United Nations Capital Development Fund

LDC Fund to Develop Savings-led Market Leaders for Inclusive Finance (2008 -2013)

"The stark reality is that most poor people in the world still lack access to sustainable financial services, whether it is savings, credit or insurance. The great challenge before us is to address the constraints that exclude people from full participation in the financial sector… Together, we can and must build inclusive financial sectors that help people improve their lives." UN Secretary General Kofi Annan, 29 December 2003 Announcing 2005 as the International Year for Microcredit

Executive Summary

A growing global trend is that strong national financial service providers (FSPs) are showing an increasing willingness to expand their operations regionally and globally to other countries. Based on proven business models these market leaders can rapidly scale-up their own operations offering a variety of products and services while accelerating the pace of sector development. However to date, many of the strong FSPs are focusing their expansion on non-LDC large market countries. UNCDF has significant experience from the successful global MicroStart programme in facilitating concrete examples of South-South collaboration and strong relations with LDC policy-makers (Central Banks) through its sector programmes. UNCDF also has experience from its support to MicroSave in developing savings-based market leaders. UNCDF will utilize this programme to induce financial service providers with proven track records to consider expanding their operations to include LDCs, leveraging UNCDF's funds and yielding significant outreach. This LDC Fund to Develop Savings-led Market Leaders for Inclusive Finance will complement UNCDF's sector development programmes, UNCDF's primary tool for building inclusive financial sectors at country level. UNCDF's sector development programmes focus on removing constraints at policy, meso and retail levels for all FSPs, including those receiving funding from this programme. This LDC Fund for Inclusive Finance will provide an opportunity to support the entry of proven market leaders with proven savings-led business models. The programme will start with an initial test phase, and then launch a targeted request for applications once at least US$10 Million has been secured. Up to ten (10) FSPs would be supported with a combination of grants/loans during the programme. These grants/loans would be tranched over the period 2008-2013. From a baseline of zero (0), the LDC fund would target to add 525,000 active clients by the end of 2013 through a combination of grants and loans to ten (10) Financial Service Providers (FSPs). UNCDF will incorporate the lessons learned and prepare during 2009-2010 a programme to scale-up the programme in subsequent years as needed.

The programme will also have a second window focused on early support to post-conflict countries. By encouraging the entry of good practice FSPs as soon as key conditions are met, post-conflict countries will be able to launch a range of FSPs based on good-practices, leading to an earlier scaling-up of sustainable outreach and an inclusive financial sector. This will help to avoid the post-conflict vacuum being filled by unsustainable practices that have wasted funds and undermined market development in some post-conflict countries.

United Nations Capital Development Fund

Programme Support Document

PROJECT TITLE: LDC Fund to Develop Savings-led Market Leaders for Inclusive Finance (2008 -2013)

Source Of Fund (SOF): UNCDF, Governments, and others

ESTIMATED START DATE: June 2008

ESTIMATED END DATE: December 2013

STATEGIC AREAS OF SUPPORT: Development of An Inclusive Financial Sector

MANAGEMENT ARRANGEMENT: UNCDF Execution

Programme Financing

Total: US$ 26,011,272

UNCDF: US$ 6,559,875
(Including AOS)
To be mobilized: $19,561,845

UNITED NATIONS IMPLEMENTING AGENCY: UNCDF Financial Inclusion Practice Area

UNCDF: ______________________ 17 oct 08
David Morrison
Executive Secretary
Date

Government: ______________________ ______________
Date

Government: ______________________ ______________
Date

Government: ______________________ ______________
Date

PART I.
A. Situation Analysis

A.1 Global Context

World leaders have pledged to "make poverty history." The Millennium Development Goals (MDGs) set globally-adopted targets for reducing extreme poverty by half by 2015. For over two billion people in the world who live on less than $2 per day,[1] access to financial products and services can directly provide the tools to protect, diversify and increase their sources of income and to make their own economic decisions for the path out of poverty. The level of outreach by the financial sector also correlates strongly with the level of financial, institutional and infrastructure development across countries. Studies have shown that better access to finance not only increases economic growth, but also helps fight poverty, and reduces income gaps between rich and poor people.[2]

Access to financial services underpins the ability of the poor and low-income people to achieve the MDGs on their own terms in a sustainable way. Financial services enable the poor to increase and diversify incomes, build human, social and economic assets, and to move from everyday survival to planning for the future: they invest in better nutrition, housing, health, and education. Microfinance often specifically targets women. Financial services to poor women provide a direct, positive impact on their families, as a majority of the additional income earned is invested in family health, education and nutrition. Numerous impact studies document that the ability to borrow, save, and earn income enhances poor women's confidence, enabling them to better confront systemic gender inequities[3].

When savings accounts in financial institutions serving the poor outnumber microloan accounts seven to one, one thing is certain: microfinance clients want savings services. The problem is, deposit-taking financial institutions don't always have the ability or incentive to provide them.[4]

Building broad and deep financial sectors that promote access to finance is a practical development strategy and approach that should be implemented to achieve the MDGs. The critical importance of microfinance to achieving the MDGs was highlighted at the 2005 World Summit, as well as in the endorsement by the Summit of the Monterrey Consensus of the International Conference on Financing for Development. The Monterrey Consensus underscored the contribution that a range of financial institutions can make in providing financial services to enterprise development and calls for public and private actors to work collaboratively to provide access to all. The final declaration of the Monterrey Consensus put particular emphasis on strengthening domestic financial sectors to include underserved markets, such as rural areas and

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[1] World Bank data (2004a) estimates that 2.8 billion people in the world live on less than $2/day. [data used in the MDG indicators]

[2] See Finance for All? Policies and Pitfalls in Expanding Access, World Bank, 2007, http://www.worldbank.org/financeforall and Beck, Thorsten, Asli Demirguc-Kunt & Maria Soledad Martinez Peria, "Reaching out: Access to and use of banking services across countries," World Bank, September 2005.

[3] The G8 and CGAP endorsed 11 key principles of microfinance: Key principle 2. www.cgap.org/keyprinciples.html. See also CGAP Donor Brief No. 9, December 2002: Microfinance and the Millennium Development Goals.

[4] Portfolio 12/2007 »SAVINGS Available online at http://cgap.org/portal/site/portfolio/Dec2007/ Savings for Poor People: *Good for clients, good for business?*

women. “This is not about transferring money from north to south, or about creating a new asset class. This is about developing local financial markets that serve the majority of their citizens, developing intermediation capacity between savers and borrowers and not just transferring money for loan portfolios,” …(M)ost poor households are net savers seeking convenient and safe deposits, which can ultimately fund microcredit activities”.[5] “The endgame, of course, is for microfinance to principally fund itself--as most retail banks do--through local deposits. Local funding is more stable and carries no foreign-currency risk. Moreover, secure deposit services are highly valued by poor people, some say far more than loans” .[6]

Despite positive developments in the area of financial inclusion during the past ten years, many poor and low-income people and micro and small enterprises still lack access to a broad range of financial products and services on a sustainable basis. Currently, over 3 billion people around the world live without access to financial services.[7]

There is broad consensus that the key bottleneck to access to finance is the lack of strong institutions providing a broad range of financial services, especially savings, to serve large numbers of people on a sustainable basis. Other key bottlenecks include:

- Limited engagement of the private sector in expanding access to financial services and developing new financial products and services that serve poor and low-income people and micro and small enterprises.
- Lack of appropriate financial services infrastructure to support financial transactions and increased access to financial products at retail level;
- Lack of enabling policy, legal, and regulatory environments to facilitate and remove constraints to greater access;
- Lack of vision and commitment by policymakers to include the development of inclusive financial sectors as part of their development agenda;[8]

In addition, specific barriers exist to expansion of savings services. Even regulated financial institutions in many markets see several real and perceived challenges in delivering deposit services to poor people. For many financial institutions, the biggest barrier to providing savings targeted to lower income clients may be perceived or real cost. CGAP has conducted activity-based costing (ABC) exercises with five financial institutions that found that both small and large institutions can offer savings services, even to small savers, and still be profitable overall. In some institutions, small accounts were not profitable per se but were cross-subsidized with larger accounts. Also, the use of efficient delivery models and broad outreach can decrease the negative impact of the greater expense associated with small balance savings accounts[9].

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[5] The Big Business of Small Loans. Emerging Markets. http://cgap.org/press/press_coverage81.pdf

[6] Elizabeth Littlefield, CEO CGAP as quoted in “The Changing Face Of Microfinance Funding”, 20 December, 2007, © Copyright 2007, FORBES.com, All Rights Reserved. http://cgap.org/press/press_coverage83.php

[7] Estimates by CGAP

[8] UNCDF & UNDESA, *Blue Book on Building Inclusive Financial Sectors for Development*, May 2006 and CGAP, *Access for All: Building Inclusive Financial Systems*, 2006.

[9] See Safe and Accessible: Bringing Poor Savers into the Formal Financial System, CGAP Focus Note 37, September 2006, http://www.cgap.org/portal/binary/com.epicentric.contentmanagement.servlet.ContentDeliveryServlet/Documents/FocusNote_37.pdf; The True Cost of Deposit Mobilization, Deposit Costing Project, Draft Report, December 2007

Post-Conflict Microfinance:

Expert opinion once stated that microfinance is appropriate only in politically and economically stable environments. Events since the early 1990s have brought about sudden changes in the political and economic systems of entire regions. In some regions, conflict appears to be endemic, with periods of stability punctuated by violence. In others, political and economic stability is altogether elusive. It seems the world has entered a new era of prolonged conflict during which the microfinance community is being called on more frequently to provide economic development opportunities.[10]

Global experience has demonstrated that microfinance can be implemented successfully in post-conflict environments.[11] Required environmental conditions are remarkably few.[12] Only three environmental conditions appear to be so important that –without them—microfinance should not be undertaken. These essential conditions include 1] political stability, 2] sufficient economic activity that can use credit services; and 3] client population must be relatively stable. In addition to these essential conditions, there are three preferred conditions that are not absolutely necessary, but can facilitate microfinance activities. These three preferred conditions are 4] functioning commercial banks; 5] social capital or trust; and 6] macroeconomic stability (See Annex 2 for a fuller discussion of these conditions).

A.2. Definition of Inclusive Financial Sectors

In most developing countries, financial services are only available to a minority of the population. The majority has no savings accounts, do not receive credit from formal financial institutions and has no insurance policies. They seldom make or receive payments through financial institutions.

