funding and programme-specific financing arrangements, limiting corporate discretion in portfolio-level prioritisation.

**Similarly, UNCDF's budgeting and financial reporting systems do not yet provide a comprehensive results-based budgeting framework linking expenditures to strategic objectives, outputs, or outcomes.** Financial reporting and results reporting largely operate in parallel rather than through integrated cost-to-result tracking systems. While the Integrated Resources Plan and Integrated Budget 2026–2029 represents an important step toward a more consolidated and integrated budgeting framework, it was not operational during most of the review period and does not yet fully cost individual strategic objectives or specify the level of resources required to deliver particular intended results under the Strategic Framework (UNCDF 2026b).

**The assessment also identified implementation and transparency challenges related to disbursement performance, integrity oversight, and safeguarding systems.** While UNCDF has strengthened disbursement procedures and investment controls, delivery performance declined during the review period, due in part to the temporary slowdown and tightening of investment approvals and disbursements following the 2023 audit. Internal monitoring processes identify and review delivery and disbursement variances through delivery presentations, management reviews, portfolio disbursement tracking, transaction-level workflow systems and processing-time benchmarks. The main delivery variance during the review period is linked to the post-audit control-strengthening process, which resulted in revised Supplementary Guidelines, investment SOPs, disbursement and deployment checklists, and strengthened workflow tracking. However, corporate reporting does not yet systematically analyse variances in disbursement performance, distinguish between internal and external drivers of delays, or demonstrate structured institutional learning from recurring implementation bottlenecks.

**UNCDF's integrity and misconduct systems are generally robust and aligned with UNDP institutional standards.**

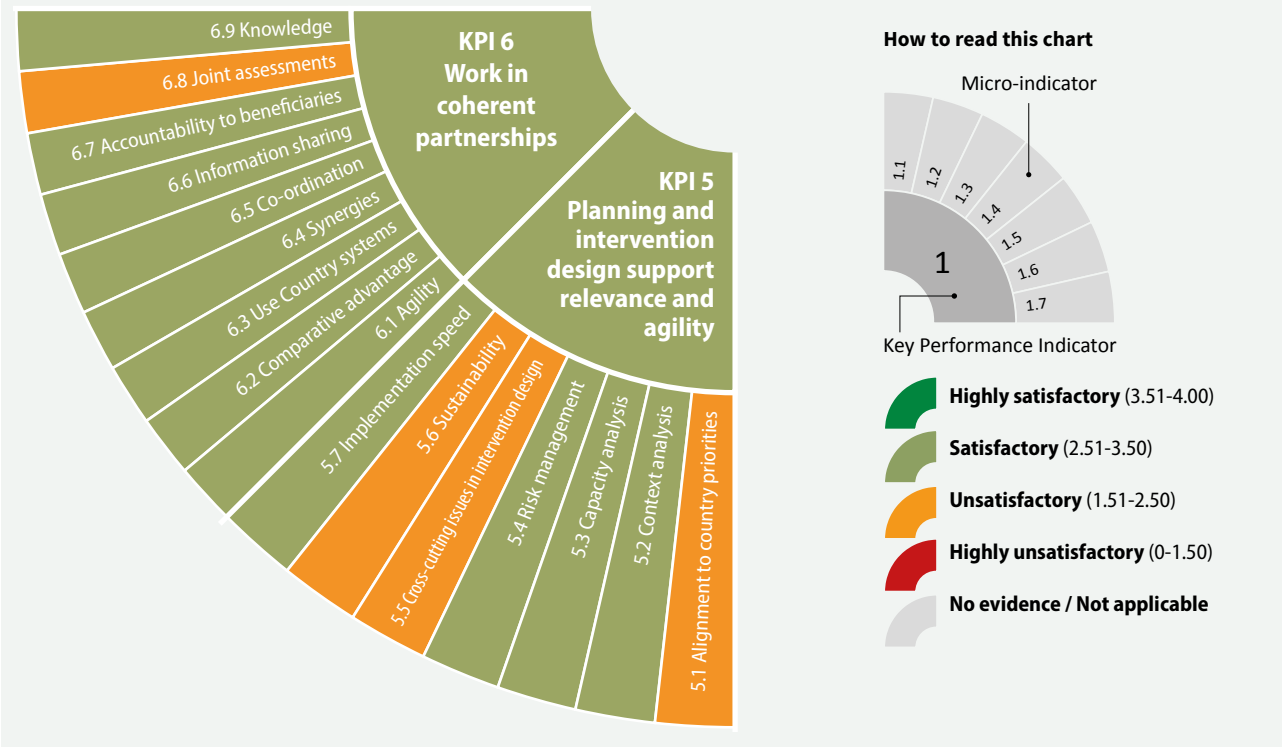
Policies, reporting mechanisms, investigation procedures, and training requirements are clearly established through UNDP's accountability framework, and misconduct allegations involving UNCDF are formally tracked through OAI systems. For fraud, corruption and financial irregularities specifically, UNCDF has clear publicly available policies, defined management and staff responsibilities, mandatory ethics and fraud-awareness training, confidential and independently operated reporting channels, whistleblower protections, annual public disclosure through audited financial statements, and coverage through OAI audit and investigation reporting. However, public reporting remains largely consolidated at UNDP level, limiting visibility into UNCDF-specific trends, timeliness of case resolution, and follow-up actions. Similar issues are evident in SEA and SH systems, where UNCDF benefits from strong alignment with UNDP's PSEAH architecture, mandatory training, reporting channels, and victim support systems, but relies heavily on UNDP structures rather than maintaining fully dedicated institutional capacity of its own. While important progress has been made in strengthening PSEAH integration into investment due diligence and operational guidance, evidence of systematic interagency leadership, institutional trend analysis, and transparent monitoring of case timeliness and outcomes remains limited.

**Overall, UNCDF has made significant progress in strengthening governance, risk management, investment controls, and institutional accountability systems during the review period, particularly in response to identified audit weaknesses.** Fraud prevention, detection, reporting and disclosure arrangements are among the stronger parts of this accountability architecture, reflecting UNCDF's integration within UNDP's anti-fraud and OAI systems, mandatory training requirements, public reporting channels and annual audited financial statement disclosures. However, the organisation continues to face important limitations in portfolio-level prioritisation, results-based budgeting, integrated cost-to-result tracking, institutional transparency, and the systematic use of performance and oversight information to drive organisational learning and resource allocation decisions.

## RELATIONSHIP MANAGEMENT

*Engaging in inclusive partnerships to support relevance, leverage effective solutions and maximise results.*

FIGURE 7. KEY FINDINGS ON UNCDF'S RELATIONSHIP MANAGEMENT



### KPI 5: Operational planning and intervention design tools support relevance and agility in partnerships

|              |      |
|--------------|------|
| Satisfactory | 2.60 |
|--------------|------|

*This KPI assesses how UNCDF designs and manages interventions with partners to ensure that operations: (i) respond to beneficiary needs, country priorities and market constraints; (ii) are grounded in contextual and capacity analysis; (iii) identify and manage operational, strategic, political, reputational and safeguarding risks; (iv) address sustainability and enabling environment constraints; and (v) are supported by procedures that enable timely and adaptive implementation.*

**The assessment finds that UNCDF's operational planning and intervention design tools support relevance and agility in partnerships satisfactorily.** Intervention design is grounded in analysis of beneficiary needs, market failures and operating context, and the organisation has strengthened design and approval tools for investment operations. Project documents consistently identify intended beneficiaries, partner roles, market constraints and implementation arrangements. For non-sovereign operations, capacity and risk assessments are more structured, with due diligence tools used to assess investee governance, operational systems, financial management, implementation capacity and risk controls. UNCDF has also introduced clearer procedures for investment approval, disbursement, risk mitigation and monitoring through its Supplementary Guidelines to UNDP POPP and Investment Process SOP (UNCDF 2025f and 2025g).

**UNCDF's relevance is supported by its country-level engagement through regional teams, UNDP country offices and partner consultations.** UNCDF does not maintain country or regional strategies, so alignment cannot

be assessed through a country strategy framework. Instead, alignment is demonstrated mainly through project-level design, UN Sustainable Development Cooperation Framework engagement, consultation with national counterparts and donors, and use of regional teams to shape project origination and adaptation. This model allows UNCDF to tailor interventions to beneficiary needs and market opportunities, but the depth of documented alignment varies across interventions and depends heavily on accumulated staff knowledge, partner relationships and regional engagement.

**Contextual analysis is present across intervention designs, but it is not always systematised as a reusable institutional asset.** Reviewed project documents consistently situate interventions within economic, institutional, market or sectoral contexts, including constraints affecting access to finance, climate resilience, digital inclusion, employment, service delivery or investment pipelines. In many cases, the analysis draws on prior programme engagement, staff experience, market diagnostics and partner consultation. However, contextual knowledge is not always organised institutionally or documented through structured diagnostics for each intervention. This limits transparency on how contextual analysis informs design choices and reduces the potential for learning across countries, sectors and instruments.

