



Microfinance • Capital Development

Annual Report 2009



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Foreword

from the Executive Secretary

2009 saw continued global economic turmoil, price volatility of food and fuels, and the growing effects of climate change. These challenges threaten progress toward the Millennium Development Goals (MDGs), especially in the world's least developed countries. And they come at the very time all partners need to step up action to achieve the eight MDGs by 2015.

The UN Capital Development Fund (UNCDF) is responding by redoubling its efforts in support of the MDGs in the world's least developed countries.

First, *UNCDF is working to increase access by poor people and small enterprises to microfinance*. 90% of people lack access to formal financial systems in the LDCs. UNCDF programmes help more households and small businesses gain access to credit, savings, insurance and remittances, all of which can help to reduce poverty (MDG 1: Eradicate extreme poverty and hunger). UNCDF's ability to provide risk capital directly to the private sector in the form of grants and loans – unique in the UN system – is helping to spur new innovations, such as mobile phone banking (described in Box 11). At the same time, through its \$26 million Inclusive Finance facility – MicroLead – UNCDF is supporting the entry of high impact microfinance institutions into unbanked areas, while emphasizing South-South cooperation and assistance to the most vulnerable. MicroLead has a special fast-disbursing window for post-crisis environments, and complements the comprehensive microfinance sector programmes that UNCDF currently supports in 22 least developed countries throughout Africa and Asia.

Second, *UNCDF is working to increase access by local governments to investment capital*. Basic infrastructure – water systems, feeder roads, schools, irrigation schemes – is inadequate in most LDCs, particularly in rural areas where the majority of poor people live. Local governments responsible for building and maintaining basic infrastructure are often weak and underfinanced. UNCDF programmes help local governments gain access to sustainable financing and to make capital investments that respond to the needs of the poor. UNCDF's work has been the basis for national efforts to decentralize decision-making and strengthen local infrastructure in many LDCs, with particular relevance for MDG 1: *Eradicate extreme poverty and hunger*, and MDG 7: *Ensure environmental sustainability*.



UNCDF Executive Secretary visits one of the 388 Union Parishads (lowest tier of administrative government) in Bangladesh where UNCDF is working to strengthen service delivery.

Third, *UNCDF is working to empower women* (MDG 3). The link between micro-finance and women's empowerment is well known: women are more likely to use credit and savings products to keep children in school and look after other basic family needs; they are also more likely to start businesses that can help entire families escape poverty. UNCDF policy is that at least 50% of the clients of a UNCDF-supported microfinance institution should be women (the average amongst all UNCDF-supported microfinance institutions in 2009 was

53%). UNCDF local development programmes also help to empower women. The 'Gender Equitable Local Development' (GELD) programme, now fully operational in 5 African LDCs, exemplifies UNCDF's belief that investing in women in itself constitutes a breakthrough strategy for achieving the MDGs (see Box 4). UNCDF, in partnership with UNIFEM, is currently looking to expand the programme to other LDCs in Africa and Asia.

All of UNCDF's work takes place within the larger framework of the UNDP Strategic Plan 2008-2013, and 100% of UNCDF's country programmes in both microfinance and local development are now undertaken jointly with UNDP. The effectiveness of this partnership is particularly evident in post-crisis countries, including Haiti, where UNCDF's experience working with local governments proves a valuable asset in solidifying recovery and transitioning to sustainable development.

UNCDF's mission of supporting LDC efforts to reach the MDGs has never been more relevant. Even in the current uncertain times, UNCDF's work in microfinance and local development shows considerable promise for accelerating progress toward the MDGs.

As we look towards 2015, UNCDF remains more committed than ever to working together with all development partners for the achievement of the MDGs.

David Morrison

Introduction





In Hobiganj (Bangladesh), citizens discuss the location of a future road. Projects constructed through the Local Governance Support Programme – Learning & Innovation component are chosen by local communities that make independent decisions on local infrastructure budgets – a system that often leads to greater local ownership of the development process.

1. The UN Capital Development Fund (UNCDF) is dedicated to helping the world's Least Developed Countries (LDCs) achieve the Millennium Development Goals (MDGs). With only five years left before the 2015 MDG deadline and many LDCs struggling to meet the targets, this mission is more relevant than ever.

2. UNCDF works to reduce poverty in the LDCs by strengthening local services and increasing access to microfinance. In addition to MDG 1: *Eradicate extreme poverty and hunger*, UNCDF's work directly supports MDG 3: *Promote gender equality and empower women*, and MDG 7: *Ensure environmental sustainability*.

3. UNCDF operates in 40 LDCs. Roughly 40% of its programme portfolio is in countries emerging from crisis or conflict. In 2009, local development programmes accounted for 61% of its programme delivery; microfinance for 39%. 70% of UNCDF's overall portfolio is in Africa; 30% is in Asia and Haiti (the only LDC in the Western Hemisphere). Over 50% of the clients of UNCDF-supported microfinance institutions are women, and UNCDF / UNIFEM's Gender Equitable Local Development programme, designed to ensure that capital spending by local government helps to empower women, is now fully operational in five African LDCs.

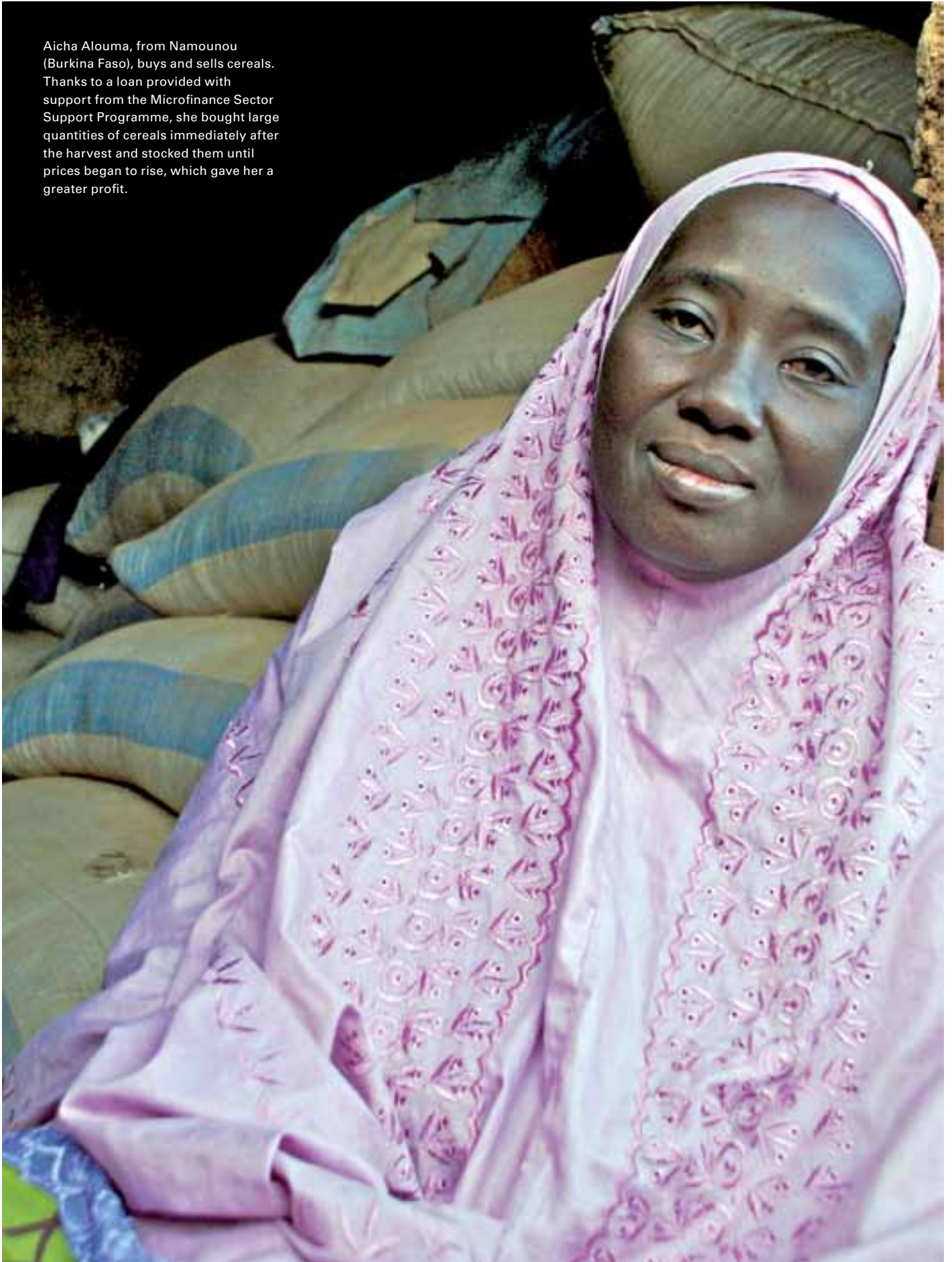
4. Over the past five years UNCDF has moved 50% of its staff out of New York, doubled its number of donors, doubled its income, and expanded its programs from 26 to 40 LDCs. At the end of 2009 it had 127 staff members: 76 International Professionals (including 16 JPOs), 16 National Officers and 35 support staff. Of the 76 international professionals, 63% were men and 37% were women. 58% came from developed countries and 42% from developing countries. Roughly 30 staff work at Headquarters, 10 each in UNCDF regional offices in Dakar, Johannesburg and Bangkok, and 70 at country level.

5. UNCDF's partnership with UNDP has also grown much closer in recent years: 100% of UNCDF country programmes are joint programmes with UNDP, and UNCDF's new global programmes (e.g. MicroLead; Gender Equitable Local Development) directly support key UNDP priorities including poverty reduction, gender equality and support to crisis and post-conflict countries.

6. This annual report documents UNCDF's programmatic, managerial and financial performance in 2009 against established targets. The organization's performance is measured through its Strategic Results Framework (SRF), which supports the larger objectives of UNDP's Strategic Plan – specifically outcomes 5 and 6 of goal 1: *achieving the MDGs and reducing human poverty*.

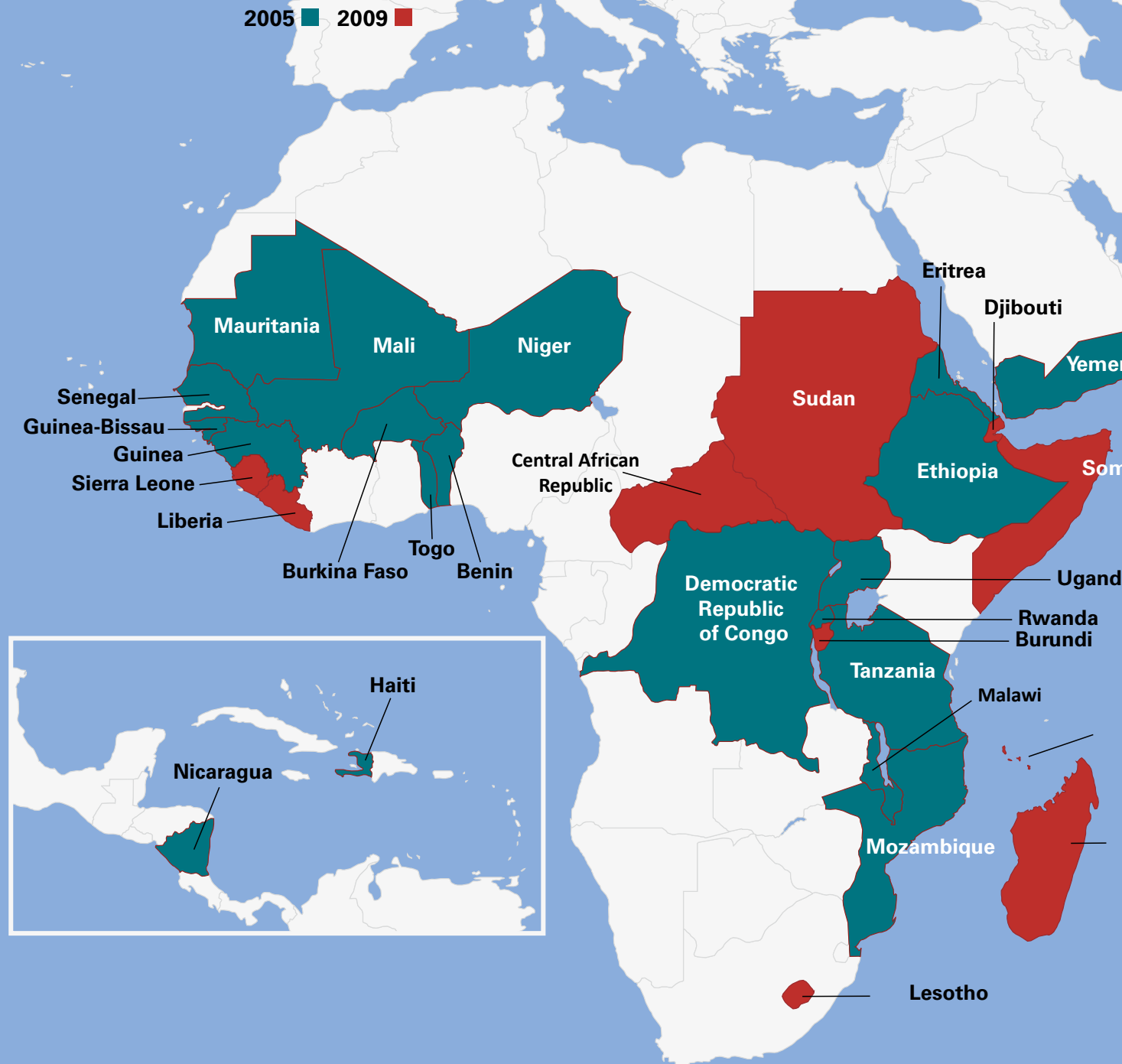
7. This report also highlights the results of an internal reflection begun in late 2008 with a view to ensuring that UNCDF can continue to keep pace with growing LDC demand for its services. The process of reflection led to refined priorities for the period 2010-2013, including increasing operational effectiveness, responding to LDC demand for new kinds of support, and strengthening strategic partnerships.

Aicha Alouma, from Namounou (Burkina Faso), buys and sells cereals. Thanks to a loan provided with support from the Microfinance Sector Support Programme, she bought large quantities of cereals immediately after the harvest and stocked them until prices began to rise, which gave her a greater profit.



UNCDF Country Operations

The number of programme countries expanded from 26 in 2005 to 42 in 2009



The boundaries and names shown and the designations used on this map do not imply official endorsement or acceptance by the United Nations

2005-2009



I. Programme Results





The new secondary school in Sayo, Rulindo district (Rwanda), provides students the opportunity to complete their schooling. UNCDF's support helps Gicumbi and Rulindo authorities provide educational infrastructure. Interventions piloted in these two districts have been replicated nationally.

Local Development

8. There is an increasing consensus that accelerated progress on the MDGs demands increased attention to the local level. This is particularly true in many LDCs, where the majority of people still live in rural areas, and where local services are often weak or inadequate.

9. UNCDF works to strengthen local institutions that help poor people to meet their basic needs and pursue new opportunities. It focuses on local governments,

encouraging public involvement, community empowerment and democratic accountability. At the national level it supports decentralized systems and procedures designed to fully empower local authorities. Its goal is to ensure that local governments can make capital investments – in irrigation schemes, feeder roads, clinics, water supply – that are financially sustainable and respond to the needs of the poor, in ways that can be scaled up by other development partners and national governments. UNCDF's work at the local level shows considerable promise for helping LDCs adapt to new challenges, including food security and climate change.

