

ANNUAL REPORT  
**2015**



Unlocking Public and Private  
Finance for the Poor

# MAKING FINANCE WORK *for* THE POOR



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Finance for the Poor

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# TABLE OF CONTENTS

|   |           |
|---|-----------|
| <b>Foreword by the Executive Secretary</b>                              | <b>4</b>  |
| <b>Paving the Way for Agenda 2030: The context for our work</b>         | <b>8</b>  |
| 4 Agendas, 1 Mission: Unlocking Private and Public Finance for the Poor | 10        |
| <b>2015 Results: The innovation to scale journey</b>                    | <b>16</b> |
| Green Economy   | 18        |
| Food Security and Nutrition   | 24        |
| Economic Empowerment of Women and Youth                                 | 26        |
| Infrastructure and Services   | 32        |
| Financial Inclusion and Innovation                                      | 34        |
| Highlights of Selected Results in 2015                                  | 42        |
| <b>Partners and Resources</b>   | <b>45</b> |
| UNCDF's Four-Window Funding Architecture                                | 49        |
| What do partners think about us?  | 52        |
| <b>Looking Ahead: UNCDFForward</b>                                      | <b>53</b> |

# FOREWORD

## BY THE EXECUTIVE SECRETARY

2015 was a watershed moment for international development. It ushered in the Addis Ababa Action Agenda, the 2030 Agenda for Sustainable Development and the Paris Agreement on climate change, among other international agreements. These together reflect a renewed global commitment to tackling the most pressing challenges of our times in an integrated manner, seeking to ensure that all countries and all segments of the population are able to lead better and more productive lives while protecting our planet. They also offer important opportunities for the world's Least Developed Countries (LDCs), as they seek to meet their graduation ambitions under the Istanbul Programme of Action.

A number of common threads emerge across these agendas. *First*, there is a growing recognition that structural transformation, progress against the Sustainable Development Goals (SDGs), and efforts to tackle climate change rest in part on empowering local authorities and local economies to become dynamic contributors to growth that is inclusive, sustainable and resilient. *Second*, the least developed countries and other vulnerable countries need focused support to be able to deliver on and benefit from the promise of a better tomorrow reflected in these agreements. *Third*, there is widespread recognition that the world needs new financing and business models that mobilize resources from both the public and private sectors. So important are the means of

implementation that they form the basis for SDG 17 and its supporting targets.

Countries cannot simply extrapolate from what has worked in the past: new models are needed that embed informed risk taking, have proven capacity to mobilize international and domestic public and private resources, and can reach the last mile of exclusion. International public finance – such as Official Development Assistance (ODA) – remains central to achieving the SDGs, particularly for those countries where needs are greatest and the capacity to raise resources is weakest, such as in LDCs. But it will not be sufficient. The role of the private sector is indispensable to meeting the SDGs. Yet, market failures conspire to keep investments from flowing predictably and sufficiently to the “last mile” at the subnational, peri-urban, household, and small enterprise levels where resources are scarce and the development challenges for underserved populations are greatest.

Within this context, UNCDF, with its capital mandate and its status as an international support measure for the LDCs, is striving to shift these dynamics and make finance work for poor people and communities. This report looks at some of our achievements over the first two years of our 2014-17 Strategic Framework, and demonstrates how our programmes are innovating those financing models that demonstrate how public resources – such as ODA or climate

finance – can de-risk the local economic space and crowd-in roughly 10 times as much in public and private resources, especially from domestic sources.

UNCDF builds on 50 years of experience. Our models are specifically designed to extend the reach of financial mechanisms, systems and markets where they would not go without the demonstration value we provide. This means targeting investments in underserved areas for local climate-resilient infrastructure development; developing local food security systems and value chains; and making renewable energy and other frontier technologies accessible to communities, small businesses and poor households. It means designing financial inclusion products that strengthen household resilience and financial planning; using digital technology to improve efficiency, transparency, and access to poor and remote populations; and importantly through all our work, supporting women's economic empowerment.

This report shows how we are innovating and driving frontier finance models into “last mile” areas of LDCs, and how we are creating significant value for money through the resources we are able to leverage with our targeted investments of seed capital and technical assistance.

The year 2016 marks the start of SDG implementation, and the midterm review of the

*UNCDF Executive Secretary, Judith Karl, signing the Linking for Change Savings Charter in New York in the presence of Care International and Barclays representatives.*  
© UNCDF



Istanbul Programme of Action. Now is the moment to accelerate our collective efforts to meet the expectations of the SDGs, leaving no one behind. This makes it more important than ever that LDCs are supported in their efforts to unlock even greater amounts of public and private resources for investment at the local level and in support of poor families and small businesses. UNCDF is committed to making that happen.

I thank our many partners: the LDC governments and communities with whom we work so closely; our core donors for providing us with the resources to take risks, innovate, and work in the last mile; our non-core donors for their commitment to investing in our approaches and taking to scale what works; UNDP, other UN agencies; and, finally, the many global, regional and country level alliances and associations that we collaborate with in coordinating, designing, implementing and learning from our interventions. Working together, I believe we can make a huge difference for the better in LDCs and beyond as we collectively pursue growth that is inclusive and sustainable.

  
Judith Karl  
Executive Secretary, UNCDF

# UNCDF

## AT A GLANCE

**WHO:** UNCDF is the **UN's capital investment agency for the world's 48 least developed countries**. With its capital mandate and instruments, UNCDF offers “last mile” finance models that unlock public and private resources, especially at the domestic level, to reduce poverty and support local economic development.

**WHAT:** UNCDF's financing models work through two channels: **financial inclusion** that expands the opportunities for individuals, households, and small businesses to participate in the local economy, providing them with the tools they need to climb out of poverty and manage their financial lives; and by showing how **localized investments** – through fiscal decentralization, innovative municipal finance, and structured project finance – can drive public and private funding that underpins local economic expansion and sustainable development.

**HOW:** By strengthening how finance works for poor people at the household, small enterprise, and local infrastructure levels, UNCDF contributes to SDG 1 on eradicating poverty and SDG 17 on the means of implementation. By identifying those market segments where innovative financing models can have transformational impact in helping to reach the last mile and address exclusion and inequalities of access, UNCDF contributes to a number of different SDGs.

## SECTION ONE:

# PAVING THE WAY FOR AGENDA 2030: THE CONTEXT FOR OUR WORK



*The LoOKING diagnostic is a new innovative local development policy tool that is being introduced and tested in Papua New Guinea and other countries. UNCDF is partnering with various stakeholders to launch the project. LoOKING compliments the national public financial management roadmap of Papua New Guinea, as well as the peacebuilding efforts in Bougainville through economic development.*

*© UNCDF / Nasser AlQatami*

2015 was a pivotal year for international development. It was the year the **Millennium Development Goals (MDGs)** expired and the **Sustainable Development Goals (SDGs)** were adopted by 193 Member States at the United Nations.

It was the year of the **Addis Ababa Action Agenda (AAAA)**, adopted at the Third International Conference on Financing for Development, which laid out a framework for funding the world's new sustainable development agenda. The AAAA recognized the special development challenges faced by the Least Developed Countries (LDCs), Landlocked Least Developed Countries (LLDCs) and Small Island Developing States (SIDS).

It was also the year of the highly anticipated **UN Climate Conference (COP21)** in Paris where 195 nations agreed to combat climate change and step up initiatives and investments that would put the world on a low carbon, resilient and sustainable pathway.

In this context, UNCDF's work in unlocking finance in support of poor families, small businesses and underserved regions – so that they can accelerate growth that is inclusive and sustainable – takes on added importance and urgency.

# 4 AGENDAS, 1 MISSION:

## UNLOCKING PRIVATE AND PUBLIC FINANCE FOR THE POOR



Ensuring that growth is equitable and sustainable, leaving no one behind, will be a hallmark of SDG achievement. UNCDF's finance models that unlock public and private resources, especially at the domestic level, are strongly relevant to the AAAA and the SDGs. Both stress that international public finance remains central to achieving the SDGs. The financial requirements for LDCs to achieve the SDGs and structural transformation are enormous. ODA makes up more than two thirds of external finance for LDCs. LDCs can face major constraints in mobilizing other resources for development and in channeling them into social and economic infrastructure and productive investments. Still, there is a need for multiple sources of finance, especially from the private sector, and those resources must work together effectively. This is echoed in the Paris Agreement on climate change.

Yet, investments do not always flow predictably and sufficiently to the "last mile" areas of LDCs, where resources are scarcest and the development challenges for underserved populations the greatest. The different approaches and priorities of some financial investors mean that many of the dominant investment strategies today are not always well-suited to sustainable development, especially at the local level and outside of capital cities, because of perceptions of high risk; lack of investor understanding or knowledge of a market; or concerns about regulatory environments and weak management.

There is therefore a need for new financing models and public-private partnerships that lower investment-specific risks; that create confidence in local economies; and that incentivize additional private sector finance and domestic investments where development needs are greatest. This has particular resonance when it comes to supporting local authorities, communities, businesses and regions in LDCs where barriers to inclusive growth outside capital cities include high levels of unbanked and excluded populations; low levels of infrastructure; and dormant and unproductive capital.

1

## THE ADDIS ABABA ACTION AGENDA

**WHAT:** In July 2015, the UN's Member States agreed to overhaul global financing and to generate new investments to help tackle a range of social, environmental and economic challenges.

**UNCDF'S ROLE:** Increased public and private financing is essential for achieving international development goals. UNCDF programmes make it possible for governments to access public and private investments and domestic resources in support of development that is inclusive, resilient and sustainable. UNCDF incubates public-private financing and development models, expanding the frontier of finance. It does this by:

- Providing grants, loans and guarantees to both private and public investments; *and*
- Testing new financial models using ODA as a way to access sources of public and private money.

UNCDF investments typically leverage at a ratio of 1:10, and 1:30 in some cases.

3

## THE 2030 AGENDA FOR SUSTAINABLE DEVELOPMENT

**WHAT:** The 2030 Agenda for Sustainable Development is a universal and transformative agenda. At its heart lie 17 Sustainable Development Goals (SDGs), with a strong focus on eradicating poverty, reducing inequality and increasing sustainability. It commits to *leaving no one behind*, and to meeting the goals and targets for all nations and peoples and for all segments of society. It calls for reaching those furthest behind. The SDGs adopt a broad approach and aim to achieve sustainable development in its three dimensions – economic, social and environmental – in a balanced and integrated manner. This focus on integration underscores the importance of ensuring that development interventions can contribute to progress across a number of different goals.