**UNCDF has mechanisms for adaptation, but these rely more on operational practice than on consistently documented reflection with partners.** Project governance structures, steering committees, reporting mechanisms and partner dialogue create opportunities to discuss changes in context and adapt interventions. UNCDF has also used project amendments and revised documents to adjust scope, budgets, timelines and implementation arrangements in response to shocks or changing conditions. Loan operations now have explicit procedures for rescheduling, suspending disbursements and restructuring agreements under the Supplementary Guidelines. However, significant contextual changes and partner reflection are not systematically documented across projects, and teams report that formal modification processes can be administratively demanding. As a result, adaptation often occurs through informal engagement, pragmatic management and design-stage flexibility rather than through a consistently recorded adaptive management system.

**Capacity analysis informs project design, particularly for non-sovereign operations, but documentation is uneven for public-sector and programme-level partners.** UNCDF applies UNDP partner selection requirements, including the Partner Capacity Assessment Tool, when engaging implementing partners and responsible parties. Reviewed project documents identify key partners and implementation roles, and many include capacity-building, technical assistance or institutional strengthening measures. However, partner capacity assessments are not consistently visible in project documentation, and capacity constraints are often reflected indirectly through risk logs, work plans or mitigation measures rather than through a consolidated capacity analysis. By contrast, non-sovereign operations show clearer and more structured assessment of investee capacity through transaction documentation, risk assessment tools and due diligence processes, with identified weaknesses commonly addressed through advisory services, technical assistance, enhanced oversight or risk mitigation measures.

**Risk analysis has strengthened substantially, especially following the 2023 audit and subsequent investment governance reforms.** Project designs include risk registers and mitigation measures covering operational, political, fiduciary, contextual and implementation risks. UNCDF's updated Enterprise Risk Management framework, Risk Appetite Statement and Investment Process SOP provide a stronger basis for identifying, monitoring and escalating risks across the investment cycle (UNCDF 2024c and 2024i). Political risks are generally identified where relevant, particularly in fragile or conflict-affected environments. Strategic and reputational risks are addressed more indirectly through theories of change, assumptions, partner due diligence, fiduciary safeguards and Environmental, Social, Governance (ESG) screening rather than always appearing as distinct project-level risk categories. SEA and broader misconduct risks are addressed through UNDP Social and Environmental Standards and risk-based screening processes, with additional scrutiny where elevated risks are identified.

**Cross-cutting issues are incorporated into design and monitoring processes, but integration remains uneven across themes.** Project documents, Project Quality Assurance assessments, PAMs and TAMs require teams to demonstrate alignment with the Strategic Framework and relevant cross-cutting priorities. Women's economic empowerment, climate and environmental considerations, and inclusive digital economies are most consistently reflected in design documentation. Sustainable food systems and other less established areas are less consistently visible. Monitoring and evaluation plans include cross-cutting issues primarily through indicator disaggregation, thematic classifications and narrative reporting. This provides a basis for monitoring cross-cutting issues at intervention and corporate reporting levels. However, these issues are not always embedded in theories of change or evaluation frameworks in ways that allow their contribution to outcome-level change to be assessed systematically.

**Sustainability is addressed in intervention designs, but assumptions are not consistently monitored as testable risks.** UNCDF frames sustainability in line with its catalytic mandate: institutional uptake, market replication, continued partner implementation, crowding-in of finance and the durability of enabling systems. Project documents often identify institutional, policy, financial, technical and market-related conditions needed to sustain results. For investment operations, PAM and TAM templates also address sustainability through financial viability, market additionality, governance capacity, risk mitigation, ESG compliance and exist strategy. Upstream advisory services and policy engagement are frequently used where legal or regulatory changes are needed to sustain future investments. However, sustainability analysis is usually narrative and varies across projects and instruments. Critical assumptions are often included in theories of change and risk registers but are not consistently translated into M&E plans through indicators, milestones or validation mechanisms that track key sustainability assumptions during implementation. The principal limitation is therefore the inconsistent monitoring of sustainability assumptions during implementation, compounded by the absence of an institution-wide assessment demonstrating whether existing design approaches are effective in supporting sustainable results across the portfolio.



**Operational procedures have become clearer, but partner experience of agility remains mixed.** UNCDF has established formal procedures for approving investments and managing disbursements in line with legal agreements through its Investment Process SOP and Supplementary Guidelines. These reforms responded to audit findings on gaps in policies and procedures, especially for grants and private sector engagement (UNDP OAI 2023 and UNDP OAI 2026). Delivery and processing timelines are monitored through dashboards, stocktakes and management reviews. However, open-ended survey feedback and interviews indicate that procedures can be experienced as administratively burdensome or slow, especially during the reform period when some disbursements to private sector partners were paused while new controls were developed. UNCDF’s ability to balance stronger fiduciary controls with operational agility will remain important as the investment portfolio grows.

**Overall, UNCDF’s intervention design systems support relevance and agility, but do not yet operate with consistent depth across all areas.** The organisation performs well in contextualising interventions, identifying beneficiary and market needs, structuring non-sovereign capacity assessments, and strengthening investment risk and approval processes. Weaknesses remain in the absence of country or regional strategies, uneven documentation of partner capacity and contextual analysis, limited systematic reflection with partners during implementation, uneven depth of cross-cutting issues analysis across themes, and inconsistent monitoring of sustainability assumptions. The reforms introduced in 2024–2025 provide a stronger procedural foundation, but their full effect on implementation quality and partner experience remains to be demonstrated.

#### KPI 6: Working in coherent partnerships directed at leveraging and catalysing the use of resources

|              |      |
|--------------|------|
| Satisfactory | 2.78 |
|--------------|------|

*This KPI assesses how effectively UNCDF works through partnerships to support country-led development, mobilise and catalyse finance, co-ordinate with development partners, promote accountability to beneficiaries, and deploy knowledge and dialogue to advance development outcomes. It examines the extent to which UNCDF: (i) enables joint planning and adaptive partnership approaches; (ii) articulates and operationalises its comparative advantage within the development finance architecture; (iii) supports country-led collaboration and South–South co-operation; (iv) engages the private sector and financial institutions to mobilise resources and expand access to finance; (v) co-ordinates operational practices and reporting with partners; (vi) promotes transparency and accountability to beneficiaries; and (vii) generates and deploys knowledge products to support policy dialogue and advocacy.*

**UNCDF is rated satisfactory overall under this KPI.** The assessment finds strong evidence that UNCDF has articulated a clear collaborative and catalytic financing role within the broader UN system and development finance landscape. Partnerships are central to UNCDF’s operating model, particularly through its relationship with UNDP and its engagement with governments, donors, financial institutions and private sector actors. UNCDF has established formal procedures, governance arrangements and programming tools that support joint planning, partnership-based delivery and adaptive implementation. The organisation also demonstrates a growing institutional focus on leveraging concessional finance, guarantees and blended finance approaches to crowd in additional capital in underserved and higher-risk markets. However, while UNCDF’s model depends on collaboration with larger financing partners to scale and crowd in capital, systematic collaboration with MDBs and DFIs remains less developed than its collaboration within the UN system and with programme-level partners.

**UNCDF’s comparative advantage is increasingly framed around its catalytic financing role and ability to operate in last-mile and higher-risk contexts.** Corporate documentation consistently positions UNCDF as a financing platform that complements the policy, convening and operational strengths of UNDP, governments and other development partners. Organisational reforms, including the transition toward a front-, middle- and back-office structure and strengthened investment and risk functions, have aligned institutional capacities with this

financing-led partnership model. However, evidence reviewed during the assessment suggests that collaboration with MDBs and DFIs remains more emergent. This limits the extent to which UNCDF can demonstrate a fully operational partnership model for scaling investments beyond its own balance sheet and donor-funded facilities. The evidence therefore points to UNCDF's more extensive engagement within the UN system and its growing role as a unique financing platform for the UN system, alongside a continuing need to establish partnerships with MDBs and DFIs to support the scaling of successful investments.

**UNCDF demonstrates strong alignment with principles of country-led development and partnership-based delivery.** Strategic and operational documentation emphasises alignment with national priorities, the Sustainable Development Goals and UN Sustainable Development Cooperation Frameworks. UNCDF also participates actively in UN Country Team co-ordination arrangements and joint programmes with UN entities and other partners. South–South co-operation is increasingly reflected in programming and results reporting, particularly through multi-country initiatives and the transfer of financing and policy models across least developed countries. However, UNCDF does not yet have dedicated corporate guidance explaining how South–South and triangular co-operation should be systematically designed or operationalised across the portfolio.