An inclusive financial sector is defined as a financial sector that offers a range of financial services to the entire active population of a country. An inclusive financial sector is characterized by[13]:

i) Access by all bankable households including the poor and low-income households and micro/small enterprises to a full range of financial services at a reasonable cost,

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[10] Tillman Bruett, "Conflict and Post-Conflict Environments: Ten Short Lessons to Make Microfinance Work," SEEP Progress Note No. 5 (Washington, DC: SEEP, September 2004), www.seepnetwork.org/content/library, and Supporting Microfinance In Conflict-Affected Areas, CGAP Donor Brief No. 21, December 2004.

[11] See microNOTE #24 Early and Broad Sectoral Interventions for Rapid Microfinance Development: Evidence from West Africa, Tim Nourse , with edits by Geetha Nagarajan and Sherry Sposeep, USAID, .http://www.microlinks.org/file_download.php/mN+24+MF+Sector+Dvmt.pdf?URL_ID=13085&filename=11594522351mN_24_MF_Sector_Dvmt.pdf&filetype=application%2Fpdf&filesize=156396&name=mN+24+MF+Sector+Dvmt.pdf&location=user-S/

[12] See the Microenterprise Best Practice series on Microfinance Following Conflict, in particular Brief No.4, "Environmental Preconditions for Successful Post-Conflict Microfinance". Dave Larson et al, ed., (Bethesda, Maryland: Development Alternatives, Inc./Microenterprise Best Practices, 2001), www.microlinks.org.

[13] See "Building Inclusive Financial Sectors for Development" (2006) the 'Blue Book' UNCDF and UNDESA, http://www.uncdf.org/english/microfinance/pubs/bluebook/

including savings, short and long-term credit, mortgages, insurance, pensions, payments, local money transfers, international remittances, leasing and factoring;

ii) Soundness of institutions, which is maintained through self-regulation and standard setting, performance monitoring by stakeholders and, where required, sound prudential regulation;

iii) Financial and institutional sustainability ensuring the ability of FSPs to continue to provide access by customers to financial services over time; and

iv) Multiple providers of financial services, wherever feasible, to bring cost-effective alternatives to customers, including sound private, non-profit and public providers.

To realize the vision of financial inclusion, financial services for poor and low-income people and micro and small enterprises should be seen as an important and integral component of the financial sector. This sector should include a continuum of financial institutions, each with its own comparative advantages, and each presenting the market with an emerging business opportunity.

UNCDF is well positioned to support building inclusive financial sectors in Least Developed Countries due to its core competencies and comparative advantages (see Annex 1 for a full description). UNCDF continually evaluates these strengths and will exit areas of work when these comparative advantages no longer apply.

A.3 Prior, Ongoing and Planned UNCDF Assistance to Building Inclusive Financial Sectors

UNCDF's Sector Development Approach

UNCDF has an established track record in building retail capacity of Financial Service Providers (FSPs) and in facilitating South - South collaboration through the global MicroStart Programme. The CGAP review of UNDP's microfinance portfolio[14] confirmed that the UNCDF designed and managed MicroStart model was a very successful model both relative to other donors' support to microfinance and even more so within UNDP's portfolio. The MicroStart programme succeeded in launching a 'next generation' of FSPs several becoming 'breakthrough MFIs' that became market leaders in their own country, and globally. Annex 7a provides a list of some of the leading breakthroughs, with key performance indicators during the period of MicroStart assistance up to current performance. The annex (7b) also provides reference to external evaluations that capture the nature of MicroStart's contribution. Through its role as a co-founder of MicroSave[15], UNCDF also has a track record of assisting Financial Service Providers (FSPs)

[14] **REVIEW OF UNDP MICROFINANCE PORTFOLIO,** *5 April 2005,* **Richard Rosenberg, Consultative Group to Assist the Poor (CGAP),** **http://www.cgap.org/portal/binary/com.epicentric.contentmanagement.servlet.ContentDeliveryServlet/Documents/UNDP_MFProjEvaluation.pdf**

[15] See http://www.microsave.org/ UNCDF, through its technical support to UNDP Africa, established the initial design and funding ($1 million) for MicroSave Africa.

to develop appropriate savings products and scale them up.   UNCDF will seek to engage MicroSave as a partner in this programme in line with MicroSave's current areas of focus.

Based on recent trends in microfinance, UNCDF made a strategic shift in December 2002 to concentrate its programmes on building inclusive financial sectors. This remains UNCDF's primary tool for building inclusive financial sectors at country level. The principles[16] of MicroStart have been mainstreamed into UNCDF's investments at retail level within the sector development approach.   As a learning organization, UNCDF continues to update and refine its approach based on lessons learned, evaluation results, and best practices in the field.   Sector development programmes are designed to seize untapped opportunities, and to address the constraints at policy, meso or retail level that keep a financial sector exclusive in order to make it more inclusive. UNCDF will incorporate its experience in removing constraints to building inclusive financial sectors to facilitate the entry and expansion of leading FSPs under this programme.

UNCDF is on track from its sector development approach to achieve the targets of its business plan[17] in relation to number of LDCs (25 by 2011) with national strategies and number of FSPs supported by 2011.   UNCDF currently has seven (7) active sector development programmes in three (3) post-conflict countries, and has recently approved seven (7) additional post-conflict programmes. The experience is that these sector wide approaches can take one to two years before the investment committee disburses its first funds, highlighting the need for an interim, rapid disbursement mechanism until the sector development programme is fully operational.

This LDC Fund for Developing Market Leaders for Inclusive Finance will complement UNCDF's sector development programmes by providing UNCDF with a means to partner with the leading FSPs in the world, many of which are based in LDCs, and significantly augment the number of active clients being served in the LDCs.   The window focused on post-conflict settings will provide UNCDF with a means to rapidly 'jump start' the sector. The addition of these 'tools in the UNCDF toolkit' will provide UNCDF with greater flexibility to use a range of instruments based on the needs of the particular situation.

B. Strategy

The programme will have two windows to build market leaders in the LDCs: a] the first for Leading FSPs expanding to LDCs; and b] the second to support a range of best practice FSPs working in post-conflict settings.   The key difference is that only a targeted group of leading FSPs (see Annex 6) would be invited to prepare applications to expand to any LDC.   Because of the importance of establishing a critical mass of good practice FSPs early in post-conflict

[16] See UNDP's Microfinance Policy where these principles were also mainstreamed: http://www.uncdf.org/english/microfinance/undp_policy.php

[17] UNCDF business plan 2005-2007* Investing in the LDCs to achieve the Millennium Development Goals, DP/2005/22, 2 May 2005, paragraph 35. http://www.undp.org/execbrd/word/dp05-22.doc and http://www.undp.org/execbrd/word/dp07-34.doc

settings, this window would be open to any FSP with demonstrated best practice capacity verified from MIX Market data[18].

B.1 Programme Strategy: Institutional Investments

a) Encouraging the Expansion of Leading FSPs to the LDCs:

UNCDF's investment policy allows for direct investments (grants, loans) to individual Financial Service Providers (FSPs). As noted, these institutional investments are a complementary tool to UNCDF's sector programmes: they are useful for facilitating new entrants into underserved markets and bring global best practice experience to the national dialogue. In many of the LDCs where UNCDF is supporting sector programmes, few FSPs have reached significant scale or profitability in extending credit and savings services. International experience shows that the emergence of market leaders that have developed products and services tailored to the local market, and demonstrate commercial viability and substantial scale is essential for a rapid expansion of the microfinance sector. These leaders function as role models for peers and encourage new entrants and competition by having demonstrated that customers at the lower end of the market are bankable.

A growing global trend is that strong national providers are expanding regionally to other countries. Based on proven business models they can rapidly scale-up their own operations offering a variety of products and services while accelerating the pace of sector development. For example, after starting operations in Afghanistan in 2002, by end 2005 BRAC Afghanistan has achieved 109,469 active clients in nineteen (19) provinces with 3.87% portfolio at risk (30 days). BRAC's ability to expand has been significantly assisted by MISFA[19], the Afghanistan apex facility, pointing to the importance of linking start-ups to local sources of funding as early as possible. BRAC's greenfielding experience in Afghanistan has had an overall positive effect on the sector as a whole. While initially BRAC was responsible for more that 80% of the total outreach, at present this is closer to 50% and its share is still declining though BRAC's outreach continues to grow. Even as BRAC has continued to scale-up its operations, its demonstration effect has contributed to a competitive environment and healthy microfinance sector. Other MFIs have been challenged by BRAC's appetite for growth to substantially increase their original growth plans. Since inception in 2003, the overall sector has made significant progress. There are now 15 microfinance institutions (MFIs), with over 249 branches in 23 provinces, serving more than 410,000 clients, adding 10,000 to 15,000 clients per month since 2003. Seventy percent of the clients are women and the loan repayment rate is 95 percent. Business people financed by microfinance loans have created 600,000 jobs, equivalent to twice the number of employees in the government administration[20].

However, this type of LDC – LDC collaboration is still scarce. Many of the strong providers are focusing their expansion on non-LDC large markets. From the global MicroStart programme, UNCDF has significant experience in building bridges for South-South collaboration, facilitating

[18] http://www.themix.org/
[19] See the Microfinance Support Facility for Afghanistan, http://www.misfa.org.af/
[20] World Bank Press Release, 9 January 2008, http://www.worldbank.org/artf

the entry of strong FSPs to other countries and managing request for application processes[21]. UNCDF will utilize this mechanism to induce FSPs with proven track records to consider expanding their operations to include LDCs, leveraging UNCDF's funds and yielding significant outreach. UNCDF will be open to proposals from these pre-selected leading FSPs to either: 1] launch their own operations at retail level in an LDC; or 2] act as a technical service provider (TSP) to local financial service provider(s) that they select. The determination of which of the two approaches[22] will yield the greatest results in a particular country will be left to these leading FSPs.

If a leading Financial Service Provider wished to expand its operations to an LDC, initial research indicates that there might be several obstacles to do so. To start, many FSPs might require matching funding for a feasibility study to confirm a good fit with that market. Thus this programme will make available matching grants (up to $15,000 from UNCDF funds) to cover these costs. In addition, a survey of sources of funds listing on the MIX Market indicates that there would be several other obstacles to do so. There is no one source that provides sufficient funding to launch a Greenfield startup in an LDC, especially grant funds that are critical to covering operational losses during startup. Only three (3) of the twenty-three (23) funds provide grant funding. Moreover, only three (3) countries are covered by the largest potential source of grant funding.

In addition, there is no one source of funds, other than UNCDF, that is dedicated to LDCs. Rather, the funding for various LDCs is fragmented across the 'target countries' of various funds. Annex 5 gives an example of the country priorities and funding limits of the current existing funding sources listed in the MIX Market. Thus, a FSP would need to apply to several sources of funds and gain approval from each before it could launch its operations. This programme through its Fund for Inclusive Finance seeks to reduce those barriers to facilitate leading institutions providing services in LDCs.

