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UNCDF

Unlocking Public and Private Finance for the Poor

Last Mile Finance Trust Fund

Consolidated Progress Report 2017

CONTENTS

Last Mile Finance Trust Fund

Strategic Overview and Summary of Progress

OVERVIEW

The Consolidated Report for the year 2017 encompasses all global programmes funded under the Last Mile Finance Trust Fund during the period. The report has been prepared by the Partnerships, Policy and Communications unit of UNCDF based on data obtained from the global programmes funded.

Section 1 provides a strategic overview that includes the context in which the global programmes operate and the financial summary. Section 2 provides a more detailed report for each global programme. The sections contain the following elements: 1) Background and Objectives; 2) Results, 3) Results Framework; 4) Financial Report; 5) Delays and challenges during the period; 6) Lessons learned; 7) Resources; and 7) Other assessments or evaluations (if applicable).

Certified financial reports will also be submitted separately for each programme.

Note: All figures are in U.S. dollars, unless otherwise specified.

BACKGROUND

The current development environment presents an unprecedented opportunity for public and private partners to recommit to Least Developed Countries (LDCs) in their pursuit of graduation through equitable and sustainable growth patterns. UNCDF plays a critical role in this process through its work bringing together a group of partners to support sustainable development in the "last mile" areas of LDCs, where resources are scarcest and the development challenges for underserved populations the greatest.

The Last Mile Finance Trust Fund (LMFTF) is a multi-partner funding vehicle to bring innovative finance solutions to the maximum number of LDCs as they pursue the achievement of the SDGs and their graduation targets. This trust fund builds on the successful four-year experience with the Partnership Framework for Global Initiatives for Inclusive Growth and Sustainable Development (PFIS) 2012-2015, supported by the Swedish Agency for International Development (Sida), the Norwegian Agency for Development Cooperation (Norad), and the Austrian Development Agency (ADA). The LMFTF mechanism provides a flexible vehicle for partners to support the LDCs in a range of key areas.

The LMFTF allows for UNCDF to pilot and scale up its finance models in response to demand in LDCs, and thereby assist LDCs in unlocking public and private finance to address exclusion and inequality in the last mile. It adopts a partnership approach that brings value to all stakeholders. By offering UNCDF flexibility in responding to its operational challenges in an effective and timely manner, it makes significant contributions to beneficiaries in LDCs with programmes that will produce long-term transformations. For funding and learning partners, the framework not only provides a flexible vehicle for channeling resources to shared strategic priorities, but also leverages resources from a range of public and private sector actors and catalyzes partnerships across a wider range of financing instruments, creating a stronger platform for cross-fertilization of knowledge and technical expertise across themes and regions.

The Trust Fund is structured with thematic and country expansion windows as shown in Figure 1. 1 The five thematic funding windows are:

- Green Economy
- Food Security and Nutrition
- Infrastructure and Services
- Economic Empowerment of Women and Youth
- Financial Inclusion and Innovations

A sixth window for country expansion is provided to enable UNCDF to take its finance models into the maximum number of LDCs possible, based on country demand. Partners can choose to provide non-earmarked contributions, allowing UNCDF to allocate resources where they are needed most, or to support one or a combination of windows.

The LMFTF enables partners with UNCDF to:

- Address areas of critical importance for the LDCs to achieve the SDGs and graduation, where transformative financing solutions at the local level have proven capacity to leverage up to $10 or more for every $1 in ODA invested, with sustainable impact.

- Learn lessons together about what works, and under which conditions, around leading edge last mile finance solutions, managed risk-taking, innovation, consolidation and scale-up.

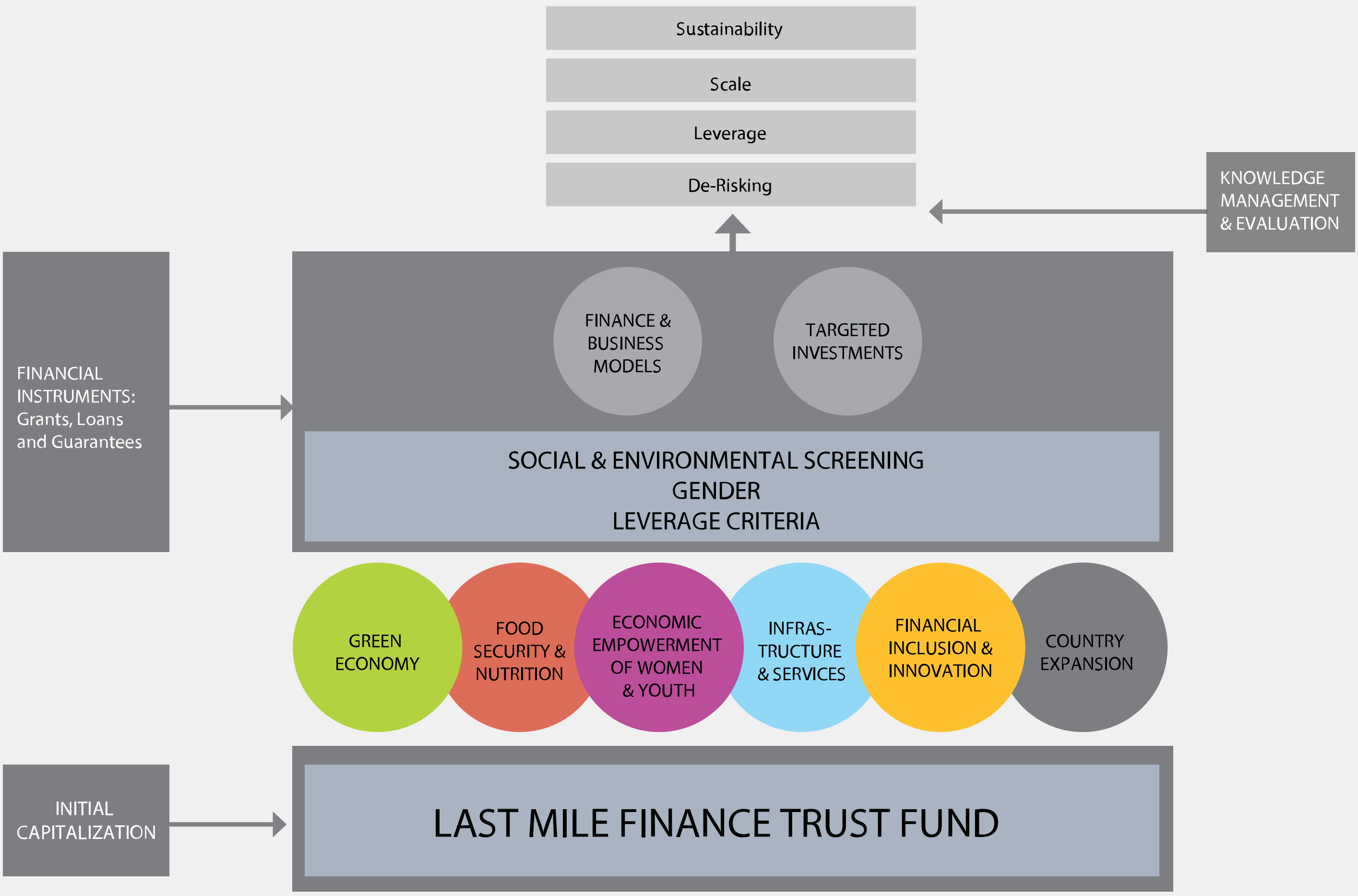
- Provide opportunities for leverage to partners' blended finance and other investment vehicles by identifying new markets, de-risking the local investment space, and building viable and investable project pipelines.

- Replicate and scale up successful finance models with proven impact, for example on production and consumption patterns, local resilience through projects and systems that apply detailed project appraisal techniques and/or verifiable resilience building measures.

- Engage across a focused range of themes and/or countries, including in "frontier" areas where local finance can unlock sustainable development potential, by, for example, unlocking domestic capital markets through the productive use of existing domestic resources, investing in public and private infrastructure with proven fiscal sustainability, or connecting new technologies to localities and households.

The LMFTF provides a crucial complement to the UNCDF core resource base. The thematic funding windows help to increase productive capacity of LDCs through investments in infrastructure, energy, industrialization and sustainable agriculture, setting the stage for structural transformation while leading to greater employment and capital formation. This will, in turn, improve domestic resource mobilization and reduce country reliance on external finance and exposure to external shocks. Through this flexible partnership mechanism, UNCDF, with continuous support and contributions from partners, will work to bring last mile finance solutions to the maximum number of LDCs to achieve inclusive growth and sustainable development.

Figure 1: Last Mile Finance Trust Fund – A flexible funding mechanism for last mile finance solutions



GLOBAL THEMATIC WINDOWS INITIATIVES FUNDED BY THE LMFTF

WINDOW 1: GREEN ECONOMY

UNCDF's financing models are relevant to the green economy as they help reduce the vulnerability of local communities to climate change and lead to the sustainable use of resources. UNCDF develops and tests models that get resources flowing into secondary cities, peri-urban, and rural areas to mitigate the effects of climate change and build resilience. They also help these localities meet the growing demand for sustainable infrastructure. These finance models support the transition to clean and efficient energy for low-income consumers.

Programmes under the Green Economy Window:

Local Climate Adaption Living Facility (LoCAL): A programme that promotes climate resilience in local communities and economies by making financing and investment for climate change adaptation available at the local level.

CleanStart: A programme that provides catalytic financing for energy businesses and financial service providers to improve the financial access of poor households to decentralized off-grid sources of clean energy.

WINDOW 2: FOOD SECURITY AND NUTRITION

By strengthening local capacities for integrating food security concerns into planning and budgeting, and by providing the financial instruments needed to make investments that strengthen local resilience to food shocks, UNCDF's financing models create a more sustainable environment for addressing local food security issues.

UNCDF also supports agriculture finance to reach smallholder farmers. Financial inclusion contributes to greater food security and less hunger by helping farmers reduce their risks through adapted financial products, allowing them to improve their use of agricultural inputs and to invest more productively, resulting in higher yields and incomes.

Programmes under the Food Security Window:

Finance for Food (F4F): A programme that promotes locally nurtured pipelines of investable projects and public investments with an impact on the Local Food System (LFS). It helps to address issues on the lack of access to basic services, public and private finance, skills and coordination of food security and nutrition (FSN) at the local level. It helps to increase food security in Africa and Asia by making gender-sensititive public, public-private, and community investments to fill missing links in the local food systems. Overall, F4F promotes soft and hard transformative FSN investments that retain value within the local space for sustainable economic growth in the LDCs.

WINDOW 3: ECONOMIC EMPOWERMENT OF WOMEN AND YOUTH

UNCDF's financing models are actively addressing the economic empowerment of women and youth. They are meeting the need for customized financial services and infrastructure and other services for women, and provide young people with financial services and economic opportunities to lead productive lives. Working closely with UNDP and UN Women, they also address structural barriers to women's access to economic activities.

Programmes under the Economic Empowerment of Women & Youth Window:

Inclusive and Equitable Local Development (IELD): A programme that aims to support local governments to design, plan, implement and sustain investments that take into account the needs of poor women and men.

YouthStart Global: A programme that expands the financial inclusion of young people and their access to economic opportunities.

Participation of Women in the Economy Realized (POWER): A programme that aims to enhance the economic participation of women and girls—particularly low-income and rural—by improving their access to and use of appropriate and responsibly provided financial services in the context of more inclusive financial markets. Focus countries within Africa are being determined.

Shaping Inclusive Finance Transformation (SHIFT): A programme that aims to improve the living standards of vulnerable groups by opening the door to digital financial inclusion, expanding the potential for enterprise development, employment, and increased economic participation.

WINDOW 4: INFRASTRUCTURE AND SERVICES

UNCDF's financing mechanisms unlock investment from predominantly domestic public and private resources for the financing of catalytic local infrastructure with high local economic development impact. These investments address the needs of secondary cities and cross-border trade through access to multiple sources of finance using instruments like Public Private Partnerships (PPPs), structured project finance, and municipal bonds.

Programmes under the Infrastructure & Services Window:

Municipal Investment Financing (MIF): A programme that aims to increase the capacity of local governments to address key urbanization challenges through access to sustainable sources of capital financing. MIF aims to leverage the resources of governments to mobilize public and private capital investment, while transitioning local government finances from traditional pure grant funding to a broadened mix of financial sources in order to address local challenges.

Local Transformative and Uplifting Solutions (LoTUS): A programme that facilitates investments that take advantage of cross-border locations and factor endowments. LoTUS supports regional and national policy formulation and the testing of targeted investment mechanisms to support regional integration and development of the border areas.

Local Finance Initiative (LFI): A programme that provides credit enhancement and technical assistance for project finance covering the last mile bankability of projects. It also serves as a vehicle for local capital, including banks and pension funds to invest in local infrastructure.

WINDOW 5: FINANCIAL INCLUSION & INNOVATION

UNCDF's last mile financing models support digital finance innovations to reach unbanked, poor and remote populations who have been excluded from traditional financial networks. Programmes funded under this window also recognize that financial intermediation can be the missing link between adapted technologies and household access.

This work is founded on supply and demand diagnostics that support governments to engage stakeholders in creating roadmaps for financial inclusion. These processes bring to the table Financial Service Providers (FSPs), insurance companies, mobile network operators, technology companies, agricultural suppliers, and remittance companies, as well as regulators, policymakers (such as ministries of telecommunications, agriculture, education, social welfare) and civil society actors, including consumer associations and financial education providers. Challenge funds support the development of new prototypes and bring to scale viable business models that serve low-income consumers, medium, small and micro-enterprises (MSMEs), and the un- and under - banked, especially women.

Programmes under the Financial Inclusion & Innovation Window:

Making Access Possible for the Poor (MAP): A multi-country programme that utilizes a specialized diagnostic tool to map the financial inclusion ecosystems of countries supporting data-driven decision-making for financial inclusion.

Mobile Money for the Poor (MM4P): A programme designed to leapfrog households in LDCs into the world of digital finance by providing access to digital financial services, including payments, credit, savings and insurance services.

Microlead (MLE): A programme that encourages formal FSPs to reach out to rural unbanked populations, particularly women, with deposit products and financial education tailored to clients' needs.

Digital Finance Plus (DF+) Innovation Platform – Project Initiation Plan (PIP): A programme designed to build on digital finance models for innovations that contribute to achieving the SDGs.

WINDOW 6: COUNTRY EXPANSION

The country expansion window complements core resources to increase UNCDF's coverage from 31 (or fewer) LDCs up to 40 (or more). It allows UNCDF to meet large unmet demand for programming; to diversify its thematic coverage in LDCs; and to build greater integration within UN Development Assistance Frameworks (UNDAF) and the UN Country Teams (UNCT) for more strategic, multi-themed approaches at the country level. It also helps to bring finance models to particularly hard-to-access areas where barriers to private capital flows are particularly acute (e.g. crisis-affected areas).

Countries under the Country Expansion Window:

- **Sierra Leone — MM4P**
- **Ethiopia — YouthStart**
- **Cambodia — SHIFT**
- **Lao PDR MAFIPP:** Making Access to Finance More Inclusive for Poor People.

The LDC Challenge: Contextual Analysis

During the last four-year period, many Least Developed Countries (LDCs) have made development progress. Economic growth in LDCs is estimated at close to six percent in 2017, higher than the projected growth rate for other developing countries. Yet even as they grow, many LDCs are experiencing limited improvements in productivity, job growth, or economic diversification.

LDCs face significant financing gaps as they seek to graduate with inclusion and achieve the SDGs. Many LDCs are very reliant on official development assistance (ODA) to complement scarce domestic public resources. Yet ODA and domestic resources are not enough to meet their financing needs. Private investment flows that do go to LDCs typically focus on too few countries and sectors. While there is growing use of blended instruments in international development, the poorest countries are largely being bypassed. Only seven percent of private finance mobilized by ODA through guarantees and other private sector instruments has targeted LDCs.

This reinforces the importance of putting ODA to catalytic use to accelerate economic growth, and to help mobilize additional resources for sustainable development. This is giving impetus to the work of UNCDF to innovate financing approaches where few others are present; that create demonstration effects that, replicated and taken to scale, help build inclusive financial markets and local development finance systems; and that leverage additional public and private sector funding from domestic and international actors into local economies to support growth that is inclusive.

This work takes place in a broader context that is creating exciting opportunities to make finance work for the poor. Many private sector actors are playing an increasingly active role in development, with a growing number focusing on double or triple bottom lines or looking for other ways to support the SDGs. New financing tools are being developed or are ripe for adaptation in LDC contexts. The expansion of digital technologies, mobile telephones, and financial technology (‘fintech’) firms is extending the reach of services and finance in LDCs while bringing down costs and empowering women and girls. Local governments are increasingly recognized for their essential role in meeting global challenges, from climate adaptation to responding effectively to urbanization and migration.

It is critical to ensure that this new generation of partnerships, tools, technologies, and solutions work for LDCs and poor populations, small- and medium-size enterprises (SMEs), and local governments that are otherwise at risk of being left even further behind. This is why UNCDF continues to apply its capital tools, knowledge, and experience to tackle exclusion and inequalities where it can have the biggest impact: in the last mile, where needs are greatest and where resources are most scarce. A major constraint remains the limited regular resources of UNCDF. The consistent shortfall against the $25 million annual target agreed in the strategic framework puts a severe strain on UNCDF’s country presence and its ability to move from innovation to scale.

Source: Integrated annual report on results for 2017 and final review on the strategic framework, 2014-2017, of the United Nations Capital Development Fund.

Financial Performance

The following is an overview of the financial performance of each of the global programmes funded by the LMFTF based on the official financial reports generated up to 31 December 2017. The overall delivery stands at 95 percent of LMFTF resources (totalling $2,445,387 million) received in 2017. The Local Development practice utilized 100 percent of the first LMFTF installment of $1,222,693 and allocated additional funds in the amount of $214,350 from the second installment received in December 2017 to meet their expense needs. The Financial Inclusion practice utilized 91 percent of the first installment of $1,222,693. This is reflected in the total of the table ($2,659,738).

Table 1: Total Allocation and Expenditures in $ (as of December 31st, 2017)

	Programme	LMFTF Budget	Expensed	Delivery Rate
Local Development Finance	F4F*	295,481.35	295,989.61	100%
	LFI*	752,440.75	753,735.00	100%
	LOTUS*	227,388.86	227,779.96	100%
	MIF*	161,733.93	128,641.62	80%
Financial Inclusion	Cleanstart	108,903.85	116,527.00	107%
	DF+	219,787.76	142,395.00	65%
	Ethiopia	49,501.75	51,066.00	103%
	Lao PDR	49,501.75	53,462.00	108%
	MAP	87,123.08	94,997.00	109%
	Microlead	99,003.50	80,903.00	82%
	MM4P	74,252.62	58,320.00	79%
	PoWER	113,854.00	113,854.00	100%
	SHIFT ASEAN	173,256.12	174,335.00	101%
	Sierra Leone	49,501.75	46,000.00	93%
	YouthStart Global	198,006.99	177,910.00	90%
	Total	**2,659,738.05**	**2,515,915.20**	**95%**

*Including GMS.
*LD practice utilized 100 percent of the first LMFTF installment of $1.222,693 and allocated additional funds in the amount of $214,350 from the second installment received in December 2017 to meet their expense needs.

Last Mile Finance Trust Fund

Progress reports for LMFTF-Funded Global Programmes

GREEN ECONOMY

CLEANSTART
— *Clean Energy Access*

Background and Objectives

UNCDF CleanStart is a global programme focused on getting low-income households and micro-entrepreneurs a jump-start on using clean energy. By 2020, CleanStart aims to have over 500,000 households and micro-entrepreneurs make the switch to clean energy, which translates into a total of 2.5 million people benefitting.

To this end, CleanStart promotes access to finance across the energy value chain from customer to enterprise by investing in early stage, innovative business ideas from SMEs that have the potential to make a step change in improving the accessibility, affordability, and reliability of modern energy for people, especially those at the last mile. Business ideas should have strong commercial-viability potential.

CleanStart has four programme components. The (1) investment component as described above is complemented by three other components that center around (2) providing technical advisory services to get concepts and business plans investment-ready by CleanStart, as well as general advice and linkages to non-financial resources such as experts and business development opportunities during the life of the partnership; (3) knowledge and learning through customer insights research and thinkshops to discuss trending market topics; and (4) advocacy and partnerships with strategic partners to jointly support the improvement of the energy access market ecosystem so that business models can scale.

As of 2017, CleanStart has active partnerships with 10 financial and energy service providers and one association of rural microfinance institutions (PAMIGA). These partners have focused on improving the affordability of clean energy solutions such as solar home systems, biogas, and efficient cook stoves, through micro-loans or PayGo financing mechanisms.

CleanStart partners with microfinance institutions and energy enterprises—offering seed capital and advice—to test scalable financing solutions in varying market conditions. At the heart of the CleanStart approach is de-risking investments in "frontier areas" where new financing models are tested and brokering relationships or partnerships with governments and commercial investors on the energy value chain so that tested ideas can be scaled up.

Results

Outcomes

In 2017, CleanStart risk capital to 11 active partners resulted in sales of 58,356 units, mostly solar home systems and efficient cookstoves. Out of this, 56,312 products (96 percent) were financed through an FSP loan or through PayGo. Of the 56,312 products financed, 59 percent were sold to women customers. Financial institution partners in Nepal demonstrated that energy lending works even without a subsidy.

In 2017, CleanStart launched the Renewable Energy Challenge Fund Clean (RECF) Cooking Window in Uganda, and in late 2017, signed new co-financing agreements with six clean cooking solution providers. The companies will distribute efficient cookstoves, briquettes, biogas, and Liquefied Petroleum Gas (LPG) to approximately 40,000 households, businesses, and institutions; create over 700 jobs and income-earning opportunities, especially for women and youth; and off-set approximately 400,000 tons of CO2 by 2020.

On the customer insights front, CleanStart wrapped up a year-long research project studying the way people in Uganda purchase household solar products; in particular, whether there is a so-called energy ladder effect and how financing models (loans or PayGo) contribute to the energy ladder movement. Key findings help to demystify influences on purchasing decisions and the extent of impact PayGo has on customer behavior. Three blogs have been released in 2017 to a wide readership; the full research analysis will be available in early 2018.

Finally, CleanStart is expanding its role as a market facilitator by 1) supporting national working capital facilities to operate challenge fund-type enterprise financing models and develop investable pipelines; 2) improving the leadership of the Uganda Solar Energy Association in developing the off-grid solar market; and 3) localizing and validating the usability of global standards and tools for the solar PayGo market through a partnership with the Global Off-Grid Lighting Association and other key market stakeholders.

Outputs

Output 1 and 2: Investment and Advisory Services

1) Nepal: FSPs demonstrate energy lending works even without subsidy

In 2017, a three-year partnership (2014-2017) with four financial service provider partners in Nepal culminated with partners facilitating sales of more than 124,000 clean energy solutions. CleanStart's investment of $0.5 million in the energy lending business of the four partners leveraged a total investment of $22 million, with $17 million in the form of credit from the partner FSPs for clean energy financing. All four partners over-achieved their performance targets by between 105 percent and 137 percent.

The result in Nepal – in terms of demonstrating that there is both a social and business case to clean energy lending led by financial service providers - is significant given the off-grid energy sector in recent years has somewhat lost faith in the microfinance (MFI)-led institutions model of delivering energy access, especially against the rising success of the pay-as-you-go model. It is promising that all four FSPs are committed to continuing energy lending beyond the partnership with CleanStart. On average, energy lending accounts for around two to three percent of the total lending portfolio of the partner FSPs.

Though Nepal is well-known for its systematic subsidy scheme for clean energy, over 90 percent of the FSP clients of CleanStart's partners purchased solar home systems without any subsidy. In most cases, people bought solar to supplement the regular grid rather than substitute it.

Over the three-year partnership period, Nepal's grid supply increased dramatically, with over 3 million households connected to the grid currently. The reliability of the grid supply has also improved significantly in 2017. This means that the number of grid-connected people investing in solar as a supplementary power source will be less in years to come. The challenge now is to reach the remotest locations to provide energy solutions to last mile clients. There is also a huge market to upgrade the smaller solar systems in the off- grid areas to larger ones so that customers can watch TV and use other appliances. Several partner FSPs have financed energy solutions for small businesses like poultry farms, electronics shops, tailoring shops, grocery shops, and restaurants and have also started to finance solar-powered equipment such as solar water pumps. UNCDF is supporting the evolution of the market by seeking to support new financing models (see output 4).

2) Uganda and Myanmar: d.light Design and Greenlight Planet successfully pilot direct distribution and financing model in Uganda and Myanmar

UNCDF is contributing to expanding the choice of solar PayGo solutions in Myanmar and Uganda. d.light and Greenlight Planet are pioneers and market leaders in the household solar market. UNCDF's initial investment has allowed these two market leaders to launch direct distribution and PayGo financing in new markets. In Myanmar, Greenlight Planet is now the only active PayGo provider after another investee, Brighterlite, closed operations in early 2017 (see section on challenges). In Uganda, d.light is now in third place behind Fenix and M-Kopa. In 2017 alone, d.light has been able to sell more than 16,000 systems on PayGo. Supporting the direct distribution model of market leaders such as Greenlight Planet and d.light is significant in that these companies have the operational and financial capacity to accelerate the availability of these solutions in hard-to-reach areas.

3) More than 400,000 tons of CO2 expected to be off-set through new investees in the clean cooking sector in Uganda

CleanStart Uganda launched the Renewable Energy Challenge Fund Clean Cooking Window in early 2017. 64 completed expressions of interest were received, out of which six companies were selected for funding. The portfolio is diverse in terms of the clean cooking solution and the maturity of the companies.

The companies will be distributing efficient cookstoves, briquettes, biogas, and LPG to approximately 40,000 households, businesses, and institutions such as schools; create over 700 jobs and income-earning opportunities, especially for women and youth; and off-set approximately 400,000 tons of CO_2 by 2020. In total, UNCDF is committing $630,527 in grant funding, and leveraging $539,515 of private sector investment.

Company
1. Fenix International Uganda
2. Green Heat Uganda
3. Simoshi Limited
4. WANA Energy Solutions
5. Josa Green Technologies
6. Raising Gabdho Foundation

New Clean Cooking Solution Partners in Uganda

Clean Cooking Solution	Innovation
Efficient cook stove	Fenix will credit score customers and make cookstoves affordable by offering financing using a PayGo installment method via MTN Mobile Money.
Biogas, briquettes	Green Heat works in partnerships with female-led distributors (e.g. charcoal vendors)to sell its briquette products. Youth will be hired as biogas digester masons.
Efficient cookstove (home and schools)	Simoshi will use schools to promote and sell efficient cook stoves for both institutional and household use.
LPG	WANA will deliver high-quality LPG supply at a low price point in underserved markets by using smart meters and PayGo technology.
Efficient cookstove, briquettes	Josa Green will install efficient cookstoves that use briquettes in schools. Josa Green will innovate on the payment terms for stove installations through a long-term purchase agreement for briquettes.
Efficient cookstove, briquettes	RGF currently works with an urban refugee community center in Kampala by providing stove and briquette production, sales training and jobs for urban youth refugees. RGF will expand its operations in the refugee settlements.

The clean cooking sector is unique in that most, if not all, parts of the value chain can be localized, which means it can create local jobs. All six companies are incorporated in Uganda and either wholly owned and staffed by Ugandans, or predominantly staffed by Ugandans.

The RECF Solar Window (~$2 million) was launched in late 2017. Partners will be selected by mid-2018.

Output 3. Knowledge and Learning

CleanStart wrapped up a year-long research project studying the way people in Uganda purchase household solar products, in particular whether there is a so-called energy ladder effect and how financing models (loans or PayGo) contribute to the energy ladder movement. Key findings help to demystify what influences purchasing decisions and the extent of impact that PayGo has on customer behaviour.

Key findings include:

- There is strong demand for larger PayGo products, as regular grid electricity is considered unsafe and unreliable.
- There is substantial reduction in use of traditional fuels with adoption of solar products. The level of full substitution of traditional fuels with solar technologies is high for large solar home systems owners at 82 percent, compared to mini-solar home systems users at 51 percent and small portable lanterns at 40 percent.

- PayGo financing allowed low-income households to buy larger solar systems

- Three information and marketing sources were particularly influential in driving end-user uptake: 1) Direct Marketing by Solar Off-grid Organizations; 2) Demonstration Effect; 3) Referrals by Thought Leaders and Peers.

- PayGo did not appear to generate long term economic saving, but it did improve overall quality of life.

- Customers are interested in purchasing larger products and PayGo financing allowed low-income households to buy larger solar systems.

- It is an open question whether PayGo enables wider financial inclusion. For example, PayGo customers valued mobile money as a savings tool as much as non-PayGo customers. Research did not see PayGo customers have more access to savings.

Three blogs have been released in 2017 with wide readership. The full research analysis will be available in early 2018. Study outcomes were presented at the Off-Grid Lighting Global Conference in Hong Kong in January 2018, as well as shared with CleanStart partners in Uganda in February 2017. Study insights were also applied to direct the challenge fund design for the RECF Solar PV Window in Uganda.

In 2018, CleanStart will start a Big Data research project effort in Uganda to understand who the solar customers are by collaborating with Big Data holders such as solar PayGo companies, mobile network operators, and/or Big Data research organizations such as the UN Global Pulse, which can collect people perception data on specific topics by analyzing everyday conversations transmitted through radio stations.

Additionally, CleanStart Thinkshops have been critical in disseminating the results of CleanStart research and lessons from innovation partners, while also offering a venue to convene the sector and catalyse discussions on newly developing topics. In 2017, the ThinkShop topic was 'Solar PayGo: Data Visibility for Investment', which discussed how to inject more local capital into the solar PayGo sector and the incentives to do so in a way that is a win-win for solar companies, commercial funders, and ultimately the under-served customers in Uganda. In late 2017, CleanStart partnered with MM4P and the Scaling Off-Grid Energy Initiative led by USAID and DFID to organize a workshop on 'Powering Agriculture'.

Output 4. Advocacy and Partnerships

CleanStart is supporting national working capital facilities to improve their ability to develop pipelines and finance businesses in markets that need capital to fuel their growth.

- In Nepal, UNCDF recently assisted the Central Renewable Energy Fund—responsible for managing the subsidy and credit scheme for renewables in Nepal—in selecting three energy service providers in business model innovations through a vendor finance challenge fund co-funded by the Alternative Energy Promotion Center (AEPC), UNDP, and UNCDF. CleanStart is also assisting AEPC in Green Climate Fund accreditation. In Ethiopia, CleanStart worked closely with UNDP and the Development Bank of Ethiopia (DBE) to develop the Operational Manual for the Credit Risk Guarantee Fund (CRGF) in close cooperation with commercial banks and MFIs, energy companies, and development partners. In addition, a local expert was recruited to provide technical assistance to DBE and interested financial institutions on the CRGF. In 2018, an expression of interest will be launched for financial institutions to join the CRGF. It is expected that by mid-2018 the first guarantees for clean energy loans from commercial banks/MFIs to SMEs can be provided by the CRGF. The fund is expected to leverage around $2.8 million in renewable energy lending.

- In Uganda, UNCDF CleanStart entered into a new partnership with DFID to facilitate industry-led advocacy for off-grid solar market development to achieve universal electricity access by 2030. Practically, this means working closely with the Uganda Solar Energy Association to set up a functional and sustainable industry association with proper staffing, strategy, workplan, and revenue-generating activities towards sustainability. UNCDF will work with the Uganda Solar Energy Association to build up the evidence base and capacity of market actors to advocate for market improvements through better market intelligence, Big Data customer research, and business development training for solar companies. This partnership builds on the off-grid solar industry coordination activities initiated through the Uganda Energy Africa Compact, which was signed by the Ministry of Energy and Mineral Development, DFID, UNCDF, and other industry supporters.

Furthermore, CleanStart is recognized for its ability to generate a pipeline of investable companies as well as localize/validate the usability of global standards and tools for the solar PayGo market through the companies it works with and other potential investees discovered through the challenge fund process. In 2017, CleanStart's investee Village Power handed over the solar PayGo market database with loan portfolio sharing and data collection functionalities to the Global Off-Grid Lighting Association (GOGLA). GOGLA will be using this tool to collect global solar PayGo data in 2018 and the tool will be highlighted in the World Bank/IFC Lighting Global's data management guidebook for solar PayGo companies. Moreover, the CleanStart Programme and UNDP have also developed a pilot project to demonstrate the usability of public funds to support solar pay-go companies in leveraging debt or equity from capital markets.

Results Framework (Indicator Based Performance Assessment)

Outcome/Output	Status
Outcome 1: By end of programme, increased sustainable access to clean and affordable energy by more than 2.5 million people (through financing of 501,000 low-income households and micro-entrepreneurs) **Indicator**: 1. Number of people that secure access to low-cost decentralized clean energy supplies disaggregated by gender Target: Y3: 115,000 Y4: 290,000 Y5: 531,000 Y6 (2017): 850,000; Y7: 1,266,000; Y8: 1,805,000; Y9: 2,505,000 2. Number of Least Developed Countries (LDCs) and developing countries where CleanStart methodology is adopted. Target: By 2020, CleanStart is operational in six countries and 10 additional LDCs and developing countries adopt the CleanStart methodology	**1. More or less on track.** By 2017, the CleanStart Programme partners facilitated the delivery of more than 157,000 clean energy solutions. This translates into more than 780,000 people benefitting from the use of clean energy if we were to use a five-person per household headcount. In 2017 alone, CleanStart risk capital to 11 partners resulted in the sales of 58,356 units, mostly solar home systems and efficient cookstoves. Out of these, 56,312 products (96 percent) were financed through a financial institution loan or through pay-as-you-go financing from energy enterprises. Of the 56,312 products financed, 59 percent were sold to women customers. **2. More or less on track.** As of 2017, CleanStart has footprints in nine countries: + Nepal, Myanmar, Uganda: direct investments in 10 enterprises; + Ethiopia: set up credit guarantee facility with Development Bank of Ethiopia; + Benin, Cameroon, Ethiopia, Kenya, Senegal: supporting 13 rural MFIs to offer solar energy loans through partnership with PAMIGA
Output 1: Finance for Clean Energy to strengthen capabilities of 18 FSPs to provide financing for clean energy to low-income households and micro-entrepreneurs	**More or less on track.** As of end 2017, CleanStart has a total of 17 investees. These include 11 investees that started partnerships with UNCDF in 2014 and 2016, plus six new investees that were selected through the RECF Clean Cooking Window in Uganda.

Outcome/Output	Status
Output 2: Technical Assistance for Clean Energy to remove barriers and support institutions to the successful deployment and commercialization of those technologies and services for which the selected FSPs will provide financing	**Improving.** In Nepal, the Project Coordinator provided a pivotal role in advising and training financial institution partners in energy lending. This contributed to facilitating sales of more than 124,000 clean energy solutions since the partnership started in 2014. Also, pre-investment technical assistance is provided to applicant companies so that applicants submit high-quality business plans. CleanStart is also shifting from an "arms-length" investment approach to a more hands-on mentoring relationship with partners selected under the Clean Cooking Window. CleanStart will provide technical assistance in areas identified as bottlenecks and weaknesses during the selection and business implementation process. Furthermore, CleanStart is partnering with Columbia University to provide light-touch analysis of business plans to companies that applied to the Clean Cooking Window but were not selected for investment.
Output 3: Global Knowledge and Learning to enhance understanding and awareness globally of the potential for financing to scale-up access to clean energy and make available the tools and knowledge needed to scale-up access to clean energy beyond the project	**On track.** CleanStart has undertaken several customer insights research projects in Nepal and Uganda. Additionally, CleanStart is using NVIVO, a data analysis software, to analyze quarterly reports from investees at an aggregate level more efficiently. Findings from both the customer insights research and company portfolio analysis are being integrated into the design of new challenge fund windows and shared widely through social media, UNCDF Thinkshops, and other conferences.
Output 4: Advocacy and Partnerships to create an enabling policy and business environment to expand finance for clean energy	**On track.** CleanStart is supporting national working capital facilities and other market facilitators, such as industry associations, to play their part in increasing the number of investable enterprises in the off-grid power/ clean cooking sector.
Output 5: Effective global programme implementation	CleanStart core structure operating as a multi-functional team at global and country levels, along with an extended team of consultants with diverse expertise.

