



Stakeholders Consultations

Opening Statement by Marc BICHLER, Executive Secretary

New York, November 21th, 2013

CHECK AGAINST DELIVERY

A warm welcome to everybody.

And a heartfelt thank you to Mr Bojan Belev, the Vice-chair of the Executive Board, to be with us today. Your presence, sir, is a token of the sustained interest that the board is showing in the state and the work of the United Nations Capital Development Fund. We are honored and motivated by that interest.

I feel very privileged that all of you – key Stakeholders and close friends of UNCDF - were able to cut some time out of your busy schedules to spend with us today. This meeting offers a great and timely opportunity to come back to some of the key conclusions that emerged from past Stakeholders Consultations and on how they are reflected in UNCDF's Strategic Framework for the period 2014-2017 – a key document we are pleased to share with you before it will be finalized for presentation at the board session in January. I am convinced that today's discussion will provide additional useful input to enrich this Strategic Framework.

As most of you know, a little more than a year ago - on November 1st, 2012, I took up the job of Executive Secretary of UNCDF. It has been a great year, during which I could fully appreciate the potential of UNCDF, the opportunities under our mandate, but also the challenges we are confronted with.

During this time, the Stakeholders Consultations and your precious inputs have been of tremendous help to me and to my team, especially as we drafted our Strategic Framework for the period 2014-2017.

The Consultations – on which we reported to the Executive Board last June – covered three important issues. Let me recall them briefly.

(1) First, the consultations allowed for a discussion on **UNCDF's value proposition** and how the work of the organization has evolved over the years. This discussion confirmed the relevance and the complementarity of UNCDF's work in the areas of inclusive finance and local development finance.

More specifically, on **local development finance**, the Consultations allowed UNCDF Stakeholders to appreciate the results obtained by UNCDF in terms of helping to advance fiscal decentralization and to establish improved financial governance and public finance mechanisms in LDCs. The working sessions touched upon the results obtained by applying UNCDF core local finance expertise to specific development challenges such as climate change adaptation, promotion of gender equality, social protection and food security.

Similarly, the Consultations offered an opportunity to discuss UNCDF's work on **inclusive finance**. Various participants emphasized the strong performance of the organization in terms of both sector development and global thematic initiatives. UNCDF built on its longstanding expertise in microfinance, micro-insurance, savings, credit and remittances - as well as electronic and mobile phone based technologies - to help produce development results through access to clean energy, climate change adaptation, gender equity, youth empowerment, food security and social protection.

Work in both areas shows the results and the potential related to UNCDF's sound business model: the supply of seed investment capital and technical assistance that allows to pilot and concept-proof policy and project innovations which Governments and other Development Partners can then replicate and bring to scale.

The Consultations allowed discussing also how UNCDF's value proposition and core expertise could encompass piloting and scaling up innovations in various emerging fields. On the one hand, participants discussed the potential of **ICTs for development** and how UNCDF could use more strategically ICTs to share its knowledge and to promote much-needed connectivity across the LDCs. On the other hand, there was broad consensus that – given the trends in the global context of **financing for development** – UNCDF could build on its uniquely flexible capital development mandate to introduce financing innovations that leverage new and larger capital flows, especially at the local level. Work on all these promising areas will be central to the achievements of MDGs and to the implementation of the emerging post-2015 development agenda.

This takes me right to the next point that I believe came out clearly from the Stakeholders Consultations: **the relevance of UNCDF's work in the emerging post-2015 agenda**.

The post-2015 development framework will be a key reference for UNCDF. As highlighted by the on-going consultations and by numerous reports, progress towards the MDGs has been uneven in the LDCs, despite significant achievements at an aggregate level. Stark disparities persist (and sometimes are increasing) between the rich and the poor, between urban and rural areas, as well as from a gender and generational perspective. The increasing focus of the international community on inclusive and sustainable growth translates into stronger demand for UNCDF's interventions that have been designed deliberately to address specific dimensions of inequality and to mobilize new sources of financing for development. The Consultations underlined that inclusive finance and local development finance are key enablers to foster progress towards the MDGs and that they will remain critical in attaining the goals that will be designed for the post-2015 period.

So, our consultations have confirmed both UNCDF's attractive value proposition *and* its increasing relevance in the broader development agenda. Against that background we asked the next important question: What is needed to make the most out of UNCDF's potential?

I mentioned our challenges before, and here I cannot but reflect - again - on UNCDF's financial situation and on the minimum threshold in core resources that our organization needs to keep up the good work, to continue to harvest the results of a pertinent business model and to sustain our support to the LDCs.

Analysis and data presented by UNCDF to you and to the Executive Board highlighted the strains on UNCDF's funding model, strains that need to be addressed in order to avoid a down-scaling of our activities, and to make sure UNCDF can continue to provide critical support to the LDCs.

Our financial data shows that the strong growth of non-core contributions (an indicator of UNCDF's performance and of the demand for its work), with matching increases in expenditures, has not been accompanied by the level of core contributions that is necessary to sustain UNCDF's business model. Let me be crystal clear: Should the status quo persist, UNCDF might be forced to reduce programming in LDCs (both technical assistance and capital investments).

In order to alleviate the pressure on its core budget we have done our homework. UNCDF has undertaken a rigorous cost reclassification between management cost, development effectiveness and programming. Also, our core operational reserve and our extra-budgetary reserve are being recalculated and the terms of investment of UNCDF assets are being renegotiated with Treasury. Recent decisions by the Board to allow charging eight per cent or more cost recovery on implementing non-core contributions – as of January 2014 – will also contribute to ease the pressure on our core resources.

However, on top of these measures, the Stakeholders Consultations highlighted that **an indispensable increase of core resources will be needed** to allow UNCDF to fulfill its investment mandate and to maintain its strong presence and support to the LDCs. Let me also stress that the consultations were useful in clarifying that UNCDF is not seeking increased core contributions to cover management costs, but rather to increase its investment capital and thereby its capacity to support programmes in the LDCs. This will also allow continuing to leverage core at least at a ratio of 1:3 with non-core resources and on average at a ratio of 1:10 with follow on or parallel investments by both public and private sector sources.

The Consultations' participants broadly agreed that efforts should be made to mobilize the additional core resources required to fully unleash UNCDF's potential and I am particularly pleased to report that some of the key donors confirmed their intention to maintain their financial support to UNCDF in the future or to increase their core contributions. Others unfortunately have to scale down their contributions.

Today, we have an excellent opportunity to link the useful discussions we have had during over the past year with the Strategic Framework that will guide UNCDF over the next 4 years. We also have the opportunity to discuss how the ambitious objectives set by the Framework will translate into concrete interventions in the LDCs and how they can be supported financially.

Therefore, without further ado, I will now give the floor to Christine Roth, UNCDF's Deputy Executive Secretary, who will provide an overview of the Strategic Framework. This will be followed by brief presentations on the work of our two programme areas, as well as on the financial outlook for UNCDF. Speakers, together with the other members of our Management Team, will of course stand ready to answer any question you may have.

Thank you for your kind attention.