Initial research indicates that there is no preset amount of funding that this facility would need to provide to facilitate expansion. The institutional form (commercial bank, NGO-MFI) that the FSP initially utilizes plays a key role. For the leading FSPs that have already become commercial banks, the same equity investors that assisted them in transformation are likely partners for funding their regional expansion. In these cases, UNCDF may only need to provide funding for training local staff, covering some initial operational losses to induce them to expand to LDCs[23].

In addition, in most of the LDCs where UNCDF works, as part of UNCDF's Sector Development Programmes, UNCDF seeks to establish local Funds for Inclusive Finance with local investment committees comprised of funders interested in supporting the sector that issue local request for applications (RFAs) and make grants/loans to FSPs. These RFAs give preference to savings led FSPs in their scoring of proposals. Once the initial entry of these leading FSPs into a new country has been achieved, to facilitate these FSPs integration into the

[21] Approximately 3/4s of the qualifying FSPs in Annex 6 are 'southern FSPs' providing a significant opportunity for South-South collaboration. The programme will fund the best proposals that would provide the greatest benefit in the LDCs, without discriminating against non-Southern FSPs.

[22] The initial "MicroStart model engaged leading FSPs to work in other countries as technical service providers (TSPs) to local young, promising MFIs. Among the preselected FSPs in Annex 6, 7 served as TSPs and 6 were 'young, promising MFIs' supported in the initial MicroStart programme.

[23] See the risk analysis log, issue 3 for a more detailed discussion of the possible under-budgetting grant funds.

local financial infrastructure, UNCDF will continue to advocate that both local, indigenous as well as these leading FSPs have access to these local Funds for Inclusive Finance to scale-up their operations after initial entry. UNCDF will actively engage in resource mobilization to ensure that all of the FSPs supported in its programming have adequate resources for their growth.

. UNCDF's initial review of this programme suggested to:

- Test demand/interest among the pre-screened FSPs for the LDC markets.
- Explore incentives required for these strong institutions beyond the Fund's (small) monetary contribution.
- Explore the constraints for these strong institutions in a given country context.
- Explore ways in which UNCDF can facilitate the removal of the constraints.

Through UNCDF's initial research to better understand FSP interest in expanding globally, the leader's of some top FSP's have already confirmed their intention to expand and expressed an interest in presenting proposals to UNCDF. UNCDF will engage in action research or 'learning by doing' and consider on a demand basis initial proposals under this programme to capture early learning from these investments. UNCDF will evaluate value for money via cost to acquire a client relative to other comparable investments UNCDF has in its existing portfolio.

When UNCDF has succeeded in securing commitments for at least US$10 million in funding for this programme, UNCDF will issue a targeted request for applications (RFA) to leading Financial Service Providers that have already demonstrated that they have a proven business model to achieve scale and profitability. Based on an initial request for applications, UNCDF would have more empirical data to inform the total programme budget required and the amount of funding that might be required for an individual Greenfield start-up.

UNCDF will invite FSPs with a proven track record to make applications based on the following criteria:

- greater than 40,000 active clients;
- profitability (+ROA);
- strong portfolio quality (PAR @ 30 days < 7.5%;
- offering both savings and credit services [more than just credit]
- engaged in financial intermediation, translating savings mobilized into loan portfolio
- audited financial statements

UNCDF will prescreen and target invitees based on MIX Market data (see Annex 6 for an indicative list of potential invitees)[24]. UNCDF would seek to encourage applications from all

[24] The MIX Market has recently launched the MIX Market 100 Top MFIs that 'seeks to present the leading***, most well rounded (emphasis added)***, high performing institutions. The criteria gives equal weight to outreach, efficiency and transparency after an initial screen for profitability. However, thirty-eight (38) of these top 100 MFIs have less than 50,000 active clients. For example, the 16th ranked MFI has only 4,917 active clients, while the 50th ranked MFI has only 1,526. Since the goal of UNCDF is to achieve the MDGs, and this requires dramatically scaling up outreach, UNCDF has chosen to give far greater weight to outreach through both savings and credit services as a selection criteria, while also including or screening for the other criteria. Since these market leaders will play a key role in driving the sector and financial intermediation, greater weight is given to outreach, especially savings services. See Annex 6 for a list of screened FSPs.

regions (Africa, South Asia, East Asia and Pacific, Arab States) where there is a concentration of LDCs. Given the concentration of LDCs in Africa, and the need to ensure both Francophone and Anglophone FSPs are included, a broader list of invitees would come from this region.

Because of the initial screening process that limits the request for applications to only FSPs with proven business models, the application process will be designed to be very light to applicants. Given the importance of facilitating market leaders who can offer both savings and credit services, explicit preference will be given to savings-led proposals. Selection criteria will be weighted to favor savings, while also focusing on:

- Results to be achieved (# of active (savings and borrowers) clients (% women), PAR @ 30 days, profitability);
- Products to be offered
- Serving underserved markets (underserved LDCs, & expansion beyond major cities)
- Funds (grants, loans) requested from UNCDF;
- Leverage of UNCDF's funds via funding from other sources
- FSP staff that would lead expansionprior experience beyond home base country

FSPs that are selected will be requested to share copies of more detailed business plans that are in line with these targets within six (6) months of acceptance of the initial application. Funding will be released in tranches based on targets from the business plan.

B. Strategy

B.1 Programme Strategy: Institutional Investments

b) Encouraging a Critical Mass of Good Practitioners in Post-Conflict Settings[25]:

The strategy for this programme will build on UNCDF's experiences and lessons learned:

- Many FSPs that were on the ground during the conflict only intermittently stopped services, and are ready to restart. In addition, an increasing number of FSPs are willing to take more risk and begin working in post-conflict environments. However, the stigma of post-conflict remains long after the fighting has stopped. The 'microfinance donors' tend to wait too long to show up: the funders are not taking enough risk.
- Nature abhors a vacuum: bad practices and the corresponding waste of funds will prevail if good practices do not 'occupy the space' from the outset. Thus it is important to provide funding to FSPs committed to good practices as soon as possible, i.e. when essential conditions have been met. Development partners do not have to wait until security exists in every corner of the country. A sequenced approach can be applied to start in specific regions/towns as security is achieved.
- Facilitating the entry or expansion of a combination[26] of:

[25] The programme will also support FSPs in post-natural disaster settings in LDCs as appropriate.

[26] Because of the importance of filling the post-conflict vacuum with a critical mass of good practitioner FSPs as early as possible in post-conflict environments, the funding criteria will be broader than under the post-conflict window. Market leaders will also be encouraged to start-up in post-conflict settings, although funded under the leading FSP window.

(i) FSPs with proven track records of achieving sustainability in other countries, especially post-conflict settings; or

(ii) local FSPs that have the capacity to generate reporting (as required on the MIX Market) and demonstrate a clear trend toward sustainability.[27]

UNCDF will seek to fund a mix of these institutions, where possible, to make a significant difference in quickly scaling up. The sooner funding and operations start, the sooner FSPs can start to scale-up to create a competitive industry.

In parallel to these efforts to quickly start activities, UNCDF has found investment committees of donors (Sierra Leone, Liberia) to be a useful vehicle for harmonized approaches and rationalizing donor investments. Similar vehicles have been utilized in Bosnia (LID) and Afghanistan (MISFA). However, these mechanisms often take one to two years between initial design to first disbursement of funds. Thus this programme's mechanism for rapid disbursements meets the need for funding initial activity up to the point of the first local investment committee meeting.

B.2. Countries Eligible for Investments via the UNCDF LDC Fund for Developing Market Leaders for Inclusive Finance (FIF):

All Least Developed Countries (LDCs, see Annex 4) will be considered as potential countries for FSPs to expand their operations. As noted, priority would be given to underserved countries in the scoring formula for applications.

Part II.

A. Results and Resources Framework (See Annex 9)

[27] This programme will not provide a resident technical advisor who would be able to build the capacity of local FSPs to generate accurate reporting. Thus it is important that FSPs funded under the programme already have the capacity to do so.

B. Part III.

A. Management Arrangements: Roles and Responsibilities of Project Parties

Host country governments that are interested to participate in this programme agree, by signing the programme document, to facilitate the entry of the selected FSPs and expansion of microfinance services in their country. Where constraints emerge to the expansion of services, the host country also agrees to make a best effort to address those constraints. Finally, the host country government agrees to facilitate the appropriate inclusion of the country specific intervention in their CCA/UNDAF/CPAP at the earliest available opportunity.
UNCDF Financial Inclusion Practice Area (FIPA) will serve as executing agent for the UNCDFfunds. UNCDF will hire a portfolio manager (see Job Description, Annex 8) to provide support to the UNCDF Financial Inclusion Practice Area (FIPA) regional advisors and manage the programme on a day to day basis. In addition, the Deputy Director and Director of the Financial Inclusion Practice Area (FIPA) will initially dedicate approximately twenty-five (25%) and fifteen (15%) percent of their time, respectively to this programme. Other development partners wishing to make use of these arrangements would be able to do so, under cost-sharing arrangements. Development partners can indicate whether their funds are dedicated to only one of the programme's funding windows (leading FSPs or post-conflict), or if the funds could be allocated to either window. Development partners will be able to participate in key decision points in the process based on time, technical capacity and interest.

The LDC Fund for Developing Market Leaders for Inclusive Finance will follow the process below:

1. Initial test phase (2008-2009) responding on a demand basis to prescreened FSPs[28] that have inquired regarding UNCDF funding. FSPs may request both matching funds (up to $15,000 UNCDF funds) for feasibility studies and full funding application. These grants for feasibility studies may be approved by the Director, FIPA and signed by the Executive Secretary, UNCDF without investment committee review;

2. Globally or regionally competitive request for applications from financial service providers with proven track records of scale and sustainability launched once US$ 10 million in funding is secured[29].

- Establish interest from FSPs in submitting an application. The list in Annex 6 could be used to initially contact and determine interest from the FSP to prepare a proposal. Other FSPs could be invited if a sufficient number of those initially contacted would not be submitting proposals. Other FSPs who meet this criteria but are not currently reporting on the MIX Market may contact UNCDF with a request to be considered that includes audited data or a rating substantiating that they meet the threshold criteria.
- Send application format to those expressing interest to bid.

[28] As noted in programme strategy, the prescreening for the Leading FSP window will be more stringent than under the post-conflict window.
[29] Note, this step applies only to the Leading FSP window.