Financial Report

The programme received $108,903.85 from the LMFTF with a 100 percent delivery rate for the first installment.

CleanStart spent 76 percent of the funds under the approved annual workplan. A major contributor to the under-delivery of funds is due to the under-performance of several investees for various reasons outlined in this report.

At the same time, CleanStart has focused its resources on providing pre-investment technical assistance to the Clean Cooking Window applicants to mitigate the challenges that the initial batch of investees faced during the course of implementation.

Output	Approved AWP 2017	Revised AWP 2017 (Oct 17)	Total Expenditure (As of 28 Feb18)	Delivery % (AWP)	Delivery % (Revised AWP)
Output 1. Finance for Clean Energy	375,800	262,656	230,704	61%	88%
Output 2. Technical Assistance for Clean Energy	672,995	68,263	638,275	95%	96%
Output 3. Knowledge and Learning	413,052	389,519	288,538	70%	74%
Output 4. Advocacy and Partnerships	230,800	188,055	149,372	65%	79%
Output 5. Programme Implementation	459,700	337,038	325,036	71%	96%
Total	**2,152,346**	**1,845,532**	**1,631,925**	**76%**	**88%**

Delays and challenges during the period

In 2017, the performance of each company and the viability of its business model after the CleanStart partnership have been reviewed, and partnership (targets and funding) have been suspended or restructured accordingly. In 2017, three partnerships were suspended or put on hold (Kamworks in Cambodia; Hydrologic in Cambodia; Biolite in Myanmar) given inability to hit their targets, very low prospects for achieving commercially viable sales, and collapse/failure of a major local distribution partnership.

One partnership was terminated (Brighterlite in Myanmar) upon request of the partner, who decided to finally close down operations as of the end of April 2017 following the introduction of a government of Myanmar and World Bank solar home system subsidy initiative in Brighterlite's target market areas. As a result of rumors of the subsidy programme since the beginning of the year, customer demand had significantly deteriorated during the first quarter of 2017 operations. As a result of the grant agreement ending, SHIFT and CleanStart have drafted a policy study to understand the impacts of the subsidy scheme on Myanmar's energy sector and the reasons for Brighterlite's failure in Myanmar. While the study is pending finalization, the dialogue raised by the study and Brighterlite's closure has led the Department of Rural Development (DRD) and World Bank to re-examine its subsidy approach in Myanmar.

At the same time, several companies managed to make meaningful pivots in their business models based on lessons learned from 2016. Finca Uganda (MFI) found their cost of underwriting a loan to be too high and a constraint to providing small ticket energy loans to unbanked, new customers because of Know Your Customer (KYC) requirements from the Central Bank. The pivot was then to have Finca Uganda's sister company BrightLife acquire new customers by selling solar using pay-as-you-go with a view to eventually graduate customers with good repayment history into becoming Finca Uganda MFI clients. Finca Uganda and BrightLife are also embarking on a digitization strategy on both sides that seeks to provide an end-to-end automation of all small energy loans under approximately $300. Developing a credit scoring algorithm is part of that strategy, using in-house enterprise data (Finca Uganda microfinance clients and BrightLife's pay-go customer data).

In Myanmar, a major distribution partner of Greenlight Planet pulled out of the partnership at the start of the project. This dealt a big blow to Greenlight Planet, given the company's lack of local presence. Greenlight Planet responded to this challenge by initiating a new business model, incorporating a local company and developing a local distribution network, including a retail store presence. Consequently, Greenlight Planet has made significant progress towards a sustainable business and is the only solar PayGo provider in Myanmar.

Thanks to Sida's agreement to extend the duration of the funding to UNCDF, the programme team is re-structuring the terms of the investment so that companies have more time to reap the outcomes of their business model pivots. In general, CleanStart is trying to become more adaptive to the needs of its partners, mitigate risks, and document lessons learned through regular and open progress discussions with partners and systematic analysis of quarterly reports. CleanStart is also scrutinizing the strength of partnerships and other aspects that have clearly been a challenge for existing partners through the way challenge funding windows are designed and the way Performance-Based Agreements (PBA) milestones are structured. UNCDF as a whole is strengthening its capacity to provide loans and guarantees, a capacity that CleanStart will utilize.

Risk	Significance	Probability	Action taken
CleanStart's investees are not able to meet the milestones or targets based on the timelines set out in the PBA and/or CleanStart's funding timelines, thus potentially resulting in the under-achievement of grantees.	High	High to Low (varied by investment)	Portfolio rationalized from 10 investments to six (1 company will successfully "graduate" from partnership in Q1 2018; five companies will continue partnership until end 2018 under re-structured terms). Challenges identified during partnership implementation being taken into consideration in the design and due diligence process of the new challenge fund windows. Continue to use quarterly monitoring to keep a finger on the pulse with companies and maintain an open dialogue. Also alternate plans for utilization on grant amounts of some of the projects are being developed to ensure 100 percent delivery.

Risk	Significance	Probability	Action taken
The challenge fund investments do not lead to impact beyond the project, thus making the programme outcomes unsustainable.	Medium	High to Low (varied by investment)	Raise profile of investees among potential follow-on funders or strategic partners. Diversify funding instruments to include loans and guarantees so partners can raise capital that ideally supports their growth trajectory and raises chances of syndicating funding from other sources. Commercial viability and sustainability key considerations when negotiating project milestones with companies. Company cost-share and reimbursement approach to payments also contributes to ensuring sustainability. Challenge fund projects will be monitored beyond their close in order to ensure long-term sustainability.
Companies are affected by sudden regulatory changes such as import duties, VAT, and subsidies – increasing their operational costs and reducing market demand.	High	High to Medium	Supporting advocacy efforts of the Uganda Solar Energy Association and cross-sector working groups on consumer protection, finance, policy initiated by the Energy Africa Compact.
There remains an overall funding gap for the programme. If the funding gaps are not filled, implementation of activities and achievement of programme targets will be affected, meaning the project will be unable to be fully implemented within the targets and timeframes set out. Funding gap is: $11M.	High	Medium-High	In-country donor engagement has been strong. In late 2017, CleanStart raised $1.3 million from DfID Uganda to support the Uganda Solar Energy Association with improving their governance/management structure and incubating member services such as market intelligence and business development services for member companies. Supporting companies and developing integrated strategies whereby energy is used as an income generating/ productivity enhancing resource, especially in rural contexts (e.g. solar irrigation, mini-grids). Raising public profile by sharing bite-sized stories and lessons learned from various components of the programme. Planning to organize CleanStart Connect in 2018 (last one in 2014) to share CleanStart evolution story with a range of stakeholders.

Lessons learned

CleanStart evolved from a programme focusing purely on microfinance institutions as a delivery channel to also including various private providers of energy solutions, based on evolving market needs as well as stronger UNCDF internal capacity to promote an investment-driven agenda. This is proving to be a correct and timely decision. In 2017, an independent mid-term evaluation of the CleanStart Programme was completed. The evaluation noted several positives of the CleanStart Programme. These include:

1. Reorientation of strategy to adapt to market evolutions;

2. Cost-effective programme, managed by a well-equipped centralized team, though under-staffed at country-level;

3. Financial support to a relatively good number of implementing partners, piloting three distinct business models with differences in innovation in terms of delivery channels and/or type of linkage between FSPs and ESPs;

4. Extension of clean energy access to some 500,000 final beneficiaries;

5. High levels of satisfaction and recognition of some changes/ improvements in their lives from the consulted clients;

6. Production of good quality knowledge and learning activities (despite their limited number compared to the size of the programme and the geographical coverage); and

7. Engagement with highly-motivated implementing partners towards achieving financial sustainability.

Indeed, the challenge fund mechanism has been instrumental in building up a current and comprehensive understanding of the latest off-grid business models and sector development needs. In Uganda alone, CleanStart received more than 180 applications on business model innovations related to clean energy since the first challenge fund in 2015. This is a result of aggressive marketing and one-on-one consultations with various businesses in and outside Uganda. A great deal of data and knowledge about the sector is collected throughout the process.

In-country presence has also allowed CleanStart to build up a close working relationship with the energy and financial service providers as well as the government and development partners promoting the development of the off-grid/renewable energy sector. CleanStart works hard to connect various stakeholders with partnership opportunities, given its relationships with various parties of the ecosystem.

CleanStart is endeavoring to build in inclusivity and national buy-in to the challenge fund mechanism so it contributes to achieving national energy access goals and facilitates market improvements for energy businesses to grow.

To achieve this, CleanStart:

- Included features such as a ‘small grant’ category for primarily small businesses that were registered at least one year compared to the two years of registration and well-established operations that were expected from the ‘large grant’ category applicants. As a result, CleanStart’s clean cooking investment portfolio is a diverse mix of companies in terms of maturity, and all six investees are incorporated in Uganda, either wholly owned and staffed by Ugandans or predominantly staffed by Ugandans.

- Solicited the Ministry of Energy and Mineral Development’s inputs at key stages of the challenge fund process. The Ministry also designated a staff member as a member of the Investment Committee (IC), and the Ministry has been de-briefed about each of the selection outcomes by the IC Chair. Finally, the Ministry was asked to endorse the IC’s investment recommendations. This is helpful in creating government buy-in.

- Engaged with various national industry associations from technical to general business-related associations. UNCDF organized a separate information session with the associations to go over the application requirements, and obliged partner companies to join an industry association before contract signing.

- In Nepal, CleanStart supported the Central Renewable Energy Fund (CREF), Nepal's central fund for subsidies and credit for renewables, to launch a challenge fund targeting energy enterprises. UNCDF developed the tools and advised CREF throughout the selection process. UNCDF's seed capital to the CREF-led challenge fund helped pool investments from the Alternative Energy Promotion Center and UNDP. Four companies have been selected to expand to trial PayGo solar lighting, solar irrigation and drying.

The mid-term evaluation also highlighted several weaknesses of the CleanStart Programme :

Struggling to reach (overly demanding) targets related to the majority of indicators and not having designed a comprehensive system for monitoring programme achievements at all levels.

Adjustment measures: CleanStart now has more tools at its disposal—especially in terms of partner selection mechanisms and financing instruments—to achieve the targets and be flexible in the way it structures its investment over time. Moreover, as noted as a positive in the evaluation, CleanStart will continue to create relevant synergies with existing UNDP/UNCDF programmes and other global initiatives to build on each other's capacities and relationships with stakeholders. For example, CleanStart explored collaborations with UNCDF's sister programmes such as UNNATI in Nepal and MM4P in Uganda, as strong synergies can be created between agriculture, energy, and digital financial services to modernize/improve the productivity of agriculture. In Nepal, CleanStart's partners started to finance solar-powered water pumps and dryers. In Uganda, more than one-third of the proposals that CleanStart received through the Solar PV challenge fund window were related to efficient appliances and agriculture related products. It should be noted, however, that as of end 2017, the outreach target is basically on track.

As also recommended by the evaluation, CleanStart will continue with the piloting approach and concentrate on a limited number of countries including Nepal, Uganda, and two to three other countries, in particular, in West Africa which is still considered a new frontier in the energy access space and where UNCDF FIPA has a strong constituent base.

On the monitoring front, CleanStart has set up a qualitative database on NVIVO to conduct systematic case study analyses on best and weak practices of partners. The quarterly progress reports are the data source for the analysis. This approach helps to tease out and compare business implementation-related experiences across the whole of CleanStart's portfolio. The first analysis was completed in late 2017, and will be publicly shared in early 2018. Systematic analysis is substantiated by quarterly progress monitoring discussions with companies. Furthermore, CleanStart has been applying the lessons learned from previous challenge fund rounds into the design of new funding windows.

Provided relatively limited capacity building activities and a limited number of financial tools to implementing partners.

Adjustment measures: The "investment" approach which CleanStart has recently preferred through the challenge fund, by nature, embeds the external technical assistance (TA) requirements into the business plan (if deemed required through company's own thinking and TA/due diligence discussions with CleanStart team) so that the company takes ownership and gets the type of support when the company most needs it.

For the clean cooking window partners, however, given the maturity level of the businesses, CleanStart will provide TA outside of the investment contract based on weaknesses identified during the due diligence process and through consultations with the companies over the course of the implementation. The value of reinforcing TA to partners was also evident in Nepal. Once the National Coordinator came on board and worked closely with each institution to get the right support that would help improve the business model, the four FSPs saw a boost in outreach and over-achieved their targets.

Since the beginning of the programme, CleanStart provided extensive pre-investment TA to all companies, particularly on how to develop a commercially-viable business model and an implementable business plan. For the challenge fund partners, CleanStart also provides value-added support, such as referrals to product/service provider partners including payment service providers; meetings with government to discuss business challenges; linkages to funders; and participation in customer research.

As for diversified financial tools, CleanStart and other parts of UNCDF will use the lending/guarantee capital from Sida to trial new types of investments with private companies in the energy sector in 2018. It is a timely intervention given the funding needs of existing/potential partners for example in Nepal are changing. CleanStart also developed a new pilot project with UNDP to create synergies between UNDP's policy de-risking tools and UNCDF's investment mandate to demonstrate how public funds can catalyze or syndicate commercial or near-commercial investments for scale. CleanStart will work closely with the LDC Investment Platform in rolling out the new funding instruments.

Qualitative Assessment

Gender, youth, Environment consideration, Client protection

In 2017, 59 percent of the CleanStart portfolio were women borrowers (33,279 of 56,312 borrowers).

In Nepal, 76 percent of the 2017 clients (25,267 clients out of 33,179) receiving energy loans are female. A sample survey (797 respondents) done by one of CleanStart's partners in Uganda – Finca Uganda/Brightlife – on customers who purchased solar lamps, solar home systems, and cook stoves found that a typical client is a 45 year-old married female managing a family of seven, of whom three are children. 56 percent of the clients were rural and 60 percent have at least a primary education. 71 percent of clients own their own business, many in agriculture.

An impact area that CleanStart is asking companies to incorporate into their business models includes employment or income generation opportunities, especially for women and youth. CleanStart's new investees in clean cooking have committed to creating job/income boosting opportunities for more than 700 women and youth. This includes hiring women and youth as direct staff, sales agents or micro-franchisees. Some examples include youth refugees being trained on briquette and cookstove promotion; women charcoal vendors being trained to sell environmentally friendly briquettes; and youth being trained as biogas masons.

The financial institutions in Nepal are governed by the directives and circulars of the Nepal Rastra Bank, the central bank of Nepal, which incorporate directions on client protection. In the case of PayGo providers in Uganda, call centers are used to do follow-up education with customers. Typically, call centers speak with customers before completing the sale to educate them on their loan obligation (PayGo mechanism) and to make sure the agent provided sufficient information to the customer.

The call center checks whether the customer has received the product in its entirety and understands the product's functionality, and that the product is properly installed by the sales agent. In addition, companies use call centers and/or SMS to send payment reminders to customers.

Visibility and communications

CleanStart raised its profile substantially on social media through blog postings and tweets. There has been a 100 percent increase on Twitter from 500 followers to 1,000. There has also been an over 1,000 percent increase in the number of times CleanStart tweets are seen. Links to blog posts are provided throughout this report. Follow @UNCDFCleanStart.

In Nepal, UNCDF and partners also developed leaflets and short animations that microfinance institutions can use during center meetings to promote the benefits of using renewable energy. This was designed to reach a large group of people through short and more engaging promotional material. The materials are available for any provider to use, and will be distributed to other organizations, such as the microfinance association.

Resources

New Resources during 2017	Amount
Sida LMFTF	108,904
Sida RECF	1,844,792
Liechtenstein	55,556
Andorra	8,004
DfID	1,333,800
Sida Lending	1,197,461
Total	**4,547,518**

In 2017, LMFTF was able to leverage significant resources for CleanStart with a 1 to 42 ratio. Sida as a whole was able to leverage an additional $1.40 million from non-Sida resources.

In Uganda, UNCDF CleanStart entered into a new partnership with DFID Uganda to facilitate industry-led advocacy for off-grid solar market development to achieve universal electricity access by 2030. Practically, this means working closely with the Uganda Solar Energy Association to set up a functional and sustainable industry association with proper staffing, strategy, workplan, and revenue-generating activities towards sustainability. The funding is 1 million GBP (approx. $1.3 million) from 2018-2019.

Going forward, CleanStart will incubate business model innovations that have an explicit drive to improve the income levels and productivity of low-income people, such as solar-powered irrigation and other productive assets. Furthermore, CleanStart will design challenge funds so that they not only look at the challenge of energy access, but also climate change mitigation and adaptation more broadly, as well as how local SMEs can be supported to be active contributors to low-carbon growth in LDCs.

Other Assessments or Evaluations (if applicable)

CleanStart underwent an independent mid-term evaluation in early 2017. Overall, the evaluation acknowledged that CleanStart, “on the whole has realized some important achievements to date, working in a relatively new, innovative and evolving sector, despite difficulties in attracting new funds and some delays in implementation.”

FOOD SECURITY AND NUTRITION

FINANCE FOR FOOD — *F4F*

Background and Objectives

Access to food security and nutrition is a major global challenge, particularly in the LDCs. Three quarters of an estimated one billion hungry people live in rural areas of agriculture-based economies, and these people are the most affected by demographic growth and environmental challenges. For the 70 percent of the world's poor who live in rural areas, agriculture is the main source of income and employment.

Food insecurity is one of the root causes of migration and political instability. The continued effort to improve food security and nutrition (FSN) is addressed by Agenda 2030 through SDG 2, which focuses on ending hunger, achieving food security and improved nutrition, and promoting sustainable agriculture. The evidence from impact studies consistently shows positive economic outcomes for women from access to savings, including increased productivity of rural women (and increased profits), and improved consumption-smoothing in the face of economic shock.

Regional disparities in food and nutrition security remain high.

Progress in achieving food and nutrition security has been more modest in some parts of the world, in particular Sub-Saharan Africa. This highlights the need for sustainable and innovative solutions to food security that go beyond humanitarian interventions and top-down, sectoral approaches. Solutions must address the key pillars of FSN, including availability and stability of supply, as well as accessibility, especially in food-insecure regions and for the poor, taking into account disparities in growth and urbanization. Another pillar is utilization, which is important to ensure nutrition. UNCDF designed the Finance For Food (F4F) programme to address the issue of FSN through territorial approaches and financial products that strengthen agricultural value chains, mitigate risk, and maximize the local impact of investments for food security.

The whole of theory of change is based on four key weaknesses of FSN interventions i) the lack of proper, multi sectoral and systemic understanding of the issues and processes involved in food security; ii)the poor level of integration of Food Security issues in Local Development Planning, and the general lack of adequate means of monitoring and evaluating interventions; iii) the lack of properly focused and adapted financial mechanisms for both public and private investments; iv) the difficulty for local actors to access information on experiences and lessons learned from similar interventions across LDCs.

The programme seeks to achieve increased effectiveness of FSN interventions coordinated and facilitated through local governments in LDCs.

The strategic areas for LMFTF are:

1. Increased financing for basic services and sustainable inclusive growth.

2. Effective finance mechanisms for increased resilience to economic and environmental shocks to enhance food security and nutritional status of target populations through more effective and resilient Local Food Systems (LFS).

The LMFTF related indicators to enhance food security are the number of local institutional and policy frameworks established for food security and the number of food security investments, including income-generating activities for enhanced access to food, disaggregated by type of investments.

Results

The LMFTF related outcome is to enhance food security and nutritional status of target populations through more effective and resilient Local Food Systems (LFS).

Output 1. A complete menu of tools for infrastructure finance addressing gaps in local food systems is piloted and available to local governments and their stakeholders

- A pipeline of high-impact investments (private and public) addressing gaps in LFS was developed in Benin. Technical Assistance and FSN compliance analysis were conducted for 10 projects. Three FSN projects are in a hard pipeline and investment-ready, and one of them has been approved by the UNCDF investment committee. Both grant and loan components were applied to the project.

- Technical assistance and FSN compliance analysis was conducted for the project pipeline in Tanzania and Uganda. Four FSN projects have been approved by the UNCDF investment committee with grants, loans and guarantee provided.

Output 2. Lessons learned and experiences on LFS development are collected, exchanged and discussed between development stakeholders in LDCs

- A monitoring and evaluation (M&E) methodological framework of LFS projects has been developed and approved by peer reviewers from FAO, Regional institutions Comité Permanent Inter-Etats de Lutte contre la Sécheresse dans le Sahel (CILSS), universities, and independent consultants.

- Global dialogue on the territorial approach is sustained based on the LFS approach with FAO and OECD.

- Global programme (UNCDF-FAO-OECD) has been developed to apply the territorial approach to food security in candidate countries.

Output 3. Effective advocacy is taking place to promote the LFS approach within food security communities of practice as well as wider development community

- The LFS approach has been promoted through keynote speeches and in discussion with partners during global workshops and meetings with governments and key donors including regional institutions in West Africa.

- Strategic partnerships developed with the governments of Niger, Mali, Guinea and Benin to promote the LFS approach through country Food Security Frameworks.

- All these country frameworks integrate the joint FAO-OECD-UNCDF Initiative on the adoption of a territorial approach to FNS. These country frameworks will use the resources mobilized at the national and global levels to implement activities covered by the joint projects.

- Through the F4F country Framework, a $30 million project has been developed with the Islamic Development Bank (IDB).

- UNCDF is also in the process of developing a partnership with the Land Degradation Neutrality Fund (LDNF) established by the United Nations Convention to Combat Desertification (UNCCD) in 2015 to implement the F4F programme through LDN investments of Food Security.

- A Partnership has been established with Commonland 4 Returns to increase land productivity and food production based on the landscape management process.

- A Partnership has been established with FAO/Forest and Landscape Resources Management to mainstream F4F approach to implement landscape management investments in Niger and Burkina Faso.

Results Framework (Indicator Based Performance Assessment)

The table below does not include the additional allocation from the second installment.

Description of Outputs	Q1	Q2	Q3	Q4	Budget Description	UNCDF Core	LMFTF
Output 1. Local governments are able to assess the Local Food Security Systems and identify priorities and the scope of their intervention							
1.1 The LFS Assessment toolbox is formulated and training packages for LGs set up	X	X	X	X	Travel		4,000
1.3 The LFS assessment is rolled out in three countries					International Consultant	6,000	
	X	X			Staff international	14,000	12,500
Subtotal Output 1						20,000	16,500
Output 2: Local Development planning frameworks, actions are designed and their implementation is adequately monitored							
2.1 LFS planning guidelines are mainstreamed and monitoring systems are set up	X	X	X	X			
	X	X			Staff international	15,000	38,000
Subtotal Output 2						15,000	38,000
Output 3. A complete menu of tools for infrastructure finance addressing gaps in local food systems, is piloted and available to local governments and their stakeholders							

Description of Outputs	Q1	Q2	Q3	Q4	Budget Description	UNCDF Core	LMFTF
3.1 A pipeline of projects (public and private) financed through LDF/LFI mechanism globally is developed	X	X	X	X	Staff international	20,000	50,000
Subtotal Output 3						20,000	50,000
Output 4. Lessons learned and experiences on Local Food System development are collected, exchanged and discussed between Local Food System development stakeholders in LDC							
4.1 Standards for M&E of LFS projects are defined	X	X			Travel		3,000
4.2 Best practices and standards are mainstreamed in ongoing and new interventions	X	X	X	X	Training, Workshop & Conference		4,000
					Publications & Dissemination	3,000	24,000
	X	X	X	X	Staff international	20,000	50,000
Subtotal Output 4						23,000	81,000
Output 5. Effective advocacy is taking place to promote the LFS approach within food security communities of practice as well as wider development community							
5.1 The LFS approach is promoted through key publications, keynote speeches and in discussion with partners	X	X			Travel	4,000	3,000
5.2 Strategic partnerships are developed with public and private actors to promote the LFS approach	X	X	X	X	Training, Workshop & Conference		2,000
	X	X			Staff international	35,523	50,000
Subtotal Output 5						39,523	55,000
TOTAL Expenditure						117,523	240,500

Financial Report

The programme received $295,481.35 fromth LMFTF and is reporting a total delivery rate of 100 percent as of December 2017. This amount includes an advance of the second installment.

Delays and Challenges during the period

LMFTF Funds have been allocated to salaries and travel for partnership building, project formulations, preparation of the mission and country framework formulation. No delays and challenges have been observed, and the F4F programme is aiming to achieve a 100 percent delivery at the end of the year 2018.

The section covered by the LMFTF is not subject to risk of delivery. One of the risks that could prevent the project's advancement is the accessibility to government partners if the local context prevented the team from travelling in these countries. The risk related to the availability of consultants has been mitigated by an upstream planning of project formulation and other studies related to country frameworks.

Lessons Learned

The project has gathered very strong interest from governments to have F4F projects implemented in their country. After the signature of Niger and Mali, Benin held its national workshop to come out with a strong plan to implement the pipeline of projects based on the call for proposal. Guinea has conducted a country study and agreed on the F4F country framework to be signed shortly. These four countries committed to implement their food security strategy through the F4F programme.

Difficulties:

Lack of funds at the country level to implement the country framework. So far, the Swiss Agency for Development and Cooperation (SDC) engaged a partnership with the Commission to implement the National Food Security Policy through the F4F approach. Furthermore, a $30 million Food Security project has been jointly developed by UNCDF and Government of Niger and submitted to the Islamic Development Bank.

What would help the project attain better results:

Establishing a global fundraising strategy that would mitigate the risks of inadequate resource mobilization at the country level.

Resources

The LMFTF is financing two staff members, one at the country level in Mozambique and one at the global level.

Key partnerships:

The West African Development Bank (BOAD) at a regional level, and SDC in Mali support the government to adopt the territorial approach to food security. Niger endorsed the F4F approach and submitted a project to the Islamic Development Bank. UNCDF has partnered with Commonland 4 Returns to generate project pipeline related to increasing food productivity through landscape management in Tanzania. These partnerships are ongoing with required support from UNCDF to help Niger and Mali to implement their food security policies. A quantitative picture of resources mobilized through these mechanisms will be shown in the programme's global report.

ECONOMIC EMPOWERMENT OF WOMEN AND YOUTH

YOUTHSTART
— Youth Finance

Background and Objectives

There are an estimated three billion people in the world under the age of 25. Approximately 1.2 billion are between the ages of 15 and 24, and account for 17 percent of the global population. Although this vibrant group has much to offer the world in terms of innovation and enthusiasm, they are disproportionately affected by high unemployment rates and represent 40 percent of the world's unemployed.

Youth face unique challenges as they navigate school-to-work pathways and their first jobs, including: costly family health emergencies and school fees, decisions to engage in risky behaviors, and a lack of knowledge about labor market opportunities. This is particularly grave for young women, often subject to violence and exploitation, with limited rights and opportunities to build personal assets that can help them improve their social and economic standing. This situation further reinforces the existing tendency for women to be excluded from decision making in their households, which in turn has devastating consequences for their reproductive health, nutrition, and ability to complete school and overcome poverty.

Many LDCs and international organizations are working to reduce the severity of these challenges (e.g., through universal access to education and training programs). Improved financial capability and access to other social support services have the potential to integrate youth as drivers of innovative economic growth and job creation, hence smoothing school-to-work transitions as they choose less risky behaviors. However, youth face a complex mix of barriers to economic inclusion, such as lack of education programmes that match their needs, negative attitudes from financial service providers (FSPs), and the lack of a conducive ecosystem that enable youth to flourish. These barriers are systematically embedded within systems of regulation and cultural norms. Addressing these barriers requires a new approach to alter the roles and relationships of key actors to increase youth economic opportunities.

From 2010 to 2015, UNCDF piloted and scaled up approaches to offer youth (ages 12 – 24) affordable, relevant and accessible financial products coupled with complementary non-financial services in eight LDCs in Africa. YouthStart more than tripled the pilot's original target of providing access to finance to 200,000 youth. As of December 2017, YouthStart FSP partners granted access to savings accounts to over 822,000 young people (44 percent young women and girls), trained almost 800,000 youth in financial education; and provided loans to over 209,000 young entrepreneurs (54 percent young women). These young clients have accumulated over $23 million in savings while the outstanding loan portfolio to young entrepreneurs is $29 million.

YouthStart Global's objective is to increase the number of youth engaged in entrepreneurship, decent employment, school, or further education and training. It will contribute to the achievement of the SDGs, in particular the goals on Ending Poverty (SDG 1), Achieving

Gender Equality and Empowering all Women and Girls (SDG 5), and Promoting Inclusive and Sustainable Economic Growth, Full and Productive Employment and Decent Work for All (SDG 8). The programme specifically increases access to and use of a variety of appropriate integrated services (financial and non-financial) that support youth, in particular young women and adolescent girls, to manage school to work transitions.

YouthStart uses a market systems approach focused on convening key market actors, expanding access to information and technical assistance, strategic policy coordination, and direct funding to key market players.

Results

YouthStart (YS) Global received $198,000 from the LMFTF in January 2017 to accomplish the following results:

Increase access to finance for youth

In Senegal, YouthStart launched a network of youth franchisees that will be distributing digital financial services (DFS) in Senegal.

In Uganda, the programme supported an FSP to link the youth savings account to two mobile educational applications: one in financial education and another in reproductive health. UNCDF also embedded the YS approach into the country programmes of DRC and Madagascar. During the second half of the year, YS conducted market research for the development of youth-centered products in both countries. YS also supported DRC to select FSPs for ACTIF-youth related activities.

Improve youth strategies and policies that support access and use of integrated youth services:

In March 2017, YS launched #The-BanktheYouth Campaign. This advocacy campaign aims to increase the number of youth who use responsible, accessible and affordable financial services.

The campaign was launched in Benin, Burkina Faso, DRC, Madagascar, Senegal, Tanzania, and Uganda, with 1200 participants in total, including representatives from 20 UN agencies (ILO, UNDP, UNWOMEN among others) and 10 donors (AFD, World Bank, EIB, EU, AfDB among others). Diamond Bank Benin, Save the Children Burkina Faso, Central Bank of DRC, UNAIDS and UNESCO Madagascar, UNWOMEN and the government Agency for the promotion of youth employment in Senegal (ANPEJ), the Prime Minister's Office in Tanzania and the Bank of Uganda are among the 50 Impact Champions that the campaign was able to recruit in the seven target countries.

In total, around 100 individuals joined the campaign as members (most of them youth). Requests were also received from non-target countries, such as Togo, Bangladesh, and China. The events were promoted through national media channels (newspapers, radio, magazines, online blogs and TV) and mentioned almost 400 times in social networks.

Secure political and financial support for programme expansion

YS mobilized $10 Million to bring or expand our expertise in youth finance and digital, within a context of youth employment and economic empowerment, in The Gambia, Senegal, Guinea, and Niger. YS will be launching work in these countries in 2018.

Story

Désiré Twizerimana is a young Rwandan entrepreneur who runs a carpentry workshop. Over the years, he has expanded his business, and he is currently offering additional services to his clientele.

'At the time I opened my first account, I was still a student. I dreamed of becoming an entrepreneur, but I lacked initial capital. The training I received opened my eyes and I learned to save money and how to better manage my funds.' Désiré opened his first savings account at Umutanguha Finance Company (UFC) in 2013 with the support of Young Trainers. The Trainers also provided financial education courses and presented the financial services available for youth. "Without the advice of the young trainers on the services of the institution, I would not have asked for a loan. I am extremely grateful for this opportunity."

Thanks to the UFC products targeted for young people, Désiré acquired a first loan for the purchase of a machine. They also granted him a second loan to buy other tools for his business. "My carpentry shop is well equipped. I no longer have to pay for external services, I make money by offering services to other carpenters."

Désiré has expanded his business and hired others: "I even created employment as four people are currently working for me. So I encourage young people to approach financial institutions - just like I did."

Other stories for Burkina, Uganda and Ethiopia are available on UNCDF's YouTube page.

Results Framework (Indicator Based Performance Assessment)

Outcome/Output	Status
Outcome 1	Increase the number of youth engaged in entrepreneurship, decent employment, school, or further education and training.
Baseline	665,612 (49 percent young women) accessing and using financial services.
Target	1,000,000 youth (50 percent young women) accessing and using financial services.
Output 1: Increase access to a variety of appropriate integrated services that meet the needs of youth (12 to 24 years old) in particular young women, youth living in rural areas and out of school youth	As of December 2017, YouthStart FSP partners granted access to savings accounts to over 822,000 young people (44 percent young women and girls), trained almost 800,000 youth in financial education; and provided loans to almost 209,000 young entrepreneurs (54 percent young women). Conducted and disseminated youth economic opportunities assessments in 11 different countries (Benin, Cambodia, DRC, Tanzania, Senegal, Uganda, Malawi, Rwanda, Mozambique, Madagascar and Zambia). In Senegal, launched a network of youth franchisees that will be distributing DFS in Senegal. In Uganda, supported an FSP to link the youth savings account to two mobile educational applications: one in financial education and another in reproductive health. Conducted a demand side study of youth financial services for the Gambia and for Senegal.
Output 2: Improve youth strategies and policies that support access and use of integrated youth services	Launched #TheBanktheYouth Campaign in seven countries (Benin, Burkina Faso, DRC, Madagascar, Senegal, Tanzania, and Uganda) with 1200 participants; secured 50 Impact Champions and 100 memberships.
Output 3: Secure financial support in at least four countries	Secured $10 million for programme expansion into The Gambia, Niger, Guinea and Senegal.

Financial Report

YouthStart was allocated $198,006 from the LMFTF, of which $177,910 was spent with a delivery rate of 90 percent in 2017.

Delays and Challenges during the Period

YouthStart had difficulties in finding the right partner for the micro-franchising project in Senegal. In order to build local capacity, the programme selected a local NGO. While this approach seems to be more sustainable, it requires a lot of technical assistance from the programme side to make sure the NGO can deliver the expected results.

Lessons Learned

The biggest lesson learned is to open the design of the project to be more flexible so that YouthStart can have scope to provide more targeted solutions at the country level to both governments and funders. This is the case with The Gambia, where the programme will be focused on youth, but will also use tools and expertise from other programmes at UNCDF (ex. LoCal, MicroLead, MM4P etc).

Resources

- YouthStart mobilized almost $10 million from the European Union for programme expansion in The Gambia, Guinea, Niger and Senegal.

- YouthStart's main resource mobilization strategy is now at the country level, and focuses on forging partnerships with others inside and outside UNCDF to better respond to the development challenges of LDCs.

Other Assessments or Evaluations (if applicable)

The pilot of YouthStart had its final evaluation in 2015. Since then the programme has not been evaluated.

PARTICIPATION OF WOMEN IN THE ECONOMY REALIZED — *PoWER*

Background and Objectives

With support from a Bill & Melinda Gates Foundation (BMGF) planning grant and the LMFTF as well as its own resources, UNCDF has developed a new strategy, Participation of Women in the Economy Realized (PoWER), that is intended to influence all of our financial inclusion programming. PoWER will provide the overall framework for new programming, starting in Bangladesh, Ethiopia, Myanmar, Senegal, and Tanzania, soon to be extended to the Solomon Islands and Papua New Guinea, and thereafter to other countries. PoWER formulated an economic empowerment framework, theory of change, and results measurement for the overall strategy implementation. In addition, PoWER designed, piloted, validated, and implemented a women's and girls' financial inclusion access and agency country assessment toolkit. This global public good will enable UNCDF and others to identify the barriers and constraints, as well as opportunities, faced by women and girls when accessing, using, and controlling the benefits from financial services in ways that enhance their agency and facilitates their economic empowerment and participation. The toolkit can help to identify issues that can be addressed in the enabling environment and supply side so as to contribute to more inclusive and gender equitable financial markets.