10. UNCDF's local development programmes: UNCDF's local development interventions vary according to national contexts. In countries such as Laos, Liberia and the Democratic Republic of Congo, where the local government system is in a relatively early stage of development, UNCDF typically works via pilot projects in a small number of districts. The objective is to build the capacity of targeted governments to manage their resources effectively, and in a manner that responds to local needs. In doing so, UNCDF helps to make the case for local governments to play an enhanced role within the national development landscape. In such cases UNCDF's assistance typically focuses on establishing local participatory planning processes, leading to local development plans, budgets and investment programmes.

11. UNCDF normally accompanies support to planning processes with capital investment block grants for the use of local authorities (either directly or via national authorities). Within the context of a larger UNCDF Local Development Programme, the capital investment block grants, which typically vary in size from USD 50,000 to 150,000, act as a capacity building incentive, enabling local authorities to immediately put their capital investment plans into action. This, in turn, helps to demonstrate to the citizens of a locality that, given the means, their elected officials can respond effectively to the

need for a new health station, irrigation system, refurbished school or village water supply. By providing local authorities with block grants – rather than project financing – UNCDF helps to activate the larger system of local governance, and to test the relevant legislation and procedures.

12. In countries where UNCDF's pilot activities have helped to make the case for an enhanced role by local governments, or where there is otherwise a strong commitment to decentralization, UNCDF works simultaneously at the local and national levels, helping to identify and address bottlenecks and shortcomings in the overall system of local governance. UNCDF focuses in particular on fiscal decentralization and national systems of Public Expenditure Management (PEM), working to improve local government compliance with roles and responsibilities accorded under existing legislation, while in some cases still providing block grants for local capital investments to test newly introduced systems and procedures. In many instances, UNCDF is asked to help reform or improve existing legislation, or indeed UNCDF, UNDP and other partners are asked to help the government develop and roll out entirely new national strategies for local government. Examples of countries under this category include Nepal, Tanzania and Yemen.

BOX 1 A manual for Public Expenditure Management at local level

Achieving the Millennium Development Goals requires that the financing and delivery of social services and infrastructure is well managed at all levels. Local authorities are in the front line of delivering such services, and UNCDF – with its Local Development Fund approach – is helping to improve their capacity to manage public expenditures effectively. This will ensure that the money spent at local level truly reflects the development priorities of citizens and maximize the outreach of the local service and infrastructure delivery with the available financial resources.

The Government of Rwanda asked UNCDF for assistance in setting up a comprehensive system to manage public expenditure at the local level. The Ministry of Finance and Economic Planning (MINECOFIN) and the National Decentralization Implementation Secretariat (NDIS) requested a manual which covered all phases of the public expenditure cycle, thus prescribing how local authorities should undertake their development planning, investment programming, procurement and implementation, local assets management, accounting and financial reporting, and auditing.

The Public Expenditure Management manual introduces simple procedures, techniques, and flow charts for local service and infrastructure delivery, and covers all the phases of the public expenditure management cycle. When fully utilized by district authorities across the country, the manual will harmonize and professionalize how the Districts plan, implement and report on their development activities in service and infrastructure delivery, towards the achievement of the Millennium Development Goals.

The manual was drafted by the joint UNCDF and UNDP programme "Community Development Support Project of the Districts of Gicumbi and Rulindo", with support from the Government of Belgium.

The Rwandan government officially endorsed the manual in late 2009. It is now being disseminated throughout the country and used as basis for training local authorities.

13. Finally, in countries such as Malawi, Cambodia, Senegal and Uganda, where the system of local government is relatively well established, UNCDF is increasingly responding to requests to help strengthen the delivery of local services. In a growing number of countries UNCDF is also being asked to support local government strategies for economic development, for climate change adaptation, and for the decentralized delivery of social protection.

14. UNCDF local development and the MDGs: UNCDF's work in local development helps to vest decision-making power directly in the hands of the authorities best placed to make critical pro-poor investment decisions. Based on citizen input, local authorities themselves decide whether to pursue the food security aspect of MDG 1: *Eradicate extreme poverty and hunger*, or the water and sanitation aspect of MDG 7: *Ensure environmental sustainability* – or both – in a given locality. In either case, UNCDF resources, as well as the resources they catalyze, help achieve the goals given highest priority by the local communities themselves. An analysis of the use of UNCDF investment funds since 2004

shows that these local communities giving clear priority to economic infrastructure and food security (MDG 1: 48%). Water and sanitation come next (MDG 7: 25%), followed by education (MDG 2: 15%) and health (MDG 4: 6%). In 2009, UNCDF worked together with UNDP in preparatory activities for a new joint global programme “Scaling Up Support for the MDGs at Local Level”. Resource mobilization efforts for this new programme are currently underway.



As part of the Provincial Governance Support Programme, a group of workers make a drainage system in Auki town Malaita Province (Solomon Islands). UNCDF assists the Government of Solomon Islands in building the capacity of local governments to manage their resources effectively and in a manner that responds to local needs.

15. UNCDF local development in post-crisis environments: in post-crisis countries UNCDF puts a particular emphasis on introducing transparent fiscal transfer systems and on building the capacity of local governments for participatory planning and budgeting procedures. In Guinea Bissau, for example, participatory planning processes leading to the delivery of much needed basic socio-economic infrastructure have contributed to restoring dialogue between the population, its leaders, and local authorities. In Timor Leste, Nepal, and the Solomon Islands, UNCDF is creating an environment where local investments and institution-building are helping to re-establish the relationship between the citizen and the state at the local level, and therefore contributing to the re-integration of displaced populations. Recent evaluations suggested that UNCDF's work at the local level in Laos and Haiti has helped to build social cohesion.

BOX 2 Leveraging local governments to help Haiti rebuild

UNCDF's *Support to Local Governance Project* (known by its French acronym AGLNE*) has since 2005 worked with community groups and international organizations operating in Haiti's Northeast Department to boost agricultural production and investment in small infrastructure.

Now operational in eight of the Department's 13 communes, AGLNE leverages financing from donors and development partners including the Inter-American Development Bank (IDB), the World Food Programme and MINUSTAH's Civil Affairs operations to improve local conditions identified by participatory planning and the World Bank through its PRODEP, or *Projet de Développement Participatif*. The IDB's *Fond d'Assistance Economique et Sociale* (FAES) has financed some 30 AGLNE projects suggested by local government and citizen groups.

The challenge is to coordinate donors to step-up assistance without undermining local institutions. One of the largest programmes active in rural Haiti is the World Bank's community-driven development programme PRODEP, which channels grants of US\$ 17,500 directly to local groups to invest in economic or social infrastructure. Community groups vote on investment decisions, which leads to the financing of public infrastructure such as roads and wells. Elected officials have a voice in the process, but are not systematically involved in project execution, operation or maintenance.

Organizers of the UN international pledging conference for Haiti, which in March 2010 gathered commitments of US \$5 billion, reaffirmed their commitment to use foreign aid and investment to strengthen the capacity and effectiveness of Haiti's local governments. Rebuilding projects will be structured to promote decentralization, broad-based development, and women's participation to better ensure the reconstruction efforts are equitable and sustainable. The experience gathered to date in the Northeast puts UNCDF and UNDP in a strong position to shape the dialogue on decentralization, and local development.

Channeling resources directly to local institutions can be risky in any Least Developed Country, including Haiti, but UNCDF believes in empowering local governments so they can learn to play their Constitutionally-mandated role (the principle of decentralization was enshrined in Haiti's 1987 Constitution, but has not yet been meaningfully enacted). A feasibility study is currently underway to explore expanding the Northeast programme to another four Haitian departments, and potentially to all ten.

* Appui à la Gouvernance Locale dans le Département du Nord Est

16. UNCDF local development and food security: In 2009 UNCDF, in close partnership with the Belgian Fund for Food Security (formerly known as the Belgian Survival Fund), began new food security programmes in Benin and Niger, scaling up replicable interventions from previous Local Development Programmes. In Eritrea, substantial gains in terms of food security were observed, with 50% of the entire investment portfolio dedicated to infrastructure related to food security. One of the results was an annual increase of available food supply of three months.

Table 1. 2009 Results in Local Development

UNDP Strategic Plan Outcome (1.5): Strengthened capacities of local governments and other stakeholders to foster participatory local development and support achieving the MDGs.

Local Government Capacity and Accountability

Outcome indicator 1: Number of UNCDF supported local governments with plans and budgets reflecting a sectorally pro-poor focus of public services, and/or actions for economic infrastructure investments and improving the local business enabling environment.	Plan	Actual	%	Assessment of performance
Regional portfolio: Asia and Pacific	277	256	92	Fully Achieved
South East Africa	24	24	100	Fully Achieved
West Africa	134	132	99	Fully Achieved
Total	435	412	95	Fully Achieved

Table 1. 2009 Results in Local Development

Outcome indicator 2: Number of UNCDF supported local governments with plans and budgets implemented in a timely and efficient manner (e.g. deviation < 20%).	Plan	Actual	%	Assessment of performance
Regional portfolio: Asia and Pacific	504	518	103	Fully Achieved
South East Africa	24	7	29	Not satisfactory
West Africa	46	26	57	Partially achieved
Total	574	551	96	Fully achieved
Outcome indicator 3: Number of UNCDF supported local governments where arrangements for greater public involvement and transparency in planning/budgeting, procurement, implementation and monitoring of improved service delivery / actions towards the promotion of local economies have been adopted.				
Regional portfolio: Asia and Pacific	521	529	102	Fully achieved
South East Africa	29	19	66	Partially achieved
West Africa	112	102	91	Fully achieved
Total	662	650	98	Fully achieved
Outcome indicator 4: Number of UNCDF supported local governments with arrangements adopted to promote communications and transparency related to e.g. plan implementation stages, etc. being reported publicly.				
Regional portfolio: Asia and Pacific	312	313	100	Fully achieved
South East Africa	30	17	57	Partially achieved
West Africa	73	46	63	Partially achieved
Total	415	376	90	Fully achieved
National Policy Impact				
Outcome indicator 5: Number of countries where governments officially: (a) adopt / mainstream public expenditure management-related procedures and other innovations for national use; and (b) develop / amend policy, legislative, regulatory, and / or monitoring and evaluation framework.	Plan	Actual	%	Assessment of performance
Regional portfolio: Asia and Pacific	8	7	88	Fully achieved
South East Africa	4	4	100	Fully achieved
West Africa	8	7	88	Fully achieved
Total	20	18	90	Fully achieved
Outcome indicator 6: Number of countries where UNCDF supported local governments have received performance-based grants				
Regional portfolio: Asia and Pacific*	2	1	50	Partially Achieved
Total	2	1	50	Partially Achieved
Replication				
Outcome indicator 7: Number of countries where donors independently adopt UNCDF-supported local development strategies or innovations in their own programmes, or subscribe to and support a UNCDF-supported joint programme.	Plan	Actual	%	Assessment of performance
Regional portfolio: Asia and Pacific	7	7	100	Fully achieved
South East Africa	4	6	150	Fully achieved
West Africa	5	3	60	Partially achieved
Total	16	16	100	Fully Achieved

Performance assessment scores: Fully Achieved: 75-100%; Partially achieved: 50-75%; Not satisfactory: < 50%.

* Only the Asia and Pacific region established relevant targets for 2009.

BOX 3 Building food security in Mali and beyond

2009 dawned with an acute global food emergency afflicting the poor in every region of the globe. Crops failed while an economic crisis forced the price of food and other goods to skyrocket. Facing exponential demand, many countries with strong agricultural sectors either raised the price of staples or halted exports entirely, adding to the scarcity.

In this context, the MDG goal of eradicating hunger, possibly the most crucial element in the abatement of poverty, seemed to grow even more remote.

UNCDF, together with partners (UNDP, Belgium and the relevant national governments), has responded with programmes in Benin, Eritrea, Rwanda, Mali and Niger to strengthen the role of local authorities in ensuring food security. These programmes provide technical support and advice to regional leaders on incorporating food security strategies into their planning and investment programming, emphasizing the participation of the most vulnerable groups.

Programmes in these five LDCs support the development of public service infrastructure and economic initiatives, and help state-run decentralization programmes to provide training for local actors. They also facilitate access to financial services for food producers to support the cycles of production such as purchasing materials and tools, hiring seasonal labour, and assisting with all stages of processing, distribution and safe storage.

For example, in 2008-2009, in the rural community of Derrary in Mali, the *Projet Collectivités Territoriales et Développement Local* (CTDL), UNCDF's Local Development Project, and regional governments provided capital funding to a group of three communities (Derrary, Kéwa and Togué Mourari) for an investment to build three stretches of a 730-metre road-side embankment which forms part of their development plan. The steep levee is a water management mechanism designed to safeguard 160 hectares of rice crops grown using the basin irrigation method. This in turn allows the community to work the crops for their own subsistence and to bring extra rice to market, improve grazing resources and facilitate the watering of livestock. Even fishing was improved. In addition, the road-side embankments will open up access to the three villages, stimulating trade. In the long-term, the food security of the 3,600 inhabitants of the villages should be fully assured. The local agricultural service, via Farmer Field Schools, offer farmers technical training to maximize the potential of these embankments.

Mali suffers from many of the same trends that afflict other West African nations with chronic food shortages: a population that is increasingly urban, climate disturbances that reduce crop yields, deteriorating and tired soil, and farmers' difficulty accessing land, credit, seeds and fertilizer.

In order to make sure that food security is sustainable, local institutions such as provincial governments, socio-occupational associations and the private sector must all play crucial roles in designing and implementing strategies that are effective and consistent with national policies.

17. UNCDF local development and gender: UNCDF and UNIFEM's "Gender Equitable Local Development" (GELD) programme, now operational in Tanzania, Mozambique, Senegal, Rwanda and Sierra Leone, is designed to ensure that capital investments by local authorities help to empower women. This implies a strong link between UNCDF's local development work and MDG 3: *Promote gender equality and empower women*. UNCDF has received several expressions of donor interest to expand the programme beyond the current pilot phase.

18. Enhancing local government capacity and accountability: Efforts to build local government capacity, often financed by UNDP in the context of UNCDF / UNDP joint programmes, were largely successful in 2009. 95% of targeted local governments were able to develop effective plans and budgets for pro-poor capital investments (Outcome indicator 1). A high percentage of total targeted local authorities (96%) demonstrated capacity to implement plans and budgets in a timely and efficient manner, as measured by the difference between planned activities and budgets and actual implementation and expenditures (Outcome indicator 2). UNCDF's technical support often yields results that become tangible in the short-term. A further indication of increased local government capacity is the degree to which some local governments were able to mobilize their own revenues. In Burundi, for instance, targeted local authorities realized an increase of 25% in own-source revenues. Progress was also seen in Bangladesh, where tax citizen

BOX 4 Putting women at the heart of effective assistance

Women are the bedrock the MDGs are built on. In most cultures and communities it is the women who manage the home, work the fields, rear the children and keep abreast of local news. Authorities who fail to consult women in their communities about infrastructure improvements and local investment often fail to take advantage of the best-informed, most reliable development perspectives available.

UNCDF and other UN agencies have placed new emphasis on the centrality of women's participation at all levels of development planning and budgeting. The UNCDF Gender Equitable Local Development initiative, called GELD, has demonstrated it is both possible and desirable to place gender equality and women's empowerment actions at the centre of the local development agenda. GELD programmes have been tested and repeatedly proved that women's representation and contribution yields better results in least developed countries than when they are excluded. In particular, women's skills building for effective participation combined with facilitating their access to resources such as information, credit and other basic services has been proven to contribute towards the achievement of gender equality and justice goals.

From a *Rights-based* and *Bottom-Up* approach, GELD programmes in 2009 were implemented in five African countries: Mozambique, Rwanda, Senegal, Sierra Leone and Tanzania.