**UNCDF has strengthened its strategic and policy framework for engaging the private sector and mobilising finance, though operationalisation remains at an early stage.** The Strategic Framework, Investment Strategy, and Loan and Guarantee Policy collectively articulate UNCDF's role in deploying concessional finance and risk-sharing instruments to mobilise public and private capital in underserved markets. UNCDF deploys a mix of financial and non-financial interventions – including guarantees, blended finance structures, technical assistance and policy advisory support – to support market development and expand access to finance (UNCDF 2025d). At the same time, several core investment and operational frameworks are recent, and it is too early to fully assess how consistently these approaches are being applied across the portfolio. In addition, while UNCDF emphasises innovation in financing structures, evidence of a systematic institutional process for developing and scaling new financing instruments remains limited.

**UNCDF participates actively in joint co-ordination, monitoring and reporting arrangements, particularly through UN joint programmes and donor-funded partnerships.** Institutional arrangements with UNDP and UNSDG guidance frameworks provide a structured basis for collaboration, joint governance and shared accountability. As part of its programme and partnership arrangements, UNCDF participates in joint performance reviews, evaluations, donor review meetings, steering committees and multi-stakeholder dialogues in specific programme and partnership contexts. These provide channels for mutual assessment of progress and partner feedback. However, evidence of systematic processes for jointly identifying operational inefficiencies, information gaps or shared corrective actions with development partners remains limited. Evaluations and programme governance arrangements may provide channels for client, partner and beneficiary feedback, but this feedback is not systematically consolidated or aggregated at the corporate level. Similarly, while UNCDF demonstrates strong disclosure practices through International Aid Transparency Initiative reporting and public information platforms, evidence on corporate-level procedures for responding to public information requests and tracking responsiveness is less developed.

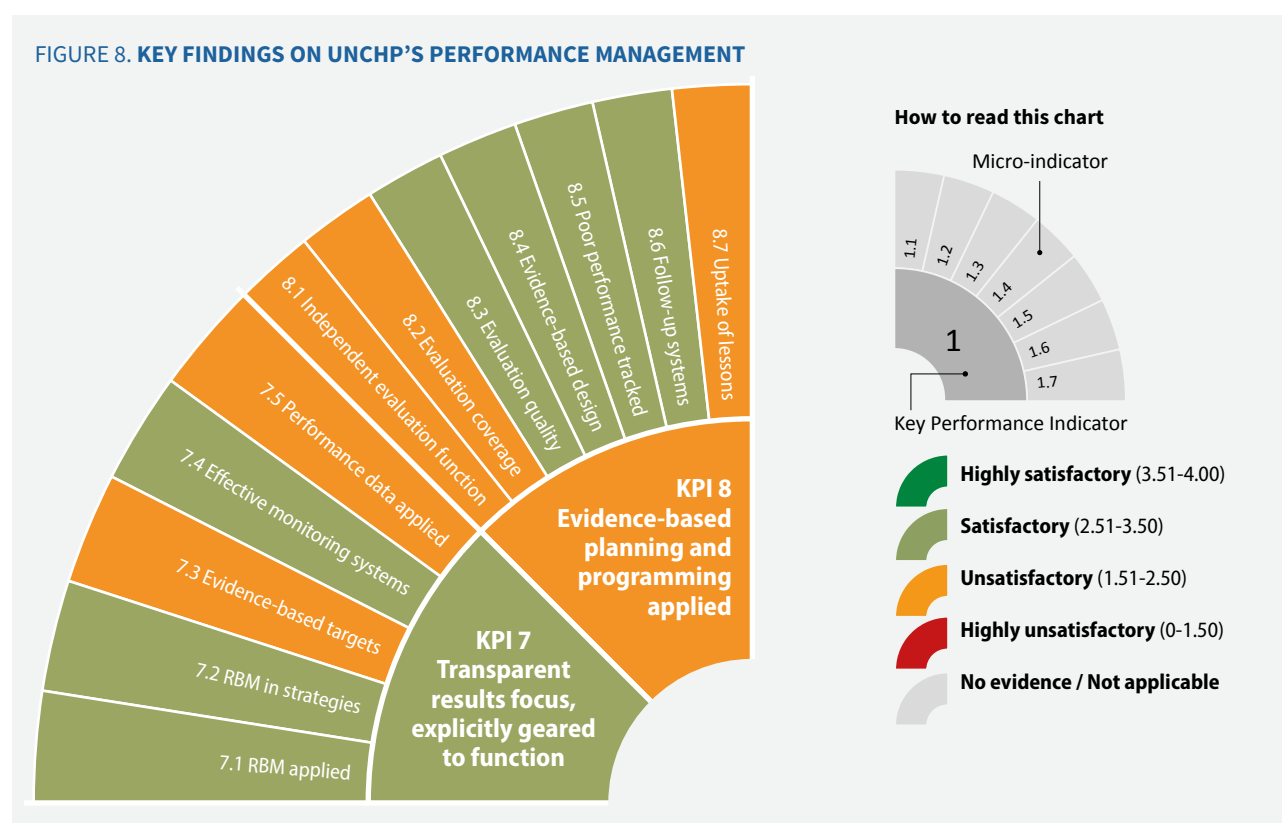
**UNCDF has established safeguards, grievance and accountability mechanisms linked to UNDP's social and environmental compliance architecture.** Programming tools include requirements for stakeholder engagement, safeguards screening and grievance redress, and UNCDF maintains a structured three-tier accountability mechanism connected to UNDP's independent compliance functions. These arrangements provide a formal basis for accountability to affected stakeholders and project beneficiaries. However, stakeholder engagement requirements are primarily framed through a safeguards and risk-management lens, and evidence of systematic implementation, training and independent review coverage across all interventions remains uneven.

**UNCDF generates knowledge and participates in policy dialogue across several areas, but it lacks a formal organisation-wide knowledge management framework to support systematic dissemination, uptake and use across the portfolio.** Knowledge generation and learning are recognised within the Strategic Framework and reflected in several programme-level initiatives. Evaluations provide examples of knowledge products supporting regulatory reforms, policy dialogue and institutional strengthening in specific contexts. Stakeholder perceptions suggest that knowledge products are valued where they are closely embedded within technical assistance and policy processes, though broader visibility and strategic utilisation are less consistent.

## PERFORMANCE MANAGEMENT

*Systems geared to managing and accounting for development and humanitarian results and the use of performance information, including evaluation and lesson-learning.*

FIGURE 8. KEY FINDINGS ON UNCHP'S PERFORMANCE MANAGEMENT



### KPI 7: Strong and transparent results focus, explicitly geared to function

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|--------------|------|
| Satisfactory | 2.53 |
|--------------|------|

*This KPI examines the extent to which UNCDF demonstrates an enabling environment for results-based management, including the existence of a coherent corporate results architecture, the quality of monitoring and reporting systems, and the extent to which performance data are used to support learning, decision-making, and organisational adaptation.*

**UNCDF demonstrates a clear institutional commitment to results-based management through its Strategic Framework 2022–2025, IRRM, and ongoing reforms to strengthen impact measurement, monitoring, and reporting systems.** The organisation has established a formal results architecture linking project, programme, and corporate reporting, supported by guidance, appraisal templates, monitoring tools, and increasingly formalised

quality assurance arrangements. Since 2024, UNCDF has introduced a broad set of RBM strengthening measures, including revised methodological guidance, RBM focal points, data validation protocols, and the rollout of the IMVL function. These reforms demonstrate active leadership attention to strengthening RBM systems and improving the consistency and credibility of results reporting.

**At the same time, evaluative and oversight evidence reviewed during the assessment period indicates that UNCDF's RBM architecture has historically functioned more effectively as a reporting and compliance system than as a fully operational performance management framework.** Multiple evaluations and the 2023 OAI audit identified persistent weaknesses in results logic, indicator design, baselines, target calibration, monitoring quality, and outcome measurement (UNCDF 2023a, 2023c, 2023e and 2024g). Across programmes and thematic areas, results frameworks frequently prioritise activities, outputs, reach, and uptake, while causal pathways linking interventions to higher-order development outcomes remain weakly articulated or insufficiently measured. Outcome-level indicators within the IRRM often focus on delivery or utilisation rather than sustained behavioural, institutional, or economic change, limiting the organisation's ability to demonstrate contribution to longer-term results.

**UNCDF's results architecture establishes formal linkages between project-, programme-, and corporate-level reporting through the IRRM, and design and appraisal processes require alignment with corporate priorities and indicators.** However, evaluative evidence suggests that these linkages remain more conceptual than operational in practice (UNCDF 2023a, 2023c, 2023e and 2024g). Results frameworks across programmes frequently rely on output-oriented indicators and do not consistently demonstrate how interventions contribute to intended outcomes or strategic objectives. Thematic strategies and results frameworks also vary significantly in depth and formality across practice areas, limiting the consistency of organisation-wide results-based planning.

