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**REQUEST FOR EXPRESSION OF INTEREST**  
TO INTERESTED 501 (C)(3) ORGANIZATIONS  
to establish a partnership with the  
**UNITED NATIONS CAPITAL DEVELOPMENT FUND**  
geared towards collaboration on  
**JOINT INNOVATIVE FINANCING FOR THE SDGs**  
primarily in  
**LEAST DEVELOPED COUNTRIES**

27 January 2021

EOI URL: <https://apply.uncdf.org/prog/eoi501c3/>

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*“To meet the SDGs, we need to expand the investment frontier to the “last mile.” [...] This “last mile” is where available resources for development are scarcest; where market failures are most pronounced; and where benefits from national growth tend to leave significant portions of the population excluded. But it is also in the “last mile” that the SDGs will be achieved; and it is our aim to show that “last mile” finance can generate resources from within, and build productive and resilient local economies, that can become not just dynamic beneficiaries of economic growth but also more dynamic contributors to growth.”*  
UNCDF Executive Secretary speaking at a recent United Nations General Assembly side event.

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## I. INVITATION

The United Nations Capital Development Fund (UNCDF) invites interested 501(c)(3) organizations registered in the United States of America (USA) to provide the information requested under this notice. UNCDF is launching a request for expression of interest (REOI) process on a partnership with well-established and like-minded impact 501(c)(3) organizations to launch joint innovative approaches and instruments for mobilizing private financing, philanthropic contributions and donations to support sustainable development, primarily in the Least Developed Countries (LDCs). Such a partnership would complement the ongoing technical assistance and financing activities conducted both by UNCDF and the partner 501(c)(3) institutions to unlock finance for LDC transformation.

The responsibilities of the partner organization may also include receiving funds on behalf of UNCDF from private contributors, providing tax receipts, and disbursing the collected funds to UNCDF. Qualified institutions must meet the minimum qualifications stated in this notice, including being approved by the USA Internal Revenue Federal Tax Code Section 501(c)(3) to receive tax-deductible contributions.

Responding institutions must address all requirements stated in the matrix below and should provide sufficient details and supporting documents where applicable.

## II. BACKGROUND OF REQUEST

### COVID-19 and the Sustainable Development Goals (SDGs)

COVID-19 threatens to undo years of progress achieved towards the 2030 Agenda by the LDCs. Even before the current crisis, LDCs faced an uphill battle to achieve the SDGs. Now, without ambitious development finance and policy responses, there is a serious risk of the SDGs remaining elusive for LDCs, and this will have a global impact.

Small and Medium-Sized Enterprises (SMEs), which are critical for job creation and sustainable growth in LDCs, have been particularly hard hit by the pandemic. [A UNCDF pulse survey](#) conducted in July-August 2020 on the impacts of COVID-19 on SMEs in LDCs shows that 88% of businesses have substantially reduced their operations and 34% reported they cannot sustain their businesses for more than 3 months. These disruptions have disproportionately affected female-led businesses and certain business sectors, such as textile, craft, and tourism. In a recent survey update, the preliminary results point to exacerbating conditions for SMEs in the LDCs with over half of the businesses stating decreases in revenues and losses of jobs along with the urgent need for business capital. The prolongation of such conditions is shifting the nature of the COVID-inflicted economic crisis from a market shutdown crisis to a structural business liquidity crisis with the reduction in market demand and shortage of financing.

Despite such a challenge, we continue to see only a small portion of private finance invested in the LDCs. [Based on the latest data](#), only 6% of private finance mobilized by official development finance is invested in LDCs, a percentage that has remained constant over the past three years.

### Focusing on the “missing middle”

Small firms with fewer than ten employees in LDCs have difficulties in transitioning to medium-size enterprises resulting in the phenomenon called the “missing middle”. These SMEs are considered too big to access microfinance and too small or seen as being too risky to access commercial investments offered by mainstream

financial institutions. The concept of the “missing middle” highlights that in many developing countries the private sector is split into two segments: on the one hand, most businesses are small, often informal, rather than medium size, while, on the other hand, there are some very large enterprises. This leaves a wide gap in the financing-for-development architecture of projects that can transform local communities but need much more technical assistance and project preparation support as well as financing to get off the ground.

SMEs can be especially important drivers of economic growth, innovation, and job creation, including especially in countries affected by the COVID-19 and other crises. The availability of SME finance is positively associated with the number of start-ups—an important indicator of entrepreneurship—as well as with business dynamism and innovation. Moreover, SME finance allows existing firms to exploit growth and investment opportunities. Ripe investment opportunities with development impact exist even in complex operating environments, but they remain unexploited due to the lack of risk capital and long-term financial support.