Women and Girls Financial Inclusion – The Scale of the Challenge

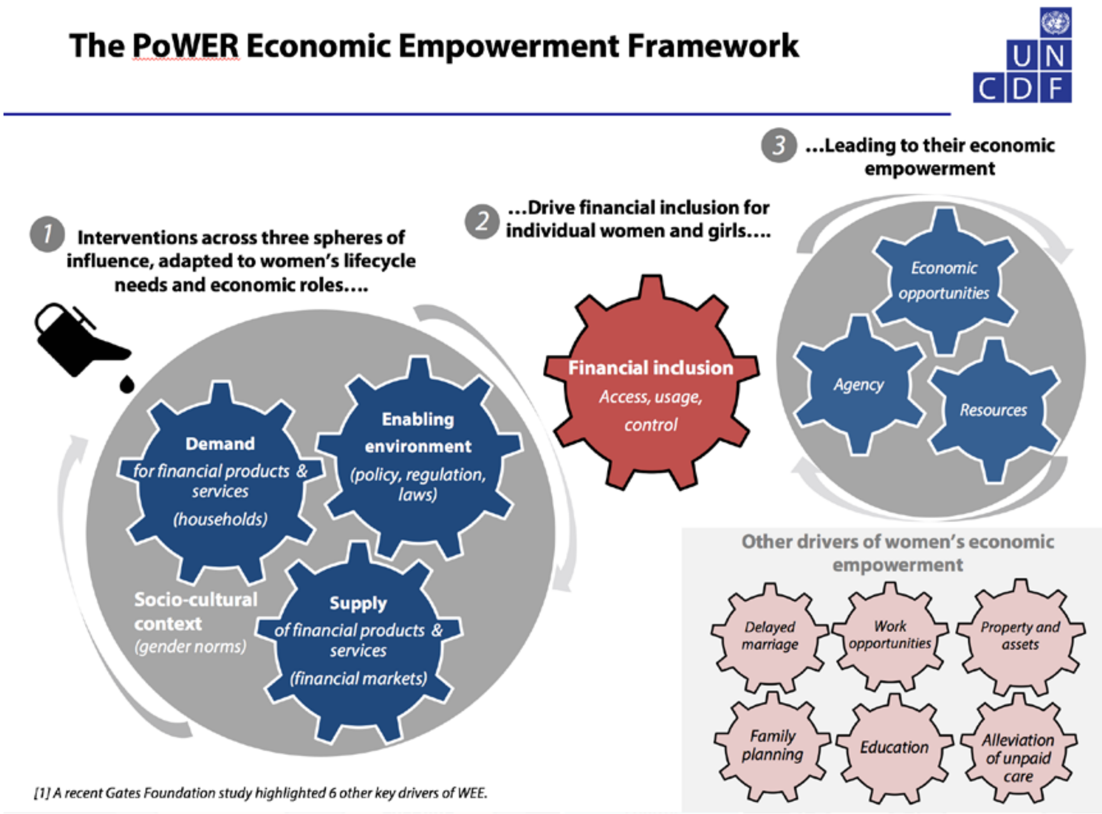
42 percent of women worldwide – approximately 1.1 billion women – remain outside the formal financial system. While there has been progress overall in financial inclusion rates, the gender gap has persisted at nine percent in developing countries (Demirguc-Kunt et al., 2015). Financial exclusion is often linked with and reinforces economic exclusion. Women continue to have relatively low participation in labor markets and when they do participate, they are more likely than men to engage in low-productivity activities, earning 10 percent to 30 percent less than men. Women's lack of participation in the labor market undermines broader development goals and undermines economic growth. Conversely, its enhancement provides significant opportunities for social and economic returns, with greater gender parity estimated to contribute to an increase in global GDP of $12 trillion in 2025 (McKinsey, 2015).

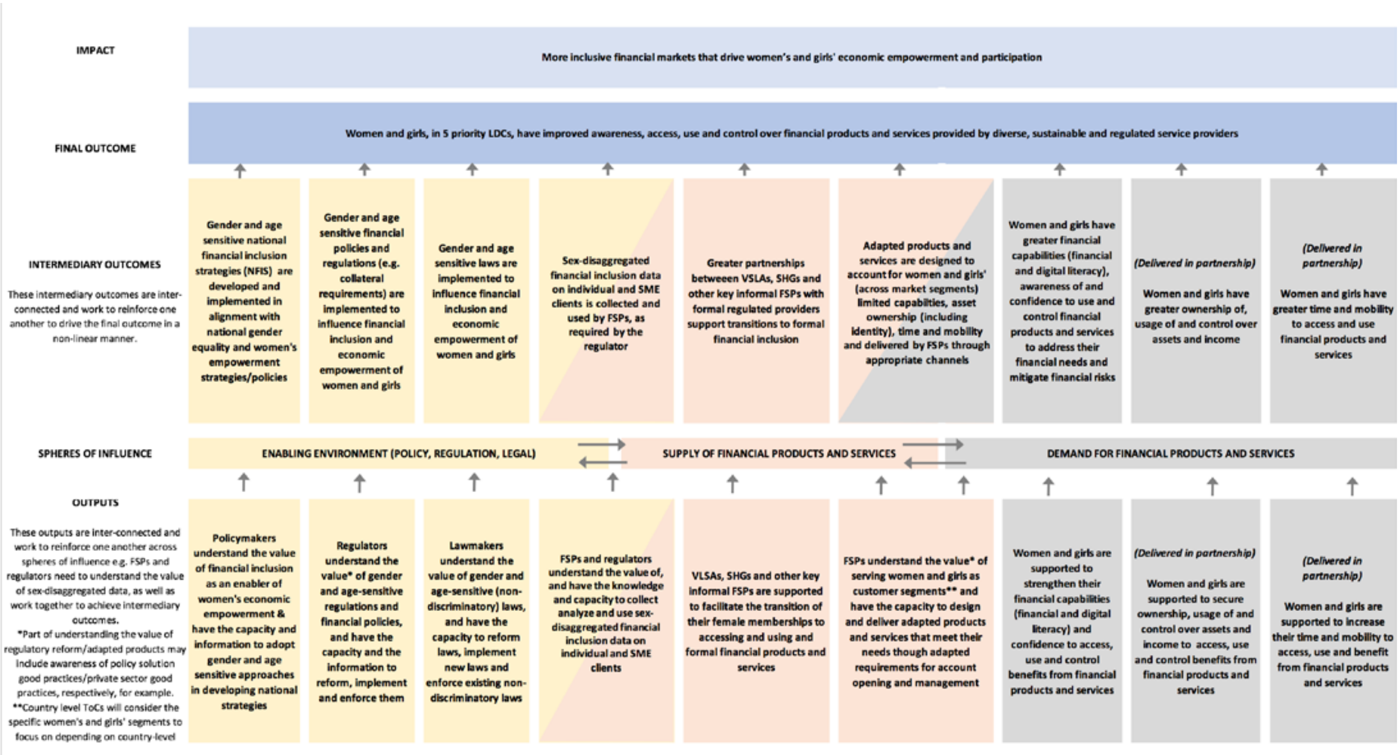
Women and girls face a range of challenges as they transition to more productive and highly remunerated roles in the economy. These include barriers to women's ownership and control of productive physical and financial assets, including land, housing, technology and savings. Women also have less access to education—essential to increasing their employability and earning power. By understanding the economic, political and social context of women and girls in their various economic roles, approaches will be developed that address demand and supply-side barriers as well as structural barriers that hamper financial inclusion of women, to support greater access and agency and enhance their economic participation and rewards from that participation.

PoWER will help deliver the ambitions of the SDGs in a number of ways. By focusing on the financial inclusion of women and girls, PoWER can contribute substantially to SDG 5—Achieving Gender Equality and the Economic Empowerment of Women, through increasing their access to and ability to use, control, and benefit from financial assets and building physical assets. Women's economic empowerment can contribute to other SDGs too—especially those dealing with poverty, hunger, health and wellbeing (SDGs 1-4). There is ample evidence that women tend to spend more on health and education (World Bank, 2014), and that they are more likely to spend on things such as food and water, as well as child welfare that benefit the household (Duflo 2012). PoWER will promote promising approaches to expand women's and girls' access and use of financial services more widely across LDCs, incentivizing financial service providers and other private sector actors to test and scale high impact business models and supporting government to foster an enabling environment and make needed investments.

PoWER Theory of Change

PoWER's aim is to facilitate women's and girls' improved access to, awareness and usage of quality financial products and services responsibly provided by diverse and sustainable service providers in a well-regulated environment. The vision of PoWER is one of more equitable and inclusive financial markets that drive women's and girls' economic empowerment and participation.





Programme Goal

To increase the economic participation and empowerment of low-income women and girls through improving their access to and use of appropriate and responsibly provided financial services in the context of more equitable and inclusive financial markets.

Vision

Women and girls are economically empowered and financially included, contributing to greater gender equality, poverty alleviation, inclusive growth and sustainable development.

Results

The programme strategy and framework initiation plan enabled UNCDF to refine and validate the assumptions, hypotheses and approach identified for PoWER; lay the foundations for effective programme strategy-framework implementation; and secure political and financial commitments needed for programme success. Furthermore, it provided the opportunity for UNCDF to determine the best way to draw upon the resources, networks, skills and capabilities of UNCDF as well as UN Women and other potential partners. The empowerment framework and theory of change have been developed and tested through country assessments and consultations at the global and country levels and was revised as a result. The consultations have also enabled UNCDF to garner support for the strategy that has emerged, both internally within UNCDF as well as with potential implementation partners and potential funders at country and global levels.

The four key output areas for PoWER during 2017 are described below, along with the status of completion, and are summarized in the PoWER Results Framework table that follows.

The first key output is the PoWER Conceptual Framework.

The conceptual work related to the empowerment framework, the theory of change, and the results measurement framework have all been drafted, refined, validated, and finalized based on consultations and country assessments. The PoWER name has been retained as the programme framework name.

The second key output area is the Country Assessment Framework and Country Assessments.

The women's and girl's access and agency country assessment toolkit is comprised of four tools, which are described in the figure below. Country assessments were undertaken for Bangladesh, Ethiopia, Myanmar, Senegal, and Tanzania. The analyses were completed and validation workshops held with external stakeholders in all five countries. The toolkit has been finalized and translated into French and is publicly available. It has already been presented in several global and regional, and there is strong demand internally within UNCDF and externally by other stakeholders for its use.

The third key output is the Programme Strategy-Framework Design Elements.

The components of this output include the following:

- Partnership strategy.
- Programme strategy-framework implementation plan.
- Staffing plan.
- Programme-framework budget.
- Funder analysis and resource mobilization strategy.
- Clarification of roles and responsibilities of UN Women and UNCDF.
- Programme strategy-framework document.

The first four of these activities under the third output have been completed, the staffing plan and budgets are being revised to accommodate country needs. A funder analysis and a resource mobilization strategy have been developed, and consultations are underway at the country level and picking up at the global level. The specifics of partnerships with UN Women and other partners are being refined at the country level. Finally, the project document for PoWER is being finalized and will be used for fundraising purposes in the coming months. Collectively, these outputs will lead to the development, funding and implementation of a multi-year strategy and programme framework that has at its core the increased economic empowerment and participation of some three million low-income women and girls in at least 10 countries through improved access to, use of, and control over appropriate and responsibly provided financial services that contribute to their greater economic empowerment and participation in the context of more equitable and inclusive markets. Finally, data and research that provide insights into the dynamics of addressing the access and agency constraints and solutions for women and girls will be available to help inform continued innovation and refinement of relevant financial and non-financial services that contribute to their economic empowerment and participation.

For the second part of 2017, a fourth key output was added to the of country and global engagement and implementation strategies, the components of which are:

- Country validation workshops held and country assessments finalized.
- Country implementation strategies developed.
- Funds for country implementation secured.
- Country implementation launched.
- PoWER strategy and framework project document developed and approved.
- Funds to support PoWER technical hub secured.
- PoWER global strategy implementation initiated.

A number of these activities have been completed (country validation workshops held and assessments finalized, country implementation strategies developed, funding outreach underway, and project document being finalized).

Results Framework (Indicator Based Performance Assessment)

Outcome/Output	Status
Initiation Phase Outcome (planning phase to lead to multi-year programme): This programme-framework initiation plan will refine and validate the assumptions, hypotheses and approach identified for PoWER; lay the foundations for effective programme-framework implementation; and secure political and financial commitment needed for programme success. Furthermore, it will define how the PoWER programme will draw upon the resources, networks, skills and capabilities of UNCDF as well as UN Women and other potential partners.	
Output 1: PoWER Conceptual Framework Women's and Girls' empowerment framework PoWER theory of change PoWER results measurement framework Programme-framework name	Status of Output 1: Women's and girls' empowerment framework drafted, tested, finalized. PoWER theory of change drafted, revised based on consultations and country assessment, finalized. PoWER results management framework developed; indicators identified; specific application for country implementation to be determined on country-by-country basis. PoWER has been retained as programme strategy and framework name.

Outcome/Output	Status
Output 2: Country Assessment Framework and Country Assessments Women's and girl's access and agency country assessment toolkit Completed country assessments for five countries (Senegal, Tanzania, Ethiopia, Bangladesh, Myanmar)	Status of Output 2: Women's and girls' access and agency country assessment toolkit drafted and tested; revised; packaged as public good and available online; translated into French. Country assessments conducted in five countries; findings validated in country workshops; assessments and recommendations finalized; assessments publicly available online.
Output 3: Programme-framework Design Elements Partnership strategy Programme-framework implementation plan Staffing plan Programme-framework budget Funder analysis and resource mobilization strategy Clarification of roles and responsibilities of UN Women and UNCDF Programme-framework document	Status of Output 3: Partnership strategy developed. Programme framework implementation plan developed. Staffing plan developed, but undergoing revisions based on country needs. Programme framework budget is drafted and being finalized. Funder analysis and resource mobilization strategy developed; consultations underway. Clarification of roles and responsibilities of UN Women and UNCDF is advancing and focused on in country opportunities and capabilities, and will be complemented by other suitable partners. Programme framework document completed; project document being finalized.
Output 4: Country and Global Engagement and Implementation Strategies Country validation workshops held and country assessments finalized Country implementation strategies developed Funds for country implementation secured Country implementation launched PoWER strategy and framework project document developed and approved Funds to support PoWER technical hub secured PoWER global strategy implementation initiated	Status of Output 4: Country validation workshops held and country assessments finalized (Bangladesh, Ethiopia, Myanmar, Senegal, Tanzania). Country implementation strategies developed for all five countries. Proposals submitted and/or negotiations underway in three countries for resources. Country implementation not yet launched; however, empowerment framework, theory of change, and tools are already influencing ongoing programming. Project document is being developed. Focused outreach to funders at global level will be undertaken in first half of 2018 with completed project document. PoWER global strategy implementation will be formally initiated when funds received; in the meantime, LMFTF resources being used to support further design, outreach and engagement, fundraising, and incorporation into existing programming.

Financial Report

The programme received $113,854 from the LMFTF and reports a 100 percent delivery rate in 2017.

All planned activities took place as envisaged in the global framework, country assessment, and programme design workstreams, and the activities under the global and country engagement and implementation strategies are well underway.

Delays and Challenges during the period

Delays:

During the second half of 2017, the remaining country assessments were carried out, country validation workshops were held with external stakeholders, and country implementation strategies were developed. Consultations with potential implementing partners, particularly UN Women as in-country partner of preference, and resource partners are at various stages of advancement in the five initial countries and with some global partners. It is expected that resources will be secured for at least two countries in the first half of 2018, and in additional countries during the year, and that implementation will begin during the calendar year in a minimum of three to four countries—and ideally in all five countries. Moreover, the next two countries in the pipeline are advancing with plans to carry out country assessments during the first half of the calendar year and move from there to securing resources and implementation.

Risk analysis:

Project Risk 1: Delays in meeting targets.

Actions for Risk 1: Country level implementation strategies have been/ are being finalized. These strategies serve as the basis for fundraising documents that can be tailored to the needs of particular countries and funders. These actions are underway and will be ongoing in 2018.

Project Risk 2: Feasibility of appropriate partnerships to implement at country level.

Actions for Risk 2: The stakeholder assessments globally and in each country and the application of the country assessments have provided insights into the range of entities active on these issues, their focus issues, and their capabilities. These assessments are being updated with the development of specific country implementation strategies. Some partnerships will be explicitly built into the implementation plans, and others will be developed using the innovation fund mechanism, which will allow UNCDF the tools and means to assess capability and manage performance.

Project Risk 3: Availability of funding to support strategy implementation at country level and technical support at global hub level.

Actions for Risk 3: As part of our strategy development process, we carried out donor consultations with gender focal points at a number of potential funders to share our framework and theory of change as well as insights from the country assessments and to solicit feedback on these, as well as to learn more about funder strategies and interests. We also convened a partner roundtable in Bangkok in May on the occasion of the Women's Economic Empowerment Global Learning Forum organized by the SEEP Network. Subsequently, we have continued to engage with potential funders, particularly at the country levels, through the validation workshops and bilateral consultations. As we finalize the country implementation strategies and design of the global technical hub with advisory support, peer learning facilitation, and hypothesis-driven research agenda, we will actively seek financial resources for implementation of our women's and girls' access and agency strategy. We will rely, in particular, on those funders that have shown early interest and support, and have identified gender and women's economic empowerment as central to their own development agendas. Given the delays in the implementation of the new gender strategy of the Bill & Melinda Gates foundation (BMGF), we are particularly looking to other funders which have demonstrated their support of this approach, including Sida through the LMFTF, Norway, Canada, the Netherlands, and Denmark. BMGF is determining how it will implement their strategy and conduct grant-making, which is not likely to happen until Q3 2018.

Programmatic revisions

There were no programmatic revisions.

Lessons Learned

Timeliness of connecting financial inclusion and women's economic empowerment

As noted previously, there is significant interest in linking financial inclusion to women's economic empowerment. Evidence of the rise of this interest includes the formation of the Financial Inclusion for Women Community of Practice, hosted by CGAP and funded by BMGF; the Women's Economic Empowerment Global Learning Forum organized by the SEEP Network in Bangkok in May 2017 with over 350 participants from 61 countries; and the Making Finance Work for Women Conference hosted by Women's World Banking and held in Dar es Salaam in October 2017, with participants from around the globe, among other activities. This should translate concretely into partnership opportunities, enabling different entities to bring their expertise and comparative advantage to the partnership. On the other hand, given the recent rise of attention to recognizing the agency issues that affect women's ability to access and use financial services, and to benefit from their use, there is still some caution about how to proceed with investments, and some investments are still being targeted to research and learning rather than implementation (as evidenced by delays in rollout of the Bill & Melinda Gates Foundation strategy implementation).

Establishing deep partnerships takes time

As noted previously, more time than expected may be required to establish relationships and build alliances. Part of the reason for this can be attributed to the diversity of relationships that are required to take an integrated rather than siloed approach to women's economic empowerment. Even when focusing primarily on financial inclusion as a driver, we necessarily need to consider related issues that affect women's ability to effectively use financial services and control the benefits derived from their use. Examples include land and property rights, inheritance rights, identification, mobility, unpaid care work, etc. In addition to the broad range of entities with which partnerships need to be established and maintained, when some of the key partners are large organizations or have dispersed staff and chains of command, additional efforts are required to develop relationships with multiple individuals in an organization to mitigate risk of being dependent on one individual. In the event of wider concerns regarding the capacity of partner organizations to deliver on any partnerships, the scope of the partnership would be narrowed or alternative partners would be targeted and relationships cultivated. The stakeholder mapping has helped to identify potential partners, roles, and interactions; we are now deepening our engagement in the context of developing country implementation strategies.

Local context matters

While the broad opportunity and constraint categories may be similar, the specifics of the country context must be taken into consideration to design relevant strategies. For example, it is widely recognized that identity is an issue for women in many contexts; but in one country it may be that girls are less likely to have birth certificates than boys because of the perceived greater relative economic value of investing to obtain a birth certificate for boys (Myanmar), whereas in Tanzania, while the Bank of Tanzania has flexible ID requirements, in practice most banks require multiple IDs, creating a significant problem for women, 73 percent of whom only have one ID. It was precisely anticipation of such differences that led UNCDF to develop a country assessment toolkit and approach, so as to ensure that this understanding was built into country programming. UNCDF's tools and approaches are well-suited to take into consideration the local context, but it can require more care and time to develop appropriate strategies and relationships.

Qualitative Assessment (optional)

- Gender, youth, Environment consideration, Client protection.
- Visibility and Communications.
- Project Monitoring and Evaluation.
- Sustainability.

Resources

Financial management and human resources

The resources available to date through the LMFTF and other sources enabled UNCDF to fully develop the PoWER strategy, framework, and theory of change, as well as to develop a country assessment toolkit and apply that toolkit in five countries. Based on the insights gleaned from the country assessments, UNCDF developed country strategic implementation plans. Key to translating these successful investments into results for women and girls and inclusive financial markets will be the ability to secure additional financial resources for implementation of the strategy in the countries identified—and other countries in the pipeline—and for the global hub to efficiently provide optimal technical support, facilitate cross-country/regional learning, and drive hypothesis-driven research that can benefit the women's economic empowerment space more broadly.

Key partnerships

Through the work undertaken during 2017, UNCDF was able to develop a number of partnerships that will be key to the implementation of the PoWER strategy. This includes, first and foremost, UN Women, which will be the partner of preference at the country level. In addition, through stakeholder mapping at global and country levels, UNCDF identified a number of partnerships to be further developed during strategy implementation.

Additional resource mobilization

During the past year, LMFTF resources were complemented by other funds—internal and external—as additional countries requested to be part of the first round of countries to use the PoWER country assessment toolkit, so as to begin strategy implementation as soon as possible. The following are the sources of funds:

Source	Amount
LMFTF	113,854
Bill & Melinda Gates Foundation (BMGF)	424,824
PFIS	65,000
UNCDF Asia Regional resources	111,000
UNCDF Africa/global initiative resources	50,000
Total	**764,678**

Resource mobilization strategy and funding strategy

Part of the planning process included donor consultations, particularly with the gender focal points at key donors to better understand their priorities and perspectives. A round table was held at the Women's Economic Empowerment Global Learning Forum in Bangkok in May 2017, and additional discussions were held bilaterally, both at country and global levels. These discussions will continue in 2018, so that country programming can begin when a minimum adequate level of resources are secured, and programming can expand accordingly as additional resources are secured.

Other Assessments or Evaluations

There have been no assessments or evaluations of programme implementation, as the work undertaken to date has been focused on research and consultations at the global and country levels, development of an access and agency empowerment framework and theory of change, tools development, programme design for global technical hub and country implementation, and resource mobiilzation for implementation of the strategy. A country assessment toolkit that includes four tools (desk research, key informant interviews, focus group discussions, and a survey) was developed, tested, and applied in five countries during this period. Henceforth, the toolkit will be a standard part of strategy development and implementation in each country, as it provides important insights on the specific nature of the barriers, constraints, and opportunities to be addressed in each country, and will form the basis for the overall strategy and specific interventions. Moreover, it is available as a public good.

Programmatic Revisions (if applicable)

The purpose of the work undertaken in 2017 was to develop a strategy and implementation, which would include the development and testing of a country assessment toolkit, application of the toolkit in five priority countries, holding in-country validation workshops in those five countries, engaging with country teams and technical staff to develop country implementation strategies, and initial dissemination of findings and funder outreach. These have all been undertaken with funder outreach continuing. Therefore, no programmatic revisions are required or have been undertaken.

SHAPING INCLUSIVE FINANCE TRANSFORMATIONS — *SHIFT (Including Cambodia)*

Background and Objectives

SHIFT ASEAN originated as a market development facility to improve the ecosystem for financial inclusion for women in Cambodia, Lao PDR, Myanmar and Viet Nam (CLMV), with the overall goal of enabling greater economic empowerment and economic participation for women.

By 2020, the aim of providing affordable financial services to six million low-income individuals and small and growing businesses in CLMV will be achieved through SHIFT's approach of incentivizing private sector participation, enhancing policy and advocacy, and utilizing capacity building and data to strengthen the functions that support the market ecosystem. The supply of new services, in addition to an improved regulatory environment for new services to grow, will improve access to financial services for women; over time, SHIFT aims to additionally strengthen how women are able to use and improve the value (or utility) on their finances and assets generated.

To achieve this, significant groundwork had to be completed in undertaking activities which support market preconditions, to enable changes in the market system as a whole. These include the establishment of partnerships (i.e. with Alliance for Financial Inclusion (AFI), Central Banks, ILO, UNWOMEN, etc.), undertaking of FinScope/MAP activities, development of the procedures and framework for the SHIFT Challenge Fund, support in the establishment of the ASEAN Working Committees on Financial Inclusion, etc.

Once these foundations were set, SHIFT focused its work on direct last mile based interventions i.e. through the launch of three challenge fund windows to undertake blended finance mechanisms to incentivize and stimulate private sector participation in financial inclusion work, while also continuing to build out and address market preconditions to support SHIFT's data and policy-related work.

Results

Outcomes

To date, the challenge fund mechanism has signed agreements with a total of 12 Financial Service Providers (FSPs) through two funding windows aiming to develop, pilot and/or scale innovative financial products aimed at low-income women beneficiaries.

Through the three LMFTF supported investments, SHIFT has effectively reached 1.8 million direct beneficiaries, significantly exceeding SHIFT's pre-established targets of 300,000 low-income people in 2017, and of 800,000 beneficiaries in 2018. In addition to access to financial services, SHIFT is also seen to be performing above the industry average in terms of product usage, which remains at 29 percent (14 percent higher than the industry standard).

In terms of specific progress, LienVietPostBank (LVPB) hit two progress milestones this year, over achieving on its committed targets by reaching an additional 1,209,408 users for the year 35.2 percent of these were women users (425,235), to bring the total users of its Vi Viet product to 1,840,799 (39 percent women users).

Throughout 2017, LVPB has continued to take forward promotional programmes recruiting new users, as well as expanding the number of agents working with them, to 12,318 currently, of which 15 percent are considered to be active. This was facilitated by improvements in service usability that have included upgrading the QR code function in the e-wallet and making online registration for merchants available. In 2017, The Vi Viet team also started its cooperation with the Vietnam Women's Union (VWU) through a financial education training programme aimed at attracting new women agents.

At the same time, a cooperation agreement between LVPB and CARE International was established to provide the e-wallet service to women in remote areas. By end of 2017, Vi Viet was presented with the 2017 APICTA Awards for Financial Industry Application and their link to the Citad payment gateway has allowed customers to cash in their Vi Viet accounts at any counter of any bank.

After some delays related to establishing a local partnership, and by incorporating a local company instead, Greenlight Planet started commercial operations in Myanmar in early January 2017. As of the end of December 2017, the company achieved two progress milestones having sold 1000 units and reaching eight employees and 50 agents. Greenlight has managed to consistently increase its quarterly sales, and has continuously expanded the number of provinces in which their product is offered. They have also strengthened their partnerships with local importers, which has been critical to the growth of their business model. During this time they have also introduced cash sales, and Greenlight Planet's sustained growth, development of a local distribution network, and move into retail stores indicate it can continue to be a market leader in Myanmar.

The grant agreement with Wave Money was signed in December of 2016. Since then, two milestones have been hit, one by obtaining a mobile banking license–the first in the country—and the other by finalizing the research and initial design of their financial literacy game application. Focus groups with target women were also taken forward to ascertain the focus areas for the application. The main finding was that the women were interested in managing debt and how to save. The application will be tested and launched in mid-2018.

In April 2017, SHIFT launched its third challenge fund window aimed at linking remittances as a catalyst for financial inclusion and women's economic empowerment.

The challenge was defined as developing innovative business models that foster formal, digital intra-ASEAN remittances to CLMV and concurrently the adoption and usage of remittance-linked domestic financial services in CLMV countries.

As a result, 29 expressions of interest were received and of these, four were selected as successful. The funding agreements are currently being developed for these grantees. These are listed below:

- Valyou (Malaysia/Thailand to Myanmar corridor): This is an E-Wallet to E-Wallet and E-Wallet to Cash service that uses bank and Mobile Network Operator (MNO) distribution networks.
- TransferTo (Thailand/Malaysia/Singapore to CLMV corridor): This service is an open remittance hub network, including bank account, E-Wallet and cash remittances.
- AMK (Thailand/Malaysia/South Korea to AMK): This is a microfinance branch remittance network that is taken forward with banks.
- Singcash (Singapore to Myanmar): This is an E-Wallet and virtual debit remittance card.

For the next window, SHIFT developed the concept note on accelerating MSME financing in consultations with private sector and public-sector stakeholders.

Data analysis has been increasingly influential in SHIFT's programme work, drawing on SHIFT's unique access to 6.4 million micro-level transactions from four FSP in Cambodia. The insights produced by the analysis of the work known as "Customer Journey Action Research (CJAR)" have proven to be essential inputs to other areas of SHIFT work, identifying important market gaps and providing valuable insights into SHIFT's challenge fund and policy and advocacy work. It was found that even though financial inclusion in Cambodia is relatively equal among men and women, savings mobilization is very low, especially among women.

As part of the data analysis work, targeted training activities were designed in 2016 and implemented throughout 2016 and 2017. These trainings analyzed the harvested data with the participating FSPs, with the aim of fostering evidence driven product development. During 2017, these activities were expanded to include regulators, among them the National Bank of Cambodia and the Ministry of Economy and Finance.

To date, these activities have reached four private financial service providers and two regulators, with a combined audience of almost 120 middle and upper management executives (over 80 in 2017) of whom approximately 40 percent were women.

Concrete impacts of this work include more efficient data analysis processes, recognition of the importance of understanding the customer journey and the value of data in product development, and identification of specific market challenges such as savings mobilization. In one case, this experience has triggered upper management interest in data driven product development, and the participating FSP is currently adjusting its procedures to make its product development more customer centric.

This data work was critical for SHIFT's policy and advocacy initiatives during 2017, which were centered around the Cambodia Financial Inclusion Roadmap. UNCDF's MAP study successfully created the basis of information that fed into the drafting and finalization of Cambodia's National Financial Inclusion Roadmap, currently pending government approval.

Combining the findings of UNCDF FinScope/MAP analysis with complementary analysis through SHIFT's big-data work, SHIFT was able to strategically position specific priority items on the policy agenda of the Roadmap, including: increased savings mobilization, increased uptake of micro insurance and reducing financial exclusion among women from 27 percent to 13 percent by 2025. SHIFT has created a tailored policy measurement approach based on these outcomes and projects an indirect impact on 4.1 million Cambodians by 2022.

Exploring intervention areas for Cambodia programming, SHIFT managed to follow up with major donors regarding their future programming and interest in inclusive finance, which then helped to identify opportunities and the way forward. The discussions have shown **four major trends**:

1. Donors show no clear interest in inclusive finance programming or projects, but have two/three major common interests: agricultural and rural development (namely development of agriculture value chains, primarily fisheries and aqua culture); SME agro-processing and rural development (rural livelihood promotion,; resilience (health insurance, agricultural resilience, smart resilient agriculture etc). Donors are promoting market system and private sector development approaches. Most donors have ongoing programmes in these areas.

2. Donors do not find interesting any structural or systems

based stand-alone intervention in inclusive finance.

3. Donors have made funding commitments for the next two to three years, thus any access to financial services (A2F) interventions would need to be anchored within the existing programmatic frameworks as there appear to be no unallocated resources or opportunities to fund new programmes.

4. Donors see the value of improving access to finance within selected sector-based programming (such as agricultural value chains or health) whereby specific interventions such as credit to farmers, or health micro-insurance might be possible within existing programmes.

Five potential pathways were identified:

- **Resilience Pathway**: Where programmatic focus can be a) narrow where SHIFT focuses around strengthening resilience to particular risks (such as health risk or agricultural risks) or b) broader where the programme intervenes in improving function of insurance market for cross-sectoral benefits (i.e going beyond a product and focusing on fixing barriers within the market system). Given that the interest among the donors is more around a specific product-driven solution, in the short run health and agricultural insurance product-specific interventions can be considered. However, given GIZ work on insurance in Cambodia, the programme needs to identify a particular comparative advantage.
- **Agricultural value chain finance (agricultural finance) pathway**: Specifically focusing on SME finance within value chains already under funding (fisheries, aqua) and then identifying specific A2F interventions that can add value to the overall existing agriculture value chain programmes. The agricultural finance is also likely the most direct route towards financial inclusion especially as all donor programmes recognize finance as important for value chain functioning.
- **Green microfinance**. A direct opportunity for CleanStart.
- **Big data for financial systems integrity.**
- **Microfinance extension.**

As SHIFT continues to implement its activities, it is clear that these are beginning to trigger small but significant behavioural changes that, if continued, could potentially lead to the broader systemic changes the programme aims to achieve. The challenge fund mechanism and grantees have shown clear signs that innovations are influencing other financial service providers in the market and how business is done. We are also starting to observe the crowding-in of third parties. This, ultimately, reflects the programme’s movement through the Theory of Change towards the output and outcome levels.

Results Framework (Indicator Based Performance Assessment)

Outcome/Output	Status
Outcome: At least 6 million low-income consumers, micro-entrepreneurs, and small and medium businesses, including women and young people, contribute to and benefit from more inclusive economic growth by transitioning from using informal financial mechanisms to more formalized financial services by the year 2020.	To date, SHIFT is on track and has exceeded its initial targets, currently providing financial services to over 1.8 million clients through SHIFT's challenge fund mechanism.
Fund Facility Output 1.1 Accelerated the development of new and innovative business models for financial inclusion through funding and technical assistance to FSPs Output 1.2 Investors are crowded in, further supporting accelerating FSP business innovation and scale Output 1.3 Lessons learned generated for wider application and further improvement	Due to operational issues related to a partnership that did not materialize, Greenlight was forced to adjust its business model. This meant that its launch in Myanmar was delayed, and to accommodate this, SHIFT extended the funding agreement. The target figures were also revised downwards to 4300 units sold. Greenlight sold over 1000 units in 2017 and has been slowly expanding to new provinces. Q4 of 2017 saw the biggest increase in sales since its products launch. LienVietPostBank and its ViViet E-Wallet product saw an increase in access to over 1.8 million customers. Of these 730,000 are women, representing 39 percent of the total. They have continued to improve the E-Wallets's usability, promoting its expansion amongst agents that now number over 12,000. They have also taken forward financial literacy activities with the Vietnam Women's Union, and are working with CARE International to provide access to financial services for women in remote areas. Wave Money signed an agreement with SHIFT in December 2016. Since then, they obtained a mobile banking license, as well as finalizing the research and initial design of the financial literacy game application. This process led to readjustments to the original application design, and delayed product launch to between mid-January to mid May 2018. It is envisioned that the project will still hit its intended target of 30,000 downloads and usages at the end of 2018. The 3rd challenge fund window was launched by SHIFT in April 2017 under the theme: "Linking remittances as a catalyst for financial inclusion and women's economic empowerment". By its deadline it had received 29 applications, of which eight were requested to submit a full application, and finally four were selected. The winners were announced at the November 2017 Singapore Fintech Festival and this initiative was able to crowd in investors including the Monetary Authority of Singapore, VISA Foundation and DFAT.

Outcome/Output	Status
Learning and Capacity Building Output 3.1 An knowledge sharing mechanism is developed, which increases the reach and access to information at ASEAN, country and FSP/TSP level. Output 3.2 Individuals of ASEAN member countries, contribute and acquire information and knowledge on women clients and women financial inclusion	SHIFT gains unique access to 6.4 million of micro-level transactions from four FSP in Cambodia. The insights produced by the analysis of the work known as "Customer Journey Action Research (CJAR)" have proven to be essential inputs to other areas of SHIFT work, identifying important market gaps and providing valuable insights into SHIFT' challenge fund and policy and advocacy work. Targeted training consisting of collecting and analyzing financial data continued in 2017 reaching two regulators (the National Bank of Cambodia and the Ministry of Economy and Finance), and one additional financial service provider, AMK. In total, over 80 mid to high level executives were trained, of whom approximately 40 percent were women. Findings from the work with regulators and financial service providers are shared through conferences, workshops and publications.

Financial Report

The information below provides a budget summary of LMFTF expenditures for 2017 and overall SHIFT expenses for 2017.

Table 1 below shows the combined LMFTF and DFAT budgets and expenditures for 2017, with SHIFT's overall delivery at 80 per cent. Table 2 depicts only the LMFTF budget, which achieved a 100 percent delivery rate.

Table 1: Total SHIFT Budget and Expense 2017

Output	Sum of budget	Sum of Expense	Difference	Delivery
Output 1: Challenge Fund	$931,213	$809,080.25	($122,132.75)	87%
Output 2: Learning	$234,774	$141,218.97	($93,555.03)	60%
Output 3: Data Hub	$325,800.37	$259,640.99	($66,159.38)	80%
Output 4: Policy and Advocacy	$423,870.75	$326,297.28	($97,573.47)	77%
Total	**$1,915,658.12**	**$1,536,237.49**	**($379,420.63)**	**80%**

Table 2: LMFTF Budget and Expense 2017

Output	Sum of budget	Sum of Expense	Difference	Delivery
Output 1: Challenge Fund	$100,000.00	$100,000.00	-	100%
Output 2: Policy and Advocacy	$49,501.75	$49,501.75	-	100%
Output 3: Learning and Capacity Building	$23,754.37	$23,754.37	-	100%
Total	**$173,256.12**	**$173,256.12 ***	**-**	**100%**

* And adjustment of the expenses is reflected in the official financial statements for 2017.