**UNCDF produces regular corporate reporting through annual reports, IRRM reporting, delivery overviews, and Executive Board documentation.** These reports provide visibility on organisational activities, funding trends, reforms, and selected areas of progress. However, reporting does not consistently present systematic analysis of progress against planned targets, trend data over time, or explanations for deviations between planned and actual results. Performance reporting remains heavily narrative and descriptive, with limited evidence of systematic use of results information to support adaptive management, strategic prioritisation, or corporate decision-making (UNCDF 2024a).

**UNCDF's monitoring systems generate extensive output-level and operational data, but persistent weaknesses in implementation, data quality, baselines and outcome measurement limit their effectiveness for results management.** Evaluative and oversight evidence identified weaknesses in monitoring implementation, data quality, baseline development, and outcome-level measurement across programmes (UNCDF 2023a, 2023b, 2023c and 2023e; UNDP OAI 2023). While recent reforms – including the rollout of RBM focal points, expanded IMVL functions, revised RBM guidance, and new data validation protocols – represent important improvements, many of these systems remain under implementation and their effectiveness across the portfolio is still emerging.

**Performance and portfolio data support operational oversight and partnership dialogue, but routine monitoring data are not yet systematically used to inform planning, organisational learning or corporate strategy.** Portfolio information generated through delivery management, donor engagement and portfolio reviews is used to identify delivery bottlenecks, under-performing projects, implementation risks and operational follow-up actions. The assessment found less consistent evidence that routine monitoring data inform higher-level planning or organisational adaptation. Organisational reforms and strategic changes during the review period appear to have been driven primarily by evaluations, audits, and broader institutional reviews rather than by routine performance monitoring systems.

**Taken together, UNCDF demonstrates a clear corporate commitment to RBM and is undertaking significant reforms to strengthen its results architecture, monitoring systems, and impact measurement functions.** However, persistent weaknesses in outcome orientation, results logic, data quality, target calibration, and the practical use of performance data continue to constrain the effectiveness of the RBM system as a tool for strategic adaptive management and demonstration of higher-order development results. Performance data are used more consistently for operational oversight, delivery management, portfolio review and partner dialogue than for higher-level planning, results-framework adjustment or corporate strategy. Recent reforms are promising but remain at an early stage of implementation, and their effectiveness has not yet been fully demonstrated across the organisation.

**KPI 8: Evidence-based planning and programming applied**

|                |      |
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| Unsatisfactory | 2.49 |
|----------------|------|

*This KPI assesses the extent to which UNCDF’s evaluation function, evaluation planning, quality assurance systems, management response processes, and learning mechanisms support evidence-based planning and programming. It considers: (i) the independence and coverage of the evaluation function; (ii) systems to ensure evaluation quality; (iii) use of evidence and lessons in the design of new interventions; (iv) processes to identify and address poor performance; and (v) mechanisms to track and use evaluation recommendations.*

**Overall, this assessment rates UNCDF’s application of evidence-based planning and programming as unsatisfactory.** Evaluation is governed by the UNDP Evaluation Policy and supported by external evaluators, publication through the Evaluation Resource Centre, and quality assurance arrangements through the UNDP Independent Evaluation Office. These arrangements provide UNCDF with an established evaluation framework, but several structural limitations affect the independence and suitability of the function.



**Evaluation independence remains a significant limitation.** The UNCDF evaluation function is not fully independent from management, does not report directly to the governing body, and is not fully financed through core resources. These factors constrain its structural, operational and financial independence. They also limit the extent to which evaluation can provide fully independent assurance to the governing body on organisational performance, strategic results, and the effectiveness of UNCDF's evolving catalytic finance model.

**Evaluation coverage is supported by a costed multi-year Evaluation Plan aligned with the Strategic Framework 2022–2025.** The plan covers corporate, thematic, programme and project-level evaluations, although coverage is uneven across thematic areas (UNCDF 2022c). IDE and LTF have received more evaluation attention, while women's economic empowerment, climate and sustainable food systems are covered more indirectly or less systematically. In 2024, UNCDF spent 0.95% of its programmatic resources on evaluations.

**UNCDF evaluations generally follow recognised methodological and quality standards, including United Nations Evaluation Group (UNEG) and OECD Development Assistance Committee (OECD-DAC) principles, and are subject to UNDP quality assurance processes.** Reports typically present evidence, findings, conclusions, recommendations and methodological limitations. However, these quality assurance arrangements are less clearly adapted to UNCDF's increasingly private-sector-facing and investment-oriented portfolio. UNDP IEO, which is responsible for UNCDF independent evaluations, has limited dedicated experience in private sector and investment-focused evaluation, which may constrain the extent to which quality assurance can support evaluations of blended finance, loans, guarantees, portfolio risk, investment additionality and market-level effects.

**UNCDF has formal processes for management responses and follow-up to evaluation recommendations.** Evaluation reports are accompanied by management responses, action plans, assigned responsibilities and timelines, tracked through the UNDP Evaluation Resource Centre. The ERC also records implementation status and supporting documentation for agreed actions, providing a structured accountability mechanism from recommendation to follow-up. However, UNCDF does not produce a stand-alone public annual report analysing implementation and use of evaluation recommendations, and public reporting remains mostly aggregated through UNDP systems.

**UNCDF has procedures to integrate lessons into new intervention design, including Project Quality Assurance criteria requiring teams to show how knowledge, good practices and past lessons informed design.** Evidence from project documents and appraisal processes shows that lessons can be applied in practice, including through revisions requested during Project Appraisal Committee reviews. However, there is no public reporting on the number or share of new operations that draw on evaluation lessons, and lessons from evaluations are not systematically distinguished from broader operational learning.

**UNCDF has systems to identify and address poorly performing interventions.** Delivery presentations, portfolio reviews and investment monitoring reports identify projects or investments requiring attention, including through financial delivery indicators and portfolio risk classifications. Regular delivery updates, revised delivery target monitoring, Annual Work Plan reviews, project progress reports and investment portfolio reviews also track whether underperforming interventions are improving, stagnating or worsening over time. Corrective action is clearest for investment operations, where evidence shows restructuring, enhanced monitoring, impairment provisioning and write-off preparation. For programme interventions, Project Board reviews, operational adjustments, Annual Work Plan revisions and formal project amendments provide pathways for corrective action, but evidence of corrective action is less concrete.

**Overall, UNCDF has the core systems needed to support evidence-based planning and programming, but important limitations remain in evaluation independence, thematic evaluation coverage, quality assurance for investment-oriented evaluations, systematic learning, and public reporting on recommendation uptake.** At the same time, systems for identifying, tracking and addressing poorly performing interventions are comparatively well developed, particularly through delivery monitoring, portfolio reviews, investment risk classifications, Project

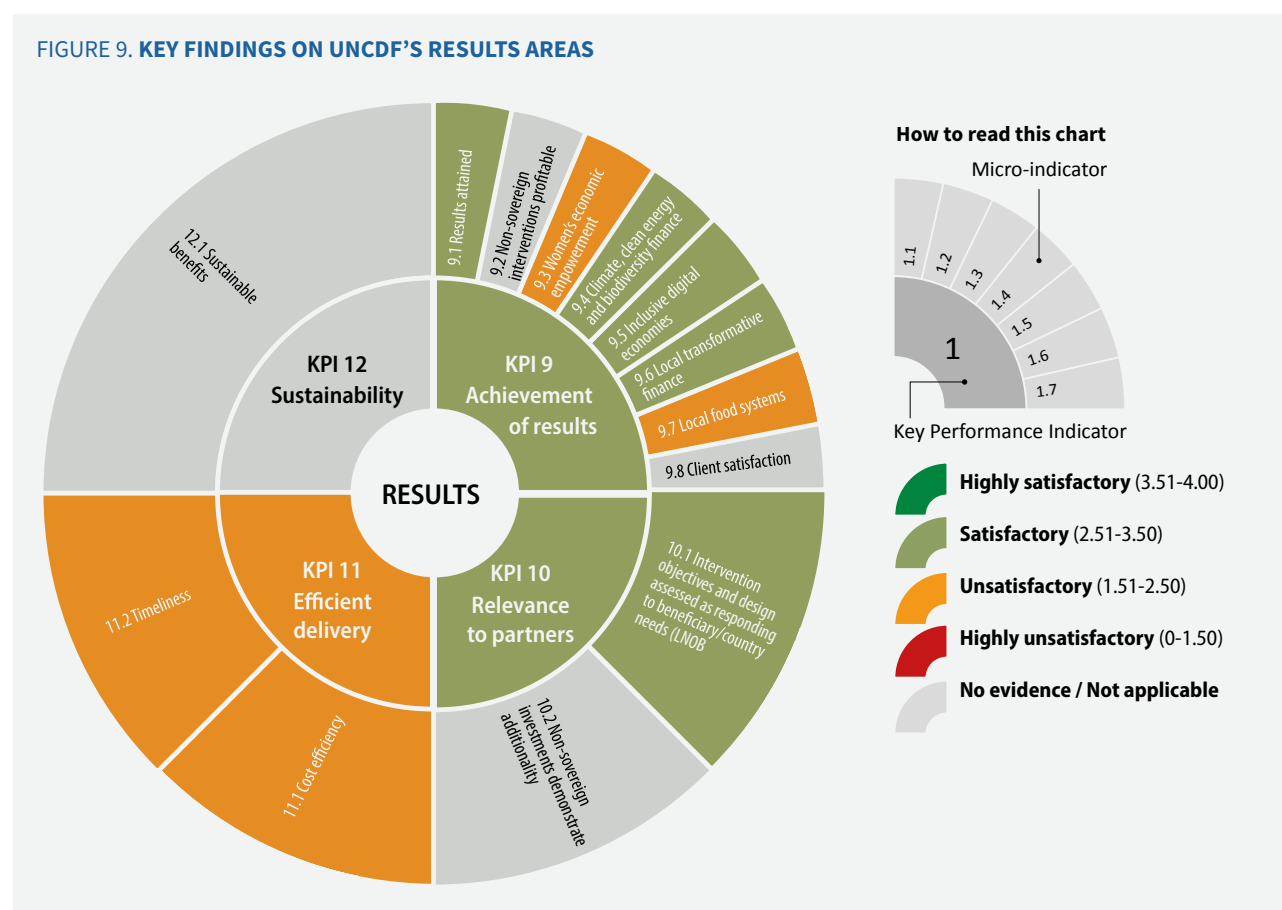
Board governance and adaptive management processes. Project Quality Assurance and appraisal processes provide mechanisms for incorporating lessons and good practices into project design, and corporate evaluations have informed strategic and organisational reforms. However, UNCDF does not yet systematically distinguish evaluation-derived lessons from broader operational learning or publicly report on evidence on how evaluation findings inform new operations. Recent reforms and planned evaluation guidance may strengthen the function, particularly for UNCDF's evolving investment and blended finance portfolio.