GELD operates at two strategic levels: first, it strengthens local governments' institutional capacity to create a supportive environment where gender responsive policy planning, budgeting and public expenditure is aligned with women's priorities. These changes are particularly important in the health, education, agriculture sectors, as well as investment in infrastructure; and second, GELD supports skills training for women to allow them to better access, engage and influence their local governments' policy formulations, investment approaches, processes and outcomes to ensure that they accurately reflect their own priorities and concerns.

At the launch of the GELD project early in 2009, UNCDF undertook institutional assessment of the focal municipalities as well as community needs assessments and prioritization exercises that identified and brought into the centre of municipal council planning women's priority concerns. In addition, in each country of implementation, the GELD initiative established consultative fora at local and central levels and ensured equal representation and active participation of women and men in all project planning and budgeting processes. This gender specific representation and participation of women and men in designing the programmes meant not only joint ownership of women and men, as well as the respective local authorities and civil society organizations but also positioned women as significant constituency and stakeholders in the respective municipalities in each focal country.

tax payments have risen sharply in areas where local governments have demonstrated effectiveness in service delivery.

19. Results were not, however, consistent across regions: in Southern and Eastern Africa, significant challenges remain for enhancing local governments' performance in implementation; targeted governments in the Asia Pacific region, on the other hand, have shown a particularly strong performance. In Southern and Eastern Africa several country programmes experienced prolonged delays in the initiation of field activities in 2009. Addressing this shortfall is a priority for 2010.

20. Significant results were achieved in the area of accountability and transparency (Outcome indicators 3 and 4), although variations in performance across regions continued to be observed. In West Africa, over 90% of UNCDF-supported local governments introduced arrangements for greater public involvement and transparency in planning/budgeting, procurement, implementation and monitoring; just over 60% of target local governments in the region, however, showed significant improvements in communications and the dissemination of information to local constituents. In the Asia-Pacific region, such targets were fully achieved or over-achieved. In Bangladesh, for example, UNCDF supported the adoption of public disclosure practices in the management of capital block grants, including through the use of local media to announce actual investment allocations.

21. National policy impact. Results were strong across regions in the area of formal adoption / mainstreaming of Public Expenditure Management (PEM) procedures and other innovations (Outcome indicator 5); as well as on reforms that did not directly impinge on fiscal policies. A 2009 example of UNCDF's contribution to policy reform is Timor Leste (one of the seven countries in the Asia Pacific region for which policy-support was provided during the reporting period). UNCDF supported the drafting of the Law on Administrative and Territorial Divisions, which was eventually approved by the National Assembly in June 2009. In the Democratic Republic of Congo, UNCDF helped to develop a National Decentralization Framework that laid out the essential policy foundations for a functioning system of local governance throughout the country. In the area of fiscal policy, support in Bangladesh showed tangible results toward the institutionalization of performance-based grants to local governments (Outcome indicator 6). In 2010 UNCDF will continue paying particular attention to factors that may constrain the pace of such reforms in relevant programme countries.



In the district of Maliana (Timor-Leste), community members are encouraged to speak up and participate in the development of the local community.

UNCDF's support helps create an environment where local investments and institution-building are helping to re-establish the relationship between the citizens and the State at the local level.

22. Replication and upscaling. In all that it does, UNCDF seeks to “pave the way” for others¹. UNCDF consciously strives to pilot interventions, systems and procedures that can be taken to scale by larger development partners, and replicated at national level by governments. In 2009 expected results for replication and upscaling (Outcome indicator 7) were largely achieved, with significant support from key partners in a number of programmes across regions. In Ethiopia, for instance, the World Bank supported the scaling up of fiscal transfer mechanisms piloted by UNCDF in the province of Amhara, and has contributed \$400 million to the central government's efforts to replicate, nation-wide, public expenditure management systems and procedures that were developed with UNCDF's support. Moreover, UNCDF's local development programme in Ethiopia has helped pave the way for a new UN Joint Programme in partnership with UNDP, UNICEF, WFP and FAO. The programme will promote local development for the achievement of MDGs in the country's emerging regions, opening up significant new opportunities for scale-up and replication. In Mali, UNCDF has successfully developed a partnership with the African Development Bank for scaling up proven interventions. In a new joint program on capacity building with the Malian Government, UNDP and the SNV Netherlands Development Organization, amongst other partners, will also

¹ “UNCDF should be seen as a development actor that paves the way for others”, Swedish Assessment of Multilateral Organizations, Government of Sweden, 2008.

BOX 5 Paving the way for others

UNCDF paves the way for others: UNCDF's programmes are designed to catalyze larger-scale investments by the private sector, development partners and national governments, for significant impact on the MDGs.

UNCDF delivers capital investment through local governments, which helps to foster the gradual growth of accountable state institutions. This approach combines rigorous training in public expenditure management with investment grants that allow municipal governments to immediately put acquired skills to the test. The strategy allows local officials to manage funds responsibly and deliver basic services, while citizens grow accustomed to holding their elected officials accountable. It also promotes functioning state institutions and encourages a culture of civic engagement in countries where this is not historically the case. Community participation at all stages of the public expenditure cycle reduces the possibility of corruption by ensuring that resources are spent efficiently and directed towards the most pressing local needs.

UNCDF helps to build accountable institutions in the most challenging environments, including those struggling with entrenched poverty or emerging from violent conflict or recovering from natural disasters. Most donors and agencies working in these countries choose to deliver development assistance directly or through NGOs. This ensures speedy relief but often undermines emerging local government. This method can compound the problem of state fragility, and prevent "buy in" or a feeling of personal investment within the community. Channeling funds directly to embryonic local governments is not always easy or without risk, but technical assistance and community participation can provide a powerful mechanism for accountability.

The goal is to prepare local governments to take a more active role in community development, and build a system that all stakeholders can have confidence in.

Independent evaluations have demonstrated UNCDF's unique advantage in laying the groundwork for investment by other partners. In Mozambique, Sierra Leone and Uganda, UNCDF built local systems and institutions that were upscaled by other donors. The World Bank's *Independent Evaluation Group* recently judged its own technical support to national governments most successful in countries where UNCDF had already provided in-depth policy analysis, created new models for fiscal decentralization, and developed performance-based grant systems.

seek to leverage UNCDF's acquired experience to promote MDG acceleration in the 166 municipalities most vulnerable to food insecurity.

23. Local development evaluations in 2009. Evaluations in 2009 showed good results for local government capacity building: in Niger and Mauritania, for instance, evaluators concluded that local authorities had gained solid understanding of procedures for contracting public resources, largely because they had implemented UNCDF-supplied block grants channelled via national treasury accounts. In the area of accountability and transparency, results were also positive: in Eritrea, preliminary evaluation findings indicated that UNCDF's support was significant in promoting the active engagement of local communities in local planning and implementation, which not only ensured a greater degree of sustainability of local governments' interventions, but greater cost-effectiveness in project implementation.

24. On policy-impact and replication, findings were more mixed. In Niger and Mauritania, evaluators concluded that local development programmes were effectively acting as catalysts for the replication of decentralization initiatives nation-wide; in Eritrea, on the other hand, evaluators highlighted the challenges of ensuring policy impact given prevailing trends in national governance, and in the pace of implementation of existing policy/legislative frameworks on decentralization.

BOX 6 Meeting the challenge of climate change in West Africa

Climate change is a global phenomenon, demanding varied responses from countries and communities around the world.

Few areas are more vulnerable than West Africa, which has undergone 30 years of disastrous temperature swings and extreme weather events. In 2009, 16 West African nations experienced heavy flooding, leaving more than 450,000 people without homes, work, land or services. The poor and isolated suffer disproportionately from natural disasters.

Climate change is not new to West Africa, and the impact of hotter or wetter seasons and heavier storms is often predictable. In the past, human systems and ecosystems have been resilient enough to adjust. But now, conditions are changing faster, and with greater intensity, accentuating the vulnerability of farmers and others dependent on the climate and natural resources.

International agreements and national strategies are vital responses to climate change, but local governments are often in the position to have the most impact on their communities. Therefore, it is urgent that they are fully sensitized on the climatic challenges facing the region, and can take action to enhance the local level of preparedness.

UNCDF has been building the capacity of local governments to mitigate the impact of climate change on the most vulnerable populations.

In Mali, for instance, UNCDF invests in the construction of three sections of dyke roads with a water control system in the Mopti region. This investment will do more than help control flooding: the roads mitigate the combined effects of climate change by protecting the land from floods. This has allowed tired soil to revegetate, increased the soil cover, and facilitated the restoration of biodiversity. In the long run, healthy soil will increase the land's fertility, to capture carbon and therefore reduce greenhouse gas emissions.

And in Guinea, the Local Development Programme, known by its French acronym PDLG I*, has developed a "green" management component to implement solar energy projects. This power system may be the ideal solution to meet the electricity needs of the region, which is experiencing a chronic power shortage. But it also contributes to the achievement of MDGs by addressing poverty and promoting environmental sustainability.

* Programme de Développement Local en Guinée I

In Gasa, one of the most remote districts in Bhutan, the local population is consulted on priority areas for development. The Local Governance Support Programme supports mechanisms of participatory planning and budgeting, which result in greater contributions of local communities to the development of the district.



BOX 7 The most effective development is local

Nine years after the UN General Assembly launched the ambitious Millennium Development Goals, the World Bank estimates that more than 2 billion people – one-third of the earth's population – still live on less than \$2 a day.

Despite the efforts of national governments, development partners, civil society and the private sector, progress has been uneven, especially in the Least Developed Countries.

UNCDF is working with its partners around the world to test new models for economic development in Least Developed Countries, working primarily through local governments to improve living conditions and opportunities in their own communities. If properly empowered, and when responsive and accountable, local government can move beyond the provision of basic services to spark sustainable economic development.

UNCDF's Local Economic Development through Local Government (LED-LG) approach empowers local governments to become effective enablers of and contributors to economic growth in their territories. It provides them with tools and capacities to inclusively engage their local economic actors and to combine economic, social and environmental dimensions to ensure equity and sustainability. This approach also positions local governments to effectively coordinate the LED promotion actions of other public, private and development partners to ensure coherence and alignment with their locality's economic development vision. Most importantly, the LED-LG approach introduces the Economic Development Fund which supplements LG resources for LED related interventions and strengthens local financial service providers with the goal of increasing their reach and ensuring their responsiveness to the financing needs of local economies.

While many actors are intervening to address the constraints to growth in LDCs, there has not been a systematic effort to articulate the role that local government should play in LED promotion and to equip them with the necessary tools, capacities and resources to play that role. By embarking on this challenge, UNCDF – building on its long track record supporting the institutional development of local governments – hopes to develop an effective model that can be replicated in other regions or countries as a catalyst to sustainable growth.

A pilot programme in Uganda, launched in 2009, is demonstrating this LG focused approach. The District Development Programme III (DDP III) is a four year, US\$10.3 million initiative launched by UNCDF, UNDP and the Government of Uganda piloting programme interventions in 15 local governments. In addition to intervening at the local level, the programme also supports a process of enhancement of the national context for LED promotion, including aligning relevant macroeconomic policies, promotion mandates and functional assignments as well as legal and regulatory frameworks for LGs and other relevant sectors such as agriculture, industry, trade, or vocational education.

By contributing to sustainable and diversified growth of local economies and to the creation of better employment opportunities, local governments are expected to effectively contribute to reducing local poverty.

Microfinance

25. Microfinance empowers poor people and small businesses to pursue economic opportunities, and offers them protection against life's inevitable setbacks. In this way it directly contributes to reducing poverty (MDG 1). It also helps to promote gender equality and empower women (MDG 3), as the majority of clients of microfinance institutions are often women. Yet in the LDCs 90% of people lack access to formal financial systems.

26. UNCDF works to help more households and small businesses in the LDCs gain access to microcredit, savings, insurance and remittances. It pursues an "inclusive finance" approach, designed to ensure that a range of financial products are available to all segments of society, at reasonable cost and on a sustainable basis. UNCDF was an early supporter of some of today's most successful developing country-based microfinance institutions. Its ability to provide risk capital directly to the private sector in the form of grants and loans (unique in the UN system) helps bring microfinance to underserved

markets and spur new innovations (e.g. mobile phone banking). UNCDF continues to be ranked in the top tier in the “SmartAid Index” of overall effectiveness in microfinance.

27. UNCDF’s microfinance programmes: Within a given country, UNCDF begins with a sector assessment of opportunities and constraints at the macro (policy), meso (support infrastructure) and retail (financial service providers) levels, combined with a gap analysis of areas not supported by other development partners. This leads to a tailored programme of support designed to seize opportunities, remove constraints and fill gaps to build an inclusive financial sector. In all of the LDCs where it has a microfinance country programme (currently 22), UNCDF intervenes via joint programme with UNDP.

28. In 2009, UNCDF pursued an inclusive finance sector development approach in 22 LDCs, within reach of its objective of 25 countries by 2010. Three new programmes were formally approved in 2009, and three second phase programmes were also approved. Additional formulations in 2009 resulted in three new programmes scheduled for approval in early 2010. The number of LDCs supported in their national efforts to build

Table 2. 2009 results in Microfinance

UNDP Strategic Plan Outcome 1.6: Policies, strategies and partnerships established to promote public-private sector collaboration and private-sector and market development that benefits the poor and ensures that low-income households and small enterprises have access to a broad range of financial and legal services.

Macro level – Conducive policy environment in support of building an inclusive financial sector.

	Plan	Actual	%	Assessment of performance
Outcome indicator 1: Increased capacity of government to support conducive policy environment for an inclusive financial sector.	15	14	93%	Fully Achieved
Outcome indicator 2: Increased capacity of regulatory and supervisory authorities to develop conducive legal framework for an inclusive financial sector.	18	15	83%	Fully achieved
Outcome indicator 3: Nationally-owned government and donor action plans exist in support of building inclusive financial sectors.	19	18	95%	Fully Achieved

Meso level – Conducive policy environment in support of building an inclusive financial sector.

Outcome indicator 4: Local financial service provider networks in place.	65	59	91%	Fully Achieved
Outcome indicator 5: Increased visibility (microfinance information exchange market) of UNCDF-supported financial institutions.	65	37	57%	Partly achieved
Outcome indicator 6: Increased transparency (audit) of UNCDF-supported financial institutions.	65	60	92%	Fully Achieved

Retail level: financial service providers (FSPs) extend outreach to poor clients.

Outcome indicator 7: Increased sustainability of UNCDF-supported financial intermediaries serving low-income households.	65	44	68%	Partly achieved
Outcome indicator 8: Increased efficiency of UNCDF-supported financial intermediaries serving low-income households.	65	29	45%	Below expectations
Outcome indicator 9: Number of active clients.	2,448,781	2,550,565	104%	Fully Achieved
Outcome indicator 10: Percentage of women.	50%	53%	106%	Fully Achieved

an inclusive financial sector includes 13 in sub-Saharan Africa, eight in Asia (five LDCs covered via a joint UNDP – UNCDF regional programme for Pacific Islands), and one in the Arab States. Nine of the LDCs currently supported are post-conflict countries. The number of Financial Service Providers (FSPs) supported almost doubled, from 37 to 65, in 2009 as programmes became fully operational and approved local investments.