Delays and Challenges during the period

Category	Risk	Significance	Probability	Mitigation
Environmental (business environment)	1. Missing beneficiary categories (low income women) because the lack of infrastructure and systems in place, i.e. roads, telecom networks, payment infrastructure, etc. This could result in a proportionately higher number of urban beneficiaries versus rural ones, with an associated risk being that low-income women and men are not sufficiently reached.	Medium	Medium	By staying abreast of general policy development and planned public investments and making stakeholders aware of the preconditions necessary for financial inclusion for the rural poor, we aim to influence the development of a conducive business environment for formal FSPs to operate. Although a certain amount of impact is feasible, the full infrastructure is necessary for greater impact and scale. The identification of these investment gaps can be completed through FinScope data analysis and advocacy efforts can be undertaken through SHIFT's partnerships (WC-FINC and AFI) as well as through support to the implementation of national financial inclusion roadmaps.
	2. The lack of potential clients' trust in formal financial services could lead to low and/or slow product uptake.	High	Low	By emphasizing the importance of client protection amongst our grantees and regulators, we aim to facilitate its mainstreaming into government financial policy and FSPs operational procedures. As such, we strongly encourage our grantees to register and follow the principles of the SMART campaign and provide financial literacy trainings to their clients.
Regulatory	1. The introduction of ill, or un-informed policies could create barriers to the expansion of country-wide financial inclusion, and ultimately affect the impact and results of the programme.	High	Medium	Active communication and contact with key government stakeholders and country teams will help us stay abreast of the latest policy developments and improve our capacity to foresee detrimental contextual changes. At the same time, we will advocate for the appropriate financial inclusion strategies to be implemented in the market and directly through our support to the development of financial inclusion roadmaps.

Category	Risk	Significance	Probability	Mitigation
Strategic	1. Policy and advocacy efforts do not lead to policy/regulatory changes at the national level.	Medium	Medium	Engagement of the Central Banks and Ministries in Cambodia and Myanmar to provide capacity building in data analysis of FinScope, using data analysis to strengthen financial inclusion roadmaps and gender indicators, and data gathering techniques to support monitoring of financial inclusion roadmaps. The first of such trainings was undertaken with the Central Bank of Cambodia on 8 May and followed by close cooperation in the development of the roadmap, which has now been completed and is pending official government approval. There is of course a risk that this process gets delayed, or that implementation is slow. To mitigate this, SHIFT will continue to actively engage with the NBC, and a steering committee that has coordinated the whole process will continue to be involved. It should also be noted that Cambodia is a party to the Maya Declaration and therefore is required to implement the roadmap.
	2. Big data trainings do not result in significant behavior change in institutions' use of data, data-based decision making or adaption of products and services to meet the requirements of low-income women.	High	Medium	1. Based on lessons learned from the initial data trainings, further reinforcement is needed to support FSPs in institutionalizing the trainings learning and using the information to support product/service development. There is proven demand for this and currently SHIFT is evaluating exactly how to provide for this. An initial response has been to focus the data hub training activities in Myanmar and Cambodia. This was later reduced to Cambodia, where the trainings were expanded to include regulators. This adjustment has been successful in that initial signs of both regulators and FSPs adopting data-based decision making are being observed. Considering the scope of the initiative in 2017, this has merited a downgrade of the risk rating to medium.
				2. Big data trainings are being adjusted according to pre- and post-training assessments that are helping SHIFT improve its activities, making them more relevant to the needs of both private and public-sector partners. These assessments are ongoing.

Category	Risk	Significance	Probability	Mitigation
				3. SHIFT efforts have additionally focused on informing upper management and FSPs investors about the trainings and its results. Gaining their commitment will further entrench the initiative and support the behavioural change we aim to facilitate.
				4. Currently SHIFT is considering linking the big data trainings with the challenge fund by focusing the activity on challenge fund grantees, and incorporating the data analysis into the PBA.
				5. Additionally, SHIFT will strategically position its activities to build a network of support around the FSPs as possible/ applicable.
	3. The challenge fund investments do not lead to impact beyond the project, making the programme outcomes unsustainable.	High	Medium	1. Although the probability of this risk is variable and depends on each investment, the overall rating is medium to reflect some initial signs of change that make the programme outcomes more sustainable. This includes the crowding in of investors and regulators, reflecting concrete interest and confidence in the challenge fund mechanism.
				2. Additionally, exit strategies are built into each investment and close monitoring will help identify failures early on in order to exit interventions that are found not to be working, and understanding the reasons for why they failed or were unsustainable, to enable the programme to adjust its strategy and refocus. To this end, SHIFT conducted a qualitative analysis of grantee quarterly reports to identify common factors of failure or weakness. These are being considered for future technical assistance activities that aim to further strengthen the investments and de-risk their future impact.
				3. Challenge fund projects will also be monitored beyond their closure, in order to ensure long-term sustainability and make adjustments to future challenge fund rounds if necessary.

Lessons Learned

Area	Lessons learned
Environmental (Business Environment)	1. As South-East Asia has an almost negligible gender gap in terms of financial access, the efforts to promote women's financial inclusion needs to be more targeted. On financial access aspects, gender parity needs to be maintained, while specific use cases (garments, women entrepreneurs, adolescent girls, women labourers etc.) are required to inform and influence regulators and policy makers to have additional focus on women. In 2017, SHIFT worked to incorporate these dimensions into its various programme components, and as a result developed blog series, trainings and knowledge dissemination to regulators on relevant issues through bilateral engagement and through WC-FINC.
Operational	1. Behaviour change at governance level. Based on monitoring visits, it has been observed that although the data hub training activities are very highly ranked and identified as useful in participant evaluations, converting the training outputs into behaviour change and organizational level action requires further SHIFT support. Indeed, the FSPs have recognized that their current approach to product development is too narrow and based on competition and market trends, rather than being data driven and based on the client's needs. This recognition is an important contributor to understanding the observed market trends. Indeed, the perceived lack of experience amongst FSPs management staff is an obstacle to their understanding of the data and using it. It is seen that data hub training and challenge funds require an expanded approach that could potentially include non-technical as well as follow up technical trainings that facilitate the development of clear and feasible action plans based on concrete needs within the individual processes of product development. At least one participating FSPs in data trainings has shown a clear demand for this, as they are currently in the process of making their product development processes more data-driven.
	2. Completing the feedback loop for maximizing market influence. In terms of the challenge fund application process, a survey of the third window applicants concluded that the mechanism is highly evaluated and that they consider the amount of information and feedback received from SHIFT as satisfactory. Nevertheless, strengthening the application process feedback mechanisms would still be very useful for unsuccessful grantees, as SHIFT could further influence the integration of improvements that can be used by the unsuccessful grantee for funding applications elsewhere. To this end, enhanced exposure to successful examples of financial inclusion amongst our grantees, or within the ecosystem, should also be shared with them so that they can learn from these experiences.

Area	Lessons learned
	3. Further strengthen the challenge fund application process by establishing communications links between the shortlisted applicants and the investment committee (IC). The aim of this would be to reduce information asymmetries in the selection process and strengthen the pipeline, as applicants may gain valuable insights from the industry experts on the SHIFT IC. A survey conducted by SHIFT on Window 3 applicants also demonstrated the importance of the challenge fund workshops, which were found to play a critical role in the application process.
	4. Although the overall design of the challenge fund was highly rated and all would apply again, it was observed by many that the challenge fund grant was relatively low with respect to the expected project outcomes. Closely associated to this is the implementation time offered by the challenge fund, considered by many to be too short. As such, this may affect the type of organization that applies to the challenge fund. This will be considered in future challenge fund window designs.
	5. Qualitative research completed by SHIFT on the challenge fund investees has identified recurring issues amongst the grantees that have impeded them reaching their performance targets. Recurring issues mentioned reflect a general weakness in grantee knowledge of their competition and the acceptance barriers that persist in certain countries with respect to the type of service that is being offered. It is therefore important to strengthen the market analysis the grantees undertake during the application stage, as well as evaluate more critically their respective communication/marketing campaigns.
	6.The flexibility of the challenge fund is an important characteristic that grantees value highly. This must be maintained where possible and feasible, as it gives the business models more space to accommodate to country and market context. This will be considered in any potential changes we make to the challenge fund processes/procedures.
Strategic	Technical Assistance provision to minimize portfolio risks. In the past, SHIFT has wanted to minimize our direct influence on how grantee initiatives are developed and implemented and therefore has traditionally been very careful with the way we provided technical assistance. However, through the results of two challenge fund windows and lessons learned from other UNCDF projects in the region, we have observed a need for closer support to investments. In response, we are integrating technical assistance into the challenge fund and evaluating the possibilities of providing mentorship and capacity-building support through UNCDF partners.

Resources

Table 3 below depicts overall SHIFT funds raised and spent during the overall project period. The cost of the full SHIFT programme is $33,433,574 with a remaining funding gap of $25,378,598.

Donor	Commitment (2014-2017)	Income (2017)	Expenses (2017)
DFAT (1st Agreement)	$2,526,363	0	$1,298,715.14
DFAT (2nd Agreement)	$4,420,357	0	
DFAT Earmarked Core	$35,000 (fully expended in 2016)	0	0
DFAT GEF	$700,000	$700,000	$65,148
LMFTF	$173,256	$173,256	$173,256
FMO	$200,000 (fully expended in 2015)	0	0
Total	**$8,054,976**	**$873,256**	**$1,537,119.14**

Programmatic Revisions (if applicable)

The SHIFT DFAT agreement expired at the end of 2017; however, a no-cost extension was approved through December 2018.

Other Assessments or Evaluations (if applicable)

SHIFT will be undergoing its mid-term evaluation in June 2018.

INFRASTRUCTURE AND SERVICES

LOCAL FINANCE INITIATIVE — *LFI*

Background and Objectives

Since its launch in 2012 in Tanzania as a pilot programme, the Local Finance Initiative (LFI) has successfully grown in approach and expanded to Uganda, Benin and Bangladesh. During 2016 and 2017, activities were undertaken for possible expansion to Gambia, Guinea, Ethiopia, Lesotho and Lao PDR. It is now confirmed that the LFI programme will start operations in Gambia and Guinea during Q2 2018. LFI in all these countries has the aim of testing the concept of promoting transformative local economic development by increasing the effectiveness of financial resources for local economic development.

The UNCDF LFI programme provides seed capital grants, loans, guarantees and technical assistance to structure and make bankable investments for local economic development, women's economic empowerment, food security and land restoration, and climate change and clean energy. These investments are sourced from public and private sector sources, including through calls for proposals, local government development plans, etc. The core competency of LFI is providing the catalytic seed capital and targeted technical assistance to de-risk and make local level investments bankable. All LFI investments are associated with a UNCDF programme that can evaluate, monitor, and report on the development impact in these key thematic areas.

LFI anticipates correcting market failures and attracting catalytic capital for investments that are not being picked up by existing public or private investors. Therefore, LFI does not seek to crowd out the private sector and provide public subsidies for those investments that would be likely to attract investment without its support. This represents the foundation on which LFI investments are identified, and how the selection process does not distort the market. In addition, it seeks to build national capacities to replicate and take to scale its models and tools.

The programme intervention creates opportunities for trade, entrepreneurship, job creation, women's economic empowerment, resilience to climate change, strengthened food security, and quality public service delivery infrastructure, which contributes to local economic growth, and more importantly, improvement in the quality of life of participants.

The intended overall outcome of the LFI Programme is to increase the effectiveness of financial resources for local economic development through mobilization of primarily domestic private capital and financial markets in LDCs to enable and promote inclusive and sustainable local development. The programme outcomes focus on 1) improving capacities of public and private project developers to identify and develop small-to-medium sized investment projects essential for inclusive local development in target countries, and 2) increasing the ability and willingness of the domestic financial sector to provide financing for small-to-medium sized local development investment projects.

Results

Project development, project financing and project implementation stages

The LFI team worked on projects that have the potential to reach financial closure and that have reached financial disbursement stages to ensure that funds flow to the project to start implementation. Below is a highlight of select projects in Tanzania, Uganda and Benin in the advanced stage of the LFI portfolio.

Tanzania

Andoya Hydro Electric Power (AHEPO)

This is a small hydro power generation project originally implemented with a capacity of 500kw or 05.MW only. UNCDF (LFI)'s key activities for this expansion project (phase two) consisted of three distinct phases (pre-financing, financing and post financing). LFI used a mix of technical assistance and financial assistance in this project intervention. Much technical assistance took place during the pre-financing phase.

Based on the financial situation at the time, AHEPO was unable to secure extra funding from the bank, as all of its resources were tied up on an existing phase one loan. UNCDF's intervention aimed at de-risking the project to make it attractive to other fund providers. The equipment supplier (Chinese company ZJE) agreed to enter into a higher purchase contract finance arrangement, thus innovatively unlocking private financing. A total of $749,000 was mobilized from UNIDO, ZJE equipment supplier company and UNCDF.

The AHEPO case demonstrated how technical assistance and limited development finance from UNCDF (20 percent) coupled with technical assistance, helped the project developer to unlock 47 percent of the total financing gap from the private sector (the equipment supplier), and UNIDO (33 percent) to invest in local development project in rural Tanzania. The impact is in the area of local economic development, clean energy access and SME growth. Availability of more reliable energy will increase connections to 889 households from the current 210. Also 380 SMEs, four processing plants and 70 public institutions will be connected in Mbinga alone. Plans are underway for the project to connect remote districts like Nyasa, thus broadening the project impact.

Mwenge sunflower processing mill

This project is now in implementation stage. Mwenge SME project unlocked additional funding from private sector banks as a result of the LFI team is initial work that prepared the project to be investment ready.

In addition, as a result of the close collaboration between LFI, the project developer, National Microfinance Bank (NMB) and Private Agricultural Sector Support (PASS), this project reached financial disbursement stage in August 2017. The credit facilities from NMB amounted to $765,000 backed by a 50 percent third party credit guarantee support from PASS. UNCDF's financial support included a seed capital grant of $150,000, which was catalytic in unlocking commercial capital from the bank, followed by a loan approval of $250,000 in Q42017, disbursed in January 2018.

Uganda

Talian maize and cassava processing plant

The LFI team supported the project developer with technical assistance in order to unlock $741,250 in financing for the project. The total financing from AGDEVCO, a private impact fund was $515,000 (a loan of $450,000 and a grant of $65,000) combined with a UNCDF seed capital grant of $195,000 for the construction of storage facilities.

The UNCDF local development finance food security team validated the project's compliance with the objectives and outcomes of the global agendas related to food security and nutrition, including SDG 2, the Addis Ababa Action Agenda, and Istanbul Programme of Action focused on transformational rural investments related to agriculture for inclusive growth. With UNCDF technical and financial assistance, Talian will be able to access medium-term and substantial working capital funding with a more flexible and innovative approach to risk mitigation (e.g., revenue share on brewery contracts). Using the additional funding, Talian can meet its demand from scale buyers and accept opportunities that it has had to turn down in the past, thereby supporting the steady growth of its revenue and asset base and improving its bankability.

Secondly, UNCDF's intervention has encouraged Talian to invest in the maize and cassava value chain for the long term and further develop its smallholder farmer network through training, agronomy and agro-inputs, and improved post-harvest handling. These activities will drive up farmers' yields, drive down their wastage, and ultimately increase their income.

NUCAFE

The NUCAFE project provides evidence that UNCDF grant funding and tailored technical support can facilitate the entrance of private financing for increased production and processing of a key agricultural crop in Uganda.

UNCDF instruments: Technical assistance and a catalytic seed capital grant of $225,000 to enable the developer to meet the equity contribution requirement of the lender. The grant also helps to meet last mile transaction costs incurred by the developer in the process of meeting loan conditions from UDB.

UNCDF succeeded in facilitating a loan totalling $1,705,118 from UDB, of which $556,013 will go towards the purchase of remaining equipment for the factory (generator, coffee huller) as well as civil works such as construction of warehouse and factory fence, paving the compound, etc. The balance of the loan facility comprises working capital for operating the factory, shops, and café.

More importantly, the project will generate significant socio-economic impact for the household and smallholder farmer, and have a multiplier effect on the local economy.

Through the CAFÉ, the project will enhance farmers' capacity to participate in the most profitable nodes of the coffee value chain, and consequently, result in improved entrepreneurship, household incomes, improved livelihoods, rural development, and innovations for employment creation. Specific impacts are as follows: income generation and poverty reduction; job creation; enhanced capacity to access external financing; women's economic empowerment; and eco-friendly agriculture and improved resilience.

Capacity building to LGAs

LFI-U collaborated with the Ministry of Local government (MoLG) in building the capacity at the local government level for project development as well as setting up an enabling environment for attracting private sector financing. About 63 local government officials participated in these series of trainings.

In September 2017, the LFI team along with MoLG and other partners carried out capacity development for 63 local government managers (Deputy Chief Administrative Officers) in initial stages of identifying investment opportunities, writing concept notes and business plans and for MoLG to assist LGAs to understand the LFI programme and how to participate in the LFI Call for Proposal application process. Specific objectives included:

- To orient LG managers on the LFI Programme methodologies, tools and requirements;
- To train LG managers on project identification; and
- To orient LGs on the principles of preparing a viable project proposal, concept note and business plan.
- To change mind-sets in relation to government structures, allowing the establishment of separate investment companies owned by LGAs and communities.

Project development in progress

In support of public and private sector project developers, LFI provided technical support to over 15 active projects in Uganda for the current period. However, a total of four projects (Talian, NUCAFE, REPARLE, KACOFA) were completed and presented to local banks to leverage additional funding.

Benin

The LFI programme in Benin provided targeted technical assistance to Benin's portfolio of advanced projects in food security; allowing the emergence of three major matured investment projects (Santana, CIPTA and FAGACE). These three projects were presented to local banks, international investors, and other local partners (guarantee institutions) to facilitate their access to finance.

Successful collaboration with partners

The LFI team has teamed up with other development partners to provide additional support to its projects and project sponsors. In Tanzania, it built a successful collaboration with Pass & Commonland 4 Returns foundation partners to support communities in land restoration, resilience to climate change, water conservation and food security. The 4 Returns holistic approach focuses on achieving returns on inspiration (hope and sense of purpose); social returns (bring back jobs, business, education, security etc); natural capital (biodiversity, soil, water quality); and financial capital, i.e. long-term sustainable profit. The intervention towards these four returns involves investors, companies and entrepreneurs in long term restoration partnership with farmers and land users. The programme is presently being piloted at Same district, Kilimanjaro region.

CIPTA

The CIPTA project provides further evidence that a blended financing approach is effective in de-risking an agro-processing activity and attract the private sector investments into a previously unserved region. UNCDF funding successfully unlocked 51 percent of the total project cost and leveraged private funding by a leverage ratio of 1:2, and enabled the implementation of a $726,182 local development project in rural Benin. With appropriate risk mitigation options, local development projects can access private sector capital, and domestic capital can be used to finance sustainable development and create opportunities for economic growth, employment generation, agricultural productivity, empowerment of women, and general improvement of people's lives.

With UNCDF's technical assistance, CIPTA was able to improve its marketing strategy and more accurately quantify potential demand and new clients. The company also received assistance to strengthen its internal systems for inventory management and monitoring operational costs, thereby building CIPTA's capacity to manage the loan proceeds and loan repayment. Successful management of the Diamond Bank loan will heighten CIPTA's ability to obtain follow-on loans and also increases the bank's confidence and comfort level in lending to similar agribusinesses. Capacity building combined with financing provide mutually reinforcing support and strengthens long-term sustainability of the project.

The CIPTA project is expected to have significant transformational impact on the local economy in areas such as: economic growth and job creation; strengthened value chain; financial sector development; enhance the local fiscal space; women's economic empowerment and decrease malnutrition. The CIPTA project can increase food availability for vulnerable groups where groundnut cakes and wafers are well-integrated into dietary habits. Groundnut/peanuts contain a high level of protein, fat, and fiber. The protein is plant-based, the fat is unsaturated, and the fiber is complex carbohydrate which are all beneficial for human nutrition.

Results Framework (Indicator Based Performance Assessment)

Outcome/Output	Status
Outcome 1: Improved capacities of public and private project developers to identify and develop small-to-medium sized local investment projects essential for inclusive LED in a number of target developing countries	
OUTPUT 1.1: Processes, methodologies, and enabling tools are designed and introduced to identify and develop infrastructure projects essential for inclusive LED. These include tools, instruments and mechanisms for public-private partnerships investments. Indicator: Number of public and private stakeholders participating in programme, using new processes and tools. Baseline: From LFI phase 1 - Tanzania, Uganda, Benin and Bangladesh have adopted LFI programme processes and tools. Target: LFI programme designed and adopted in three countries in Asia and Africa. Methodology and processes developed and adopted.	In addition to Tanzania, Uganda and Benin, the LFI process and methodologies were adopted in Bangladesh. The existing templates, tool kits and methodologies continue to be improved and applied to both public and private stakeholders/partners in programme countries.
OUTPUT 1.2: Local capacity is established to enable stakeholders (national and local government officials and the private sector) to identify and develop investment projects essential for LED with support from development partners. Indicator: Number of projects essential for LED identified initially for screening Baseline: From LFI phase 1 Target: At least 20 projects are identified and screened in three countries but only a select few (12) will pass the initial screening process	**Tanzania** Mainstreaming and Scale up of LFI/LDF approach: In progress. Part of this work is the development of the technical guidance manual for LGAs in Tanzania to be able to develop income generating local economic development projects. Legal and governance structure of LGA-owned SPVs: UNCDF supported the formation of seven special purpose vehicles (SPVs) to operate separate investment companies to support a combination of private and public investments at local government level. The following LGAs (projects) were supported: + Review of the legal and governance structure of Moshi City Development Company Limited (MOCIDECO) to ensure that it meets specific objectivates of managing the modern bus terminal project.

Outcome/Output	Status
	+ Kinondoni and Ubungo Municipal Councils (Mburahati market project) + Same District Council (commercial fish farming project) + Ileje District Council (Luswisi 4.7MW hydro power project) + Kilimajaro Uchumi Company. Still ongoing. The company is owned by Kilimanjaro region and six municipals and district councils that administratively constitute the regions. + Kinondoni and Ubungo Municipal Councils (Mburahati market project). SPV jointly owned by Ubungo Municipal and network of small traders (VIPINDO) through PPP mechanism + Same District Council (commercial fish farming project). The company ownership is structured under Public, Private Community Partnership (PPCP) + Ileje District Council (Luswisi 4.7MW hydro power project) The company ownership is structured under Public, Private Community Partnership (PPCP) Capacity-building activities for LGA officials and the private sector: + Municipal Bonds Training : During the reporting period, LFI trained about 66 local government officials with the purpose of enhancing their capacity in the area of municipal bonds (a new and additional potential source of funds for LGAs to build infrastructure). These included regional and district commissioners and officials from five cities (Dar es Salaam, Arusha, Mwanza, Mbeya and Tanga), and five municipalities (Kinondoni, Ilala, Temeke, Ilemela and Dodoma). + LGA Zonal Training: LFI, in collaboration with PO RALG, conducted the first batch of trainings for local government officers on project finance techniques; public and private partnership (PPP) framework, principles, and process; best practices for identifying feasible infrastructure projects; formation of SPVs; and preparation of bankable projects in line with the LFI local development finance approach. Training was done in the southern zone, attracting 84 local government officials. + Kalemawe stakeholders workshop: LFI organized a two-day workshop aimed at ensuring participatory engagement and common understanding of the roles and responsibility of all stakeholders of the commercial fish farming project being developed in Same. Key government officials from Same District Council, elected officials from Same District Council, PO-RALG, development partners and potential investors and suppliers of commercial fish farming technology, as well as UNCDF staff, participated.

Outcome/Output	Status
	+ Project finance training: In Q4 2017, LFI programme organized a three-day training workshop on project finance modelling in Johannesburg South Africa. The objective of the workshop was to enhance the skills of participants in the appraisal and detailed financial analysis of deals of a project finance nature, thus contributing to their collaborative work with LFI. The workshop was attended by 19 participants from key strategic partners, including banks, guarantee institutions and focal persons and government counterparts from LFI member countries: Tanzania, Uganda, Benin and Bangladesh. + Uganda: In order to build the capacity at the LGA level for project development and setting up an enabling environment for attracting private sector financing, LFI – U conducted training for about 63 local government managers (Deputy Chief Administrative Officers) in initial stages of identifying investment opportunities, writing concept notes and business plans and for MoLG to assist LGAs to understand the LFI programme and how to participate in the LFI Call for Proposal application process + Benin: Held two LGA trainings in September and October at Dassa-Zoumé and Parakou respectively. A total of 92 local government officials were trained on local development finance including PPP contracts, agriculture transformation and development of income-generating infrastructure projects for the communes" in Benin.
OUTPUT 1.3: "Proof of concept" demonstration LED projects identified, developed and structured to create multiplication effect through "learn by doing" and incentivizing stakeholders Indicator: Success rate of projects financed (in financial terms and in terms of their transformative impact as indicated during the appraisal phase) Baseline: 3 (from LFI phase 1) Target: At least two projects reach financial closure or are substantially complete	By the end of 2017, LFI had a portfolio of 67 active projects worth $280 million in terms of total project costs and at different stages of development and investments. 13 advanced projects reached financial closure; three projects were built while five projects are still under construction after disbursement of funds to the projects. **Tanzania** The LFI team continued to provide technical support to its project pipeline of 40 active projects in Tanzania. The technical support includes preparation of investment documents including financial analysis, design of appropriate project governance structure, and facilitation with lenders/investors to unlock additional funding. Investment ready projects: Three projects were completed and have reached an investment ready stage. These projects were also presented to local banks and other financiers to leverage additional funding. Negotiations were still underway with lenders during the reporting period.

Outcome/Output	Status
	Projects at financial close and disbursement: The following projects from the Tanzanian portfolio of projects have reached financial close: + Mwenge Sunflower Oil Mills: This project was approved for loan facilities amounting to $765,000 in Q3 2017 by NMB + Andoya Hydro Electric Power (AHEPO) – A 500KW power project was funded and is now in implementation stage. + Kibaha Bus Terminal with revised investment cost of $1.7 million started construction in Q2 of 2017 and its completion is expected by end of Q1 in 2018. Projects completed and under construction: The Mpale Village Solar Micro Grid project is completed and now operational. Others that are in advanced stage of finalizing funding and/or are in construction stage include Maguta small hydro, Kibaha retail market, Lupali small hydro, and Mburahati market. **Uganda** LFI provided technical support to a portfolio of active projects in Uganda for the current period. A total of four projects (Talian, NUCAFE, REPARLE, KACOFA) were completed in terms of LFI technical support (have reached an investment ready stage) and presented to local banks to leverage additional funding. In addition, the UNCDF team provided the following credit enhancements in order to unlock financing from the domestic financial institutions: + LFI Provided Talian with a grant of $195,000 in order to address pre-existing conditions which unlocked $546,250 from private sector financial institutions. + LFI Provided NUCAFE with a grant of $225,000 in order to address pre-existing conditions which unlocked $1,705,118 from private sector financial institutions. + LFI Provided REPARLE with a grant of $125,000 and has earmarked $125,000 as a UNCDF LOAN in order to address pre-existing conditions which unlocked $784,519 from private sector financial institutions. + LFI is working on supporting KACOFA to access a guarantee of $1.6 million in order to complete the unlocking of its financing.

Outcome/Output	Status
Outcome 2: Increased ability and willingness of domestic financial sector to provide financing for small to medium-sized LED infrastructure projects	
2.1. An enabling environment is created to accelerate finance for local economic development infrastructure, including tools, instruments and mechanisms regulations and investment vehicles. Indicator: Number of stakeholders participating in the programme, using new processes and tools Baseline: n/a Target: three scans conducted of local economy focused on LED investment opportunities, impediments, including any existing processes of identifying and developing LED projects	**Tanzania** + UNCDF, through its finance for food, LoCAL and inclusive and equitable local economic development programmes, with its partners such as the Common Land Foundation of the Netherlands conducted a scan of the opportunities with ame District Council in Tanzania to restore and make productive degraded land. The team together with the LGA has agreed a set of opportunities and priorities including development of a 20 year business plan for a holistic intervention in the district. + Through a participatory approach LFI conducted district stakeholders meetings/workshop to brainstorm, screen and select key priority areas for district economic development. This was done in Ileje district (Songwe region), Same (Kilimanjaro)a and Kigoma rural and Uvinza in Kigoma region
2.2. Local capacity is established to increase the ability of the private sector to finance LED projects with appropriate credit enhancements. Indicator: Number and type of institutions engaged in PPP finance and project finance Baseline: n/a Target: 20 developers from private, public and local governments engaged in project development	By the end of 2017, LFI had a portfolio of 67 active projects worth $280 million in terms of total project costs and at different stages of development and investments. 13 advanced projects reached financial closure; three projects were built while five projects are still under construction after disbursement of funds to the projects. Credit enhancements provided to projects involved included: + Seed capital grants $1.6 million total + Concessional loans $250,000 + Guarantee approved $185,000
2.3. Local capacity established to increase the ability of the private sector to finance LED projects with appropriate credit enhancements. Indicator: Number of Stakeholders participating in the programme, using new processes and tools Baseline: n/a Target: 4 LFI stakeholder groups participate in technical forums in each of the three countries	+ Diamond bank and Fagace in Benin, NMB bank, PASS and PPP Unit in the Ministry of local government in Tanzania, UDB bank and private sector foundation Uganda provided staff to attend the LFI sponsored financial modelling class in South Africa in 2017. + Credit enhancement (50 percent loan guarantee) mechanism negotiated with FAGACE to attract domestic capital from Banks. + Negotiation with BOAD for tripartite partnership UNCDF-BOAD-BENIN BANKS in order to finance LFI-B food security portfolio (via BOAD credit line) and the financing of the green projects in West Africa through access GCF.

Outcome/Output	Status
2.4. Capacity established to effectively evaluate and monitor the local development impact of public and private sector economic infrastructure investments in the context of Least Developed Countries. Indicator 2.4: Number of Local Economic Development Investment projects qualifying for M&E implementation stage during the period Baseline: n/a Target: n/a	Projects completed and will be ready for Monitoring and Evaluation in 2018 – Mpale solar micro grid, Mwenge Sunflower, AHEPO, Ileje Radio Station and Kibaha bus terminal.

Financial Report

Expenses on the table below are only from July to December 2017, including other sources of funding. For 2017, expenses stand at $753,735 with a 100 percent utilization of the first installment and with an additional allocation of the second installment.

Source	Total Allocations (Cash Received)	Total Expenditures	Cash Balance	Delivery Rate
PFIS	$217,948	$207,686	10,262	95%
Booster	$1,900,500	$1,890,893	9,607	99%
LMFTF	$299,615	$299,615	0	100%
Total	**$2,418,063**	**$2,398,194**	**$19,869**	**99%**

Delays and Challenges during the period

In 2017, the UNCDF evaluation unit conducted a midterm evaluation of the UNCDF local finance initiative (LFI), covering its first two phases.[1] Its first phase focused on matching international investors with local investment projects in LDCs. But this approach missed the transformative opportunity to engage and develop domestic capital markets for local development. In a second phase, UNCDF pivoted the initiative to target domestic banks to finance catalytic local investments. While LFI was successful in reaching financing agreements with local banks, it soon recognized that the local banks required further conditions and closer engagement with project developers to move from loan agreement to disbursement.

Building on these lessons, in 2016-2017 UNCDF initiated another pivot to expand the role of de-risking capital in the form of reimbursable grants, loans and guarantees, blended with funds from local governments to further de-risk and co-finance investments. UNCDF also introduced a more rigorous appraisal of a project's development impact alongside a more rigorous management of its financial additionality and sustainability. The programme also focused on developing national platforms to build local ecosystems to take the demonstration effect to scale. The midterm evaluation helped to inform the phasing in of this revised approach.

Lessons learned

- LFI's targeted technical support is critical in jumpstarting the development of projects and improving their bankability.
- A blended financing solution is needed to address the complexity and risks of local investments.
- UNCDF's willingness to take on more risk – credit risk, foreign currency risk – lends credibility to the project and paves the way for the entrance of other external players.
- Technical support should aim to strengthen the project developer's financial and non-financial capabilities.
- It is important to tailor the financing structure to reflect seasonality of the business.
- Flexibility is necessary when negotiating the financing instruments.
- Capacity building combined with financing provide mutually reinforcing support and strengthens long-term sustainability of the project.
- UNCDF LFI's support to develop an implementable business plan was pivotal in NUCAFE's ability to obtain financing.
- UNCDF LFI's interventions through NUCAFE project in Uganda helped to make a business case for financing membership/ cooperative organizations.
- It is important to work with and nurture relationships with select financial institutions.
- Financing serves as an important enabler of organizational development and capacity building for membership organizations.
- Work with project developer to set realistic expectations and goals.
- Investment facilitation entails continuous monitoring and persistence.
- UNCDF instruments are leading with grant funding in an effective approach to de-risking a project and attracting private sector financing.
- Technical support to the project developer to set realistic goals and financing needs makes a crucial difference in a project's bankability.
- Technical support should not be limited to financial modelling and

Lessons learned (continued)

business plan development and has more lasting impact when coupled with organizational development.

- Not all financial institutions are created equal, so UNCDF LFI plays an important role as a co-financier.

Qualitative Assessment

The LFI Programme has increased its visibility in all implementing countries through its presence on the new UNCDF website as well as social media (Facebook, Instagram and Twitter); the production of visibility material including banners, and brochures as well as features, articles and human interest stories in UN newsletters. National media coverage has also increased, thus further raising the profile of the LFI Programme.

Resources

In addition to technical assistance funding, a diversity of capital is needed to apply the UNCDF instruments, such as loans, guarantees and reimbursable grants.

Other Assessments or Evaluations (if applicable)

The LFI Programme underwent a midterm evaluation in Q1 of 2017.

LOCAL TRANSFORMATIVE AND UPLIFTING SOLUTIONS — *LoTUS*

Background and Objectives

The development of local government territories positioned within proximity to border areas and the economic corridors that span ASEAN can play an important role in regional (ASEAN) and national development by expediting the Asean Economic Community (AEC) and Master Plan on ASEAN Connectivity 2025 (MPAC 2025) whilst simultaneously supporting national transformative strategies as envisioned through member states development plans and SDG prioritization. Since border communities often involve lagging parts of national economies, building effectively on their comparative advantages can lead to more balanced and equitable national growth and deeper integration of ASEAN Member States (AMS). Thus, cross-border development provides a contributory policy response to reduce the high disparities witnessed across the ASEAN economies and internally within them.

These territories, which spread over national borders (cross-border areas), can also serve as “gateways” for the wider domestic economies of ASEAN by facilitating the creation of new linkages to the regional and global value chains that have, in general, driven an imbalanced economic growth scenario. The development of new linkages for the ASEAN member states, and in particular the CLMV countries, offers exciting new possibilities to connect lagging economies and poorer areas to the regional value chains that, in the medium to longer term, produces transformative change.

The Challenge

Investments using regional and domestic capital that are blended with external sources of finance are a critical requirement for the socio economic development of the ASEAN border areas and the associated local government territories. Most of the ASEAN economies have enormous infrastructure needs, but often lack domestic institutional capacity to meet such demand, and poorly developed financial systems and processes to mitigate investor risk to secure investment finances. Although an abundance of investment opportunities can be found, both the public and private sector lack the appetite to take up such investments due to limited capacities and associated investment risks.