## DEVELOPMENT/HUMANITARIAN EFFECTIVENESS

### RESULTS

*Achievement of relevant, inclusive and sustainable contributions to humanitarian and development results in an efficient manner.*

FIGURE 9. KEY FINDINGS ON UNCDF'S RESULTS AREAS



### KPI 9: Development and humanitarian objectives are achieved and results contribute to normative and cross-cutting goals

Satisfactory

2.67

*This KPI examines the extent to which UNCDF achieves its intended development results and contributes to cross-cutting priorities, including women's economic empowerment, climate, clean energy and biodiversity finance, inclusive digital economies, local transformative finance, and sustainable food systems finance. It also considers evidence on non-sovereign operations and client satisfaction.*

**UNCDF is rated satisfactory overall, reflecting evidence that its interventions have contributed to enabling conditions, institutional capacity, policy frameworks and market systems across several priority areas.**

However, the results evidence is uneven. UNCDF's IRRM provides useful monitoring data on reach, uptake, policies adopted, products developed and financing mechanisms established, but many indicators classified as outcomes remain closer to outputs or intermediate results. As a result, the evidence is stronger for delivery, access, adoption and institutional readiness than for sustained behavioural, economic, environmental or empowerment outcomes.

**UNCDF's strongest evidence of results relates to policy, regulatory and systems-level contributions. IRRM data show strong progress in policies, strategies and regulations adopted following UNCDF support, and UNCDF evaluations confirm contributions to government systems, regulatory capacity, local finance mechanisms and digital finance ecosystems.** However, evaluations consistently caution that many outcomes were still emerging at the time of assessment and depended on continued implementation, financing and institutional capacity (UNCDF 2024g, UNCDF 2023e, UNCDF 2023a, UNCDF 2023c, UNCDF 2023b, UNCDF 2022f, and UNCDF 2022b).

**Results for cross-cutting priorities are mixed.** Evidence is strongest for IDE, LTF and climate-related finance, where UNCDF has contributed to regulatory readiness, service expansion, local fiscal mechanisms and climate finance systems. Evidence on women's economic empowerment and sustainable food systems finance is more limited. Gender results often relate to access, participation or onboarding rather than sustained empowerment outcomes, with Local Government Initiative on Climate Change (LoGIC) in Bangladesh standing out as one of the clearer examples of observed livelihood and income effects for women (UNCDF 2022f). Sustainable food systems finance is reflected in IRRM monitoring data but is not yet supported by a substantial evaluative evidence base (UNCDF).

**Evidence on non-sovereign operations remains partial and hence not evaluated.** UNCDF-supported private-sector and intermediary interventions have contributed to enterprise reach, digital service expansion and market development in some cases, but available evaluations do not systematically assess transaction-level performance, financial sustainability or standards compliance. A portfolio evaluation of UNCDF-supported investments (BRIDGE) is currently under preparation and is expected to provide more direct evidence on the performance and development contribution of UNCDF's non-sovereign investment activities. Client satisfaction is not assessed systematically at corporate level, and no IRRM indicator or evaluation evidence provides a basis for rating this dimension.

**KPI 10: Interventions are relevant to the needs and priorities of partner countries and beneficiaries, as the organisation works towards results in areas within its mandate**

|                     |             |
|---------------------|-------------|
| <b>Satisfactory</b> | <b>3.00</b> |
|---------------------|-------------|

*This KPI assesses the relevance of UNCDF's interventions across both sovereign and non-sovereign operations. For sovereign interventions, it considers the extent to which programme objectives and design respond to partner country priorities, institutional needs, and beneficiary contexts. For non-sovereign interventions, it examines whether investments demonstrate financial and non-financial additionality.*

**UNCDF is rated satisfactory overall, reflecting generally strong alignment of sovereign-facing interventions with national development priorities, global agendas, and partner institutional needs, particularly in least developed countries and fragile contexts.** Evaluations consistently find that UNCDF interventions are relevant to government priorities related to financial inclusion, decentralisation, local finance, climate adaptation, digital ecosystems, and municipal finance (UNCDF 2022b, 2022f, 2023a, 2023b, 2023c, 2023e and 2024g). Relevance is strongest where interventions are demand-driven, embedded in national systems, and linked to existing public financial management or regulatory structures.

**Evaluative evidence indicates that UNCDF’s relevance is strongest at the institutional and systems level, particularly among regulators, ministries, local governments, and public-sector partners.** Programmes such as Local Climate Adaptive Living Facility (LoCAL), the LoGIC, the Africa Policy Accelerator (APA), and the Digital Financial Services (DFS) Sierra Leone programme are assessed as closely aligned with national policy frameworks and institutional priorities, while also supporting global agendas related to climate adaptation, financial inclusion, and inclusive digital economies. Several evaluations also highlight UNCDF’s flexibility in adapting programme design over time as country conditions and implementation realities evolve (UNCDF 2023a, 2023c, 2022f, and 2024g).

**At the same time, evaluations identify recurring limitations related to beneficiary-level relevance and inclusion.**

In several cases, interventions relied heavily on system-level theories of change, with less explicit articulation of how regulatory reforms, digital finance ecosystems, or institutional strengthening would translate into improved outcomes for end beneficiaries, particularly women, youth, migrants, or marginalised groups (UNCDF 2024g, 2022a, 2022b, and 2023a). Evaluations also note that donor priorities and pre-selected thematic approaches influenced programme design in some cases, affecting adaptability to local market conditions and beneficiary preferences (UNCDF 2023b and 2024g).

**Non-sovereign additionality is not evaluable during the review period.** UNCDF’s non-sovereign investment portfolio was still limited in scale and maturity, and the available evaluation evidence does not provide sufficient ex-post analysis to assess financial additionality – such as crowding-in effects, incremental financing, or counterfactual investment behaviour – or non-financial additionality at portfolio level. Existing evaluations focus primarily on sovereign, sub-sovereign, and ecosystem-level interventions rather than transaction-level assessment of investments. The Municipal Investment Facility (MIF) evaluation provides some indicative evidence that UNCDF support facilitated transaction readiness and risk mitigation for municipal finance transactions, while the DFS Sierra Leone evaluation provides one example of non-financial additionality through influence on the inclusion practices of a private-sector partner (UNCDF 2022a and 2023e). However, these examples remain illustrative rather than systematic. UNCDF has initiated portfolio-level evaluative work, including the forthcoming BRIDGE portfolio evaluation currently under preparation, which is expected to strengthen the evidence base on the performance and additionality of UNCDF-supported investments as the portfolio matures.



KPI 11: Results are delivered efficiently

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| Unsatisfactory | 2.00 |
|----------------|------|

*This KPI examines the extent to which UNCDF delivers results efficiently. It considers: (i) whether interventions are resource- and cost-efficient; and (ii) whether implementation and results are achieved on time.*

**Overall, UNCDF is rated unsatisfactory.** While several evaluations identify examples of cost-efficient delivery – particularly where programmes use standardised financing mechanisms embedded within government systems – evidence also points to recurring weaknesses related to implementation delays, uneven value for money, and the absence of systematic corporate efficiency metrics. Efficiency performance varies significantly depending on programme model, delivery complexity, and the extent to which interventions rely on advisory support, institutional reform, or bespoke transaction development.

