



Unlocking Public and Private
Finance for the Poor

UNITED NATIONS CAPITAL DEVELOPMENT FUND

REPORT ON RESOURCES 2016

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Published by the Partnerships, Policy and Communications Unit
United Nations Capital Development Fund (UNCDF)
Two United Nations Plaza
26th Floor
New York, NY 10017
United States

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All amounts herein are reported in United States dollars (\$) unless otherwise specified.

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NOTE OF THANKS

Dear Partners of UNCDF,

UNCDF is a small and focused organization, with a very clear job to do. UNCDF helps the Least Developed Countries (LDCs) get finance flowing to the people, places, and small enterprises that are under-served and excluded. We provide concrete examples of how LDCs can bring public and private, domestic and international capital and approaches together for more SDG-positive and inclusive results.

UNCDF is designed to have a risk tolerance to operate where few others see viability. Every day, wherever we are present, we are showing how small amounts of Official Development Assistance can help LDCs unlock those resources needed to improve the lives and livelihoods of poor people otherwise at risk of being left behind. We identify unmet needs where the lack of access to finance holds back development. We provide a mix of technical assistance and capital instruments, such as performance-based grants, loans and guarantees, to help our partners design and test innovations in response. Through these demonstration effects, we prepare the ground for public and private stakeholders to replicate and scale up viable models that support inclusive growth and sustainable development.

UNCDF is funded entirely by voluntary contributions from public and private sources. A core resource base that is right-sized and fit for purpose is the essential fuel UNCDF needs to maintain its recognized positioning to ensure a strategic country presence in the maximum number of LDCs. Combined with contributions earmarked for a particular region, project, or area of development, UNCDF is able to achieve demonstration effects across different country and local settings, and influence policy and regulatory environments. With a fully capitalized LDC Investment Fund, UNCDF will also have the additional resources needed to build investible pipelines and reduce the risks of investment opportunities in order to leverage significant follow-on domestic and international finance.

We are deeply grateful to our funding and implementing partners. I thank our LDC partner governments; those who proudly champion our core by contributing to UNCDF's regular resources; and those who fund thematic and country initiatives and who are committed to learning and evolving with us. Thanks to our partners' generous contributions, in 2016 we helped 14 million people to access financial services and supported over 850 local governments to build the essential infrastructure and services that citizens need to improve their lives and livelihoods.

The Addis Ababa Action Agenda and the 2030 Agenda call for multiple sources of finance to work together effectively. Yet, only a small fraction of global investment assets is targeted at sectors and localities that advance sustainable development in developing countries. A serious risk LDCs face is that resources will continue to be allocated in ways that entrench exclusions and inequalities rather than overcoming them. At UNCDF, as we seek to help LDCs get more and better resources flowing to where they are needed most, we aim to shift the dynamics of financing going to the local level. The resources entrusted to us help us to do just that. To meet the SDGs, this job is now more important and more relevant than ever. Working together, we can build a more equitable, inclusive and prosperous world.



Judith Karl
Executive Secretary

UNCDF'S FUNDING ARCHITECTURE

UNCDF has a four-window funding architecture to drive its innovation-to-scale approach and make maximum use of its technical assistance and block grants, loans, and guarantees.

01. REGULAR RESOURCES

Regular resources are the bedrock of UNCDF's business model, providing the technical expertise as well as the flexible risk capital to **innovate, pilot, and start achieving leverage**. UNCDF Executive Board has agreed to a target for core funding of **US\$25 million per year** to ensure programme operations in 40 LDCs. Right now, UNCDF's core resource envelope falls far short of that target, reaching \$12.8 million in 2016.

UNCDF core funding



\$25 million per year

02. FLEXIBLE NON-CORE: LAST MILE FINANCE TRUST FUND

Flexible non-core resources are the most flexible resources for UNCDF to **meet new demand or to drive new innovation space** in the Least Developed Countries (LDCs) where UNCDF is not already present or where investor interest is most risk averse, such as in crisis-affected settings. The Last Mile Finance Trust Fund is structured around five thematic windows (Green Economy, Food Security and Nutrition, Economic Empowerment of Women and Youth, Infrastructure and Services and Financial Inclusion and Innovations) and one country expansion window.

THE LAST MILE FINANCE TRUST FUND is structured around

5 thematic windows

03. EARMARKED NON-CORE

Earmarked non-core assures UNCDF the resources to build robust and meaningful programmes at country and multi-country levels, building on the core and **creating meaningful scale to achieve demonstration effect** across different countries and local settings; influences policy and regulatory environments; and serves to crowd-in other interested partners.

CREATING MEANINGFUL SCALE TO ACHIEVE DEMONSTRATION EFFECT



04. LDC INVESTMENT FUND

The LDC Investment Fund provides the additional investment capital for UNCDF to build investible pipelines, put in de-risking capital, and **demonstrate business model viability** across a larger number of initiatives. Under an ideal resource scenario, with a fully capitalized LDC Investment Fund, UNCDF could support up to 400 investable projects over the next four years. UNCDF risk capital could crowd-in up to 20 times additional funding for an individual investment.

UNCDF has already identified

60 catalytic projects

to feed into this investment pipeline over the next

2 years

THE VALUE OF REGULAR RESOURCES

In 2016, core resources continued to play a pivotal role in helping UNCDF reach the most excluded households and small businesses worldwide.

A core resource base that is right-sized and fit for purpose is the essential fuel UNCDF needs to maintain its recognized positioning within its substantive peer networks, assure country presence in the maximum number of LDCs, and stay at the **forefront of last mile finance innovations**.

Core resources also offer high leverage by catalyzing additional resources from domestic and other resources. For **each \$1 spent in regular resources, UNCDF is able to leverage about \$10** into local economies.

DONORS TO REGULAR RESOURCES, 2016

DONOR	TOTAL CORE
Sweden	\$3,095,209
Switzerland	\$3,009,027
Luxembourg	\$891,694
Australia	\$761,615
USA	\$750,000
Norway	\$579,441
Austria	\$222,965
China	\$30,000
Liechtenstein	\$24,065
Myanmar	\$4,878
Thailand	\$2,500
SUB-TOTAL	\$9,371,395
UNDP biennial support budget	\$2,675,571
UNDP programme support	\$795,934
GRAND TOTAL	\$12,842,900