The Response

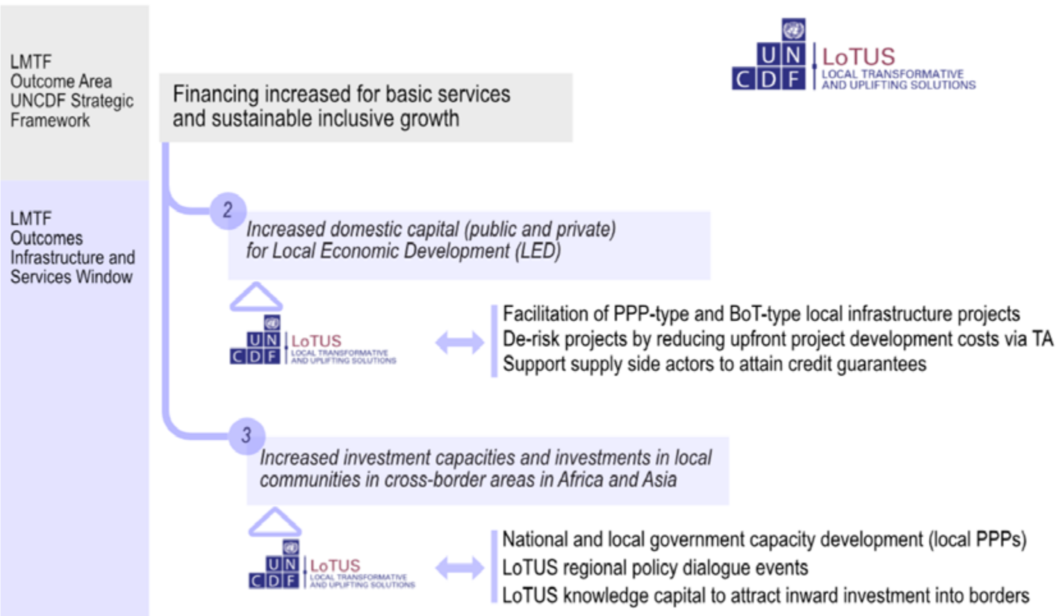
LoTUS adopts a strategic approach embedded within the MPAC 2025 that fosters the concept that local government territories located in suitable border locations and within or in proximity to the ASEAN economic corridors can use their comparative advantages combined with cross-border factor endowments to create opportune environments to attract inward investments. Crucial to this approach is the opportunity for national and subnational governments to leverage regional and sub-regional interest (public and private sector) in developing cross-border economic linkages for mobilizing inward investments for local infrastructure; as well as taking advantage of access to higher-level infrastructure (e.g., transport, power, telecommunications and clean water) found in the neighboring economy. In this context, LoTUS de-risks such investments by; (i) installing new institutional competences to develop and implement Public and Private Partnerships (PPPs), (ii) reducing high upfront developer costs (pre-financing studies) (iii) providing seed capital to project developers in the form of either grant or concessionary loan and (iv) supporting the supply side by arranging credit guarantees for project financers.

Objectives

The main objective of the LoTUS intervention is "To contribute to the reduction of ASEAN and national social-economic disparities by addressing key development challenges faced by border communities via facilitating South-South investments, and policy processes to develop forward and backward economic linkages that promote integration of the cross-border economies into the sub-regional and regional economic corridors."

By de-risking cross-border local infrastructure projects through demand and supply side activities, such investments will become more attractive for inward investments from the private sector and capital markets. It is only through such local development actions that transformation of local economies and related socio-economic development will be furnished, especially in the ASEAN LDCs where, in general, public and private sector investment into mega-connectivity projects has been the norm.

LoTUS provides an active innovative driver for the LMFTF Infrastructure and services window in the dynamic ASEAN region, linking actions at regional and national policy levels, as well as facilitating and mentoring blended financing solutions at sub-national levels. In this context, the programme contributes to the LMFTF results framework via the following architecture:



Results

Work within the framework of the ASEAN LoTUS project has evolved around establishing a platform to enable the implementation of dedicated policy activities to demonstrate and verify the LoTUS concept of uplifting border areas to become multifaceted gateways for development in the region using factor endowments.

Within this context, and in alignment to the AWP, detailed project preparation work including resource mobilization efforts have been on-going. The Project Initiation Plan (PIP) and associated annual work plan (2017) sets out three outputs and six activity lines. The key outputs that are being funded under the LMFTF are:

- Country project framework developed for Cambodia, Lao and Myanmar inclusive of soft investment pipelines.
- Regional programme document finalized and submitted to PAC.
- A robust resource mobilization strategy developed and implemented and LoTUS integration into the MPAC 2025 strategy.

Outcomes

Country Level Project Frameworks

Work in the context of formalizing arrangements with the governments of Cambodia and Lao PDR has been undertaken, with significant commitment being attained at ASEAN and national levels. At ASEAN level, the project has interacted with all ASEAN Ambassadors (CLM), who have endorsed the project. Consultation exercises have been completed in all countries, whether through senior-level dialogue at the GMS conferences or through project-initiated country level workshops.

Specifically, in Lao PDR, a cross ministry policy dialogue was undertaken, attended by the UN Resident Representative and the Vice Minister of Planning. The outcome of the event has been the agreement of the Lao government to exchange an MoU between UNCDF and the Ministry of Planning and Investment for the implementation of a LoTUS pilot action. In addition, the project is "working up" a series of logistics-focused investments with the Ministry of Public Works.

Similarly, the project is working with the Cambodia Development Council (CDC) to formalize an MoU. Discussions with the Deputy Prime Minister were concluded during the reporting period by the practice Director at a side event to the GMS Ministerial Meeting, Ha Noi. The outcome has been the agreement with the Deputy Prime Minister to start up LoTUS during Q2/Q3 2018, based on securing funding.

In Myanmar, work has continued, taking advantage of UNCDF's position in the country. Formal discussions have been held with the Deputy Minister, Ministry of Planning and Finance, and the Director General, The Directorate of Investment and Company Administration (DICA) and Ministry of Transport. During the PIP the project has worked up, with the aforementioned actors, a 'test' project on an identified Inland Container Depot (ICD) that can be subject to early funding.

At regional level, the project has worked in partnership with the ASEAN Secretariat Connectivity Division and the ADB run GMS project. In the context of ASEAN Secretariat, the project document is being adjusted with the ASEAN Connectivity Division to assure its acceptance by the AMS as an initiative to support the implementation of the MPAC 2025. As part of this process, the LoTUS concept was presented to the AMS Ambassadors and discussed at the ASEAN Connectivity Symposium, Manilla 2017, with UNCDF acting as a discussant.

In addition, LoTUS is a formal partner to the GMS programme providing dialogue inputs to the GMS SOM and GMS Ministers Meetings (2016, 2017 and invited to the GMS Heads of State Conference (2018).

Investment Pipeline

An initial scoping mission concluded with the pre-identification of various cross-border projects in the CLM countries and Thailand. This initial list has since been used to develop a 'test' case investment project. The purpose of this test case has been to develop a system that can facilitate the generation of demand-driven pre-financing studies, assure that all studies are compliant to national plans and the MPAC 2025, utilise applicable data sources, and develop synergies with related infrastructure and trade projects.

In this context, during the PIP phase, a test case investment package has been completed in Myanmar focusing on a brown field upgrade of a trade area for conversion into a modern Inland Container Depot (ICD). Using JICA developed logistics and transport analysis, studies that were commissioned by the government of Myanmar, a detailed industry standard Project Information Memorandum (PIM), technical design study and financial modelling have been completed.

The initial LoTUS investment pipeline will be reviewed and updated at the end of the PIP. This is based on the discussions held with the CLM governments and development partners.

As a pre-requisite component of the investment pipeline, LoTUS has completed various legal studies commissioned within the framework of the PIP including, (i) legal analysis of local governments access to capital markets in Cambodia and (ii) legal analysis of local governments access to capital markets in Lao PDR.

Since LoTUS has been streamlined to promote PPPs and investments that seek local government partnerships, the findings of these studies are imperative to prove the LoTUS concept and provide a basis for all subsequent UNCDF investments into the region.

Regional Project Document

The initial LoTUS project document has been drafted and used as a discussion tool to further make the project fit for purpose. After dialogue with the ASEAN Secretariat, AMS, development partners and the private sector institutions in the CLMV, the scope and components of the LoTUS project document have been streamlined to provide clear focus towards realising cross-border investments and institutional development for PPPs.

The base project document has been used to formulate a concept note and budget, which has been subsequently submitted to the government of the Republic of Korea and the ASEAN Secretariat within the framework of the ASEAN Korea Cooperation Fund (AKCF).

A final project document for LoTUS will be issued to UNCDF Project Appraisal Committee (PAC) at the end of Q1 2018.

Resource Mobilization Strategy

Resource mobilization is continuing, with meetings held with ASM ambassadors and the ASEAN dialogue partners. Progress has already been made to position LoTUS as a relevant platform to address the MPAC financing challenges.

Based on the extensive networks developed, a funding proposal was submitted to the AKCF in January 2018. This has been initially approved by the ASEAN mission and is now in the approval process at ASEAN.

In addition, key partnerships have been developed and agreed to implement LoTUS drawing in expertise from (i) inter-governmental agencies, (ii) academia, and (iii) policy think tanks. In this respect, LoTUS has entered into partnership with (i) The ASEAN Korea Centre, (ii) The Mekong Institute, and (iii) Korea Development Institute (KDI).

Planned Activities	Associated Verifiable Outcomes
1.1 Country level consultations held – Cambodia, Lao and Myanmar	+ Meetings and dialogue completed for the exchange of MoU in Lao PDR (UNCDF – MoPI). + Meetings ongoing for the exchange of MoU in Cambodia (UNCDF – CDC). + Dialogues initiated with Min of Economy and Finance and Directorate of Commercial Affairs (DICA) to launch LoTUS identified logistics infrastructure projects.
1.2 Technical preparation for the identification of projects	+ Legal scans completed for Cambodia and Lao PDR. + Regional Risk Assessment – Political Capital completed. + Project Information Memorandum for Inland Container Depot (ICD) developed for Myawaddy – Moe Sot, Myanmar. + Financial Model completed for Inland Container Depot (ICD) developed for Myawaddy – Moe Sot, Myanmar. + Technical design completed for Inland Container Depot (ICD) developed for Myawaddy – Moe Sot, Myanmar.
1.3 Consultation missions held	+ Consultations held with ASEAN Secretariat Connectivity Division, AMS Ambassadors, ASEAN dialogue partners. These are ongoing and will be sustained through the LoTUS programme cycle.
2.1 Final LoTUS project document formatted and submitted to PAC	+ Draft product shared with ASEAN Secretariat and being updated and amended to assure policy fit to the MPAC 2025 and endorsement by the AMS.
3.1 Integration of LoTUS into the ASEAN strategy and series of consultative workshops	+ Official invite and participation as a discussant at the ASEAN MPAC Symposium 2017. + Official invite and participation as a discussant and dialogue partner to SOM – GMS Ministerial Conference 2017. + Official invite and key note presenter at APEC Ho Chi Minh, Viet Nam 2017. + Official invite and key note presenter at OBOR financing Hong Kong 2017. + Official invite China – ASEAN Expo, Nanning, PRC 2017. + LoTUS Lao Workshop completed with MoPI Q3 2017. + LoTUS Cambodia Consultations held with Deputy Prime Minister (side event to GMS conference 2017). + LoTUS Myanmar Consultations held with Deputy Minister, MoEF (side event to GMS conference 2017).

Results Framework (Indicator Based Performance Assessment)

Outputs	Activities	Q1	Q2	Q3	Q4	Funding Source	Budget Description	Amount	Disbur-sement	Comments
Output 1: Policy – Investment legislation and jurisdiction scan (legal review)	1.1 Activity: Consultations with participating countries on tailor made country project frameworks in Cambodia, Lao PDR and Myanmar	X	X	X	X	LMFTF	IP Staff	54,000	54,000	Partnerships developed with ASEAN Secretariat Connectivity Division and Lao PDR
	1.2 Technical preparation and call for proposals for the investable pipeline in Cambodia, Lao PDR and Myanmar	X	X	X	X	LoTUS HQ Core	IC	100,000 16,000	100,000* 16,000 (used 2016)	Scoping mission and consultations to prove LoTUS concept and develop initial soft pipeline (2016)
	1.3 Activity: Consultation missions		X	X	X	LUX	Travel	10,000	9,933	Q3 2017 missions
Output 2: Regional programme document finalized and submitted to PAC for approval	2.1 Activity: Final regional project document submitted to PAC with pipeline information for Cambodia, Lao PDR and Myanmar			X	X	LoTUS HQ Core	IC	20,000	20,000	Contracted

Outputs	Activities	Q1	Q2	Q3	Q4	Funding Source	Budget Description	Amount	Disbur-sement	Comments
Output 3: Investments – Pipeline identification and produce one Bankable project in one pilot country nts – Pipeline identification and produce one Bankable project in one pilot country	3.1 Activity: Integration of LoTUS into the ASEAN strategy and series of consultation workshops			X	X	LMFTF	IP Staff	130,000	130,000	ASEAN Meeting
						LUX	Work-shops	36,500	36,500	
						HQ Core	Work-shops	14,000	163	
	3.2 Technical support missions	X	X	X	X	LMFTF	Travel	14,000	14,000	Lao and ASEAN
AOS Miscellaneous Expenses	Other Operating cost					LMFTF	Misce-llaneous	14,000	12,907	
GMS								20,460	20,460	
TOTAL								428,960	413,963	Utilization = 96%

Given the nature of the PIP, high levels of TA inputs have been programmed and implemented during the reporting period. This was especially the case that during the PIP phase, essential partnerships at institutional level had to be reached

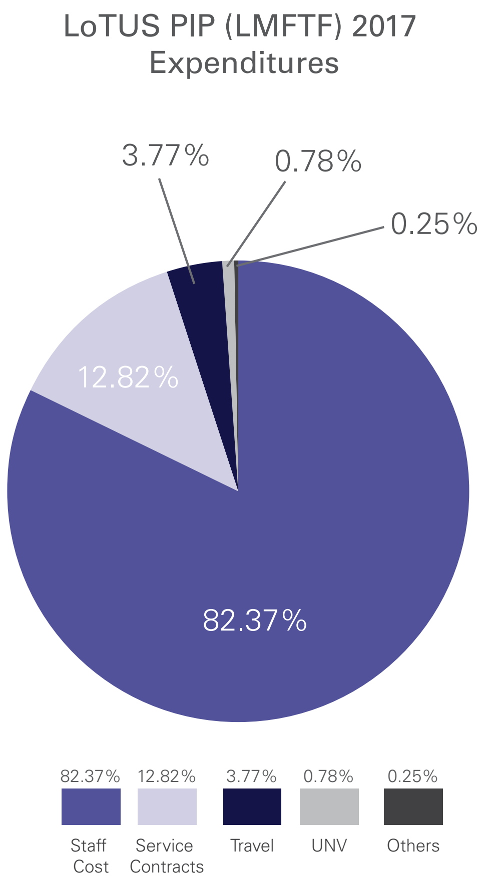
Considerable resources have been expended to undertake effective missions to the ASEAN Secretariat Connectivity Division, which led to the establishment of key partnerships with all stakeholders and potential funders.

In general, most expenditure has remained within the appropriate budget lines without variance. The project has only been operational for nine months, yet high delivery rates are being witnessed, with approximately 96 percent of the PIP budget utilised.

Financial Report

The LMFTF fund allocation for LoTUS PIP totalled $ 227,388; subsequently total expenditure to-date (end of 2017) was $227,779, representing a 98 percent utilisation rate of the allotted funding*. Breakdown of this funding, in alignment to the PIP Work Plan indicates four core areas of expenditure; (i) staff costs, (ii) service contracts (technical), (iii) UNV costs, jointly funded with the government of the Republic of Korea and (iv) travel.

The breakdown of the use of the LMFTF is illustrated in the associated chart. To verify staff costs, the funding has been used to technically develop and network the LoTUS project, which has been completed as an internal UNCDF exercise. All service contract costs are related to the technical missions that have enabled LoTUS PIP to (i) undertake necessary pre-requisite legal studies for PPP type investments, (ii) work up test financial modelling for ASEAN localised PPP infrastructure projects and (iii) generate test technical design reports for PPP type investment projects. Travel costs are associated to direct costs to cover attendance at the various regional events, specifically the ASEAN summit, APEC summit and GMS Ministerial Conference.



Delays and Challenges during the period

- No major delays or challenges have emerged during the reporting period
- No programmatic revisions have been necessary

*The Local Development practice utilized 100 percent of the first LMFTF installment of $1,222,693 and allocated additional funds in the amount of $214,350 from the second installment received in December 2017 to meet their expense needs

Lessons Learned

Already, the PIP process is returning some key lessons in relation to working with ASEAN and the AMS through a regional programme approach as follows:

- Political buy-in is required to successfully support programme integration and partnership with the ASEAN secretariat.
- The AMS missions are key strategic players that can successfully amplify the ASEAN and National Policy linkages to the LoTUS intervention and provide necessary backward linkages to AMS governments.
- Simplistic approach that offers easily measurable delivery mechanism that is fit for purpose gains more traction at ASEAN and national levels as opposed to a more complex design.
- Linkages between the ASEAN Secretariat Connectivity Division and ASM are through different government institutions that are not considered traditional partners for UNCDF. These institutions play a key role in linking national priorities and national development plans to the regional ASEAN policy frameworks.

Resources

A focus on resource mobilisation focus has been a key strategic factor of the PIP to date, with extensive dialogue sessions being conducted during the reporting period with project stakeholders, potential funders, government institutions, and academia. Critical partnerships have been forged with the ASEAN Secretariat Connectivity Division, APEC Secretariat, Finance Centre for South-South Cooperation and the GMS – ADB Secretariat.

LoTUS has continued to forge deeper ties with the governments of the ASEAN Member States (ASM) that has included developing relationships with ASM Ambassadors and the national MPAC focal points in Cambodia, Lao PDR and Myanmar. It is through these effective partnerships that UNCDF has been able to position LoTUS as a unique innovation that can contribute to the implementation of the MPAC 2025.

A comprehensive and robust resource mobilisation strategy has been implemented, with the project concept beginning to draw the attention and interest of Korea, the Netherlands and Norway. The potential for funding is promising, with a formal application for AKCF being submitted and approved by the government of the Republic of Korea Permanent Mission to ASEAN.

The adopted resource mobilization strategy mirrors the LoTUS programme design and concept. In this context, work has been completed in terms of development partners mapping at National Level and follow up meetings with possible donors being held in Lao and Cambodia. At a regional level, the PIP team is working with the ASEAN secretariat and the ASEAN dialogue partners.

MUNICIPAL FINANCE — *MIF*

Background and Objectives

Municipal finance is becoming increasingly important in policy agendas due to a realization that cities are a key development actor; without them, it is not possible to secure the 2030 Sustainable Development Agenda. A new architecture for municipal finance is needed, not only a requirement for Goal 11, which sets out to "make cities and human settlements inclusive, safe, resilient and sustainable," but for all global goals. The Addis Ababa Action Agenda and the New Urban Agenda agreed at the Habitat III conference in Quito set the stage for these reforms. Unfortunately, the least developed countries (LDCs), other developing countries—and particularly their secondary cities—are often overlooked in the public discourse on municipal finance. The EcoBonds funding as part of the MIF programme is designed to remedy this.

The MIF EcoBonds approach was conceived on the premise that growing urbanisation requires increasingly complex public and private infrastructure if new cities are to be livable, sustainable, resilient and productive. Funding from the traditional sources of central to local grants augmented by local taxes is unlikely to be sufficient, and therefore innovative alternative solutions are required that open access to capital markets at the right price with long-term financing arrangements.

Objectives

The purpose of the MIF Programme is to increase the capacity of local governments and other sub-sovereign entities to address key urbanization challenges through access to sustainable sources of capital financing. This can be achieved by:

1. Influencing global policy dialogue by supporting the development community to increasingly use a wider municipal finance menu of options when supporting local governments in LDCs;

2. Testing MIF methods on the ground through country-level projects that:

- utilize domestic private sector capital (e.g. institutional investors);

- channel funds towards investments in innovative financial instruments;

- improve institutional effectiveness and coherence by coordinating with national and local governments in ensuring that the necessary legal and regulatory frameworks are in place and are implemented.

Through the contribution received from Sida, the MIF programme was conceived as a mean for establishing new channels for financing local urban bodies that will alleviate pressure on the national Treasuries or Ministries of Finance to finance local infrastructures, including energy, environment and climate resilience projects. In accordance with the project work plan, the MIF Programme is being implemented in two countries in Asia (Bangladesh and Nepal) and in four African countries (Tanzania, Uganda, Senegal and Ghana). This is a marked increase from last year's report of implementation in two countries.

Results

Global policy and normative dialogue

The previous reporting period included UNCDF's support to the Habitat III conference and provides in depth details about our substantive contribution to the New Urban Agenda in the field of Municipal Finance. Also included was the publication of the joint UN-DESA/UNCDF project, entitled "Financing sustainable urban development in the Least Developed Countries" (http://www.un.org/esa/ffd/wp-content/uploads/2016/09/Financing-Sustainable-Urban-Development-in-LDCs.pdf). UNCDF's substantive work in municipal finance and its contribution to the New Urban Agenda in this field was acknowledged in paragraph 37 of the Secretary General's report on the future of UN Habitat issued on 1 August 2017.

The partnership with United Cities and Local governments (UCLG) also includes support to the Global Observatory on Local Finances, which is published together with OECD. The need for this global observatory was identified at the Habitat III conference in Quito. UNCDF is responsible for the data and analysis for LDCs.

The collaboration with UN DESA covered in the previous reporting period continued with the support to the Inter-Agency Task Force on Financing for Development (IATF) on subnational finance, UN Headquarters, 29 November 2017. This included funding the paper: "Policies, Reforms and Strategies for Enhancing Subnational Development Finance", Smoke, Paul (2017), commissioned by United Cities and Local governments (UCLG), UNCDF and UN-HABITAT.

To build in the post-Quito momentum UNCDF deepened its relationship with UCLG and jointly convened the first annual High Level Panel on Municipal Finance to be hosted by the government of Malaga on April 9th 2018. The objective of the event is to build a coalition that will advocate for, and achieve, the repurposing of municipal finance towards a financial ecosystem for municipalities that meets the SDG challenge.

The coalition will promote four or five global policy goals necessary to unlock finance for cities. These include issues of public accounting on national debt, issues on pooled financing, and also asset allocation strategies of institutional investors. The coalition will include a network of cities and financial institutions that are showing what can be done. The coalition will seek to elevate municipal financing from a niche to a mainstream issue.

The event will nourish the advocacy efforts by showcasing innovations in municipal finance and by identifying the financial mechanisms and regulatory reforms required. Participants—including government ministers from Bangladesh, Tanzania and Uganda—will highlight the reforms initiated under MIF.

Through this coalition, UNCDF will deploy its sub-sovereign and municipal financial instruments and technical assistance, together with partners such as Fonds Mondial de Développement des Villes (FMDV) and Cities Alliance to build a bridge to the scaling up and replication of these innovations by central governments, development banks, pension funds and commercial banks present at the event, including KfW, the European Investment Bank, the African Development Bank. Discussions have begun with some of these partners about a bespoke EcoCities fund that would take to scale the innovations tested by the EcoBond work.

Country-level projects

Bangladesh

The MIF initiative in Bangladesh (MIF-B) is focused on enabling municipalities in Bangladesh to secure access to resources other than traditional central government grants and ODA. Although Bangladesh has a network of elected Pourashavas (city councils) endowed with a revenue stream emerging from local taxation, the potential of this revenue stream is underutilized, with most urban infrastructure financed through the Annual Development Programme grants paid from central to local government.

This type of grant financing has been taking place for projects that could, under the right circumstances, be co-financed by private investors. MIF is engaged with regulatory authorities and local governments with a view to the implementation phase where the urban local bodies will secure and apply additional resources.

Out of 102 potential municipalities, 15 were identified on the basis of size, population, revenue generation and debt service efficiency.

Building on the work of the previous reporting period, an established Credit Ratings Agency in Bangladesh has provided credit ratings for 10 Bangladeshi cities (Feni, Cox's Bazaar, Brahmanbaria, Chandpur, Sirajganj, Bhola, Kushtia, Faridpur, Pabna, Bagerhat). Nine out of these 10 cities received investment grade ratings of A+ and above.

Initial capital investment plans are now complete, with a financing requirement of BDT 26.04 billion in these cities. Current work is being done to analyze the climate nvestment plans (CIPs) for the most promising climate resilient investments against which revenue bonds can be issued.

The bonds will not be issued as "general obligation" bonds against the total asset base of the local governments, but instead will be issued on the revenue of specific investments that pass the EcoBond criteria. In due course these investments will require their own credit rating prior to issuance, nevertheless, the overall rating for the cities provides a degree of confidence to future funders.

An action plan for municipal bond issuance has now been shared with the MIF-B Steering Committee. The Bangladesh Securities and Exchange Commission is sensitized on municipal investments and has conceptualized mechanisms for bond issuance through private and public placement of debt frameworks.

One breakthrough has been identifying how this can take place within the existing legal environment. Municipal PPP's Investment Guidelines were drafted and shared with PPP's Authority to incorporate into the PPP Act. A regulatory desk review for issuing municipal debt was drafted and shared with USAID.

In terms of the investments themselves, the pipeline of climate responsive infrastructure projects for co-financing was shared with IDCOL and BIFFL. Due diligence of priority projects was conducted at Brahmanbaria and Chandpur municipalities and at the Bhola Trade Center and Town Hall projects. Documents have been developed for PPP project tendering at seven model municipal markets.

A climate resilient and social impact tool has been developed with the municipalities and screening of the above investments is taking place against the EcoBond criteria.

Sida Dhaka and USAID DCA have been engaged, with a view to financing and guaranteeing partnerships for the eventual EcoBonds, which may be manifested as loans to PPP Special Purpose Vehicles (SPVs) or revenue bonds. The MIF programme has collaborated with BIFFL on lending processes and due diligence requirements for project financing and with Bangladesh Investment Development Authority on other potential co-financing.

Nepal

MIF has moved ahead with its inception activities during 2018. Despite its limited resources and recent timeframe, MIF-N has a high level of visibility on the criticality of municipal finance with the key stakeholders in government, the development partner community and the mayors of municipalities who have come into position through local government elections that have recently taken place after 20 years. A systematic base of information on issues and impediments for market-based financing of municipalities has been created, and options for municipal financing have been established by MIF-N; this has brought all key stakeholders on the same page for the next generation of actions.

MIF-N has connected with key institutions, including the TDF, the Ministry of Finance, the National Planning Commission, and the Ministry of Federal Affairs and Local Development, to review and pursue strategic options to create an enabling environment for municipal borrowing. Supply side institutions, including the pension funds, have been drawn into discussions on the feasibility of co-financing municipalities.

Building on the work during the previous reporting period, a partnership has now been established with the Town Development Fund and the programme has begun work with selected municipalities to formulate Revenue Improvement Action Plans. For nine municipalities, preparatory assistance has begun on non-grant municipal finance and a framework for the credit rating of municipalities in Nepal has been drafted.

In order to stimulate progress and provide a demonstration model for others to follow, MIF is moving ahead with two financing transactions in the 2018 investment plan. These are the UNCDF loans for a municipal market in Hariwon municipality at advanced stage (ready for due diligence in May) and possibly a second municipality (Lalbandi). The deployment of UNCDF's loans and/or guarantees to these transactions will be as co-financing with domestic banks and other institutions.

Tanzania

Work has advanced significantly in Tanzania since the last reporting period. Seven local governments took part in a workshop in the city of Arusha, which discussed in detail the preparation process for the issuance of municipal bonds and various issuing options. This led to four municipalities moving forward with concrete actions. From these, investments from Arusha and Mwanza municipalities have been submitted to USAID Development Credit Authority for potential guarantee.

A study tour has been arranged between central and local government authorities in Tanzania and their counterparts in South Africa. This includes contacts between the respective ministries of finance and other regulatory bodies and also contacts between officials from South African cities that have issued municipal bonds and their counterparts in Tanzania.

The original date of the tour was March 2018, but this was postponed to after the High-Level panel on municipal finance in April. Nevertheless, the experience of organizing the tour illustrated the many lessons from South Africa that are relevant to other sub-Saharan African countries, and demonstrated to the Tanzanian officials some of the possibilities that exist.

The MIF programme in Tanzania benefits from the presence of UNCDF's Local Finance Initiative and the work on PPPs and structured project finance that has already taken place. This includes investments such as the Kibaha bus terminal, which has been incorporated into the MIF pipeline.

Senegal

MIF has carried out an assessment of the possibility for municipal finance in Senegal, concluding that the experience of Dhaka is important. Dhaka almost issued a bond, but was not able to do so due to regulatory issues. The assessment concludes that secondary cities and revenue bonds associated with PPPs may be a better way forward. To this end, the Capstone team from New York University was assigned to visit the city of Saint-Louis and investigate options. UNCDF is currently examining a tourism and a fishery initiative in this city. The tourism option opens the possibility of intriguing links with UNESCO on sustainable financing of heritage sites.

Uganda

UNCDF is part of the Cities Alliance Joint Work Programme on Equitable Growth in Cities. Under this programme, MIF is executing two initiatives in Uganda on analysing and preparing policy tools for the achievement of equitable economic growth in cities that will create the foundation for the Uganda municipal finance work.

The Ugandan government and local governments were represented at the Expert Group Meeting held in 2016 and will be present at the 2018 Malaga meeting. The City of Kampala has already established a special status that facilitates access to non-grant financing. MIF has identified the city of Jinja to begin piloting some investment. The MIF programme in Uganda benefits from the presence of UNCDF's Local Finance Initiative and the work on PPPs and structured project finance that has already taken place.

Uganda also falls under the Cities Alliance LEAP programme that is covered in the section on Ghana below.

Ghana

UNCDF has been requested to provide support to the Cities Alliance LEAP programme in Uganda and Ghana, funded by DfID as part of the Joint Work Programme on Equitable Growth in Cities. The main objective of the project is to enable the JWP Campaign Cities in Uganda and Ghana to plan and mobilize for their investment and borrowing needs to create critical public services that foster equitable economic growth in their cities. In addition, the project will stimulate local and national dialogues around financing critical public services via public and private resources, while at the same time helping JWP members (including

UNCDF itself) to hone and adjust their programmatic interventions in support of inclusive and equitable economic growth in the target countries.

World Bank PPIAF

UNCDF has received limited funding from PPIAF to implement a project supporting selected national municipal development funds from Africa and the regional network of municipal development funds - RIAFCO. These funds are usually housed in the ministry of finance. The project was completed during this reporting period and discussions are underway on a follow-up. MIF has been contributing its own human resources in the implementation and coordination of the project.

In partnership with the Global Fund for Cities Development (FMDV) and the Network of African Institutions for Local government Financing (RIAFCO) and financed by the Public-Private Infrastructure Advisory Facility (PPIAF) of the World Bank (WB), UNCDF strengthened the RIAFCO (reinforcement of its strategy, creation of a website) and its members (launch of four national studies (Niger, Cameroon, Madagascar, Mali), implementation of four action plans, training, establishment of training curricula).

The activity, jointly implemented with the FMDV and the PPIAF, focuses mainly on the strengthening of Municipal Development Funds through the RIAFCO. Indeed, these funds have a crucial role to play in facilitating access to finance for local governments and were set up with a view to provide non-grant financing. However, they have not yet reached their potential as financial intermediaries that can provide sovereign guarantees and other support to municipal finance.

The study communities face many challenges that make it more difficult for them to play their full role. This programme has led to follow-up proposals tailored to the realities of each of the countries.

MIF support to other UNCDF programs

MIF is also providing technical support to other UNCDF programmes that can provide assessment tools for impact of municipal finance investments or that can provide a pipeline of investments for demonstration purposes. These include on climate change and resilience, food security, local economic development and women’s economic empowerment.

Financial Report

At the end of 2017, the programme reports 80 percent of delivery rate with $128,641.62 expensed out of a budget of $161,733.93.

Results Framework (Indicator Based Performance Assessment)

Goal	Outputs	Achievement during the reporting period (until June 2017)	Achievements during the reporting period (until March 2018)
Intermediate Outcome: Increased investment for sustainable and resilient municipal infrastructure in least developed countries. Target: Pilot investments have triggered systemic changes to municipal finance in four countries.	Output 1: Increased capacity, policy and regulatory changes (through partners)	+ Study on institutional and market context of potential municipal debt market, legal issues in borrowing in Nepal - mayors and central government engaged. + Roadmap for municipal borrowing and future bond issuance for municipalities in Tanzania under preparation.	+ Agreement reached with Governments of Nepal, Tanzania and Bangladesh. Appropriate legislative framework identified. + Complementary work with Cities Alliance in Uganda and Ghana and with World Bank PPIAF in Madagascar, Cameroon, Senegal and Niger. + UNCDF provides support on Municipal Finance to the Inter Agency Task Force on localizing SDGs on their input to the Addis Ababa Agenda follow up. + UNCDF has been selected to lead on Municipal Finance by the Secretary General's LOCAL 2030 initiative.
	Output 2: Municipal bonds or public private joint ventures issued in four Least Developed Country cities	+ 10 cities preparing proposals for PPPs/ municipal borrowing in Bangladesh. + 6 cities being reviewed for municipal borrowing in Nepal. + 7 cities participating in the workshop on municipal bond issuance in Arusha and four cities preparing action plans for the implementation of municipal borrowing in Tanzania.	+ Credit Ratings provided for 10 Bangladeshi Cities (Feni, Cox's Bazaar, Brahmanbaria, Chandpur, Sirajganj, Bhola, Kushtia, Faridpur, Pabna, Bagerhat). + Capital investment plans completed. Current work is to analyze the CIPs for the most promising climate resilient investments against which revenue bonds can be issued.

Goal	Outputs	Achievement during the reporting period (until June 2017)	Achievements during the reporting period (until March 2018)
			+ Investments from Arusha and Mwanza submitted to USAID Development Credit Authority for potential guarantee. + One city identified in Nepal with an investment already included in the 2018 Local Development Finance Investment Plan. + Preparatory studies in Senegal, Uganda and Ghana.
	Output 3: Increased funding of municipal investment in sustainable infrastructure through market financing	+ BMDF and PPP office in Bangladesh as partners for municipal finance. + Two municipalities in Bangladesh identify climate resilience investments. + Town Development Fund in Nepal engaged as financing partner to work with municipalities in Nepal.	+ High Level Meeting on Municipal Finance convened with United Cities and Local Governments to build a coalition for regulatory reform backed by concrete examples of innovative municipal finance. + Discussions with potential stakeholders for new Municipal Investment Fund to complement MIF work and crowd in larger funding in this field. + Preparatory work in Bangladesh, Nepal and Tanzania for domestic capital markets to finance MIF investments.
	Output 4: Management of capital funds, screening and approval of RBF investments and technical assistance	+ Capital investment plans being prepared for 10 municipalities in Bangladesh. + Steps for credit rating of BMDF and TDF initiated in Bangladesh and Nepal respectively.	+ Investment from city in Nepal included in 2018 Local Development Finance Investment Plan. + Investment from Tanzania submitted to USAID DCA for guarantee.

