

United Nations Capital Development Fund (UNCDF)

SEPTEMBER 2026



INTRODUCING 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 2026-2029 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 2022–2025 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 MDBs and 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 closer coordination to explore potential for scaling of successful UNCDF investments as well as even developing de-risking facilities, co-investment opportunities and



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 of 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 have 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 2026–2029 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 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.



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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 life-cycle 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 and financing model 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.

Main strengths and areas for improvement

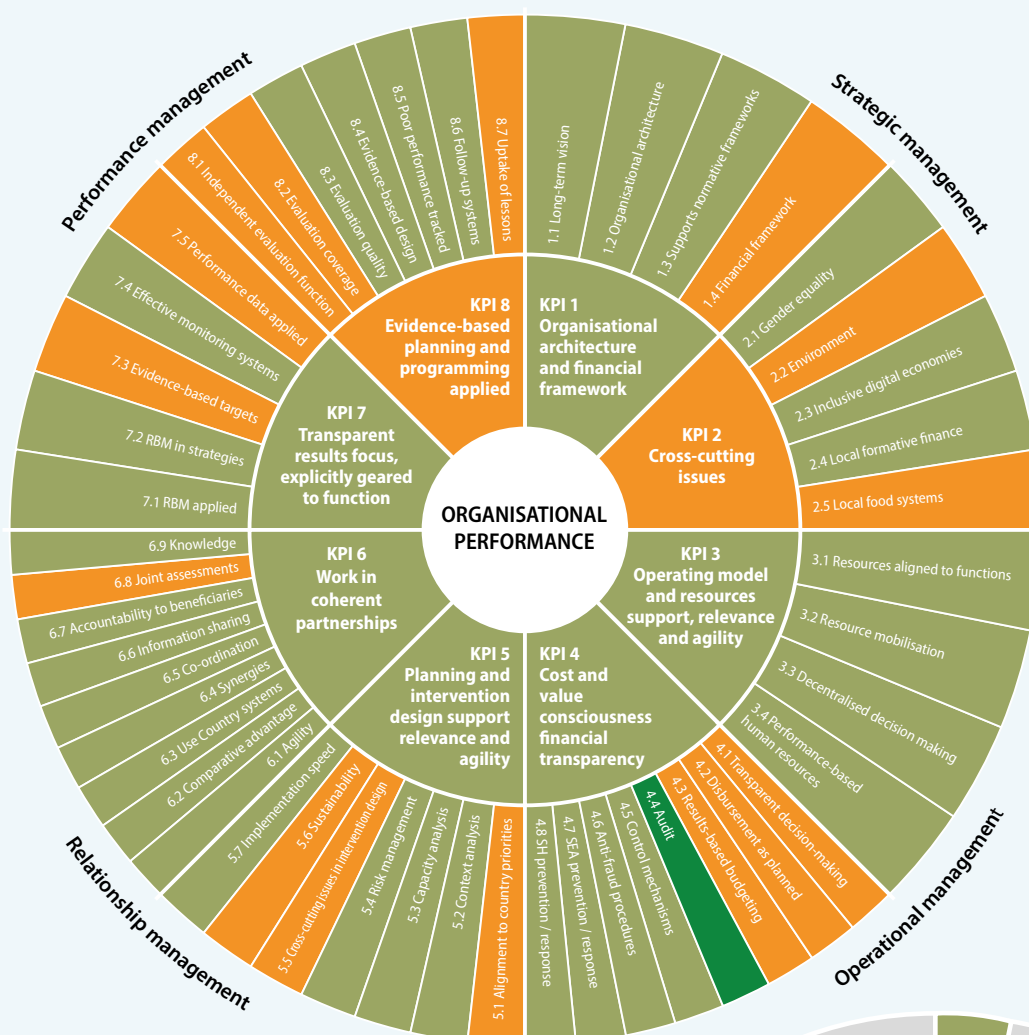
Main strengths

- 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

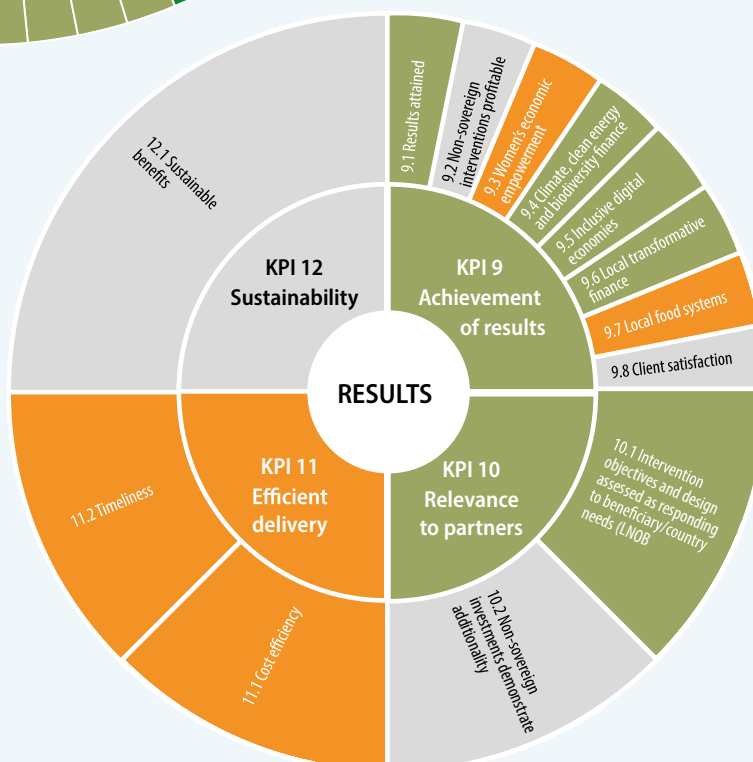
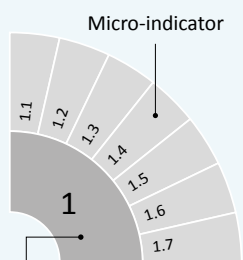
- Sharpen selectivity by translating corporate strategic priorities into regional and country-level operational programmes.
- Strengthen partnership engagement processes at regional and country level to identify and source investment opportunities and scale up successful pilots.
- Accelerate resource 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.