**UNCDF'S ROLE:** At its core, UNCDF's mission is to make finance work for poor people. UNCDF financing models are applied in thematic areas where addressing barriers to finance at the local level can have a transformational effect for poor and excluded people and communities.

- By strengthening how finance works for poor people at the household, small enterprise, and local infrastructure levels, UNCDF contributes to **SDG 1** on eradicating poverty and **SDG 17** on the means of implementation.
- By identifying those market segments where innovative financing models can have transformational impact in helping to reach the last mile and address inequalities of access, UNCDF contributes to a number of different SDGs.

## THE PARIS AGREEMENT UNDER THE UN FRAMEWORK CONVENTION ON CLIMATE CHANGE

2

**WHAT:** In December 2015, 195 countries and the European Union unanimously signed off on an historic agreement to combat climate change. The Paris Agreement aims to strengthen the world's ability to deal with the effects of climate change and limit further global warming, and to take the necessary action to keep global warming levels "well below" 2 degrees Celsius above pre-industrial levels.

**UNCDF'S ROLE:** The Agreement recognizes the role of the subnational level in strengthening resilience to climate change. UNCDF's own financing models attract resources and channel them into secondary cities and peri-urban and rural areas that find themselves on the frontlines of climate change. This resource redistribution helps these localities meet the growing demands they face for clean energy, efficient public transportation and resilient infrastructure.



**SUSTAINABLE DEVELOPMENT GOALS**  
17 GOALS TO TRANSFORM OUR WORLD

© UN Photo



4

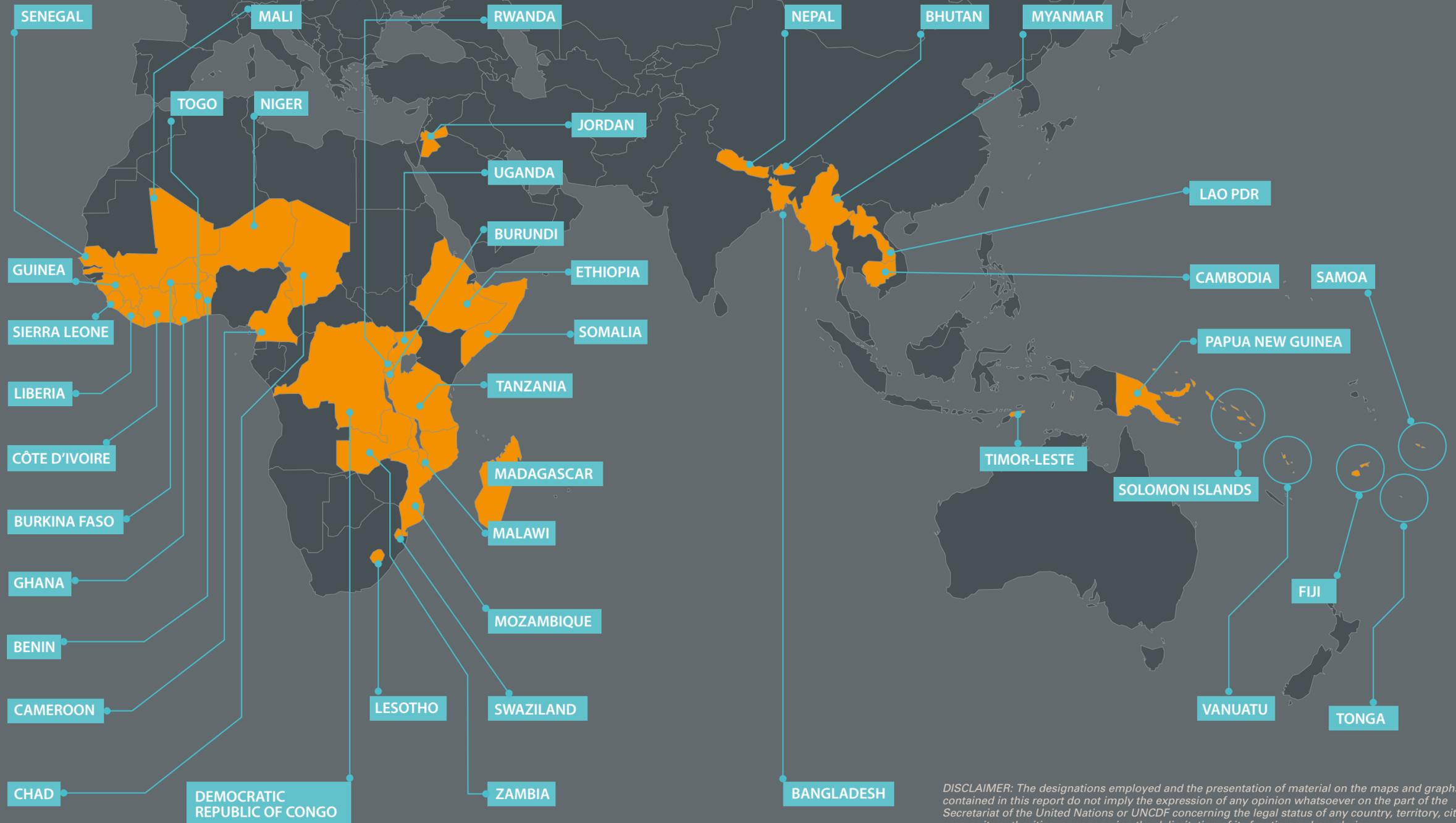
**THE ISTANBUL PROGRAMME OF ACTION FOR LEAST DEVELOPED COUNTRIES**

**WHAT:** In 2011, the Fourth United Nations Conference on Least Developed Countries adopted the Istanbul Declaration and the Istanbul Programme of Action for the decade 2011-2020 (IPoA). The IPoA contains eight priority areas of action to enable at least half of the world's LDCs to graduate from that category by 2020:

- productive capacity;
- agriculture;
- food security and rural development;
- trade;
- commodities;
- human and social development, multiple crises and other emerging challenges;
- mobilizing financial resources for development and capacity- building; and
- governance at all levels.

**UNCDF'S ROLE:** As the UN's capital investment agency for the world's 48 LDCs, the IPoA informs UNCDF's development approach in support of LDC graduation ambitions. In fact, UNCDF's work contributes to all of IPoA's priority areas of action, with the exception of those on trade and commodities.

**WHERE WE WORK**  
UNCDF'S PRESENCE IN 2015



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## WHERE WE WORK

BY AREA OF EXPERTISE IN 2015

### INCLUSIVE FINANCE

BENIN  
BURKINA FASO  
BURUNDI  
CAMEROON  
CHAD  
DRC  
ETHIOPIA  
FIJI  
GHANA  
CÔTE D'IVOIRE  
JORDAN  
LAO PDR  
LESOTHO  
LIBERIA  
MADAGASCAR  
MALAWI  
MOZAMBIQUE  
MYANMAR  
NEPAL  
NIGER  
PAPUA NEW GUINEA  
RWANDA  
SAMOA  
SENEGAL  
SIERRA LEONE  
SOLOMON ISLANDS  
SWAZILAND  
TANZANIA  
TOGO  
TONGA  
UGANDA  
VANUATU  
ZAMBIA

### LOCAL DEVELOPMENT

BANGLADESH  
BENIN  
BHUTAN  
BURKINA FASO  
BURUNDI  
CAMBODIA  
DRC  
ETHIOPIA  
GUINEA  
CÔTE D'IVOIRE  
JORDAN  
LAO PDR  
LESOTHO  
MALI  
MOZAMBIQUE  
NEPAL  
NIGER  
PAPUA NEW GUINEA  
SENEGAL  
SIERRA LEONE  
SOMALIA  
TANZANIA  
TIMOR-LESTE

## SECTION TWO: 2015 RESULTS: THE INNOVATION TO SCALE JOURNEY

© UNCDF/Narendra Shrestha



## IN FOCUS: RESULTS IN NUMBERS

In 2015, UNCDF completed a midterm review of its work and results as measured against the UNCDF Strategic Framework, 2014-2017.

### HIGHLIGHTS FROM THE MID-TERM REVIEW

#### Performance Overview

- Local Development Finance:
  - 1,077 local authorities supported across 21 countries.
  - More than \$46 million mobilized from domestic sources in Tanzania as a result of UNCDF support to unlock resources for prioritized local infrastructure projects.
  - 3,137 infrastructure investments completed for 2014-2015, promoting sustainable and equitable growth.
  - The decision of Japan to scale up the UNCDF-tested local 'fiscal grant facility' in Bangladesh to close to \$400 million.
- Financial Inclusion:
  - 101 financial service providers supported, resulting in outreach to 6.5 million clients.
  - Net increase in deposits of \$696 million mobilized since the 2013 baseline, demonstrating the potential for well-targeted ODA to catalyze domestic resources for development.
  - Passage of **UN General Assembly resolution** stressing the **importance of financial inclusion** as a key tool for implementing many of the vital development goals enshrined in new SDGs and the AAAA.

#### A Success Story: From Innovation to Scale at <http://ow.ly/4nb4Tk>

The General Assembly *Welcomes* the inclusion in the 2030 Agenda for Sustainable Development of several targets related to the promotion of financial inclusion [...]; *Also welcomes* the inclusion in the Addis Ababa Action Agenda of several policies and actions intended to ensure a policy and regulatory environment for the promotion of financial inclusion [...]; *Decides* to give consideration, as appropriate, to financial inclusion in the follow-up and review framework of the 2030 Agenda for Sustainable Development and in the follow-up process of the Addis Ababa Action Agenda; *Calls* upon the relevant organizations of the United Nations system, within their respective mandates and resources, to ensure that no country is left behind in the implementation of the present resolution [...]" (UN RESOLUTION A/C.2/70/L.71)

The following are highlights from UNCDF's work in 2015 that demonstrate how UNCDF is leveraging its experience and expertise in local development finance and financial inclusion to address a range of development challenges in an integrated fashion.

### GREEN ECONOMY

Green growth is driven by public and private investments that reduce carbon emissions and pollution, enhance energy and resource efficiency and prevent the loss of biodiversity and ecosystem services. These investments need to be incentivized and supported by targeted public expenditure, policy reforms and regulations. LDCs are well positioned in the transition to a green economy given their low carbon profile and rich natural capital assets. The move towards a green economy also provides an opportunity to address the infrastructure challenges of LDCs in a sustainable way.