29. Almost all countries have with support from UNCDF increased the capacity of the governments to support a conducive policy environment for inclusive finance (Outcome indicators 1-3). In addition, 83% (15 of 18) of regulatory and supervisory authorities have increased capacity to develop a conducive legal and regulatory framework. Through UNCDF's support to the Banque Centrale des Etats de l'Afrique de l'Ouest (BCEAO) "Projet de Finance Décentralisée" jointly with the Consultative Group to Assist the Poor (CGAP) and the Swedish International Development Cooperation Agency (SIDA), UNCDF has had an impact on the regulatory framework in eight West African countries. In addition, in 95% of the countries governments and development partners are implementing nationally owned strategies or action plans to develop an inclusive financial sector. In line with the Paris Declaration on Aid Effectiveness, UNCDF seeks to support national ownership and engage all of the development partners in the design process. This strong achievement at the macro level underlines the impact of UNCDF's work at the policy level in all countries where it has promoted the inclusive financial sector approach.

BOX 8 From MicroStart to MicroLead

In the world's least developed countries, or LDCs, only one or two people in 10 have access to loans, severely hobbling the ability to start or grow a micro business. UNCDF's recently launched MicroLead programme was created to encourage the establishment of local financial service providers, or FSPs, to allow faster access to capital – especially for women. Generating sustainable local business is one of the fastest ways to meet many of the MDGs, particularly those addressing extreme poverty and gender equality.

MicroStart was launched in 1998 to support promising local FSPs by furnishing them with technical assistance and advice from the most successful providers in the developing world. The goal of this UNCDF and UNDP joint programme was to use South-South cooperation as a catalyst – to create 'breakthrough' FSPs able to service large numbers of customers in their communities. Like venture capital, the aim was to take risks, while maximizing the likelihood of major success. Microstart provided assistance to 93 FSPs in 19 countries. Of these, five are currently ranked in the top 100 micro-finance institutions in the world, and 15 are among the top three FSPs in their respective countries. However, a breakthrough occurred in only eight of the 19 countries.

UNCDF experts wondered if the South's top tier FSPs would have achieved greater results if they had started a new institution from scratch rather than providing technical assistance to existing local institutions. While Microstart had enjoyed considerable success, how could UNCDF better invest in women entrepreneurs in those countries where local organizations did not respond to top notch advice and flexible capacity building?

One answer is MicroLead, a new and more flexible version of the global MicroStart programme.

Now pre-approved FSPs have the option of supporting local institutions or starting a new one based on their assessment of how to best expand the availability of financial services in under-served communities. The goal remains the same – to support promising new FSPs where they are most needed.

Over time MicroStart has proven to be catalytic by the metric of net change in portfolio outstanding relative to UNCDF and UNDP funds invested. At the end of Microstart active phase (2005) the programme's leverage was \$55 million, or three times its original stake. As noted in the MicroLead box (see page 25), the results for MicroLead look even more promising, with a projected leverage at the end of programme of 40 times.

30. Performance remained strong in terms of the local financial sector supporting infrastructure (Outcome indicators 4-6). All of the countries assisted have a supporting industry infrastructure primarily in the form of national associations and networks of FSPs. In addition, 91% of the FSPs supported by UNCDF belong to a national association or network. These two results also clearly show the recognition by FSPs of the importance of collaboration for purposes of advocacy, standard setting and knowledge management. In 11 LDCs, UNCDF provided direct support to strengthen the institutional capacities of the national associations, either in the form of grants or by ensuring their inclusion in training activities and the elaboration of national strategies.



31. In 2009, 57% of UNCDF-supported FSPs were reporting to the MIX Market (www.themix.org), the microfinance industry standard database for capturing FSP performance. Although the number of FSPs reporting to the MIX nearly doubled, increasing from 20 in 2008 to 37 in 2009, the percentage stayed almost the same as many new, young FSPs were added to the UNCDF portfolio. Some of the weaker FSPs have difficulty posting their data and will require initial UNCDF support to do so. 92% (down from 100% in 2008) of FSPs had industry standard audits. Follow-up will be made with FSPs who have not complied to regain the 100% target.

32. Results on sustainability of FSPs (Outcome indicator 7) decreased from 76% in 2007, to 73% in 2008, to 68% in 2009. However, the number of FSPs achieving profitability doubled from 7 in 2008 to 15 in 2009, confirming that UNCDF is both taking risk by investing in younger, unproven institutions and helping them achieve sustainability.² The number of FSPs supported by UNCDF that are meeting the international standard of strong portfolio quality (Portfolio At Risk (PAR) at 30 days of less than 5%) increased from 17 to 29, although the percentage (45%) stayed the same with the addition of many young FSPs to the portfolio. In addition, the effect on local economies of the global financial crisis has affected both the profitability and portfolio quality of many FSPs globally. Stronger portfolio monitoring and building repayment capacity will continue to be a key focus of UNCDF's technical support in 2010.

33. In terms of outreach, i.e. the number of people with improved access to financial services (Outcome indicators 7-8), the performance fully met expectations. In 2009, 2,550,565 active clients were being served by 65 Financial Service Providers supported through UNCDF and UNDP joint programmes to build inclusive financial sectors. This result achieved slightly more than the target of 2,448,781 clients. 53% of these clients

Adgar Mawouni runs a micro-enterprise that has received assistance under the Microfinance Sector Support Programme in Burkina Faso. She has used her profits to buy a donkey that helps her to sell water. UNCDF's microfinance programmes help more households and small businesses gain access to microcredit and savings and empower them to pursue economic opportunities.

² Five to seven years is considered a reasonable span of time for a FSP to achieve financial sustainability (profitability).

were women, slightly exceeding the global target that at least 50% of clients should be women. Given that households on average comprise five persons, this represents an impact on the lives of 12,752,825 persons.

34. Outreach has shown steady annual increases:

Year	2004	2005	2006	2007	2008	2009
Number of Active Clients	379,018	438,272	616,035	1,171,306	1,768,931	2,550,565

35. The 2009 target for outreach was met due to several programmes exceeding their targets for the year. These included the programmes in the Africa region (Building Inclusive Financial Sectors in Africa), the Pacific sub-region, and the new global MicroLead programme which is supporting entry of microfinance market leaders in the LDCs where access to financial services is most limited. UNCDF expects the upward trend in outreach to continue in 2010.

BOX 9 MicroLead: savings-led programming by global market leaders

Although 'microfinance' has become a household word, many people equate it with microloans for the very poor. Yet, the poor also need and demand a safe place to keep their savings, in part to help smooth their consumption and spending patterns and also to provide a cushion in times of crisis or shortage. Many poor households are in fact net savers seeking convenient and safe alternatives to keeping money under the mattress or investing in illiquid or inherently risky assets such as livestock. The demand for savings alternatives is particularly high amidst the uncertainty of crisis and post-conflict environments.

Basic savings accounts can meet the needs of poor families and enable households to plan for the future. Getting savings out from under mattresses and into formal financial systems means savings can ultimately be used to fund microcredit activities, for the larger benefit of entire communities. The recent global financial crisis has shown savings-based microfinance institutions are better able to weather periods of downturn than those dependent on capital markets or donors. In addition, local funding is generally more stable and carries no foreign-currency risk.

UNCDF is helping to bring a savings-based approach to underserved markets in the least developed countries via MicroLead, a new \$26 million South-South cooperation facility that became fully operational in 2009. MicroLead, which received substantial funding from the Bill & Melinda Gates Foundation, provides loans and grants on a competitive basis to microfinance institutions, commercial banks and financial cooperatives which are based in developing countries, are pursuing a savings-based approach, and have already established themselves as market leaders. Funding from the new facility enables the established leaders to expand into new and underserved markets in least developed countries, helping to meet the demand by poor families for convenient and reliable ways to keep their money safe. Poor families not only gain additional security but their savings can then, in turn, become a source of microfinance for their larger communities.

The central hypothesis behind MicroLead is that established FSPs – with their existing systems, staff, policies, good governance and other assets – will quickly scale up after entering a new market and will provide a demonstration effect for the country's microfinance industry.

MicroLead also incorporates the lessons of UNCDF/UNDP's earlier MicroStart programme: specifically, MicroLead allows leading FSPs from the south to determine their own strategy for expanding to LDCs. Thus, applications received to date include start-up MFIs, transformations, technical assistance support, mobile phone technology platform development, and expansion of two small post-conflict MFIs.

For the first 13 approved applications under MicroLead, UNCDF has committed US\$20.4 million, with \$14.5 million allocated to post-conflict countries. This money leverages other investments of approximately \$90 million and by 2013 is expected to yield a loan portfolio of \$270 million, with at least 600,000 new borrowers. The activity will result in more than 1.2 million new customers, who are expected to deposit \$230 million into savings accounts. Women, the economic engines of many countries and a cornerstone of the MDGs, will make up more than 75% of MicroLead's customer base. Overall, the MicroLead programme will represent approximately 20% of UNCDF's total microfinance outreach (measured by number of clients) by 2013. Based on expected results in outreach, leverage, and efficiency, UNCDF plans to implement a Phase II MicroLead in the near future.

36. UNCDF micro-finance in post-crisis environments:

UNCDF microfinance programmes are currently active in nine (9) post-crisis /conflict environments. UNCDF is normally first on the ground in such environments, as experience has demonstrated activities can start as soon as basic security is established. An evaluation of the first UNCDF sector programme in a post-conflict setting, Sierra Leone, noted “impressive” results, “particularly considering the difficulty of reaching rural areas of the country”. The continued need for capacity building was also highlighted, given the prolonged nature of the conflict and its disruption of the country’s education system and human capacities.



Women making loan repayments at the Moris Rasik Centre in Suai (Timor-Leste) where UNCDF is working to increase access to sustainable microfinancing services for poor. UNCDF intervenes at the retail, meso (financial infrastructure) and policy levels.

37. Microfinance evaluations in 2009: UNCDF’s Building Inclusive Financial Sectors in Africa (BIFSA) regional programme was evaluated in 2009, including three country evaluations (Madagascar, Togo and Liberia). The evaluation confirmed that UNCDF’s is viewed by host countries as an ‘honest broker’ in microfinance, as well as UNCDF’s value as “a first-mover” in LDCs, including in many post-crisis environments. Key strengths include UNCDF’s record of investing in emerging financial service providers through a transparent, thorough process, with no sign of politicization. UNCDF’s use of performance-based funding contracts with financial service providers was also deemed effective. Key recommendations included strengthening links to partners with proven expertise at the policy and meso levels, and strengthening the local investment committee processes, including the ability of investment committees to support the development of new products and services.

BOX 10 Assessing UNCDF's interventions

UNCDF's long-standing commitment to rigorously evaluating its work is formalized in the Evaluation Policy that was endorsed by the Executive Board in 2006. Programme evaluation helps UNCDF assure our development partners that their contributions are spent accountably, and as effectively and efficiently as possible. These candid appraisals help explain which approaches are successful, and clarify why some programs need adjustments to achieve development goals. It also helps UNCDF document and validate the results it achieves and helps guide future investment decisions. In 2009, UNCDF undertook four programme evaluations.

The '*Development of a Sustainable Pro-Poor Financial Sector in Sierra Leone*' programme began in 2004, within a post-conflict context of pervasive poverty, limited infrastructure, a limited pool of qualified staff and lack of a credit culture. The Evaluation found that the programme made a catalytic contribution to the establishment of a vibrant microfinance sector, at a time when only a handful of relief and development agencies were providing micro-credit. The country's Microfinance and Technical Assistance Facility (MITAF) was instrumental in building an inclusive financial sector and helped support the establishment of about 30 commercial and community banks offering services to the poor and underserved. MITAF exceeded its 100,000-client goal, and leveraged non-core resources, with contributions from UNDP, Kreditanstalt für Wiederaufbau and Cordaid. The evaluation cautioned that further development of the microfinance sector should be market-driven and based on valid and realistic assessments of the absorptive capacity of the market, both at the customer and service provider level.

In 2009, UNCDF also evaluated its local development programmes in Niger, Eritrea and Mauritania.

In Eritrea, the '*Anseba Local Development Project*' – jointly funded by the Belgian Government, UNCDF and UNDP – demonstrated that regional and local authorities had done an "outstanding" job in supervising the implementation of micro-projects which had significant community involvement. Some 82 micro-projects in the area of social and economic infrastructure, management of natural resources and training of local level administrators were implemented. Over 40 of the micro projects aimed at increasing food security. The evaluation established that these activities increased the available food supply by 3 months, on an annual basis, and also found that the project was sustainable and had made a solid contribution to its poverty alleviation objectives.

The combined evaluation of the local development projects in Niger and Mauritania was designed and implemented jointly with the French Ministry of Foreign Affairs, which funded both projects jointly with UNCDF and UNDP. The evaluation findings highlighted the improved functioning of municipal-level councils, better cooperation between civil society and the local government in project planning and implementation.

They were also catalytic and had led to replicating of decentralization approaches nationally. In Niger, the project successfully channeled project funding through the National Treasury for its local development activities. This systematic use of national treasury systems as a way to deliver development assistance has strengthened UNCDF's role as a forerunner of the programme approach and promoter of pilot approaches to decentralization. Finally, the inclusion of a micro-finance component was judged a success, with the project supporting the setting up of a national level MFI in the commune of Diffa which provided total credit of 82.1 million CFAs to 1,686 clients, of which 67% were women. In Mauritania, the project tested a system for evaluating the performance of municipalities which it used to provide financial support in line with performance. In terms of areas for improvement, the assessments of Niger and Mauritania reiterated the need for strong logical frameworks to be set out at the design stage. Furthermore, care should be taken to ensure that monitoring and evaluation tools that are developed are fully responsive to the needs of the project. Both projects should ensure that women are more fully involved in decision-making, as well as better mainstream local economic development.

38. UNCDF microfinance thematic initiatives: In addition to its sector based programmes and the new MicroLead global programme, UNCDF actively participated to two thematic initiatives, respectively in the areas of remittances and micro-insurance. Specifically, UNCDF supported the expanding activities of the multi-donor Funding Facility for Remittances, backed by a range of institutions including UNCDF³, and managed by IFAD. In 2009, the Facility launched a third call for proposals which led to the approval of 20 new grants (including 6 in Latin America funded with IADB resources), many of them based on partnerships between microfinance institutions and mobile network operators with a view to use technology-based solution to increase outreach in rural areas and link remittances to saving accounts. On micro-insurance, UNCDF

3 European Commission, Luxembourg, Spain, CGAP, IADB.

developed in cooperation with ILO a pilot operation in a second country, Zambia (following the initial pilot in Ethiopia), which led to the adoption of a national action-plan framework for the promotion of micro-insurance services in that country.

39. UNCDF microfinance and climate change: UNCDF also engaged in an active dialogue with the Energy and Environment Group (EEG) at UNDP, as well as with external stakeholders, on the theme of climate change and microfinance, with a view to lay the ground for the development of a full-fledged strategy and a new global UNCDF product in that area for 2010.

40. UNCDF microfinance and UNDP: Lastly, it is useful to mention the results related to UNCDF's role as the policy and technical advisor to UNDP, including in non-LDCs, to ensure consistent application of best microfinance practices. In 2009, UNCDF supported UNDP inclusive finance activities in fourteen (14) countries where UNCDF did not have its own programmes, including thirteen (13) non-LDCs.

BOX 11 Mobilizing the poor with cell phone banking

In many countries, the poorest people lack access to basic bank functions, unable to deposit savings or transfer money. Mobile phones are an increasingly powerful tool for the delivery of basic financial services to lower income households throughout the world.

Papua New Guinea (PNG) presents one of the most extreme challenges: its overwhelmingly rural population speaks 700 languages, just one person in 25 has a job in the formal sector, and commerce is hampered by poor transportation. Just two years ago, this demi-island's 6.2 million people held fewer than 100,000 cell phones, and 90% lacked access to formal banking services.

The International Finance Corporation (IFC) and the UNCDF/EU/UNDP Pacific Financial Inclusion Programme (PFIP) researched how to build a mobile money system in PNG that reaches the vast majority of people lacking access to formal financial services. "*Building a Mobile Money Distribution Network in Papua New Guinea*" reveals the great demand for a system in PNG that enhances cash safety, which would include not only mobile phone transfers but also a means to transact, store, and accumulate value for later use.