MIF Project Pipeline

Index Number	Hard/Soft Pipeline	Country	Region	Impact Themes	Project name	Purpose	MIF Key
SP16	Soft	Tanzania	Arusha	MIF	Moshono Bus Terminal	Public Transport	Yes
SP17	Soft	Tanzania	Arusha	MIF	Olasiti Bus Terminal	Public Transport	Yes
SP18	Soft	Tanzania	Arusha	MIF	Arusha City Business Galleria	Public Service Infrastructure	Yes
SP19	Soft	Tanzania	Arusha	MIF	Arusha Meat Company	Modern slaughterhouse	Yes
SP20	Soft	Tanzania	Arusha	MIF	Kwa Mrombo Market	Public Service Infrastructure	Yes
SP21	Soft	Tanzania	Arusha	MIF	Kilombero Market	Public Service Infrastructure	Yes
SP22	Soft	Tanzania	Arusha	MIF	Njiro Market	Public Service Infrastructure	Yes
SP23	Soft	Tanzania	Arusha	MIF	Baraa Market	Public Service Infrastructure	Yes
SP24	Soft	Tanzania	Arusha	MIF	Arusha Central Market	Public Service Infrastructure	Yes
SP25	Soft	Tanzania	Arusha	MIF	Construction Plant & Equipments for hiring	Road and construction services	Yes
SP26	Soft	Tanzania	Arusha	MIF	Arusha District Hospital	Improved Health services	Yes
SP27	Soft	Tanzania	Arusha	MIF	Njiro Hostel Project	Students settlement	Yes
SP41	Soft	Bangladesh	Feni (A-)	MIF/CCE	Solid Waste Disposal	Municipal Capital Investment	Yes

Index Number	Hard/Soft Pipeline	Country	Region	Impact Themes	Project name	Purpose	MIF Key
SP42	Soft	Bangladesh	Feni (A-)	MIF/CCE	Biogas/Recycling Plant	Municipal Capital Investment	Yes
SP43	Soft	Bangladesh	Feni (A-)	MIF/CCE	Overhead Water Tank	Municipal Capital Investment	Yes
SP44	Soft	Bangladesh	Feni (A-)	MIF/CCE	Children's Clinic	Municipal Capital Investment	Yes
SP45	Soft	Bangladesh	Feni (A-)	MIF/CCE	Slaughterhouse	Municipal Capital Investment	Yes
SP46	Soft	Bangladesh	Feni (A-)	MIF/CCE	Children's Park	Municipal Capital Investment	Yes
SP47	Soft	Bangladesh	Feni (A-)	MIF/CCE	Puran Bazar Market	Municipal Capital Investment	Yes
SP48	Soft	Bangladesh	Feni (A-)	MIF/CCE	Puran Bazar Fish Market	Municipal Capital Investment	Yes
SP49	Soft	Bangladesh	Feni (A-)	MIF/CCE	Sweeper Colony	Municipal Capital Investment	Yes
SP50	Soft	Bangladesh	Feni (A-)	MIF/CCE	Charmuguria Grocery	Municipal Capital Investment	Yes
SP51	Soft	Bangladesh	Feni (A-)	MIF/CCE	Kulpuddi Markey	Municipal Capital Investment	Yes
SP52	Soft	Bangladesh	Feni (A-)	MIF/CCE	Staff Residential Complex	Municipal Capital Investment	Yes
SP53	Soft	Bangladesh	Feni (A-)	MIF/CCE	Modern Housing Complex	Municipal Capital Investment	Yes
SP54	Soft	Bangladesh	Feni (A-)	MIF/CCE	Sokuni Bazar & Market	Municipal Capital Investment	Yes
SP55	Soft	Bangladesh	Feni (A-)	MIF/CCE	Badamtola Muti-Purpose Commercial Center	Municipal Capital Investment	Yes
SP56	Soft	Bangladesh	Feni (A-)	MIF/CCE	Kulpuddi Kitchen Market	Municipal Capital Investment	Yes
SP57	Soft	Bangladesh	Feni (A-)	MIF/CCE	Khagdi Bus Stand Kitchen Market	Municipal Capital Investment	Yes
SP58	Soft	Bangladesh	Feni (A-)	MIF/CCE	Thantolli Bazar	Municipal Capital Investment	Yes
SP59	Soft	Bangladesh	Chandpur (BBB+)	MIF/CCE	Commute Management System	Municipal Capital Investment	Yes

Index Number	Hard/Soft Pipeline	Country	Region	Impact Themes	Project name	Purpose	MIF Key
SP60	Soft	Bangladesh	Chandpur (BBB+)	MIF/CCE	Ferry-Ghaat (port)	Municipal Capital Investment	Yes
SP61	Soft	Bangladesh	Chandpur (BBB+)	MIF/CCE	Solid Waste Disposal Transfer Station	Municipal Capital Investment	Yes
SP62	Soft	Bangladesh	Chandpur (BBB+)	MIF/CCE	Solid Waste Landfill Development	Municipal Capital Investment	Yes
SP63	Soft	Bangladesh	Chandpur (BBB+)	MIF/CCE	Clean energy	Municipal Capital Investment	Yes
SP64	Soft	Bangladesh	Chandpur (BBB+)	MIF/CCE	Hospital Waste Management & Organic Fertilizer Manufacturing	Municipal Capital Investment	Yes
SP65	Soft	Bangladesh	Chandpur (BBB+)	MIF/CCE	Tube wells	Municipal Capital Investment	Yes
SP66	Soft	Bangladesh	Chandpur (BBB+)	MIF/CCE	Water Treatment Plant	Municipal Capital Investment	Yes
SP67	Soft	Bangladesh	Chandpur (BBB+)	MIF/CCE	High Water Reservoir	Municipal Capital Investment	Yes
SP68	Soft	Bangladesh	Chandpur (BBB+)	MIF/CCE	Grocery Markets	Municipal Capital Investment	Yes
SP69	Soft	Bangladesh	Chandpur (BBB+)	MIF/CCE	Bus stand super market	Municipal Capital Investment	Yes
SP70	Soft	Bangladesh	Chandpur (BBB+)	MIF/CCE	Biponibag Super Market 1	Municipal Capital Investment	Yes
SP71	Soft	Bangladesh	Chandpur (BBB+)	MIF/CCE	Biponibag Super Market 2	Municipal Capital Investment	Yes
SP72	Soft	Bangladesh	Chandpur (BBB+)	MIF/CCE	Kadam tola market	Municipal Capital Investment	Yes
SP73	Soft	Bangladesh	Chandpur (BBB+)	MIF/CCE	Town Hall market	Municipal Capital Investment	Yes
SP74	Soft	Bangladesh	Chandpur (BBB+)	MIF/CCE	Post office market	Municipal Capital Investment	Yes
SP75	Soft	Bangladesh	Kushtia (BBB+)	MIF/CCE	M.A. Rahim Supermarket	Municipal Capital Investment	Yes
SP76	Soft	Bangladesh	Kushtia (BBB+)	MIF/CCE	Slaughterhouses	Municipal Capital Investment	Yes
SP77	Soft	Bangladesh	Kushtia (BBB+)	MIF/CCE	Truch Terminal	Municipal Capital Investment	Yes

Index Number	Hard/Soft Pipeline	Country	Region	Impact Themes	Project name	Purpose	MIF Key
SP78	Soft	Bangladesh	Kushtia (BBB+)	MIF/CCE	Razar Hat	Municipal Capital Investment	Yes
SP79	Soft	Bangladesh	Kushtia (BBB+)	MIF/CCE	Boro Bazaar	Municipal Capital Investment	Yes
SP80	Soft	Bangladesh	Kushtia (BBB+)	MIF/CCE	Mipara Bazar	Municipal Capital Investment	Yes
SP81	Soft	Bangladesh	Kushtia (BBB+)	MIF/CCE	Mongolbari Bazar	Municipal Capital Investment	Yes
SP82	Soft	Bangladesh	Faridpur (BBB+)	MIF/CCE	Waste Management Transfer Station	Municipal Capital Investment	Yes
SP83	Soft	Bangladesh	Faridpur (BBB+)	MIF/CCE	Solid Waste Management	Municipal Capital Investment	Yes
SP84	Soft	Bangladesh	Faridpur (BBB+)	MIF/CCE	Disposal ground development	Municipal Capital Investment	Yes
SP85	Soft	Bangladesh	Faridpur (BBB+)	MIF/CCE	Clean Development Mechanism	Municipal Capital Investment	Yes
SP86	Soft	Bangladesh	Faridpur (BBB+)	MIF/CCE	Tube Wells	Municipal Capital Investment	Yes
SP87	Soft	Bangladesh	Faridpur (BBB+)	MIF/CCE	Water Treatment Plants	Municipal Capital Investment	Yes
SP88	Soft	Bangladesh	Faridpur (BBB+)	MIF/CCE	Overead tanks	Municipal Capital Investment	Yes
SP89	Soft	Bangladesh	Faridpur (BBB+)	MIF/CCE	Water supply pipeline	Municipal Capital Investment	Yes
SP90	Soft	Bangladesh	Faridpur (BBB+)	MIF/CCE	Water meters	Municipal Capital Investment	Yes
SP91	Soft	Bangladesh	Faridpur (BBB+)	MIF/CCE	Kitchen Market	Municipal Capital Investment	Yes
SP92	Soft	Bangladesh	Faridpur (BBB+)	MIF/CCE	Slaughterhouses	Municipal Capital Investment	Yes
SP93	Soft	Bangladesh	Faridpur (BBB+)	MIF/CCE	Markets	Municipal Capital Investment	Yes
SP94	Soft	Bangladesh	Bhola (BBB)	MIF/CCE	Bus terminal	Municipal Capital Investment	Yes
SP95	Soft	Bangladesh	Bhola (BBB)	MIF/CCE	Water Supply	Municipal Capital Investment	Yes

Index Number	Hard/Soft Pipeline	Country	Region	Impact Themes	Project name	Purpose	MIF Key
SP96	Soft	Bangladesh	Bhola (BBB)	MIF/CCE	Markets	Municipal Capital Investment	Yes
SP97	Soft	Bangladesh	Bhola (BBB)	MIF/CCE	Municipal Service Center	Municipal Capital Investment	Yes
SP98	Soft	Bangladesh	Bhola (BBB)	MIF/CCE	Waste Management	Municipal Capital Investment	Yes
SP99	Soft	Bangladesh	Bhola (BBB)	MIF/CCE	Health clinic	Municipal Capital Investment	Yes
SP100	Soft	Bangladesh	Cox's Bazaar (BBB)	MIF/CCE	Water Supply	Municipal Capital Investment	Yes
SP101	Soft	Bangladesh	Cox's Bazaar (BBB)	MIF/CCE	Biogas plant	Municipal Capital Investment	Yes
SP102	Soft	Bangladesh	Cox's Bazaar (BBB)	MIF/CCE	Water Treatment Plant	Municipal Capital Investment	Yes
SP103	Soft	Bangladesh	Cox's Bazaar (BBB)	MIF/CCE	Markets	Municipal Capital Investment	Yes
SP104	Soft	Bangladesh	Pabna (BBB-)	MIF/CCE	Children's park	Municipal Capital Investment	Yes
SP105	Soft	Bangladesh	Pabna (BBB-)	MIF/CCE	Paura Office	Municipal Capital Investment	Yes
SP106	Soft	Bangladesh	Bagherhaat (BBB-)	MIF/CCE	Waste management and Water Supply	Municipal Capital Investment	Yes
SP107	Soft	Bangladesh	Bagherhaat (BBB-)	MIF/CCE	Bagherhaat Market	Municipal Capital Investment	Yes
SP108	Soft	Bangladesh	Bagherhaat (BBB-)	MIF/CCE	Primary health clinic	Municipal Capital Investment	Yes
MIF-N-01	Soft	Nepal		MIF/CCE	Harion Municipality Commercial Complex and Market	Municipal Capital Investment	Yes
MIF-N-02	Soft	Nepal		MIF/CCE	Lalbandi Shopping Complex	Municipal Capital Investment	Yes
MIF-N-03	Soft	Nepal		MIF/CCE	Bansgadhi Shopping Complex	Municipal Capital Investment	Yes

Index Number	Hard/Soft Pipeline	Country	Region	Impact Themes	Project name	Purpose	MIF Key
MIF-N-04	Soft	Nepal		MIF/CCE	Dharan Vegetable Market	Municipal Capital Investment	Yes
MIF-N-05	Soft	Nepal		MIF/CCE	Palungtar Municipal Market	Municipal Capital Investment	Yes

Delays and Challenges during the period

The last reporting period highlighted that in Bangladesh, the operations of the BMDF, which has been the key partner of UNCDF, went through a major organizational review of its operations. This slowed down the pace of work with the partner municipalities. The task of building capacity in national institutions has been taking place alongside the effort to develop the pipeline of municipal borrowing proposals, which has been a key challenge. A decision was made to work with the PPP unit at the Prime Minister's office and with other more capacitated institutions.

In Nepal, Tanzania and Uganda, starting the implementation phase would require an adequate, clear medium-term funding commitment in order to further engage with central and local tiers of government and other counterparts, as well as to plan activities ahead of time. MIF is currently seeking capitalization to enable the advances in regulatory work to be matched with investment capital for demonstration investments.

Lessons Learned

It is clear that there is a pent-up demand for non-grant municipal finance options. On the supply side, financing institutions such as African Development Bank are seeking to develop municipal finance pipelines. The analytical work with Cities Alliance and PPIAF demonstrate what is possible. Examples from South Africa served as an inspiration to their counterparts in Tanzania. Yet it is also clear that capacity constraints are real, as much within countries as between them. Careful selection of national counterparts and cities will be essential and deep engagement will be required to get initial transactions moving. The MIF project should focus on providing a bridge to institutional sources of capital (domestic banks, development banks, pension funds) by combining its work on regulatory reform / assessment tools / capacity building with demonstration investments that deploy UNCDF's financial instruments to co-finance with others. This will require some additional capitalization of the MIF programme and deepened partnerships with agencies like USAID that can provide guarantees. On the other hand, this work will create a market for the wider institutional funds and therefore it would be a wise investment to provide this capitalization.

It will be very difficult for cities in developing countries to finance their resilience without such financial flows.

FINANCIAL INCLUSION & INNOVATION

MAKING ACCESS POSSIBLE — *MAP*

Background and Objectives

Expand the frontiers of financial inclusion and achieve equitable and sustainable inclusive growth at national and global level, contribute to the achievement of the Millennium Development Goals (MDGs) and enable the post 2015 agenda, particularly on poverty alleviation, inclusive growth and on reducing inequality, by supporting the expansion of inclusive finance in developing countries.

Programme Outcome:

20 countries have been empowered to define their national financial inclusion roadmaps based on data-driven and evidence-based diagnostics, and through in-depth national stakeholders' processes. Enabling environments have been fostered that encourage donor alignment in support of those roadmaps as well, to help promote an accelerated market development for financial inclusion, contributing to sustainable financing for development.

Programme Outputs:

1. Evidence base to empower countries to better understand drivers of financial inclusion: Comprehensive, country-level financial inclusion diagnostics to identify actions and strategies that will improve the welfare of low-income households and grow small and micro businesses through increased financial inclusion.

2. Countries are enabled to meet their national commitments to financial inclusion through the development and implementation of a country roadmap and strategy: Ensure stakeholder processes in place towards the collaborative development and implementation of country roadmaps, including proper handover on completion to ensure transition into programming, liaison with development organisations (preferably UNCDF or its MAP partners) to continue coordinating and supporting programming, and selective support for in-country programming.

3. Global Advocacy: Global stakeholder process that uses the cross-country insights to engage and contribute to the global financial inclusion agenda. MAP outputs will be used to facilitate South-South sharing of lessons learned between LDCs and with other developing countries.

4. Knowledge and Learning: Learning and dissemination drive comprising country level content and process lessons feeding into a global knowledge base to contribute to the global financial inclusion agenda.

Results

The data and diagnostics core to the MAP approach enables an unwavering commitment to the country's consumers and thus focuses all interventions with the customer at the centre. MAP's reputation as a development partner rests firmly on the programme's steadfast consumer-centeredness, which underpins the entire partnership with government in-country – from research, to project design, trialling, course-correction, implementation, M&E and assessment of success.

Taking a partnership based approach in working with governments to help solve financial inclusion for national development, the programme has been able to make significant progress at country level, entrenching itself as a relatively modest programme achieving large objectives. The programme has been able to evolve in line with market developments and works with both government and the private sector through a highly functional and evolving national financial inclusion platform.

The operational approach enables a commitment to strengthening participating countries' capacity for self-determination by demonstrating success and providing government the leadership and technical capability to demonstrate progress in their own national objectives for financial inclusion. Country-specific problems call for the capacity of government to be built in taking the lead to harness high-quality consumer data and engage local stakeholders in innovating customised, locally relevant solutions. MAP's operational approach and national country platform enable this to be achieved.

Embedding proof of concept projects with the operational delivery enables ongoing learning and innovation. Learnings from one participating project or country can—and are—being reused with adaptation in other settings. But the reality that MAP, as a financial inclusion development partner, acknowledges front and centre is this: the deployment of new products, services and channels in-country requires a high level of innovation in the marketplace by private- and public-sector players, potentially supported by development partners. The MAP process is proving effective in highlighting the areas where such innovations are needed on a national scale and giving the necessary profile and priority to such activities.

The MAP 2017 Annual Report reflects on the regional and national implementation successes and the learnings from the MAP platform. Through the implementation experience, it highlights the need to evolve with the market and national country governments. As such, the programme is positioning to evolve in line with the areas identified by the data and operational implementation, i.e. MSME, agriculture and healthcare. In line with this, partnerships for delivery and innovation will be the core focus for the next two years. Operational implementation of the roadmaps to ensure that financial inclusion remains at the core of national country governments will always remain at the forefront of the programme. The data agenda is a key focus area and will evolve beyond FinScope by bringing in new data methodologies as well as supply side data. FinScope will continue to evolve with a renewed focus on refreshing datasets as well as pursuing new countries. MAP will also align with the broader UN system reform as well as the new UNCDF strategic framework to ensure delivery. The UNDP Strategic Framework places a specific emphasis on local support in partnership with national governments in supporting country development pathways to achieve Agenda 2030, by:

- providing country-led, context-specific services and solutions.
- leaving no one behind, reaching the last mile, ensuring inclusiveness and gender equality, and promoting rights-based approaches.
- promoting universality, partnership and innovation.

In ensuring corporate alignment and in support of the UN values and vision, the MAP programme has been structured at a national level to support neutral facilitation and coordination of the financial inclusion agenda, while also providing technical back-stopping to government. At the global level, the programme hub seeks to share learnings, provide technical support in focused areas, and run proof of concept projects to identify scalability and replicability across the MAP programme.

Thus, the flexible programme architecture enables long-term commitment to national government partners to enable better delivery of inclusive growth. Similarly, MAP has ensured alignment with the UNCDF strategic framework and supports UNCDF's delivery of Outcome 1. Within Outcome 1, MAP supports the following areas of work:

Policy/Regulation intervention

- Generate demand-and supply-side data and analytics that reveal markets and trends.
- Help the private sector innovate.
- Support countries to develop financial inclusion strategies and policies that make it easier to expand financial access and usage especially for women, youth and rural people.

Ecosystems (Institutional development and Partnerships)

- Support the coordination between various stakeholders; institutions, such as financial industry associations; and the private sector.
- Create the right enabling environment which makes it possible for innovation to be tested and scaled up.

MAP Indirectly supports the supply side, the demand side interventions and the knowledge and learning agenda

i) Supply side: Financial service providers performance, product development. ii) Demand side: access, usage rates, awareness. iii) Knowledge, learning and sharing agenda.

- The programme data is a critical enabler to support Outcome 2, 'Unlocked public and private finance for the poor' through providing:
  - Increased intermediation to help unlock private finance through the national and global platform structure.
  - Through partnerships, MAP's investments are leveraged by commercial partners.
  - Enabling better usage of consumer data for investment.

Results

Output 4: Knowledge and Learning	Amount
Technical implementation of proof of concept projects in key priority projects	100,000
Monitoring and Evaluation frameworks and progress	100,000
Total	**200,000**

Financial Report

The programme received $87,123.08 from the LMFTF and reports expenses for $94,997 for a delivery rate of 109 percent at the end of 2017 for the first installment.

Out the aforementioned budget, $55,000 were earmarked for remittance corridors in the Southern African Development Community (SADC).

Delays and Challenges in the period

Category	Risk	Significance	Probability	Mitigation
Strategic	1. Resources to focus on knowledge versus ongoing projects	High	Medium	Maintain focus on knowledge development at FIPA and MAP Hub level.
	2. Unable to obtain approval for knowledge series	High	Medium	Share early drafts of the documents.
	3. Political risk in DRC impacts implementation of remittance projects as well as M&E	High	Medium	Closely monitor situation and plan accordingly.

Lessons Learned

National monitoring and evaluation plans are comprised of two key components – data and ensuring that the broader political process is on board with the framework in order for them to own the data collection and monitoring plan. Additionally, baseline data varies from country to country and requires highly skilled capacity to assist in the data collection. Thus, it is important to ensure that both are equally important and both are managed simultaneously. Going forward, new countries will have both a political economy plan as well as a data collection plan.

The first MAP insight series produced focused on the customer insights that were generated from the data and the implications for government, donors and private sector investors.

The Volume 2 series looks at the thinking, strategies and processes that have enabled national delivery in financial inclusion, and attempts to codify in a four-paper series the operational implementation approach that MAP has taken across the 12 countries where the programme is working with governments to implement the national roadmap. Knowledge papers are resource intensive, requiring additional support and capacity.

Using MAP country data to identify and develop pilot projects. The remittances corridor project identified through the MAP in-country research has highlighted an area of customer need and innovation which would be good to use the same methodology to replicate to other countries.

Resources

Currently the MAP programme has resources secured for the next two years of approximately $2 million; however, to fully realize the benefits of the data and the investment in the national roadmap and the monitoring and evaluation (M&E), further resources of $5 million would benefit the global programme.

MOBILE MONEY FOR THE POOR — *MM4P*

Background and Objectives

UNCDF launched MM4P in 2012 because it saw that Digital Finance Services were not taking off in LDCs, places that are more challenging and less attractive to the private sector.

MM4P helps build inclusive digital financial sectors such that a wide range of services are provided responsibly, and at reasonable cost, by sustainable institutions in a well-regulated environment.

UNCDF MM4P uses a market development approach that combines a mix of technical and financial and policy support. The digital finance ecosystem is mapped into several key component parts that represent the partners with whom MM4P works. In each country, MM4P partners with policymakers, regulators, providers, distributors and the users of digital finance that are needed to grow the market.

UNCDF characterizes the evolution of the market as occurring in four phases: Inception, Start-Up, Expansion and Consolidation. To simplify, Inception is when a market has only a few actors with limited outreach that are working without clear policies or supporting DFS infrastructure. In contrast, Consolidation is when a market has a range of competitive actors and services that are clearly regulated and interconnected. Expansion is the critical phase when several players are gaining scale, reaching sustainability and increasing investment; DFS markets seem to accelerate rapidly once a critical mass of the adult population is using the service (i.e., 10 percent–15 percent). Moving from Start-Up to Expansion is proving particularly challenging as providers fall into the "sub-scale trap," where they do not have enough active, liquid agents to attract customers or enough active customers to incentivize agents to remain active or have liquidity.

Therefore, the intermediate goal of MM4P has been to help and hasten that shift in a given market until it is solidly in the Expansion phase. In terms of its own engagement, UNCDF has identified three stages of MM4P programme development in each country. This process also applies to one-on-one engagement with stakeholders:

- Stage 1 Buy in: Building relationships with all stakeholders in the sector, mainly through market research involving key stakeholders as well as trainings, workshops and forums to build industry dialogue.
- Stage 2 Improve: Supporting key stakeholders to expand and improve their current business and building credibility at the partner level.
- Stage 3 Innovate: Based on mutual trust, working with partners to reach new market segments and try new services or delivery methods that have promise to increase meaningful financial inclusion.

DFS Market Development Overview

	Inception	Start-up	Expansion	Consolidation
Baseline				
No. countries	3	3	2	0
	Laos PDR, Malawi, Nepal	Benin, Sierra Leone, Zambia	Senegal, Uganda	
Current				
No. countries	0	2	6	0
		Lao PDR, Nepal	Benin, Malawi, Senegal, Sierra Leone, Uganda and Zambia	

Objectives

The primary objective of MM4P is to move MM4P countries firmly into the Expansion phase such that at least 15 percent of the adult population is actively using digital financial services. This includes second generation services (e.g. other than cash in, cash out, and person to person payments).

Results

Malawi

Outcome

Malawi is the world's poorest country, but it is a digital finance success story in the making. Since the start of UNCDF engagement there in 2012, coinciding with the first digital finance pilots, nearly two million active users have entered the digital economy—despite macroeconomic shocks, droughts and political scandals. With few funds left for Malawi, MM4P turned its attention to underserved groups, helping several providers better recruit and support female agents who are proven to reach more female customers. The government introduced a multi-purpose national registration and identity card that promises to significantly improve account-opening.

As of December 2017, the number of active adult users is more than 2.1 million, which is 21 percent of the adult population.

Outputs

In 2017, MM4P and the LMFTF supported TNM Malawi and Zoona Malawi in leveraging gender balance for Malawian DFS providers. Phase 1 of the project was completed. It involved data collection, gender distribution diagnosis, identification of key challenges, and formation of tailored recommendations for each DFS provider to increase gender balance across customers, agents and tellers.

	Baseline (2012)	Current (2017)	Target (2019)
Percentage of adult population with an active registered DFS account	<1%	21%	28%
	1,200	2, 124,710	3,031,500

Sierra Leone

Outcome

UNCDF began its support to Sierra Leone during the Ebola epidemic of 2015. In 2017, Sierra Leone officially joined MM4P with the financial support of USAID. Sierra Leone is still transitioning from Start-Up to Expansion phase. In Q1 2017, UNCDF supported the Bank of Sierra Leone (BSL) to launch the National Strategy for Financial Inclusion 2017–2020, which prioritizes DFS as a key area of intervention. As a result, in Q1+Q2 2017, many initiatives were underway such as the creation of the national DFS Working Group and the Financial Literacy Working Group, launch of the Sierra Leone Fintech Challenge 2017, and development of the 'sandbox framework' and the government-to-Person (G2P) Payments Initiative. MM4P steered all of these efforts with the regulator and worked closely with the Alliance.

Output

Since November 2017, MM4P is supporting iDT Labs through a $50,000 grant. The purpose of the grant is to support iDT Labs to develop and test "iCommit!" a mobile money-based conditional saving instrument tht allows farmers to buy inputs in advance for the next growing season. This e-money will be backed up by an equivalent sum stored in a bank account supervised by Bank of Sierra Leone.

The transactions will be conducted via a USSD menu linked to the mobile money account. The farmer pays with mobile-money at harvest time and collects the input the next growing season by sending his iCommit! voucher to the input seller.

The purpose of the product is to increase sign up, usage and adoption of digital financial services.

At the end of 2019 it is expected to attain the target listed below.

	Baseline (2016)	Current (2017)	Target (2019)
Percentage of adult population with an active registered DFS account	6%	13%	20%
	242,926	509,600	826,400

iCommit conditioned savings product for SHF farmers - (By end of 2019)	
# Value Chains engaged for the solution	2
# Users	50,000
# Active Users	1,000
# Rural Users	500
# Women Users	250

Uganda

Outcome

Two events distinguished Q2 2017: the Financial Institutions (Amendment) Act, enabling agency banking, was gazetted in July 2017; and the Bank of Uganda (BoU) and Ministry of Finance launched the National Financial Inclusion Strategy 2017–2022, including digital finance as a key pillar. MM4P continued its focus on increasing registration and usage of DFS in rural areas through the digitization of key agricultural value chains and the communities and smallholder households that support them. Concurrently, MM4P continued its support of agency banking to potentially deepen the DFS market. Uganda remains a test market for UNCDF, where it tries out greater engagement with fin-techs, including digital solutions that complement finance and payments.

Output:

In Uganda, under the LMFTF, MM4P is supporting two partner institutions: (i) Laboremus Uganda in the digitization of the record management systems of dairy cooperatives along that value chain and (ii) Centenary Bank in the design and pilot of its agency banking strategy.

Since the end of 2016, MM4P with the support of BMGF and now with LMFTF has been working on the digitization of bulk payments along the dairy value chain in the western cattle corridor of Uganda. At the end of Q4 2017, 25,696 customers had a registered mobile money account; of those, 243 farmers were paid digitally by dairy cooperatives.

One of the main challenges that emerged during the digitization of the diary value chain was that records management, which is a key component in any digitization journey, is still manual. This project primarily will focus on creating a software system that will digitally capture the interactions of farmers with their cooperative (“coops”), starting with recording milk deliveries and the related semi-monthly milk payments. This will facilitate and alleviate the administrative burden of coops while capturing data that is essential for the future development of the value chain and provision of better rural financial services.

At the end of 2017, Laboremus conducted the first diagnostic visits with the five dairy cooperatives selected for digitization in order to inform the development of the MIS. By the end of Q1 2018, it is expected that four of five cooperatives will be digitized and 300 dairy farmers will be onboarded.

#	KPI Description	Definition	Baseline	End of the project
1	#of Digitized Dairy Coops	Dairy Cooperatives on boarded for pilot	0	4
2	# of Active Milk Suppliers per Coop	Select Milk suppliers enrolled in the System	0	300
3	No of Profiled Dairy farmers	Unique number of Dairy farmers whose bio data uploaded into Digitized platform	0	300

	Baseline (2014)	Current (2017)	Target (2019)
Percentage of adult population with an active registered DFS account	26%	33%	50%
	5,300,000	7,000,000	12,000,000

The Financial Institutions (Amendment) Act, enabling agency banking, was gazetted in July 2017. MM4P has been supporting Centenary Bank in the design implementation, pilot and roll-out of its agency banking strategy. Centenary obtained BoU approval to carry out agency banking in October 2017 and for the first batch of agents in November 2017. Centenary conducted user trainings in all 63 branches and with the deployed sales team of 59 staff.

Centenary started providing financial inclusion information to customers and communities where it is active through social media and TV spots. In December 2017, Centenary launched the pilot with its first batch of 392 agents.

Story

Goodbye Notebook, Hello Tablet. How Dairy cooperatives in Western-Uganda are digitizing their records

Digitizing basic transactions, such as records of milk delivery and sales, is essential for the further growth of the dairy sector in Uganda.

A small change can bring big changes. If instead of writing down the 15 litres brought to the collection centre by farmer Godfrey, this data is entered into an application, farmer organisations unlock the power of data. And with this information, farmer groups can potentially access financial services currently unwilling to provide financing, because of the lack of collateral.

Nearly 80 percent of the people in Uganda live in rural areas where banks have no or limited presence. Consequently, the countryside is lacking financial services needed to develop the local economy. Over 70 percent of Ugandans are active in agriculture. The sector is largely organized through farmer organisations such as cooperatives, which typically have their own Savings and Credit Cooperative Organisations, SACCOs, that provide financial services to their members.

However, cooperatives and SACCOs struggle with many issues such as limited access to finance, high loan default rates, safety concerns around large quantities of cash and cumbersome administrative processes. Challenges such as these prevent cooperatives and SACCOs from growing and professionalizing their business; becoming an agri-business that can impact the lives of smallholder farmers, especially in rural areas.

That is why UNCDF supports Laboremus in the development of an app that will provide dairy cooperatives with the right tool to digitize their transaction records. Across the dairy sector, UNCDF is supporting digital payments on mobile phones instead of in cash. One of the key lessons learned from digitizing these payments is that the foundation first needs to be laid. Paper-based cooperatives need to go digital.

Together with Laboremus Ltd., UNCDF is designing and creating an app that will do just what is needed for dairy cooperatives. Pius Peter, General Manager from Dwaniro Dairy Cooperative, says he is looking forward the new application being used. "I feel with the step to digital we are entering a modern Uganda, where we can ensure our members, smallholder farmers, access to the finance they need to grow. Entering our delivery and sales in this application will advance and strengthen our cooperative and the way we serve our farmers."

Indicators	Inception	Start up	Expansion	Consolidation
Percentage of adult population with an active registered DFS account	<1% of adult population using DFS	1%-10% of adult population using DFS	10%-35% of adult population using DFS	>35% of adult population using DFS
Number of active agents per 100,000 of adult population	0-19 active agents per 100,000 adults	20 -59 active agents per 100,000 adults	60 -139 active agents per 100,000 adults	> 140 active agents per100,000 adults
Number of providers offering DFS in the market and level of sustainability	No providers offer mass market service	1 - 2 providers offer mass market service	≥ 2 providers offer mass market services Lead providers achieve sustainability of services (break even) and are committed to continue to offer and expand; new providers enter the market	> 5 providers Many providers and complementary services offered to mass market. Providers achieve substantial profitability.
Providers attitudes and plans towards expanding and improving their DFS products and services	Business case for DFS is unproven, and limited interest from providers to expand/introduce digital financial services	Providers are convinced of the potential of DFS and are committed to expand their digital financial services	Providers are convinced of the value proposition of expanding their services to underserved population segment and start to expand	Providers are committed to continue to offer and expand their existing services to underserved population segments
Types of products offered in the market	No mass market products or services offered No high-volume services offered.	Basic "first generation" products offered: P2P, cash in/cash out, airtime top up, P2B transfers such as bill payments. Some high-volume payment services, dominated by from many to one (i.e. P2B or P2G).	Basic "first generation" products offered: P2P, cash in/cash out. Air time top up, P2Btransfers such as bill payments. AND some ''Second generation" products offered: Savings, loans, or insurance, merchant payments. High volume payment services, mostly from many to one (P2G, P2B) and a few from one to many (G2P or B2P)	A variety of advanced products offered. Basic "first generation" products offered: P2P, cash in/cash out. Air time top up, P2B transfers such as bill payments. "Second generation" products widely offer: Savings, loans, insurance, merchant payments. High Volume payment services widely used from many to one, one to many, many to many (B2B).
Type of institutional arrangements for High Volume payments	None	Off-net transfers and some bilateral agreements. Bilateral agreement: arrangements between two parties, for example provider and high volume user.	Multilateral agreement arrangements between more than two parties, for example provider, high volume user, and third party aggregator	Sector-wide agreements: agreements on a sectoral basis involving variety of sector players, for example national or sectors with (HV payments made directly through switch)
Types of partnerships formed for delivering DFS	No partnerships, fragmented ecosystem	Early: Providers are mostly working on their own, products and distribution are largely exclusive. There are some bilateral partnerships in the market such as for bill payments, off net transfers, account-wallet linkages, and MNO-Bank linkages for liquidity.	Middle: Partnerships for distribution through payment aggregations; widespread non-exclusivity of agents; distribution chains as agents; bilateral transfers. Bank-MNO partnerships provide wallet- services bank product linkages, e.g. credit, there are several large payment aggregators active in the market, and some merchant payment aggregators. Payments/ agent associations are active in the market.	Advanced: Interconnection through shared agent network (by law); multilateral transfers; product aggregators; DFS - based business models; payments for services. Partnerships between providers to inter operate accounts and/or wallets. Partnerships between different types of providers to launch innovative services (e.g. banks & MNOs, MNOs & MFIs, etc.). Global players enter the DFS market (e.g. WhatsApp, Facebook)
Types of regulation supporting DFS	No Guidelines. Regulatory approval for pilots granted based on no objections or exceptions.	Basic Guidelines permitting agent banking and e- money. Regulation now permits to banks and non-banks to offer DFS.	Specialized regulations/guidelines for DFS in place on most key regulatory areas including agents, KYC, e-money, consumer protection	DFS fully integrated into National Payments Systems with guidelines on agents, payments, settlement, e-money, KYC and consumer protection

Results Framework (Indicator Based Performance Assessment in the previous page)

Financial Report

The programme received an allocation of $123,754 for its overall operations, including Sierra Leone, from the LMFTF and reports 84 percent delivery rate for 2017. At the end of 2017, an expense of $104,320 was reported. The table below shows 2017 and 2018 budgets expenses.

Output	Partner Institution	Total Budget	LMFTF Committed Budget	Co-founder Budget	LMFTF Disbursed Amount	% Disbursement LMFTF
00104403	iDT Labs	115,000	50,000	65,000	20,000	40%
00104403 00104404	Centenary	167,400	57,500	109,900	57,500	100%
00105046	Laboremus	449,395	70,000	379,395	28,000	40%
00104404	MTN Malawi & Zoona Malawi	99,000	69,000	30,000	22,500	33%
Total		**830,795**	**246,500**	**584,295**	**128,000**	**53%**

The disbursement of MTN Malawi and Laboremus experienced a delay as they were launched in Q4 2017, instead of Q3 as was originally planned. Moreover, since the Financial Institutions (Amendment) Act, enabling agency banking, was gazetted only in July 2017, Centenary Bank could start the pilot only at the beginning of Q1 2018. However, all the preparatory activities for the pilot launching were finalized at the end of 2017.

Delays and challenges during the period

Some of the delays are outlined in the prior section. It is important to mention that all those projects were launched in 2017 and they are expected to be finalised by the end of 2018.

- All the listed projects entail the set-up of partnerships with multiple actors. As it emerged across the implementation of the project of Laboremus and iDT labs, which act along the digitization of the agricultural value chain, it is difficult to maintain a consortium of actors focused on a seasonal activity.
- iDT labs is currently facing some challenges to have access to the Unstructured Supplementary Service Data (USSD) channel of the Mobile Network Operator (MNO). It will be necessary for the support of MM4P throughout the negotiation process to assure the deployment of the app.
- In the Malawi project, key challenges of the project were the needs to (i) safeguard confidential data when working with multiple DFS providers and (ii) closely follow up on the work of the TA partner, 17 Triggers, which was asked to improve its analysis after the first round of findings was invalidated.
- UNCDF/ MM4P may need to exit from Malawi in 2018. Nonetheless, the programme is committed to maintaining its presence in the country through 2019 and will pursue several routes to enable it to fund activities and partners, as well as maintain the necessary presence.