### **Project finance, infrastructure, domestic financial sector**

Recovery from the COVID-19 pandemic will require investment in new value chains and jobs. Transformation of least developed countries requires investment in productive capacity. The least developed countries themselves have stressed this point continually and look to UNCDF to support them in the design and implementation of financial mechanisms that can drive their infrastructure development. This includes unlocking domestic finance for transformative infrastructure projects. These investments also support the implementation of the Sustainable Development Goals and the Paris Agreement. UNCDF has developed expertise and track record in structuring and bringing to market sustainable infrastructure projects in ways that develop the market for infrastructure finance, co-financing with domestic capital markets and the domestic financial sector in order to enable longer term sustainable transformative and green investment.

### **Municipal finance and urbanization**

The COVID-19 pandemic has demonstrated the critical importance of local governments and the local economy to our lives. Most of the world’s Least Developed Countries are urbanizing rapidly and Africa is becoming an urban continent. In many parts of the world the population has reached a stable level of 80% urbanization. This urbanization process has coincided with poverty reduction because it has been accompanied by high levels of public and private investment. Unfortunately, in Africa and parts of Asia the current urbanization is not coinciding with a sufficient level of investment which is resulting in rapidly growing towns and cities that are locking in environmental unsustainability and joblessness which is fueling migration. UNCDF has a 25-year experience in local government finance and local economic development finance and works with Least Developed Countries to design and establish systems for financing local development and municipal growth. This includes the inception of a third-party managed fund – the International Municipal Development Fund.

### **Addressing the financing gap for the SDGs**

The United Nations (UN) has estimated that the financing gap to achieve the SDGs in developing countries to be US\$2.5-3 trillion per year.<sup>1</sup> However, available finance is not channeled towards sustainable development at the scale and speed required to achieve the SDGs and goals of the Paris Agreement. The UN Secretary-General, in his remarks to the High-level Dialogue on Financing for Development in September 2019, stated: “We are not on track to achieve the Goals. We are not mobilizing anywhere near the financing we need, public or private.” Addressing

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<sup>1</sup> UNCTAD (2014). World Investment Report.

such financing gaps will require international cooperation to change the international financing system and innovations in mobilizing domestic resources for financing the SDGs.

Traditional funding sources (whether it is national budgets, official development assistance, bilateral aid, or multilateral aid) provide essential but, ultimately, insufficient sources of support for this new development agenda. Hence, there is a financing imperative to pilot and adopt innovative fundraising approaches and instruments to finance the SDGs. In the US alone, it is estimated that over US\$420 billion a year is given to charities and non-profit organizations. In line with the digital transformation, online and mobile giving has seen strong and steady growth with 2018 representing the largest share of global fundraising from online giving.<sup>2</sup> Cooperation with innovative financing and fundraising organizations is necessary to address the financing gap for the SDGs and leverage innovations and digital transformations in charitable giving, new channels of fundraising and ensuring sustainable domestic resource mobilization from the digital economy.

### **Forming a win-win partnership**

By bringing expertise from the US-based private and non-profit sectors and a UN organization with a capital mandate focused on reducing poverty and inequality, the proposed partnership is intended to pave the way for low- and middle-income countries to fully participate in and benefit from innovative financing solutions to build back better from the COVID-19 crisis and advance the SDGs. This partnership aims to facilitate the private sector's full engagement in the recovery phase of COVID-19 as well as in the new development frontiers and opportunities that these countries offer.

A partnership agreement in the form of a fiduciary agreement is expected to be signed between UNCDF and the selected institution and will be managed by UNCDF Headquarters and governed by UNDP rules, policies, and procedures. The expected duration of the initial agreement is 3 years with the possibility of extension into a long-term agreement if mutually agreed by both parties.

## **III. SCOPE OF THE PARTNERSHIP**

### **Scope and objectives**

The objective of the assignment is to facilitate charitable financial contributions from the private sector, including corporations, foundations, donor-advised funds (DAF), charitable trusts, and high-net-worth individuals to UNCDF and the partner's work in financing the SDGs. The grant-making services should cover, at a minimum, the USA, but could be eventually expanded to other countries.