PNG seems an unlikely candidate for some of the newest financial technologies. In 2007, Digicel Pacific, a new mobile service provider, was permitted to enter PNG's telecommunications market to compete with the government-owned be mobile operator. In just two years, the geographic coverage and subscriber base has skyrocketed, going from less than 100,000 customers to over 1 million. That is twice the number of Papua New Guineans with bank accounts.

Today millions of PNG mobile phone subscribers are transferring money, paying merchants, saving and even sending international remittances through mobile phone networks. According to the Government's 2008 budget presentation, Digicel has already contributed to 0.7% growth to PNG's GDP.

The IFC/PFIP report helped catalyze plans and investment by potential mobile money operators by highlighting the demand and the potential for building cash in/cash out networks quickly. PFIP is providing performance-based grants to several counterparts in PNG and is helping to build partnerships in the country to bring a mobile money network into being. A mobile money system could assist the teachers that travel over a day to collect their fortnightly pay, assist parents save and pay for school fees or be used to pay the more than 400,000 PNG households that sell coffee. By the end of 2010 it is expected that PFIP's partners will be reaching tens of thousands of households with mobile money solutions.

UNCDF at a glance

**UNCDF is the UN's capital development agency
for the world's 49 least developed countries.**

II. Management Results





Ruth Bazibu fills up a jerry can from the Mukama Water Source in Uganda. Ruth, who has seven children, said the water used to be dirty and muddy. "Children would get sick with diarrhea". With support from UNCDF, the local government established a protected spring and taught the community how to take care of it. "Now the problem has been reduced". Ruth said. UNCDF's pilot local development work in Uganda has been taken to national scale by the government and major development partners.

41. In 2009, UNCDF continued a series of measures to strengthen its internal structures and systems in order to better respond to the increasing demand for its services. The operational strengthening process dubbed "UNCDF Project 2010" was initiated in 2008 and will unfold until the end of 2010. It is based on an operational scan conducted by an external consultant in 2008, an audit carried out at the request of UNCDF management by the UNDP Office of Audit and Investigation (OAI) in 2009, and a series of internal workshops. The OAI audit produced 23 recommendations. Management committed to implementing all of the recommendations and is on track to do so within the established deadlines.

42. As part of the overall strengthening exercise, UNCDF has streamlined its organizational structure, with rationalized functions and reporting lines at the regional level. Heads for the three Regional Offices (Bangkok, Dakar and Johannesburg) have been designated and various authorities delegated in line with the organization's internal control framework. Performance management has been strengthened through the establishment of a Corporate Management Plan, and related accountability tools. Systems are being put in place to monitor and follow-up more effectively on the recommendations of project audits and evaluations.

43. Operational integration with UNDP has been prioritized, with a view to avoiding redundancies and maximizing efficiency. Formal UNCDF policies and procedures have been refocused exclusively on those aspects of UNCDF's operations that differ significantly from those of UNDP (e.g. procedures around block grants and loans); for all other aspects, the procedures outlined in UNDP's Programme and Operations Policies and Procedures (POPP) will now apply to UNCDF.

44. The table below summarizes UNCDF's Management Results for 2009.

Table 3. 2009 Management Results

Perspective	Strategic objective	Indicator	2008 result	2009 target	2009 result
Client satisfaction	Expand geographically to more LDCs, including post-conflict LDCs	LDCs with UNCDF programmes	38 LDCs	40 LDCs	40 LDCs
	Improve strategic partnership with UNDP and the rest of the United Nations system	UNDP CO satisfaction with timeliness and relevance of UNCDF services in its respective practice lines	-	70%	60.6% *
Internal efficiency	Harmonize UNCDF and UNDP procedures to avoid overlaps and redundancies	UNCDF operations and procedures harmonized with those of UNDP	-	UNCDF Operations Manual fully harmonized with UNDP's POPP	Achieved
	Strengthen United Nations coordination	Integration of UNCDF in United Nations country-level programming framework	31 LDCs	32 LDCs	32 LDCs
	Improve efficiency of delivery	Administrative-to-total-expenditure ratio	15.5% **	15%	15.5%
	Strengthen 'people management'	Staff perception*	75%	75%	68.8% ***
	Implementation of OAI Audit Recommendations		n/a	13	13
Financial resources	Achieve resource mobilization targets	Regular resources mobilized	\$23.5 m	\$25 m	\$19.7m****
		Other resources mobilized	\$26.6 m	\$20 m	\$16.5 m
	Ensure delivery against plan	Delivery against approved annual spending limits	70%	80%	78%

* From the Headquarters Products and Services Survey. The UNDP/UNCDF/UNIFEM/UNV corporate average was 60%.

** Ratio of support cost over total delivery re-calculated for 2008 according to the UNDP methodology.

*** From Global Staff Survey. The UNDP/UNCDF/UNIFEM/UNV average was 66%.

**** Includes \$1m from UNDP programme funds. 2008 figure of \$23.5m includes \$6m from UNDP programme funds.

45. Some of the 2009 results captured above are process indicators, relating to the Project 2010 exercise (e.g. implementation of OAI audit recommendations; harmonization of procedures with UNDP). Others, such as delivery against approved annual spending limits, which stands at 78%, already show signs that UNCDF internal efficiency is improving. Staff perception, while above the UNDP corporate average, is an indicator that will continue to be monitored closely to ensure that efficiency gains do not occur at the expense of staff morale.

BOX 12 Training a new corps of development professionals

UNCDF has gained a strong reputation for its capacity to work on the ground in difficult environments using seed capital and technical assistance to help Least Developed Countries (LDCs) build inclusive financial sectors and responsive and efficient local government systems capable of accelerating progress towards the MDGs. UNCDF's ability to deliver innovative and scalable interventions depends largely on its technical expertise and knowledge culture. These same attributes mean UNCDF offers young professionals unrivaled opportunities for gaining valuable experience early in their careers.

The Junior Professional Officers programme gives many young professionals their start in the international system. These donor supported positions last typically one to two years and offer unparalleled opportunities for professional exposure in international development.

Working in a highly operational organization with strong presence on the ground, UNCDF JPOs gain immediate, valuable and direct experience in country offices in LDCs, in regional offices in Bangkok, Dakar or Johannesburg, or at the New York headquarters. Training is a key component of the JPO Programme. In addition to the on-the-job guidance and instruction, the Programme provides different training and learning opportunities, such as the Programme Policy and Operations Course in New York, and travel for work-related activities such as seminars, workshops and round-table discussions at the national and international level.

JPOs are supervised by senior UNCDF staff, and directly involved in the design, monitoring and implementation of programme activities. JPOs are generally no older than 32, hold a Masters degree or its equivalent, and have at least one to four years of relevant work experience. The programme is administered by the JPO Center in Copenhagen.

UNCDF has a long and successful track record of working with JPOs, who are fully funded by member donor countries including Austria, Germany, Italy, Luxembourg, Spain and South Korea. UNCDF has been particularly successful at channeling JPOs into regular staff positions within UNCDF or the larger UN system. In 2009, of UNCDF's 127 staff members, 16 were JPOs.

46. Growth of UNCDF. Table 4 below highlights UNCDF growth during the recent period. While both practice areas are expected to continue growing in response to continued strong demand from within existing programme countries, UNCDF will not begin operating in new programme countries until it reaches the target of \$25 million in core / un-earmarked funding per year.

Table 4. Growth in UNCDF activities 2005 – 2009

	2005	2006	2007	2008	2009		
					Plan	Actual	%
Number of Programme Countries	26	28	31	38	45	40	87
Growth of Local Development Activities							
Number of Programme Countries	23	23	29	34	37	33	89
Number of Local Governments	493	437	518	649	850	810	95
Growth of Microfinance Activities							
Number of Programme Countries	15	18	20	20	25	22	88
Number of Financial Service Providers (FSPs)	19	28	29	37	45	65	144
Number of Active clients (m)	0.4	0.6	1.6	1.7	2.4*	2.5	128

*Target adjusted upward from \$2.0m based on approval of new programming.

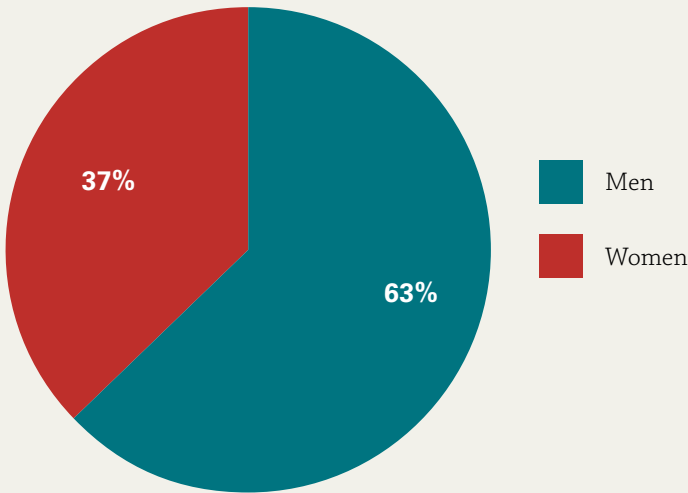
Figure 1: UNCDF Workforce



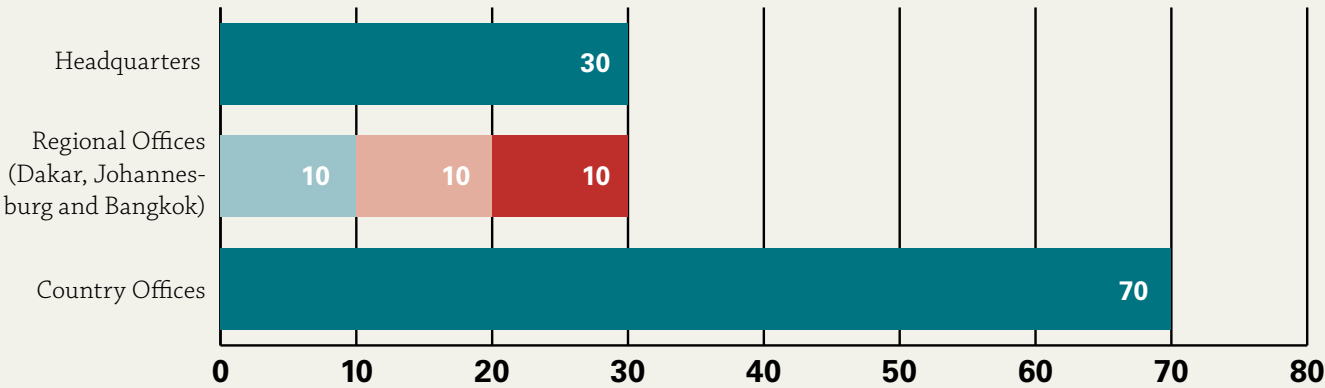
At the end of 2009, UNCDF had 127 staff members: 76 International Professionals (including 16 JPOs), 16 National Officers and 35 support staff. Of the 76 international professionals, 63% were men and 37% were women. 58% came from developed countries and 42% from developing countries. Roughly 30 staff work at Headquarters, 10 each in UNCDF regional offices in Dakar, Johannesburg and Bangkok, and 70 at country level

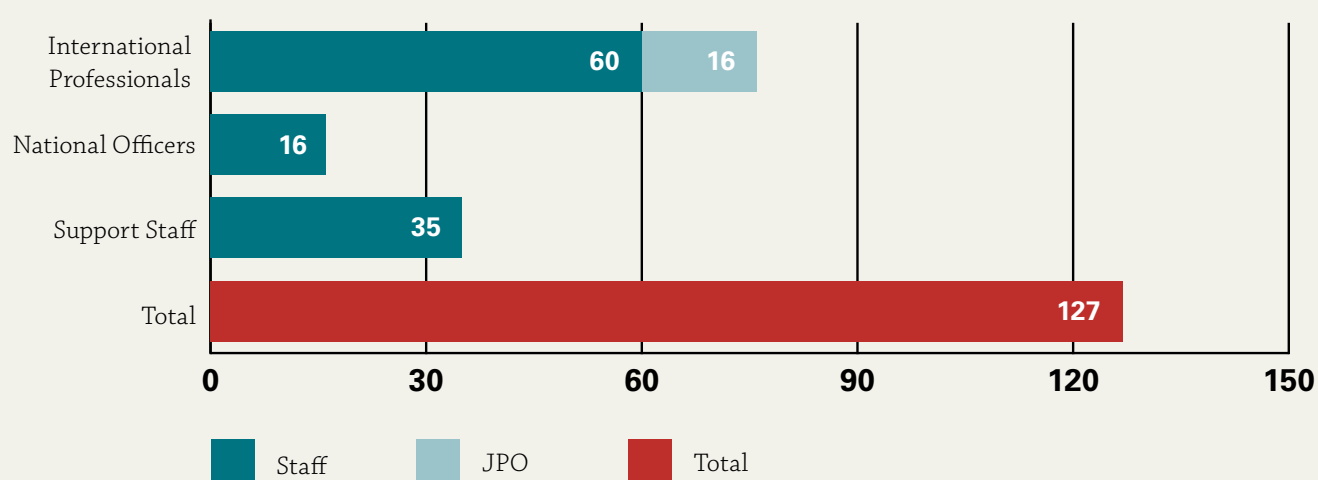
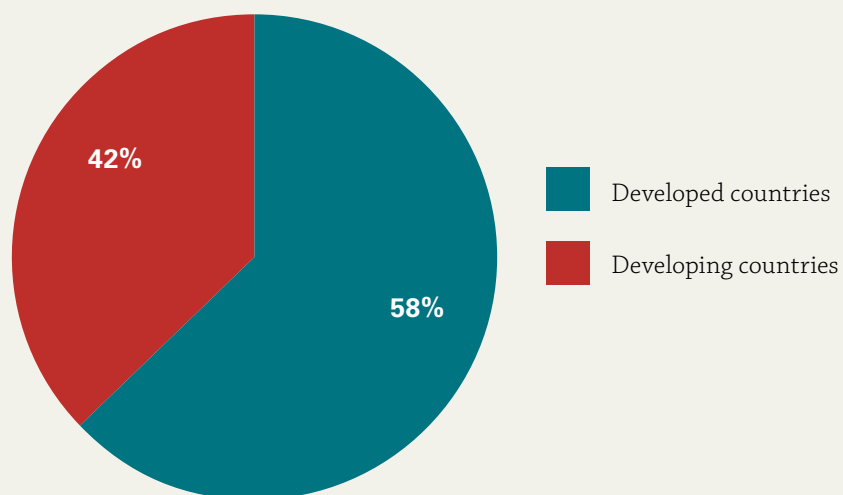


International Professionals by Gender



Distribution by Duty Station



Staff Members in 2009**Distribution by Origin**

As part of its Kenema District Economic Recovery Programme in Sierra Leone, UNCDF is supporting a Community Agriculture Project. The initiative responds to food security challenges and provides means and access to food to over 5,000 people.



UNCDF at a glance

UNCDF creates new opportunities for poor people and their communities by increasing access to microfinance and investment capital.

III. Financial Analysis





A tubewell scheme that brings fresh water to the local population in Sirajganj (Bangladesh), where UNCDF's interventions were the first to involve elected rural local governments implementing development programmes. Today, UNCDF is supporting local governments in their efforts to deliver small scale rural infrastructure, in ways that can be replicated and scaled up with the Government and other partners.

