



**David Jackson, Director Local Development Finance Programme Area**  
**Statement to the Annual Session of the UNDP/UNFPA/UNOPS Executive Board**  
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**CHECK AGAINST DELIVERY**

Many thanks Kim, Please allow me to present UNCDF's 2013 results of UNCDF for its two substantive areas of intervention: Local Development Finance and Inclusive Finance.

Local Development Finance. 2013 saw the approval of a revised approach to local development finance, presented to Executive Board in the 2014 – 2017 UNCDF Strategic Framework. The approach acknowledges the new challenges for LDCs in enhancing local basic services, promoting local economic development and increasing local resilience to shocks in an increasingly uncertain environment. Reductions in ODA are leading to an increasing focus on other sources of development finance. UNCDF's approach recognizes that, although growth rates have recently slowed, data from LDC economies indicates a level of gross domestic capital formation (public and private) significantly greater than a decade ago. Yet this resource is often concentrated in unproductive sectors or is not accessible by local institutions and businesses. This means that, for example, there are difficulties in meeting the infrastructure requirements of growing urban areas. Therefore an important challenge now is to find ways of channeling these resources for local development in addition to attracting additional resources from outside.

To this end the Local Development Finance practice will work with Least Developed Country governments to invest its (limited) seed capital and apply its technical assistance with four objectives:

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Firstly, to impact financing at the local level and *mobilise* additional resources for local development;

Secondly, to improve the efficient and effective *allocation* of these resources through local institutions;

Thirdly to promote transformative *local public and private investments*;

and finally to improve *accountability* to citizens.

This is achieved by through urban and rural local governments and through locally sponsored private and public / private investments. 2013 saw the launch of a new set of indicators for Local Development Finance that empirically captures UNCDF results and impact in this area and demonstrate how each dollar invested will produce follow on flows to the ratio described by Kim.

Please allow me to provide you with some Local Development Finance highlights from 2013 Results Oriented Annual Report (circulated to board members). 2013 was the final year of a programming cycle and therefore these results are measured with the previous set of indicators.

In Bangladesh, Benin, Mali, Niger, Lesotho, Lao PDR, Burkina Faso, Timor Leste, Somalia, Bhutan and Solomon Islands UNCDF supported programmes improved the effectiveness of local government investments in basic services and economic infrastructure. In the case of Bangladesh this led to a \$140m IDA loan agreement. In Mali, Niger, Benin and Solomon Islands innovative ICT solutions were used as part of UNCDF's support. In the case of Somalia UNCDF became the largest partner in the UN joint programme and continued a tradition of support to the rebuilding of the state "from the bottom up" by piloting investment budgets that empower local institutions and therefore increase their accountability, legitimacy and relevance to the citizens.

UNCDF also launched a climate financing mechanism specifically designed for Least Developed Countries. The Local Climate Adaptive Living Facility triggers capital flows to the local level for

effective climate adaption and provides a monitoring system to facilitate LDC access to climate finance. By the end of 2013 Bangladesh, Benin, Bhutan and Cambodia had become full members of the facility. Achieving food security is another important element of resilience. With the support of Belgium UNCDF is working with Benin, Mali, Niger, Mozambique, and Burundi in a \$25m programme that build resilient local food production, distribution and storage systems

The effective generation and redistribution of fiscal revenues, including through locally relevant social protection schemes, is a key challenge. A girls' scholarship scheme in Nepal provides support directly to mother's for school enrollment is fiscally sustainable because the newly educated citizens will add value to the local economy and local institutions. This \$2m UNCDF pilot was upscaled by the Ministry of Social Welfare with support from the World Bank. In other examples, local government revenues were increased in Ethiopia and Senegal and in Guinea an experiment was initiated to apply revenue from mining companies for local development.

Now please allow me to turn to the 2013 results from the Financial Inclusion Practice.

Key developments in UNCDF support to financial inclusion in 2013 include the successful launch of our new country level inclusive finance diagnostic and programming tool called "Making Access To Finance Possible" – or MAP – with multi-donor support in a number of countries, including Myanmar. MAP encompasses a comprehensive analysis of existing obstacles to financial inclusion at the country level, followed by a roadmap towards financial inclusion for all stakeholders and development partners to own and to join. The demand for the application of MAP methodology has been strong.

Secondly, UNCDF's global thematic initiatives (Savings: MicroLead, Youth: YouthStart, Clean Energy Finance: CleanStart; and Digital Financial Services: Mobile Money for the Poor, and the Better Than Cash Alliance) are all gaining significant traction and increasing synergy with country sector programmes.

Finally, in response to the portfolio review, SMART Aid recommendations, and evaluations, UNCDF continued to make improvements to its operational systems. Ninety-four percent of the recommendations from the portfolio review are now complete.

In 2013, UNCDF participated for the fourth time in the CGAP SMART Aid1 assessment, receiving a score of 84 out of 100, meaning that overall it has “very good” systems in place to support microfinance, again placing UNCDF among the top two performers among 19 bi- and multilateral development agencies.

At the household level, access to financial services helps poor families and small businesses better manage irregular income, overcome shocks and take advantage of economic opportunities. It also offers an alternative to costly and often more risky informal financial schemes. When provided responsibly, microfinance can be a powerful catalyst for entrepreneurship and for women's economic and social empowerment. Although access to credit is important, access to secure and flexible saving services can also transform the economic lives of poor people by helping them build assets over time.

UNCDF's support incorporates the new drivers of financial inclusion, especially government payments (e.g. G2P), innovative distribution channels (agent banking) and technology (mobile money). Global programmes are designed to complement country programmes by promoting innovations that expand the frontiers of financial inclusion by linking microfinance to specific development results and needs: for example, enabling access to clean energy at household and micro-enterprise level, promoting youth savings and financial literacy, exploring mobile money solutions to help LDCs leap-frog innovations to support financial inclusion.

UNCDF supported inclusive finance programming in 27 LDCs (18 in sub-Saharan Africa and 8 in Asia). Eight countries currently being supported are in post-conflict situations. The number of countries supported via country sector programmes decreased by one, as the lack of core resources constrained the ability to expand country programmes.

In 2013, the FSPs UNCDF invested in are serving 8,927,869 active clients, surpassing the goal of serving 6 million clients. As households comprise five persons on average, this represents an impact on the lives of some 44 million people. Fifty-two per cent of borrowers are women.

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<sup>1</sup> See <http://www.cgap.org/site-search/smart%20aid>

***I would like to highlight that for every one US dollar of core resources UNCDF invested in financial service providers, they succeeded in leveraging US\$2 in deposits. This is key to mobilizing domestic resources for development, getting the money out of the mattresses and into the real economies of the LDCs.***

For UNCDF, inclusive finance must be responsible finance. In 2010, UNCDF began adopted the target of 80 percent of supported FSPs endorsing the client protection principles (CPP) of the Smart Campaign by 2013. We have reached that target, with 84% of FSPs endorsing the principles in 2013.

UNCDF works with development partners to align support and programming with national priorities. Country-level investment committees coordinate country-level funding. These initiatives provided \$181 million in funding for UNCDF-designed programmes to complement and leverage the UNCDF core resources, and thus contributed significantly to the results highlighted in this report.

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In conclusion, for both Local Development Finance and for Financial Inclusion, UNCDF's financial mechanisms are powerful drivers at the local level to combat poverty and inequality and with great potential for a quick expansion over a short period of time because they trigger greater amounts of sustainable financing for development.