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Unlocking Public and Private Finance for the Poor

GETTING TO THE LAST MILE IN LEAST DEVELOPED COUNTRIES

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FOREWORD

The Istanbul Programme of Action seeks to ensure that the tremendous human and natural resource potential of the Least Developed Countries is realized. It lays out a plan to enable half of the LDCs to meet the criteria for graduation by 2020. It represents the commitments of LDCs, "which have primary responsibility for their own development", and their development partners to a renewed global partnership. More recently, the 2030 Agenda commits to leaving no one behind, and to meeting the Sustainable Development Goals (SDGs) for all nations and all peoples and segments of society.

As a result, LDCs are now seeking to achieve structural transformation and achieve the SDGs and their targets. This calls not just for building on what has worked in the past, but for new approaches that explicitly target and prioritize the "last mile" – not only the poorest of the poor, but also the people, places and small enterprise levels that are under-served and excluded, where development needs are greatest, and where resources are most scarce.

In order to reach the last mile and permanently improve people's lives, it is important to capture and share lessons about the practical and evidence-based solutions which work. With that in mind, UNCDF and UNDP have prepared this joint booklet for the midterm review of the Istanbul Programme of Action. It presents an analysis of the structural, financial, political and social drivers of inequality and exclusion that exist in the last mile. The booklet stresses the importance of building long-term resilience, recognizing that in a world of risks, development gains can be fragile if not built for sustainability. And it highlights through six detailed case studies, how these challenges can be overcome through innovative approaches that expand access to social protection, promote inclusion, and build sustainable models that make finance work for the poor by unlocking public and private finance at the sub-national, peri-urban and rural levels. It concludes by putting forward eight recommendations as part of a "Last Mile Action Agenda."

Over the last fifteen years, many LDCs overall have made impressive progress in lifting people out of poverty and in advancing human development. The challenge now is to innovate, scale up and replicate those solutions that empower "last mile" communities and households at risk of being left behind to benefit fully from, and actively contribute to, their countries' sustainable development. Making that happen is essential in order to translate the vision of the 2030 Agenda into a better tomorrow for millions of people.

Looking ahead, UNCDF and UNDP are fully committed to ensuring that development processes, resource allocations, and opportunities shift in favour of the last mile, and to supporting LDCs in achieving their graduation and development goals. We hope this booklet sparks a robust debate and generates even greater commitment to reach the last mile in LDCs from the earliest stages of SDG implementation.

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ABOUT THE UNITED NATIONS CAPITAL DEVELOPMENT FUND — UNCDF

UNCDF is the UN's capital investment agency for the world's 48 least developed countries. With its capital mandate and instruments, 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 two channels: financial inclusion that expands the opportunities for individuals, households, and small businesses to participate in the local economy, providing them with the tools they need to climb out of poverty and manage their financial lives; and by showing how localized investments — through fiscal decentralization, innovative municipal finance, and structured project finance — can drive public and private funding that underpins local economic expansion and sustainable development. By strengthening how finance works for poor people at the household, small enterprise, and local infrastructure levels, UNCDF contributes to SDG 1 on eradicating poverty and SDG 17 on the means of implementation. By identifying those market segments where innovative financing models can have transformational impact in helping to reach the last mile and address exclusion and inequalities of access, UNCDF contributes to a number of different SDGs.

ABOUT THE UNITED NATIONS DEVELOPMENT PROGRAMME — UNDP

UNDP works in some 170 countries and territories, helping to achieve the eradication of poverty, and the reduction of inequalities and exclusion. UNDP helps countries to develop policies, leadership skills, partnering abilities, institutional capabilities and build resilience in order to sustain development results. Inclusive growth, better services, environmental sustainability, good governance, and security are fundamental to development progress. UNDP offers the expertise in development thinking and practice, and decades of experience at country level, to support countries to meet their development aspirations and to bring the voices of the world's peoples into deliberations. Nowadays, UNDP is continuing its work to support to the 2030 Agenda for Sustainable Development for the next fifteen years.

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AN INTRODUCTION TO THE LAST MILE

As we embark on this great collective journey, we pledge that no one will be left behind. Recognizing that the dignity of the human person is fundamental, we wish to see the Goals and targets met for all nations and peoples and for all segments of society. And we will endeavour to reach the furthest behind first. (The 2030 Agenda for Sustainable Development, Declaration, paragraph 4)

Chapter 1

CONTEXT

The 2030 Agenda for Sustainable Development is an action plan for "people, planet and prosperity." It articulated 17 Sustainable Development Goals (SDGs) that are integrated and balance the three dimensions of sustainable development: the economic, social and environmental. As part of this, the 2030 Agenda also calls for leaving no one behind and for seeing the SDGs and targets "met for all nations and peoples and for all segments of society."

The 2030 Agenda also adds to commitments in the Istanbul Programme of Action aims to overcome the structural challenges faced by the Least Developed Countries in order to eradicate poverty, achieve internationally agreed development goals, and enable graduation from the LDC category.

For LDCs to achieve structural transformation and achieve the SDGs, we cannot extrapolate from what worked in the MDGs. We need new approaches that target and prioritize the last mile – and this includes the poorest of the poor, but also the household, sub-national, and small enterprise levels that are under-served and excluded, where development needs are greatest, and where resources are most scarce.

Indeed, the SDGs raise the level of ambition of the MDG era. Whereas the MDGs were concerned, for example, with halving poverty, the SDGs are concerned with eradicating poverty. Looking back over the last fifteen years, global poverty was indeed more than halved, in no small part through large reductions in poverty in rapidly growing populous countries. At the same time, exclusions and inequalities have meant that some countries and significant segments of populations have not benefited from the development process and face many obstacles to a better life and livelihood that decades of development have failed to overcome. services, or finance; they may be members of a disadvantaged group, be particularly vulnerable to effects of disaster or crisis and lack adequate coping mechanisms, or live in remote areas where economic growth is unlikely to have strong linkages to job creation⁴. Therefore, growth needs to be made more inclusive and relevant to the lives of poor households and communities, and programmes and strategies need to address remaining structural barriers to inclusion in the benefits of growth.

A focus on getting to the last mile is one way of meeting this aspiration to "leave no one behind". With that in mind, this paper presents different lenses for understanding who is being left behind and why, by examining some of the structural, financial, political and social drivers of exclusions and inequalities facing poor people and places in the world's 48 Least Developed Countries (LDCs). It stresses the importance of building long-term resilience, recognizing that in a world of risks, development gains can be unwound. And it highlights through selected case studies – how these challenges can be overcome so that no one is left behind. It concludes by putting forward eight recommendations as part of a "Last Mile Action Agenda."

WHAT DO WE MEAN BY THE LAST MILE?

By the last mile we are referring not only to the poorest of the poor, but also to the people, places and small enterprise levels that are under-served and excluded, where development needs are greatest, and where resources are most scarce. According to the 2014 Human Development Report, people in most countries have been doing steadily better in human development. Advances in technology, education and incomes hold ever-greater promise for longer, healthier, more secure lives. However, there is also a widespread sense of instability⁵. Moreover, millions of people are not benefiting from the fruits of development,

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