UNCDF's financing models help reduce the vulnerability of local communities to climate change and lead to the sustainable use of natural resources. UNCDF is testing and consolidating models that provide a mechanism for climate finance to flow to local governments for climate resilient infrastructure and services at the local level and for decentralized off-grid clean energy access for poor people.

#### What did we achieve in 2015?

UNCDF's **CleanStart** programme supports low-income consumers to transition to cleaner and more efficient energy through different financing models. CleanStart is a global programme helping to lift at least 2.5 million people out of "energy poverty" by 2018. The programme supports clean energy policy development and provides risk capital and technical assistance to competitively selected financial service providers and energy enterprises. The selected businesses then develop and refine consumer-financing models that can be applied on a regional or national level.

Since 2014, CleanStart has facilitated **access to more than 50,400 clean technology solutions**, such as solar lanterns and solar home systems, biogas

digesters and clean cook-stoves. Among these, over **46,800 are in Nepal**, a notable achievement given the massive earthquake in 2015. There, \$510,000 in CleanStart funding for four financial service providers **leveraged \$6.5 million in loans** to both individual households and enterprises to finance these solutions.

The CleanStart '**Energy Access Challenge**' (carried out jointly with the SHIFT programme) aims, by end 2017, to sell high-quality and affordable clean energy solutions to over 178,000 low-income consumers in Cambodia, Myanmar and Uganda. Its strategy includes investing in 10 companies and offering pay-as-you-go (PAYGo) financing. This can be **particularly important for women**, who provide the vast majority of unpaid care work. Participating companies are taking full advantage of technological advancements in smart devices, digital payments and data analytics, in addition to building up "last-mile" distribution capacity.

**CleanStart's original design** was centered on its partnership with financial service providers only. While that worked well in Nepal, this was not a priority for financial service providers in other countries such as Uganda and Cambodia. A change in the external environment perhaps proved to be even more pivotal – the launch of M-KOPA in Kenya where energy access is provided using a PAYGo



*Kyeyune Rashidah is a nurse. Past sunset, in her house in Kirugaluga, Uganda, she sells shoes and lights her small shop, set in her house, with solar lamps. The ability to charge users per night usage supports rural Ugandans in expanding their work hours and provides a reliable source of clean energy.*  
© UNCDF/CleanStart

#UNCDFExpertsChat  
at [www.uncdf.org/uncdfexpertschat/renewableenergy](http://www.uncdf.org/uncdfexpertschat/renewableenergy)

"Access to a clean and reliable energy, both for lighting and cooking, is something we take for granted on a daily basis. However, for hundreds of millions of people, this is not a given at all. Millions of women, both in Asia and Africa, have to walk for hours each day just to collect firewood for cooking. Millions of children have to do nightly homework by candle or kerosene lamplights. These are realities CleanStart wants to change."

~Vincent Wierda,  
CleanStart Programme  
Manager, Bangkok,  
Thailand

**Learn More:**  
[www.uncdf.org/cleanstart](http://www.uncdf.org/cleanstart)  
Twitter: @  
UNCDFCleanStart



© UNCDF/Narendra Shrestha

## IN FOCUS

In Nepal, CleanStart is partnering with a diverse mix of financial service providers. For example, two of the financial service providers (FSPs) are providing wholesale financing to microfinance intermediaries of various sizes, including one of the largest regulated microfinance institutions that operate nationally in Nepal and a number of

small financial institutions that operate at district levels. A third partner, meanwhile, is a wholesale lending institution for over 380 farmer cooperatives, while the fourth, Jeevan Bikas Samaj (JBS), is a retail microfinance institution focused on seven districts in eastern Nepal. This diversity of partners allows for greater geographic spread, deeper client outreach and a diverse set of financing models.

JBS has been particularly successful in building a strong client portfolio in eastern Nepal by providing one-stop shop service for its clients purchasing solar energy solutions, some of whom live in the remote foothills of the Himalayas. Between early 2014 and June 2015, over 8,000 clients purchased off-grid, clean energy technologies through JBS. The number of clients continues to grow, and most of them are women. JBS provides financing for solar energy products, clean cookstoves and biogas digesters.

back-end solution and mobile payment platform. This enables consumers to pay a daily unit price for energy which is usually less than a dollar, and over time, eventually own the system. M-KOPA and others showed that a business can grow at an exponential rate servicing last mile households; in addition, these PAYGo Energy Service Companies can measure when and how much energy people are using in order to predict client behavior.

In response to this shift in the market, **CleanStart reoriented its approach** to work not only with financial service providers but also with energy service companies using an innovative blending of service provision and financing. In making its pivot, CleanStart shows the importance of risk-taking, learning and adaptation when replicating from one country into another.



*The Local Climate Adaptive Living Facility (LoCAL) is the UNCDF facility for investment in local level climate resilience. Focused on least developed countries, the facility channels global adaptation finance to local governments to help them invest in building community resilience. In the Mekong Region, Cambodia, LoCAL grants helped communities to adapt to climate change and to respond to its increased intensity of flooding.*

© Cedric Jancloes

UNCDF's **Local Climate Adaptive Living programme (LoCAL)** is designed to help governments channel global climate adaptation financing to the local level. This enables local governments to cope with the increased cost of building resilience to climate change and natural disasters. This includes support for:

- adaptive land use planning, drainage and water management;
- implementing resilient building regulations;
- retrofitting infrastructure to make it more resilient;
- strengthening roads and bridges; and
- adapting agricultural systems to the effects of climate change.



© Cedric Jancloes

## IN FOCUS

The Cambodian community of Bourei Cholsa used to be cut off by water in the rainy season. “We noticed the flooding was getting worse,” explains local councilor Seng Sareth. “It was risky to deliver babies because women could not go to hospital. Farmers could not get to market.” The solution was a new road, half a meter higher than the surrounding land. “Now we do not lose sleep any more. We have much better access to services when we need them,” says Mrs Sareth.

In **Bhutan**, 47 infrastructure projects were implemented under LoCAL, including the construction of fortified roads and elevated bridges and upgrades to drainage and water supply systems. Those projects directly benefited 10,693 people in participating communities and provided indirect benefits to people in surrounding districts by reducing the impact of flooding on their lives. In 2015, the LoCAL programme board (comprised of the participating governments) agreed that LoCAL should become a recognized mechanism for local governments to directly access the Green Climate Fund.



© Cedric Jancloes

In 2015, the LoCAL programme board (comprised of the participating governments) agreed that LoCAL should become a recognized mechanism for local governments to directly access the **Green Climate Fund (GCF)**. Cambodia began that process last year and has just completed the ‘gap assessment’ by PricewaterhouseCoopers – the first step to GCF accreditation. Once accredited, Cambodia will be in a position to upscale the LoCAL mechanism to all local governments in the country. This is the leverage that UNCDF seeks to obtain through the LoCAL performance-based climate resilient grants.



*LoCAL is governed by the LDCs themselves and includes an active agenda for knowledge-sharing. As a result of UNCDF's support through its LoCAL programme, countries like Cambodia and Bhutan have secured climate finance for their local governments worth over 50 times the original UNCDF seed capital investment of \$1million.*  
© Cedric Jancloes

The Korean Environmental Institute provides its climate forecasting expertise to LoCAL so that it can check that local investments correspond with the latest climate change predictions. The programme is working with the World Resources Institute to ensure that the climate finance allocated to local authorities is verifiably building resilience and delivering results for vulnerable communities.

To date, the LoCAL mechanism has been implemented in **11 countries**, with grants totalling **\$3.5 million transferred** to local governments representing a population of some 10 million people. These countries are on track for eventual Green Climate Fund (GCF) access.

In addition, **LoCAL is currently exploring avenues to engage the private sector in a systematic manner**. New York University has undertaken a study on the topic in Cambodia. LoCAL and UNCDF’s Local Finance Initiative (LFI), which has already unlocked \$10 million for two micro hydro plants, are assessing how LoCAL could contribute to the pipeline of climate compatible projects being built by UNCDF.

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at [www.uncdf.org/uncdfexpertschat/climateresilience](http://www.uncdf.org/uncdfexpertschat/climateresilience)

“While local authorities in LDCs are finding themselves on the frontlines of climate change, they often lack the capacities and resources to deliver on their climate change mandates.”

~Fakri Karim, LoCAL Programme Manager, Bangkok, Thailand

**Learn more:**  
[www.local-uncdf.org](http://www.local-uncdf.org)

## FOOD SECURITY AND NUTRITION

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.

UNCDF is addressing food security and nutrition through territorial approaches and financial products that strengthen agricultural value chains, mitigate risk and maximize the local impact of investments for food security. UNCDF's financing models create a more sustainable environment for addressing food security issues in LDCs by:

- strengthening local capacities for integrating food security concerns into planning and budgeting;
- providing the financial instruments needed for investments that strengthen local resilience to food shocks; and
- ensuring agriculture finance reaches smallholder farmers.



*The rural town of Koréra-Kore, located in the northeast of Nioro du Sahel in Mali, now has a cereal bank with a storage capacity of 150 tonnes of grain, allowing its 4,000 inhabitants to safely store their crops. With the support of UNCDF and the 'Support to Local Authorities' joint programme the town is able to cover the food needs of its inhabitants during lean periods.*  
© UNCDF/Giulia Pivetti



*"Everyday, I notice the need of support of the livestock farmers in terms of animal nutrition, animal health and the strengthening of capacities around livestock farming. During the dry season, there is an enormous nutritional deficit amongst the animals and farmers reduce the portions, which only intensifies the problems for the animals. We have to support them in order for them to retain healthy herds. It is not unusual to see a family spend 500,000 FCFA in nutritional supplements as they try to save their animals at any cost. This represents a fortune for a local livestock farmer."*  
– Dr. Alphonse Koulibaly, veterinarian  
© Stephanie Tailleux

### What did we achieve in 2015?

In 2015, UNCDF launched its **Finance for Food (F4F)** initiative. Already, \$3.6 million worth of food security investments have been made in **Benin, Burundi, Mali, Mozambique** and **Niger**. In Mali alone, more than \$2 million has been invested in infrastructure for improving food security, such as grain storage facilities and improved irrigation systems; UNCDF is also helping the Government to make food security a central part of local planning and budgets.

**Learn more:**  
<http://f4f-uncdf.org>

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

In **Tanzania**, UNCDF's **Local Finance Initiative (LFI)** assists smallholder cassava farmers to increase their yield. With technical and financial support from UNCDF, a local starch company has been piloting the commercial processing of cassava in the Pwani Region since 2012. Thanks to access to a factory, new technologies and a guaranteed market and price for their crop, poor farmers who grew cassava mainly for food are now able to sell it commercially and make a profit.