2. Scoring of applications by UNCDF technical staff (Portfolio Manager (PM) supervised by Deputy Director, Inclusive Finance Practice Area) according to key criteria (e.g. outreach, sustainability, portfolio quality, track record, leverage, serving underserved markets, new products and services)

3. Review and recommendations for approval of grantees by UNCDF's FIPA Investment Committee.

4. Written confirmation from UNCDF Regional Technical Manager (RTM) responsible for that LDC country that they accept responsibility for 1] facilitating exchange of letters with host-country government endorsing UNCDF support for FSP; 2] making the initial introduction of the FSP to the host country government and facilitating entry of the FSP to the proposed LDC; 3] working with FSP and host LDC government to remove any constraints that emerge; and 4] monitoring FSP performance at country level. In countries where UNCDF sector development programmes exist, the RTM will also accept responsibility to advocate for the FSP to be able to access local sources of funding for further expansion. In countries where UNCDF sector development programmes do not exist, the RTM will discuss the possibility of developing one with the country and at the next opportunity, incorporating financial inclusion in the U.N. country framework (UNDAF/CCA/CPAP), with assistance from UNCDF Programme Officer.

5. Communication from LDC host country government endorsing UNCDF support to FSP.

6. Preparation of performance based grant agreements by programme manager in consultation with RTM. Review by the Director UNCDF FIPA and signature of performance based agreements by UNCDF Executive Secretary.

- Performance based agreements would include initial process milestones (submission of detailed business plan; establish operations) and then focus on key performance targets (outreach, percent women; portfolio quality; profitability) drawn from the business plan and in alignment with the initial proposal.

7. Release of funding from this programme in tranches by UNCDF headquarters based on meeting targets in the performance agreements.
8. Monitoring and Evaluation: (see below, section B.)

The administration of this Project shall be governed by UNCDF rules and procedures within the policy context defined by the Executive Board. This project conforms to the provisions of the Standard Basic Assistance Agreement (SBAA) between the host Governments and the United Nations Capital Development Fund. The host-country implementing agencies shall, for the purpose of the SBAA refer to the Government co-operating agency described in the Agreement. In countries that have not yet signed an SBAA with UNCDF, the UNDP SBAA shall apply.

The funding needs of the programme total US$25,370,625, represented in Annex 3a, the resource mobilization budget. There is thus a current funding shortfall of US$18,810,750 based on current funding commitments totalling US$6,559,875 from UNCDF (see Annex 3b indicating the initial allocation of UNCDF funds). UNCDF will actively engage other stakeholders to mobilize the current projected shortfall in funding, and does not seek to crowd out other funders.

UNCDF could reduce its funding to allow for other funders participation, while maintaining a minimum of at least US$3,500,000 of its core funding. Should resource mobilization efforts fall short of targets, programme outcomes and outputs would be reduced proportionately.

B. Monitoring, Evaluation and Reporting

Financial Service Providers (FSPs) receiving assistance from the programme will submit quarterly progress reports to the Portfolio Manager and Regional Technical Manager, UNCDF Financial Inclusion Practice Area, on performance against standard indicators and targets as set in the Grant/Loan Agreements. In addition, FSPs will post their performance data, *including social performance monitoring*, on the MIX Market[30] facilitating international exposure, and FSPs will consent to the MIX Market forwarding their data to the Micro Banking Bulletin (MBB) for global and regional benchmarking. The portfolio manager will compile the reports received into a consolidated semi-annual report for the FIPA Investment Committee. In countries with UNCDF sector development programmes, reports will also be provided to the local investment committee. The portfolio manager will provide reporting on an annual basis to the funders and the Executive Board of UNCDF through its Results Oriented Annual Report, and to the UNDP Resident Representative in the countries with investments.

In addition, participating FSPs will agree to participate and provide necessary data and collaboration for *impact assessment studies* that will be carried out as part of the programme's knowledge management agenda. The exact scope and structure of such studies will be determined at program start-up. It is expected that the combination of data available from social performance monitoring (that could be combined with rating exercises when feasible) and more in-depth impact assessment exercises will help derive useful lessons and evidence from the programs funded. It will help assess the full range of changes and impact that can be related to the investments funded, from the expression of client satisfaction to the use of the financial services accessed, as well as evidence of livelihood changes that could reasonably be linked to accessing those financial services.

The programme is subject to an independent mid-term and final evaluation, managed by the UNCDF Evaluation Unit. The evaluation is in compliance with the UNCDF mandatory evaluation requirements in the UNDP Evaluation Policy[31], to which UNCDF is party. Funding for the evaluation is included in the programme's budget. In countries where FSPs funded under the GCF coincides with countries where UNCDF is supporting sector development programmes, these country-based evaluations will complement this global evaluation by examining the FSP's contribution to development of inclusive financial sector (competitive environment, range of products and services, etc). The global evaluation will assess its overall performance, the outputs and outcomes produced against its initial targets, the impact it has brought or would likely to bring about with a focus on the progress toward sustainability of the FSPs, its relevance to assisting UNCDF to achieve the targets of its business plan and

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[30] http://www.themix.org/en/index.html. UNCDF is discussing with the MIX market a dashboard to capture quarterly reporting in addition to the current capacity for annual reporting. When this is operational, FSPs will only need to provide reporting on the MIX Market.

[31] See: http://www.undp.org/eo/documents/Evaluation-Policy.pdf

management efficiency. The evaluation will be forward looking offering lessons learned and recommendations to improve programme performance. The results of this evaluation will feed into strategic, thematic and outcome evaluations carried out by UNCDF.

Success in carrying out development evaluation requires partnerships in evaluation with national and international actors. In the context of wider efforts to improve the efficiency and added value of the UN’s development operations, opportunities for collaboration on evaluations with UNDP and other development partners are now actively sought. Opportunities will be sought for collaboration with programme partners in conducting the evaluations.

Annex 1: Comparative Advantage for UNCDF'S Financial Inclusion Practice Area (FIPA)[32]

UNCDF's areas of focus are based on our comparative advantages and where we can deliver. UNCDF continually evaluates these strengths and will exit areas of work when these comparative advantages no longer apply.

UN Neutrality and Convening Power: As a neutral UN institution, UNCDF, in partnership with UNDP, has access to Government and regulatory officials, FSPs, and FSP Networks, academia, NGOs, and the Private Sector in every country. UNCDF and UNDP also have convening power among all stakeholders in the financial sector.

Unique Investment Mandate and Geographic Focus on the LDCs: UNCDF's focus on LDCs that have weak financial sectors provides UNCDF with important strategic clarity. Included are many countries in post-conflict recovery, where UNCDF's partnership with UNDP's Bureau for Crisis Prevention and Recovery (BCPR) allows early entry for work on inclusive finance. In the early stages of recovery after conflict, development partner grants or soft loans are critical for building capacity and initiating microfinance lending, savings, and other activities that stimulate economic activity, generate employment, and help reduce poverty.

National Ownership of Financial Sector Development Programmes: Through its partnerships with Ministries of Finance and Central Banks, FSPs, private sector, Development Partners, civil society and academia, UNCDF is positioned to support multi-stakeholder, participatory processes to develop nationally owned vision statements and/or strategies for building inclusive financial sectors. This shared vision works to delineate the roles and responsibilities of government, development partners, the private sector and other actors in supporting what is essentially a private sector activity.

Strategic Partnerships with Development Partners: Following the call of the Paris Declaration on Aid Effectiveness for Development Partners to align their support behind national strategies, UNCDF seeks to engage all Development Partners interested in supporting an inclusive financial sector during its initial design of a sector wide approach. This also follows the challenge issued by recent evaluations that 'UNCDF and UNDP as neutral UN agencies could together play a leadership role in developing a shared understanding of financial sector needs and gaps and provide a vision and strategy for bridging challenges.'[33] As a relatively small Fund, this allows UNCDF to leverage its limited resources through the strength of the design work of its technical staff. To date UNCDF FIPA has partnered with the following Development Partners: World Bank, CGAP, European Commission, KfW, DFID, IFAD, CIDA, Luxembourg, SDC, USAID, ILO and Cordaid. UNCDF seeks to continue to expand this list of partners.

Piloting Agency with Flexible Investment Instruments: UNCDF provides considerable flexibility for direct institutional investments, for piloting, and for taking risks in its investments.

[32] See Vision Statement, UNCDF Financial Inclusion Practice Area, http://www.uncdf.org/english/microfinance/index.php

[33] Independent Impact Evaluation of UNCDF http://www.uncdf.org/english/about_uncdf/corporate_policy_papers/2004IIA/index.php

UNCDF can easily use its investment instruments (grants, loans, loan guarantees, technical assistance, training) to support what is needed for financial sector development. Grants help build capacity and the capital base of FSPs. UNCDF works to ensure that FSP business plans link to commercial sources of funding so that UNCDF grants do not 'crowd out' but rather engage commercial sources of funds. UNCDF's technical assistance and training instruments are appropriate for work with policy-makers on creating an enabling environment. Loans and loan guarantees are generally provided to start-up and emerging FSPs.

Strong Staff Capacity: UNCDF has strong in-house technical capacity with an intimate knowledge of local context in the LDCs. UNCDF has a specialized team of senior inclusive finance experts both at headquarters and its two regional offices in Africa. In addition, UNCDF has full time experts in each country of operation. UNCDF enjoys close collaboration with all UNDP country offices in UNCDF's role as UNDP's policy and technical adviser. The UNDP Microfinance Policy[34] requires that UNCDF's 'regional technical experts should collaborate closely with the Country Office in design, implementation, and monitoring of the project'. This strengthens the role of UNCDF's regional advisors and assures that UNCDF and UNDP collaborate closely on all inclusive finance initiatives at country level.

Accountability for Results: UNCDF is committed to results-based management that combines quality programming with financially sound management. UNCDF's Business Plan[35] sets clear targets to facilitate monitoring and accountability. UNCDF requires target setting in all of its performance based contracts and quarterly reporting on key performance indicators, ensuring transparency and accountability and addressing problems at an early stage. UNCDF's results based management (RBM) mainstreams the principles of best practice into its support to retail financial service providers, including reporting on the MIX Market for transparency of results. In according with UNCDF's Evaluation Policy, all programmes are subject to an independently conducted mid-term and final evaluation.

Knowledge Management and Information Sharing: UNCDF engages in an active learning agenda to capture lessons from its programming. It utilizes a range of tools for institutional learning (independent evaluations, peer and portfolio reviews, research and publications, staff debate around annual business plans and investments) to develop and share knowledge. UNCDF builds its learning agenda through an active engagement with technical and donor partners. Instead of creating a separate knowledge management and information sharing structure, UNCDF engages other interested partners in the research and shares the outcome of its knowledge management agenda through existing well-recognized platforms, such as CGAP or the ADA managed Francophone website (www.lamicrofinance.org). UNCDF also follows best practices as established by the CGAP Member Guidelines for Donor effectiveness,[36] CGAP Consensus Guidelines and other CGAP publications in its own microfinance policy and operations. UNCDF is committed to the continued training and upgrading of skills of its technical staff so that they stay at the forefront of this rapidly evolving field and provides sufficient resources to staff persons to do so on an annual basis. UNCDF also technically supports the UNDP knowledge network for microfinance.