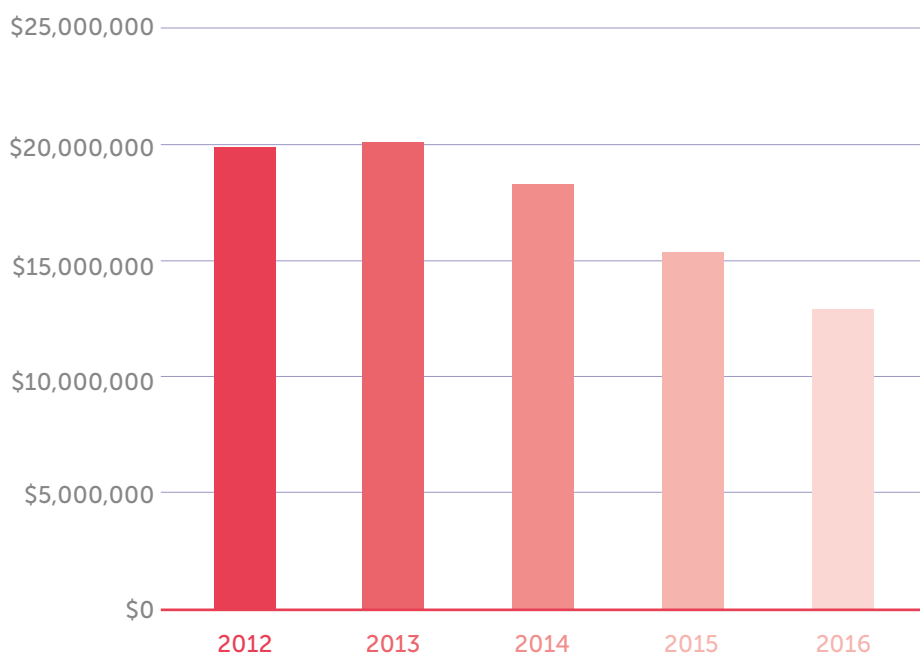
IN FOCUS: RESULTS ACHIEVED IN 2016

- In **Tanzania**, in support of public-private partnerships in local infrastructure development, UNCDF invested \$632,000 in seed capital to prepare 11 revenue-generating catalytic project investments to reach an investment-ready stage. These projects will be presented to local banks to unlock some \$28 million for local development.
- In **Asia**, UNCDF launched a challenge fund focused on fostering innovative business models for women's financial inclusion, with the goal of reaching over 1 million women in Cambodia, Lao People's Democratic Republic, Myanmar and Viet Nam. To date, some 630,000 low-income individuals have accessed financial services through UNCDF investments in nine women-owned business models. These investments have leveraged \$3.5 million from the private sector and donor funds.
- In response to changes in the global development landscape, UNCDF introduced **fiscal approaches for local governments to adapt to new development challenges**. This included supporting governments direct access to global climate funds for climate adaptation, and helping secondary cities access more sustainable sources of finance through public-private partnerships and municipal bonds.
- In the **Pacific**, UNCDF has conducted national demand-driven studies in Fiji, Samoa and the Solomon Islands to build a comprehensive picture of underserved segments in each market, disaggregated by geography, age and gender. These studies were instrumental in guiding the financial inclusion strategies in the region, which have elevated the economic empowerment of women to a top policy priority.

REGULAR RESOURCES TRENDS

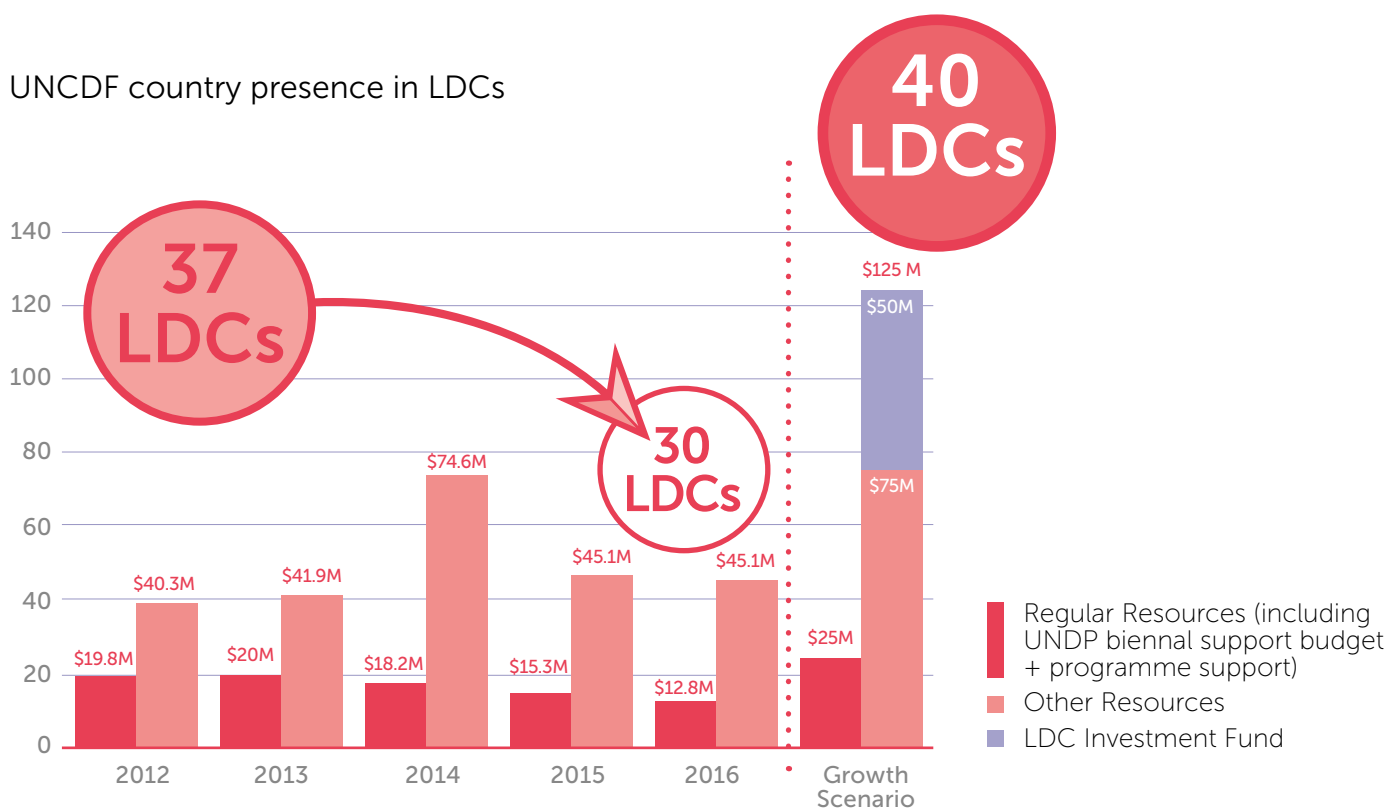
The continued decline in regular resources between 2014 and 2016 remains a key challenge for UNCDF, falling 16.1 per cent in 2016 from 2015; although demand for UNCDF's services remains high as evidenced by the strong demand by LDCs for UNCDF's support.

Regular Resources Trend, 2012-2016



The decrease in core funding of the past years has resulted in the closure of 10 country programmes in local development finance and 6 country programmes in financial inclusion since 2014. Overall, UNCDF country presence in LDCs has decreased from 37 countries in 2012 to 30 countries in 2016, and is at risk of declining further.