**Learn More:**  
[www.uncdf.org/lfi](http://www.uncdf.org/lfi)  
Twitter: @UNCDFLFI

In all, a total of 517 smallholder farmers and 25 commercial farmers will receive contracts from the factory to produce and sell cassava in a region that accounts for 10 percent of Tanzania's cassava yield. After proving its business model, the factory hopes to attract equity investors interested in starch production, which has massive export potential. Currently, only around 30 percent of uprooted cassava in Tanzania makes it to market.



© UNCDF LFI/Rob Beechey

## IN FOCUS

I was the first one to bring cassava to the factory in 2012 to test the new machines,” says Hamisi Mussa Kweri. “Although it was just a trial, I had much hope because I could see the potential of the machines and the profits we could make by selling our cassava to the factory. With the profits I would be able to increase the amount of acres on which I farm to earn even more money, educate my grandchildren, and improve my home.”

Kweri now owns 60 acres of land and is planning to buy a bicycle or motorcycle so he no longer has to walk to traverse his farm.

## ECONOMIC EMPOWERMENT OF WOMEN AND YOUTH

Eliminating gender inequalities and empowering women and girls in all aspects of life will make a crucial contribution to the realization of the 2030 Agenda. Poverty eradication in LDCs requires increasing access to economic opportunities and financial services for young people, with a focus on young women, youth living in rural areas and out-of-school youth.

UNCDF’s financing models are actively empowering women and youth. They are meeting the need for customized financial services and infrastructure and other services for women, and providing young people with both financial services and economic opportunities to lead productive lives. They also address structural barriers to women’s access to economic activities. While UNCDF’s programmes have for some time focused on women as beneficiaries and clients, they are now pursuing more multifaceted approaches addressing women as employees, consumers and active participants in the economy.

## What did we achieve in 2015?

2015 was a pivotal year for UNCDF’s **YouthStart** programme with the completion of the regional pilot, a positive final evaluation and approval of a global programme to scale up the lessons learned from the pilot and evaluation.

**Learn more:**  
[www.uncdf.org/youthstart](http://www.uncdf.org/youthstart)

YouthStart tripled the pilot’s original goal of providing access to finance to 200,000 young people between the ages of 12 to 24. The programme provided **over 600,000 youth in eight African countries with access to financial and non-financial services**. These young clients – half of whom are women and girls – now have over \$16 million in savings. YouthStart also enabled **80,000 young entrepreneurs to access \$11 million in loans**.



© UNCDF/Karima Wardak

## IN FOCUS

Francine Mukama, 20, lives in Vunga, **Rwanda**, where she owns and operates a small canteen. She is one of the 80,000 young entrepreneurs who were able to take out their first business loan thanks to UNCDF’s YouthStart initiative. After opening a savings account with a local financial service provider, she attended financial education classes that spurred her to save enough money to start a small business selling tea and porridge in a local market.

After attending another workshop on the basics of managing a business loan, she decided she was ready to grow her business. “When I was ready to start my canteen, UCU (a local financial service provider (FSP)) was there for me and accepted me to give me a first loan of 200,000 RWD (\$300) because I managed to accumulate savings,” Mukama recalls. “I used the loan to rent a small house and buy goods to sell.”

Today, customers can buy bread and milk at her canteen and order porridge with their tea. The income from her business has allowed her to buy a piece of land and her plan is to start growing crops on it that she can then cook and sell in her canteen. “I never thought I would be able to afford a piece of land before I opened my savings account,” she says.

In 2011, when the microfinance institution FINCA DRC in the Democratic Republic of the Congo (DRC) joined YouthStart it had nine branches. Today it has more than 300. A key factor in its successful expansion has been the introduction of the points of service (POS) technology and agent network. Thanks to the POS network, the number of youth clients more than tripled over a period of six months and transactions on youth accounts increased by 480 percent.  
© FINCA DRC



The follow-up programme –YouthStart Global – will encourage financial service providers to partner with technical and vocational educational providers and economic actors that show the greatest promise for youth employment in a particular country. This has been incorporated into country specific diagnostics of youth economic opportunities ecosystems, completed now in seven countries.

**Learn More:**  
<http://www.pfip.org>  
Twitter: @UNCDFPFIP

In terms of economic empowerment of women, UNCDF's **Pacific Financial Inclusion Programme (PFIP)** has used data collected on the demand for financial services in Fiji, Samoa and the Solomon Islands to build a comprehensive picture of underserved segments in each market, including by geography, age and sex. The studies have also opened the way for further in-depth research into gender equality in financial inclusion. The **economic empowerment of women is now a key outcome** in the financial inclusion strategies of Fiji, Papua New Guinea, Samoa and the Solomon Islands. The studies were fed into national financial inclusion strategies, which the programme helped develop.

The **Local Finance Initiative (LFI)** has helped a growing number of communities to prepare and structure bankable projects that empower women. One example includes the Ileje Community Radio established by LFI in Ileje District, Mbeya Region of Tanzania. The radio station will help improve the livelihoods of local residents, who rely primarily on agricultural activities for sustenance. This will be achieved by broadcasting information on farming techniques, weather conditions and market prices. It will also empower women by enabling them to actively participate in community discussions, becoming citizens whose voices are heard.

Beyond mainstreaming gender equality into all its programmes, UNCDF has programmes specifically designed to support women's economic empowerment.

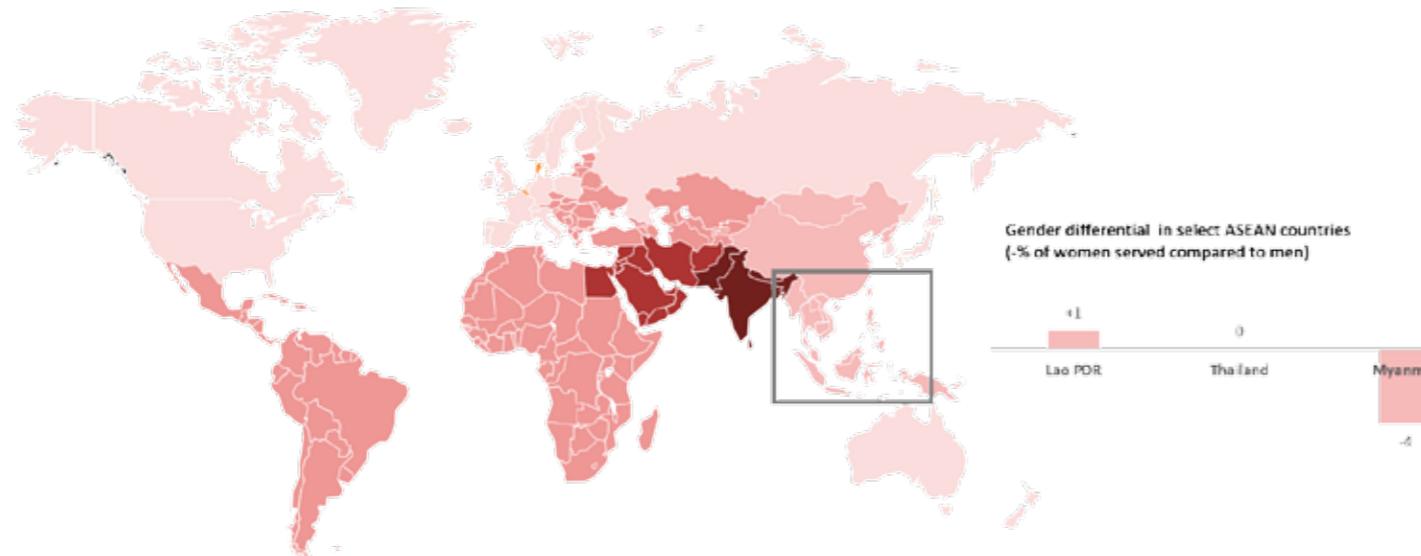


In 2015, LFI provided both technical and financial support to Ileje District in Mbeya Region in Tanzania to establish a community radio station. With improved access to information, the farming community will be able to make more informed economic decisions, thus enhancing crop yields and their livelihoods. The radio station will also help to promote and raise awareness on key social issues such as gender equality, reproductive health and family planning, HIV prevention, empowerment of marginalized groups, including women and good governance.”  
© UNCDF/Jacqueline Namfua

## GENDER DIFFERENTIAL IN ACCESS TO FINANCIAL SERVICES

(% OF WOMEN COMPARED TO MEN)

Gender differential in access to financial services  
by region (-% of women served compared to men)



### #UNCDFExpertsChat at [www.uncdf.org/ uncdfexpertschat/ womenfinancial inclusion](http://www.uncdf.org/uncdfexpertschat/womenfinancialinclusion)

"Between 2011 and 2014, the number of adults without a formal bank account – the unbanked – dropped by 20 percent to 2 billion. Yet, there is a significant gender gap in account ownership, savings, credit, and payments behavior."  
~Feisal Hussain, Senior Regional Technical Advisor, SHIFT, Bangkok, Thailand.

#### Learn More:

<http://shift.uncdf.org>  
Twitter: @UNCDFSHIFT

In 2015, UNCDF began implementing its regional **Shaping Inclusive Finance Transformations (SHIFT)** programme in the ASEAN countries of **Cambodia, Lao PDR, Myanmar** and **Viet Nam**. SHIFT's goal is to accelerate financial inclusion and women's economic participation in the ASEAN region. By 2020, SHIFT aims to successfully transition at least six million low-income people, micro-entrepreneurs, and small and medium-sized businesses, including women and young people, from using informal financial mechanisms to more formalized financial services.

In 2015, SHIFT launched its **Challenge Fund Facility**, which co-invests with the private sector in projects to test and scale up innovative business models that the private sector may not otherwise undertake on its own because of perceived risks. The first window of the Challenge Fund, launched in collaboration with the CleanStart programme, funded five innovative proposals that aim to reach 75,000 low-income individuals within the ASEAN region.

SHIFT is also a technical advisor for the ASEAN Working Committee for Financial Inclusion, which was successfully established in mid-2015. SHIFT's role as an advisor allows it to directly engage with the central bankers and regulators of ASEAN member states to provide data and information, which informs decision-making.

In 2015, UNCDF also helped expand access to financial services in remote rural areas, particularly for women, through its **MicroLead Expansion** programme.