[34] See http://www.uncdf.org/english/microfinance/UNDP_MFpolicy.php

[35] http://www.undp.org/execbrd/pdf/dp05-22e.pdf

[36] See Building Inclusive Financial Systems: Donors Guidelines on Good Practice in Microfinance, http://www.cgap.org/portal/site/CGAP/menuitem.99eeda637b63d5167808010591010a0/ and Consensus Guidelines http://www.cgap.org/portal/site/CGAP/menuitem.1b66811fdb1d340167808010591010a0/

Annex 2: Essential and Preferred Conditions for Implementing Microfinance in Post-Conflict Settings:

Global experience has demonstrated that microfinance can be implemented successfully in post-conflict environments. Required environmental conditions are remarkably few.[37] Only three environmental conditions appear to be so important that –without them—microfinance should not be undertaken. In addition to these essential conditions, there are three preferred conditions that are not absolutely necessary, but can facilitate microfinance activities.

Essential Conditions:

Political Stability: Program areas must offer a reasonable degree of security and safety to potential Financial Service Providers (FSPs: e.g. Remittance Companies, NGO-MFIs, Commercial Banks, Non-Bank Financial Institutions [NBFIs], Credit Unions) and their clients. Put negatively, 'there must be an end to chaos'. Clients must be able to carry out business activities with a minimum of assurance that they can do so profitably. Likewise, FSPs must feel that they can operate without disproportionate danger to their staff, assets, and clients. This does not mean that there must be a total absence of conflict, or of the possibility that conflict might flare up again. With the deployment of (U.N.) peacekeepers, this condition is usually met but should be closely monitored. This is further strengthened with successful demobilization and disarmament of ex-combatants. In addition, microfinance can contribute to conflict not re-igniting, by providing populations with optimism of economic opportunities. This argues for a staged or sequenced approach to launching microfinance activities, starting activities in towns or regions where security is established.

Sufficient Economic Activity that Can Use Credit Services: The credit aspect of microfinance only works when clients are economically active, and have economic opportunities requiring credit. Active local markets are a good indication. Debt is not always the appropriate tool for poverty reduction. Some displaced populations may find themselves without access to economic opportunities, or returning populations may slowly assess the situation before recommencing their economic activities.

Client Population Must Be Relatively Stable: For microfinance to be sustainable, low portfolio in arrears and low default rates are required. Mobile populations present a challenge, as they could literally walk away from their obligations. There is thus a tendency to focus on returnees, rather than refugees. Financial Service Providers (FSPs) could avoid this potential problem by initially focusing on clients, who they know; while avoiding displaced persons likely to depart.

Preferred Conditions

Functioning Commercial Banks: When FSPs are NGOs, and not commercial banks, commercial banks provide critical services to them. These services include: deposit; and intra and inter country wire transfer services. Microfinance can function without a commercial banking system, however it does significantly increase the costs and risks.

Social Capital or Trust: As many FSPs use group guarantee mechanisms (collective credit rating as collateral), social distrust can slow the development of microfinance. Globally, FSPs have used a range of methodologies, including individual lending; and this is available in situations where distrust is at a level that is an obstacle.

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[37] See the Microenterprise Best Practice series on Microfinance Following Conflict, in particular Brief No.4, "Environmental Preconditions for Successful Post-Conflict Microfinance". Dave Larson et al, ed., (Bethesda, Maryland: Development Alternatives, Inc./Microenterprise Best Practices, 2001), www.microlinks.org.

Macroeconomic Stability: Hyperinflation is a serious threat to microfinance requiring special measures to prevent de-capitalization of loan portfolios; while a steady currency, and moderate to low inflation are conducive.

Annex 3a Resource Mobilization Budget: Total Project Budget Atlas Format								
UNCDF	**Sector Development**							
Retail: FSP Capacity								
		Total Budget	**2008**	**2009**	**2010**	**2011**	**2012**	**2013**
1. Leading	**FSP**							
Subtotal Grants		9,300,000	1,650,000	3,150,000	1,775,000	1,450,000	1,025,000	250,000
Subtotal Loans		10,400,000	1,650,000	2,850,000	2,275,000	2,525,000	600,000	-
Subtotal		19,700,000	3,300,000	6,150,000	4,175,000	4,100,000	1,725,000	250,000
2. Post-Conflict Window								
Subtotal Grants		1,100,000	400,000	250,000	250,000	200,000	-	-
Subtotal Loans		1,225,000	1,000,000	225,000	-	-	-	-
Subtotal		2,325,000	1,400,000	475,000	250,000	200,000	-	-
3. Other								
Portfolio Manager		1,086,260	61,386	200,916	202,925	204,954	207,004	209,074
Admin Asst		264,891	18,416	60,275	45,500	46,000	46,700	48,000
Office Equipment		8,000	4,000			4,000		
Evaluation		250,000			125,000			125,000
Impact Studies		500,000		250,000				250,000
Publications		45,000		15,000				30,000
Travel		240,000	40,000	40,000	40,000	40,000	40,000	40,000
Subtotal		2,394,150	123,802	566,191	413,425	294,954	293,704	702,074
Programme Support		1,592,122	202,000	548,898	336,400	307,257	132,949	64,618
TOTAL		26,011,272	5,025,802	7,740,089	5,174,825	4,902,211	2,151,653	1,016,692

Annex 3b UNCDF Contribution Atlas Format									
UNCDF	**Sector Development**								
Retail: FSP Capacity	Activity	Category							
			Total Budget	**2008**	**2009**	**2010**	**2011**	**2012**	**2013**
1. Leading	**FSP**	**Window**							
Subtotal Grants			2,300,000	1,450,000	850,000	-	-	-	
Subtotal Loans			1,400,000	1,400,000	-	-	-	-	
Subtotal			3,700,000	2,850,000	850,000	-	-	-	
2. Post-Conflict Window									
Subtotal Grants			945,000	250,000	235,000	210,000	175,000	75,000	
Subtotal Loans			1,380,000	835,000	235,000	210,000	100,000	-	
Subtotal			2,325,000	1,085,000	470,000	420,000	275,000	75,000	-
3. Other									
Portfolio Manager			152,500	75,000	77,500				
Office/admin			-						
Evaluation			40,000			20,000			20,000
Impact Studies									
Travel			30,000	30,000					
Subtotal			222,500	105,000	77,500	20,000	-	-	20,000
Programme	IMPAG	EXEC	312,375	202,000	69,875	22,000	13,750	3,750	1,000
Support Costs									
TOTAL			6,559,875	4,242,000	1,467,375	462,000	288,750	78,750	21,000

Annex 3c Cost-Sharing Budget Atlas Format								
UNCDF	**Sector Development**							
Retail: FSP Capacity								
		Total Budget	**2008**	**2009**	**2010**	**2011**	**2012**	**2013**
1. Leading	**FSP**							
Subtotal Grants		7,046,000	-	3,025,000	1,696,000	1,250,000	850,000	225,000
Subtotal Loans		9,000,000	-	3,100,000	2,275,000	2,525,000	600,000	-
Subtotal		16,046,000	-	6,275,000	4,096,000	3,900,000	1,550,000	225,000
Subtotal		-	-	-	-	-	-	-
3. Other								
Portfolio Manager		1,024,874		200,916	202,925	204,954	207,004	209,074
Office/admin		246,225	-	60,275	45,500	46,000	46,700	47,750
Evaluation		210,000			105,000			105,000
Impact Studies		500,000		250,000				250,000
Publications		45,000		15,000				30,000
Travel		210,000		42,000	42,000	42,000	42,000	42,000
Subtotal		2,236,098	-	568,191	395,425	292,954	295,704	683,824
Programme Support		1,279,747	-	479,023	314,400	293,507	129,199	63,618
TOTAL		19,561,845	-	7,322,214	4,805,825	4,486,461	1,974,903	972,442

	Annex 4: List of Least Developed Countries		
1	Afghanistan #	26	Madagascar
2	Angola	27	Malawi #
3	Bangladesh	28	Maldives *
4	Benin	29	Mali #
5	Bhutan #	30	Mauritania
6	Burkina Faso #	31	Mozambique
7	Burundi #	32	Myanmar
8	Cambodia	33	Nepal #
9	Cape Verde *	34	Niger #
10	Central African Republic #	35	Rwanda #
11	Chad #	36	Samoa *
12	Comoros *	37	São Tomé and Principe *
13	Democratic Republic of the Congo	38	Senegal
14	Djibouti	39	Sierra Leone
15	Equatorial Guinea	40	Solomon Islands *
16	Eritrea	41	Somalia
17	Ethiopia #	42	Sudan
18	Gambia	43	Timor-Lesté *
19	Guinea	44	Togo
20	Guinea-Bissau *	45	Tuvalu *
21	Haiti *	46	Uganda #
22	Kiribati *	47	United Republic of Tanzania
23	Lao People's Democratic Republic #	48	Vanuatu *
24	Lesotho #	49	Yemen
25	Liberia	50	Zambia #

 # - Landlocked LDCs
*** - Small Island Developing States (SIDS)**

Annex 5: Current Funding Sources, Limits, and LDC Focus Countries (Source: MIX Market)