UNCDF country presence in LDCs



2016 FUNDING COMPENDIUM

2016 DONORS

Total Contributions, 2016
(in US\$)

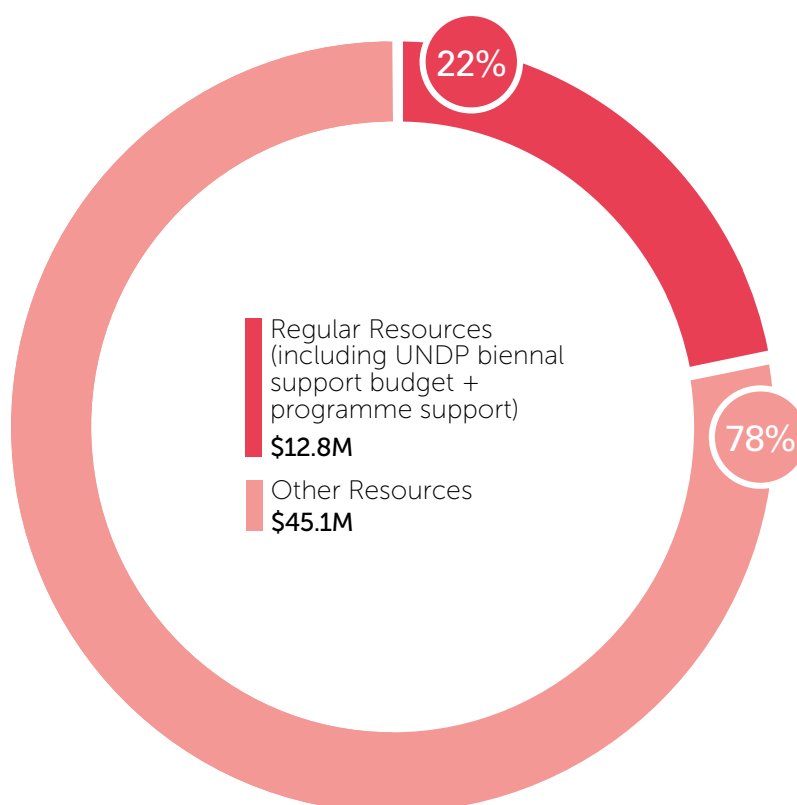
DONOR	CORE	NON-CORE	JPO RESOURCES	TOTAL
Bill & Melinda Gates Foundation		7,994,489		7,994,489
Multi-Partner Trust Fund		7,458,776		7,458,776
Mastercard Foundation		7,425,292		7,425,292
Sweden	3,095,209	4,075,644	137,641	7,308,494
UNDP	3,471,505	653,714		4,125,219
Belgium		3,365,410		3,365,410
Switzerland	3,009,027			3,009,027
United States	750,000	1,932,000		2,682,000
European Union		2,627,694		2,627,694
Luxembourg	891,694	443,951	333,495	1,669,141
Australia	761,615	526,363		1,287,978
LIFT Fund		1,284,552		1,284,552
PACT Global Microfinance Fund		1,217,766		1,217,766
VISA		1,000,000		1,000,000
CITI Foundation		750,000		750,000
Omidyar Network		750,000		750,000
Denmark		452,828	153,386	606,214
Norway	579,441			579,441
United Nations Convention to Combat Desertification		558,761		558,761
MasterCard Worldwide		500,000		500,000
Kuwait			468,936	468,936
Germany		292,811		292,811
Italy			236,804	236,804
Austria	222,965			222,965
United Kingdom		205,754		205,754
IFAD		171,914		171,914
World Bank (IBRD)		100,000		100,000
Financial Sector Deepening - UGA		32,383		32,383
China	30,000			30,000
Liechtenstein	24,065			24,065
Myanmar	4,878			4,878
Thailand	2,500			2,500
GRAND TOTAL	12,842,900	43,820,103	1,330,262	57,993,265

CONTRIBUTIONS BY TYPE OF RESOURCES

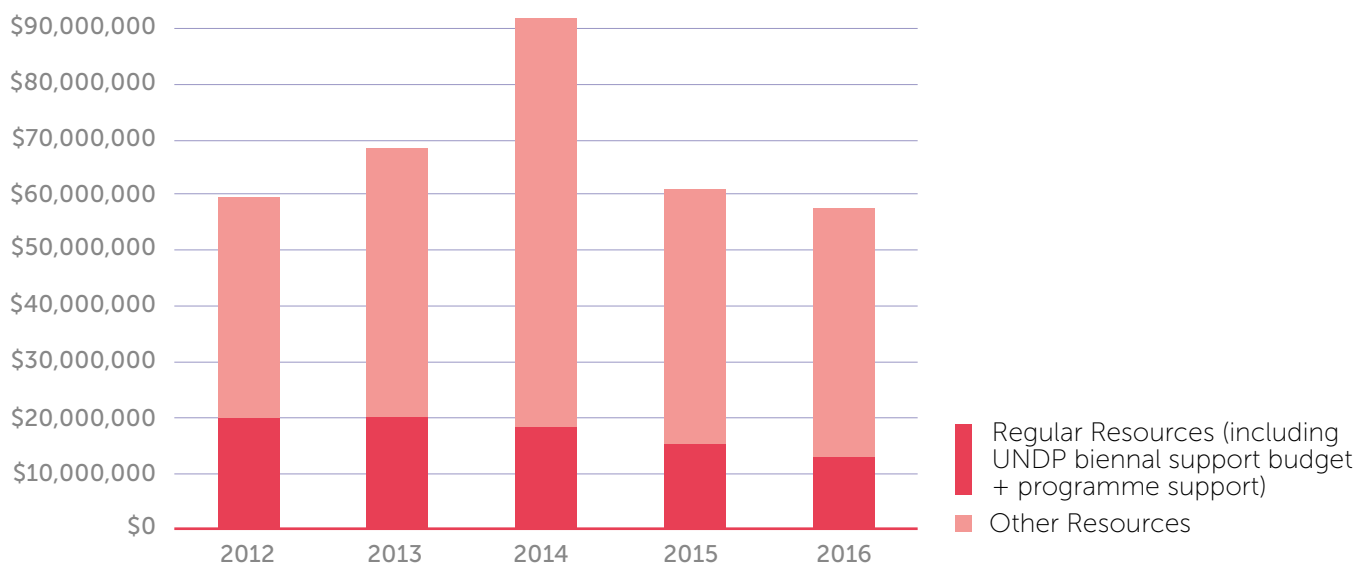
In 2016, UNCDF received total contributions of \$57.9 million. Core resources amounted for a total of \$12.8 million, compared to \$15.3 million in 2015, including the contributions received from UNDP.

Other resources earmarked for specific themes, programmes or activities were \$45.1 million in 2016, of which \$11.2 million came from donor-country governments, \$19.7 million from the private sector, foundations, and NGO's, and \$14.2 million from multilateral organizations.