This flagship UNCDF initiative saw significant expansion in 2015, as some of the new financial products it had assisted financial service providers to design began to scale up. Over **500,000 new customers in 10 countries, 70 percent of them women**, accessed savings products via alternative channels and digital means through MicroLead's support. Over a million additional depositors, a majority of whom are women and rural dwellers, will be reached by the end of 2016.

The year 2015 also saw the launch of the **Inclusive Equitable Local Development (IELD)** programme, a joint initiative of UNCDF, UNDP and UN Women. IELD will support governments and the private sector at the local level to design, plan, implement and sustain local public and private investments, with a particular emphasis on unlocking domestic capital for women's economic empowerment and entrepreneurship. The programme aims to unlock public and private finance to address constraints on women's participation in local economies.

The five-year pilot programme has already been rolled out in **Bangladesh** and **Tanzania**, with plans to expand into two more LDCs in 2017.

Finally, in 2015 UNCDF started working with UN Women to launch a new initiative, the **Financial Inclusion for Women's Economic Empowerment (FIWEE)**, to increase the likelihood that financial services will be better suited to women's economic roles and to their needs in these roles. The upcoming programme is based on four pillars: research and data, innovation in product design and delivery, policy and regulatory issues and capacity building. FIWEE will start with an inception phase of 18 months in two African countries.

MicroLead pilot projects are "relevant and effective in supporting the financial inclusion of rural low-income clients in the 10 countries where it intervened."  
~MicroLead midterm evaluation, 2015

### #UNCDFExpertsChat at [www.uncdf.org/ uncdfexpertschat/ womeneconomic empowerment](http://www.uncdf.org/uncdfexpertschat/womeneconomicempowerment)

"I truly believe that the key to sustaining our future economies will depend on whether we invest in women today."

~Mohammad Abbadi, Local Development Finance Programme Manager, UNCDF, New York

#### Learn More:

[www.uncdf.org/ield](http://www.uncdf.org/ield)

#### Learn more

[www.uncdf.org/fiwee](http://www.uncdf.org/fiwee)

## INFRASTRUCTURE AND SERVICES

High transaction costs arising from inadequate and inefficient infrastructure can prevent the country from realizing its full growth potential. Both SDG 9 – which aims to build resilient infrastructure, promote sustainable industrialization and foster innovation – and SDG 11 – which ensures cities are inclusive, safe, resilient and sustainable – recognize the importance of infrastructure to achieving the SDGs. LDCs suffer from chronic infrastructure deficits that are even more pronounced in last mile areas like secondary towns and rural areas. UNCDF has been working to successfully crowd in domestic private resources to meet the investment needs of these localities that, in comparison to larger cities, have limited access to capital.

UNCDF's financing mechanisms unlock investment from predominantly domestic public and private resources to finance local infrastructure projects that have a strong impact on economic development. These investments address the needs of rural and peri-urban areas and secondary cities through providing access to multiple sources of finance using instruments such as public-private partnerships, structured project finance, fiscal decentralization and municipal finance.

### What did we achieve in 2015?

By using targeted seed capital investments and technical support to attract private resources, such as from domestic banks, UNCDF's **Local Finance Initiative (LFI)** aims to bridge the significant gap between local infrastructure needs and available funds. June 2015 saw the conclusion of a four-year LFI programme in Tanzania; among other successes, the experience has shown that ODA, when applied strategically, can unlock domestic investments into local development at ratios of 1:10 or more.

In all, \$1.2 million in seed capital disbursed to five regional-level development projects have resulted in \$52 million of domestic private sector loans and another \$3.6 million in grants. Examples of these projects include hydro-electric power plants; a cashew-processing factory; and a new bus terminal.



© UNCDF/Giulia Pivetti

## IN FOCUS

Through LFI, the Benedictine Sisters of St. Gertrude Convent Imiliwaha in Tanzania's Njombe District have developed a hydro-electric power project that will expand rural electrification to over 5,600 people. It will also provide additional electricity to a hospital, four dispensaries and 16 schools.

"We will be able to get heaters for our wards which will help to reduce the many cases of pneumonia, and be better able to handle night deliveries and to make use of our machines in the laboratory," says Sister Maria Veremunda, Health Centre manager.

The Government of Tanzania is now creating a platform to allow for easy replication of the LFI approach in local governments and the private sector across the country. This success, along with the growing demand for public-private partnerships models in local development finance, is spurring demand for LFI replication in other countries, notably Bangladesh, Benin, Lao PDR and Uganda.

The year 2015 also saw the launch of UNCDF's **Municipal Investment Financing (MIF)** programme, which aims to connect sustainable sources of capital financing with local governments struggling to address problems arising from rapid urbanization. Specifically, the programme will improve access to the investment capital necessary for critical urban infrastructure and services in LDC cities in Asia and Africa and help create or improve financial markets, policies and practices around the capital financing process.

"During the last four years, the [LFI] programme has been instrumental in translating local economic development challenges into business opportunities for both the public and private sectors."  
~Kagyabukama E. Kiliba,  
Deputy Permanent  
Secretary, President's  
Office, Regional  
Administration and Local  
Government, Tanzania

## FINANCIAL INCLUSION AND INNOVATION

Financial inclusion has been broadly recognized as critical in reducing poverty and achieving inclusive economic growth. Expanded and responsible access to finance can empower poor people, especially women. An estimated two billion working age adults – more than half of them women – are unbanked. Technological innovation is opening up exciting possibilities to increase both the depth and breadth of financial inclusion for the poor

UNCDF's last mile financing models support **financial service providers to expand their reach to un-and under-banked**, poor and remote populations who have been excluded from traditional financial networks. As part of this work, UNCDF helps provide digital financial services to the poor.

### What did we achieve in 2015?

In 2014/2015, UNCDF invested \$24 million in 101 financial service providers to expand financial inclusion. New clients included around 660,000 depositors in **the Democratic Republic of the Congo (DRC)** and 528,000 in **Niger**. In all, financial service providers reached out to 6.5 million clients with a range of affordable and sustainable financial products.



© UNDP/DRC

## IN FOCUS

Since 2011 when the DRC programme began, the number of microfinance institution clients rose by 133 percent to 1.9 million people in 2015, half of whom are women.

Maman Chantal sells flour and charcoal in the capital city of Kinshasa. She is a member of a cooperative savings and credit group called BOMOKO that is supported by UNCDF and UNDP.

“BOMOKO helped me to live better despite my limited means,” Maman Chantal says. “My little business feeds my family and I can educate my children.”

The **Better Than Cash Alliance** is a global partnership of governments, companies and international organizations that accelerates the transition from cash to digital payments in order to reduce poverty and drive inclusive growth. The Alliance does this through a combination of advocacy and research and by providing key support to its members. UNCDF serves as its secretariat.

In 2015, the Alliance provided strategic and technical support in Peru to launch the world's first shared interoperable mobile payments platform focused on financial inclusion. *Modelo Perú* is the result of a unique collaboration between 34 financial institutions, involving the Government and telecommunications companies in a country where over 70 percent of people are financially excluded. Together, the financial institutions developed a low-cost mobile money and digital payments programme known as *Bim*. The platform works across all major telecommunications companies and takes advantage of the country's extensive existing financial services infrastructure – branches, ATMs, agents – to build a mobile payments service that operates on a national scale.

**Learn more:**  
[www.betterthancash.org](http://www.betterthancash.org)  
Twitter: @BetterThan\_Cash



Vendors from the town square of Andahuaylillas District in Peru test the BIM platform, transferring funds between each other using their mobile phones. The new mobile banking system is designed to promote financial inclusion.  
© Better Than Cash Alliance/Jeffrey Bower

Launched in February 2016, Bim plans to bring digital payments to five million Peruvians over the next five years. The Government of Peru has already shifted two conditional cash transfer programmes to electronic payments, reaching over 1.27 million users.

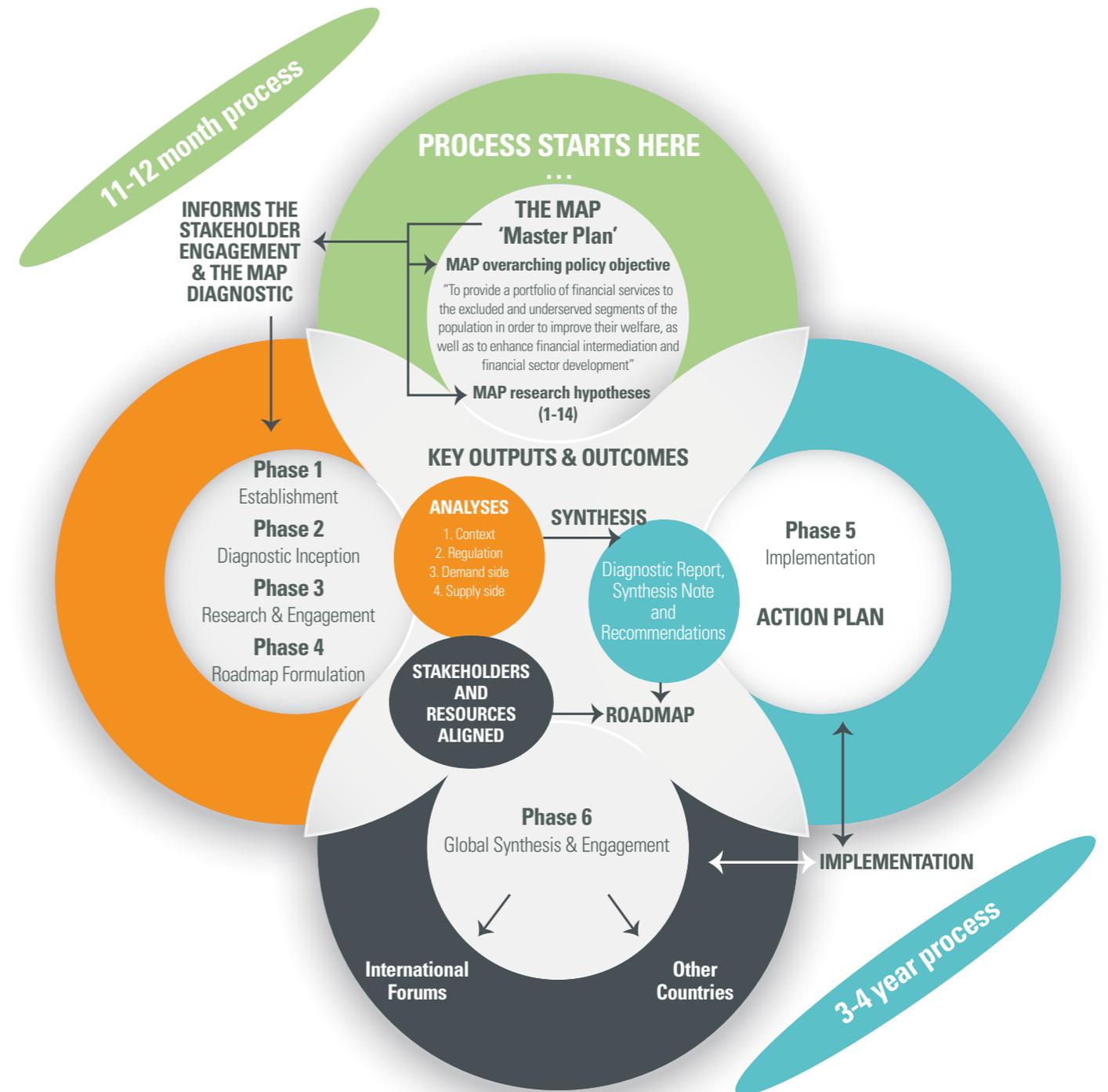
One of the first pilots, which experts from the Alliance helped coordinate, took place in Andahuaylillas. Using their own phones, vendors from the town square were able to register and open an electronic money account (a simplified bank account) to transfer funds between one another. With the help of the town's correspondent bank agent, they were able to put money into and take money out of their mobile accounts. All of this was accomplished using simple messaging available on any phone, without requiring a smartphone or even a data plan. Only a nominal fee was charged, significantly less than what money senders charged. Most people using the new product in Andahuaylillas had never previously used anything other than cash. Today, any Peruvian with a mobile phone and national ID, on any network, can now access digital financial services through any of the 34 issuing banks.