Fund Name	LDCs Among Focus Countries	Maximum Grant	Maximum Loan
Cordaid	Afghanistan, Bangladesh		1,000,000
Hivos	East Timor, Tanzania, Malawi, Mozambique, Uganda, Zambia	100,000	1,000,000
Inter-church Organization for Development Co-operation (ICCO)	Burkina Faso, Cambodia, Ethiopia,	500,000	625,000
Rabobank Foundation	Bangladesh, Burkina Faso, Cambodia, East Timor, Eritrea, Ethiopia, Laos, Malawi, Mali, Tanzania, Uganda	300,000	400,000
Dexia Microcredit Fund	Eritrea, Ethiopia, Gambia, Guinea, Guinea-Bissau, Haiti, Kiribati, Laos, Liberia		4,000,000
ALTERFIN	Cambodia, Laos, Niger, Togo		300,000
Calvert Foundation			750,000
Consorzio Etimos	Benin, Burkina Faso, Mozambique, Tanzania,Togo, Senegal, Rwanda, DRC		500,000
DID Partnership Fund	Rwanda		560,000
Fundacio Un Sol Mon	Mozambique, Senegal		400,000
Triodos Doen Foundation	Benin, Cambodia, Ethiopia, Tanzania, Uganda, Mozambique		2,000,000
Triodos Fair Share Fund (TFSF)	Cambodia, Uganda		2,000,000
SIDI	Cambodia, Haiti, Laos, Madagascar, Niger, Senegal, Tanzania Uganda		300,000
Shore Capital Intl.	Bangladesh, Tanzania, Benin, Senegal, Uganda		2,500,000
Responsibility Fund	Angola, Cambodia, Haiti, DRC, Uganda, Benin, Mozambique, Tanzania		1,500,000
PCH AG	Angola, Haiti, Mozambique		5,000,000
Oikocredit	Cambodia, Haiti, Mozambique, Uganda, Samoa, Benin, Senegal, Tanzania, Mali, Malawi		5,000,000
MicroCredit Enterprises	Cambodia		1,000,000
INCOFIN	Ethiopia, Guinea, Tanzania,Uganda		1,250,000
Impulse (INCOFIN)	Cambodia, Tanzania, Uganda		1,500,000
The Hivos-Triodos Fund (HTF)	Mozambique, Senegal, Tanzania, Uganda		2,000,000
Deutsche Bank Microcredit Development Fund	Benin, Haiti, Mozambique, Samoa, Uganda		250,000
Microfinance Alliance Fund	Cambodia		250,000
PlaNet Microfund	Benin, Samoa, Senegal, Togo		50,000

Annex 6: Shortlist of Top FSPs to Be Invited to Request for Application

Name	Country	Institution Type	Deposits to Loans	# Active Savers	# of Active Borrowers	ROA	PAR @ 30 days	Disclosure
ACSI	Ethiopia	NBFI	31.89%	224,571	536,804	7.91%	1.55%	◆◆◆◆◆
DECSI	Ethiopia	NBFI	22.92%	160,667	392,693	4.26%	2.93%	◆◆◆◆◇
CRG	Guinea	NBFI	48.56%	26,260	80,582	-2.45%	0.11%	◆◆◆◆◆
Equity Bank	Kenya	Bank	157.60%	1,014,474	239,541	4.85%	12.19%	◆◆◆◆◆
Kafo	Mali	Coop/CU	52.44%	195,287	98,193	-0.14%	4.07%	◆◆◆◆◆
CMS	Senegal	Coop/CU	98.14%	220,348	65,534	3.65%	5.35%	◆◆◆◆◇
Centenary Bank	Uganda	Bank	147.17%	559,161	66,113	3.56%	6.42%	◆◆◆◆◇
BRAC	Bangladesh	NGO	77.91%	141,368	4,550,855	3.82%	0.25%	◆◆◆◆◇
BURO	Bangladesh	NGO	43.39%	331,329	263,503	6.14%	2.15%	◆◆◆◆◆
BASIX-KBSLAB	India	NGO/Bank	34.06%	61,078	230,780	1.11%	4.48%	◆◆◆◆◇
CARD	Phillippines	NGO/Bank	54.24%	18,386	437,494	2.12%	2.85%	◆◆◆◆◇
CARD	Phillippines	NGO	0.00%	0	320,299	7.80%	0.49%	◆◆◆◆◇
TSKI	Philippines	NGO	0.00%	0	168,661	2.04%	6.13%	◆◆◆◆◆
FINCA - UGA	Uganda	NBFI	40.61%	31,612	46,236	2.27%	3.03%	◆◆◆◆◆
FINDESA	Nicaragua	NBFI	30.08%	36,059	49,474	3.63%	2.00%	◆◆◆◆◆
ASA	Bangladesh	NGO	17.80%	6,455,979	5,163,279	14.40%	1.53%	◆◆◆◆◇
Grameen Bank	Bangladesh	Bank	43.94%	6,707,000	6,707,000	2.44%	2.82%	◆◆◆◆◇
ACLEDA	Cambodia	Bank	77.91%	141,368	159,930	3.82%	0.25%	◆◆◆◆◇
Bandhan	India	NGO	13.83%	0	896,698	5.06%	0.13%	◆◆◆◆◆
SKS	India	NBFI	0.00%	0	1,629,474	2.00%	0.15%	◆◆◆◆◇
Spandana	India	NBFI	0.00%	0	1,188,861	4.34%	4.43%	◆◆◆◆◆
FMFB - Pakistan	Pakistan	NBFI	138.48%	39,154	52,308	0.45%	0.82%	◆◆◆◆◇
Green Bank	Philippines	Rural Bank	110.77%	223,304	68,167	1.98%	9.38%	◆◆◆◆◇
Khan Bank	Mongolia	Bank	123.83%	717,824	234,715	4.45%	1.75%	◆◆◆◆◆
XacBank	Mongolia	Bank	73.46%	82,868	56,744	2.45%	1.05%	◆◆◆◆◇
Life Bank	Philippines	NGO	32.77%	66,542	61,524	21.91%	0.16%	◆◆◆◆◆
OMO	Ethiopia	NBFI	23.99%	31,271	115,999	3.08%	9.84%	
Opportunity Ghana	Ghana	NBFI	31.09%	88,831	54,692	4.52%	3.40%	◆◆◆◆◇
PAMECAS	Senegal	Coop/CU	70.80%	133,703	46,427	2.42%	9.88%	◆◆◆◆◇
Capitec Bank	South Africa	Bank	99.47%	583,000	368,854	9.07%	11.58%	◆◆◆◆◆
ProCredit Bank - BIH	Bosnia and Herzegovina	Bank	80.73%	76,032	64,025	0.91%	1.14%	◆◆◆◆◇
ProCredit Bank - BGR	Bulgaria	Bank	67.78%	177,227	54,539	1.51%	0.81%	◆◆◆◆◆
ProCredit Bank - GEO	Georgia	Bank	76.61%	384,328	50,846	1.27%	2.03%	◆◆◆◆◇

Name	Country	Institution Type	Deposits to Loans	# Active Savers	# of Active Borrowers	ROA	PAR @ 30 days	Disclosure
ProCredit Bank Serbia	Serbia and Montenegro	Bank	87.51%	395,432	67,488	0.62%	1.27%	◆◆◆◆◇
ProCredit Bank - UKR	Ukraine	Bank	56.02%	95,322	44,669	1.64%	1.23%	◆◆◆◆◇
PRODEM	Bolivia	NBFI	79.42%	255,966	77,476	1.91%	1.59%	◆◆◆◆◇
FIE	Bolivia	NBFI	55.26%	104,236	71,334	1.86%	1.31%	◆◆◆◆◆
RCPB	Burkina Faso	Coop/CU	98.90%	454,431	90,025	2.02%	3.85%	◆◆◆◆◆
Sabaragamuwa	Sri Lanka	NBFI	50.38%	77,206	231,566	0.79%	5.57%	◆◆◆◆◆
TEBA	South Africa	Bank	71.38%	492,154	157,776	4.11%	1.06%	◆◆◆◆◆
Banco Los Andes ProCredit	Bolivia	Bank	79.29%	177,471	89,389	1.24%	1.47%	◆◆◆◆◆
BancoSol	Bolivia	Bank	89.17%	111,946	103,786	2.33%	2.91%	◆◆◆◆◇
Banco Estado	Chile	Bank	41.68%	157,256	219,069	0.75%	4.67%	◆◆◆◆◇
Bandesarrollo	Chile	Bank	22.12%	30,208	73,939	1.62%	5.80%	◆◆◆◆◆
BCSC	Colombia	Bank	119.14%	1,490,262	611,739	1.32%	5.71%	◆◆◆◆◆
ADOPEM	Dominican Republic	NGO	34.71%	23,268	59,586	9.62%	4.17%	◆◆◆◆◇
Banco Solidario	Ecuador	Bank	89.32%	123,731	149,490	0.25%	5.15%	◆◆◆◆◆
ProCredit - ECU	Ecuador	Bank	35.99%	66,777	47,590	0.83%	1.69%	◆◆◆◆◆
ProCredit - SLV	El Salvador	Bank	90.76%	170,592	70,414	1.43%	2.34%	◆◆◆◆◆
ProCredit - NIC	Nicaragua	Bank	49.47%	141,651	71,866	1.37%	1.83%	◆◆◆◆◆
Cooperativa Universitaria	Paraguay	Coop/CU	111.42%	47,980	72,660	0.84%	3.85%	◆◆◆◆◇
BANTRA	Peru	Bank	74.27%	384,190	563,805	0.24%	6.69%	◆◆◆◆◆
CMAC Arequipa	Peru	NBFI	79.10%	152,022	114,020	6.28%	3.89%	◆◆◆◆◆
CMAC Huancayo	Peru	NBFI	73.84%	65,937	56,864	4.97%	5.04%	◆◆◆◆◆
CMAC Sullana	Peru	NBFI	68.40%	83,444	59,385	5.31%	3.87%	◆◆◆◆◆
CMAC Trujillo	Peru	NBFI	58.75%	97,013	124,087	4.86%	2.24%	◆◆◆◆◆
MiBanco	Peru	Bank	63.37%	160,636	221,802	5.13%	2.90%	◆◆◆◆◆
Al Amana	Morocco	NGO	0.00%	0	481,303	4.08%	1.89%	◆◆◆◆◆
Zakoura	Morocco	NGO	0.00%	0	443,016	5.77%	2.87%	◆◆◆◆◆

Annex 6: Shortlist of Top FSPs to Be Invited to Request for Application

Annex 7a

MicroStart: Breakthrough MFIs					
Results Achieved During MicroStart Assistance				**Continued Growth Achieved**	
Kenya	**Baseline**	**End**			**Current**
Equity Building Society	31/12/2000	31/12/2002			31/12/06
# Active Borrowers	9,033	35,076		# Active Borrowers	239,541
# Active Savers	70,902	155,883		# Active Savers	1,014,474
PAR at 30 days	11.60%	10.00%		PAR at 30 days	12.19%
FSS	118%(31/12/2001)	342%		ROA	4.85%
Morocco	**Baseline**	**End**			**Current**
Foundation Zakoura	31/12/1997	30/09/2001			31/12/07
# Active Borrowers	2,000	36,830		# Active Borrowers	472,699
# Active Savers	n/a	n/a		# Active Savers	0
PAR at 30 days	0.80%	0.03%		PAR at 30 days	0.25% (31/12/06)
FSS	43%(31/12/1998)	101.90%		ROA	4.14%
Phillippines	**Baseline**	**End**			**Current**
Life Bank	31/03/2001	31/03/2002			31/12/06
# Active Borrowers	444	2,347		# Active Borrowers	61,524
# Active Savers	551	2,762		# Active Savers	66,542
PAR at 30 days	n/a	n/a		PAR at 30 days	0.16%
FSS	91.23% (31/12/2001)	n/a		ROA	21.91%
Mongolia	**Baseline**	**End**			**Current**
XAC	**30/1/1998**	**30/9/2001**			
# Active Borrowers	0	5,466		# Active Borrowers	60,719
# Active Savers	0	0		# Active Savers	103,288
PAR at 30 days	0	0.48%		PAR at 30 days	0.68%
FSS	0	154%		ROA	2.40%