Contributions by Funding Type, 2016



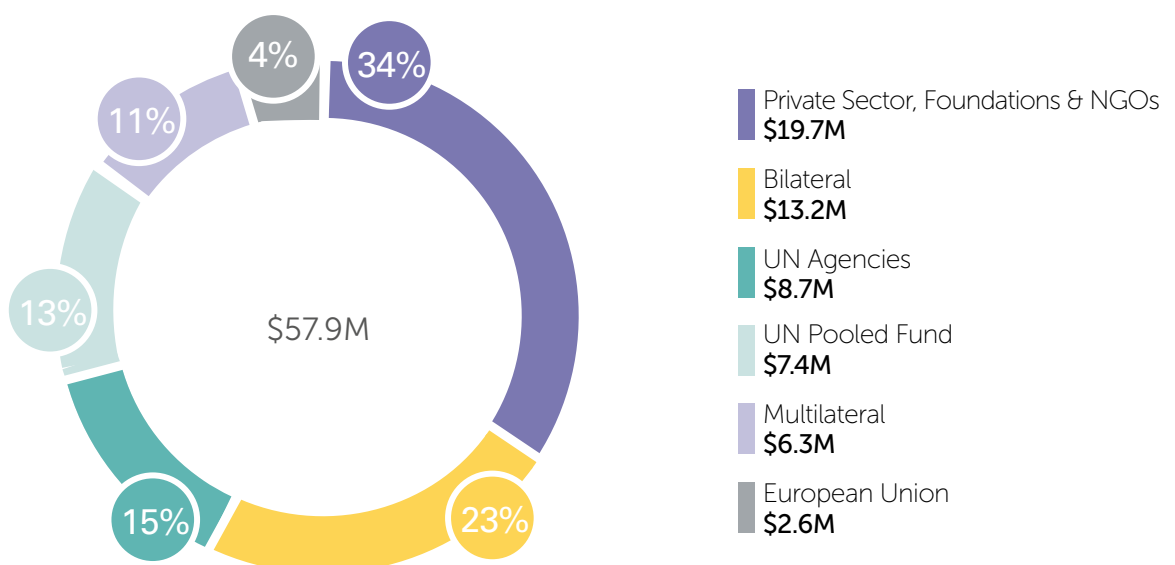
Regular and Other Resources trend, 2012-2016



RESOURCES BY PARTNER CATEGORY

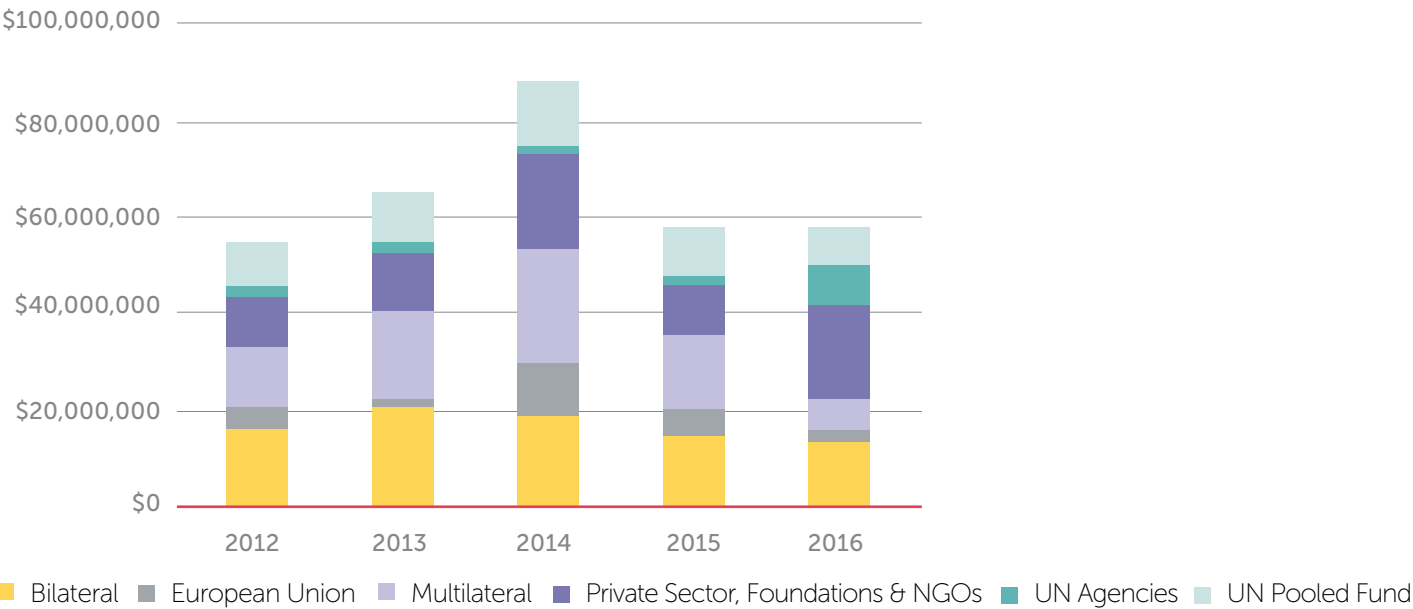
UNCDF works with a wide range of funding partners — Member States, multilateral donors, private sector actors, foundations, non-governmental organizations — and is deeply grateful to all those who champion UNCDF's work by contributing to regular resources, fund thematic and country initiatives that allow UNCDF to test new ideas, and support UNCDF to adapt the best lessons learned and apply them for greatest impact.

Resources by Partner Category, 2016

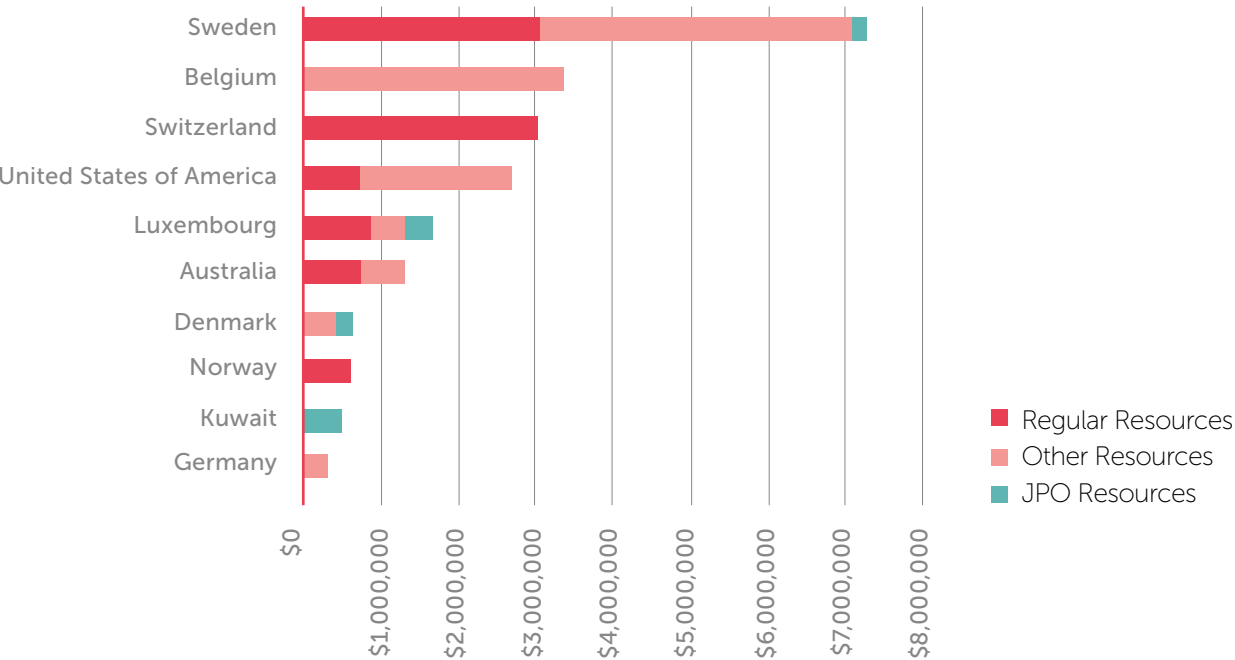


Despite the decrease in core resources, UNCDF has been able to make significant progress in mobilizing other (non-core) resources from private sector and non-governmental partners. In addition, UNCDF continues to leverage significant amounts of additional public and private resources to consolidate, replicate, and scale up what works.