Peru is one of the 50 members of The Better Than Cash Alliance, which works closely with other global organizations and is an implementing partner for the G20 Global Partnership for Financial Inclusion.

Learn more:  
[www.uncdf.org/map](http://www.uncdf.org/map)

In 2015, UNCDF's **Making Access to Financial Services Possible (MAP)** programme produced 12 national diagnostics of financial inclusion disaggregated by gender, geography, income and other demographics. This has already led to the development of five national level financial inclusion roadmaps. The resulting data provides an evidence base that encourages private investment into expanding rates and outreach of financial inclusion throughout these countries.

Using the data collected in a 2013 MAP diagnostic on rates of financial inclusion in **Myanmar**, a Financial Inclusion Roadmap was developed and officially adopted and launched by the Government in April 2015. UNCDF is working with the Government to achieve the Roadmap's goal of connecting 40 percent of the population to formal financial products by 2020, with a special emphasis on women-owned and women-led businesses, small and medium-sized businesses, young people and the rural poor.



#UNCDFExpertsChat  
at [www.uncdf.org/  
uncdfexpertschat/  
microlead](http://www.uncdf.org/uncdfexpertschat/microlead)

“Being able to bring banking services to the doorstep of an uneducated rural woman who fears entering a banking hall, and seeing the transformation that these services bring to her and her family is what drives all of us on the MicroLead team.”  
~Pamela Eser,  
MicroLead Programme  
Manager, UNCDF, New  
York

UNCDF’s **MicroLead** programme is working with financial institutions in Africa to expand savings services to the unbanked through alternate delivery channels like mobile phones and point of service devices. As a result, savings collection has become efficient and affordable both for clients and the financial service providers themselves. In 2015, **MicroLead** experienced a significant expansion as that programme hit maturity.

- In **Malawi**, NBS Bank introduced a savings product – Pafupi Savings – that has expanded access to savings for low-income people in rural areas, especially previously unbanked women. Pafupi Savings is a mobile savings account that removes the barriers rural women face in accessing formal financial services. For example, Pafupi savings accounts have no monthly fees and allow women to bank in their own neighborhoods, cutting the cost of transport and therefore the cost of accessing formal financial services. Pafupi savings accounts are opened via mobile phone with no paperwork required. Bank Pafupi offers transaction services through local shops, which serve as bank agents. The agents and bank customers transact using a mobile phone or POS device.



*In roughly three years, the microfinance institution Buusaa Gonofa in Tanzania has gone from zero depositors to reaching 67,000 savers, out of which more than 20,000 are served through daily doorstep collection services by staff using point-of-service devices.  
© UNCDF/Ivana Damanjov*

After an eight month pilot test, in 2015 the bank rolled out the savings product nationally, reaching over 37,000 customers in its first year, 31 percent of whom are women. Malawi’s Minister of Finance said that all banks in Malawi should follow NBS’ lead.

- In Tanzania, Mwanga Community Bank, with support from CARE, is providing financial services to informal savings groups via new products designed to meet group needs. MCB understands the importance of reaching the untapped rural market and realizes it has a business case to reach these customers if they can be reached in groups. MCB not only offers saving services but has also designed a group loan product which helps to alleviate some of the limitations of groups. Within the MicroLead programme, MCB has linked over 1,000 informal savings groups, the bulk of which are composed of rural smallholder female farmers.

**Mobile Money for the Poor (MM4P)** is working in eight countries in Asia and Africa where it supports and cooperates with banks, mobile network operators and regulators to help them reach millions of additional customers who are currently unbanked. In doing so, UNCDF hopes to prove that these services can be offered sustainably by the private sector in LDCs.

In **Uganda**, MM4P is working with Kyagalanyi Coffee Ltd, a bulk coffee buyer on the slopes of Mount Elgon, to digitize payments to their 12,000 farmers. MM4P provided initial funding and the necessary expertise to establish a phone network, introduce digital payment technology, develop a network of agents and work with local merchants so they can accept mobile payments from farmers.

UNCDF’s Pacific Financial Inclusion Programme (PFIP) continued supporting financial service providers to innovate with products and delivery channels to reach mass-market customers. PFIP’s main goal is to accelerate the customer journey from sign-up to active usage. PFIP 2 is now reaching 353,753 total clients with partners like BIMA (microinsurance), SPBD (microfinance and solar loans) and World Vision (savings groups). In Papua New Guinea, BIMA is providing life insurance and health insurance to 213,536 people, most of whom have never had insurance before. BIMA has created a distribution and payment channel in partnership with Digicel, the leading mobile network provider. The premiums are paid through micro-deductions from the customers’ phone credit.

**Learn more:**  
[www.uncdf.org/mm4p](http://www.uncdf.org/mm4p)  
Twitter: @UNCDFMM4P

### What are the lessons learned from 2015?

Evaluations found UNCDF programmes to be highly relevant to the country contexts they operated.

80 percent of clients said “their lives had changed” thanks to better incomes and an improved understanding of how to use financial services, and that UNCDF has “fulfilled its role as a promoter of youth financial inclusion at the global level.”

- UNCDF’s newly designed YouthStart Global programme will address evaluator recommendations on the **regional YouthStart pilot programme**. The pilot programme’s final evaluation found that almost 80 percent of clients said “their lives had changed” thanks to better incomes and an improved understanding of how to use financial services, and that UNCDF has “fulfilled its role as a promoter of youth financial inclusion at the global level.” Recognizing the relevance, innovation and impact of the YouthStart programme, evaluators recommended that where appropriate UNCDF consider more holistic programming arrangements involving not just direct beneficiaries, such as financial service providers, but also other actors in that system who could support replication and scaling up. The follow-up programme – YouthStart Global – will encourage financial service providers to partner with technical and vocational educational providers and economic actors that show the greatest promise for youth employment in a particular country.
- From its **Making Access Possible (MAP)** programme, UNCDF is learning the power of data-driven approaches in developing a shared common vision while revealing market opportunities to the private sector. Those lessons are being reflected in the next generation of UNCDF financial inclusion programmes.
- A contraction in fiscal transfers from central governments to local authorities observed in some **UNCDF-supported local governments** has shown the need for LDCs to seek more diverse sources of funding. It also suggests that UNCDF should place greater emphasis on raising private sector funding, especially at the domestic level, to support local capital investments – as it is indeed now doing.
- The **Local Finance Initiative (LFI)** has shown the value of structured project finance. The programme set out to demonstrate that local infrastructure projects that are prioritized by local governments and communities can attract funding primarily from domestic capital if existing market failures are addressed. By directing strategically placed ODA to de-risk and structure priority local infrastructure projects, the programme demonstrated that



Construction of the Maguta Small Hydroelectric Power Project, a 2.4 MW hydro-power project located in Kilolo District, Iringa Region, Tanzania. The new power plant will supply electricity to more than 3,000 households in 16 villages. UNCDF contributed with a seed capital of \$300,000 and technical support through its Local Finance Initiative (LFI) programme.  
© UNCDF/Jacqueline Namfua

finance can be leveraged at a rate of at least 1:10 in support of economically transformational investments. In so doing, the programme is contributing to a change in investor behaviour and attracting interest in funding smaller-scale projects. One measure of success is that the Government of Tanzania has moved to institutionalize the local finance initiative approach in all local government authorities for scale-up and sustainability.

- On the diversification of the UNCDF funding base, an internal review of the Swedish Government-funded partnership framework for flexible non-core **(Partnership Framework For Global Initiatives on Inclusive Growth and Sustainable Development)** was conducted. It confirmed the relevance to UNCDF and its partners of a funding approach that provided targeted but flexible support to new UNCDF financial models in thematic areas such as renewable energy, climate change adaptation, mobile financial services for the poor and local infrastructure. UNCDF has incorporated these lessons into the design of its successor funding window, the **Last Mile Finance Trust Fund**, which was launched in March 2016.

Read the PFIS final report at <http://bit.ly/1WV1ZoP>

What’s the Last Mile Finance Trust Finance?  
Check it out at page 49



SECTION THREE:  
**PARTNERS AND  
RESOURCES**

© UN PHOTO



UNCDF operates as a small, risk-tolerant innovation fund whose programmes deploy a careful balance of technical assistance with catalytic seed capital to create viable markets and 'crowd in' other investors. This requires a multi-year approach that recognizes that investment in innovation must be sustained to enable consolidation (for policy and institutional impact) and scale up (for replication and national impact).

UNCDF has the potential to catalyse and drive frontier finance models into the "last mile" in least developed countries with a range of old and new partners, but only with a predictable resource base to support its work. In 2015, **total UNCDF revenue** was \$58 million, compared to \$88.3 million in 2014.