Annex 7b Description of Breakthrough FSPs Achieved Through MicroStart

Through MicroStart, UNCDF has seen a number of ‘breakthrough’ FSPs[38]. Many of the ‘graduates’ of MicroStart continue to significantly increase their outreach. A few of the lead examples are provided below: For example, Zakoura in Morocco grew from 2,000 to 38,000 clients during the period of MicroStart support, yet has since grown to serve over 472,000 active clients in the five years after programme support. More about Zakoura and other ‘breakthroughs’ follows:

Morocco: The importance of breakthroughs and competition: The MicroStart programme in Morocco invested $1.5 million among seven MFIs. However, of the total outreach of 40,723 new clients achieved within three years of the programme’s support, 34,830, or 86% of this added outreach came from Zakoura as it grew from 2,000 to 36,830 active clients while achieving financial self-sufficiency. Moreover, although the monetary value of its assistance from MicroStart was only $215,000, Zakoura had increased the value of its loans outstanding from $300,000 to over $5,000,000 during the course of the programme, financing this growth largely by borrowing from commercial sources. The mid-term evaluation found that “Evidence of MicroStart’s influence abounds at Zakoura. Thus, while one would judge Zakoura as a strong organization with good management, it has made productive use of the learning available through MicroStart…In fact Zakoura was far from a top-performing organization at the beginning of MicroStart (and still has a long way to go). The key is to learn to distinguish between ‘small and promising’ and ‘small and weak’.[i] A year later, after the end of programme support, Zakoura was serving 80,000 active clients, and today serves 472,699. A key factor helping to drive this growth was stiff competition from Al-Almana, the other leading MFI in Morocco with roughly the same number of clients. The lack of progress on savings mobilization by Zakoura could be attributed to the availability of capital from the Hassan II fund, as well as the regulatory regime in place.

Mongolia: A Pure Start-Up: The programme initially worked with two multi-purpose NGOs that wanted to pilot credit services. However, these two NGOs quickly realized that microfinance would consume all of their internal management capacity, should they continue. Preferring to continue their range of services, arrangements were made with UNDP and UNCDF for these NGOs to divest the grants received, and to set up a new institution, dedicated to microfinance. XAC, this pure start-up achieved financial self-sufficiency within a very short period of time, of 18 months with an initial, small investment of $1 million. According to the Central Bank, previous donor programmes with much larger budgets had not succeeded to develop sustainable microfinance. After starting operations in August 1998, by March 2001 XAC’s share of total loans of the financial sector of Mongolia reached 28.5 percent. Inspired by the X.A.C. success, a number of other financial institutions entered the market. The MicroStart technical advisor worked with the Central Bank to develop the initial framework for microfinance institutions to be registered as both a non-bank financial institution, and a commercial bank. After X.A.C was the first MFI ever to be licensed by the Bank Of Mongolia, six (6) more financial companies were licensed by the end of 2000. The expansion of capacity thus came from both the scaling-up of XAC, and new entrants. The increased competition is creating the necessary environment for healthy development of the microfinance industry, driving to improve corporate governance, to increase the variability and quality of financial services. [ii] While XAC achieved outreach of 5,466 and gained its banking license by the end of MicroStart support, today, XAC, capitalizing on its banking license, serves 103,288 active savers and 60,719 active borrowers.

[38] A breakthrough is defined as an organization that becomes a major service provider in its geographic area, attaining substantial independence from donors through financial viability, and influencing other providers.

Kenya: The importance of product development and a powerful MIS: In Kenya, through support from MicroSave and MicroStart, Equity Building Society increased from 9,033 to 35,076 its active borrowers in just two years, while increasing the number of active savers by 84,981. Understanding the Re-birth of Equity Building Society in Kenya concluded that, "In terms of quantitative and visible impact, perhaps MicroStart's partnership in helping to establish Equity's MIS could have had the greatest impact. This particular development assistance could be seen as a truly strategic contributor to Equity's overall, albeit recent success. It would also be safe to conclude that the recent assistance by *MicroSave-Africa* and Swisscontact with market research for product refinement and development has played a significant role in strengthening Equity's customer-oriented strategy and focus. However, since this intervention is relatively recent, its full impact cannot be ascertained." See http://www.microsave-africa.com/
While Equity achieved outreach of 155,883 savers and 35,076 active borrowers by the end of MicroStart support, today, Equity serves 1,014,474 active savers and 239,541 active borrowers.

Annex 8: Job Description: Portfolio Manager

UNITED NATIONS CAPITAL DEVELOPMENT FUND **POST PROFILE**

I. IDENTIFICATION OF THE POST

Post Title:	**LDC Fund for Developing Market Leaders for Inclusive Finance Portfolio Manager**	**Post Number:**	
Organizational Unit:	UNCDF (based at UNCDF Headquarters NY, NY)		
Post Status:	***Project***	**Current Grade:**	
		Proposed Grade:	L4
Duty Station:	NY		
Supervisor's Title:	Director, UNCDF FIPA	**Level:**	D1

II. POSTS ORGANIZATIONAL ACCOUNTABILITY:

The **LDC Fund for Developing Market Leaders for Inclusive Finance Portfolio Manager** will have accountability, through the day to day supervision by the UNCDF Deputy Director, Financial Inclusion Practice Area to the UNCDF Director, Financial Inclusion Practice Area.

KEY RESULTS EXPECTED/MAJOR FUNCTIONAL ACTIVITIES

% of Time		Key Results Expected/Major Functional Activities
40	**1.**	**Programmatic Quality Assurance & Portfolio Management** • Provide support to FIPA's network of Regional Technical Advisors and Managers so that they can ensure the operational support necessary for the success of the programme. • Support the LDC Fund for Developing Market Leaders for Inclusive Finance in efficiently carrying out the support functions to the UNCDF FIPA Investment Committee.

		• Prepare initial drafts of mid-year and annual progress reports (APRs). Ensure financial and performance reports are issued to development partners on time as per requirements, including non-core resources to donors. • Issue Request for Applications (RFAs) via email to targeted FSPs; Prepare initial scoring of applications based on FIPA scoring criteria; and Prepare draft submission to UNCDF FIPA Investment Committee; Communicate results to applicants; • Support FIPA's Regional Technical Advisors/Managers in requesting host country Governments to confirm interest in participating in programme, either by facilitating programme document signature, or confirmation letter; • Develop Grant and/or Loan agreements for selected FSPs ensuring clear performance targets; Ensure vendor profiles are entered for selected FSPs and payments effected in timely manner; • Support Regional Technical Advisors/Managers to ensure FSPs smooth introduction to key local actors, start-up and constraints removed; • Assure and track quarterly portfolio reporting and prepare reports for inform IC on a quarterly basis on overall performance including where inadequacies are found. • Reporting of project achievements, delivery and other areas of accountability to FIPA Investment Committee for input to regular UNCDF performance monitoring and reporting. • Effective and efficient use of ATLAS in line with project cycle with Atlas approval authority at Level 2. • Review requests from FSPs to be included in the programme to assure they meet the minimum standard requirements. Update list of qualified FSPs annually.
25	**2.**	**Knowledge Management** • Ensure experiences of Regional Technical Advisors/Managers are captured and lessons learned are incorporated in programme operations as early as possible. Identify, document lessons learned from the initial phase and ensure they are incorporated in subsequent phases. • Assist in the organization of information exchange events nationally or regionally and contribute to knowledge-sharing networks on microfinance initiatives regionally and globally.

		• Collaboration with key partners and microfinance practitioners for research and development of innovative, cutting-edge strategies and approaches to sharpen delivery of microfinance products and services in order to better achieve programme objectives. • Participation and contributions to UNDP sub-practice in microfinance and small/medium enterprises for knowledge management and cross-country learning (Semfin).

25	**4.**	**Resource Mobilization** Develop strategies to mobilize additional resources based on programme resource requirements and new opportunities. Record and manage commitments, disbursements and programming of fund contributions. • Manage the resources placed under the IC decision-making framework and provide financial reporting on resources/expenditures to IC members, including the certification of all funds released from the Investment Committee to FSPs. • Support the efforts of the FIPA Director and Deputy Director, and UNCDF Business Development Advisor to mobilize additional resources for the programme. Liaise with Regional Advisors/Managers to ensure that funding gaps for LDC countries of operation are clearly documented, so that all funding needs of FSPs operating in programme countries can be easily presented by UNCDF's Business Development Advisor to potential funders.
10	**6.**	**Corporate Support** • Provide input to support annual and cumulative UNCDF results analyses and substantive inputs into Unit work plan and UNCDF Business Plan. • Support to the development of UNCDF programme and business strategies and to annual reviews. • Provide advice to UNCDF senior management on technical issues and business development opportunities, including inputs into corporate presentations and reports. • Ensure key documentation is available on the UNCDF Intranet to facilitate UNCDF staff access to programme information.

IV. IMPACT OF KEY RESULTS/KEY PERFORMANCE INDICATORS

- Substantive partnerships strengthened with leading Financial Service Providers to expand their services in the LDCs. Support UNCDF FIPA Regional Technical Advisors/Managers to facilitate programme implementation and more inclusive financial sectors in the LDCs.
- Planned programme outputs and outcomes are fully achieved through successful cost-sharing partnerships with donors and other global financing mechanisms.
- Planned programme outputs are produced in a timely manner, consistent with the expectations of private sector actors, and optimal output quality assured, through sound and efficient internal business, quality assurance, monitoring and evaluation and reporting processes.
- Profile of UNCDF, development partners strengthened in the LDCs as a leader in financial inclusion and responding to new programmatic and business opportunities.