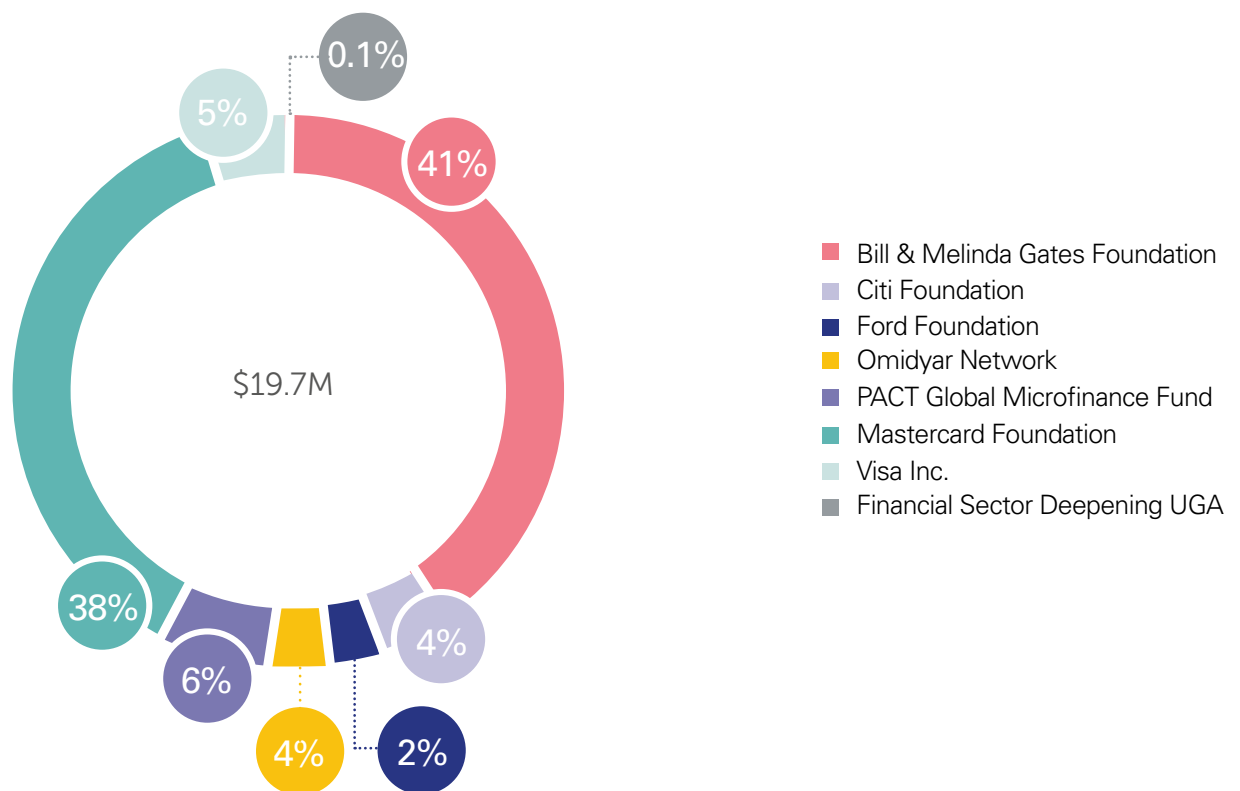
Resource by Partner Category trend, 2012-2016



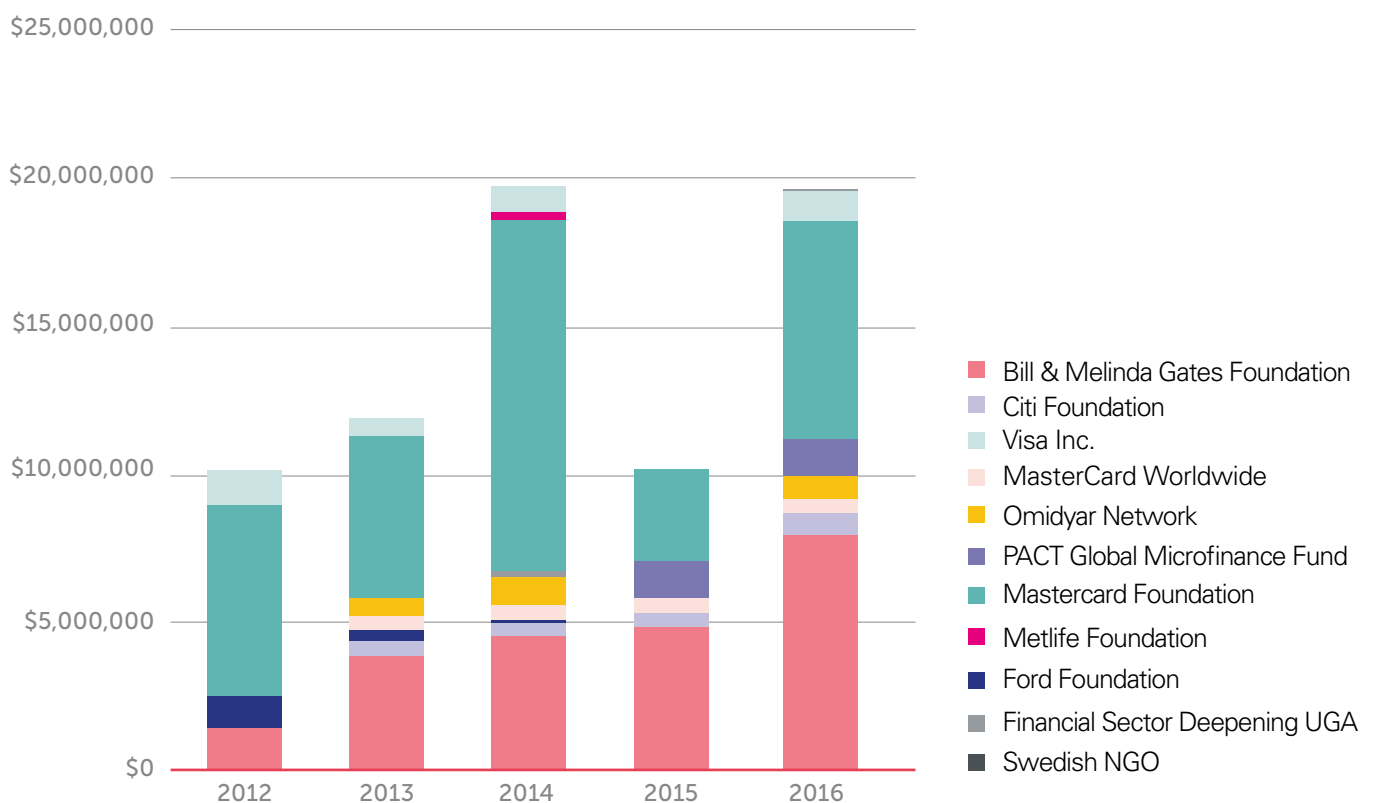
Top 10 Government Resource Partners, 2016



Top Private Sector and Foundation Resource Partners, 2016



Private Sector and Foundation Resource Partners Trend, 2012-2016



PARTNERING WITH INTERNATIONAL FINANCIAL INSTITUTIONS (IFI)

UNCDF combines the attributes of a development agency and a financial institution, using a mix of instruments to develop finance solutions that address last mile needs in LDCs. UNCDF is present at the sub-national level, which is typically “below the radar” of IFI either because of the risk profile or size of project. This provides ground for collaboration, already well tested with the World Bank, to take proven models (e.g., fiscal decentralization) to scale.