"The UNCDF core of yesterday seeded the innovations that are the flagships of today. Without a strong core, UNCDF loses critical innovation space to seed the flagships of tomorrow."  
~ Judith Karl, UNCDF Executive Secretary

**Core contributions** continued to fall in 2015, with a sharp decline from \$16 million in 2013 to \$11.6 million in 2015. This is well below the \$25 million needed for UNCDF to operate in 40 LDCs.

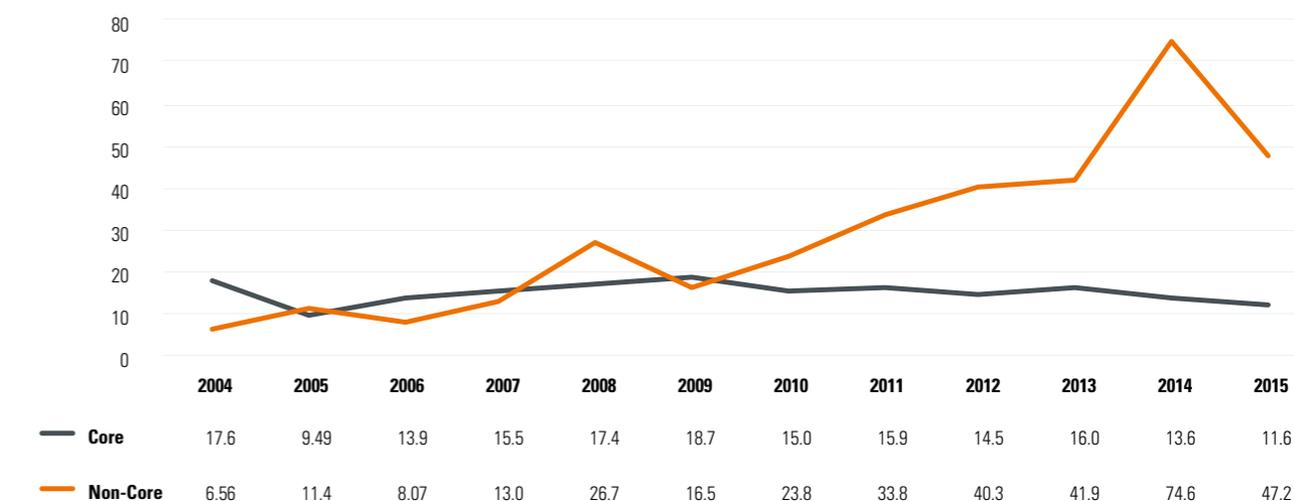
**Non-core contributions** in 2015 totaled \$47.2 million, dropping by 37 percent from the record high of \$74.6 million reached in 2014.

In 2015, **UNCDF's top core donors** were Switzerland, Sweden, Belgium, Luxembourg, the United States, Norway, Australia, Austria, Liechtenstein and China. Two LDCs, Myanmar and Lao PDR, supported UNCDF through core resources. Thailand is also a core donor from the G77 group.

**UNCDF's top overall donors** were the UN Multi-Donor Trust Fund, Australia, Sweden, the European Commission, Belgium, Switzerland, The Bill & Melinda Gates Foundation, The MasterCard Foundation, the United States, Denmark and Luxembourg.

## UNCDF INCOME TREND, 2004-2015

in millions of United States dollars



## IN FOCUS

### A SHORTFALL IN CORE FUNDING

UNCDF is facing a serious shortfall in terms of its core resources. Core contributions do much more than simply fund overhead expenses. Contributions to UNCDF's core resources enable UNCDF to do what it does best: experiment, take calculated risks, identify and prove successes at the pilot level, and then work with country partners to bring those pilot project successes to a national or regional scale.

The core resources of today seed the flagship programmes of tomorrow. Without core, UNCDF will be unable to pilot and test new and innovative models. Core also allows UNCDF to maintain an ongoing country-level presence for the duration of a new programme. Evidence has shown time and again that this requires at least a period of 12 to 18 months in order to not only develop the new programme but to also develop the necessary partnerships and financial resources needed to keep the programme going in the long term.

Core donors are valued for their willingness to take risks, help create new models and research and test ideas that institutional investors are not yet ready to take up. The UNCDF core offers value for money, establishing new country programmes with \$500,000 in start up funding that, within three to five years in most country settings, results in at least 10 times that amount in the form of private and public investments and grants.

## 2015 INCOME FIGURES

in United States dollars

| PARTNER  | CORE              | NON-CORE          | JPO            | TOTAL             |
|--|-------------------|-------------------|----------------|-------------------|
| 1 MULTI PARTNER TRUST FUND (MPTF)                              |                   | 8,942,729         |                | 8,942,729         |
| 2 AUSTRALIA  | 532,337           | 6,410,340         |                | 6,942,677         |
| 3 SWEDEN   | 2,923,423         | 2,871,282         | 166,530        | 5,961,235         |
| 4 EUROPEAN COMMISSION  |                   | 5,303,748         |                | 5,303,748         |
| 5 BELGIUM  | 2,120,891         | 2,816,243         |                | 4,937,134         |
| 6 SWITZERLAND  | 3,092,784         | 1,524,390         |                | 4,617,174         |
| 7 BILL & MELINDA GATES FOUNDATION                              |                   | 4,600,000         |                | 4,600,000         |
| 8 THE MASTERCARD FOUNDATION                                    |                   | 3,066,853         |                | 3,066,853         |
| 9 UNITED STATES OF AMERICA                                     | 900,000           | 1,638,000         |                | 2,538,000         |
| 10 DENMARK   |                   | 2,022,320         | 179,244        | 2,201,564         |
| 11 LUXEMBOURG  | 941,176           | 906,368           | 285,059        | 2,132,604         |
| 12 NORWAY  | 661,201           | 706,215           |                | 1,367,416         |
| 13 PMGF MYANMAR  |                   | 1,305,551         |                | 1,305,551         |
| 14 UNITED NATIONS DEVELOPMENT PROGRAMME (UNDP)                 |                   | 997,080           |                | 997,080           |
| 15 CITI FOUNDATION   |                   | 500,000           |                | 500,000           |
| 16 MASTERCARD WORLDWIDE  |                   | 500,000           |                | 500,000           |
| 17 LIFT FUND (UNOPS)   |                   | 433,580           |                | 433,580           |
| 18 DEPARTMENT FOR INT'L DEVELOPMENT                            |                   | 384,772           |                | 384,772           |
| 19 INTERNATIONAL FUND FOR AGRICULTURE (IFAD)                   |                   | 347,090           |                | 347,090           |
| 20 AUSTRIA   | 326,797           |                   |                | 326,797           |
| 21 ITALY   |                   |                   | 252,780        | 252,780           |
| 22 LIECHTENSTEIN   | 73,324            | 102,625           |                | 175,949           |
| 23 UNITED NATIONS CONVENTION TO COMBAT DESERTIFICATION (UNCCD) |                   | 112,233           |                | 112,233           |
| 24 THE NETHERLANDS   |                   | 34,000            |                | 34,000            |
| 25 CHINA   | 30,000            |                   |                | 30,000            |
| 26 MYANMAR   | 4,016             |                   |                | 4,016             |
| 27 THAILAND  | 2,500             |                   |                | 2,500             |
| 28 LAO PDR   | 1,500             |                   |                | 1,500             |
| <b>Total</b>   | <b>11,609,948</b> | <b>45,525,420</b> | <b>883,613</b> | <b>58,018,982</b> |

## UNCDF'S FOUR WINDOW FUNDING ARCHITECTURE

### 1

#### CORE

UNCDF's Strategic Framework 2014-2017 funding target is **\$25 MILLION PER YEAR**. Core resources assure programme operations in 40 LDCs, provide initial risk capital for innovative local finance business models, and create conditions resulting in a 1:10 leverage of ODA to other public/private investment capital.

### 2

#### FLEXIBLE NON-CORE: LAST MILE FINANCE TRUST FUND

Flexible non-core resources are the most flexible resources for UNCDF to meet new demand or to drive new innovation space in LDCs where UNCDF is not already present or where investor interest is most risk averse, such as in crisis-affected settings. The Last Mile Finance Trust Fund is structured around **FIVE THEMATIC WINDOWS** (Green Economy, Food Security and Nutrition, Economic Empowerment of Women and Youth, Infrastructure and Services and Financial Inclusion and Innovations) and **ONE COUNTRY EXPANSION WINDOW**. The five thematic windows address development issues considered critical to poverty eradication in the LDCs within the 2030 Agenda. They represent areas where UNCDF is proving concept of workable public/private finance models that address barriers to access in the last mile. They build on previously established and/or evolving partnerships with UNDP, other UN system partners, and international development banks, and across the public and private spheres. Thematic windows are operationalized through UNCDF's existing global, regional and country programmes.

Learn more at [www.uncdf.org/lmftf](http://www.uncdf.org/lmftf)

### 3

#### EARMARKED NON-CORE

Earmarked non-core is currently the largest source of UNCDF's annual income, directed by donor to specific **COUNTRY OR THEMATIC PROGRAMMES**. It funds country and regional programmes, such as the Pacific Financial Inclusion Programme (PFIP) and country programmes in Central African Republic and Somalia.

### 4

#### LDC INVESTMENT PLATFORM

Through grants, reimbursable grants, loans and guarantees, the LDC Investment Platform specifically provides **SEED FUNDING TO DE-RISK AND 'PRIME THE PUMP'** for domestic and foreign investor up-take in local initiatives that are below the radar of institutional investors. This Platform allows the greatest flexibility for UNCDF to apply the optimal funding instrument for each business need, and to replicate and crowd in domestic and international investment. The Platform's target funding is \$100 million.

## IN FOCUS

### WHY CONTRIBUTE TO THE LAST MILE FINANCE TRUST FUND?

With a targeted investment, partners can get strong visibility and catalyze local economic transformation in a large number of LDCs, and help **leverage additional resources** from domestic and other sources into those economies at a rate of at least \$10 for every \$1 invested.

For funding and learning partners, the Last Mile Finance Trust Fund provides a **flexible vehicle for channeling resources to shared strategic priorities**, and by pooling resources with other interested partners it **assures learning within the community of development actors**.

For partners with impact, investment or other blended finance vehicles, sharing in the learning supported by the Trust Fund can help **reveal additional investment options and potential**, and **catalyze partnerships across a wider range of financing instruments**.