**UNCDF does not systematically track institutional efficiency metrics at corporate level.** The IRRM does not include indicators related to operational efficiency, such as administrative cost ratios, transaction processing timelines, supervision costs, approval timelines, disbursement lags, or cost-per-transaction measures (UNCDF 2024f). As a result, assessment of efficiency relies primarily on programme- and country-level evaluations rather than standardised corporate performance data. Unlike several MDBs and DFIs, UNCDF also does not systematically report portfolio-wide operational timeliness or transaction-efficiency benchmarks through its corporate results framework.

**UNCDF demonstrates stronger efficiency where programmes operate through scalable and standardised financing mechanisms.** The strongest evidence comes from LoCAL and LoGIC, where evaluations provide quantified value-for-money evidence, including relatively low per-capita investment costs, budget utilisation rates, and administrative cost ratios broadly comparable to international benchmarks for grant- and cash-based programmes (UNCDF 2022f and 2023c). Evaluations also find that interventions embedded within existing government fiscal and public financial management systems – such as performance-based grant mechanisms or district-level public



financial management reforms – tend to achieve greater economies of scale and more predictable delivery (UNCDF 2022b, 2022f and 2023c). The APA evaluation similarly finds relatively streamlined governance and low administrative complexity, although efficiency varied substantially across countries depending on political conditions and counterpart engagement (UNCDF 2023a).

**At the same time, efficiency is more uneven in advisory, market-building, and transaction-intensive interventions.** Several evaluations identify concerns regarding the relationship between expenditures and results achieved. The Migration and Remittances Programme mid-term evaluation concludes that programme expenditures increased without corresponding adjustments in expected results, noting that donors “paid more for the same intended results,” particularly in relation to private-sector technical assistance and pilot activities (UNCDF 2024g). Similarly, the DFS Sierra Leone evaluation highlights that a large share of expenditures was absorbed by staffing costs, while innovation grant disbursements remained substantially below planned allocations (UNCDF 2022a). The MIF evaluation also identifies high transaction preparation costs and lengthy development periods associated with introducing new municipal finance instruments in less mature markets (UNCDF 2023e). Across programmes, evaluations consistently note that weak linkage between expenditures, outputs, and downstream outcomes constrains assessment of overall value for money.

**Implementation timelines were frequently longer than initially anticipated, particularly for programmes involving institutional reform, regulatory change, innovation financing, or system-building.** The Migration and Remittances Programme (MRP) evaluation found that most workstreams remained at preparatory stages during Phase 1, while the DFS Sierra Leone evaluation identified delays linked to centralised grant approvals, recruitment processes, and slow grant disbursement (UNCDF 2022a and 2024g). Similarly, the LoGIC and LoCAL evaluations reported delayed programme starts and staffing gaps, and the Development Initiative for Northern Uganda (DINU) evaluation found that SME finance and infrastructure activities progressed more slowly than interventions embedded within established government systems (UNCDF 2022b, 2022f, and 2023c). Across these evaluations, delays were attributed to a combination of external factors – including political instability, COVID-19 disruptions, security conditions, and counterpart readiness – and internal procedural factors such as transaction complexity, procurement requirements, and staffing vacancies.

**Evaluations also indicate that results dependent on institutional uptake and systems change generally took longer to materialise than programme timelines anticipated.** The MRP, APA, MIF, and LoCAL evaluations all note that programmes successfully delivered diagnostics, technical assistance, capacity development, and institutional support, but that downstream outcomes – particularly those linked to behavioural change, regulatory adoption, market maturation, or fiscal system reform – were still emerging at the time of assessment and expected to depend on continued implementation beyond the evaluation period (UNCDF 2023a, 2023c, 2023e and 2024g). Collectively, these evaluations suggest that timelines for catalytic and systems-oriented interventions were often optimistic relative to the complexity and sequencing required for sustained change.

#### KPI 12: Results are sustainable

|               |     |
|---------------|-----|
| Not Evaluable | N/E |
|---------------|-----|

*This KPI examines the extent to which benefits from UNCDF interventions are continuing, or are likely to continue after programme completion, including through strengthened institutions, systems, and enabling environments.*

**KPI 12 is not evaluable.** Overall, while programme evaluations assess that UNCDF often succeeds in laying foundations for sustainability, there is as yet no overall assessment on the sustainability of UNCDF interventions. For UNCDF, sustainability arises through embedding interventions in government systems, scaling up by other

development partners, and strengthening the capacity of market institutions. While longer-term evidence remains limited for newer financing instruments, there is indicative evidence – including from LoCAL and emerging results from UNCDF’s guarantee portfolio – that benefits are continuing or are likely to continue beyond UNCDF’s direct involvement.

**UNCDF’s sustainability model reflects its catalytic mandate.** Many interventions are designed as proof-of-concept, market-building, or system-enabling initiatives that governments, development partners, or private-sector actors subsequently own and expand. Sustainability is therefore framed less in terms of continued UNCDF delivery and more in terms of continued use of financing mechanisms, products, services, policies and market practices after direct UNCDF engagement. This includes institutionalisation within partner institutions, continued allocation of domestic or private capital, replication and scale-up of successful approaches, market uptake, and follow-on financing.

**The strongest sustainability evidence comes from LoCAL and, to a lesser extent, LoGIC and DINU.** The LoCAL evaluation finds that performance-based climate resilience grant mechanisms were partially institutionalised within intergovernmental fiscal systems in several countries, supporting continuation beyond project cycles (UNCDF 2023c). Similarly, LoGIC and DINU identify stronger sustainability prospects where activities were embedded within government planning, budgeting, and public financial management systems (UNCDF 2022b and 2022f). At the same time, all three evaluations caution that sustainability remains contingent on domestic fiscal space, institutional capacity, and continued financing.

**By contrast, sustainability is more uncertain in programmes dependent on market uptake, private-sector incentives, or continued institutional accompaniment.** The MRP evaluation finds that several pilots were discontinued due to the absence of viable business models, while the DFS Sierra Leone evaluation concludes that regulatory and supervisory capacity gains remain fragile due to staff attrition and resource constraints (UNCDF 2022a and 2024g). Similarly, the APA evaluation identifies continued risks linked to slow reform adoption, staff turnover, and changing political priorities, while the MIF evaluation finds that several financing mechanisms had not yet demonstrated sustained increases in local development finance at the time of assessment (UNCDF 2023a and 2023e).

**Across the evaluation portfolio, sustainability is therefore treated as conditional rather than demonstrated.** Evaluations consistently distinguish between establishing enabling conditions and confirming that benefits will continue after UNCDF support ends. While many interventions contributed to stronger systems, institutional capacity, and financing mechanisms, most evaluations conclude that continuation of benefits depends on sustained institutional ownership, domestic financing, and follow-on support beyond the programme period. Importantly, neither the available evaluative evidence nor the emerging evidence from the guarantee portfolio constitutes an institution-wide assessment of sustainability across UNCDF’s portfolio. Importantly, the available evaluative evidence does not provide a systematic institution-wide assessment of the sustainability of UNCDF interventions across the portfolio. As a result, while there are encouraging indications from several programmes and emerging evidence from newer financing instruments, the evidence base is not sufficient to reach an overall judgement on sustainability during the review period.

# ABOUT THIS ASSESSMENT





## THE MOPAN APPROACH

The approach to MOPAN assessments has evolved over time to adjust to the needs of the multilateral system. The MOPAN 3.1 Approach, applied in this assessment, is the latest iteration. Additional information can be found on our website.

Table 4 lists the performance areas and indicators used in MOPAN 3.1.