STORIES OF LEVERAGE AND SCALING UP

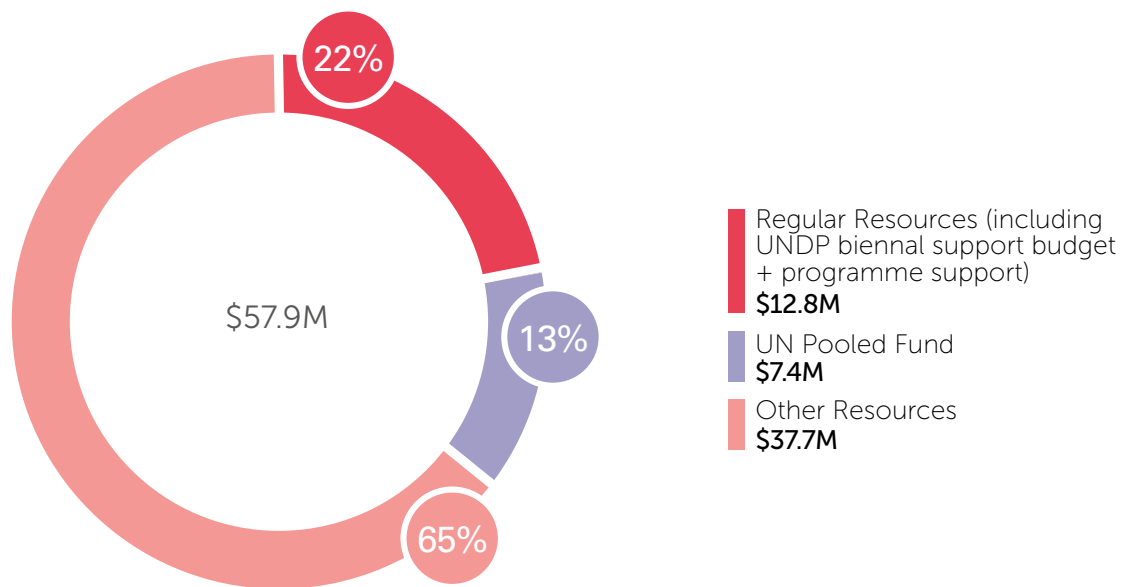
- In **Tanzania**, a decentralization development grant programme piloted by UNCDF with a budget of \$4 million in six local districts (2000-2003) was later scaled up by the World Bank, the Government and other development partners to \$686 million (2004-2016).
- Over the last 15 years, UNCDF spent \$10 million of core funding on piloting and testing approaches to fiscal decentralization in **Bangladesh**. Initially implemented in 2000 in just one of the 64 districts, the programme was scaled up to \$720 million by the World Bank, and additional funding from the Government to cover the entire grass-roots tier of local governments in the country. In 2016, Japan contributed an additional \$400 million to continue expanding the nationwide scale-up.
- Over the last 18 years in **Uganda**, \$619.5 million was channeled by the Government and the World Bank into local capital investments to build on and expand a joint UNCDF-UNDP pilot programme that invested \$14 million.
- Through **Nepal**'s Ministry of Federal Affairs and Local Development, the World Bank and UNCDF jointly supported the G2P Human Development Social Protection Pilot project from 2011 - 2015. The pilot focused on delivering education grants to beneficiaries through branchless banking, and increased the transfer of funds to rural communities. The lessons learned from the electronic transfer of the education grant has led to a government commitment to scaling up social protection payments to beneficiaries through agent banking models.
- In **Mozambique**, UNCDF piloted the Decentralized Planning and Finance programme (1998-2002). The pilot programme was expanded to other provinces by the World Bank and GIZ from 2002 to 2006. Based on these experiences, the World Bank financed — together with other development partners — the National Programme on Decentralized Planning and Finances, a \$50 million loan programme during 2010-2015.



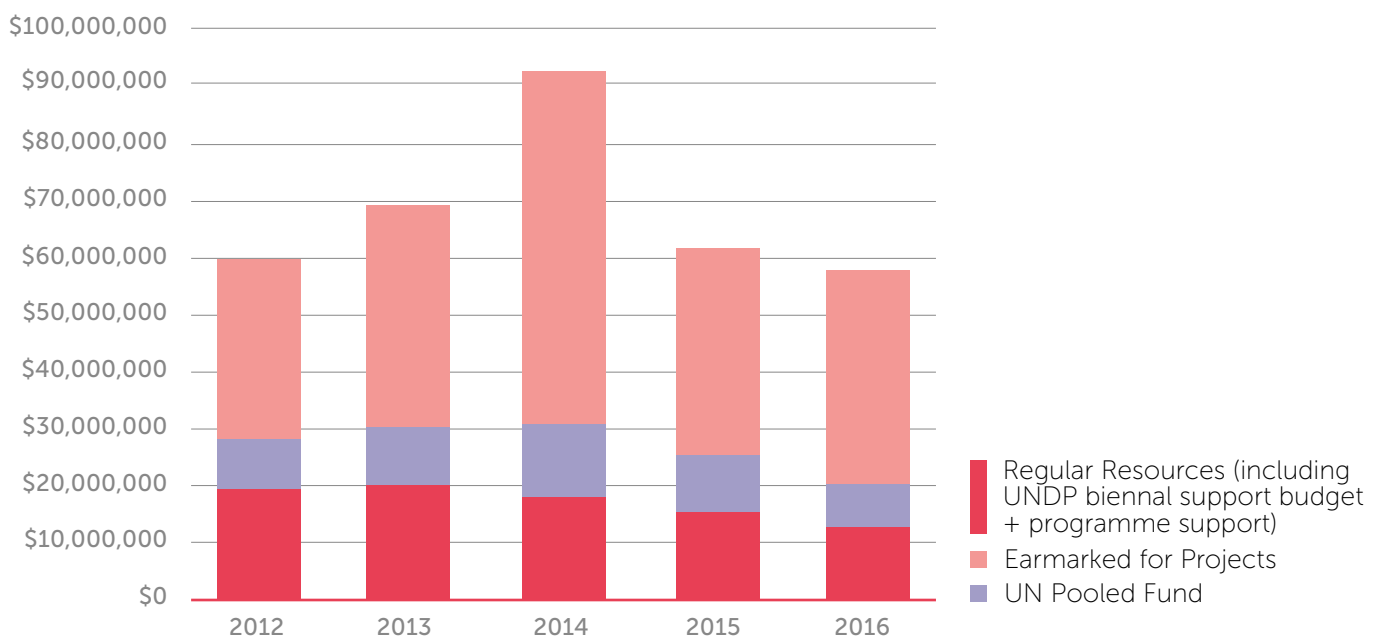
RESOURCES BY FUNDING CHANNELS

In 2016, resources earmarked for specific country or thematic programmes remained the largest source of UNCDF's annual income, a sign that the demand for UNCDF's services remains high.