Lessons Learned

- The project in Malawi, in partnership with Zoona and TNM, showed the importance of improving the gender balance in their agent networks. The research showed that women agents are perceived as more loyal and trustworthy by their employers and customers. On average, women agents outperform male agents, registering a higher total number and value of transactions per month. Also, women re-invest greater parts of their earnings back into the business, take interest in doing daily cash reconciliations, and are more regular in paying back credit. These findings show that improving the gender balance in agent networks is not only desirable from the perspective of women's empowerment and employment, but is also key in overall DFS adoption and usage, providing the business case for providers to increase their numbers of female agents.
- The projects with iDT Labs and Laboremus demonstrated the needs for strong value proposition for these rural households to receive digital payments in the absence of some other service, financial or otherwise.
- Moreover, across the projects involving partnerships (iDT Labs and Laboremus) the key learning is that the partnership must be based on a sustainable business model for all stakeholders involved. Cost benefit analyses are an effective tool to test the sustainability and show the added value of the partnership, (e.g. the activity-based costing conducted).

Resources

2018 is going to be last full year of financing UNCDF/MM4P. The closure of MM4P work in Liberia in June 2017 is a reminder that the work of the programme and UNCDF technical presence is dependent on like-minded funding organizations. UNCDF/MM4P will fully exhaust its funding for Malawi, Sierra Leone and Uganda at the end of 2018.

In Malawi and Sierra Leone, MM4P is currently deploying only one expert, while most of the Uganda team are consultants. The Country Technical Specialist for Uganda was selected as the PFIP Programme Manager. UNCDF will re-advertise this post, with hiring delayed until a funding agreement for Uganda is concluded. The Lead Technical Specialist, with support from the DFS Experts, will supervise in-country activities. Due to budget constraints, the consulting posts of RM Consultant and Project Management Consultant in Uganda were terminated. The duties of these posts have been absorbed by the four DFS Experts, the Project Support Officer and the RM Analyst based in Brussels.

Location	Total	Full Time Staff	Shared Staff	Full Time Consultants	Part-Time Consultants*
Malawi	1	-	-	-	-
Sierra Leone	2	1	-	1	-
Uganda	9	2	-	7	-

Although no programme is intended to be permanent, large scale fundraising will shift in support of UNCDF's new strategy for digital being developed in the Q1 2018.

Programmatic Revisions (if applicable)

The list of countries and places where MM4P works is also shifting. In partnership with the YouthStart programme, MM4P will likely enter the Gambia and the Niger in 2018 in a joint effort to promote digital finance and employment. At the same time, MM4P is starting the transition and development process of the new digital@UNCDF—a placeholder name—as the programme team determines how to use the skills, team members and partners the programme has to better serve all of the inclusive finance efforts of UNCDF (and potentially local development finance work). Digital finance has been spreading across multiple programmes and projects.

MM4P team is discussing how the programme can make the most of the support provided to innovation, which will play a major role in digital@UNCDF, and how MM4P can start preparing its partners and its own team for DF 2.0.

MICROLEAD
— *Savings-led Financial Inclusion*

Background and Objectives

Over two billion adults still do not have access to financial services. These unbanked populations consist predominantly of women (1.1 billion), and those living in remote rural areas. Impact studies consistently show positive economic outcomes for women with access to savings, including increased productivity of rural women, expanded profits, increased investment in their businesses, and expanded legal control over their own funds. In addition, digital financial services increase women's financial autonomy, support their participation in the labour force, and improve the performance of their businesses. Against this background and to support the expansion of savings services to the rural low-income population, especially the women, UNCDF, in partnership with The MasterCard Foundation (MCF), launched in August 2011 a six-year MicroLead Expansion (MLE) programme. This is a phase II of the original MicroLead programme which was launched in 2009 and funded by the BMGF.

MLE contributes to the development of strong inclusive financial sectors and the achievement of the MDGs (and now SDGs), particularly the specific goal of reducing poverty by half by 2015, by supporting the expansion of microfinance market leaders in underserved countries to reach underserved markets. To that end, MLE challenges financial service providers to reach rural unbanked populations, particularly women, with customer-centric deposit products and financial education.

Programme Objective

The MLE programme objective is to decrease poverty by increasing access and use of formal deposit accounts by low-income individuals in sub-Saharan Africa and Myanmar. The programme targets women and clients in rural areas.

Intended Outcome

MLE's intended outcome is the increased and sustainable access to and use of appropriate demand-driven responsible financial and non-financial products and services, with a focus on savings mobilization, to more than 450,000 low-income people, at least half of whom are women and at least half of whom reside in rural areas.

Programme Output

MLE has two main outputs:

Output 1:

Sustainable financial service providers (greenfield/TA) providing access to demand-driven, responsibly-delivered, savings-focused financial and non-financial products and services to low income people in underserved areas.

Output 2:

Knowledge generated and disseminated among Financial Service Providers (FSPs), Technical Service Providers (TSPs), policy makers, donors and other stakeholders related to savings mobilization, greenfield operations and technical assistance provision.

Results

Outcomes

MLE Programme contributed to extending savings services to over 1,085,759 new depositors, of whom 60 percent are women. All partners represent group accounts in their MIS as a single account holder, thus the number of depositors reached cited above does not represent the actual number of people reached (in savings groups (SGs), members total 20-30 people). In the area of gender empowerment, MicroLead successfully advanced attention to women as clients, and all but one financial service provider met the 50 percent women client target. Over 800,000 people have been linked via savings group linkages since the start of the programme, most of who are rural women.

As indicated in its midterm evaluation completed in 2016 (see http://www.uncdf.org/mid-term-evaluation-microlead-expansion-programme-migration), the analysis of the Progress out of Poverty Index showed that the programme was primarily reaching low income households living on between $1.25-$2.50 per day. 60 percent of clients were satisfied with the products developed under the project. Before the MLE project, nearly 56 percent of all respondents were using informal methods of saving (at home, with groups) and about 11 percent were using semi-formal channels with MFIs/local NGOs. Clients were also appreciative of the development of alternative delivery channels and their potential to significantly reduce transaction costs but were apprehensive of the risks associated with this unfamiliar technology-driven channel.

Overall, MicroLead has been successful at catalysing financial service providers to reach low-income rural women by combining the best of knowledge in multiple fields, including sociology (e.g. of group savings mechanisms), behavioural economics (e.g. employing human-centered design and customer engagement strategies), DFS/alternative delivery channels and financial analysis (e.g. business case and viability).

Output 1

To date, MLE implements 15 projects across 11 countries with a range of 26 partner FSPs and TSPs to reach into previously untapped rural markets with demand-driven, responsibly priced products offered via alternative delivery channels (ADCs), digital finance and informal group linkages. Partners include commercial banks, microfinance institutions, credit unions, mobile network operators, TSPs, INGOs, and Fintech companies. The financial service providers partnering with MLE have developed 31 new savings products, including DFS. Similarly, on the issue of bringing the informal to the formal economy, MLE has been at the forefront, with over 7,552 SGs created and over 42,000 SGs linked to formal financial service providers.

Under this output, the programme addresses the supply side challenges by increasing the capacity of financial institutions providing low balance savings either through technical assistance to FSPs or the establishment of greenfield institutions. MLE also has a strong focus on harnessing the potential of technology-driven ADCs in broadening outreach to financial services and translating access to usage by embedding financial education to customers in each project. This is done by deploying ADCs such as agency banking, DFS such as mobile banking, and often working through informal community groups. With this approach, MLE increases the capacity of its partner institutions to effectively serve, on a sustainable basis, excluded populations. MLE, importantly, equally addresses the demand side challenges by employing human-centered design on product and channel development, resulting in not only access but also the usage of formal deposit services.

In specific countries, the programme innovations in term of business models and methodologies tested successfully were scaled up. For example, two additional FSPs in Ghana (GN Bank and SASL) joined an SG linkage project and in Tanzania, MCB's success with linkages created the impetus for NMB to join efforts to link to CARE SGs without receiving financial remuneration. Also, in Benin, MicroLead is working with MFIs to develop a shared digital platform to facilitate savings collection from informal groups, with 10 of the biggest MFIs already committed to the joint implementation of the platform.

MicroLead has had an influence on regulation in several countries such as Liberia (Credit Unions Act enactment), Rwanda and Malawi (influenced on Agency Banking regulation through Equity Bank and NBS) and Ghana (influence on the national financial inclusion policy by including some activities on the informal sector).

On the demand side—and as pointed out in its mid-term evaluation—MLE has made financial education of clients a critical aspect integrated into the design of all the projects. Approximately 60 percent of the clients interviewed as part of the evaluation reported receiving financial literacy training from the FSP. Grantees had adopted both standalone as well as embedded approaches integrated with the FSP's marketing strategy.

Output 2

Under the knowledge generation and dissemination agenda, MLE has been equally successful. Indeed, during the last four years, MLE has successfully convened annual partner workshops in Rwanda, Uganda, Ghana, and Tanzania, each of them attended by an average of 100 participants from its partner FSPs and TSPs and regulatory bodies of the different countries where it is operating.

MLE received national recognition through additional country-based dissemination workshops (in Benin, Burkina Faso, Ghana, Tanzania) and managing an exchange visit to Malawi for West African partners to see first-hand a roll-out of a proprietary agent network by an FSP. These stakeholder gatherings have led to various governments requesting MLE's continued work (specifically Benin, Burkina Faso and Malawi and the Central Bank in Liberia requesting MLE assistance in improving SG regulatory framework).

Globally, MLE's work was recognized (i) by FSDA-SEEP SG Evidence and Learning Initiative whereby the Initiative requested MLE to manage a Peer Learning Group, contribute to an e-learning course, and manage a webinar in 2017 on SG linkages; and (ii) in two leading UN publications: the seminal annual UNCTAD report on LDCs and the UNOSSC publication on good practices in South-South and triangular cooperation for SDGs. Knowledge management products were a large part of work in 2017. These included publication of a set of six DFS toolkits/case studies (three of six have been published to date), partner case studies highlighting various aspects of each individual project, a paper on the business case for small balance deposit mobilization, and a toolkit for FSPs on how to provide services to informal saving groups. Throughout the programme, blogs, articles, newsletters, webinars and other fora have been employed to create a community of practice among the grantees as well as share out to the broader financial inclusion industry on lessons learned.

Stories

Sinapi Aba Helps Revitalize a Microbusiness in Ghana

Orphaned and uneducated, Felicia Nimo had to struggle to make her way in life. Adopted along with her siblings by her aunt, she took her place at her aunt's petty trading business. There, she learned the business, and worked until she married.

Felicia opened a "chop bar," and life was rosy until her husband fell seriously ill and was unable to work. The burden of supporting the family fell upon Felicia. Stretched between family and business obligations, her business suffered, and customers went elsewhere.

Then, her sister suggested she join a Sinapi Aba Savings and Loan group. With nothing to lose, she did.

Sinapi Aba Savings and Loan is a UNCDF/MicroLead partner, dedicated to serving microbusinesses and alleviating poverty. With assistance from its technical service provider, Opportunity International, and from MicroLead, the institution has set up a point-of-sale (POS) distribution channel for their mobile banking team to provide doorstep banking, so it can more easily reach rural clients like Felicia. Sinapi Aba can now provide daily deposit services, sometimes as low as 1-2 Ghana Cedis, (the equivalent of $0.25 - $0.50).

The loan officer in charge of Felicia's group took the participants through a four-week orientation covering a series of topics – from credit to business basics. After she successfully completed the financial education modules, Felicia received a loan in the amount of GH¢ 400, which she invested in her business.

But the assistance from Sinapi Aba was much more profound than mere credit. The business tips Felicia received from the loan officer helped her develop a new business idea. Felicia saw that there was no filling station in her community, so she decided to open one. With Sinapi Aba's help, she was able to start small, buying gallons of fuel such as petrol, diesel and kerosene from the nearest town and selling it to commercial vehicles. Since hers is the only business selling fuel in her community, sales are strong. Not only has she helped her family, but she's also providing a great service to the surrounding communities.

Like many microentrepreneurs, Felicia looks to security through business diversification. When her daughter completed junior high school, Felicia started a table-top trading business in front of her house for her daughter to manage until her school scores arrived. There, her daughter sells tomatoes, eggs, oil, and other items.

Felicia paid off her first loan as scheduled. Almost immediately, she took out a second, larger loan of GH¢ 600 from Sinapi Aba to expand the three businesses she now operates. Felicia is also able to save daily, leveraging the doorstep banking facility that Sinapi Aba's mobile bankers provide. Saving in small amounts helps her to not only accumulate funds towards her loan repayment but, most importantly, to maintain a savings "cushion" in case she faces an unexpected crisis.

"Sinapi Aba is a godsend," says Felicia. "Even though my husband is not well enough to support me financially, my family is still enjoying a normal life without any struggle, and my children are having the best educations. All thanks to Sinapi Aba."

Beauty Therapy in the "Last Mile": A Story from Rural Liberia

MicroLead partners are expanding credit and savings services throughout Sub-Saharan Africa. In Liberia, WOCCU and the TSCU Credit Union are increasing outreach to women. Here's their story in their own words.

Since the Ebola epidemic ended in May 2015, Trust Savings Credit Union (TSCU) has made tremendous progress in the growth and development of the WOCCU MicroLead: The Credit Union Revitalization Programme in Liberia.

New members are registering with TSCU daily. In April 2015, TSCU had the total membership of 714. Since then, membership has increased 77.6 percent to 1,306 as of this writing. In April 2015, TSCU had a loan portfolio of L$ 200,000.00. Currently, the TSCU loan portfolio stands at over L$ 900,000.00. Member feedback is overwhelmingly positive.

Madam McCoy owns and runs a beauty salon called the "Faith Institute of Beauty Therapy" located in the Ganta General markets. The salon provides regular beauty care for women, including hair-braiding, manicures and pedicures. Madam McCoy is now a beneficiary of a second-term loan extension of L$ 100,000.00, having benefited from the first loan of L$ 50,000.00, which was repaid in full.

"[The loan] has empowered me to improve my business that is running fully well today," Madam McCoy said. "With the help of the two loans I got form the credit union, I was able to buy more goods and products for the smooth running of my shop… Today, I am able to send my children to school, despite being a single mother, and also cater to my personal affairs as a woman and that of my children. I love Trust Savings Credit Union and will always be with this credit union. I will make sure to train my children into credit union practice as they grow up."

What MicroLead Partners Say About the Programme

In Malawi, the government is pointing banks in the direction of MLE partner, NBS Bank, which developed a mobile savings account that removes the barriers rural women face in accessing formal financial services using agent banking, mobile technology and community-based marketing. "All banks should be following NBS's lead," says Goodall E. Gondwe, Minister of Finance of Malawi.

"Because of what we've learned through MicroLead, we're positioning ourselves to grow in the area of mobile money and mobile services for our clients." – Tony Fosu, CEO of Sinapi Aba Savings and Loan, Ghana.

"The market is ready for us to do more…and to build on what we're doing on MicroLead to open up to other actors and work with them and help them to engage in the digital finance adventure." – Christian Loupeda, Freedom from Hunger.

Results Framework (Indicator Based Performance Assessment)

Target	Indicator	Overall results to date (MCF-funded programme, SSA only)
450,000 low income people in underserved areas reached by savings products introduced by at least eight FSPs grantees	Active depositors	15 grants working with 18 FSPs reached 1,085,759 active depositor net increase. Over 800,000 people linked to FSPs via SG linkage, the majority of whom are rural women. Over 7,552 SG created and over 42,000 SG linked.
	Active depositors, women	73 percent net increase of depositors reached are women.
	Active depositors rural	70 percent net increase of depositors reached are rural.
Sustainable FSP	ROE and continuous reporting to Mix Market	Four FSPs (A3C, UCCGN, TSCU, CPEC) out of the 19 FSPs are not fully compliant in reporting and are experiencing operational challenges.
Innovation	Each project has an innovation	Innovations such as Alternative Delivery Channels, Digital Financial Services and Savings Groups Linkage observed across projects.
Demonstration effect		Dissemination workshops held in Burkina Faso, Benin, Ghana, and Tanzania to share experience and emulate replication. Governments requesting MLE support in Togo, Liberia, Benin, Burkina Faso.
Knowledge generated	# case study and policy or programme brief # presentation	Over 10 presentations at different fora (SEEP Network, Boulder, WSBI, IPOA, Mix Market, Durban African MF Conference, AMFIN, SG linkage summit in Zambia, etc.). Series of webinars held with partners and with Microfinance community (Mix Market, SEEP). Meeting with policy makers in several countries (Malawi, Tanzania, Ghana, Benin, Rwanda, Liberia, Cameroon).

Financial Report

The programme received $99,003 from the LMFTF of which $80,903, and reports 82 percent delivery rate. The following two activities were supported:

- Helix agent network training in Burkina, Benin, and Togo;
- DFS exchange visit to Kenya.

The following activities were completed during the year and specifically funded by the resources allocated to MLE. These activities were related to scaling up learnings and lessons learned during MLE implementation to close market-related gaps representing the bottleneck for last mile financial inclusion.

- A workshop organized in Ghana on the topic of bringing the informal economy to the formal sector leveraging on digital innovations such as the linkage of savings groups with financial service providers. This was a two-day workshop in June 2017 on lessons learnt by the MLE programme in the country and globally that combined an exposure training and field trip for 30 members of the technical committee on financial inclusion in Ghana to enable them to learn about the importance of informal savings groups (SGs) to financial inclusion in Ghana. The Technical Committee on financial inclusion is a government body comprising senior staff at the Ministry of Finance, Bank of Ghana, GHAMFIN and all national financial regulatory bodies (National Pensions and Regulatory Authority, Securities and Exchange Commission, National Insurance Commission) that make all the decisions concerning financial inclusion in Ghana and are also responsible for designing the national financial inclusion strategy in Ghana. At the end of the two days, all participants agreed that saving groups provide an easy and flexible method of financial access for those in rural areas. By leveraging innovations around technological tools and by adopting commercially led linkage business models, the SG model can be made sustainable and scalable. The technical committee on financial inclusion committed to including saving groups in the national strategy without tampering with existing methodology. A completed write-up was presented to the Minister of Finance through the Director of the Financial Sector Division (FSD).
- Two workshops lasting four days each were held on the topic “Business models that financial institutions could undertake on their journey to embrace digital finance”. Based on the series of toolkits that MLE has released on DFS for Financial Institutions since June 2016, the workshops were conducted in two countries (Benin, Burkina) on increasing the competencies of financial institutions in assessing and developing appropriate business models to increase the digitization of their organization. This capacity building initiative is guided by the observation that digital finance is critical to achieving the last mile finance agenda, especially for rural women currently limited to the informal economy. The path to digital allows the setup of the rails that can be leveraged for the formalization of the informal economy, especially the linkage of the SG. The workshops in Benin and Burkina were attended by 40 participants from microfinance institutions, commercial banks, and telecoms active in the country.
- Two workshops lasting five days each were conducted in Benin and Burkina on the topic of “Management of agents networks for Digital Financial Services provision by Microfinance organization”. MicroLead expertise to support the digital transition of financial service providers and the deployment of agent networks leveraging on DFS to bring the informal to formal is appreciated by government bodies in both Benin and Burkina. These workshops were held to share lessons and learnings gathered on that issue with the rest of the microfinance industry and facilitate the adoption of best practices in agent network deployment by financial institutions in those two countries. Further, in Benin specifically, the workshop constituted a building block of an initiative that Consortium Alafia (the association of microfinance

institutions) is leading with MicroLead's support to scale up the digitalization of savings collection (piloted with CPEC, a Beninese MFI, as part of MLE) across the microfinance industry in Benin. By spearheading the deployment of the proposed mutually shared DFS platform for agency banking across MFIs, MLE is, in fact working towards the operation of a switch to be used across MFIs that is co-owned by the industry's players.

- A learning visit to Kenya to build the capacity of microfinance practitioners and regulators from the microfinance industry from two countries (Benin and Burkina Faso) on practicalities and innovations around DFS. This activity complemented the series of capacity-building activities around DFS that were undertaken in both countries and contribute to furthering the awareness of leaders of the industry around the issues and potential of DFS in meeting the last mile financial inclusion agenda while reconciling the triple bottom line objectives of the FSP (financial, social, environmental). The visit touched on all major innovations that the Kenya digital finance industry has experienced over the last years. Kenya was selected for the exchange visit because the country is established as a global leader in DFS characterized by a dense network of banking and MNO agents (over 70,000) that helped to push out the access frontier, partly through a densification of access points, but also through establishing outlets in poorer counties and underserved regions. The participants were made up of 25 practitioners from both countries.

Delays and Challenges during the period

In a rapidly changing environment, setting performance-based agreements (PBA) targets that remain relevant for the full project period is difficult. Activities and targets need to be adapted as events unfold and activities are delayed, modified or cancelled. Amendments to the PBAs were needed to address revised expectations, with most partners requiring at least one amendment. Some partner organizations such as NBS in Malawi and CEC in Cameroon experienced challenges fulfilling their targets due to the institution's expense freeze, which affected the ability to purchase POS, hire new staff and conduct aggressive marketing. Other organizations such as A3C in Cameroon are undergoing restructuration and recapitalization due to Central Bank injunctions and requirements.

In Liberia and in North Cameroon, external factors such as the Ebola crisis and the Boko Haram insurgency have equally affected the smooth implementation of the programme and led to corrective measures in the form of PBA amendments. One partner namely WOCCU Rwanda, was unable to complete its intended training of U-Saccos mainly because the complicated governance of the U-Saccos (RCA, Central Bank, MINECOFIN) has resulted in continued delays in MLE project implementation.

Staff turnover has also been an impediment to some partners (Ugafode in Uganda), while challenges on the core banking system slowed down some of the partners, such as SOFIPE in Burkina Faso, Fidelity Bank in Ghana and the FSPs in Cameroon.

Sector-level capacity building activities are done in conjunction with governments, but these suffer delays at times due to the non-availability of government counterparts. For example, the Ministry of Finance focal entities in Togo and Niger have changed dates several times, and did not allow the execution of trainings on the theme of "Management of agent's networks for Digital Financial Services provision by Microfinance organization," or "Innovative and Disruptive business models to bring informal to formal leveraging on SG linkage". These trainings are rescheduled for the first half of 2018. Logistics challenges have also delayed the initiation of the fintech challenge around the linkage of informal savings groups to address last mile financial inclusion, which is now scheduled to be implemented by June 2018.

Lessons Learned

Several lessons were learnt during the execution of the MLE programme:

- Saving groups linkage is a powerful mechanism to accelerate financial inclusion, but challenges include saving groups' reluctance to engage with FSPs (especially when saving groups were facilitated by CBOs—the saving groups feel 'protected' by the CBOs). Hence the need for a compelling business case for all actors of the saving groups ecosystem. When FSPs are involved in saving groups creation or facilitation, instead of only the financial linkage, they have a better understanding of that market segment and build trust, resulting in improved linkage effectiveness. Further, to get the saving groups linkage business case right for all the stakeholders, an adequate commission structure is essential at all stages of the value chain. The commission structure should be attractive enough for all parties involved, namely the agent, the FSP and the saving group. In instances where an INGO is involved in the creation of the saving groups, the commission structure should be designed in a way that allows the sustainability of the scheme beyond project implementation. The fewer tweaks to commission structure for saving groups products as compared to the 'standard' FSPs products, the higher the likelihood of agents engaging in saving groups transactions (since agents typically perceive saving groups -related transactions as labour-intensive and less financially rewarding).

- There is a strong demand for low-balance savings especially when convenient channels are provided to clients. Commitment and support from top management and Board on the importance of small balance savings mobilization is essential to achieve success on such initiatives. Building local staff expertise in strategic areas of FSPs capacity building is a key mechanism to build a long-lasting impact and ensure the success of small balance deposit mobilization, especially in the context of a project similar to MicroLead. Below-the-line marketing campaigns should be complemented with media campaigns to boost small balance deposit mobilization, especially after the initial period of pilot test and product adjustment.

- Where FSPs are newly venturing into ADC projects, increasing their capacity in digital finance should be a pre-requisite, either through intense training and/or skilled human resource recruitment; alternatively, the partners could contract skilled resources (such as consultants) for support during some of the activities that are related to the digital finance domain, namely platform evaluation, value proposition design and business case simulation. FSPs should take the lead in defining functional specifications for system projects, especially when this involves multiple IT solution vendors.

- The contribution of MLE in influencing FSPs' positive perceptions of the viability of low-balance savings has been significant. In the case of FSPs with existing focus on low-income clients and rural areas, this focus has been sharpened. In the case of mainstream FSPs, low-balance savings now has a strategic place in operations.

- Political turmoil and its consequences are unpredictable and should be factored in to project design. Contingency planning should be a systematic practice in project management.

- To influence regulation and policies, the early involvement and the nurturing of the relationship with Central Bank and Ministries of Finance is essential, as was the case in Liberia for the adoption of a new regulation for credit unions. Similar efforts should be sustained in the future, not only to support the drafting of new regulations and policies, but also to enforce their implementation and promote dialogue to reduce political interference that could prove detrimental to the financial inclusion ecosystem.

Resources

The LMFTF funds were leveraged in each of the three countries where MLE is already active as follows:

- In Benin, UNDP has committed $155,000 for the implementation of the activities around bringing the informal to the formal sector.
- In Benin, an agreement is being finalized with Swiss Contact for a $200,000 contribution to test the MicroLead model and tools in their area of work.
- In Ghana, UNCDF leveraged $50,000 to support the execution of additional capacity building activities around DFS for the sector.
- In Burkina, UNFPA committed $184,959 to a joint initiative with UNCDF to leverage on the MicroLead methodology for Savings Group Linkage to economically empower women and adolescent girls.

Other Assessments or Evaluations (if applicable)

MLE has completed a midterm evaluation that is available at http://www.uncdf.org/mid-term-evaluation-microlead-expansion-programme-migration.

MLE also completed a research around the issue of Small Balance Deposit Mobilization. This knowledge product highlights the key success factors of different business models that address small balance deposit mobilization by responding to the following specific questions: (i) What are the success factors of different business models that providers willing to reach underserved customer segments with savings solutions should consider?; (ii) What drivers make some business models work better for underserved customer segments?; and (iii) What are the factors that should be considered both internally and externally while selecting the most appropriate business models?

Finally, MicroLead is commissioning a research to design a Savings Group Linkage toolkit for Financial Service Providers eager to enter the space of bringing informal to formal. The toolkit is aimed at filling a gap and answering a need for financial institutions willing to engage or already engaged in linking with savings groups. The objectives of the toolkit are below: (i) Provide financial institutions with a business case to succeed in linking savings groups; (ii) Help financial institutions identify financially sustainable linkage models that fit their needs and specificities; (iii) Provide practical tools that financial institutions should adopt to initiate their journey towards savings group linkages; (iv) Showcase savings group linkages success stories. The toolkit is expected to be ready by June 2018.

DIGITAL FINANCE PLUS *— DF+*

Background and Objectives

An emerging set of new applications illustrates the power of building on digital finance models to bring innovation for achieving the SDGs.

These emerging businesses leverage the existence of electronic retail payments systems and are particularly exciting because they link financial innovation more directly to tangible benefits. Poor people can access services they want and need via pay-as-you-go models that allow them to purchase essential goods and services in increments, overcoming the constraints of their irregular, uncertain, and limited household cash flow. These "use cases" empower poor households to focus on achieving their priority SDGs. By using digital transactions and adjusting payments to household cash flow, businesses can potentially reach deeper into the market, offering solutions to previously underserved clientele. Household solar electricity is one of the initial examples of this potential. Are there other equally promising opportunities beyond household electricity that could contribute to leveraging digital finance to achieve the SDGs?

CGAP had identified more than 50 start-up businesses in the digital finance "plus" innovation space, including services linked to education, water, health, and agriculture. Other areas include humanitarian payments in crises or post-conflict settings. Which of these have the potential to go to scale? The inception phase of the DF+ programme was used to identify a potential pipeline of projects, develop and test modalities and engage potential partners.

UNCDF's comparative advantage includes its willingness to take risks: UNCDF's knowledge and expertise make it able to recognize and support unproven but promising institutions and approaches that can be taken to scale. UNCDF is able to use its funding flexibly and take calculated risks in ways that larger agencies cannot.

Based on the results from this initial round, UNCDF has further developed its strategy for digital innovations and the inclusive digital economy.

Results

Based on a competitive Expression of Interest leveraging its existing financial inclusion programming to identify potential partners, 55 applications were received. The DF+ EoI served as a discovery process of existing digital applications that link to SDGs.

The DF+ initiative succeeded in exposing UNCDF's digital financial services (DFS) team to the growing number and variety of business models that are being launched to "ride on the digital rails". This has helped to shape their overall strategy so that as the ecosystem is built, they can support greater impact on the real economy and SDGs. Of the initial grantees, as per venture capital, one of them (Laboremus) has succeeded in leveraging UNCDF funds to attract follow-on CGAP funding. A second (Ninayo) is producing solid results with the limited funds received from UNCDF. This included adjusting its business processes to better attract and serve female clients. UNCDF lacked sufficient funding to move forward with several other promising initiatives (Microcred, Water.org, Offgrid Electric).

Laboremus (Uganda) focuses on the smart use of data to allow for lower operational costs, better ways to assess financial risk, and new propositions to bring much-needed capital to rural areas. The partner envisions three phases, of which this project is considered phase one and focuses on digitizing agriculture cooperatives in the dairy sector. To do this, it needs to develop a technical solution that consists of a "milk ledger" to digitally record daily milk deliveries and to calculate and record bi-monthly payouts to farmers for delivered milk. The project aims to transfer the bi-monthly payouts via mobile money in areas where UNCDF efforts to support mobile money infrastructure are already underway. Laboremus has succeeded in attracting follow on financing from CGAP to fund further scaling-up activities.

Problem / Challenge faced and How is it being solved?:

Core and flexible non-core resources (e.g. LMFTF) are critical to UNCDF's ability to test new ideas and pilot innovations. Non-core (earmarked) financing is not as flexible, as it is dedicated to producing the specific results of the programme. For DF+, UNCDF had hoped to leverage funding from existing digital financial services projects, although we are finding there is not always a match. UNCDF thus faced the challenge of mobilizing sufficient resources to fully fund the initial pilots. UNCDF will resolve this in the future by fully integrating DF+ into its Inclusive Digital Economies programming.

Lessons Learned

UNCDF needs to expand its list of donors who are willing to take risks and allow their funds to be used to test new ideas.

Results Framework (Indicator Based Performance Assessment)

Outcome/Output	Status
Output 1: A hard pipeline of potential projects linked to concrete results for achieving the SDGs Indicators: Hard Pipeline of Projects identified Baseline: 0 Targets: 8-10	Fully Achieved: Through the 55 applications received from a competitive request for applications, UNCDF has established a short-list of eight (8) initial partners endorsed for UNCDF to assist to implement and grow their idea, including a commitment to help mobilize resources (grant, debt, equity) for and find opportunities to provide public recognition for the best ideas.
Output 2: Full programme document ready for IC and PAC approval Indicators: Draft Prodoc ready for approval Baseline: N Targets: Y	Rather than develop a separate programme document for DF+, UNCDF will mainstream digital innovations into its inclusive digital economies work.
Output 3: Process and Learnings documentation included in the Prodoc to inform the full programme implementation Indicators: Process and lessons learned from PIP included in Prodoc Baseline: N Targets: Y	In several of the countries where the DF+ investees are operational, UNCDF had hoped that existing non-core resources dedicated to digital financial services could be accessed to support the DF+ portfolio. In some instances, this has not materialized. In some cases, this is because of the specific focus of the country project, e.g. digitizing bulk cash payments. Another factor has been the mismatch in risk appetite between the funder and the potential investment, e.g. for the investees in the highest risk category: "young" institution with concepts in the pilot stage. As noted, the lesson learned is to identify additional funders with a venture capital mindset who are willing to pursue a high risk, high reward strategy. The broader lesson is that digital innovations are integral to the future of UNCDF's work in inclusive digital economies and achieving the SDGs, and will be mainstreamed within UNCDF's MM4P team to carry forward. The lessons learned on the type of institutions and support needed will be built into this strategy.

Financial Report

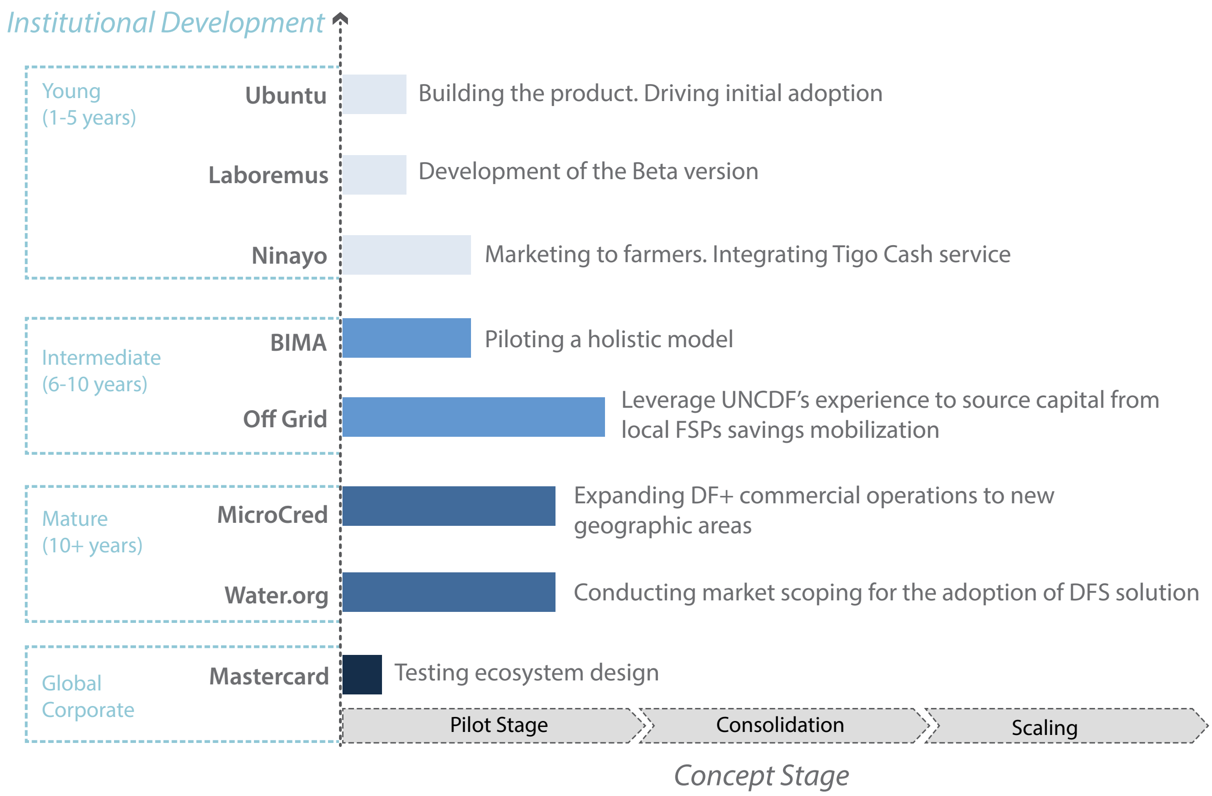
The programme received $219,787.76 from the LMFTF, of which $142,395 have been expended via PBAs/grants, for a delivery rate of 64 percent against planned (2017) budgets. According to signed PBAs as of 31 December 2017, the balance of funds will be disbursed by June 2018.

Delays and Challenges during the period

The major delays in financing all of the applicants who requested funding from UNCDF are related to mobilizing funding from other sources, or gaining agreement from existing sources of funds that their project budgets could be used to fund these digital innovations.

In the chart below, UNCDF has categorized risk per investee across two key indicators: Institutional development mapped to concept stage.

Several (Ubuntu, Laboremus, Ninayo) of the initial eight DF+ investees are young institutions with ideas at the pilot stage (highest risk). Support to these types of institutions requires funders with a "social venture capital" risk tolerance: high risk, with potential high reward, and the recognition that of the eight institutions in the initial portfolio, not all of them may make it from pilot to consolidation to scale. UNCDF's prior experience in supporting "young and promising" institutions is that we need to be prepared to accept some failures to achieve some breakthroughs.