Financial analysis

47. Total contributions to UNCDF amounted to \$36.5 million in 2009, consisting of \$19.7 million in regular resources, including a \$1 million programme contribution from UNDP, and \$16.5 million in other resources. The volume of regular resources grew by \$1 million in 2009. Austria and Luxembourg increased their contributions and multi-year commitments were secured from three large contributors – Belgium, Norway and Spain. Sweden decreased its contribution in 2009 but remained the largest contributor to UNCDF regular resources.

48. Other resources decreased from \$26.6 million in 2008 to \$16.5 million in 2009. This was anticipated, as a particularly large contribution received from the Bill and Melinda Gates Foundation in late 2008 was intended for both 2008 and 2009. Had this contribution been allocated in equal instalments other resources would have seen an increase of \$2 million in 2009. Overall, the outlook for other resources remains positive in 2010 and beyond.

BOX 13 2009 contributions to UNCDF regular and other resources

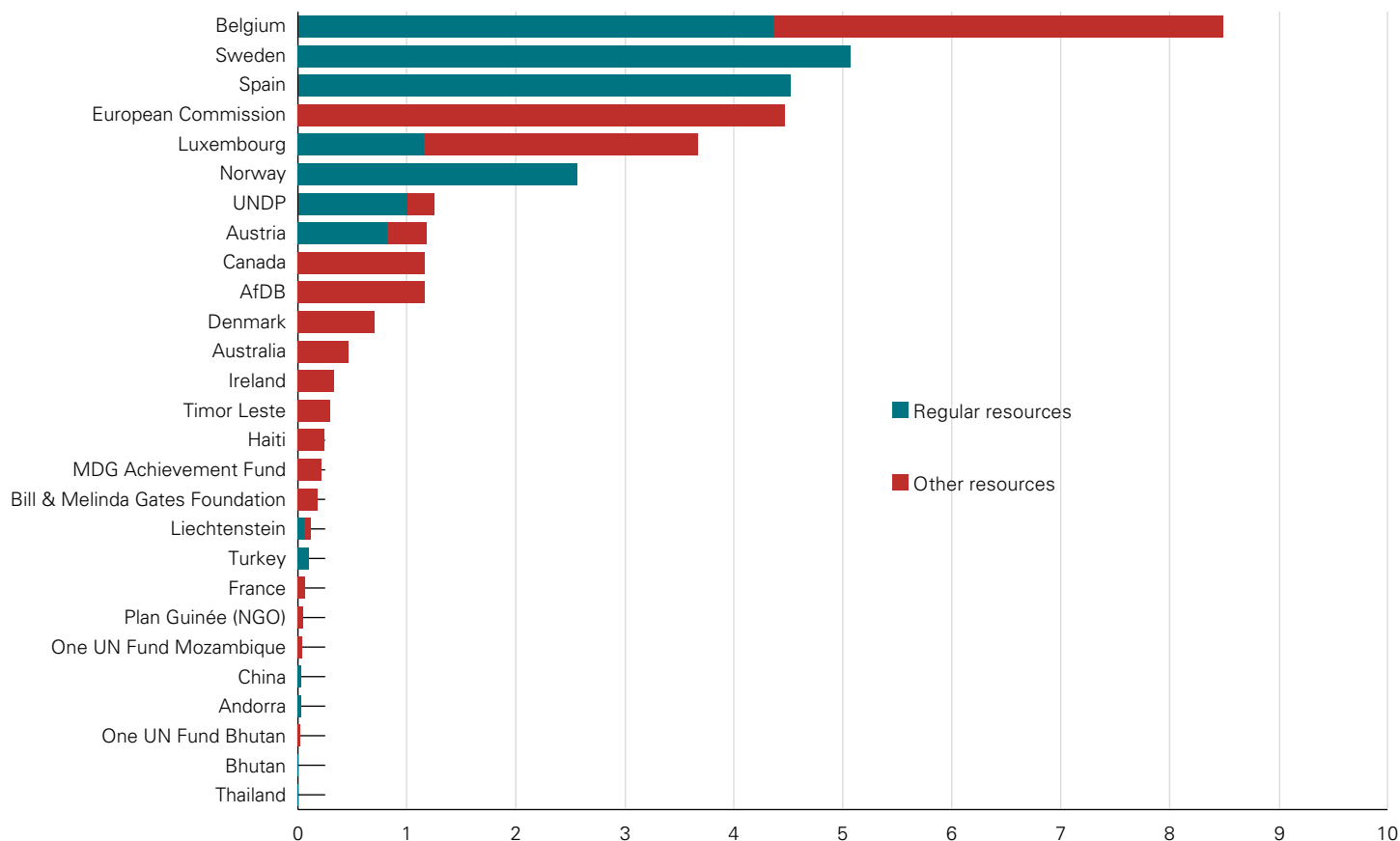
UNCDF's total 2009 income was about US\$36.2 million: \$19.7 million in regular, or core, funds; and \$16.5 million in earmarked, or non-core, funds.

Development partners increased their contributions to UNCDF 2009 regular resources by \$1 million, or 6%, over 2008. Two donors substantially increased their contributions - Belgium by more than 300% and Austria by 50%. The increase by Belgium was largely a result of a decision to convert earmarked resources to regular resources. In 2009, multi-year commitments were secured from three contributors – Belgium, Norway and Spain. Although Sweden slightly decreased its contribution in 2009, it remained the largest contributor to UNCDF regular resources with \$5 million.

There was an overall decrease in other resources from \$26.6 million in 2008 to \$16.5 million in 2009. This was expected as 2008 figures were skewed due to front loading of one large contribution by the Bill and Melinda Gates Foundation. Had these installments been equally distributed between 2008 and 2009, 2009 non-core resources would have increased by \$2 million.

In 2009, UNCDF signed new cost-sharing agreements with Austria, AusAID, the Belgian Fund for Food Security, Denmark, Haiti, Timor-Leste, Irish Aid, Liechtenstein and Bill & Melinda Gates Foundation. These funds will support Local Development and Inclusive Finance programmes in the Least Developed Countries.

While continuing to rely on a relatively small set of donors to regular resources – six donors account for 95% – contributions to UNCDF earmarked resources are becoming increasingly diverse. In addition to bilateral partners, UNCDF enjoys support from development banks, foundations, the private sector, NGOs, One UN Funds, and the MDG Achievement Fund.

Figure 2: Contributions to UNCDF in 2009


49. UNCDF continues to be overly dependent on too few donors to regular resources (UNCDF's 6 largest donors contribute 95% or Regular Resources). Continuing to diversify and expand the regular resource base remains a top priority for the organization. The sources of other resources, on the other hand, are becoming increasingly diverse. In addition to bilateral and multilateral cooperation, UNCDF enjoys support from development banks, foundations, the private sector, NGOs, One UN Funds, and the MDG Achievement Fund. In total, UNCDF received support from 27 donors in 2009.

50. Total expenditures in 2009 were \$49.1 million. Programme expenditures increased 12.2% to \$41.5 million from \$37.0 million in 2008. The bulk of the increase (35%) was in other resources expenditures. UNCDF support costs increased by 26% to \$7.6 million, due to reimbursement of outstanding Service Level Agreements (SLAs) to UNDP, and to additional staff costs.

Fund balances at the end of 2009 were approximately \$53 million. UNCDF also has operational reserves of approximately \$26 million.

51. In addition to regular expenditures, UNCDF disbursed five loans to FSPs in the Democratic Republic of Congo (DRC), Senegal and Timor Leste ranging between \$21,000 and \$230,000 for a total amount of \$658,063.

Table 5. Expenditure trends 2003-2009 (in millions of United States dollars)

Expenditures	2003	2004	2005	2006	2007	2008	2009
Programme expenditures	21.1	22.9	19.2	25.2	28.7	37.0	41.5
- of which regular resources	16.3	14.9	11.6	16.8	19.0	22.6*	22.2*
- of which other resources	4.8	8.0	7.6	8.4	9.7	14.4	19.3
UNCDF Support	6.2	5.3	6.7	4.6	5.4	6.8	7.6
Total	\$27.3	\$28.2	\$25.9	\$29.8	\$34.1	43.8	49.1

Source: Financial statements for UNCDF as of 31 December 2009 before closing of accounts.

*Expenditures in 2008 and 2009 include respectively \$6 million and \$1 million expended against UNDP's programme contributions to UNCDF. Both years include approximately \$4.7million expended against UNDP's Biennial Support Budget.

52. The bulk of UNCDF's programme resources continue to go to Africa (Table 6 below). In 2009 55% of country programme expenditures went to Africa, followed by Asia and the Pacific at 35%. Africa also accounted for the majority of expenditure within UNCDF's global initiatives, which in 2009 accounted for 17.8% share of programme expenditures, up from 9.4% in 2009. This growth in global initiatives was largely a result of the MicroLead programme becoming fully operational in 6 LDCs, 5 of which are post-conflict countries. The global programme figure also includes the Gender Equitable Local Development joint programme with UNIFEM, joint programmes on micro-insurance (with ILO) and remittances (with IFAD), and preparations for the Global Forum on Local Development that UNCDF will co-convene with UNDP in Kampala in October 2010.

Table 6. 2009 Programme expenditures per region and practice area (in millions of United States dollars)

Regions/specific purposes	Local development	Microfinance	Total
Africa	9.8	5.5	15.3
Asia and the Pacific	8.7	1.0	9.7
Arab States	0.4	-	0.4
Latin America and the Caribbean	2.7	-	2.7
Global programmes	0.6	6.8	7.4
Regional programmes	3.2	1.8	5.0
Research and development	0.2	0.3	0.5
Knowledge Management	-	0.5	0.5
Total	25.6	15.9	41.5

Source: Financial statements for UNCDF as of 31 December 2009 before final closing of accounts.

BOX 14 UNCDF Resources 1996-2010

In the past five years, UNCDF has managed to significantly diversify its funding base, thereby reducing the agency's over-reliance on a small number of bilateral donors. For most of the 1990s, contributions to UNCDF regular, or core resources amounted to approximately \$30 million annually - the main part of which originated from only a hand full of bilateral donors, primarily the Netherlands, Denmark, Sweden and Canada. Contributions to earmarked, or non-core resources were on very low levels in comparison to most other UN agencies - hovering around 10% of regular resources - and only started to increase after 2005.

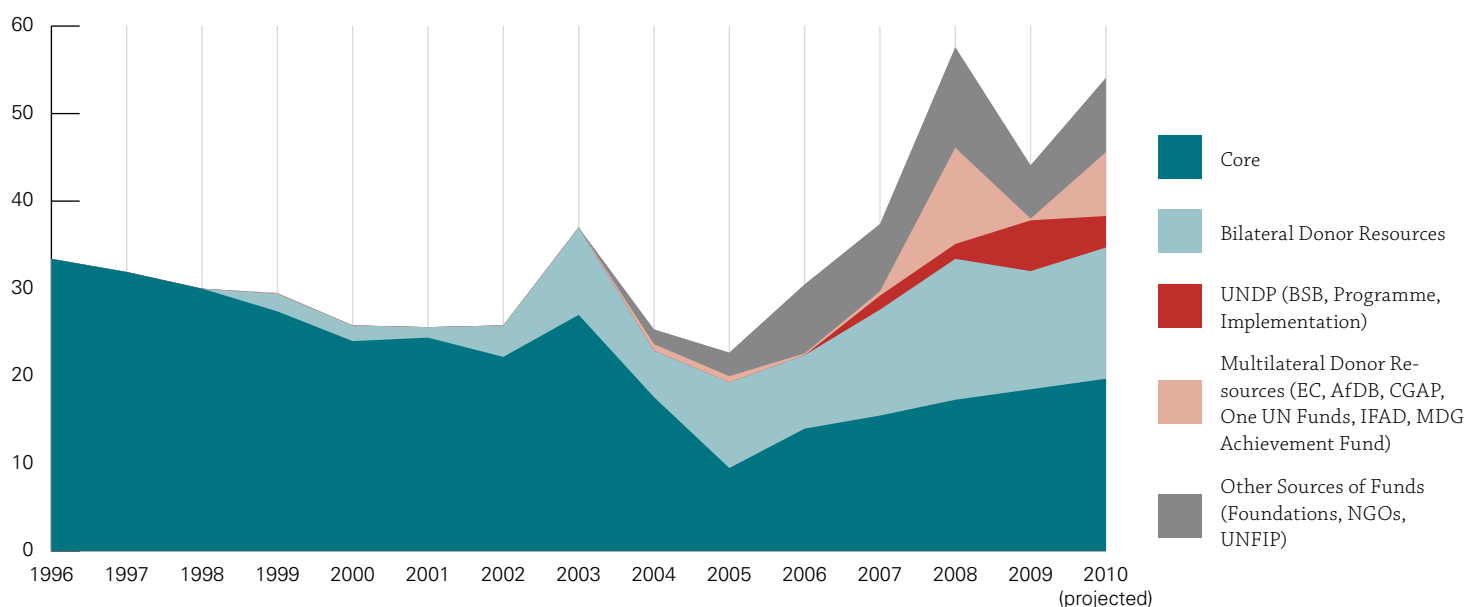
While UNCDF continued to score well in external assessments, UN reform concerns triggered a number of key donors to reduce or completely withdraw contributions to smaller UN agencies, including UNCDF, during the 2003-2005 period. This led to a drop in UNCDF regular resources below the \$10 million mark in 2005. A subsequent 2005 Executive Board decision called for a closer strategic partnership with UNDP, while sustaining UNCDF as an independent UN agency. To support this decision, it was agreed to include UNCDF's operational costs to the order of \$5 million per year in UNDP's biennial support budget. Meanwhile, UNCDF took steps to enhance its internal capacity for building strategic partnerships. These efforts resulted in a rapid increase in the number and types of development partners working with UNCDF, and also in larger flows of resources to UNCDF-initiated programmes and interventions. In 2005, UNCDF received contributions to regular and other resources from only 15 donors development partners. By 2009, the number of UNCDF donors had increased to 27 constituting a much more diverse mix of bilateral and multilateral partners, foundations, NGOs and private sector partners. UNCDF total resources also saw a considerable increase, from \$17 million in 2005 to approx. \$45 million in 2009 (\$55 million in 2008). Much of this increase comes from other resources, including large contributions from new sources such as the European Commission, private foundations and One UN Funds.

Regular, or core, funding has also climbed steadily from \$9 million in 2005 to \$18.7 million (excluding \$1 million contribution from UNDP) in 2009. This growth is largely attributable to contributions from new UNCDF donors such as Spain and increasing contributions from donors with a long UNCDF history such as Belgium, Luxembourg and Austria. Throughout this period Sweden and Norway, among others, have largely sustained their levels of contributions to UNCDF regular resources.

During the same period additional earmarked resources have grown significantly, to \$26 million in 2008 from \$10 million in 2005. Among the new UNCDF contributors: The Bill & Melinda Gates Foundation, European Commission, African Development Bank, UN trust funds, corporations, NGOs and governments of programme countries. Much of this money will be spent on specific programmes or regions, at the request of donors.

In addition to improving its financial stability through donor expansion and diversification, UNCDF has been particularly successful in attracting personnel contributions from governments, which have been generously supporting UNCDF by underwriting Junior Programme Officers (JPOs), United Nations Volunteers (UNVs) and United Nations Fellows (UNFs). Many of the former JPOs who were placed with UNCDF currently hold key UNCDF and UNDP positions. These programmes allow UNCDF to place more technical experts in the field, where they are most needed.