V. NATURE OF INTERACTIONS

- Build strong working relationships with UNCDF FIPA Regional Advisors/Managers ensuring timely support for all business processes, in particular key information to facilitate the entry and start-up of FSP operations, consistent with private sector time-lines.
- High level substantive engagement with CEOs of FSPs for brokering support and actions that will have positive impact on creating more inclusive financial sectors.
- Regular interaction and meetings with, and reporting to, donors to develop credible relationships leading to joint-programming initiatives and cost-sharing partnerships.
- Build strong working relationships with UNCDF Operations Unit maintaining service standards for all business processes, in particular the timely approval and disbursement of funding to FSPs, consistent with private sector time-lines.
- Support to UNCDF FIPA Investment Committee, ensuring funding proposals provide the key information needed to facilitate investment decisions.
- Substantive interaction, including brokering of knowledge, with international research institutions and other repositories of knowledge related to financial inlcusion.

V. COMPETENCIES

Corporate Responsibility and Teamwork:	❑ Serves and promotes the vision, mission, values, and strategic goals of UNCDF ❑ Plans, prioritizes, and delivers tasks on time ❑ Participates effectively in a team-based, information-sharing environment, collaborating and cooperating with others ❑ Responds flexibly & positively to change through active involvement ❑ Establishes clear performance goals, standards, & responsibilities; manages them accordingly ❑ Promotes a learning environment; facilitates the development of individual and team competencies
Results-Orientation:	❑ Plans and produces quality results to meet established goals Generates innovative, practical solutions to challenging situations.
Partnering and Networking:	❑ Seeks and applies knowledge, information, and best practices from within and outside UNDP ❑ Strong networking capabilities and ability to associate him/herself with a range of actors with a view to building relations and facilitating links.
Innovation and Judgment	❑ Conceptualizes and analyses problems to identify key issues, underlying problems and how they relate ❑ Contributes creative, practical ideas and demonstrates sense of entrepreneurial initiative to deal with challenging situation ❑ Strives for quality client-centered services (internal/external) when making decisions and taking action
Communication:	❑ Demonstrates effective written and oral communication skills
Job Knowledge & Expertise	❑ Demonstrates substantive and technical knowledge to meet responsibilities and post requirements with excellence ❑ Uses ICT and web-based management systems effectively as a tool and resource ❑ Is motivated & demonstrates a capacity to pursue personal development & learn

VII. Minimum Recruitment Qualifications

Education:	The Portfolio Manager will hold a post-graduate degree from a reputable institution in finance or economics, and will have a minimum of 5 years relevant, practical working experience within the financial sector and/or microfinance, preferably in the LDCs.
Experience:	• Documented deep technical knowledge and experience in (Micro) finance good practices for industry building, and

	development of inclusive financial markets and products in emerging markets, especially through private sector partnerships. • Strong networking capabilities and ability to associate him/herself with a range of actors (including policy makers, regulators, FSPs and donors) with a view to building relations and facilitating links. • Resource mobilization experience and record of success in reporting to and managing donor grants and reporting mechanisms. • Strong programme management experience with emphasis on monitoring, evaluation and incorporating lessons learned into microfinance projects and programmes. • Use of web-based information sharing portals and strategy development for effective internalization of knowledge and information. • Excellent organizational, inter-personal, communication and administrative skills, including solid experience in financial management. • Experience with UNCDF programme management and financial management rules and procedures.
Language requirements:	• Fluency in English, including excellent writing skills; proficiency in French.

PROGRAMME RESULTS AND RESOURCES FRAMEWORK* **Annex 9**

Intended Outcome as stated in the Strategic Results Framework: **Strategic plan development focus area:** Poverty reduction and achievement of the MDGs **Strategic plan key results area 1:** Promoting inclusive growth, gender equality and the achievement of the MDGs			
Strategic plan outcome 1.7: Policies, strategies and partnerships established to promote private sector and market development that benefit the poor and ensure that low-income households and small enterprises have access to a broad range of financial and legal services			
Partnership Strategy: Government, Donors, Private Sector, FSPs			
Programme title: LDC Fund for Developing Market Leaders for Inclusive Finance			
Intended Outcomes: LDCs have market leaders developed to support development of an inclusive financial sector			
Intended Outputs: *(Retail)*	**Output Targets for (years)**	**Indicative Activities**	**<u>Inputs</u>**
1. An LDC Fund for Developing Market Leaders for Inclusive Finance is established, with two windows (Leading savings-led FSPs and Post-Conflict). 2. FSPs have expanded their operations and services to ten (10) LDC countries, making clear progress toward sustainability and considerably increasing their outreach to launch an Inclusive Financial Sector. 3. Documentation and publication of lessons learned to facilitate scaling-up	1. Launch programme in 2008 on a demand basis; 2. UNCDF issues targeted request for applications to FSPs when funding ($10 M) available (2008/9/) 2. Increase in number of active clients of selected FSPs: Baseline: 0 active clients: - 60,000 active clients by end of 2009. - 135,000 active clients by end year 2010. -260,000 active clients year by 2011 -360,000 active clients year by 2012. -525,000[39] active clients year by 2013 3. At least ten (10) FSPs have received grants and loans that are on trend to profitability in accord with business plans. 4. Documentation of lessons learned from evaluations and operational experience	-Review applications on a demand basis and incorporate lessons learned; -Mobilize $10 million in funding; -Launch formal request for applications to targeted FSPs. - Sign Grant/loan agreements with selected FSPs, with funding released in tranches based on performance - Provide capital support (grants/loans) to selected FSPs as per FSP proposals/agreements - Monitor performance via MIX Market - Evaluations (mid-term, final) - Regular feedback from FSPs, RTMs and documentation of lessons learned by Portfolio Manager	-Grants and loans as per FSP agreements and programme budget. - Contracting of independent consultants by Evaluation Unit - Portfolio Manager actively documents and incorporates lessons learned

[39] Based on global experience, it is expected that these FSPs will continue rapid growth after the initial 400,000 clients achieved during the programme period.

Annex 10: Risk Log Matrix

#	Description	Category	Impact & Probability	Countermeasures / Management Response	Owner	Author	Date Identified	Last Update	Status
1	Shortfall in reaching resource mobilisation target of $10 million for initial launch of request for applications	Financial & Strategic	Any shortfall will have proportional impact on its ability to achieve its intended outputs. Possible delay in programme launch. Probability = 3 (low)	Resource mobilization strategy developed & entails : (i) Sharing draft document with CGAP and potential funders for comments; (ii) Possibility of funders engaging in key operational steps in the process depending on time/interest; (iii) dedicated UNCDF staff responsible for partnership development & resource mobilization. UNCDF needs to overcome the 'chicken and egg' problem of achieving initial critical mass of funding to launch a credible request for applications (RFA). The response to the RFA would yield concrete data on expansion targets and funding shortfalls that could provide the basis for a second round of fund-raising.	Partnerships & Business Development Manager working in close coordination with FIPA Director and Deputy Director	Project developer	During programme design – Oct 2007	March 2008	Progress & results of resource mobilization will be monitored quarterly.
2	Not enough shortlisted FSPs are interested to expand to LDCs	Strategic	Programme will not achieve outreach target including women and vulnerable groups Probability = 3 (low)	Consultations with leading FSPs during formulation indicated sufficient interest to provide for a competitive response to a request for applications and achieve the programme targets of 10 FSPs. This target also includes FSPs working in post-conflict settings allowing for some flexibility. However, many top FSP CEOs reacted to the initial UNCDF research by asking, 'when can I apply'. Others indicated that they were seriously exploring this option signaling a growing trend.	FIPA Director and Deputy Director	Project developer	During programme design – April 2007	Nov 2007	No change in status

#	Description	Category	Impact & Probability	Countermeasures / Management Response	Owner	Author	Date Identified	Last Update	Status
3	Budget, especially grants, underfunded to cover FSP expansion costs	Financial & Strategic	Programme will not achieve outreach target including women and vulnerable groups Probability = 3 (low)	The scoring criteria (leverage of UNCDF resources) will favor FSPs that have arranged their capital for expansion and do not need full UNCDF funding. The initial $10 million would be allocated across the top-scoring proposals. If the unfunded proposals were viewed as good value for money, a second round of fundraising would have the benefit of being based on empirical data (funding gap to achieve outreach targets). This Fund also includes a facility for feasibility studies that could ensure proposals are based on reasonable data, including budget costs.	Partnerships & Business Development Manager working in close coordination with FIPA Director and Deputy Director	Project developer	During programme design – October 2007	March 2008	To be reviewed after first RFA and additional resources mobilized as needed based on value for money relative to FSP expansion plans.
4	Strength of FSPs to manage expansion	Strategic	Overstretched FSPs would have difficulty achieving expansion targets. Probability = 3 (low)	UNCDF does not expect that all of the shortlisted 45 FSPs plan to expand, rather the shortlist presents a transparent basis from which to issue a targeted RFA. However, initial research with the strongest FSPs indicates that a sufficient number of FSPs are interested to provide for a competitive RFA process. For those planning to expand, providing an outlet for their top staff that they may not have promotion slots for was noted as one factor in considering expansion. The competitive process would screen out the weaker FSPs/proposals.	FIPA Director and Deputy Director	Project developer	During programme design – April 2007	March 2008	

#	Description	Category	Impact & Probability	Countermeasures / Management Response	Owner	Author	Date Identified	Last Update	Status
5	Licensing of savings based institutions in new countries may face policy constraints	Strategic	LDCs that have favorable savings policy environments might receive a higher proportion of proposals, and vice versa. Probability = 4 (medium)	FSP proposals will be evaluated based on year 5 results, allowing for time to add savings clients in year 4 and 5 even if initial entry is credit led. UNCDF's sector development approach builds strategic partnerships with Central Banks and other funders to address policy constraints, including savings related issues. UNCDF will regularly dialogue with FSPs and policy-makers regarding constraints and options to address them.	Regional Technical Advisors	Project developer	March 2008	March 2008	No change
6	Qualifying FSPs individually versus as networks	Strategic	May lower the quality of proposals, including ability to leverage capital if FSPs do not utilize network resources. Probability = 2 (low)	Networks include a wide-range of models, in contributing to the success of any one FSP. This make it difficult for UNCDF to externally apply transparent criteria qualifying one network vs. another as qualifying for the shortlist. Thus UNCDF has chosen to qualify individual FSPs and allow them to utilize the resources of their network to prepare proposals as they deem fit.	FIPA Director and Deputy Director	Project developer	April 2007	March 2008	Initial letter requesting expression of interest to clarify to FSPs their ability to utilize the resources of their networks in preparing proposals.

[i] MicroStart: Finding and Feeding Breakthroughs, Mid-Term Evaluation, UNDP/UNCDF/SUM, Elisabeth Rhyne and Jill Donahue, December 1999, p.13.
[ii] "The Introduction of Microfinance in Mongolia: XAC", Presentation by former Deputy Governor, Central Bank of Mongolia, to the Global Meeting on Promising MFIs, UNCDF/SUM and UNDP Africa, U.N., NY, June 2001.