TABLE 4. PERFORMANCE AREAS AND KEY PERFORMANCE INDICATORS

| Performance area        | KPI                                                                                                                                                                                            |
|-------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Strategic management    | <b>KPI 1:</b> Organisational architecture and financial framework enable mandate implementation and achievement of expected results                                                            |
|                         | <b>KPI 2:</b> Structures and mechanisms support the implementation of global frameworks for cross-cutting issues at all levels in line with the 2030 Sustainable Development Agenda principles |
| Operational management  | <b>KPI 3:</b> Operating model and human and financial resources support relevance and agility                                                                                                  |
|                         | <b>KPI 4:</b> Organisational systems are cost- and value-conscious and enable financial transparency and accountability                                                                        |
| Relationship management | <b>KPI 5:</b> Operational planning and intervention design tools support relevance and agility in partnerships                                                                                 |
|                         | <b>KPI 6:</b> Working in coherent partnerships directed at leveraging and catalysing the use of resources                                                                                      |
| Performance management  | <b>KPI 7:</b> Strong and transparent results focus, explicitly geared towards function                                                                                                         |
|                         | <b>KPI 8:</b> Evidence-based planning and programming applied                                                                                                                                  |
| Results                 | <b>KPI 9:</b> Development and humanitarian objectives are achieved, and results contribute to normative and cross-cutting goals                                                                |
|                         | <b>KPI 10:</b> Interventions are relevant to the needs and priorities of partner countries and beneficiaries, as the organisation works towards results in areas within its mandate            |
|                         | <b>KPI 11:</b> Results are implemented efficiently                                                                                                                                             |
|                         | <b>KPI 12:</b> Results are sustainable                                                                                                                                                         |

Source: MOPAN 3.1 Methodology Manual, 2020 Assessment Cycle,

[http://www.mopanonline.org/ourwork/themopanapproach/MOPAN\\_3.1\\_Methodology.pdf](http://www.mopanonline.org/ourwork/themopanapproach/MOPAN_3.1_Methodology.pdf)

## APPLYING MOPAN 3.1 TO UNCDF

### Interpretations and adaptations to the methodology

MOPAN has adapted its MOPAN 3.1 Methodology to UNCDF's unique mandate by integrating elements from the standard assessment framework which was developed for UN agencies and development organisations, as well as the adapted assessment framework for MDBs and private sector-facing International Financial Institutions (IFIs). A summary of key adaptations is outlined below.

| KPI    | Summary of changes                                                                                                                                                                                                                                                                                                                                 |
|--------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| KPI 1  | No changes.                                                                                                                                                                                                                                                                                                                                        |
| KPI 2  | Cross-cutting themes have been expanded to correspond to those included in UNCDF's Strategic Framework. They include: (MI 2.1) women's economic empowerment; (MI 2.2) climate, clean energy and biodiversity finance; (MI 2.3) inclusive digital economies; (MI 2.4) local transformative finance; (MI 2.5) sustainable food systems finance.      |
| KPI 3  | No changes.                                                                                                                                                                                                                                                                                                                                        |
| KPI 4  | Clarification has been added to MI 4.2 and 4.5 to align with UNCDF's nature as a unique UN entity with capabilities to deploy financial instruments. Additionality has been included.                                                                                                                                                              |
| KPI 5  | Language has been adapted to consider both the public and private sector frameworks with specific focus on consideration of market impacts (MI 5.1) and instruments to address shocks (MI 5.2), client capacity assessments for private sector (MI 5.3), and compliance with institutional procedures and monitoring of processing times (MI 5.7). |
| KPI 6  | MI 6.7 has been adapted to focus on accountability to beneficiaries, in line with the private sector framework.<br>MI 6.8 now includes an element regarding the implementation of client feedback surveys.                                                                                                                                         |
| KPI 7  | No changes.                                                                                                                                                                                                                                                                                                                                        |
| KPI 8  | No changes.                                                                                                                                                                                                                                                                                                                                        |
| KPI 9  | MI 6 added to reflect cross-cutting issues in KPI 2<br>Performance considerations for non-sovereign operations and client satisfaction have been included.                                                                                                                                                                                         |
| KPI 10 | Additionality has been included.                                                                                                                                                                                                                                                                                                                   |
| KPI 11 | No changes.                                                                                                                                                                                                                                                                                                                                        |
| KPI 12 | No changes.                                                                                                                                                                                                                                                                                                                                        |

### Lines of Evidence

The MOPAN assessment of UNCDF relied on three evidence streams: a document review, a partner survey, and individual and group interviews. The objective for each line of evidence is to generate the most relevant evidence, to generate a clear and holistic view of UNCDF's structure, operations, partnerships and performance for the period 2021-25.

### Country and Regional sample:

UNCDF operates in a range of countries, primarily focusing on Least Developed Countries (LDCs). The countries where UNCDF operates are diverse in geography, culture, and development challenges. Most are classified as Least Developed Countries (LDCs), facing issues like limited infrastructure, economic vulnerability, and restricted access to financial services. All of these countries are classified as either low income or lower-middle income. These nations span regions from Southern Africa to Southeast Asia.

In order to select a country sample, the 2024-25 portfolio was reviewed. The portfolio includes both multi-country projects (USD 220.4 million or 53% of total project approvals) and single-country projects (USD 196.9 million or 47% of total project approvals). Together, these projects reflect UNCDF's active operational presence across diverse contexts in Africa, Asia, and the Pacific with varying levels of concentration by country and region.

While only aggregate financial data is available for multi-country projects (i.e., without country-level disaggregation), the available information allows for identification of the largest country portfolios and the selection of a representative country sample for further analysis.

The country sample was designed to capture both the largest single-country portfolios and the diversity of UNCDF's operational contexts. It included seven countries – Uganda, Bangladesh, Sierra Leone, Ethiopia, Papua New Guinea,

Ghana, and Fiji – selected to reflect variation in regional representation, fragility contexts, and country typologies, including Fragile and Conflict-Affected States (FCAS) and Small Island Developing States (SIDS).

### *Document review*

The list of documents included key strategies and policies, annual reports and financial statements, evaluations, and audit report documents. Priority was given to documents issued during the assessment period, although in some instances earlier documents issued before the period under review were also included for review. The cut-off date for documentation was 18 May 2026.

Types of documents reviewed include:

- Management information such as corporate strategic frameworks, results framework and reporting processes, selection of policies, sector strategies/plans, country strategies for sample countries, programme/project level documents, Institutional architecture information, compliance data, corporate financial information;
- Minutes of Board and Board Committee meetings, outline engagement between the Board and UNCDF management;
- Internal Audits assessing compliance and risks across major institutional processes;
- Internal surveys, including staff engagement and client surveys;
- Evaluations, including independent and self-evaluations, internal evaluations; and
- External assessments like major institutional evaluations, organisation-wide strategic reviews, reviews of evaluation functions and other independent or externally conducted reviews or studies of performance.



### Interviews

A comprehensive stakeholder mapping of the organisational structure, based on UNCDF's organigram, against the assessment framework (at KPI level) was undertaken to identify key stakeholders to interview during the inception and main data collection visits.

A total of 12 inception interviews with senior UNDP and UNCDF staff were conducted face-to-face and remotely. The inception interviews offered an opportunity to ensure that the assessment team is reflecting the most recent, relevant themes and issues in the MOPAN assessment. The interviews provided a basis to define how the MOPAN framework applies to its specific mandate, structures, and available evidence.

A further 16 individual and group interviews were conducted during the main data collection phase of the assessment, comprising 14 interviews with UNCDF staff, and 2 interviews with external stakeholders. The purpose of the interviews during the main data collection phase was to:

- Deepen and interrogate the evidence from the document review.
- Confirm or clarify trends/findings emerging from the document review.
- Provide contextual insight to clarify, refute and/or validate observations emerging from other lines of evidence/ data sources (e.g. document review, survey data).
- Generate new evidence in areas where documentary and survey evidence was lacking.

### Partner survey

A partner survey was conducted to seek the perspectives of representatives from partner organisations on various dimensions of UNCDF's organisational performance. A total of 160 individuals responded to the survey, representing a 13% response rate. The survey was conducted between 02/12/2025 and 6/01/2026.

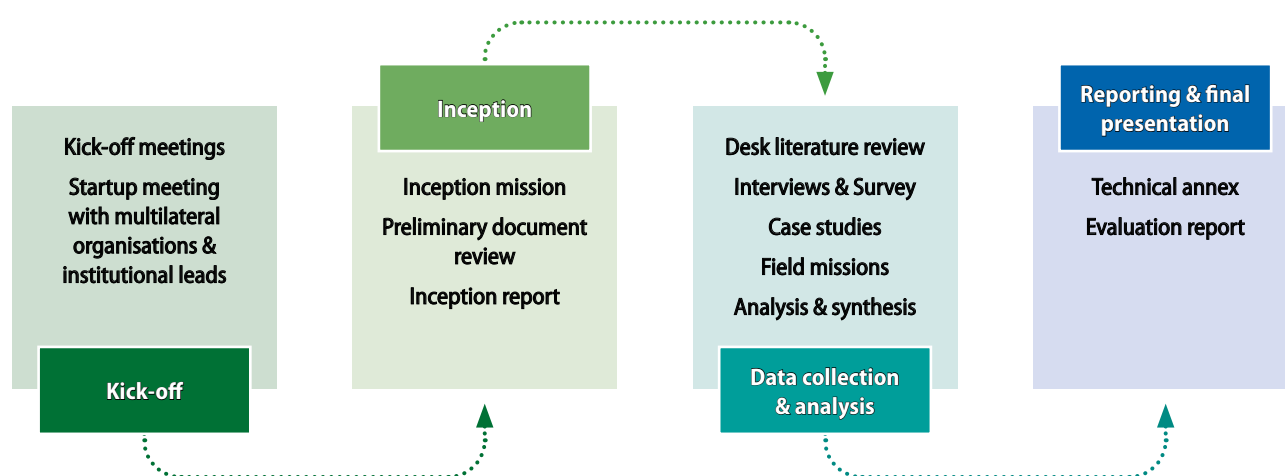


The survey results provided a key point for triangulating evidence gathered through the document review and interviews with staff and other stakeholders. In addition, the partner survey helped fill evidence gaps for issues that are not well covered by organisational documentation or interview data.

