

MicroLead

Bringing Financial Services to the Most Vulnerable



The UN Capital Development Fund (UNCDF), the UN's investment arm, works towards **enhancing access by poor and low-income people and micro and small enterprises to a broad range of affordable financial services with a focus on the Least Developed Countries (LDCs)**. UNCDF inclusive finance programmes are designed to address gaps in the enabling environment, such as audit and rating services (meso level) and policy, legal, and regulatory constraints (macro level) that prevent a financial sector from being inclusive. At the micro-level, UNCDF uses its flexible investment mandate to fund retail microfinance institutions (MFIs) and financial service providers (FSPs) through grants, loans or guarantees. In 2012, UNCDF supported **93 MFIs/FSPs** which delivered financial services to **4 million active clients (66% female) in 27 LDCs**.

The important role of microcredit in the fight against poverty is well recognized and documented. What is less well known, but potentially more important, is the high demand for savings from poor families and small and micro enterprises in developing countries. Many poor households are in fact net savers seeking convenient and safe deposits accounts, which can also ultimately fund education needs, health services and/or small business needs. This is particularly true in post conflict and crisis environments, where safe savings services are typically not available.

Similarly, savings-based microfinance institutions have been found to be better positioned to weather periods of financial downturns, as is the case in the recent global financial crisis which reduced the supply of capital from capital markets and donors to microfinance institutions. Microfinance institutions are in this way able to principally fund themselves through local deposits, similar to retail banks. Furthermore, local funding is generally more stable and carries no foreign-currency risk.



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MicroLead is a key instrument in improving quality access to savings and a broader range of financial services to over two million low income men and women, as well as small firms.

Against this background, **MicroLead**, UNCDF's first global thematic initiative, supports the expansion of financial service providers (FSPs) which pursue a savings-led approach in the belief that savings, not credit, will allow low income populations to take control of their complicated financial lives. Initiated in 2008 and currently funded by UNCDF, the Bill & Melinda Gates Foundation, The MasterCard Foundation and LIFT Myanmar, MicroLead has awarded funding in **19 countries for 26 projects worth \$42 million**. Initially focused on supporting greenfields, the fund has expanded to include capacity building by technical service providers to FSPs poised for significant growth in low-income savings mobilization, rural outreach, and outreach to women.

Projects funded by MicroLead include bank downscaling and greenfielding, financial cooperative creation and strengthening, village savings and loan association linkages to formal financial institutions, MFI transformation into deposit-taking institution, human-centered product design development, and deployment of alternative delivery channels such as mobile money, agents, and point of sale devices. With a specific emphasis on savings, women, rural markets, and technology, MicroLead is a performance-based program that will build the capacity of financial institutions to pilot and roll out sustainable financial services, particularly savings services. **Over two million additional small-balance depositors will be reached through this programme by 2016.**