UNCDF SCORING OVERVIEW



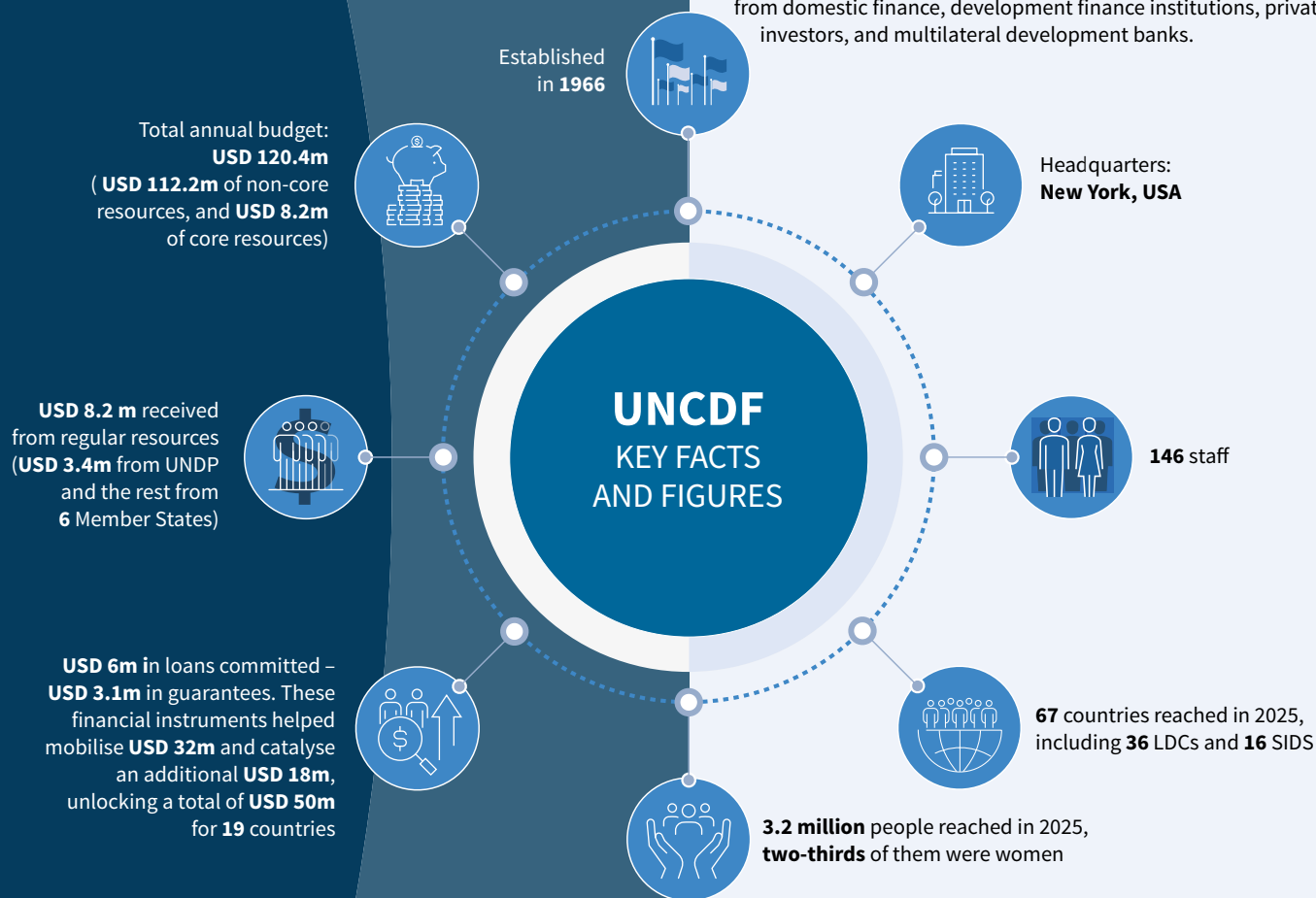
Note: The 2026 MOPAN assessment of UNCDF was undertaken using the MOPAN 3.1 assessment methodology.

How to read these charts



UNCDF in numbers

INSTITUTIONAL LEAD
Switzerland



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

Source: UNCDF

Overview

Established by the United Nations in 1966, the United Nations Capital Development Fund (UNCDF) helps unlock finance in Least Developed Countries, Small Island Developing States, and fragile settings, where risks are high and capital is scarce. UNCDF receives voluntary contributions and grants from partners and deploys them as performance-based and reimbursable grants, concessional loans, and risk-absorbing guarantees, alongside investment structuring and advisory support. UNCDF uses these resources in a catalytic and revolving way to help countries prove investment viability, build pipelines, and crowd in larger flows from domestic finance, development finance institutions, private investors, and multilateral development banks.



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 IFIs.

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.

ABOUT MOPAN

The Multilateral Performance Network (MOPAN) comprises 20 members¹ 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.

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

1. As at 1 September 2026: Australia, Belgium, Canada, Denmark, Finland, France, Germany, Italy, Ireland, Korea, Luxembourg, Netherlands, New Zealand, Norway, Qatar, Spain, Sweden, Switzerland, United Kingdom, USA



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information