## ASSESSMENT PROCESS

The Assessment consisted of four phases: Inception, Evidence Collection, Analysis, and Reporting. The assessment process and timeline are summarised below.

FIGURE 10. UNCDF ASSESSMENT PROCESS



## Assessment Timeline

| Assessment Phase | Inception<br>(August – November 2025) | Evidence Collection<br>(October 2025 – January 2026) | Analysis<br>(January – May 2026) | Reporting<br>(May – July 2026) |
|------------------|---------------------------------------|------------------------------------------------------|----------------------------------|--------------------------------|
|------------------|---------------------------------------|------------------------------------------------------|----------------------------------|--------------------------------|

## METHODOLOGY FOR SCORING AND RATING

The approach to scoring and rating under MOPAN 3.1 is described in the 2020 Methodology Manual<sup>1</sup>, which can be found on MOPAN’s website. The MOPAN website also presents additional information about how the MOPAN framework was adapted for private sector operations.

Each of the 12 KPIs contains several micro-indicators (MIs), which vary in number. The KPI rating is calculated by taking the average of the ratings of its constituent MIs.

### Scoring of KPIs 1-8

The scoring of KPIs 1-8 is based upon an aggregated scoring of the MIs. Each MI contains several elements, which vary in number, that represent international good practice. By taking the average of the constituent scores per element, the assessment team calculates a score per MI. The same logic is pursued at aggregation to the KPI level, to ensure a consistent approach. By taking the average of the constituent scores per MI, the assessment team calculates an aggregated score per KPI.

1. MOPAN 3.1 Methodology Manual, 2020 Assessment Cycle, <https://www.mopan.org/en/our-work/mopan-methodology.html>

### Scoring of KPIs 9-12

The scoring of KPIs 9-12 is based upon a meta-analysis of evaluations and performance information, rated at the MI level and aggregated to the KPI level. KPIs 9-12 assess results achieved as assessed in evaluations and annual performance reporting from the organisations. Other sources of information are reviewed and included as needed.

### Rating scales

Whenever scores are aggregated, rating scales are used to translate scores into ratings that summarise the assessment across KPIs and MIs. The rating scale used under MOPAN 3.1 is shown below.

|                                                                                                                            |                                                                                                                     |
|----------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------|
|  <b>Highly satisfactory</b> (3.51-4.00)   |  <b>High evidence confidence</b>   |
|  <b>Satisfactory</b> (2.51-3.50)          |  <b>Medium evidence confidence</b> |
|  <b>Unsatisfactory</b> (1.51-2.50)        |  <b>Low evidence confidence</b>    |
|  <b>Highly unsatisfactory</b> (0.00-1.50) |                                                                                                                     |

A score of “N/E” means “no evidence” and indicates that the assessment team could not find any evidence but was not confident of whether or not there was evidence to be found. The team assumes that “no evidence” does not necessarily mean that the element is not present (which would result in a zero score). Elements rated N/E are excluded from any calculation of the average. A significant number of N/E scores in a report indicates an assessment limitation (see the Limitations section at the beginning of the report). A note indicating “N/A” means that an element is considered to be “not applicable”. This usually owes to the organisation’s specific nature.

### LIMITATIONS

This assessment was subject to a number of limitations and risks identified during the inception phase and documented in the MOPAN UNCDF Inception Report. These limitations were monitored throughout the assessment process and mitigated where possible through adjustments to the approach, sequencing, and analysis.

**Assessment timeline and sequencing:** The assessment timeline was aligned to deliver preliminary findings by summer 2026 in order to inform MOPAN members. This placed pressure on the assessment to adhere to a tight schedule. While the assessment team set aside sufficient time in line with the agreed timeline, any delays in document provision, interview availability, or review processes had the potential to adversely affect the assessment’s ability to meet key milestones and stakeholder needs.

As with any assessment of this kind, the timeline was contingent on the timely availability of documentation and support in scheduling interviews by UNCDF. Regular touchpoints were held with the UNCDF focal point to flag any outstanding issues and seek additional attention where required. Where adjustments to the timeline were necessary, these were considered without compromising the quality of the assessment, and stakeholders were informed accordingly.

**Organisational change and external reform context:** The assessment took place against a backdrop of organisational and system-wide change. In particular, the UN80 initiative and related reform processes coincided with the early phases of the assessment. While the majority of the assessment period covered years prior to the introduction of UN80 reforms, the evolving nature of these initiatives, along with heightened funding pressures at both organisational and system levels, created uncertainty around future institutional arrangements and priorities.

There were a number of unknowns underpinning this risk, including the outcomes and timing of reform processes and their implications for UNCDF. The assessment team therefore remained in close co-ordination with UNCDF senior

management, Institutional Leads, and MOPAN members to identify any necessary methodological or analytical adjustments as developments unfolded.

**Documentation availability and representativeness:** UNCDF has undergone a period of organisational change, including refocusing on its capital mandate, organisational restructuring and decentralisation. As a result, some documentation generated during the assessment period may no longer fully reflect current practices or institutional arrangements.

To address this limitation, the assessment prioritised the most recent and relevant documentation and triangulated documentary evidence with interview insights and leadership perspectives. Where appropriate, the analysis notes changes over time to reflect UNCDF's performance trajectory across the full assessment period.

**Participation of external partners in interviews:** In accordance with MOPAN's open and inclusive approach, the assessment team sought input from a broad range of external partners including representatives from LDCs, donors, and development partners. Stakeholders were invited to share their views in interviews as well as an online survey.

Whilst the number of external stakeholders who assented to be interviewed was limited, there was strong and broad participation in the external partner survey. As a result, the survey data including responses to open-ended questions was particularly useful to understand partner experiences of working with UNCDF.

**Methodological limitations:** The MOPAN 3.1 methodology is based on a predefined framework of KPIs, micro-indicators, and elements formulated using precise and sometimes binary language. This does not always align neatly with how organisations document or present their systems and practices. As a result, scoring outcomes may highlight areas for improvement that UNCDF itself may interpret differently.

As discussed above, within the flexibility permitted by the framework, the assessment team tailored elements of the methodology to UNCDF's mandate and operating context. These adaptations are documented in the Inception Report and reflected in the assessment framework chapter of this report.



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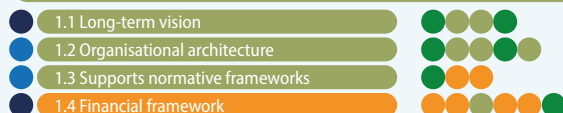
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# ANNEX

FIGURE 11. UNCDF PERFORMANCE OVERVIEW

## Strategic management

### KPI 1: Organisational and financial framework

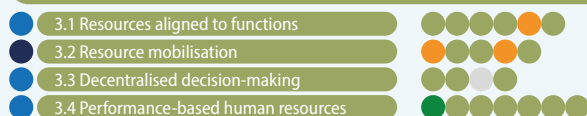


### KPI 2: Structures for cross-cutting issues



## Operational management

### KPI 3: Relevance and agility



### KPI 4: Cost- and value-conscious systems



## Relationship management

### KPI 5: Relevance and agility in partnership



### KPI 6: Coherent partnerships



## Performance management

### KPI 7: Results management



### KPI 8: Evidence-based planning and programming

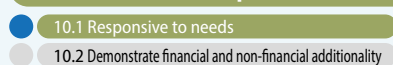


## Results

### KPI 9: Achievement of results



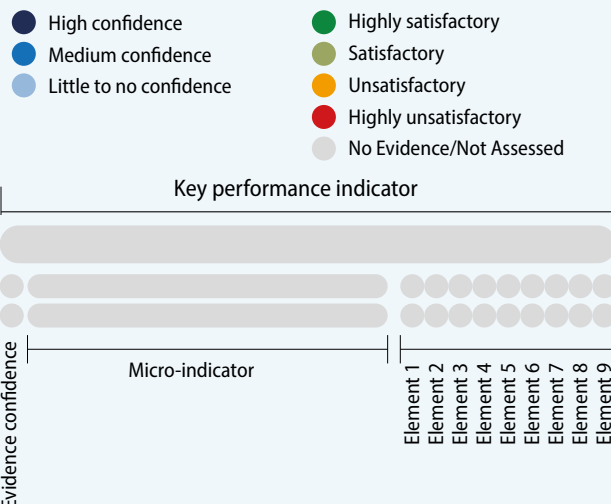
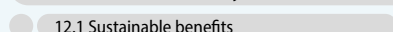
### KPI 10: Relevance to partners



### KPI 11: Efficient delivery



### KPI 12: Sustainability





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