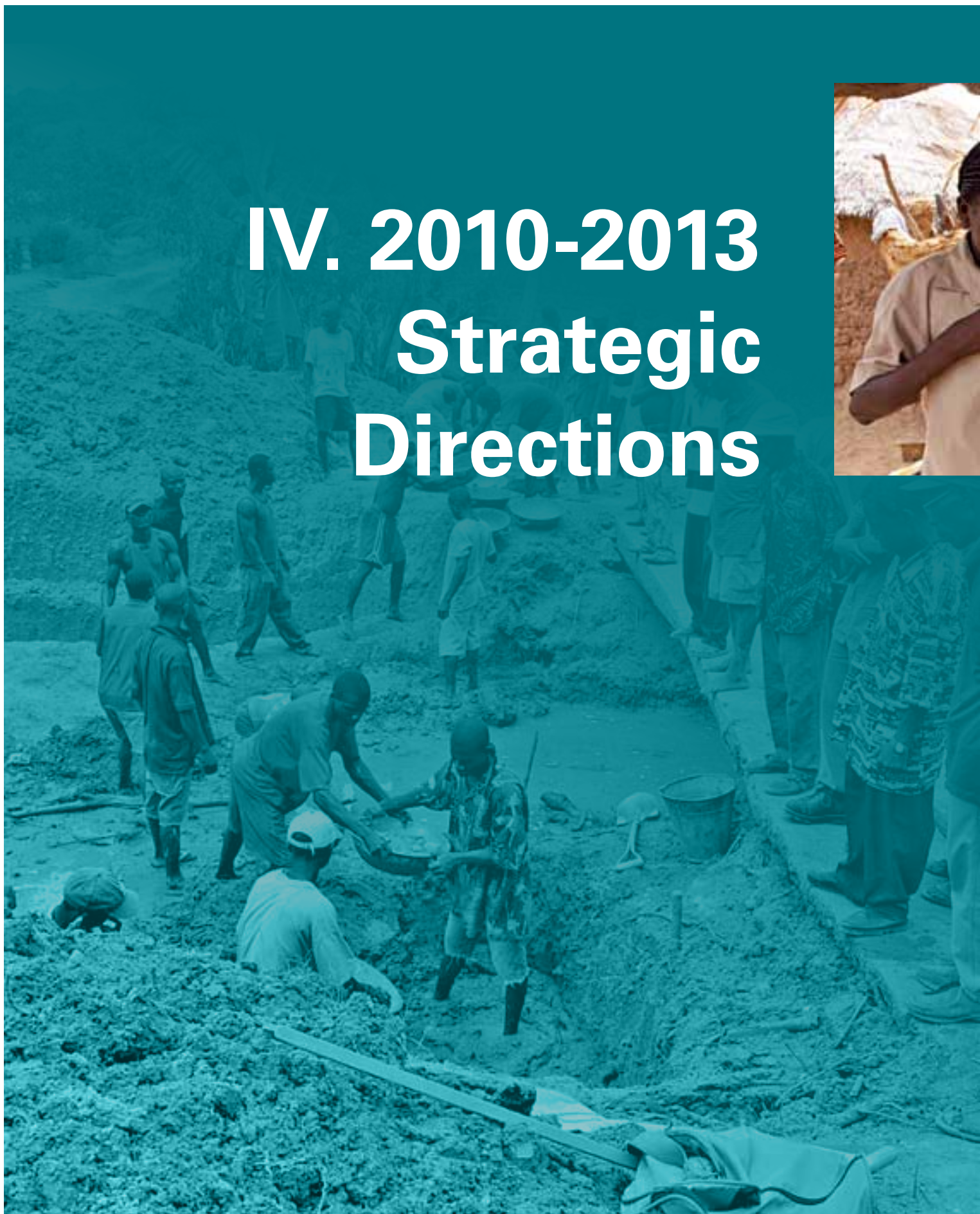
Figure 3: UNCDF Resources 1996-2010



UNCDF at a glance

UNCDF provides seed capital – grants and loans – and technical support to help microfinance institutions reach more poor households and small businesses, and local governments finance the capital investments – water systems, feeder roads, schools, irrigation schemes – that will improve poor peoples' lives.

IV. 2010-2013 Strategic Directions





“I took a loan that allows me to earn more money and contribute to cover my family’s expenses. This year I paid the school uniform for my daughter”, says Lea Fatimata Nahin, who received a loan supported by the Microfinance Sector Support Programme in Burkina Faso.

53. UNCDF’s key future challenge is being able to respond effectively to growing LDC demand for its services in local development and microfinance. This challenge implies three central priorities for the period 2010 – 2013.

54. Strengthening UNCDF’s operations: Tables 4 (page 33), and 5 (page 41), detail UNCDF’s recent growth. UNCDF’s level of activities has nearly doubled over the past 5 years. In the last two years alone the number of Financial Service Providers supported by UNCDF has more than doubled. Keeping pace with

this demand means that UNCDF must place high priority on maintaining strong and effective operational systems. *Project 2010* has already produced an overall framework for strengthening UNCDF’s operations, including its resource base. Implementing this framework will be a high priority for 2010 – 2013.

55. Responding to LDC demand for new types of interventions: UNCDF is increasingly being asked by programme countries for support in responding to climate change and food security, as well as for new approaches to Local Development (e.g. increased focus on economic development) and Microfinance (e.g. new types of financial services such as micro-insurance; remittances linked directly to savings accounts, etc.). Developing new products and approaches relevant to emerging LDC needs will be a second key priority in the coming period.

56. Strengthening UNCDF’s partnerships. As an organization that “paves the way” for others, UNCDF achieves impact when its work is scaled up or replicated by larger partners, national governments or the private sector. UNCDF goes into challenging environments (e.g. rural areas of LDCs; early microfinance interventions in post-conflict countries) in ways that make it easier for others to come in alongside or afterward. Strengthening its key partnerships – within the UN System, with the World Bank and regional development banks, with foundations, with private sources of capital – is UNCDF’s third major priority for the 2010 – 2013 period.

A photograph of a woman wearing a dark headscarf, looking down with a somber expression. The image is overlaid with a semi-transparent teal color. In the background, there is faint, illegible text that appears to be part of a banner or sign, including the words "PROGRAMME D'AF" and "ET AUX COL".

Annexes

Annex I: UNCDF Global Project Portfolio 2009/2010

UNCDF PROJECT PORTFOLIO 2009-2010 / AFRICA					
COUNTRY/PROJECT	PRACTICE AREA	PARTNERS	UNCDF GRANT SIZE in US\$	TOTAL PROJECT COST in US\$	DURATION
BENIN					
Appui au Développement Communal et aux Initiatives Locales dans le Borgou (ADECOI)	Local Development	UNDP, Government, Belgian Fund for Food Security (BFFS), Municipalities	2,399,165	7,596,055	2003-2009
Projet d'appui à la décentralisation, à la déconcentration et au développement économique régional et local au Bénin (PA3D)	Local Development	UNDP, Government, Belgian Fund for Food Security (BFFS), Municipalities	2,000,000	9,700,000	2009-2013
BURKINA FASO					
Appui aux Communes Rurales et aux Initiatives Intercommunautaires (ACRIC)	Local Development	UNDP, Government, Boucle de Mouhoun District	2,000,000	3,353,000	2009-2013
Programme de Renforcement du Secteur de la Microfinance (PRESEM)	Inclusive Finance	UNDP, Government, Réseau des caisses populaires du Burkina (RCPB), AfDB, World Bank	1,500,000	3,737,143	2007-2010
BURUNDI					
Projet d'Appui à la Reconstruction et au Développement Communal dans la Province de Rutana (PARDC/R)	Local Development	UNDP, Government, Swiss Agency for Development and Cooperation (SDC)	2,237,556	6,200,000	2006-2011
CENTRAL AFRICAN REPUBLIC					
Programme d'Appui à l'Emergence d'un Secteur Financier Inclusif en République Centrafricaine (PAE/SFI)	Inclusive Finance	UNDP, Government, AGFUND	1,200,000	4,000,000	2007-2011
COMOROS					
Programme d'Appui à la Finance Inclusive aux Comores (PAFIC)	Inclusive Finance	UNDP, Government,	1,073,625	2,165,110	2009-2012
DEMOCRATIC REPUBLIC OF CONGO					
Appui à la Décentralisation et au Développement Local (PADDL)	Local Development	UNDP, Government, UK Department for International Development (DFID)	2,380,000	88,275,000	2008-2012
Programme d'Appui au Secteur de la Microfinance (PASMIF)	Inclusive Finance	UNDP, Government, France, Kreditanstalt für Wiederaufbau (KfW)	1,507,081	2,878,513	2005-2010

COUNTRY/PROJECT	PRACTICE AREA	PARTNERS	UNCDF GRANT SIZE in US\$	TOTAL PROJECT COST in US\$	DURATION
ERITREA					
Anseba Local Development Project (ALDP)	Local Development	UNDP, Government, Belgian Fund for Food Security (BFFS)	2,023,642	5,969,899	2002-2009
ETHIOPIA					
Emerging Regions Development Programme (ERDP)	Local Development	UNDP, Government, International Telecommunications Union (ITU)	2,000,000	13,240,000	2007-2011
GUINEA					
Programme de Développement Local en Guinée (PDLG II)	Local Development	UNDP, Government, Development rural Communities, Urban Communities, Semafo, Plan Guinée	2,000,000	7,960,000	2008-2012
GUINEA BISSAU					
Projet d'Appui au Développement Régional et Local de la Région de Gabu (PADRL)	Local Development	UNDP, Government, Gabú District	1,137,150	5,065,855	2007-2011
LESOTHO					
Lesotho Local Development Programme (LLDP)	Local Development	UNDP, Government	1,200,000	2,514,000	2007-2011
LIBERIA					
Liberia Decentralization and Local Development Programme (LDLD)	Local Development	UNDP, Government, European Commission	2,500,000	9,000,000	2007-2011
Launch of an Inclusive Financial Sector in Liberia (LIFSL)	Inclusive Finance	UNDP, Government, Cordaid	1,500,000	6,131,700	2009-2013
MADAGASCAR					
Projet d'Appui à la Stratégie Nationale de Microfinance (PASN/MF)	Inclusive Finance	UNDP, Government	1,625,800	4,454,239	2005-2010
MALAWI					
Financial Inclusion in Malawi (FIMA)	Inclusive Finance	UNDP, Government, Cordaid	2,000,000	6,971,825	2007-2011

COUNTRY/PROJECT	PRACTICE AREA	PARTNERS	UNCDF GRANT SIZE in US\$	TOTAL PROJECT COST in US\$	DURATION
MALI					
Collectivités Territoriales et Développement Local (CTDL)	Local Development	UNDP, Government, Belgian Fund for Food Security (BFFS), European Commission, Luxembourg	2,207,116	11,157,000	2006-2010
Renforcement des capacités des acteurs en planification locale pour l'accélération de l'atteinte des OMD dans les 166 communes du PNSA.	Local Development	UNDP, GoAL WaSH, OMD, Government, SNV	500,000	1,462,022	2009-2011
Projet d'appui à la décentralisation et au développement économique (PADDER)	Local Development	Government, African Development Bank (AfDB)	0	1,452,182	2008-2012
MAURITANIA					
Programme d'Appui aux Communes de l'Assaba (PACA)	Local Development	UNDP, Government, France	512,613	3,561,100	2005-2009
MOZAMBIQUE					
Programa de Planificação e Financiamento Distrital (PPFD) / Decentralized Planning and Financing Programme	Local Development	UNDP, Government, Irish Aid, The Netherlands, Norway, Swiss Agency for Development and Cooperation (SDC), One UN Fund	3,247,588	21,573,903	2002-2009
Construir Sector de Finanças Inclusivo / Building an Inclusive Financial Sector in Mozambique (BIFSMO)	Inclusive Finance	UNDP, Government, UN Joint Programme on Youth	1,342,379	3,142,379	2007-2011
NIGER					
Projet d'Appui à la Commune Urbaine de Diffa (PACURD)	Local Development	UNDP, Government, Diffa District, France	832,016	3,109,948	2005-2010
Projet Appui au Développement Economique Local (PADEL II)	Local Development and Inclusive Finance	UNDP, Government, Belgian Fund for Food Security (BFFS)	3,500,000	12,968,245	2010-2015
RWANDA					
Projet d'Appui au Développement Communautaire de Gicumbi et Rulindo (PADC/GR)	Local Development	UNDP, Government, Belgian Fund for Food Security (BFFS), One UN Fund	2,667,675	9,397,154	2004-2010
Building Inclusive Financial Sectors in Rwanda (BIFSR)	Inclusive Finance	UNDP, Government	2,000,000	5,000,000	2009-2013

COUNTRY/PROJECT	PRACTICE AREA	PARTNERS	UNCDF GRANT SIZE in US\$	TOTAL PROJECT COST in US\$	DURATION
SENEGAL					
Projet d'Appui au Développement Économique Local en appui au Programme National de Développement Local (PADEL/PNDL)	Local Development	UNDP, Government, Luxembourg	2,000,000	10,000,000	2008-2011
Programme d'Appui à la Lettre de Politique Sectorielle (PALPS)	Inclusive Finance	UNDP, Government, Canadian International Development Agency (CIDA)	2,500,000	9,489,500	2007-2011
SIERRA LEONE					
Kenema District Economic Recovery Programme (KDERP)	Local Development	UNDP, Government, Belgium, International Telecommunications Union (ITU)	3,250,000	6,920,000	2007-2011
Development of a Sustainable Pro-Poor Financial Sector in Sierra Leone (DSPFS)	Inclusive Finance	UNDP, Government, Kreditanstalt für Wiederaufbau (KfW), Cordaid, Austria, Liechtenstein	3,939,926	13,315,926	2004-2010
TANZANIA					
Support to Local Economy in Mwanza Programme (SLEM)	Local Development	UNDP, Government	1,500,000	7,860,000	2006-2010
One UN Joint Programme - Transition from Humanitarian Assistance to Sustainable Development in North Western Tanzania	Local Development	UNDP, Government, ILO, WFP, UNHCR, UNEP, UNIDO, UNICEF, UNESCO	0	5,700,000	2008-2009
TOGO					
Programme d'Appui à la Stratégie Nationale de Microfinance (PASNAM)	Inclusive Finance	UNDP, Government	1,461,860	3,678,204	2005-2009
Programme d'Appui à la Stratégie Nationale de Microfinance (PASNAM II)	Inclusive Finance	UNDP, Government	1,639,778	7,471,625	2010-2013
UGANDA					
District Development Programme III (DDP III)	Local Development	UNDP, Government	2,000,000	10,360,000	2008-2011

UNCDF PROJECT PORTFOLIO 2009-2010 / ASIA					
COUNTRY/PROJECT	PRACTICE AREA	PARTNERS	UNCDF GRANT SIZE in US\$	TOTAL PROJECT COST in US\$	DURATION
BANGLADESH					
Local Governance Support Programme: Learning & Innovation component (LGSP-LIC)	Local Development	UNDP, Government, Danish International Development Agency (DANIDA), European Commission, Swiss Agency for Development and Cooperation (SDC), World Bank	2,710,000	18,118,000	2007-2011
BHUTAN					
Local Governance Support Programme (LGSP)	Local Development	UNDP, Government, Danish International Development Agency (DANIDA), Austria, Swiss Agency for Development and Cooperation (SDC), One UN Fund	800,000	7,320,000	2008-2013
CAMBODIA					
Innovations for Decentralization and Local Development (IDLD)	Local Development	Government	1,551,165	2,051,165	2008-2010
LAO PDR					
Saravane Governance & Public Administration Reform & Decentralised Service Delivery Project (GPAP-SP)	Local Development	UNDP, Government, European Commission	2,311,827	3,490,457	2005-2010
Governance & Public Administration Reform for Strengthening Basic Service Delivery: District Development Fund component (GPAP/SBSD: DDF)	Local Development	UNDP, Government, Luxembourg, Swiss Agency for Development and Cooperation (SDC), World Bank	700,000	10,343,083	2007-2011
NEPAL					
Local Governance & Community Development Programme (LGDP)	Local Development	UNDP, Government, UK Department for International Development (DFID), Canadian International Development Agency (CIDA), Swiss Agency for Development and Cooperation (SDC), Danish International Development Agency (DANIDA), Deutsche Gesellschaft für Technische Zusammenarbeit (GTZ), NORAD, Asian Development Bank (ADB), World Bank, UNFPA, UNICEF, UNV	2,250,000	53,752,604	2008-2011
Building Inclusive Financial Sectors in Nepal (BIFSN)	Inclusive Finance	UNDP, Government	1,500,000	9,966,065	2009-2012