Lessons Learned

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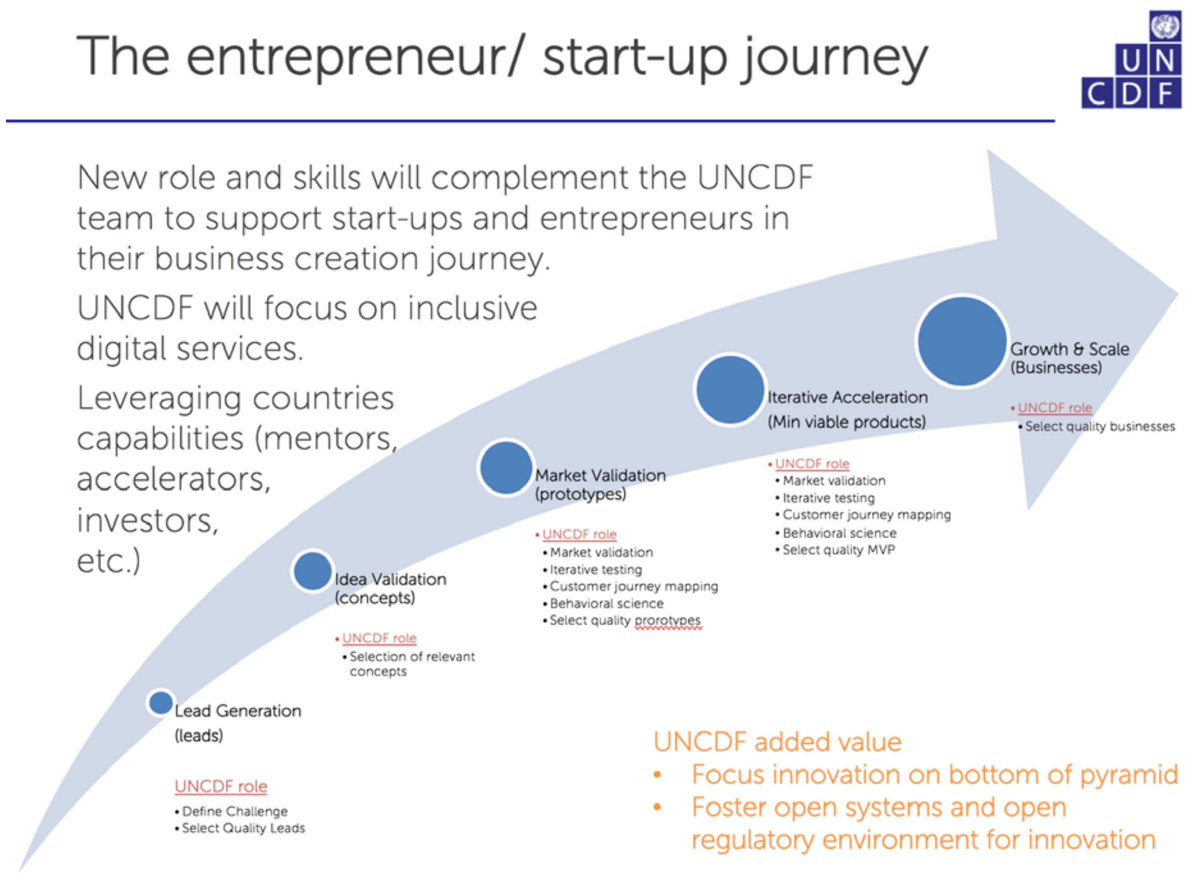

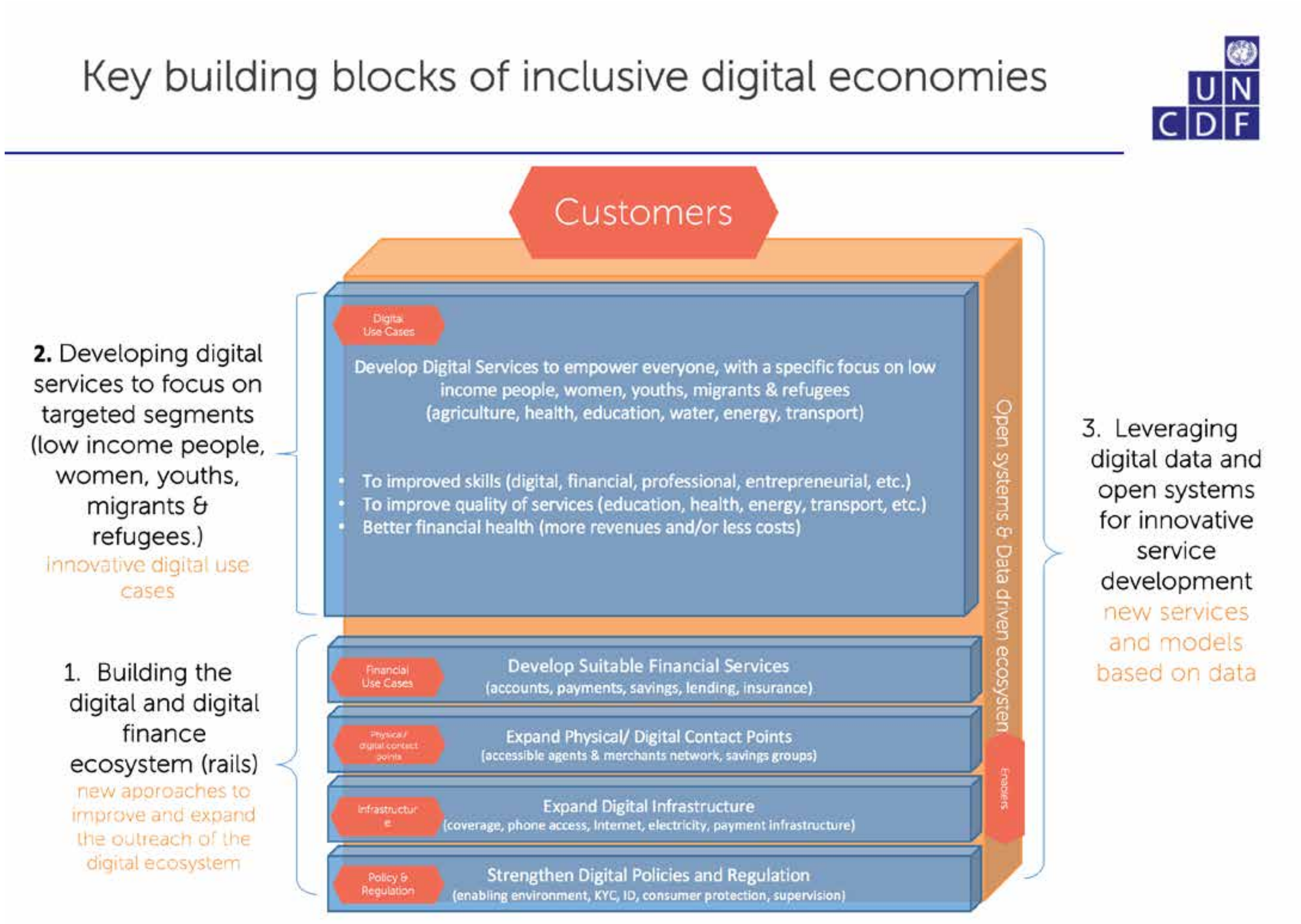

UNCDF, Digital Ecosystem Framework

Resources

UNCDF will integrate inclusive digital economies into funding requests for its current work related to digital financial services. UNCDF is also working to leverage the LMFTF resources by engaging with country-based sources of funds. For example, in Tanzania, UNCDF has carried out a diagnostic related to women's economic empowerment, and because the two investees (Water.org and Ninayo) have a clear link to women's economic empowerment, UNCDF will include them in the programmatic solution that is being designed. UNCDF has also engaged with FSD-Tanzania to explore potential partnerships.

COUNTRY EXPANSION

ETHIOPIA
— *Effective and Inclusive Finance*

Background and Objectives

Project Impact:

Contribute to equitable and sustainable inclusive growth in Ethiopia, the achievement of the SDGs (particularly on poverty alleviation, inclusive growth and reducing inequality), and national poverty alleviation goals.

Project Outcome

By year 2021, Financial Service Providers (FSPs) are more effective, innovative and sustainable, and as a result reach deeper into the market, and more particularly into the marginalized communities (low income women and men, MSMEs, the rural and youth), contributing to the implementation of the National Inclusive Finance Strategy 2016 and its vision to achieve universal access by 2025. Via direct engagement with FSPs, EFISP activities will directly impact 1,890,000 low income beneficiaries (at least 50 percent women), and 4.6 million adults will benefit indirectly via improvements to the enabling environment, and as successful models are copied and replicated that result in increased access to financial services. During the implementation period, it is expected resources (both core and non-Core) will be mobilized to scale up the programme.

Project Outputs

1. Output 1: The institutional capacity of the NBE and other macro and meso level players is strengthened in order to help create the policy, regulatory and institutional environment needed for deeper financial inclusion;

2. Output 2: Financial Service Providers are supported in order to increase their range of products, services and channels, and to develop innovative methodologies tailored to the specific needs of low income women and men, MSMEs, rural farmers and youth;

3. Output 3: Contribute to consumer protection and education in Ethiopia through the rollout of the Smart Client Protection Principles and Responsible Digital Payment Guidelines, promoting embedding

of financial capability (FinCap) within products and services, and through financial education as relevant.

4. Output 4: Knowledge, learning and sharing supports the implementation of the programme.

The process of discovery from the DF+ portfolio as well as UNCDF's MM4P portfolio has informed this transition.

Objectives

The objective of DF+ was to build on digital finance models for innovations that contribute to achieving the SDGs. As almost all of these models are originating within the private sector, this programme offered public-private partnerships (PPPs) where UNCDF can assist private sector promoters to move their ideas forward.

These included proposals that "think outside the box" of traditional donor processes and thus present an opportunity to engage the private sector earlier in the concept design phase.

1. The majority of adults in Ethiopia are excluded from the services provided by the formal financial sector. According to the Findex 2014 survey, only an estimated 22 percent of Ethiopian adults (+15 years of age) report owning an account at regulated financial services providers (FSPs). Formal savings are accessed by 14 percent of adults, formal credit by 7 percent, domestic remittances sending by 10 percent, while only around six percent of adults reported using an electronic payment instrument (mobile services, online, POS, automatic teller machines, wire transfers, etc.) in the last year. These figures compare to the significantly higher sub-Saharan averages of 34 percent for account ownership, 16 percent for formal savings, 29 percent for sending domestic remittances, and 6 percent for formal credit. According to Findex 2014, approximately 21 percent of all adult women in Ethiopia own accounts, and this is a similar level with that of the overall population (whereby 22 percent of all adults own accounts). However young adults (15 – 24 percent) have much lower account ownership levels and only 14 percent of young adults own an account.

2. Only 1 percent of Ethiopian adults report having an insurance product. 10 percent of adults surveyed reported borrowing money in the previous 12 months to cover health or medical expenses. 29 percent reported that it is not at all possible to come up with funds in the case of an emergency.

3. Many adults and MSMEs do not use regulated financial institutions to meet their financial needs. According to Findex 2014, 30 percent of banked adults (15+) reported they had not made any deposits or withdrawals within the past year. Approximately 44 percent of adults (15+) reported that they borrowed money in some form within the last year, but only 7 percent reported borrowing from a financial institution. 48 percent of adults (15+) reported that they saved or set money aside, but only 14 percent reported saving at a financial institution.

4. However, limited access to and usage of regulated financial services does not mean that Ethiopians are not using financial tools to manage their lives. Ethiopians use a range of basic and informal financial services (i.e. through friends, family, groups or unregulated providers). According to the Findex 2014 survey, approximately 56 percent of adults (15+) reported not owning an account but either saving, borrowing or insuring themselves against risks through informal means. This represents 25 million adults who are experienced with financial services and could benefit by upgrading to better-tailored, more efficient, cheaper and/or safer services provided by regulated financial institutions.

5. Rural households make up a large portion of the potential market for regulated financial services. Approximately 48 percent of adults who live in rural areas reported either saving or putting money aside, the majority saving in cash instead of using banks, micro finance institutions or saving and credit cooperatives. There is opportunity to leverage a strong savings culture by

offering an appropriate range of suitable services linked to transaction accounts.

6. Despite a high account ownership by MSMEs in Ethiopia (94.7 percent of all firms), a relatively high proportion of MSMEs, 33 percent, cite access to finance as the biggest obstacle to their business, and only 15.8 percent reported having a bank loan or line of credit (World Bank Group's Enterprise Survey 2011). This is compared to Kenya, where similar MSME account ownership translates into only 10 percent, citing finance as their main constraint to business. Economic growth can therefore be supported through suitable financing instruments for MSMEs in Ethiopia. Similarly, according to the International Finance Corporation Finance Gap Database, 38 percent of Ethiopian MSMEs reported needing financing but did not have access to a loan or line of credit, and 14 percent of MSMEs that owned a loan or line of credit still reported access to financing as a constraint for their business. With micro-finance institutions catering to micro-enterprises and banks to better- established or larger enterprises, there is the missing middle where small enterprises are more severely under-served, with small firms reporting higher loan rejection rates compared to micro- and medium enterprises.

7. A suitable portfolio of financial services can help enhance the lives of individuals and the growth potential of MSMEs. The potential role of savings is well-documented, with the potential to impact economic growth by allowing savings to be invested in the growth and productive sectors, and through direct benefits in the poor being able to smooth consumption and protect from shocks to reduce vulnerability and increase income-generating capacity. Credit to the private sector is also crucial, particularly for MSMEs and farmers to expand their operations, contributing to reducing poverty and income inequality by promoting job creation in the private sector, in addition to helping households better manage their finances through the use of more efficient and better-designed financial instruments. There is also a need for insurance to cope with the impact of risk events, and remittances and payments to enable trade and welfare for low income families.

Results

During the first half of 2017, UNCDF used LMFTF funds to draft a Country Support Programme that was developed upon the request of the Central Bank of Ethiopia, the agency responsible to implement the country's Financial Inclusion Strategy. In addition, various concept notes have been developed through technical assistance and submitted for donors to raise their respective interest and for further mobilizing resources in the near future.

During the remaining half of the year, the programme will use the funds to:

- Undertake a comprehensive data driven and evidence based diagnostic on FI through implementing the MAP (Making Access Possible) diagnostic
- Target activities around several national priorities related to financial inclusion, building on lessons learnt from UNCDF's previous interventions in Ethiopia.
- Finalize the formulation of the full-fledged Ethiopia country programme document, building on the joint programme with ILO and the Italian Development Cooperation (IDCO) in 2015 and in close consultation with the government, the RC, UNDP and other partners and donors.
- Secure additional non-core resources at country level in support of the programme.
- Organize workshops with the government to create awareness and mobilize resources.

Financial Report

The Ethiopia Financial Inclusion Support Programme was allocated $49,501 from the LMFTF. The programme has expensed all of these funds and reports an expense of $51,066 for a delivery rate of 103 percent.

The Financial Inclusion Programme in Ethiopia has been recently kick-started and most of the funding was spent to undertake the development of the country support programme and develop various concept notes.

Delays and Challenges during the period

The Central Bank of Ethiopia, which is responsible to implement the National Financial Inclusion Strategy, has not officially launched the strategy. In the past NBE was under preparation (establishment of different task force) to implement the strategy and this has created delays in implementation of the programme. Recently, we have submitted proposals for areas of major support activities to the ministry of finance and cooperation and awaiting a response both from NBE & MOFED. Meanwhile, we are engaging with a number of donors to mobilize resources.

Lessons Learned

The country programme is under formulation and we have not so far started a full implementation of the programme.

Qualitative Assessment (optional)

N/A.

Resources

- We have submitted concept notes to the EU (YouthStart), the Italian Development Cooperation (remittance/migration, insurance) and the Netherlands (remittance/migration).
- We have submitted a proposal to Sida (YouthStart).
- We are currently engaged and discussing our programme with Canada and Denmark.

Other Assessments (if applicable)

N/A

LAO PDR
— *Roadmap to Financial Inclusion*

Background and Objectives

On the whole, the MAFIPP programme, through its holistic market development approach as well as its attention to promote national ownership and leadership with FISD (Financial Institutions Supervision Division)/BoL (Bank of Lao PDR) as the implementing agency, has effectively supported the building of capacity at all levels. A relatively cost-effective and generally well-managed programme, supported by a competent team of professionals, it has realized some notable achievements to date, including: (i) the creation of a financing facility for the provision of support to FSPs, DFS providers and meso-level institutions; (ii) the transformation of an informal working group into an established and recognized industry association; and (iii) the implementation of an unprecedented and participatory policy process on financial access. While recognizing these important accomplishments, the MAFIPP programme, also faces a number of challenges until (and beyond) the end of the v for example: (i) ensuring higher-level political commitment to the MAP roadmap (and DFS) in particular, as well as to financial inclusion as a crosscutting theme in its own right; (ii) limited market demonstration effects; and (iii) securing additional funding for FIF beyond the term of the programme.

Results

Laos Financial Inclusion Roadmap 2016-2020

- FISD finalized roadmap document, both English and Lao versions, as final step corresponding to comments from the Governor of the Bank of the Lao PDR.
- The Bank of the Lao PDR held internal consultation meetings among nine departments seeking semi-final solution to the roadmap document, on 31 January 2018. The BoL Governor elevated the financial inclusion roadmap to a full sectoral government strategy to be signed off by the Prime Minister.
- Completed short-term international and national consultant recruitments to roll out roadmap action plan and M&E.

Digital Financial Services

BCEL-BCOME

- Completed support to two tranches of grants on BCOME Activation Campaigns, in the amount of $40,000 of Performance-Based Agreement (PBA) ended in 2017.
- Conducted BCOME agent orientation and workshop. BCOME case study in English has printed 500 copies.
- BCOME phase II is agreed by FIF IC in the 22th PMC meeting under PBA “financial agreement grant” $75,000 and PBA signed.
- BCOME phase II will be able to roll out instant card-based account

opening, cash withdrawal from own account at agents, Account-to-Cash transaction, fund transfer between BCEL account, interbank transfer, miscellaneous payments.

UNITEL

UNITEL launched its internal trial in August 2017 on a large scale (1,505 unique users as of December 2017), declared itself ready to launch in September, and requested permission from BoL to go live.

Following a high-level meeting on 30 September of BoL, Ministry of Post & Telecoms, Ministry of Industry & Commerce and Ministry of Defense, the permission to go live was made contingent to the additional requirement of establishing a dedicated fully-owned subsidiary. UNITEL accepted this decision and started in December preparatory work for the registration of this subsidiary company.

DFS Regulation:

The intended DFS regulation will now be placed under the framework of the upcoming National Payments Systems (NPS) Law and regulation. The NPS Law was passed in mid-March and backdated to 15 December 2017. The DFS regulation will be re-activated with tentative adoption in 2018.

Other FIF operations

MFIs cooperation

The challenge fund instituted under MAFIPP, the FIF, has concluded most of the support agreements obligated so far: $1 million out of the total $1,423,000 obligated over 15 projects. There are still six ongoing projects, with 28 percent already executed. Six projects were concluded in 2017 because MAFIPP was supposed to end in December 2017. Currently, it provides support to six MFIs:

Financing Agreement Grant (3 MFIs):

EMI DTMFI completed in December 2017 with grant disbursement of $89,000

- Completed two of five Smart kid education financial centers: Homsavanh and Vern Kham. EMI regularly conducted field monitoring and supervision including handover of supported materials for saving activities at schools.

- Continuing three schools: Nong Nieng, Ngien Yu and Vientiane Ha Noi integrating smart kid education financial centers in April and May 2018.

- Continuing operation and client services to achieve expected results indicated in the Performance-Based Agreement (PBA): smart kid saver account, number of implemented schools, female smart kid saver accounts, teacher saver accounts, percentage loan saver account holders, the percentage of female education loan account holders, teacher loans, female teacher loans, PAR education loans and operational self-sufficiency .

Champalao DTMFI completed in December 2017 with grant disbursement of $33,000

- Achieved opening of a new service unit in Nambark district, Luangprabang province, staff received orientation and marketing training and BCOME service;

- Achieved MBWIN integration and orientation training including use of MIS template to collect customer information and create a computerized record.

- Continuing operation and client services to achieve the expected results indicated in the PBA: number of active savers, women savers, number of borrowers, percentage of women borrowers, BCOME users, number of borrowers at new service units, outstanding loans, PAR 30 days and operational self-sufficiency.

Lao Microfinance Association (MFA) extended from December 2017 to June 2018

- Achieved financial literacy and business plan training delivery for eight MFIs in December 2017, Received one tranche technical deliverable total of $11,000 and continuing implementation of monitoring-evaluation outcome by first quarter 2018.

Technical Assistance Agreement (2 MFIs):

Sasomsup NDTMFI completed in December 2017

- Achieved establishing new service unit in Park Ngeum district, Vientiane Capital. Staff were recruited, received orientation and training for operation and service.
- Completed MBWIN purchasing, installation and orientation training for staff and received supported office computer and equipment for new service unit.
- Resuming planned implementation to achieve expected indicators stated in PBA: number of active borrowers, women borrowers, operational self–sufficiency, portfolio at risk and interest rate of borrowing.
- Requested to stop PBA commitments and no further extension, due to Sasomsub lack of investment capital to establish second service unit. Further discussions will resume by January 2018.

Phatthana Oudomxay DTMFI extended from December 2017 to June 2018

- Achieved technical support creating business case for agri-business and provincial agriculture, investment division and staffs received agri-business training. Phattana Oudomxay aimed to pilot small scale agri-business as cluster villages.
- Arranged field visit for MAFIPP's donors, embassy, international organization, line ministries and BOL to see local implementation both at the head office and a newly opened service unit.
- Phattana Oudomxay received submitted training plan to conduct agriculture and livestock training for targeted village clusters. FIF recruited a national consultant as the technical person leading organic vegetable and pig growing. This training aimed to begin by January 2018.

Financing Agreement Loan (1 MFI):

Xainiyom NDTMFI (XMI) completed in September 2017

- Achieved final loan repayment and interest payment to NYHQ UNCDF with the amount of LAK 3,092 billion LAK. UNCDF confirmed receipt of repayment. Final report submitted to FIF.
- Arranged field visit for MAFIPP's donors, embassy, international organization, line ministries and BOL to see local implementation both at the head office and a newly opened service unit.

Financial Survey: Eco payment system

- Conducted financial literacy and financial service product survey at two garment factories: KB YAGI and SCAVI. The analysed data and findings are subject to extension of potential cooperation with banks.
- FIF conducted meeting swith BCEL and LDB offering potential opportunities to provide financial service products for remaining garment factories. BCEL had a good response to the pilot project.

Outcomes

Roadmap for Financial Inclusion

BoL has further iterated the Lao version of the FI Roadmap document and scheduled a full-day internal workshop for 31 January 2018 convening all departments of BoL under the chairmanship of BoL Governor.

The consultants for drafting the action plan under the FI Roadmap were procured in September 2017 and the initial mission planned by the end of 2017.

Digital Financial Services

MAFIPP has progressed towards the target of two DFS pilots live (one bank-lead / one telco-lead) with the teleco-lead pilot being ready technically. However the new unexpected regulatory requirements imposed by GoL agencies other than BoL (subsidiarization of the DFS activity of UNITEL) has postponed the launch to 2018.

A pilot approval was granted to a new DFS project with support from MAFIPP: the Kapao e-wallet promoted by the Deposit-Taking MFI New Concept Finance (NCF).

The regulatory framework for DFS has progressed with the passage on 13 November 2017 of the National Payments Systems (NPS) law; it will be ratified in Q1 2018. DFS will proceed under the umbrella framework of the NPS.

Post-MAFIPP engagement framework

Drafted and submitted to BoL for approval. Presented to donor partners at the end of 2017: DFAT, USAID and the informal education sector working group.

Outputs

Roadmap for Financial Inclusion

The consultants for drafting the action plan under the FI Roadmap were procured in September 2017 and the initial mission planned by the end of 2017.

The English version of the Diagnostic report was fully edited and with BoL's agreement was printed in a limited edition meant only for in-country donor partners.

Digital Financial Services:

MAFIPP successfully organized two workshops on DFS:

- Basic principles of DFS for regulators (February 2017): to spread the awareness of DFS to regulators, particularly at the provincial level as the DFS pilots are unfolding and taking scale

- DFS strategy for MFIs (May 2017): to expose the MFIs to the opportunities offered by DFS and to determine how to harness them.

Outcome:

Helped one MFI attending (New Concept Finance) to further conceptualize its services offering in the area of DFS, resulting in the launch of its digital wallet Kapao in December 2017.

The Technical Assistance to Unitel for the preparation of the U-Money pilot was carried out but not completed as envisaged in the AWP 2017: Unitel failed to have its MIS in place and functional by June 2017, but was ready technically in September 2017. However, a new regulatory requirement prevented the pilot launch for which the last phase of the TA was programmed.

Post-MAFIPP engagement framework:

Drafted and submitted to BoL for approval. Presented to donor partners at the end of 2017: DFAT, USAID and the informal education sector working group.

Results Framework (Indicator Based Performance Assessment)

Outcome/Output	Milestone / Target Year 2017	Status
Outcome: +266,000 additional users financial services by September 2018 (actual users of 154,418 in Q4 2017)	Indicator iP.1: 181,438 additional active users by September 2018 (acknowledging that nearly all borrowers have a savings account). Split 60 percent - 40 percent Milestone Q4 2015: + ~60,000 additional active users in 2015	Off Track. Achieved 88 percent of target in Q4 2017 for traditional financial services.
	Indicator iP.2: 84,770 users of mobile financial services by September 2018, out of which 15 percent previously unbanked. Split 35 percent - 65 percent Milestone Q4 2015: 20,000	Off track. 3 DFS pilot licenses but only one go-live vs. a target of two pilots.
Output1: Policy makers more able to improve the policy and regulatory environment in line with operational realities of financial service providers nationally and accepted good practice internationally	Indicator 1.1: 60 licensed institutions end 2017 Milestone Q4 2015: 48	Achieved: 118 licensed FSPs in Q4 2017 under BoL/FISD supervision
	Indicator 1.2: Moderate to high responsiveness of the policy-setting bodies to environment issues and demands from the financial sector regarding financial inclusion. Milestone Q4 2015: MAP exercise completed	Off track Senior GoL approval of Roadmap postponed to Q3 2016
	Indicator 1.3: Demonstration of clear process to assess the need for a policy on branchless banking and a policy where the need is found to be compelling Milestone Q4 2016: Draft DFS regulation	Off track
	Indicator i1.4: BOL exposed to lessons learnt and experiences shared by fellow central bankers in developing countries. Milestone Q4 2016: - three study tours abroad - Laos observer at Alliance for Financial Inclusion (AFI)	On track

Outcome/Output	Milestone / Target Year 2017	Status
	Indicator i1.5: Availability of reliable sector-wide monitoring data on financial and social impact performance of FSPs. Milestone Q4 2016: - scope covering 85 percent of MF sector - 70 percent data integrity checks passed	Off track
Output 2: The financial sector development infrastructure more capable to meet the needs of financial service providers	Indicator i2.1: FIF attracting additional funding with term extending beyond end of MAFIPP Milestone Q4 2016: 0	On track
	i2.2: Growth in the numbers of finance professionals sensitized to the down-scaling of financial services Milestone Q4 2015: 500 receiving training at Banking Institute with a Microfinance module	On track Achieved
	Indicator 2.3: Numbers of FSPs disclosing their audited financial statements on MIX-Market or on their website to demonstrate their commitment to transparency Milestone Q4 2015: 50 percent of FSPs with assets> LAK 1 billion disclosing publicly their financial data	On track
	Indicator 2.4: Growing numbers of FSPs contribute membership fees and senior management time to the MFA. Milestone Q4 2015: 70 percent of FSPs with assets> LAK 1 billion contribute	On track

Outcome/Output	Milestone / Target Year 2017	Status
	Indicator 2.4: Extend rural financial inclusion through use of Mobile Financial Services	
Output 3: Financial service providers more responsive to the financial service needs of poor households and micro-entrepreneurs	Indicator 3.1: FSPs receiving technical assistance offer diversified and more suitable financial services. These FSPs use additional delivery channels. Milestone Q4 2015: 40 percent of supported FSPs have added at least one product, 20 percent of FSPs use an additional delivery channel.	On track On track
	Indicator 3.2: Aggregated loan portfolio of supported FSPs grows 1.5 times more than the control group (MF sector less FIF grantees) each year, with PAR30<3 percent	On track Milestone Q4 2015 achieved
	Annual trend constantly 1.5 times better than control group for four indicators out 5: portfolio at risk, cost per client, clients to staff ratio, operational self-sufficiency and ratio refinancing to loan outstanding	On track
	Indicator 3.4: FSPs receiving support from FIF attract additional funding. Milestone Q4 2015: $3.0mn external funding	Off Track
	Indicator 3.5: Extend rural financial inclusion through Lao Postal Savings Institute Milestone Q4 2015: - 34,000 savings accounts - 210,000 funds transfers - 1,000 products distributed other than savings & transfers	Off Track

Financial Report

The programme received $49,501.75 from the LMFTF and reports an expense of $53,462 for a delivery rate of 108 percent in 2017. The table below shows the programme's overall budget and expenditure for 2017.

Output	Expenditure 2017	Remaining Budget 2017	Programmed Budget 2017	% progress in budget use 2017
MAFIPP	$718,424.05	$114,253.39	$832,677.44	86%
Output 1	$136,054.35	$75,940.62	$211,994.97	64%
Output 2	$274,996.62	$26,582.29	$301,578.91	91%
Output 3	$307,373.08	$11,730.48	$319,103.56	96%
Total	**$1,436,848.10**	**$228,506.78**	**$1,665,354.88**	**86%**

Delays and Challenges during the period

A nine-month no-cost extension was proposed to DFAT in the last MAFIPP board to take into account delays on the policy-making side (e.g. endorsement of the Laos FI Roadmap 2016-2020, first DFS regulation) and with partner DFS providers (UNITEL U-Money delayed launch, plans for BCOME 2nd phase delayed), FIF's recipient institutes were also late in fulfilling tranches of grant and TA. Therefore, a request for extending the programme until 30 September 2018 has been presented to the last Board meeting. The no-cost extension will allow for the last tranches of the grants payments to be disbursed as well.

Qualitative Assessment (optional)

Gender outreach is addressed in targets and tracked by the programme (as well as by FSPs and MFA) and women are partly recognized as a priority segment at the macro level, but no particular national (or program) strategy has been developed for female financial inclusion. However, national findings do not point to substantial differences in male and female financial access. Youth has been identified by the programme as a potential target market and youth outreach is now tracked and supported through FIF funding to EMI. Financial literacy is identified by the MAP roadmap as a fundamental need for all target market segments. Recognition of client protection principles has been strongly supported by the MAFIPP programme at all levels and it is also acknowledged as a priority by the MAP roadmap.

Resources

As per the 2010 Prodoc, the original programme budget amounted to $7.01 million. In November 2012, the MAFIPP programme received a AUD 5.96 million (≈$6.2 million at the time) funding commitment from DFAT within the framework of the 'Laos-Australia Rural Livelihoods Program' (LARLP) to support activities over four years starting 2013. In 2017, an additional $49,502 was secured through the LMFTF to support the next phase of the MAFIPP programme.

Other Assessments or Evaluations (if applicable)

A mid-term evaluation was completed in June 2017. The main recommendations are as follows:

- Clearer definition and strategic orientation on the part of the programme itself towards further refining what MAFIPP intends with financial inclusion with more emphasis on outreach in priority poor districts and/or rural areas.
- Stronger focus on the provision of financial education.
- Leverage MFA as a channel for knowledge management and dissemination of best practices and for promotion of voluntary industry standards.
- Concerted attempt towards bringing microfinance funding efforts under the same umbrella and continue to crowd in and facilitate investments in FSPs.
- Soliciting higher-level political support for the financial inclusion agenda

Programmatic Revisions (if applicable)

A nine-month no-cost extension, until 30 September 2018, has been proposed to complete the activities of the programme and as a bridge for the next phase that will need to mobilize additional funds in the coming months.

Following the suggestions of the Mid-term Evaluation, the programme targets in terms of the number of beneficiaries reached have been revised. In fact, from the initial 408,000 active users of financial services by end 2017, with a minimum of 300,000 additional active users, the revised targets are now:

- 266,000 additional users of financial services by 30 September 2017
- Split by gender: 138,500 women / 127,500 men
- Split by type of services: 181,000 from traditional financial services / 85,000 from Digital

The revised outreach targets of active clients and no larger accounts.

ACRONYMS

A2F: Access to Finance programme.

ACSI: Amhara Credit and Saving Institution.

ADB: Asian Development Bank.

ADP: Ad Hoc Working Group on the Durban Platform for Enhanced Action.

AEPC: Alternative Energy Promotion Center

AFI: Alliance for Financial Inclusion.

ANFICT: National fiscal transfer mechanism.

ASEAN: Association of South East Asian Nations.

BCEAO: La Banque Centrale des Etats de l'Afrique de l'Ouest
/ The Central Bank of West African States

BCEL: Banque Pour Le Commerce Exterieur Lao

BCOME: BCEL Community Money Express

BMGF: Bill & Melinda Gates Foundation

BOL: Bank of Lao PDR

CENFRI: Centre for Financial Regulation and Inclusion

CGAP: Consultative Group to Assist the Poor

CREF: Central Renewable Energy Fund

COP21: UNFCCC 21st Conference of the Parties,

DBE: Development Bank of Ethiopia

DDF: District Development Fund

DFAT: Australian Department of Foreign Affairs and Trade

DFID: The Department for International Development

DFS: Digital Financial Services

DRC: Democratic Republic of Congo

ESCos: Energy service companies

ETL: Enterprise of Telecommunications Lao

EU: European Union

FSDZ: Financial Sector Deepening Zambia

FSPs: Financial service providers

FUCEC: Faîtière des Unités Coopératives d'Epargne et de Crédit

G2P: Government-to-person

GCCA+: Global Climate Change Alliance

GEF: Global Environment Facility

GOGLA: Global Off-Grid Lighting Association

GPFI: Global Partnership for Financial Inclusion

ICT: Information and Communications technology

IELD: Inclusive and Equitable Local Development

IME: International Money Express

LDCs: Least Developed Countries

LDF: Local Development Fund

LEA: Local Economic Assessment tool

LED: Local Economic Development Process

LFI: Local Finance Initiative

LoCAL: Local Climate Adaptive Living

MAFIPP: UNCDF Making Access to Finance More Inclusive for Poor People

MAP: Making Access to Financial Services Possible

MFIs: Microfinance Institutions

MM4P: Mobile Money For the Poor

MNO: Mobile Network Operator

NCDDS: National Committee for Sub-National Democratic Development Secretariat.

NGOs: Non-Governmental Organizations.

NRB: Nepal Rastra Bank

OCHA: Office for the Coordination of Humanitarian Affairs

OTC: Over-The-Counter

PAMIGA: Participatory Microfinance Group for Africa

PBCRGs: Performance-Based Climate Resilient Grants

PBA: Performance-Based Agreement

PFIP: Pacific Financial Inclusion Programme

PFIS: Partnerships Framework on Inclusive Growth and Sustainable Development.

PoWER: Participation of Women in the Economy Realized

PSPs: Payment Service Providers

RBM: Resource Based Management

RMF: Results Measurement Framework

SADC: Southern African Development Community

SDGs: Sustainable Development Goals

SE4ALL: Sustainable Energy for All

SHIFT: Shaping Inclusive Finance Transformations

v: Swedish International Development Agency

SME: Small-to-medium enterprise

SPREP: Secretariat of the Pacific Regional Environment Programme

STWT: School to work transitions

TA: Technical Assistance

TIF: Transformative Impact Financing

TVETs: Technical and Vocational Education and Training Support

UEMOA: West African Economic and Monetary Union

UNCDF: United Nations Capital Development Fund

UNDP: United Nations Development Programme

UNDP-UNEP PEI: United Nations Development Programme–United Nations Environment Programme Poverty-Environment Initiative

UNFCCC: United Nations Framework Convention on Climate Change

UNMEER: UN Ebola Emergency Response

USAID: United States Agency for Development

YEO: Youth Economic Opportunities

YSOs: Youth Services Organisations

Unlocking Public and Private Finance for the Poor

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