Although this may change depending on the information received from the expression of interest, the indicative list of the main forms of collaboration that are expected from the partner institution are:

#### **To develop joint innovative financing initiatives to accelerate the SDGs, through:**

- Establishing a dedicated joint instrument(s) to receive contributions from private contributors to support UNCDF and partners' programmes and investments.
- Providing grant-making services from private sector contributions to UNCDF and the partner, including the Internal Revenue Service (IRS) tax recognition to contributors covering those donations drawn from US

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<sup>2</sup> Blackbaud Institute (2019). Charitable Giving Report

contributors following US tax law.

- Conducting due diligence, including reputational risk assessment of prospective donor partners (e.g. corporates, foundations, and high net worth individuals) making financial contributions toward UNCDF and the partner's programmes and investments in line with UNDP's due diligence policy.
- Proposing joint fundraising outreach strategies for suitable public and private sector entities.
- Providing the necessary reports to contributors on funds received in line with donor requirements, including annual narrative and financial reports.
- Proposing any additional innovative fundraising and SDG financing initiatives, or instruments, that are deemed relevant within the scope of this partnership.

In response, UNCDF will bring the following contributions to the partnership:

**Contribute to the global push to accelerate the SDG financing agenda:**

- Contribution to the acceleration of the Global Goals (SDGs) through SME and localized investments in the frontier markets.
- Joint testing of innovative and tailor-made fundraising and financing solutions for the joint fund (e.g. DAF, charitable IRA rollovers, challenge calls, incubators).
- Association with the United Nations and the SDGs through UNCDF.
- Engagement with a global community of institutional partners and donors.

**LDC Market Intelligence and Field expertise and networks:**

- Market intelligence and knowledge of new frontier markets through identification and deployment of SDG-positive investments at the country level.
- Collaboration with a dedicated professional team with expertise in project finance, municipal finance, SME finance, and digital finance focusing on the SDGs and the social and economic transformation of LDCs.
- Connection with public and private decision-makers in the frontier markets.
- Expand the network of donors and stakeholders to a joint fund focusing on SMEs.

Please note that this scope of the partnership is indicative and is only to enable interested institutions to glean a picture of the nature of the partnership as perceived by UNCDF. The scope will be improved after receiving information from the market.

**Audience and conditions of participation**

Prospective participants in this REOI process should be parties interested in building a successful and meaningful partnership with UNCDF focused on actively promoting innovative financing for development. Every interested party contacting UNCDF shall provide a short profile of their entity and develop their rationale for participating in this process and explain why it is a good fit with UNCDF.

In this regard, the audience and active contributors to this consultation shall meet the following minimum qualifications:

- A mission and vision aligned with sustainable development and contributing to the achievement of the SDGs.
- Minimum five-year of existence.
- Properly registered as a 501(c)(3) non-profit organization in good standing with the state or obtained fiscal sponsorship with a 501(c)(3) non-profit organization.
- A dedicated interest and focus on SME incubation and acceleration especially in the emerging and frontier

economies.

#### IV. REQUESTED INFORMATION

UNCDF invites interested institutions to provide the information required below by responding to the items listed in the below matrix. Institutions may provide any relevant information beyond the parameters of the matrix.

##### 1. Legal certification (Obligatory)

#	Requested Information	Supporting Documents and Notes
1.1	Registration Status and Category	Please provide evidence of your organization's registration status and category, e.g. Certificate of Incorporation, Articles of Association, etc.
1.2	Authorization to provide grant-making services in the United States	Please provide evidence of your organization's authorization for providing grant-making services in the US
1.3	Authorization to receive tax-deductible contributions	Please provide evidence of your organization's authorization to receive tax-exempt contributions from corporations, foundations, charitable trusts, DAF, high net worth individuals and others under the USA IRS Tax Code Section 501(c)(3) or any other relevant authorization
1.4	Authorization to receive contributions on behalf of another organization such as UNCDF	Please provide evidence of your organization's authorization to receive tax-exempt contributions on behalf of another organization such as UNCDF under the USA IRS Tax Code Section 501(c)(3) or any other relevant authorization

##### 2. Financial accounts (Obligatory)

#	Requested Information	Supporting Documents and Notes
2.1	Demonstrate stable financial standing	Please submit your organization's adopted annual accounts for the most recent years to demonstrate that you have a stable financial basis
2.2	Demonstrate sound financial management practices	To demonstrate sound financial management, please submit your organization's audits from the three most recent years.
2.3	Experience in raising contributions from private donations	Please indicate your organization's average annual turnover in terms of raised contributions in areas relevant to the SDGs