In terms of efficiency, contributions to the core and to this trust fund significantly **reduces transaction, monitoring and oversight costs** (as compared to project-by-project funding) through consolidated annual reporting and consultations regarding priorities and results achieved.

The Swedish International Development Cooperation Agency (Sida) is the initiating contributor to this new Trust Fund.

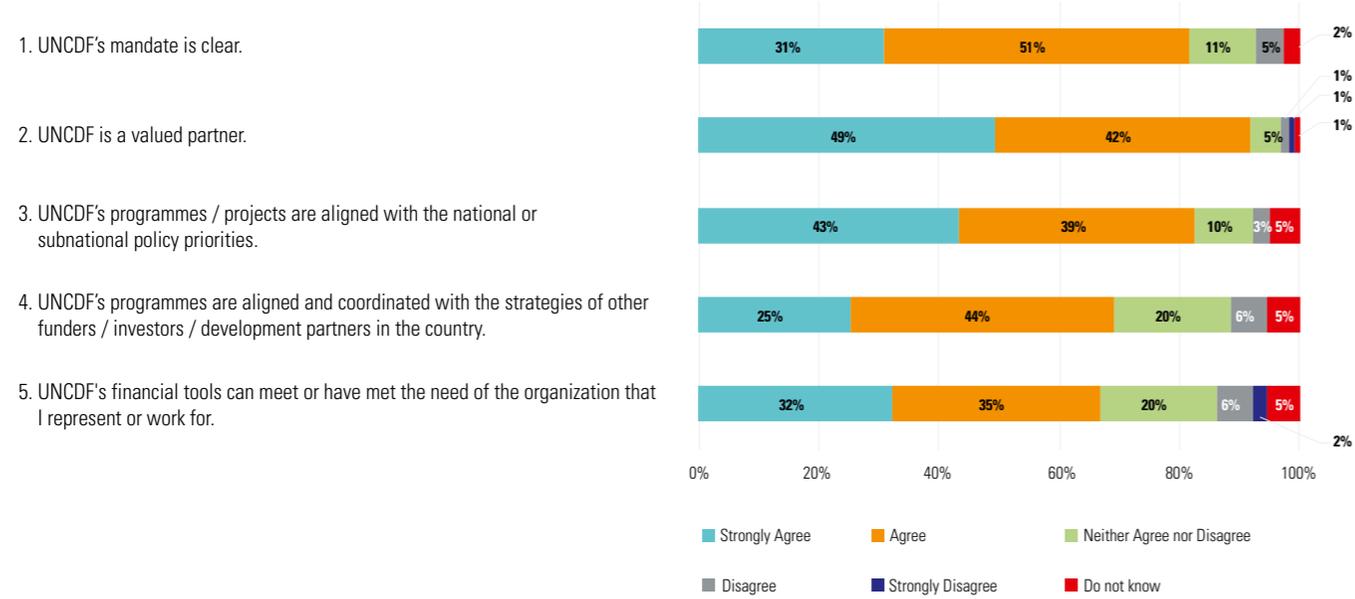
### WHAT DO PARTNERS THINK ABOUT US?

As part of its ongoing efforts to assess and improve our performance, in 2015 UNCDF carried out a partners' perception survey. The aim was to learn more about their experience in working with UNCDF.

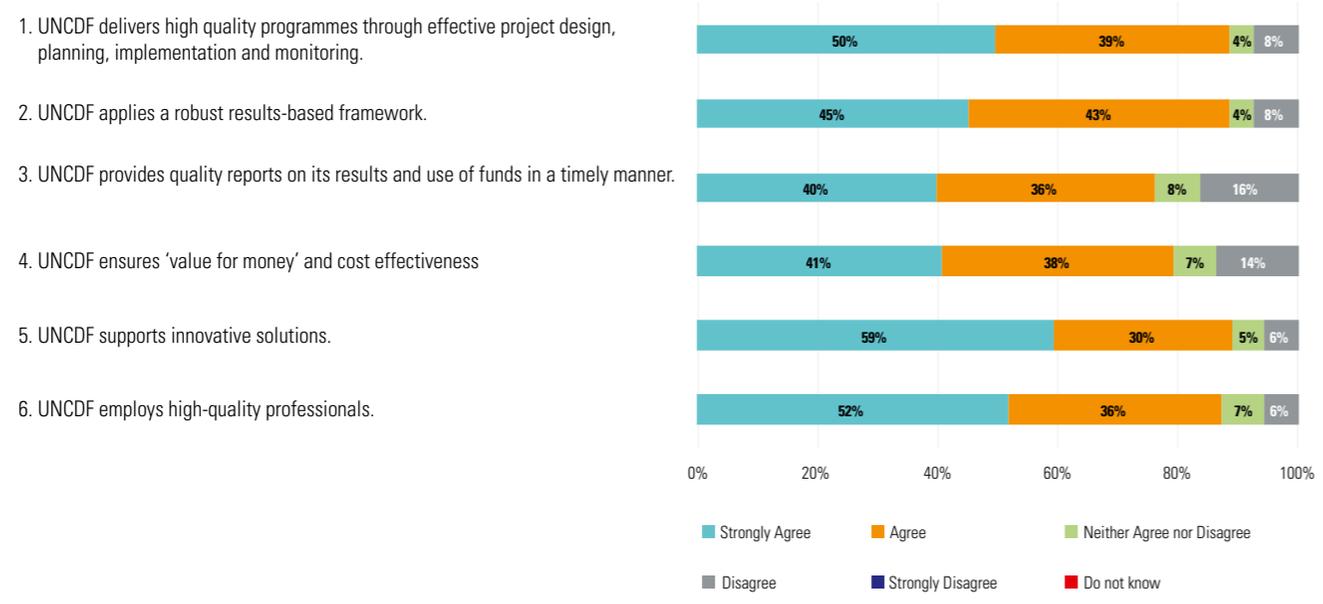
Overall, the majority of the respondents (67–92 percent) identified UNCDF as a relevant partner, with 92 percent of them seeing UNCDF as a "valued partner." UNCDF's alignment to national or subnational priorities is also viewed positively, with 83 percent of the respondents either "strongly agreeing" or "agreeing".

The results of the external partner perception survey support a picture of good performance, with 76-89 percent of respondents "agreeing" or "somewhat agreeing" that UNCDF has high project management capacity, strong monitoring and evaluation and reporting ability (though this requires improvement) and cost effectiveness. UNCDF also ranked well on its ability to support innovative solutions and employ high-quality staff.

**How strongly do you agree or disagree with the following statements?**



**In your opinion, how well do the following statements describe UNCDF?**



# SECTION FOUR: LOOKING AHEAD: UNCDFForward

*In Juba town in South Sudan, a client of Finance South Sudan Limited, one of MicroLead's grantees, has been able to increase her tailoring works and income as a result of loans.  
© SSMDF/Jacob Kyallo*



The next few years offer important opportunities for LDCs. They mark the start of SDG implementation and the last five years of the Istanbul Programme of Action. Meeting graduation targets and the SDGs in LDCs will require political will and smart strategies. It will require continued strong national leadership; dedicated support from national and international partners; strong North-South, South-South and triangular cooperation; and sufficient resources.

Strong public-private partnerships and innovative finance models will be important to that end. Deploying ODA that works to unlock public and private resource flows and that de-risks the investment space can help achieve LDC transformation, reduce inequalities and build dynamic and resilient local economies.

UNCDF is proud of its work to do just that. Its investments have produced excellent results in LDCs during the first five years of the Istanbul Programme of Action. Through its local development finance programmes, it is empowering local authorities to meet the pressing demands they face for modern energy, efficient public transportation, jobs, climate resilient infrastructure and basic services. Through its financial inclusion programmes, its innovative financing models and partnerships are expanding the reach of financial services for the poor.

### UNCDF HAS IDENTIFIED **THREE** KEY OPPORTUNITIES FOR THE FUTURE



In line with the Addis Ababa Action Agenda and Agenda 2030, UNCDF is experiencing growing demand from LDCs for 'last mile finance' innovations in its areas of expertise and for models that embed informed risk taking and have proven capacity to mobilize international and domestic public and private resources.

Looking ahead, UNCDF sees at least three opportunities.

The **FIRST** is to build on lessons learned and diversify its financial toolkit to optimize use of grants, loans, guarantees and new funding modalities.

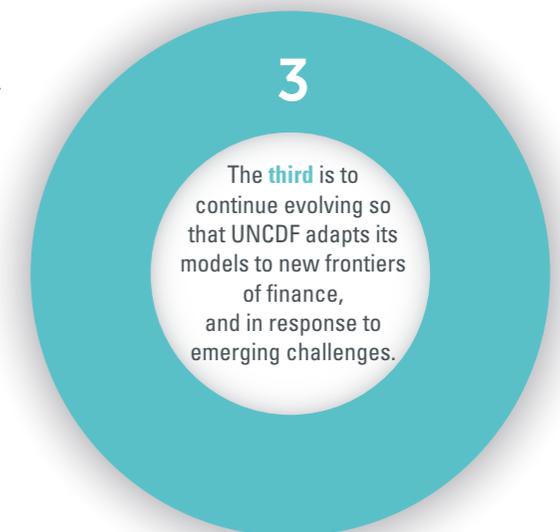


The **SECOND** is to expand its models to 40 LDCs in support of their achievement of the sustainable development goals and their ambitions to graduate from LDC status.

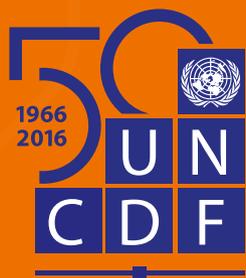
The **THIRD** is to continue evolving so that UNCDF adapts its models to new frontiers of finance and in response to emerging challenges. Specifically, UNCDF will continue to support innovation in the following areas:

- Financial inclusion for youth;
- Expanding digital financial services and access to micro-insurance;
- Helping poor customers access new technologies that improve their livelihoods and overall well-being;
- Making it easier and cheaper to send and receive remittances;
- Create and mobilize new forms of financing for the new urban agenda;
- Applying new financial solutions to address climate change risk and vulnerability in rural and peri-urban areas.

Essential to seizing these opportunities is that partners fully fund UNCDF core resource requirements. Well capitalized, UNCDF could be present in 40 LDCs, helping them unlock ever greater amounts of public and private resources at the local level to support their achievement of the SDGs and graduate from LDC status with higher levels of equality and sustainability.







**Unlocking Public and Private  
Finance for the Poor**

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