Resources by Funding Channel, 2016



Resources by Funding Channel Trend, 2012-2016

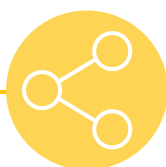


UNCDF'S PROGRESS ON TRANSPARENCY



2011

UNCDF became a signatory of the International Aid Transparency Initiative (IATI)



2012

Published in the IATI registry for the first time



2015

Cleaned up financial data to better correspond to IATI standards



2017

- Regular publication of programme data
- Launched new website increasing data access
- Developing new transparency portal for sharing finance and results data



2016

Introduced regular uploading (at least once every quarter) of programme data on IATI



RESULTS

Thanks to the generous contributions received by its partners, in 2016 UNCDF supported **134 financial service providers** (banks, cooperatives, microfinance institutions, money transfer operators and mobile network operators) through grant and loan instruments to ensure that more households and small businesses gain access to financial services that expand their opportunities and reduce their vulnerabilities. It also supported **854 local governments** to make investments and build infrastructure that addresses the most pressing needs in their communities.

These results have been achieved by ensuring strong leverage of UNCDF investments and effective scale-up of pilots; by introducing impactful innovations in UNCDF programmes and financing instruments; and by streamlining management and operating costs.

FINANCIAL INCLUSION

Supported
**134 FINANCIAL
SERVICE PROVIDERS**
in 2016



Served
**14 MILLION
LOW-INCOME PEOPLE**
access to savings

4 MILLION PEOPLE



Helped 4 million people to
**access loans, grow SMEs, better
manage and plan household finance**

54% were women



Helped pilot
**100
NEW
FINANCIAL
PRODUCTS**

Expanded to reach
**4.7 MILLION
PEOPLE**
in the last mile

POLICY SUPPORT

20



Financial inclusion
Roadmaps and/or
Strategies have
been adopted by
Governments

BETTER THAN CASH ALLIANCE



Has now

**55
MEMBERS**

LOCAL DEVELOPMENT FINANCE



In 2016, UNCDF supported

854

local
governments



SMEs

food security, empowerment of women, local economic development and cross-border integration



Supported the completion of over

4,263

**LOCAL
INFRASTRUCTURE
INVESTMENTS**

Sustainable local governments
financing systems developed

Financing models for local
economic development
expanded



Supported

64 GOVERNMENTS

in **12 COUNTRIES**

since **2014** to introduce
climate adaptation
measures at the local level



POLICY SUPPORT



**MUNICIPAL
FINANCE**

in secondary cities in LDCs.

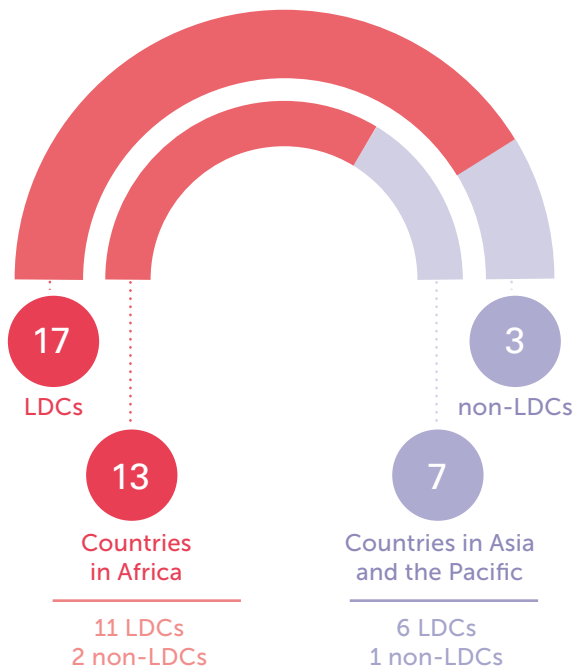
**National Fiscal
Decentralization
Processes**



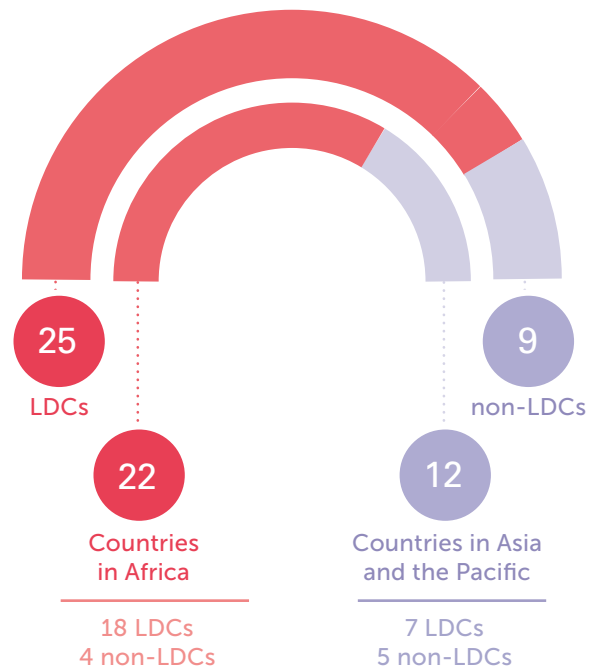
Food security in Niger and Benin. Improving local government systems.

COUNTRIES WITH UNCDF PROGRAMMES

In 2016, UNCDF supported Local Development Finance programming in **17 LDCs** and **3 non-LDCs**



In 2016, UNCDF supported Inclusive Finance programming in **25 LDCs** and **9 non-LDCs**



WHAT PARTNERS SAY ABOUT US



"As a small, focused agency with a clear mandate and comparative advantage, UNCDF is very good value for money in a time when aid dollars are becoming increasingly scarce and financing that unlocks private and market resources is increasingly valuable."

Permanent Mission of the United States to the United Nations
2017 Annual Session of the Executive Board

"Myanmar is a strong supporter of UNCDF and is contributing every year to its core resources. We are one of the LDCs working with UNCDF in the implementation of international support measures for the LDCs. [...] We consider the Fund highly relevant to the Addis Ababa Action Plan, the 2030 Agenda, the Paris Agreement, the Istanbul Programme of Action, and the New Urban Agenda, as well as to the challenges and opportunities LDCs are facing."

H.E. Mr. Hau Do Suan
Ambassador and Permanent Representative of Myanmar to the United Nations

"UNCDF matured as a reliable partner of the Ugandan Government in its journey towards a brighter and more prosperous future for the country. We see UNCDF as an engine of development with its own niche that takes calculated risks, tests out new approaches, creates new markets, and attracts private sector investment to under-served markets."

H.E Mr. Matia Kasaija
Minister of Finance, Planning and Economic Development
Uganda



"Sweden appreciates UNCDF as a flexible and agile organization that can have a catalytic effect on investment for development. We know from experience that UNCDF can significantly leverage relatively small contributions. UNCDF's innovative business model and creative approach paves the way for sustainable investments and leveraging of public and private resources, in support of national development priorities."

H.E. Ms. Isabella Lövin

Minister for International Development Cooperation and Climate
Sweden

"The commitment of the UNCDF is remarkable. [...] The primary objective of the UNCDF is to help the poorest, the least favored and the most remote populations to access public and private finance that will otherwise escape them."