COUNTRY/PROJECT	PRACTICE AREA	PARTNERS	UNCDF GRANT SIZE in US\$	TOTAL PROJECT COST in US\$	DURATION
SOLOMON ISLANDS					
Provincial Governance Strengthening Program (PGSP)	Local Development	UNDP, Government, Australian Agency for International Development (AusAID), European Commission	1,000,000	16,047,516	2008-2012
TIMOR LESTE					
Local Government Support Programme (LGSP)	Local Development	UNDP, Government, Irish Aid, Norway	693,970	6,716,417	2007-2011
Inclusive Finance for the Under-Served Economy (INFUSE)	Inclusive Finance	UNDP, Government	1,050,000	5,000,000	2008-2012
VIETNAM					
Strengthening Local Government Project (SLGP)	Local Development	UNDP, Government, UK Department for International Development (DFID)	750,000	2,250,000	2005-2011
UNCDF PROJECT PORTFOLIO 2009-2010 / LATIN AMERICA					
HAITI					
Appui à la Gouvernance Locale dans le Département du Nord Est (AGLNE)	Local Development	UNDP, Government, Canadian International Development Agency (CIDA), Inter-American Development Bank (IADB)	3,525,280	7,591,886	2005-2010
NICARAGUA					
Proyecto de Apoyo a la Descentralización y a la Territorialización de los Objetivos del Milenio (PADETOM)	Local Development	UNDP, Government	1,609,125	1,909,125	2007-2009
Gobernabilidad Económica del Sector Agua Potable y Saneamiento en la RAAN y la RAAS	Local Development	UNDP, Government, UNICEF, WHO/PAHO, UNODD, UNESCO	519,699	7,693,737	2009-2011
De la Retórica a la Realidad: Hacia la Equidad de Género y Empoderamiento de las Mujeres a través de la Participación y Prácticas de Género en los Presupuestos Públicos	Local Development	UNDP, Government, UNFPA, UNIFEM, UNICEF, WHO/PAHO, FAO, ILO, WFP	629,470	8,000,000	2009-2011

UNCDF PROJECT PORTFOLIO 2009-2010 / ARAB STATES					
COUNTRY/PROJECT	PRACTICE AREA	PARTNERS	UNCDF GRANT SIZE in US\$	TOTAL PROJECT COST in US\$	DURATION
DJIBOUTI					
Programme d'Appui à la Décentralisation et aux Collectivités Locales (PADCL)	Local Development	UNDP, Government	526,316	3,238,527	2008-2011
SOMALIA					
UN Joint Programme on Local Governance and Decentralised Service Delivery (LG/DSD)	Local Development	UNDP, Government, UNICEF, ILO, UN-Habitat	2,000,000	88,000,000	2008-2012
Launch of an Inclusive Financial Sector in Somalia (LIFSS)	Inclusive Finance	UNDP	753,095	8,500,000	2008-2012
SOUTH SUDAN					
Building Inclusive Finance Sector in South Sudan (BIFSS)	Inclusive Finance	UNDP, Government	1,000,000	4,000,000	2010-2013
YEMEN					
Decentralization and Local Development Support Programme (DLDSP)	Local Development	UNDP, Government, Danish International Development Agency (DANIDA), France, Italy, Social Fund for Development, United States Agency for International Development (USAID)	2,934,200	16,791,234	2004-2009
Local Governance Support Project (LGSP)	Local Development	UNDP, UNIFEM, Government	1,000,000	12,045,000	2010-2014

UNCDF REGIONAL PROJECT PORTFOLIO 2009-2010					
COUNTRY/PROJECT	PRACTICE AREA	PARTNERS	UNCDF GRANT SIZE in US\$	TOTAL PROJECT COST in US\$	DURATION
Building Inclusive Financial Sectors in Africa (BIFSA)- Phase II	Inclusive Finance	UNDP, Governments, Luxembourg, IFAD	3,881,698	12,932,973	2008-2012
Gender Equitable Local Development (GELD)	Local Development	UNDP, UNIFEM, Belgium, Governments of Senegal, Sierra Leone, Rwanda, Tanzania and Mozambique	250,000	8,186,905	2007-2010
Pacific Financial Inclusion Programme (PFIP)	Inclusive Finance	UNDP, Governments of Solomon Islands, Samoa, Vanuatu, Kiribati, Tuvalu, European Commission	1,820,319	5,000,000	2008-2011
Promoting Access to Microinsurance for Financial Inclusion and Decent Work	Inclusive Finance	ILO, Luxembourg	792,816	1,317,816	2007-2010
Promoting Access to Remittances for Financial Inclusion	Inclusive Finance	IFAD, European Commission, InterAmerican Development Bank (IADB), Spain, Consultative Group to Assist the Poor (CGAP), UK Department for International Development (DFID)	622,222	9,957,222	2008-2010
Regional Technical Consultation on the Role of Local Governments in Promoting Local Economic Development	Local Development	UNDP, Austria	0	340,000	2006-2009
UNCDF GLOBAL PROJECT PORTFOLIO 2009-2010					
United Nations Secretary-General's Special Advocate for Inclusive Finance for Development	Inclusive Finance	Gates Foundation	182,975	365,950	2010-2011
Global Forum on Local Development	Local Development	Gov. of Uganda, Gov. of Luxembourg, UNDP, UNDESA	258,840	990,000	2010
LDC Fund to Develop Savings-led Market Leaders for Inclusive Finance	Inclusive Finance	Bill & Melinda Gates Foundation, Governments of South Sudan, Liberia, Bhutan, Timor Leste, Sierra Leone and Dem. Rep. of Congo	6,559,875	26,529,875	2008-2013
Scaling Up Support for the MDGs at Local Level	Local Development	UNDP	150,000	2,000,000	2010-2014

Annex II: Financial Statements

UNCDF Income and Expenditures 2009 (Thousands of United States dollars)		
INCOME	2009	2008
Voluntary Contributions	18,706	17,415
Cost Sharing Contributions	11,855	11,673
Sub-trust funds contributions Schedule 7.1	4,642	14,967
<i>Sub Total</i>	35,203	44,055
Interest Income	416	2,146
Reimbursable Support Services	1,662	4,796
Other Income	1,150	202
TOTAL INCOME	38,431	51,199
EXPENDITURE		
Programme		
Regular Resources	20,974	16,803
Cost Sharing	11,212	5,956
Sub-trust funds Schedule 7.1	8,104	8,363
<i>Sub Total</i>	40,290	31,122
Biennial Support Budget - Net	-	-
Management and Administrative costs	-	-
Technical Support Costs	-	-
Reimbursable Support Services Costs	2,820	1,944
<i>Sub Total</i>	2,820	1,944
Other Expenditure	221	2
TOTAL EXPENDITURE	43,331	33,068
EXCESS (SHORTFALL) OF INCOME OVER EXPENDITURE	(4,900)	18,131
Savings on prior biennium's obligations		
Transfer to/(from) Reserves	(2,000)	
Refunds to donors and transfers to/(from) Other Funds	943	(499)
Fund balances 1 January	60,906	43,270
FUND BALANCES, 31 December	53,063	60,902

Report date as of June 1, 2010

UNCDF Balance Sheet 2009 (Thousands of United States dollars)		
ASSETS	2009	2008
Cash	4,328	5,758
Investments Schedule 8	67,951	64,462
Loans to Governments	5,168	4,677
Operating funds provided to Governments	-	-
Operating funds provided to Executing agents	71	71
Due from UNDP - Regular Resources	4,810	12,482
Other accounts receivable and deferred charges	599	755
Accrued interest	16	270
TOTAL ASSETS	82,943	88,475
LIABILITIES		
Operating Fund payable to Governments		-
Operating Fund payable to Executing agents	718	718
Unliquidated obligations	1,495	2,377
Accounts payable	2,506	1,877
Due to UNDP - Regular Resources		-
Deferred Income	561	-
TOTAL LIABILITIES	5,280	4,972
RESERVES AND FUND BALANCES		
Operational Reserve	24,600	22,600
Unexpended Resources		
Regular Resources	28,260	29,413
Cost sharing	11,094	11,010
Sub-trust funds	11,447	14,979
<i>Sub Total</i>	50,801	55,402
Reimbursable Support Services	2,262	5,501
Total Unexpended Resources	53,063	60,903
TOTAL RESERVES AND FUND BALANCES, 31 DECEMBER	77,663	83,503
TOTAL LIABILITIES, RESERVES AND FUND BALANCES	82,943	88,475

The accompanying notes are an integral part of the financial statements

Notes to the Financial Statements

UN Capital Development Fund

a. Mandate and goals

In its resolutions 2186 (XXI) of 13 December 1966, 2321 (XXII) of 15 December 1967 and 3122 (XXVIII) of 13 December 1973, the General Assembly established UNCDF with a mandate to assist developing countries, “first and foremost the least developed” amongst them, “in the development of their economies by supplementing existing sources of capital assistance by means of grants and loans.”

Working throughout the least developed countries and making full use of its capital investment mandate and flexible financial instruments, UNCDF’s goals are to reduce poverty and advance the Millennium Development Goals by:

- a) Increasing access by poor people and small enterprises to microfinance; and
- b) Improving the delivery of pro-poor services and infrastructure at the local level.

The UNDP Administrator serves simultaneously as the Managing Director of UNCDF. UNCDF reports through its Managing Director to the UNDP Executive Board.

b. Cash

The amount shown in schedule 7 consists of the following (in thousands of United States dollar);

	2009	2008
Accumulating non-convertible currencies		
TOTAL	480	480

c. Loans

Loan balances have been restated to include US \$1,982 million in outstanding loans at end of 31 December 2008. The loans had initially been recorded as grants. The outstanding loan balance shown in the statements reflect current loan that are scheduled to be repaid.

	2009	2008
Loans to the Financial Services Providers	5,168	4,677
TOTAL	5,168	4,677

d. Investments

The carrying value of investments for bonds and notes of \$ 68 million is disclosed in schedule 8. The decrease of value of dollar 2.5 million in the bond value in detailed below;

Beginning value 1 January 2009	Purchases	Maturities	Net Amortization	Carrying Value 31/12/2009	Movement (Decrease)	Market Value	Par Value
-	2,055	(2,040)	(15)	-	-	-	-

e. Unliquidated obligations (ULOs)

The balance of unliquidated obligations shown in schedule 7 consists of the following (in thousands of United States dollars);

	2009	2008
UNCDF controlled funds	1,481	2,287
Biennial support budget and others	14	90
TOTAL	1,495	2,377

f. Operational reserve

At its 26th session in 1979, the Governing council approved the establishment of an operational reserve at the level of at least 20% of project commitments and contingent liabilities for the guarantees entered into by the Fund in respect of bank loans to Governments (excluding sub-trust fund and cost-sharing arrangements). In line with this decision, the operational reserve originally established in 1979, remained unchanged dollar 22.6 million as at 31 December 2009.

g. UNDP support to UNCDF Programme resources

Following on from Executive Board decision 2007/34, UNDP provided UNCDF with \$1 million in programme resources in 2009. The amount was recorded as a charge to UNDP's various regional programmes, pro-rated according to the scale of UNCDF activities in the LDCs of each region. UNCDF used the funding in support of joint UNCDF/UNDP programmes.

UNCDF at a glance

UNCDF's work is driven by a central belief that poor people are best placed to take decisions about their own development. Its programmes help to empower women, and are designed to catalyze larger investment flows from the private sector, national governments and development partners, for maximum impact toward the Millennium Development Goals.

Prioritized local development plans in Niger attracted national government resources in support of clean energy, like this solar panel installation.



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Front cover page: Two Peulh women from the Bosso district are grinding millet. They are supported by the Support to Local Development Project in Nguigmi (Niger) as part of a scheme to supply a cereal bank in their village. Thanks to this cereal bank, they've had access to much cheaper grain (such as millet) during the interval period and were able to feed their families for many months. © Elise Vanormelingen/UNCDF Niger

Background for Introduction chapter title: Citizens of Madhainagar (Bangladesh) participate into a participatory planning session on the development priorities for their sub-district. UNCDF and other development partners are providing support to the Government of Bangladesh to enhance the role of Union Parishads (lowest tier of administrative government) in planning and delivering services. © Flavio Bellomi/UNCDF Bangladesh

Background for Programme Results chapter title: A young man working in the community market construction site of Kenema City (Sierra Leone). The market – built thanks to the support from the Kenema District Economic Recovery programme – enhanced income generation and contributed to local employment. © Christian A. Thomas/UNDP Sierra Leone

Background for Management Results chapter title: UNCDF's intervention in Rwanda allowed the construction of Shyorongi's market, in the district of Rulindo. The market now provides facilities for farmers to sell directly to consumers and retailers. © UNCDF Rwanda

Background for Financial Analysis chapter title: Community members attending a civic education workshop thanks to the support provided by the Local Government Support Programme in Timor-Leste, where UNCDF is supporting the Government to enhance the role of local governments in participatory planning and development. © LGSP Team/UNCDF Timor-Leste

Background for Strategic Direction chapter title: Enhancing local economic development requires putting in place the appropriate infrastructure. As part of the Kenema District Economic Recovery Programme in Sierra Leone, a bridge is being constructed to link the Malengohun Chieftdom to the rest of Kenema. This helps farmers to move produce from farms to the city and contributes to local employment. © Christian A. Thomas/UNDP Sierra Leone

Background for Annexes chapter title: Members of the women's association in Galafi, Dikhil (Djibouti) assess development priorities and community needs. The Local Development Committee of the Support to Decentralization and Local Communities Programme makes recommendations to the local authorities in Galafi, which are responsible for taking the final decision on the annual investment plan for the entire district. © Rossella Albertini/UNCDF Djibouti

Background for the Back cover page: In the District of Sirajganj (Bangladesh), women are encouraged to attend and participate in community meetings. Local development processes require the involvement of all citizens to achieve sustainable development results. © Teresa Benito/UNCDF Bangladesh.

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Annual Report 2009

UNCDF works to reduce poverty in the Least Developed Countries (LDCs) by strengthening local services and increasing access to microfinance. This Annual Report details its programme, management and financial performance in 2009.

In 2009 UNCDF operated in 40 of the 49 LDCs, with a particular focus on post-crisis countries. 70% of its programme portfolio was in Africa. Local Development programmes accounted for 61% of 2009 programme expenditure; Microfinance for 39%. 2009 programme targets in both Local Development and Microfinance were achieved and in some cases exceeded. While management targets were largely met, strengthening UNCDF's operational effectiveness will remain a key priority.

Total contributions in 2009 amounted to \$36.5 million, reflecting a slight increase in the volume of regular resources, and a decline in other resources (which had been anticipated). The overall resource outlook remains positive, especially in terms of volume and diversification of other resources. 2009 programme expenditure amounted to \$41.5 million, an increase of 12.2% from 2008, and more than double the figure for 2005.

A process of internal reflection begun in late 2008 led to refined priorities for UNCDF for the period 2010-2013. These include increasing operational effectiveness, responding to LDC demand for new kinds of support, and strengthening strategic partnerships.



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