##### 3. Relevant experience for the partnership

#	Requested Information	Supporting Documents and Notes
3.1	Expertise of SME development	Please indicate your organization's knowledge and track record in supporting SME development and growth, as well as access to finance through market-based approaches. Explain how a joint fund with UNCDF could be managed based on the assumption that an annual amount of US\$ 5-10 million has been collected from the

		market by your organization and you are required to perform activities reflected in the scope of work above.
3.2	Knowledge of fundraising	Please describe your organization's fundraising strategy, approaches, timelines, milestones and the extent to which targets were met on past or existing funds or other financing instruments. Please additionally describe any challenges faced in the past, challenges overcome, and other relevant information related to fundraising activities
3.3	Knowledge and experience in fiduciary fund management	Please demonstrate your organization's knowledge and experience in fiduciary fund establishment and management
3.4	Experience in due diligence and risk assessment	Please indicate your organization's experience in conducting due diligence and reputational risk assessment for corporations, foundations, DAF, charitable trusts, and high net worth individuals
3.5	Any other relevant information and experience	Please provide any other relevant information and supporting documents, including information on whether your organization is eligible to receive contributions from countries other than the USA.

All documents and certificates submitted must not be older than six months.

## V. TIMEFRAME AND SUBMISSION DETAILS

### Timeframe (tentative)

Deadline for submitting questions	17 February 2021
Deadline for submitting an expression of interest	3 March 2021
Assessment and ranking of the expression of interest	17 March 2021
Interviews with the top candidates and evaluation	7 April 2021
Offer letter for the successful candidate	30 April 2021

### Question and Answers regarding the REOI

During the selection process, UNCDF is not permitted to discuss documentation, proposals, evaluation, or other such matters with potential partners in a manner that favors or disfavors any of the partners. Questions regarding the attached documents must be directed to UNCDF at [consultation501c3@uncdf.org](mailto:consultation501c3@uncdf.org) no later than 17 February 2021. A compilation of relevant questions and answers will be published on UNCDF's website. Each potential partner must ensure that it reads the answers to the questions, together with any other information, which may be published on the above-mentioned website.

### Submission details

- The expression of interest must be submitted electronically with all attached documents through UNCDF's e-investment platform: <https://apply.uncdf.org/prog/eoi501c3/>
- The response and all documentation appended must be in English and contain the information indicated in this expression of interest to be considered for evaluation.
- All information submitted to UNCDF for the expression of interest will be treated as confidential.

## VI. EVALUATION CRITERIA

Initially, an examination will be made of the obligatory requirements and information (see section IV. Requested Information). Parties who satisfy the requirements and are deemed to be qualified will have their expression of interest evaluated.

The first step in the evaluation will be to evaluate answers to the information responding to items 3.1 – 3.4 as listed in section IV. The maximum score is 100 and the division of points are as follows:

3.1	3.2	3.3	3.4
Max 40 points	Max 30 points	Max 15 points	Max 15 points

Evaluation of items will be based on the below criteria:

- Item 3.1: assess the feasibility of the partnership model and its effectiveness and efficiency.
- Item 3.2: assess creativity, effectiveness, and knowledge of the field and its relevance to UNCDF.
- Item 3.3: assess the depth of experience and policies to ensure fiduciary fund management.
- Item 3.4: assess the relevance and effectiveness of experience and policies on due diligence and risk management.

Based on the results of the evaluation of submitted information, the top candidates will be called to an interview. The final criteria for assessing the interviewees will be set and communicated to the selected parties before the interviews. The interview will focus on the interested partner's offering to the partnership and answer questions from the interested party on UNCDF's offering.

After the interview, an offer to partner with UNCDF will be sent to the selected party.

It is important to emphasize that this is not a tender or procurement process. In this process, UNCDF is not buying a service, or offering to sell a service, in a traditional manner. In this process, the expected outcome is a partnership agreement, with mutually agreed parameters for the cooperation, and where the responsibility for success should be equally distributed between the two parties.

## VII. ABOUT UNCDF

The UN Capital Development Fund makes public and private finance work for the poor in the world's 46 least developed countries (LDCs).

UNCDF offers "last mile" finance models that unlock public and private resources, especially at the domestic level, to reduce poverty and support local economic development.

UNCDF's financing models work through three channels: (1) inclusive digital economies, which connects individuals, households, and small businesses with financial eco-systems that catalyze participation in the local economy, and provide tools to climb out of poverty and manage financial lives; (2) local development finance, which capacitates localities through fiscal decentralization, innovative municipal finance, and structured project finance to drive local economic expansion and sustainable development; and (3) investment finance, which provides catalytic financial structuring, de-risking, and capital deployment to drive SDG impact and domestic resource mobilization.

More information can be found at [www.uncdf.org](http://www.uncdf.org).

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