H.E. Mr. Fodé Seck

Ambassador and Permanent Representative of Senegal to the United Nations

"Why do we partner with UNCDF? Because it is very good at what it does. [...] UNCDF's strategy reflects a willingness to invest in new and promising institutions, and to test innovations that expand financial services to the poor. [...] We have valued our partnership with UNCDF over these past 6 years, and we have been very pleased with the success of our projects together."

Ms. Ann Miles

Director, Financial Inclusion
Mastercard Foundation

"We are proud to work with such an innovative and open organization that is making a real difference to those in need. UNCDF's private sector engagement in delivering development outcomes has never been more important, and the Fund's ability to leverage private finance and infrastructure investment in developing countries is playing a critical role in achieving the Sustainable Development Goals."

H.E. Ms. Gillian Bird

Ambassador and Permanent Representative of Australia to the United Nations

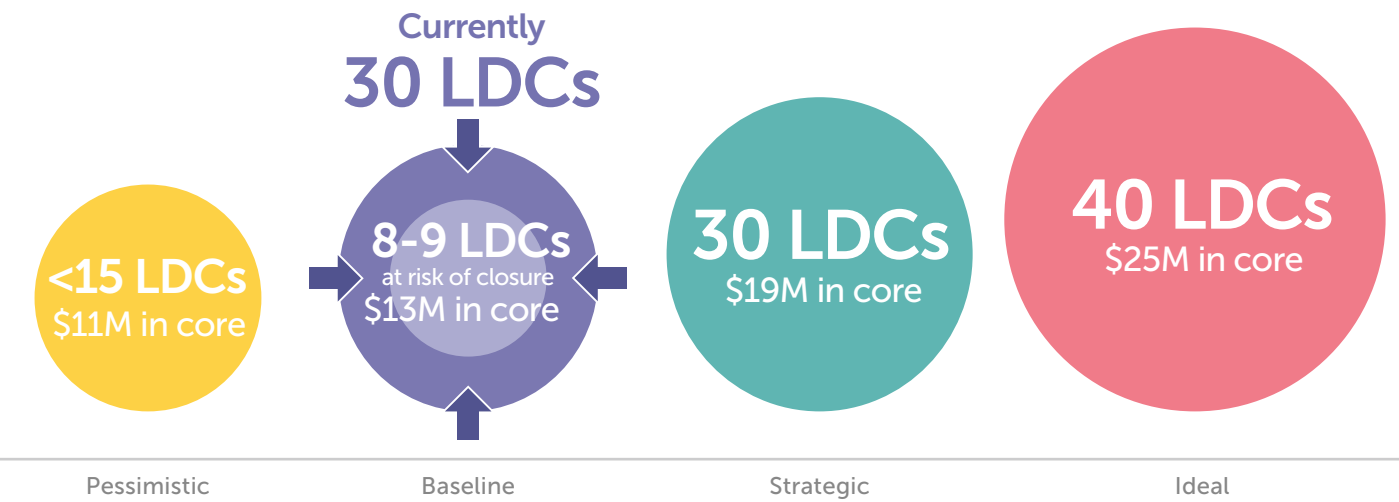
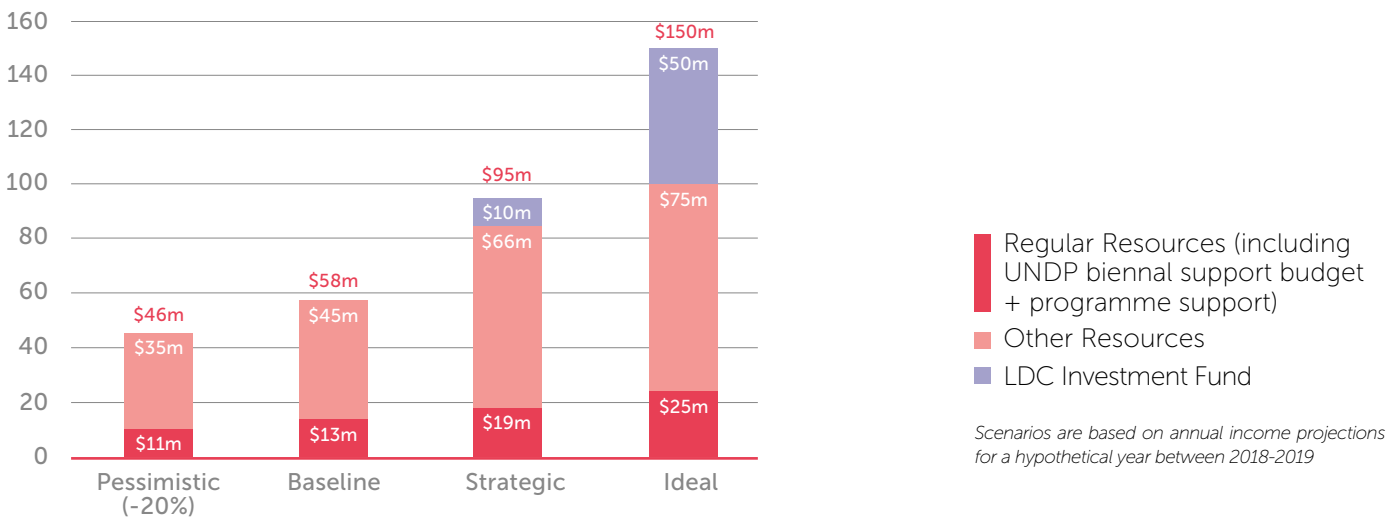


LOOKING FORWARD

With predictable funding and the right mix of resources, UNCDF can be a more catalytic and strategic partner to UNDP and the wider UN development system in testing innovative finance approaches.

The below graph shows the ideal income scenario that would ensure the full implementation of its Strategic Framework, in which UNCDF would have annually \$25 million core, \$75 million in non-core, and a \$50 million LDCs Investment Fund. Under this scenario, UNCDF can be present in up to 40 LDCs.

UNCDF Financial Income Scenarios (US\$ in millions)



UNCDF & SUSTAINABLE DEVELOPMENT GOALS

1 NO POVERTY



17 PARTNERSHIPS FOR THE GOALS



WITH IMPACT ON



ABOUT UNCDF

The UN Capital Development Fund makes public and private finance work for the poor in the world's 47 least developed countries (LDCs). With its capital mandate and instruments, UNCDF offers "last mile" finance models that unlock public and private resources, especially at the domestic level, to reduce poverty and support local economic development. UNCDF's financing models work through two channels: financial inclusion that expands the opportunities for individuals, households, and small businesses to participate in the local economy, providing them with the tools they need to climb out of poverty and manage their financial lives; and by showing how localized investments — through fiscal decentralization, innovative municipal finance, and structured project finance — can drive public and private funding that underpins local economic expansion and sustainable development. By strengthening how finance works for poor people at the household, small enterprise, and local infrastructure levels, UNCDF contributes to SDG 1 on eradicating poverty and SDG 17 on the means of implementation. By identifying those market segments where innovative financing models can have transformational impact in helping to reach the last mile and address exclusion and inequalities of access, UNCDF contributes to a number of different SDGs.



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    /UNCDF